

# Wairarapa's Future – Local government reform in Wairarapa

---

## Executive summary

In December 2011 the three Wairarapa councils, through the then Shared Services Working Group, began to consider options for the future governance of Wairarapa in light of the Wairarapa reaction to the 2010 PricewaterhouseCoopers report. The group was renamed the Wairarapa Governance Review Working Party (WGRWP) to reflect the focus of its work - the future council governance and representation arrangements for Wairarapa.

In parallel with the WGRWP's investigations, separate governance studies elsewhere in the Wellington region are also underway. Most recently, the Wellington Review Panel study commissioned by Greater Wellington Regional Council (GWRC) and Porirua City Council was released on 30 October 2012. It proposes a single 'Greater Wellington Council' based on a regional structure responsible for both district and regional functions and encompassing the Wellington region up to Kapiti and including Wairarapa.

The future of local government in Wairarapa is now at a cross-road. It is the WGRWP's view that there are currently just two options for the future:

- a. An independent, amalgamated, single Wairarapa unitary authority, or;
- b. Being part of a larger, Wellington super-city style council.

Greater Wellington Regional will cease to exist under either option.

The status quo, retention of three separate Wairarapa councils, is not an option for the future given the current direction of local government reform and the momentum of reorganisation proposals now in the public arena.

Similarly, a single Wairarapa district council, with a separate regional council, is not an option. It has been overtaken by the Wellington Review Panel proposal which combines regional and district functions under a single regional entity. The Wellington City Council's preferred option involves a unitary authority from Wellington City to Kapiti. A separate regional council is highly unlikely to form part of any reorganisation proposal. The current GWRC is very likely to be disestablished.

A unitary authority differs from a district Council in that it is a district council but has additional regional council functions. It retains the same community presence and people-focus provided by a district council. Governance and representation arrangements are the

same as for a district council. They include a mayor, councillors and may include wards and community boards. A unitary authority is not a regional council under the legislation. Nor are the various suggested options for a Wellington super-city style council.

The financial implications of the preferred Wairarapa options were separately investigated and reported by Morrison Low in September 2012. Their analysis concluded, based solely on the 2012/13 financial information provided by GWRC and the three Wairarapa councils, that a single Wairarapa district council would achieve an initial operating surplus of \$1.66 million due to reduced governance and management costs.

The Morrison Low study estimated that a Wairarapa unitary authority would have an initial net operating shortfall of \$10.9 million, based on current activities and levels of service, Greater Wellington Regional Council's (GWRC's) current rating policies and GWRC's estimations of what it collects and spends in Wairarapa in 2012/13. After allowing for a pre-amalgamation operating surplus of \$654,000, plus the \$1.66 million operating surplus achieved by amalgamating the three district councils, the estimated shortfall would reduce to, at most, \$8.6 million.

The above financial implications are not definitive and are not the only factor to consider when comparing governance options. In the case of the Wairarapa unitary authority option, they need to be viewed in the following context:

- a. The respective cost structures of the current regional and Wairarapa councils will not bear any resemblance to the costing structures of a new governance entity and were based on a single year's budget forecast (2012/13).
- b. The Wellington Review Panel's proposed super-city style governance model would replace GWRC and the eight city/district councils with an entirely new, single council that would undertake regional and district council functions across the entire region. Wairarapa's contribution to that entity may well be greater than any cost deficit arising from the Wairarapa unitary authority taking responsibility for regional council services from GWRC.
- c. The analysis assumes on-going continuation of the current GWRC general rate subsidy for Wairarapa under the super-city proposal. This is very unlikely to be the case because these decisions will be made by a completely new authority with a much greater range of functions and demands for funding than the current regional council. The current subsidy policy is particularly favourable towards Wairarapa scheme ratepayers for flood protection and land management when compared to all other parts of New Zealand. In other regions, these works are mostly funded by targeted rates (often in the order of 90-95% of the total cost compared with 50% in Wairarapa), as shown below:

Scheme rates	Gisborne	Tasman	Marlborough	Wairarapa	Hawkes Bay RC
<b>General Rates</b>	5 %	2 %	8 %	50 %	10 %
<b>Targeted rates</b>	95 %	98 %	92 %	50 %	90 %

- d. The costs of regional council services to other councils in the Wellington region (except Wellington City Council) are also subsidised. The subsidy is heavily funded by GWRC rates collected from the Wellington CBD area. This is not sustainable and there is a distinct risk that at some time under a different governance arrangement, it will be changed.
- e. The costs assume that the levels of service currently provided by GWRC are the minimum necessary. The actual levels of service acceptable to a rural/provincial community may well be quite different from a metropolitan area.
- f. The Morrison Low study included a high-level comparison of the cost of delivering comparable activities at a selection of other unitary authorities. It identified:
- i. the rating levels for all relative measures, based on the current cost of the three Wairarapa district councils plus the cost of GWRC services currently funded by Wairarapa ratepayers, was within the range of rating levels for the comparable unitary authorities.
  - ii. when the full apportioned cost of GWRC's services to Wairarapa were compared, the combined Wairarapa district and GWRC apportioned rating level was higher per capita and per dollar of land value than all three unitary comparator councils, but at the upper end of the range for rates per rateable property and per dollar of capital value (see Clause 9.7).
  - iii. the relative cost of delivering planning and regulatory activities, based on the regional council's current levels of service, are more than twice as costly (\$3.5+ million more) as two of the comparator councils and \$2 million more costly than the other (see Clause 9.7). These comparisons are based on Statistics NZ Local Authority Financial data.
  - iv. further savings in the medium to long-term should occur in activities such as roading, and purchasing of materials and contracts.
  - v. the costs per capita, per hectare and per rateable property for the regional council environment and water and air activities are significantly higher for Wairarapa than for similar unitary councils (based on regional council-supplied data. See Clause 9.7). Environment costs in Wairarapa are more

than double that of each of the comparator councils.

In summary, the 'funding gap' is a snapshot in time. It approximates the current arrangements, not the new. It is underpinned by a very generous general rate subsidy policy, reviewable every three years or sooner, that is heavily funded by Wellington CBD ratepayers. It is not likely to be sustainable. GWRC's budgets reflect a metropolitan-based, regional council spending culture and elevated levels of service, as highlighted in the Morrison Low benchmarking study. It takes no account of dividends, debt reapportionment on assets not yet built or not located in Wairarapa, asset transfers and real estate apportionments that would become due to Wairarapa. It assumes that the \$3.4 million public transport cost, net of income, will become a charge against the Wairarapa i.e. that the current funding policy will change – it may not. The impacts of merging nine separate rating systems into one have not been considered. If Wellington has 'lost its way', as stated in the Wellington Review Panel report, what will be the cost of finding its way? What will the gap be then? What will the gap be after a new Wairarapa unitary has drawn in, reviewed and taken control of its own regional and district activities and services? That is not known. But if Wairarapa wants to decide what that should be, it needs to control its own destiny by retaining responsibility for making major decisions affecting it.

The WGRWP has considered all options for future governance arrangements in Wairarapa. **Its preference is for a single, Wairarapa unitary authority**, with appropriate arrangements with Wellington metropolitan councils for functions of mutual and strategic benefit, for the following reasons:

- a. Wairarapa is characterised by its own distinct community of interest. It is geographically separated from the western side of the Wellington region by the Rimutaka and Tararua Ranges. Its water catchment and air shed are physically independent of Wellington. Its people are accustomed to a durable, rural/provincial lifestyle and living standards, as distinct from a city lifestyle, services and environment
- b. A Wairarapa unitary authority would be elected by, and be accountable to the Wairarapa community. It would intimately understand the rural/provincial voice. It shares a common vision, makes its own plans, decides its own policy and controls its own funding and expenditure, all in consultation with its district community. The people elect their own mayor. The council involves its community in local decision making through community boards with meaningful roles and delegations. It would employ its own staff, set its own budgets and manage its own natural and physical assets and resources
- c. The Panel's super city proposal would remove Wairarapa's political autonomy and right to self-determination. It would probably have a single Wairarapa representative (i.e. only 10% of the decision making 'voice') and a local Wairarapa 'council' to undertake limited operational functions. The chair would be called a 'mayor' but appointed from within, not elected by the district residents he or she represents. It could set up community boards but with little added value. It would

have no staff, no funding powers or financial management. Budgets would have to be sought and approved each year from a Greater Wellington Council. The Wairarapa 'council' would have no assets and would not manage Wairarapa's physical and natural resources.

- d. A Wairarapa unitary authority would:
  - i. control its own destiny through retention of its own leadership, assets, financial management and staff
  - ii. best fit with the shared vision, objectives and strategic positioning for Wairarapa's future governance structure
  - iii. retain the rural voice on environmental and land use planning policy
  - iv. provide autonomy and responsibility for the integrated planning, control and delivery of both regional council and district council functions
  - v. promote good governance through a simplified, integrated and cohesive model
  - vi. improve management capability and capacity
  - vii. provide unified and expedient decision-making across Wairarapa
  
- e. Community support through feedback received across a wide range of channels by the WGRWP has clearly and consistently shown that Wairarapa people:
  - i. strongly support a single Wairarapa council
  - ii. do not want their region to be part of a single Wellington council
  - iii. see Wairarapa and Wellington as different communities of interest and economies
  - iv. believe that there should be a close relationship and cooperation between Wairarapa and neighbouring regions on issues of strategic and mutual interest.
  
- f. The preferred separate Wairarapa unitary authority leaves Wairarapa with governance options in the future. Being part of a super-city proposal now could not be reversed.
  
- g. It provides direct control over regulatory compliance costs – for council and the community.
  
- h. It provides increased certainty of community involvement in decisions on local government activities.
  
- i. Decisions on levels of service, expenditure, financing and rating policies, methods of service delivery and regulatory compliance would be made locally by the Wairarapa unitary authority together with and on behalf of Wairarapa's community, in keeping with Wairarapa's values and rural/provincial lifestyle.
  
- j. Accountability for decision making would reside with the Wairarapa unitary authority, elected entirely by and for Wairarapa people.

- k. Increased synergies would be achieved through strategic alliances with neighbouring authorities and government agencies.
- l. Increased opportunities for shared service arrangements across district and regional functions would become available for Wairarapa to evaluate and extract best value on behalf of its ratepayers. It would not have to automatically accept Wellington-provided services.
- m. Other areas of similar size and nature have successfully operated as unitary authorities for many years.

The proposed governance and representation structure for Wairarapa is summarised as follows:

<b>Governance Issue</b>	<b>Preferred Option</b>
<b>Governance type</b>	Wairarapa unitary authority
<b>Number of councillors</b>	12 (plus mayor)
<b>Basis of representation</b>	Ward based
<b>Number of wards</b>	Seven wards, with the current Carterton rural ward redistributed across an expanded Carterton urban and Masterton rural wards. The remaining wards to approximate their respective current ward boundaries
<b>Number of councillors elected at large</b>	Nil
<b>Community boards</b>	Retention of the current three community boards at Martinborough, Featherston and Greytown, plus an additional community board for each of Carterton and Masterton. Community board boundaries are to coincide with ward boundaries.
<b>Ward committees</b>	Not considered necessary under the proposed community board structure
<b>Rural advisory committee</b>	Recommend a rural advisory committee given the preference for a unitary authority and that the rural wards sit outside the proposed Masterton community board.
<b>Maori participation in Council decision making</b>	Recommend that a structure be set up as a mechanism for regular consultation with Maori on matters of mutual interest, with the final form and function to be decided following consultation with local iwi

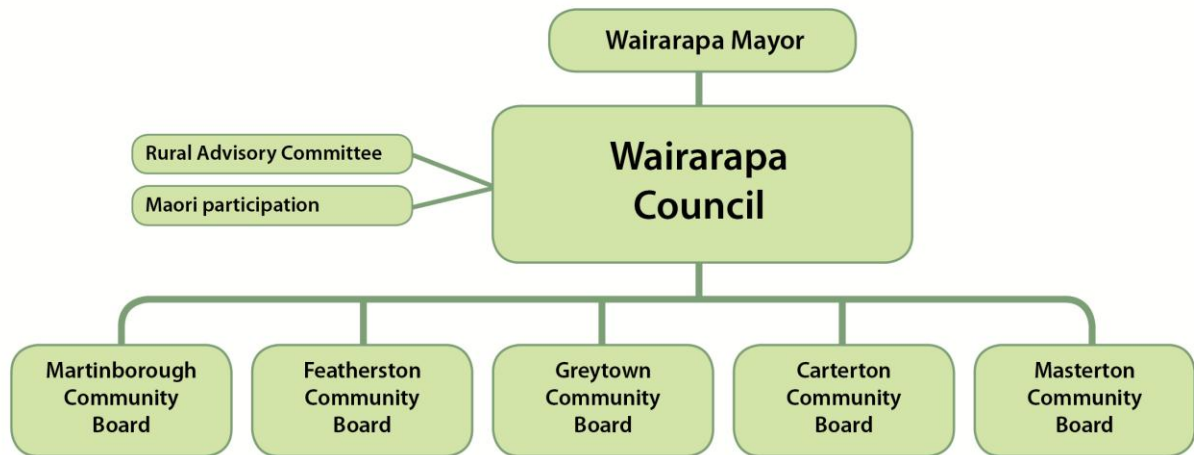


Figure 1: Wairarapa Preferred Governance Structure

Ultimately, the final decision might rest with Wairarapa electors. Or, in the case of a proposal for a single Wellington council that includes Wairarapa, with electors from the entire Wellington and Wairarapa region. The proposed poll provisions in the Local Government 2002 Amendment Bill, if requested by at least 10% of eligible electors through a petition, provides for a binding decision on a proposal by simple majority of valid votes cast. In the absence of a valid petition signed by the required minimum 10% of electors, there would not be a poll – the Local Government Act 2002 Amendment Bill removes the mandatory poll provision.

The Local Government Act 2002 Amendment Bill was introduced to Parliament on 30 May 2012 as the first phase of the reform programme. The Select Committee reported back on the Bill on 30 October 2012. The Minister of Local Government has expressed a hope that the new legislation will be passed before Christmas 2012.

As currently drafted, the proposed changes will, *inter alia*, streamline the opportunity for reorganisation of local government by removing the compulsory polling requirement. If a valid demand for a poll can be made, it will be decided by a simple majority of votes across the council areas affected by the proposal. Consequently, the structure of local government in Wairarapa will be able to be more readily changed by either the Wairarapa community, or others.

The opportunity for leading and influencing the future destiny of local government in Wairarapa is, therefore, now.