



Draft Proposal for Reorganisation of Local Government in Wellington

**Submission to the Local Government
Commission**

March 2015



For a better working life

New Zealand Public Service Association
Te Pūkenga Here Tikanga Mahi

Draft Proposal for Reorganisation of Local Government in Wellington

Submission to the Local Government Commission

Introduction

Who we are

The New Zealand Public Service Association *Te Pūkenga Here Tikanga Mahi* (the PSA) is the largest trade union in New Zealand with over 59,000 members. We are a democratic organisation representing members in the public service, the wider state sector (the district health boards, crown research institutes and other crown entities, state owned enterprises, tertiary education institutions), non-governmental organisations working in the health, social services and community sectors, and in local government.

We have nearly 6,000 members working in local government across New Zealand, which will increase to just under 8,000 once our merger with the Southern Local Government Officers Union is completed on 1 April. Nearly 700 of those members are employed by local authorities and council controlled organisations that will be directly affected by the proposed reorganisation of local government in Wellington.

In developing this submission we sought the views of

In developing this submission we held meetings with members in all of the affected councils to elicit their views. While librarians are probably the biggest single occupational group of PSA members in local government, the meetings attracted members from a wide range of occupations and council operations, including water treatment, customer service, rates, planning, policy, parks and transport. We followed these meetings up with a survey of all local government members across the region.

The PSA would like to present to a hearing of the Commission.

Summary of recommendations

The PSA recommends...

The PSA has not adopted a formal position on the draft proposal for a Greater Wellington Council, but notes that most members we have spoken to at a series of meetings around the region are opposed. In the event that the Local Government Commission issues a final proposal for a unitary authority for the Wellington region we make the following recommendations:

- That the delivery of services in-house be the default model for the new council.

- That the Commission should state that a transition board must include an employee representative on the transition board, with employment relations and change management process expertise.
- That there should be some type of formal agreement, such as a Memorandum of Understanding between the transition body (or board) and the PSA.
- That the Local Government Commission give consideration to recommending that the provisions of s.24A of the Local Government Act 2002 are utilised to authorise the extension or postponement of certain statutory requirements to allow more time for the amalgamation to be completed. Alternatively consideration could be given to recommending that the amalgamation of the governing bodies of the councils follow a faster timeline than the amalgamation of the councils' operations.

The PSA approach to the proposed amalgamation

PSA members are not opposed to change but this is not unconditional

General comments about local authority amalgamations

PSA members are not opposed to change, recognising that the external environment is dynamic; they want to work in local government that provides them with high-quality jobs within high-performing workplaces and delivers high quality, value-for-money services to ratepayers and citizens. But this is not unconditional support: change needs to be based on hard evidence and there needs to be a clear justification; if reorganisation goes ahead, PSA members need assurance that jobs will be maintained; and they need to know that any new structures will support their ability to do their jobs well. They want their voice to be part of the transition process. They want the best possible governance structures in place that will support forms of, and processes within, local government that work well for both workers and citizens. If reorganisation is to be successful then it will require the involvement, co-operation and support of local government workers.

We are concerned about amendments to the Local Govt. Act

However, we have concerns about the framework for local government reorganisations in the Local Government Act that was introduced in 2012. We believe that the emphasis is on facilitating amalgamations, potentially at the cost of local democracy. For example, the period of 8 weeks for the collection of signatures for a petition is too short and will privilege the ability of large scale interest groups to access their supporters quickly, while making it too hard for small community organisations and individuals to meet the time limit.

We recognise that this has created an environment in which a balanced consideration of amalgamation proposals is difficult. Our approach is therefore to subject any proposal to amalgamate to serious questioning. We need to be sure

that real benefits would accrue to our members and their communities before we could support an amalgamation proposal.

Comments on the proposal for unitary authority for the greater Wellington region

The PSA has no formal position on the draft proposal

At this stage the PSA does not have a formal position on the draft proposal put forward by the Local Government Commission to reorganise local government in the Wellington Region. Members in the region felt that it was important that this submission give expression to the range of views among PSA members.

But most members have concerns

However, while the meetings with members did elicit a range of views on whether amalgamation was a good idea, it was clear that most of those we spoke to had major concerns about the proposal and were opposed to the formation of a Greater Wellington Council. Also, while there were some concerns expressed about the impact on their jobs, most of the opposition from members was about how the amalgamation would impact on their communities. Issues raised included the following:

- There is a risk that a lot of institutional knowledge, skill and capacity will be lost as a result of an amalgamation
- There is a concern that many services will be centralised and that local knowledge will be lost e.g. if the call centre is based in Wellington they may not appreciate the distances staff have to travel in the Wairarapa or the location of a caller in Kapiti, local building inspectors have a good knowledge of which contractors can be trusted, the experience of the 1989 amalgamations has been that some communities have lost services
- Related to this is the loss of the relationships that local staff have with people in their communities
- Centralisation is also likely to lead to an increased reliance on on-line service delivery and several members were concerned that many members of their local communities were not computer literate
- There is concern about whether the different needs of the disparate communities in the region (e.g. the rural communities in the Wairarapa, the younger population in Porirua or the elderly population in Kapiti) will be met by a single local authority
- The different debt and liability profiles of each of the councils meant that some members were concerned about the impact on their rates
- The implications of standardising rating systems
- Some councils have engaged in extensive contracting out of services, leading those working in some in-house services expressing concern about the increased use of contractors
- It is better to work on improving the shared service initiatives that already underway e.g. in libraries, archiving/records and dog control

Although others support the draft proposal

Those who favoured the amalgamation looked more towards the economies of scope that were likely to flow from having a single council. There were a number of complex issues that required a regional approach, particularly those relating to air, land and water management, and transport, and a number of costs for

businesses in dealing with different rules for different councils. It was also argued that there would be real advantages from an integrated approach to data management, although this could take time to implement. It was also felt that a unitary authority for the region would ultimately be more cost effective over time.

While those opposed to the amalgamation pointed to concerns about centralising in Wellington, those supporting the proposal felt that the real issue was about local government's role in relation to central government. Most local government work was about the application of national legislation, much of which placed unfunded obligations onto local authorities. A Greater Wellington Council would be better placed to meet these obligations and also to push back against government decisions that were bad for local government.

The proposed model

The Local Government Commission has learned some lessons

The PSA acknowledges that the Local Government Commission has made a real attempt to learn some of the lessons from the formation of Auckland Council. In particular the enhanced role for local boards is to be welcomed, as are the relatively modest predictions for savings. A 2011 report looking at local authority consolidation in Australia and New Zealand had some extremely useful points to make, particularly on the tendency of those promoting mergers to overstate the financial benefits. They noted that change is a feature of local government, that consolidation generally does not deliver economies of scale, but can deliver economies of scope. And efficiency gains and savings do not result in lower rates or expenditure because of other demands¹.

We also recognise that some effort has gone into thinking about the linkages between councillors and local boards – both being based in the same wards to better ensure alignment between the council and the boards.

Local boards and wards

Notwithstanding this alignment and the enhanced status of local boards in this model, those members who were opposed pointed out that this was still a step down from the level of representation currently available.

This view was possibly best expressed by one member who said:

The proposed wards are similar in size to parliamentary electorates, negating any rational sense of scale for national, regional and local electorates. The proposed Tawa-Porirua ward is almost the same size of the parliamentary Mana electorate. The Lower Hutt ward with a population of over 100,000 is a lot more than a parliamentary electorate. Thus the distance between councillor and local person, group or small community is widened and influence over the elected representative is diluted.

¹ Chris Aulich, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Sansom, *Consolidation in Local Government: a fresh look*, Australian Centre of Excellence for Local Government, 2011 p. 7

Those members opposing the proposal are concerned that, despite the efforts of the Commission to address this issue, the local boards in these wards will operate under the provisions of the Local Government Act and cannot be responsible for any regulatory functions, such as plans and consents under the Resource Management Act. They can only advise and recommend on these matters.

The mayor

Members spoken to by the PSA were generally comfortable with the idea that the Mayor of the proposed Greater Wellington Council would not have the 'presidential' powers of the Mayor of Auckland. It is also logical that the mayor be elected 'at large' but this did trigger some comments about how well the mayor could understand or represent the wide range of interests in what is a very large and diverse region.

Representation of Māori

The Local Government Act contains Treaty of Waitangi principles, and this gives a clear signal about expectations of the relationship with Māori. Iwi representation and engagement varies across the region, and is made more complex by the fact that council boundaries and iwi boundaries mostly do not align. In our view there is a continuum for the relationship, ranging from co-governance at one end through to consultation at the other end, and the challenge is to find the right place on the continuum that will serve the needs and expectations of Māori and the new Council.

Looking across the country a few councils have designated Māori seats, and the Auckland Council has a Māori independent statutory board, which aims to ensure that council includes a Māori perspective in its decision-making.

The proposals for Māori representation in the new Greater Wellington Council are interesting. The Commission has proposed a two-fold approach as follows:

- A Māori Board to assist the Greater Wellington Council meet its statutory responsibilities to Māori
- A committee called Te Upoko Taiao – Natural Resources Management Committee with responsibilities to promote the sustainable management of natural and physical resources

Each body would include members of both the Greater Wellington Council and nominees of iwi.

This reflects the arrangements that exist with the current Greater Wellington Regional Council and looks like an enhancement of the arrangements in Auckland, but still stopping short of direct representation on the Council.

The draft proposal states the Commission's engagement with iwi suggests that this is seen as a successful model for participation by Māori. This may be the case. While the PSA has no knowledge of the extent and nature of that engagement we believe that deep and constructive engagement with iwi in the greater Wellington

region is essential for the development of a substantive, meaningful and sustainable mechanism for involving Māori in the democratic structures and in council decision-making.

The future of Wairarapa

As part of the process of developing this draft proposal the Local Government Commission not only received an application from the Greater Wellington Regional Council for a single unitary authority for the region, but also one from the three Wairarapa territorial authorities seeking a single unitary authority for the Wairarapa. On reviewing these (and other) applications the Commission rejected the application for the Wairarapa unitary authority in favour of the proposed Greater Wellington Council.

Most members in the Wairarapa oppose the draft proposal

Our discussions with members in the Wairarapa have indicated strong opposition to being part of a Greater Wellington Council, mainly among members in the territorial authorities and strong support for a regional unitary authority, mainly among members working for the current Greater Wellington Regional Council.

Members who oppose the regional model tend to be either advocates of a single Wairarapa unitary authority or accept that some form of merger of the Wairarapa councils is inevitable.

Is a Wairarapa unitary authority viable?

The issues relate to identity and local democracy on the one hand and the perceived advantages of a combined regional approach, with the economies of scope they bring, on the other. The reasons for opposing a regional unitary authority that members raised above were all raised in the Wairarapa as well. The issue that appears to have generated most debate is whether a Wairarapa unitary authority is viable.

The Commission has examined a number of reports looking at this issue:

- Two reports by Morrison Low, the first commissioned by the Shared Services Working Group of the Wairarapa councils in 2011 and the second in 2012.
- PWC commissioned by GWRC to produce a report on the allocation of its expenditure and revenue among all the districts in the region
- Martin Jenkins and Taylor Duignan Barry were commissioned by the Wairarapa Governance Review Working Party in 2013 to model the starting financial position of a future Wairarapa unitary authority
- GWRC's application to the Commission contained a critique of the Martin Jenkins and Taylor Duignan Barry report
- The Commission commissioned BERL who produced a report in November 2013 providing an assessment of the likely levels of costs to any future Wairarapa unitary authority of undertaking the roles and responsibilities of a regional council for the Wairarapa
- The Commission also commissioned MPC and Headway who produced a report in January 2014 on the resources likely to be required to undertake the environmental responsibilities of a unitary authority in the Wairarapa

- Finally, the Commission engaged the services of McGredy Winder & Co, Brian Smith Advisory Services, Stimpson & Co., and Deloitte to “digest the analysis that was undertaken in support of the applications and to develop (and/or contribute to) a framework of estimating the costs of transition to new local government arrangements and the potential savings that may be achieved”. This was for the regional proposal but also incorporated work done on the Wairarapa unitary authority.

The Martin Jenkins and Taylor Duignan Barry identified a likely operating deficit of \$2 million per annum for a unitary authority in the Wairarapa and at the other end of the scale the allocations of the current expenditure and revenue from GWRC suggested that the deficit for regional council activities could be as high as \$10.9 million or \$11.2 million per annum. The BERL report concluded that a unitary authority was unlikely to be financially viable unless adjustments such as increased rates or reduced services were accepted, while the MPC and Headway report concluded that there was likely to be more demand for resources to deliver environmental management in the foreseeable future, rather than less.

Sifting through all this information the Commission has concluded that it could not be reasonably satisfied that a Wairarapa unitary authority would have the necessary resources to effectively undertake the responsibilities, duties and powers of both a territorial and a regional authority.

Some members are sceptical about the information

There are so many reports and figures out there that it can be somewhat overwhelming. Furthermore, some members looking at this debate are sceptical of the quality of some of that information. They look at an area of expenditure that they are familiar with, in this case the estimates of costs of transition to a combined IT system for a Wairarapa, and see a major discrepancy between what they understand the costs to be and the costs identified by Stimpson & Co. The Stimpson & Co. figure is \$25.5 million, around 25% the cost of transition to a combined IT system for the whole region. Members in the Wairarapa territorial authorities have advised us that all the district councils there are already on the same system and that the local estimates of bringing them together is in the region of only \$500,000. Given that this is the single largest cost associated with the transition to a unitary Wairarapa Council (this would reduce to approximately \$7 million from \$32 million) it has led to questions about the validity of the other figures in the draft proposal.

Some members have also expressed a frustration at what they perceive to be the lack of a single clear set of figures that members of the public can look at to see for themselves whether a single unitary authority for the Wairarapa is viable. They have advised us that the Commission’s draft proposal does not do that for them.

On the other hand members who support the regional unitary authority proposal point to the approximately \$11 million net flow in revenue to the Wairarapa and ask how that gap can be made up.

The PSA does not have a position on the best outcome for the Wairarapa

The PSA does not have a position on what the best outcome for the Wairarapa is. However, there are strongly held views among our members, which probably reflect the views on both sides of the debate in the wider Wairarapa community. The call for more and clearer information to support that debate is something the Commission may need to heed.

Employment and transition matters

Members concerns

While there are a range of views about the case for a new council in the Wellington region, our members are united in their views about employment and transition matters.

Although most of the opposition to the proposal from members has focused on their concerns for the impact on their communities and local democracy, many are rightly worried about their ongoing employment and the stress associated with any transition. Some see their jobs changing, others disappearing, while others expect little change.

Staff are invisible

What members are also concerned about is the relative invisibility of staff in the draft proposal. The section on 'potential savings' on p. 215 identifies staff as a source of savings through redundancies:

- Reductions in staffing levels "could be reflected in lower costs from the commencement day of a new council".
- "Part of the reduction in staffing for corporate and support functions will take place on the establishment of the new council, but the balance will not be able to be achieved for a year or more..."

Paragraph 6.373 on p. 218 talks about the costs associated with harmonising employment and remuneration conditions across the councils.

None of this addresses the real contribution that staff make to the performance of their councils and to their local communities. If an amalgamation does go ahead it will depend upon the goodwill and hard work of council staff to make it happen. Staff should be at the forefront of any thinking about amalgamation.

Contracting out

Members are concerned about both terms and conditions and job security. There is the fear of job loss through the transition period, but also what the likely attitude of the new council would be to contracting out. As mentioned above some councils in the Wellington region have embraced contracting out, while others have seen the advantages of keeping services in-house. There is uncertainty about which view will dominate in the new council.

Once again members' concerns about this issue are not primarily about their jobs but about the impact on the quality of services. For example, it was pointed out

that directly employed staff working in maintenance do a lot of incidental work in the regions' parks such as maintaining barbeques and pitching in when required, whereas contractors only do what they are required to do. There is also a risk of communication break down when councils are instructing contractors, and the need for the council to retain sufficient capacity and capability to adequately supervise contractors.

The report is silent on this issue but it will be an important question in any transition – what model will the new council start with? **We recommend that the delivery of services in-house be the default model for the new council.**

Our involvement in change management

The PSA experience

The PSA has arguably the most extensive – and longest – experience of organisational restructuring of any organisation. Recent major restructures, where the PSA has been deeply engaged on behalf of members, are the Auckland local government amalgamations of 2010; the merger of the National Library and Archives New Zealand into the Department of Internal Affairs in 2010; and the 2012 merger of the Departments of Labour and Building & Housing, and the Ministries of Science & Innovation and Economic Development into the new Ministry of Business, Innovation and Employment. As well as these large-scale mergers, we are constantly engaged in smaller scale reorganisations and restructurings within enterprises and between enterprises. This gives us a vast amount of knowledge about what works well, and what does not, and our views on local government transition benefit from our experience across our wider membership, should the merger proceed.

Lessons from Auckland

The PSA was heavily involved in the Auckland Council amalgamation and we learned many lessons from that experience. At the conclusion we conducted a survey of members to gauge their experience², and the Department of Internal Affairs also produced a draft evaluation³ which was unable to be finalised due to Christchurch earthquake.

The importance of communication

One lesson, in terms of staffing, was the importance of communication. Many felt that the communications to former council staff was inadequate. Even when there was not much to report there was a real thirst to know what was happening. In the PSA survey only 23% strongly agreed or agreed that they were well informed, whereas 50% either disagreed or strongly disagreed. The comments focused strongly on lack of information and communication and delays in letters. All of this

² *PSA Members' Experiences of the Auckland Transition: the results of a survey of PSA local government members on the transition to a single council for Auckland*, January 2011

³ *An evaluation of the lessons learned from the establishment of the Auckland governance reforms (draft)*, Department of Internal Affairs, April 2011

contrasted with the Auckland Transition Authority's view that they communicated regularly.

Loss of institutional knowledge

The evaluation also reported on loss of community responsiveness and service provision 'due to reducing numbers of staff'. Councils also reported on loss of productivity and increased absenteeism and, most importantly, the loss of institutional knowledge. Many staff left voluntarily during the transition in order to try and gain secure jobs elsewhere, and many were made redundant as a result of the process.

For the past few years members have been reporting to us that many of those made redundant have been re-employed or come back as consultants, or new staff have been employed to fill roles previously considered unnecessary. This is a real risk if one of the main drivers of the amalgamation is the expectation that significant savings will be made. There needs to be a clear and objective about what the staffing requirements will be, without consideration of savings targets.

Transition is stressful

The transition process was extremely stressful for PSA members. Only 28% of them strongly agreed or agreed that the process went well, while 48% disagreed or strongly disagreed. The comments from members focused strongly on the detail of transfer – lateness of offer letters, lack of information and communication, the interviewing process, and the speed of the transition programme.

However, the process did not end there and the PSA has been involved in many reviews and restructurings at Auckland Council since as further adjustments are made to the model over time. As the draft evaluation states "a short timeframe may give little scope for improvement...".⁴ Consideration needs to be given to taking the time necessary to get it as right as possible first time around.

The PSA made a major contribution to the amalgamation. The ATA noted that a key foundation of the transition was having a successful relationship with the PSA⁵.

Collective agreements

One of the most important contributions we made was to negotiate three new collective agreements to replace 11 varied agreements. The collective agreements were an excellent mechanism for ensuring consistency and fairness for staff throughout a difficult process. They were ratified by the vast majority of PSA members and signed off in August 2010. Any amalgamation in the Wellington should ensure that there is a collective agreement in place.

⁴ Ibid p.77

⁵ Ibid. p.48

Members supported our work

Support for the PSA's work during the transition was also very strong among members with 70% strongly agreeing or agreeing that the PSA looked after their interests during that time. The PSA's success in negotiating the collective agreement, with pay rates included, was a reassurance to members as they moved to the new employer, as was the union's strong advocacy during the transfer of staff from the existing organisations to the new ones.

Our recommendations on transition

The Local Government Act (Schedule 3, clauses 34 to 40) requires the Commission to state the roles and composition of the transition body, and to include a transition board, if they wish. The Act is clear in its intention that the Commission should be specific and prescriptive about both the composition and membership, and the roles and functions, of a transition body and a transition board. We consider that this gives the Commission considerable scope – and arguably, an obligation – to put forward arrangements that will support good change process, if the reorganisation eventually goes ahead.

How the transition board, transition body and the implementation team approach reorganisation will be crucial to its success and clear direction from the Commission in its decision will establish expectations about process early on.

We have a number of specific suggestions to make to support workforce transition.

Transition board to include employee rep

The transition board membership is appointed by the Commission, and can include persons (as non-voting members) to provide particular expertise that elected members do not have or are unlikely to have. **We believe that the Commission should state that a transition board must include an employee representative⁶ on the transition board, with employment relations and change management process expertise.**

An MOU with the PSA

The Commission also appoints the transition body, which is required to provide advice to the Commission and affected local authorities, as appropriate, on practical matters relating to the reorganisation scheme. We consider that the Commission should give strong direction to the transition body and its implementation team on the approach to workforce transition. **We believe that there should be some type of formal agreement, such as a Memorandum of Understanding between the transition body (or board) and the PSA.**

There are two useful overseas examples of detailed guidance. Firstly, the UK government in 2008 issued *'Local Government Restructuring: Guidance on Staffing*

⁶ The Local Government Amendment Act 1989 in section 6 enabled the NZ Council of Trade Unions to appoint members to transition committees, so there is precedent.

*Issues*⁷ which has a chapter on good practice in engagement with trade unions representing staff. Secondly, we also commend the example of Queensland, where the 2008 amalgamations were supported by a union-employer jointly agreed *Workforce Transition Code of Practice*⁸ as set out in the Australian legislation (see Appendix 2 for the relevant section of the Act). The Code's principles were to:

- maximise employment security for local government staff
- maximise the retention of local government staff
- minimise the impact on local government staff
- maximise staff involvement in the changes
- contracts of employment will be honoured
- maximise support to staff throughout the transition process
- treat staff fairly and with respect
- merit and equity in all appointments
- prompt and sensitive dispute resolution
- no overall loss of employment across the local government sector
- no overall reduction in working conditions
- no overall disadvantage to workers
- no forced relocations for 12 months
- applies in conjunction with existing industrial agreements
- enable unions' right of access to workplaces.

Interim CE

The transition board is empowered to appoint an interim chief executive who may appoint staff and enter into contracts, and will lead the implementation team. The post is expected to have the skills and experience to provide effective leadership of the staff and management of systems and resources of the local authority in the early years of its existence. Our reading of the Act is that the interim chief executive has the ability to issue offers of employment in the new authority and to enter into negotiations. The Commission's final decision should be clear that it expects these powers to be used to support a smooth transition.

Good employment relations practice in reorganisation will include matters such as:

- Commitment to minimising job losses, through reassignment and redeployment mechanisms and no involuntary redundancies for a fixed period
- Maintaining terms and conditions
- Fair redundancy provisions and entitlements where there are job losses, and support for job search

⁷ see <http://www.lge.gov.uk/lge/aio/367491>

⁸ the full Code can be found at: http://www.gladstone.qld.gov.au/c/document_library/get_file?uuid=94a8984f-b861-4c12-97f2-8025d5a93d11&groupId=1570002

- Fair procedures for staff whose jobs are transferred to another organisation or contracted out
- Support for training to acquire skills, either for a job within the local authority or outside its employment
- Facilitating the work of the union in representing its members

We are concerned about the speed of the timeline envisaged by the draft proposal. Just 13 months from the decision to proceed to the commencement of a new council. As the draft proposal points out this compares with the 17 months between enactment of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 on 23 May 2009, and the 1 November 2010 commencement of the Auckland Council. Our members in Auckland struggled with the speed of that transition and **we propose that the Local Government Commission give consideration to recommending that the provisions of s.24A of the Local Government Act 2002 are utilised to authorise the extension or postponement of certain statutory requirements to allow more time for the amalgamation to be completed. Alternatively consideration could be given to recommending that the amalgamation of the governing bodies of the councils follow a faster timeline than the amalgamation of councils' operations.**

Allow more time for the transition

For further information about this submission contact
Glenn Barclay
E: glenn.barclay@psa.org.nz
T: (027)2955110
www.psa.org.nz