

10 February 2015

Sandra Preston
Chief Executive
Local Government Commission
Wellington.

Dear Sandra,

Errors in Table 37 of the Wellington Proposal

I am writing in response to the correspondence from [REDACTED] regarding Table 37 of the Draft Proposal for Reorganisation of Local Government in Wellington.

Table 37 of the report relies principally on the work of Stimpson & Co. In developing the report we took the values from their report and incorporated them into the report and the discussion. In his letter of 7 February David Stimpson identified the errors that were made with respect to use of the low-end IT costs rather than the mid-point IT costs for the one Wellington options. We did not pick up that error and it was translated into the drafts and final versions of the report. We apologise for this oversight. We should have identified this error. In our rush to complete the report we did not devote sufficient time to cross checking this work before including it in the report.

There are two options included in Table 37 that Stimpson & Co. did not develop. The "One Wairarapa and One Hutt Valley Territorial Authority plus WCC, PCC and KCDC" option and the "Three Territorial Authorities" option were produced as the simple sum of the values produced by Stimpson & Co. for the options that were combined to create them.

Unfortunately, as Stimpson & Co. have identified, there is an error in Table 37 relating to the annual savings for one of these options. The annual savings for the Three Territorial Authorities option should read \$31.6m, not 28.6m. This is a transcription error that we did not capture in our review and quality control process. We apologise unreservedly for this error. Similarly, there is a transcription error in the NPV of the One Western Territorial Authority option. The value of \$148m shown on Table 37 should read \$143m. Again we did not pick up this transcription error in our subsequent quality control process.

No NPV is provided in Table 37 for the two options that were produced by addition because it would have required further analysis by Stimpson & Co. This was not done because of the time pressure to complete the report. For the sake of completeness we should have asked Stimpson & Co. to complete that calculation for the final report. It would make sense for the Commission to include this with any correction of the report that it produces.

The letter from Stimpson & Co and the comments above set out the corrections that need to be made to Table 37. In addition there are two consequential corrections that need to be made in the following text. In paragraph 6.369 the range of estimated transition costs needs to read "between \$32 million and \$210

million", and in paragraph 6.373 the second to last line should read "Enhanced Local Efficiency option) and 5% of transition costs for the larger ..."

From our reading of the rest of the Part 6 of the report there are no further corrections that would be required to reflect the correction of the errors in Table 37.

We fully understand the difficulty that any errors of this nature presents the Commission whilst it is in the midst of a very challenging public process. We unreservedly apologise for these errors. If there is anything further that we can do to assist with correcting these errors please do not hesitate to call me.

In closing we feel that it is important to note the very significant discussion through pages 218 and 220 of the report. The estimated costs of ICT changes that were produced by Deloitte are the most significant cost element in the estimated transition costs. The difference in the range of ICT costs between the low estimate and the high estimate is substantial, and the level of uncertainty around these costs is significant. The Commission may wish to note these factors in any public correction of the report.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'P. Winder', with a long horizontal flourish extending to the right.

Peter Winder
Director