



Civic Administration Building
838-842 Fergusson Drive,
Upper Hutt
Private Bag 907, Upper Hutt 5140
Tel: (04) 527-2169
Fax: (04) 528-2652
Email: askus@uhcc.govt.nz
Website: www.upperhuttcity.com

Local Government Commission
PO Box 5362
Wellington 6145

File: 306/20-001 and
326/01-005

26 February 2015

Submitter details

I Wayne Guppy, Mayor of Upper Hutt City Council, make this submission on behalf of Upper Hutt City Council. I wish to appear before the Commission to speak to our submission. I can be contacted on 04 5272 156.

Upper Hutt City Council's submission on the Draft Proposal for Reorganisation of Local Government in Wellington (Dec 2014)

Upper Hutt City Council opposes the draft proposal for reorganisation of local government in the Wellington region for the following reasons:

- 1 The proposal is not evidence-based, it is ideologically driven.
- 2 We know that better outcomes could be achieved by strengthening our current approach to regional collaboration, but the Commission rejected this option out of hand without thoroughly assessing its viability.
- 3 The establishment of a supercity fundamentally undermines the democratic principles of local government by reducing local communities' right to influence local decision making.
- 4 Because it's a priority for our community, we've been fiscally prudent and kept our debt levels low without compromising on the level of service to ratepayers or quality of our assets and infrastructure.
- 5 The Commission's proposal attempts to rationalise the huge regional debt Upper Hutt ratepayers would take on in an amalgamation scenario by implying that we've not maintained our assets to an adequate standard, and the costs of maintaining these assets will be beyond the means of Councils like Upper Hutt. This is incorrect and misleading data.
- 6 We submit that the Commission should take another look at the enhanced status-quo model outlined in our alternative application "*An integrated governance framework for the Wellington Region (2013)*", as it is now abundantly clear that some version of this model is the only option that will succeed in the Wellington Region.

1. The proposal is not evidence-based, it is ideologically driven.

The Commission's proposal for change does not provide enough evidence to suggest that the problems facing local government in the Wellington region warrant wholesale change. There is no reliable evidence that the Commission's proposal would achieve the positive outcomes we all desire (i.e. conclusive evidence that savings would be achieved, efficiencies gained, decision making processes improved etc.). There is on the contrary, the current approach, with some enhancements that would achieve the same objectives at a significantly lower cost.

Based on the fundamental lack of research and analysis contained within the report, Upper Hutt City Council can only conclude that the evidence carries little weight. In fact, the Commission's approach to the entire review process suggests that it has been ideologically driven and that the outcome has always been a foregone conclusion. There is no impetus for such wholesale change in the Wellington region. The Commission itself acknowledges that Wellington is not facing anywhere the same degree of dysfunction that necessitated reorganisation in Auckland. Therefore, this proposal is very much a case of change for the sake of change, despite the evidence that things are working well across the Wellington region.

The Commission appears to have assumed that bigger is better, but we know this is not necessarily the case and have provided the Commission with international, peer-reviewed evidence¹ which shows that medium sized local authorities (40,000 – 80,000 population) are more efficient than small and large local authorities. Instead of paying heed to such evidence, the Commission's proposal makes assumptions based on the Auckland example, which do not apply to Wellington.

The words 'unlikely' and 'likely' are used 125 times throughout the Commission's proposal. This is one of many examples of the way in which the Commission has frequently relied upon discretionary judgement in place of thorough assessment. In some cases the answers or outcomes cannot be known, but there are many cases in which reliable assessments could have been made if the Commission had thoroughly analysed the data available to them. While it is pointless to challenge the Commission on each and every one of these judgement calls, we wish to highlight the degree of power the Commission has had in its ability to dismiss facts, evidence and alternative options.

The Commission has admitted that it cannot be sure how effective a supercity would be in achieving its desired outcomes. Auckland has yet to benefit from the promised efficiency gains and so the rhetoric surrounding amalgamation benefits for other regions has changed as a result. The truth is, while Auckland Council may only have one Chief Executive, they now employ around 8500 staff and the number of staff paid over \$100,000 per year has risen by a staggering 53% over the last two years. Furthermore, Auckland Council is proposing to spend significantly more money (and rack up significantly more debt) than the total spent by the eight former councils prior to amalgamation. This may be necessary for Auckland to address its housing and transport issues, but it dispels the myth that supercities are cheaper, and definitely calls to question whether Wellington needs to follow the same path given it does not face the same pressures or challenges as Auckland.

¹ UHCC, *Alternative application to the Local Government Commission*, 2013, pages 37-42.

2. We know that better outcomes could be achieved by strengthening our current approach to regional collaboration, but the Commission rejected this option out of hand without thoroughly assessing its viability.

The Commission suggests that the ability of the current governance structure (and all other alternatives proposed) is less effective at tackling both regional scale issues such as transport, flood control, environmental management and economic development along with local issues within smaller communities of interest at the same time. This assertion completely ignores the fact that the current structure in the Wellington region is already providing “good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”² at both the regional scale and the local scale ‘at the same time’.

Upper Hutt City Council has always maintained that councils in Wellington can continue to achieve better outcomes under an enhanced status-quo model of governance. Since well before the governance review process, joint committees, regional panels, council-controlled organisations and other governing bodies have been established to enable the kind of collaborative planning and decision making processes everyone agreed were desirable. While it is not perfect, it is far more democratic and great efficiencies have been gained as a result of this approach and better service levels have been offered to ratepayers.

For example, the Wellington Regional Economic Development Agency (WREDA), the CCO Wellington Water, and the Wellington Regional Waste Minimisation and Management Plan are all successful examples of regional shared service delivery in key core service/strategic areas. The establishment and success of these joint entities in delivering outcomes demonstrate that a supercity governance structure is not necessary to achieve strategic regional outcomes. Furthermore, the region has achieved this level of cooperation despite the upheaval caused as a result of the regional governance review process. Yet the Commission dismisses the proposal of increased shared services through regional committees and CCO's because it assumes it will fail to deliver, and hence, it proposes to undermine what has been achieved, before even giving it a chance to begin.

Legislative change is a viable option for mitigating any issues around joint regional bodies, such as non-consensus and/or an unwillingness to commit local resources to joint projects, without forcing a \$210 million amalgamation of the region.

There is no good reason why the Local Government Act could not be amended, where appropriate, to make the decisions of some bodies binding, membership compulsory and budgetary processes legislatively controlled to ensure equity and accountability. And yet, this option was not properly considered by the Commission. In fact, Upper Hutt City Council would have prepared an alternative application to this effect at the outset of the review process, if the Commission's rules had not prevented us from doing so, on the grounds that it would not qualify as a valid alternative proposal. Instead, we were forced to prepare an application that supported the Wairarapa's proposal to create a unitary authority alongside an enhanced status-quo model elsewhere in the Wellington region. Consequently, upon dismissing the Wairarapa's application on the grounds that it was not a reasonably practicable option, the enhanced status-quo proposal was automatically dismissed alongside it.

As such, the viability of an enhanced status-quo model has never been properly investigated. This is unacceptable, because in our opinion an enhanced status-quo option is the most affordable, least disruptive and most achievable path to improving local government outcomes in the Wellington region.

For example, while WREDA has been established to deliver improved and strategic economic growth outcomes for the Wellington region, the reality is that regional economic growth will ultimately respond

² Section 10, *Purpose of local government*, Local Government Act 2002.

to market forces beyond Councils control. This is evidenced by the simple fact that the Wellington region's Gross Domestic Product is still significantly higher than (and has maintained pace with) Auckland's³, despite the implementation of 'supercity' infrastructure in Auckland. And while large regional transport infrastructure projects are key drivers for future growth (e.g. the northern corridor, airport runway extension, etc.), projects such as these are happening or are in the pipeline, and would just as easily be expedited through a transport CCO, saving local democracy and significant (\$210M) transitional costs in the process.

Finally, the Commission has cited that the region has over 300 plans and that the *regulatory function* is overcomplicated and that the region's economy is failing on numerous indicators. This assertion has missed two key points:

The process of restructuring local government and preparing a new Unitary Plan for Auckland has been complex and challenging, with that Plan still to become fully operative. Even though that process has been in train for a number of years the efficiencies touted as a benefit of the restructure are yet to become apparent.

The Commission readily admits that the agency best placed to introduce changes that will genuinely improve the efficiency of planning processes is central government. The myriad of plans at different scales and over multiple jurisdictions largely reflects the legislatively required processes and functions Territorial Authorities are responsible for administering. If there are opportunities to streamline these processes they could be achieved by legislative change. Furthermore, local plans would still be necessary, so amalgamation would not necessarily reduce the amount of planning activity required, it would just change the way these activities were coordinated. Anecdotally, this has been verified by a number of national development organisations which have said that due to the massive size of Auckland Council, it was easier to work with the former more responsive Councils under the old structure.

3. The establishment of a supercity fundamentally undermines the democratic principles of local government by reducing local communities' right to influence local decision making.

In failing to adequately assess all the available options, the Commission has missed a perfect opportunity to put forward a proposal that provides a greater degree of shared direction and purpose without undermining the unique character and interests of our communities.

The people of Upper Hutt have made it very clear they do not want to be amalgamated. If a supercity were established in spite of this overwhelming opposition, it would confirm the very fear upon which our community's decision was based – that in the midst of regional decision-making processes, Upper Hutt's voice will be lost.

When our community was surveyed, 80% of people did not support a one council model of governance. Their clear preference was an enhanced status-quo. This means that of all the options presented, our community believe the current model (with enhanced shared services) serves their interests best. The Commission knew it needed to put forward a strong case to justify their decision, but they don't have one. Instead, the Commission has used the extreme minority as evidence of 'demonstrable support' for change.

³ Statistics NZ: Regional Gross Domestic Product – March 2014.

Local Boards will not compensate for the disenfranchisement that will occur as a result of the Commission's proposal. Local Boards will have very limited budgetary control and their authority and ability to respond to the public is severely restricted by the nature of their powers. While they may receive feedback, ideas and advice from their community, this information is rarely effectively 'filtered-up' to the Governing Body in any detail. Instead local nuances are lost within the total voluminous reporting received by the governing body from Local Boards and CCOs alike, making much of the community's correspondence with their Local Board meaningless, and very much a model of tokenism democracy.

This is one of the biggest complaints from Aucklanders regarding the impact of local government reorganisation. They take time and energy to engage with their Local Boards, only to be told that their Board has no ability to address the issues they have raised. They may well then petition their Councillors, but often their Councillors do not have sufficient influence within the Governing Body to achieve the results desired by their community, and therefore the local democratic process is undermined.

The Commission's proposal suggests that this issue can be fixed by appointing Councillor representation to the local boards. Again, the Commission has missed the fundamental point that any local complexity and nuance will be lost as soon as the Councillor returns to the supercity table. 'Local' issues will be overridden by more pressing 'supercity' matters. If they do get a chance to be discussed, in the case of Upper Hutt, the local representatives will only be two voices against nineteen others, all with equally pressing local issues. In this environment, the focus will inevitably drift towards the larger urban centres with greater representation at the supercity table.

Furthermore, this proposal may well create a situation in which two Councils (Auckland and Wellington) control almost half of the country. The likelihood that these two Councils would be accountable and responsive to the needs and desires of the community is low. This degree of centralisation is a staggering change to the principles upon which local government in New Zealand operate, and as such a much broader national debate is required before this model of governance is rolled-out nationwide.

Upper Hutt City Council is also concerned that the Commission is not following the required legislation. As the Commission has identified eight reasonably practical options, the legislation⁴ requires that it's preferred option best promote the purpose of local government (to enable local democratic decision-making and provide cost-effective services) and facilitate improved economic performance. Yet local boards are an inefficient and ineffective way of providing local democracy and the Commission's own analysis of the net benefits and potential savings of each possible option scores the draft proposal as fifth out of eight on the table of "*Enhanced Local Efficiency*"⁵. It is of no surprise that the highest ranking net benefit option involves no change to council boundaries

4. Because it's a priority for our community, we've been fiscally prudent and kept our debt levels low without compromising on the level of service to ratepayers or quality of our assets and infrastructure.

In contrast with the assumptions made by the Commission, Upper Hutt has "*good-quality local infrastructure*"⁶ with a long service life ahead of it which is delivered from the lowest rates per capita in the region. This is because Upper Hutt City Council has excellent local knowledge of its assets and is an extremely prudent manager of those assets, as per the community's wishes.

⁴ LGA 2002, Schedule 3, clause 12(1).

⁵ LGC, *Draft proposal for Reorganisation of Local Government in Wellington*. Table 37: Comparison of the "reasonably practical options" regarding the costs of potential transition and potential savings.

⁶ Excerpt from Section 10, the '*Purpose of local government*', Local Government Act 2002.

Upper Hutt residents also contribute to regionally significant infrastructure such as the regional rail public transport network through their regional council rates. The network has just gone through a series of significant costly upgrades improving its performance and reliability. The delineation between local and regional costs is clear to residents and for the most part, residents are happy to pay for regional infrastructure that benefits their community without the loss of local accountability.

At the sub regional scale, Upper Hutt and Lower Hutt happily share infrastructure costs where it is efficient and commercially viable to do so. For example, the Commission described an inefficient allocation of resources situation that occurred between North Shore, Water Care and Waitakere City prior to amalgamation with respect to access to North Shore's waste water treatment plant. In contrast, Seaview Waste Water Treatment Plant is already jointly funded and managed by Upper Hutt and Hutt City Council's as but one of many sub-regional shared service agreements.

The Commission's draft proposal also argues that it needs to deal with inequality and differing service levels. Yet why should Upper Hutt residents be forced to meet their neighbour's standards when they have repeatedly asked for Council to be prudent. For example, Upper Hutt residents should not be required to pay for six public swimming pools in Lower Hutt, when per head of population the equivalent level of service against Upper Hutt's one public swimming pool would be to fund two or possibly three pools in Lower Hutt. Thus, the current model of planning and investment has evolved in accordance with our local community's wishes and needs, and therefore, it is already equitable and effective.

As with infrastructure, "*local public services*"⁷ in Upper Hutt are also in line with the community's wishes and expectations. Our facilities are thriving and local services are affordable and fit-for-purpose, which means Upper Hutt achieves the requirement for '*efficiency and effectiveness*' in service delivery. The inevitable decline of local public services in Upper Hutt under a supercity, whether through underrepresentation or budgetary cuts, is strongly opposed by Upper Hutt residents.

5. The Commission's proposal attempts to rationalise the huge regional debt Upper Hutt ratepayers would take on in an amalgamation scenario by implying that we've not maintained our assets to an adequate standard, and the costs of maintaining these assets will be beyond the means of Councils like Upper Hutt. This is incorrect and misleading data.

The Commission's proposal contains many errors (both data and assumptions) that have been used to inform and support its arguments. This is most apparent in the Commission's 'unaffordability' argument. In essence, the Commission has used an MWH report with incorrect and misleading data for Upper Hutt's underground infrastructure that makes Upper Hutt look financially unsustainable. This could not be further from the truth.

The pipe network data used by the Commission, on page 68 of the proposal, to in part justify not ring-fencing debt in an amalgamation scenario is completely inaccurate. The Commission report makes a sweeping statement that 70% of wastewater and 31% of Upper Hutt's water supply pipes are in poor or very poor condition. The report then goes on to say "*it is reasonable to assume that all these pipes will have to be replaced within the next 10 to 30 years.*"⁸ The Commission then concludes (based on this erroneous assumption) that repair and maintenance are beyond the means of Councils like Upper Hutt.

⁷ Excerpt from Section 10, the '*Purpose of local government*', Local Government Act 2002.

⁸ LGC, *Draft proposal for Reorganisation of Local Government in Wellington*, Volume 2, point 3.35, p68.

The truth is that only 17% of waste water pipes and 15% of water supply pipes need replacement within the next 10 to 30 years. One hundred per cent of expected maintenance and replacement costs for these assets have already been budgeted for in our Long Term Plan and we still have the cheapest rates per capita in the region.

Given this false data is used to justify the Commission's position that post amalgamation debt redistribution is equitable, and the current governance model for infrastructure management is inefficient, these errors are very significant mistakes. We also note that Commission has revised the costs of creating the supercity once again, to over \$210 million. Our public want to make decisions on facts, yet that's hard to do when the goalposts keep shifting. We think these compounding errors call into question the credibility of the research and analysis upon which the Commission's proposal is based.

6. Conclusion

The Councils of Wellington have made great progress together, proving that a supercity is not the only way forward - yet the Commission has rejected the enhanced status-quo model without providing a good, evidence-based reason why. If there are options that would improve regional collaboration in other key strategic areas, without spending \$210 million dollars of ratepayer money, sacrificing our communities' right to local governance, and reducing our democratic representation then they deserve proper consideration.

As per the examples outlined within this submission, Upper Hutt City Council submits that the Commission has too easily dismissed the alternative options and that it has done so on the basis of incorrect information and poor analysis. Further, that the supercity proposal actually undermines the purpose of local government in the Wellington region. The Commission needs to listen to the people and take a more collaborative approach in finding a more efficient and effective way forward for the Wellington region. To this end, Upper Hutt City Council submits that the Commission should take another look at the enhanced status-quo model outlined in our alternative application "*An integrated governance framework for the Wellington Region (2013)*", as it is now abundantly clear to all, that some version of the enhanced status-quo model is the only option that will succeed in the Wellington Region.



Wayne Guppy

**HIS WORSHIP THE MAYOR
UPPER HUTT CITY COUNCIL**