

ANALYSIS OF LOCAL GOVERNMENT COMMISSION DRAFT PROPOSAL FOR WAIRARAPA DISTRICT COUNCIL

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Summary and Conclusions

The Local Government Commission (LGC) Draft Proposal for Wairarapa District Council (the proposal) recommends amalgamation yet the officials advising the LGC can offer no compelling reasons for amalgamation. (See [Why Amalgamate](#))

The proposal concludes that there are 10 advantages from an amalgamated Wairarapa District Council. Some of these advantages were identified as benefits in the earlier Consultation Document. **Review of the “advantages” shows that none are compelling, providing no real benefits with the issue of modest financial gains being so poorly addressed that it is more properly classified as a disadvantage. (See [Suggested Advantages](#))**

The LGC identified 5 disadvantages. Of these, three are mere truisms and can be ignored. The two remaining disadvantages go to the heart of democratic representation and regional influence. **They are true disadvantages with real costs and no offsetting benefits. (See [Suggested Disadvantages](#))**

When the LGC Consultation Document was circulated in 2016, several additional disadvantages were ignored. Some have been addressed in this Proposal, particularly rates and debt, but there are still disadvantages that have not been addressed by the LGC. Further disadvantages, not identified as such by the LGC, are also apparent and these are set out in the last section below. **Many are significant and militate against amalgamation.**

Ratepayers and voters of the Wairarapa are being asked to approve an amalgamation where the **advantages are hollow or are actually disadvantages, the disadvantages are only too real, particularly the certain reduction in democratic representation and regional influence, and there are additional disadvantages not addressed by the LGC.**

The case for amalgamation is still NOT MADE.

Why Amalgamate

The LGC have been working on Wellington local government for many years. In 2015 consultation revealed an absence of community support for large scale change in the Wellington Region but some degree of openness to more specific and targeted change.

LGC concluded that the only option for local government change in the Wellington Region that has a **sufficient** level of community support to have a **reasonable chance of success at a poll** is the merger of the three Wairarapa district councils to form **a single district council**, with the **existing local government arrangements remaining in place elsewhere in the Wellington region**.

So why would the LGC be so keen to make the change?

The LGC's officials' advice says that like many other rural and provincial councils the Wairarapa faces a range of challenges. However the officials are clear that the three current Wairarapa district councils are all undertaking their responsibilities as territorial authorities effectively and that none of the existing three councils can be regarded as currently failing in relation to infrastructure. The officials further advise that changes in population structures are not yet preventing the existing councils from undertaking their responsibilities effectively. The officials consider that the major rationale for amalgamation, removing duplication in decision-making processes and support staffing will not necessarily result in major efficiencies.

Furthermore when testing whether the proposal meets the legal test of "democratic local decision-making and action by and on behalf of communities" and "the ability to meet current and future needs of communities for good quality local infrastructure, public services and regulation", the officials advised the LGC that the current set up works just as well as the proposal. The only advantage of the proposal is that it delivers 'good quality'. This concept refers to efficient delivery of infrastructure services and "fitness for the future", items that the LGC says are currently not an issue.

The officials also suggested that amalgamation will facilitate improved economic performance in Wairarapa through efficiency and cost savings, productivity improvements and simplified planning. These are all considered below and only one, simplified planning, has a fact base that supports the idea that it will improve economic performance. The other claims are demonstrably false.

To be blunt the LGC cannot provide compelling reasons to amalgamate.

Suggested Advantages

Suggested Advantage

Discussion

Advocacy for the Wairarapa community as a whole

This was covered in the Consultation Document as Clarity of Voice and Purpose

The emphasis has changed in the proposal towards a pre-supposition that there is a pan-Wairarapa world view, it just hasn't been well articulated.

This is based on, among other things, statements in the 2013 application to the LGC for a Wairarapa Unitary Authority. It is clear from talking to participants in that process that these statements were made to ensure Wairarapa was not swallowed by the Wellington Super City, not on any reasoned evidence of a Wairarapa wide identity and world view. This view is supported by the number of long term residents who still hark back to the pre 1989 local government reforms and lament the passing of their local county or borough council.

In the absence of high quality local body politicians a pan-Wairarapa view has not emerged to be articulated. Parochialism continues to be an issue with Masterton taking a different view of the Wairarapa from the rest. For example, Masterton has focused on promoting itself to Aucklanders while the other councils, recognising the geographic realities, have promoted themselves to Wellingtonians. Only recently, in the face of failure, have Masterton changed their approach.

The only areas with a discernable pan-Wairarapa view are Ruamahanga catchment management and Iwi Maori. Catchment management is primarily a regional council issue and Treaty Settlements are Iwi to Central Government arrangements that impose obligations on local government.

The teasing out and articulation of a pan-Wairarapa view in the event of an amalgamation will be a function of the leadership provided by the Wairarapa Mayor, Councillors and CEO and building on the more developed Wairarapa wide view of local iwi. But just amalgamating will not, in and of itself, create the political leadership required to forge a Wairarapa wide view to give voice to.

The diversity of the Wairarapa – urban and rural; dairy and dry stock farming; high value agriculture and commodity agriculture; pro irrigation and anti-irrigation etc. etc. mean that this single point of view will take time to emerge. The reduction in representation caused by the proposal may mean some views are drowned out.

The advantage, Advocacy for the Wairarapa community as a whole, is at best, a minor advantage but it is so weak that it cannot provide any compelling support for the idea of amalgamation.

One set of council rules and fees

The Wairarapa Combined District Plan suggests that the provision of common rules and fees etc. is not reliant upon amalgamation.

Unfortunately progress on Wairarapa wide initiatives such as economic

Suggested Advantage

This was covered in the Consultation Document as Development of one set of local plans policies and standards

Easier and cheaper to do business for companies, and sporting and community groups that work across the Wairarapa

Simplified council decision making

Discussion

development and arts, culture and heritage have foundered lately due to a systematic failure of the Masterton District Council to engage with the other councils.

This indicates that cross valley combined initiatives may have gone as far as they can under the current structure but that is not an argument for amalgamation.

Placing disproportionate power in the hands of Masterton voters and politicians, which this proposal does, will ensure the accelerated demise of the rest of Wairarapa. Masterton has demonstrated, for example with the refresh of the CBD, an ineffective approach to provision of local services that the proposal will embed.

Of course it is not just the Masterton District Council's fault that the Masterton CBD is failing. There is a distinct lack of business talent and entrepreneurial flair in Masterton CBD illustrated best by the failure of the cinema owner to upgrade while his business is blind-sided by a new cinema in Kuripuni.

The one thing in the proposal that probably is true is that the establishment of a single combined Wairarapa district council would significantly simplify territorial authority planning under the Local Government Act. This advantage has only one aspect that is clearly advantageous.

The rest of the proposed advantage is weak to non-existent and cannot provide any compelling support for the idea of amalgamation.

This assumes that businesses, sporting and community groups are predominantly pan-Wairarapa operations and that they are suffering from the need to deal with multiple Councils to move their plans forward. This is not supported by the facts. Most Wairarapa businesses are sited in only one of the towns so will gain nothing from this so called advantage.

The LGC suggests that for these organisations there **may** be benefits from standardised regulatory requirements reducing compliance costs, and from eliminating the need to deal with more than one local council. However, the LGC concedes that these sorts of effects are not quantifiable but can only be identified as factors that **might** reasonably be expected to give rise to productivity improvements.

Beyond this, the LGC provide NO EVIDENCE that this is an advantage. It certainly does not provide any compelling support for the idea of amalgamation.

The LGC suggests that the elimination of two council structures will simplify decision making somewhat.

However the institution of two new community boards, two new standing committees and a GWRC Wairarapa Committee offsets the suggestion that

Suggested Advantage

Better financial resilience to cope with unexpected changes and big challenges

This has been narrowed down to financial resilience. When the Consultation Document covered this it was under two headings as "Improved resilience" and "Councils better able to cope with unexpected change and big challenges"

Discussion

decision making is simplified.

The LGC provide NO COMPELLING EVIDENCE that the elimination of the two councils will offset the five new structures. It certainly cannot provide any compelling support for the idea of amalgamation.

Interestingly the idea of resilience has narrowed to financial resilience only between the 2016 consultation document and the 2017 proposal. This is simply the state of the balance sheet and borrowing capacity of the new entity. It doesn't even consider economic resilience, let alone environmental resilience.

The idea that financial resilience will improve is tenuous. There are suggestions that the combined council will have a wider rating base but given the already high rates it is unlikely that more can be squeezed from the existing ratepayers particularly given increasing deprivation in Masterton.

The LGC have accepted that the financial position of MDC is significantly worse than SWDC and CDC and it is certain that the plundering of the strong SWDC/CDC balance sheets will help to make up for MDC's weakness. This, in itself, is no argument for amalgamation as the proposal gives disproportionate weight to Masterton based politicians, effectively rewarding them for their inability to discharge their fiduciary responsibilities responsibly.

Economic development is variable and more work is required to create the sustainable economic development needed to provide real financial resilience. The issue around Wairarapa economic development is considered more fully in the section below called

Other Issues

The ability to cope with unexpected changes and big challenges is a function of the political leadership and managerial capability available to the merged Council.

Improvements in capability will not emerge from the amalgamation without explicit action. Given pre-existing issues with both political and managerial capability it is just as likely that amalgamation will lead to a reduced ability to cope with change and challenges. It certainly gives the new council a bunch of complex transition issues to deal with. These are new, unique issues that they can't just follow precedent with.

The LGC provide NO COMPELLING EVIDENCE that the any real advantage will accrue from improved economic resilience.

It certainly cannot provide any compelling support for the idea of amalgamation.

Suggested Advantage

More effective delivery of infrastructure

Better ability to manage changes in regulations or requirements set by central government

More scope for specialist staff and staff spread less thinly

This was covered in the Consultation Document under two related headings. The proposal simplified the advantage claimed.

Discussion

There are some differences between the councils and the division of Wairarapa into three councils means some coordination issues with NZTA.

However, “more effective” is so unspecified as to be meaningless. How much is “more effective”. Is it 5%, 10%, 50%, 100%? It's important to know because 50% more effective is way more compelling than 5%. The proposal is unclear on what is the "effectiveness" metric that the LGC is using for infrastructure. There is no comment on the baseline metric of the 3 councils or a comparison to best/worst performers across NZ.

The LGC concede that none of the existing three councils can be regarded as currently failing in relation to infrastructure. So is “more effective” a qualitative assessment, therefore opinion and worthless?

The LGC provide NO EVIDENCE that this is a real issue and it has to be concluded that this “advantage” provides no compelling support for amalgamation.

If there is a problem here it will be related to staff capacity that can be addressed under the current arrangements.

At best this is a minor issue and certainly this “advantage” provides no compelling support for amalgamation.

The larger council will have more financial resources and this is likely to be positive in specialist areas like planning and regulatory but attracting specialist staff is equally contingent upon the quality of the Wairarapa District CEO. Unless a highly competent and proven leader is appointed then WDC will be unattractive as an employer. If the single CEO proves inadequate, staff will have no ability to move to a more amenable employer in the local government sector in the Wairarapa.

Having a single local government employer in Wairarapa will drive further cost increases because, as the LGC concedes that salary levels will rise to the highest paying council and there will be no restraint on pay rates.

Given that the LGC assumes staff redundancies in the order of 16 to 20 people the argument about staff being spread more thinly is a nonsense. If it were a real issue then the financial calculations would not claim anywhere near the proposed savings from redundancies as the staff numbers would be preserved.

This “advantage” is weak at best and cannot provide any compelling reason for amalgamation.

Suggested Advantage

Ability to provide a more diverse range of community facilities

Discussion

The community facilities are already in place except for the Waihinga Centre which will be built by the time any amalgamation happens. No more ability or capability is created by the proposal.

The two things that will change is that some services that require an additional payment such as access to Masterton Library may be free of charge and some targeted facilities may need a targeted rate to ensure users pay for the facility. This is not fundamentally different from what happens now in each district.

This “advantage” is weak at best and cannot provide any compelling reason for amalgamation.

Modest financial savings

This advantage is spurious amounting to around 1% of gross revenues over the period. Essentially it is a rounding error. Putting the immateriality aside the circumstances around the emergence of this ‘modest saving’ prompts the need for further analysis of the ‘efficiency gains’.

In the Consultation Document the savings and costs netted out to be approximately cost neutral. The savings in the new proposal arise from a change in the costs of the ICT Project from \$10million to \$2.3million.

The favourable change to ICT costs is contingent upon the three councils sticking with the current suite of software. The project will have to go to tender which will drive up the system procurement costs even if expensive enterprise software doesn’t make the grade. If enterprise software is selected then costs will increase to the \$21 million or more identified by Deloitte.

Even if the current suite of software forms the core of the amalgamated system, the costs are understated because there has not been enough budgeted for testing or change management and training. The combined ICT Project will cost no less than \$5million.

The LGC is still ignoring the abysmal track record of these projects in New Zealand government agencies and the cost ‘savings’ are implausible.

The savings from natural attrition of staff is predicated upon economies of scale within the larger council and are expected to relate largely to corporate services areas. With a compound rate of attrition of 1.5 per cent over the first three years this is estimated to produce savings of \$3.6 million over 10 years. This is around 7 staff across the three councils. Given the teething problems likely with the combined ICT systems this level of savings is implausible. These lost savings will be partially offset by lower redundancy costs.

Efficiencies due to reduced duplication in tier 1 (Chief Executive) and tier 2 management positions across the three councils is expected to save \$15.6 million over 10 years. This is around 9 staff which would be a 50% reduction in tier 2 head count. With a bigger, more complex organisation and the stated aim of improving the number of specialist planning, regulatory and strategy

Suggested Advantage

Discussion

staff this is implausible. Note that these lost savings will be partially offset by lower redundancy costs.

Reduction in the number of elected members from 30 to 12 is expected to save \$1.3 million over 10 years. This does not take account of travel and other expenses which are likely to be substantially higher than now with the extra travel required. This saving is overstated.

Suggested savings from property rationalisation is hedged around with assumptions and is an unreliable measure to base any savings estimate upon.

The basis for claiming roading and utility savings of a total of \$4.8 million over 10 years, or approximately \$2.1 million over 10 years for the council (based on current NZTA subsidy rates) is unclear.

Audit costs are the most likely of all claimed savings but this will not happen immediately as additional audit work will be required as the amalgamated organisation beds down. This saving is overstated.

It is an expected effect of amalgamation that the average salary at the council with the lowest average salary will increase to the average across all councils. This is estimated at \$8 million over 10 years but could be much higher based upon the experience at Montreal.

Again, the costs associated with the establishment of the new councils covering things like HR, systems and branding, and the work of the transition body over the first two years could be much higher than the estimate of \$3.8 million.

With increasing demands on Council staff even the much lower possible efficiencies identified will prove very difficult to realise. Cost reductions require a ruthless focus on efficiency that will be incompatible with the realisation of the staff attraction, staff retention, staff capability and capacity benefits that are a substantial part of the rationale for the amalgamation.

Taking the real ICT costs and the spurious nature of the "efficiency gains" the modest cost saving is likely to evaporate and be replaced by cost increases in the order of \$5million – an unfavourable change of \$15million that will increase the load on the ratepayers.

Suggested Disadvantages

Suggested Disadvantage

Fewer councillors per resident than now

Discussion

I am suspicious of the motivation of anyone pushing to decrease democratic representation.

Given the LGC's genesis and history it seems that its primary purpose has always been to eviscerate local democracy in favour of more central control.

This proposal is clearly intended to reduce democratic representation and participation in the rural areas and the two largest towns in Wairarapa.

Comparison with Other Local Authorities

In LGC's anodyne words, the proposal would **merely** combine what are currently three relatively small territorial authorities into one medium sized one with 1 mayor and 12 councillors. This would result in a reduction in what the LGC describe as the currently very high levels of elected representatives on a population basis. A combined Wairarapa district council would be similar in population to Upper Hutt, Whanganui, Timaru and the Western Bay of Plenty, and, in land area, to Hastings, Taupō or Clutha.

Interestingly the comparisons made in the proposal were with Upper Hutt, Timaru, Marlborough, and Whanganui. These areas were selected to show the dramatic reduction in democratic representation in as good a light as possible. But the selected comparators are very dissimilar in the way population is dispersed around each district.

A comparison with Clutha which, like the Wairarapa is sparsely populated with a one big town and several small ones shows that the Wairarapa District Council, when adjusted for population differences is short of around 5 elected representatives.

So in comparison with the most similar local authority able to be located, Wairarapa District Council is substantially short changed in the number of representatives.

Comparison across Wairarapa

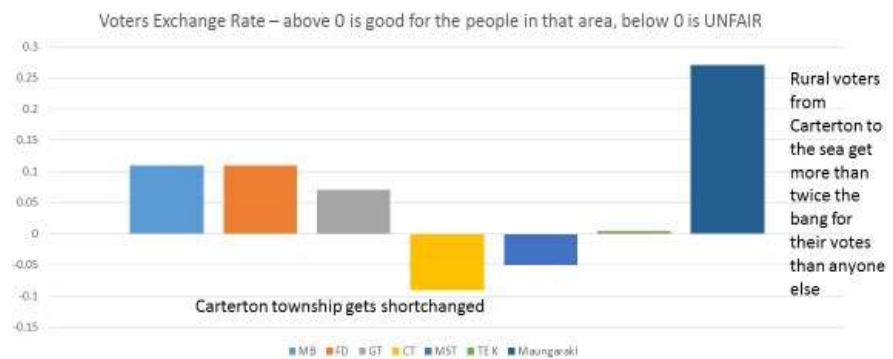
An analysis of the numbers of councillors per ward reveals that the level of representation is markedly different across Wairarapa.

In Wairarapa, 3635 votes is the average 'price' of one councillor. The way the population is spread across the wards, Te Kauru voters can buy 1.27 councillors while Carterton people can only buy 0.91 of a councillor at the election. Carterton votes just aren't worth as much with Masterton being shortchanged because they can only buy 0.95 councillors for their votes.

This is shown in the simple diagram below.

Discussion

How many votes to get one representative



The proposal document includes a table comparing the ward representation by population when counting community board members and councillors. It shows that the three South Wairarapa wards retain the very high representation that is denied to the two rural wards and Masterton and Carterton. The southern wards end up with effective representation at between 2 and 5 times the representation available to the other four wards. Of course the limited powers of community boards probably render this comparison misleading.

So comparing representation across the Wairarapa District, wards get vastly disparate treatment in terms of effective representation whether at councillor or community board member level. **Some wards are significantly shortchanged**

Calibre of Politicians

The LGC suggest that the reduction in numbers of elected representatives does not necessarily indicate a decline in effectiveness of representation or accessibility to the public.

It would be expected councillors would be able to spend more time on council business than under current arrangements given the level of remuneration. However there is no guarantee of this.

Of particular concern is that the people who stand for council, particularly in the rural areas will need to have substantial personal finances or access to donors and **this will further choke off democratic representativeness.**

Social Distance Effect

The social distance between the ordinary voter and the Mayor and Council will increase thus reducing voter access to the decision makers. This is unlikely to be made up from the 'better service' from the better paid councillors/mayor.

**Suggested
Disadvantage**

Reduced Wairarapa representation on regional bodies with membership on per council basis

The change process could unsettle some staff who might leave taking local knowledge with them

The transition costs would outweigh cost savings from merging for first two years

The transition could impact on council productivity

Discussion

In the Consultation Document we were told that Wairarapa would benefit from an increased influence on regional activities.

We now see that the opposite is the case.

A truism that can be ignored as change always unsettles and staff turnover is a fact of life.

A truism based on the spread of financial impacts. It can be ignored in favour of considering the impact when the modest cost savings fail to materialise.

A mere truism, this is like saying that the sun "could" come up tomorrow.

Other Issues

Issue

Resilience

Discussion

Economic Resilience

The LGC noted that economic development activity in the Wairarapa is uncoordinated and potentially duplicated and not necessarily aligned with regional priorities.

During 2015 a Wairarapa Economic Development Task Force was established. The LGC suggest that a single council would cement the focus of the Task Force on strategy for the Wairarapa as a whole. It would simplify relationships around council funding and support of Destination Wairarapa, and give the Wairarapa a stronger mandate in dealing with WREDA and its owners at a regional level. Combining the limited funding under a single council would allow the use of resources to be prioritised more effectively.

Unfortunately, the WEDTF is effectively defunct due to failures of Masterton DC to engage with the other councils so this suggestion is pie in the sky.

Environmental Resilience

Nowhere in the proposal is there any mention of the environmental resilience challenges faced by the Wairarapa and its residents.

This is a glaring omission because the environmental challenges are crying out for an innovative Ruamahanga catchment wide approach that would be materially advanced by cross valley coordination and leadership.

Community Boards

The draft terms of reference for community boards are disturbing. While the officials have advised that there is scope for more local decision-making to be retained through community boards this is not realised in the proposal.

Except for the power to allocate community grant monies, the community boards have no other real powers. The authority to advise, recommend, assist and make submissions means that the council can ignore the community board with no real consequences.

Membership of a community board will mean signing up for three years of frustration and inaction. Given community boards are supposed to mitigate the loss of democratic representation, setting them up with no effective power invites the conclusion that they are merely a sop to the voters.

Rural Standing Committee

The rural standing committee is merely an advisory body. With no real power, this is clearly a sop to the rural voters who have been substantially disenfranchised by the proposal. For example, rural voters in Carterton District will go from having a say in the election of a mayor and 8 councillors to having a say in the election of only 1 councillor. The proposal will have a similar if slightly less dramatic effect on Masterton rural voters. Additionally, the incorporation of the Martinborough ward councillor on the RSC ensures that that councillor will be taking on substantially more work than other ward

Issue	Discussion
Maori Standing Committee	<p>councillors.</p> <p>Again, the Maori standing committee is merely an advisory body with no real power. Comparing this with the arrangements around the Masterton District Council table means that the majority of Maori living in Wairarapa have taken a backward step in political representation and power. For Maori in South Wairarapa this merely represents the status quo while for Carterton Maori their voice will be diluted by this arrangement.</p>
Office Location	<p>The LGC haven't addressed the siting of a Head Office. Instead the 'Principal Office' will be in Masterton – essentially just the address for legal service and the council offices will be retained in Masterton, Martinborough and Carterton. This shows the underlying reality of Wairarapa parochialism and the lack of a pan-Wairarapa view.</p> <p>Essentially it abdicates the responsibility for siting the HO to the new council that will have enough to deal with already. The proposal already gives Masterton enough power to set itself as the Head Office, not merely a principal office. So why not save them the bother and set it as Masterton from the outset because if it's to be anywhere else it will need the LGC to mandate it.</p> <p>The retention of service centers in the various towns in the Wairarapa may help maintain consistent, standardised and efficient service delivery as long as good staff are retained. If the mooted redundancies 'bite' too hard then It is hard to see that this will happen in a positive way.</p>
Rates	<p>It is interesting to see the impact of the different rating systems in the PJ and Associates report. The disenfranchising of the rural sector in this proposal should give the sector cause for concern. Changes to rating systems will have winners and losers and there are many ways the rural sector in old Masterton and old Carterton rural zones could lose.</p>
Debt	<p>It is gratifying that the McGredy Winder report vindicated the view that the per capita and per rating unit debt in Masterton was substantially out of line and that the debt had to be ring-fenced.</p> <p>The mechanism used to ring-fence the debt is both effective and elegant.</p>
Cross subsidisation of Wairarapa District by GWRC	<p>The earlier Consultation Document demonstrated that there is a subsidy from the Regional Council to the Wairarapa. If we can believe the figures in the consultation document, this substantial cross subsidy from GWRC to the Wairarapa is between \$11 and \$15 million every year.</p> <p>The Proposal doesn't address the future impact of this regional cross-subsidy on amalgamation.</p>

Issue

Institution of CCOs for shared/infrastructure services across Wairarapa

Discussion

The use of CCOs will reduce democratic influence on and participation in decisions about the provision of Council services.

If it comes to fruition the proposed Wellington Transport CCO to handle all regional transport except state highways will reduce democratic influence on and participation in decisions about the provision of regional transport services.

These will be held up by the delay in passing the LGA amending legislation but are included for completeness.