

SOUTH WAIRARAPA DISTRICT COUNCIL

5 FEBRUARY 2020

AGENDA ITEM C3

WAIRARAPA SHARED SERVICES FUNDING POLICY

Purpose of Report

To present to Council a Wairarapa Shared Services Funding Policy for adoption.

Recommendations

Officers recommend that Council:

1. *Receives the report.*
2. *Adopts the Wairarapa Shared Services Funding Policy, in Appendix 1, subject to the other Councils agreeing to the policy.*
3. *Notes the policy will also be considered by the other Councils.*
4. *Notes that if the other Councils do not adopt the policy a revised policy may be re-presented to Council at a subsequent meeting.*

1. Background

The three Wairarapa District Councils and Greater Wellington Regional Council have been involved with shared services and shared programmes/activities for a number of years. How these activities are funded has been decided on an ad hoc basis in the past. This has at times been a barrier to getting shared services underway and caused delays to agreeing collaborative work.

In 2019 a shared services funding policy was developed by the three Wairarapa mayors and chair of the Regional Council and their four chief executives. This was to provide a basis for funding decisions and to ensure a consistent approach to funding that was fair to all Wairarapa ratepayers. The draft policy was presented to the Wairarapa Combined Councils meeting in September 2019 and there was general agreement with the policy.

Each Council is now being asked to formally consider and adopt the policy.

2. Discussion

The Wairarapa Shared Services Funding Policy is in Appendix 1. The document sets out the context for the policy, it analyses the options for proportioning costs and includes

the proposed funding allocation for different types of collaborative activities. These are based on a set of principles which are set out in section 4 of the policy.

Since the policy was considered at the Wairarapa Combined Councils meeting a new section has been added which outlines a process for resolving any disputes that might arise in the application of the policy. This is in section 7 of the policy.

The policy essentially allocates costs according to benefits received, while minimising administrative complexity. While most collaborative activities that would be captured by the policy will be limited to the three territorial authorities, there will be some activities that involve the Regional Council. The policy provides for that council's participation (and funding) of activities.

3. Options

Through the development of the policy many options for allocating funding were considered and debated. The policy presented in Appendix 1 is the policy that was agreed by the chief executives and mayors.

The councils still have the option of not having a shared services funding policy and continuing the ad hoc approach. Without the policy, however, there will continue to be potential delays and barriers to collaborative activities between the councils.

4. Next steps

The other Councils will be considering the joint funding policy at their first council meetings in 2020. South Wairarapa will be the first council to meet and consider the policy. This Council's decision will be communicated to the other Councils immediately following the meeting.

If a Council does not agree with the policy and therefore does not adopt it, it will go back to the Mayors and Greater Wellington Chair for reconsideration. A revised policy may then be re-presented to the councils at a later date.

5. Considerations

5.1 Climate change

The policy does not have any direct implications for climate change, although if adopted will remove a potential barrier to collaborative climate change mitigation and adaptation activities.

5.2 Tāngata whenua

The policy does not have any direct implications for tāngata whenua. However, if adopted the policy will remove a potential barrier to collaborations between the Councils, some of which may involve the iwi of Wairarapa.

5.3 Financial impact

If adopted the policy will provide an approach to funding collaborative activities that will be fair to the ratepayers and residents of South Wairarapa.

5.4 Community engagement requirements

There would be minimal benefit from seeking the community's views on the policy. The policy does not provide an engagement opportunity for councillors.

5.5 Risks

There are no identifiable risks associated with the policy.

6. Appendices

Appendix 1 – Wairarapa Shared Services Funding Policy

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Reviewed by: Harry Wilson, Chief Executive Officer

Appendix 1 – Wairarapa Shared Services Funding Policy

Wairarapa Shared Services – Draft funding policy

1. Purpose

The purpose of this policy is to establish an approach to funding joint activities and shared services in Wairarapa.

2. Background

Over many years the three Wairarapa Councils have worked together and collaborated on a number of governance and service delivery initiatives. The Wairarapa Councils (SWDC, CDC, MDC) and GWRC have had a Shared Services Working Party operating for several years. For a time, it operated as the governance group overseeing the Wairarapa local governance review process (i.e. amalgamation).

The Terms of Reference for the Working Party is attached. In addition to the Working Party the Wellington Region has in place a Triennial Agreement that sets out the principles for how the nine Councils will work together. This is also attached.

There have been a number of joint project and activities undertaken, and other identified for consideration. An indicative list is attached.

3. Types of collaborative activities

Shared services are not an end in themselves. They are a means to achieve strategic outcomes.

Shared services arrangements can include any collaborative model – from collaboration on a single project to a joint service. Typically seen on the continuum are cross-council team working, standardisation, joint procurement, shared resources, shared information and the participation of two or more councils in the provision of a common service (by one or more council).

To date the funding of collaborative activities in Wairarapa have been agreed on an ad hoc basis. A more structured approach to funding shared activities is needed.

Not all collaborative activities will have the same funding approach. For the purpose funding, joint activities can be classified into the following categories:

Joint external service contracts – e.g. waste management

Joint in-house services – e.g. Wairarapa Library Services

Joint project co-ordination – e.g. Waste minimisation

Joint procurement – e.g. electricity supply

Contract for service – i.e. where one Council provides services to another, e.g. Waingawa water supply

Joint policy development – e.g. District Plan preparation and review

Jointly owned infrastructure – e.g. co-investment

Joint programmes – e.g. economic development.

4. Funding principles

When determining the appropriate funding arrangements, the following principles could apply:

- The quantum of funding from each community (Council) should reflect the quantum of benefits received from an activity.
 - E.g. where the benefit to each Council is roughly equivalent in cash terms an equal share is appropriate. An example of this is where each Council has a statutory obligation to undertake a process for which the costs of delivering individually are the same, and collaboration (as opposed to the service being provided by another council) is the most efficient method of delivery/delivers better value. In this instance an even cost allocation would be applied (in full or in part)
 - E.g. Where a benefit is proportionate to the size of the Council then the rates base would be an appropriate allocation method.
- Where an activity addresses an adverse impact, funding should be proportional to the portion of impact.
- Funding arrangements should minimise administrative inefficiency.
- Ability of ratepayers to pay.
- Any significant in-kind contribution is recognised and accounted for. Where in-kind contributions are small, or equally provided across the participating Councils those costs would lie where they fall.
- No Council should make a profit from a shared service at the expense of another Council.
- Wherever the activity is of regional scale or the issues and/or benefits are regional Greater Wellington Regional Council should be invited to participate in shared services.

5. Proportional funding

5.1. Options for proportional funding

There are several options for basing proportional funding on. The options most relevant to Council funding are outlined in the following table. The table excludes GWRC. Where GWRC is involved with a shared service the level of funding should be at 30%/TAs 70%.

Class	MDC	CDC	SWDC	Total
Population (resident)				
• Total number	25,700	9,340	10,450	45,490

• %	56.5%	20.5%	23%	100%
Rateable properties				
• Total number	12,445	4,840	6,606	23,891
• %	52%	20%	28%	100%
Even split				
• Thirds	33.33%	33.33%	33.33%	100%
Capital Values				
• District CV (2017)	\$5.786bn	\$2.73bn	\$4.588bn	\$13.1bn
• %	44.2%	20.8%	35.0%	100%
Roading				
• Total kilometres	802	452	668	1,922
• %	42%	24%	34%	100%
Land area				
• Total km ²	2,300	1,180	2,484	5,964
• %	39%	20%	41%	100%
Deprivation Index				
• % pop dep 1-3	22.8%	43.2%	34.3%	n/a
• % pop Dep 7-10	77.2%	56.8%	23.1%	n/a

5.2. Relevance, benefits and weaknesses of each

Population – relevant when the benefits of an activity fall evenly across the Wairarapa and impact all usual residents evenly. Population does not address anyone's ability to pay, their needs, nor does it take account of benefits that accrue to the non-resident population. (Note: DHB population funding and NZTA funding take into account demographic factors to address the former.)

Rateable properties – relevant where Council services are the driver, or the Council accrues the benefit. Many services are delivered to properties (rather than people) and properties are the basis of rateability. Services are delivered or available whether the population is resident or not.

Even split – relevant where each Council benefits equally e.g. if each has an obligation to undertake work and would incur the costs themselves. Working together will be expected to generate efficiencies however, those efficiencies will often be difficult to quantify and therefore costs (and benefits) should be spread evenly.

Capital Values – this reflects the relative wealth of the Districts. Wealth is one of the proxies for 'ability to pay' and recognises that Councils are funded by property taxes (rates). It can be used as funding formula for initiatives without needing to change the way property is rated.

Roading Kms, Land Area and Deprivation index are provided above for comparison but are not proposed to be used.

In some cases, a single allocation basis above will not be fully applicable to an activity, so combinations of the above factors could be applied. In addition, a business case may be used to support a shared activity or change to provide an understanding of current performance and costs which can assist in determining funding.

6. Proposed funding allocation by activity type

The following table sets out the joint activity types and the general approach to proportional funding of those activities.

Activity	Funding allocation basis	Funding split no GWRC	Funding split with GWRC	Principle
Projects under \$5,000	Equal shares, unless otherwise agreed	MDC 33.3% CDC 33.3% SWDC 33.3%	GWRC 25% MDC 25% CDC 25% SWDC 25%	Administrative efficiency
Scoping potential shared services/collaborations, where the value of the work is more than \$5,000	Rateable properties	MDC 52% CDC 20% SWDC 28%	GWRC 30% MDC 36.4% CDC 14% SWDC 19.6%	Proportional to beneficiaries
Joint external service contracts, eg. <ul style="list-style-type: none"> Waste management Road maintenance and renewals (CDC/SWDC) 	Actual costs to deliver services per District Administration costs allocated according to proportion of cost of service			Proportional to beneficiaries Administrative efficiency

Activity	Funding allocation basis	Funding split no GWRC	Funding split with GWRC	Principle
Joint in-house services, eg. <ul style="list-style-type: none"> Wairarapa Joint Library Service (CDC/SWDC) Roading services (CDC/SWDC) 	Actual costs to deliver services per District Administration costs allocated according to proportion of cost of service			Proportional to beneficiaries Administrative efficiency
Joint project co-ordination, eg. <ul style="list-style-type: none"> Waste Minimisation Cycling Positive Aging 	Rateable properties	MDC 52% CDC 20% SWDC 28%	GWRC 30% MDC 36.4% CDC 14% SWDC 19.6%	Proportional to beneficiaries
Joint procurement, eg. <ul style="list-style-type: none"> Electricity contract Insurance 	Savings lie where they fall			Administrative efficiency
Contract for service, eg. <ul style="list-style-type: none"> Waingawa water and sewerage (MDC/CDC) 	At cost (including reasonable administrative costs)			Profits not made
Joint policy development, eg. <ul style="list-style-type: none"> Wairarapa joint bylaws Liquor and Gambling policies 	Rateable properties	MDC 52% CDC 20% SWDC 28%	GWRC 30% MDC 36.4% CDC 14% SWDC 19.6%	Proportional to beneficiaries Administrative efficiency
Internal resources used to support joint project, e.g. <ul style="list-style-type: none"> Policy analysis for joint bylaws review CDC communications support for WEDSAP 	At cost Or In-kind (where the contribution of each Council is roughly equitable, and the amount of work required relatively small)			Profits not made Administrative efficiency
Combined District Plan and reviews	Rateable properties EITHER 30% or	TBA		Proportional to beneficiaries

Activity	Funding allocation basis	Funding split no GWRC	Funding split with GWRC	Principle
	40% plus equal share EITHER 70% or 60%			
Jointly owned infrastructure	Rateable properties that benefit from infrastructure			Proportional to beneficiaries Administrative efficiency
Joint programmes, eg. <ul style="list-style-type: none"> WEDSAP implementation 	Rateable properties Private beneficiaries to fund where applicable	Allocation of Councils' share: MDC 52% CDC 20% SWDC 28%	Allocation of Councils' share: GWRC 30% MDC 36.4% CDC 14% SWDC 19.6%	Proportional to beneficiaries Administrative efficiency

TERMS OF REFERENCE

WAIRARAPA COUNCILS' SHARED SERVICES WORKING PARTY

Purpose

To promote, monitor and review shared services between two or more councils in Wairarapa.

Members

The group shall comprise three elected members appointed from each of the Masterton, Carterton, and South Wairarapa District Councils, one Greater Wellington Regional Council elected member plus the respective CEOs. Additional members from other organisations may be appointed or co-opted by agreement of the group.

The group shall appoint a chairperson from the group or co-opt an outside person as a facilitator. A deputy chairperson will also be appointed.

Status

The group is a working party and not a formal joint committee of the Councils. It has no decision making authority other than decisions necessary for its deliberations.

Reporting

The group shall report comments and recommendations to each council as considered appropriate. Some reporting may also be to the combined Wairarapa councils' forum.

Decisions shall be by consensus. Consideration shall be given to any implications to the Councils' Annual Plans or LTPs.

Meetings

The group shall meet quarterly or as required. Meetings will be held at the Carterton Events Centre or other agreed venues.

Servicing

One council shall provide secretarial support for meetings rotated annually. Other resourcing for the work of the group shall be by agreement.

Terms of Reference

These terms of reference shall be reviewed and approved by each Council at the beginning of each Triennium, but may be amended at any time by agreement of the three Councils.

WELLINGTON REGIONAL TRIENNIAL AGREEMENT

2016 - 2019

1. SCOPE

- 1.1 This agreement is drafted in order to meet the requirements of s.15 of the Local Government Act 2002.
- 1.2 The Local Government Act 2002 (hereafter referred to as 'the Act') is intended to provide the necessary flexibility for councils to work co-operatively and collaboratively together and with other public bodies to advance community goals and to improve community wellbeing. The scope of this agreement includes the current co-operative and collaborative projects already in place in the Wellington Region and work being undertaken to establish structures and protocols associated with specific issues, and aims to build on these.

2. PURPOSE

The parties to this agreement commit to working for the good governance of their city, district or region by acting co-operatively and collaboratively. It is intended that this agreement will ensure that appropriate levels of consultation and co-ordination are maintained between the councils of the Wellington Region. It is intended that the process of arriving at this agreement, as well as its ongoing operation, should contribute to the strengthening of the regional relationships.

3. PARTIES TO AGREEMENT

- 3.1 The parties to this agreement are:
 - Carterton District Council
 - Greater Wellington Regional Council
 - Hutt City Council
 - Kapiti Coast District Council
 - Masterton District Council
 - Porirua City Council
 - South Wairarapa District Council
 - Upper Hutt City Council
 - Wellington City Council
- 3.2 In accordance with the requirements of the Act, and in the spirit of collaboration that they wish to foster within the region, the parties agree to work in accordance with the protocols outlined in this agreement.

4. PROTOCOLS

- 4.1 The councils of the Wellington Region will work together on issues where it is agreed that the Region and the communities within it will benefit from a regionally collaborative approach.
- 4.2 The councils of the Wellington Region will work together in line with the protocols and principles outlined in the Wellington Regional Strategy Multilateral Agreement in regard to the Wellington Regional Strategy.
- 4.3 When a council has a significant disagreement with the position of the others, the group will make every effort to accommodate, acknowledge or at least fairly represent the dissenting view.
- 4.4 The councils of the Wellington Region will proactively present their case to the Government and other councils from other regions to ensure that the Wellington Region's interests are protected and enhanced.
- 4.5 When a significant decision or issue affects a particular council, or its population, then that council should have the lead role in formulating the Region's response.
- 4.6 Where facilities and services of significance benefit more than one district, and are intended to be funded by more than one district, those districts that intend to participate shall be involved in identifying, delivering, and funding the facility or service. One Council shall take the lead for the project, appointed by the participating councils.
- 4.7 The agreement acknowledges each council's unique accountability.
- 4.8 The councils agree to act in good faith on issues of information and disclosure.
- 4.9 The councils agree to work collaboratively in an open and transparent manner.
- 4.10 The councils agree to build on work currently being undertaken within the Region and to continue to address issues of co-ordination, roles and responsibilities.
- 4.11 As signatories to this agreement all councils will ensure provision of the following:
 - a) Early notification to affected councils, through the distribution of draft documentation, of major policy discussions which may have implications beyond the boundaries of the decision-making council. This specifically includes the development of consultation policies and policies on significance.
 - b) Opportunities for all councils in the Region to be involved in early consultation on the development of each other's draft Annual Plan and draft Long Term Plan and other significant policy consultation processes.
 - c) The application of a 'no surprises' policy, whereby early notice will be given over disagreements between councils concerning policy or programmes, before critical public announcements are made.

5. CONSULTATION

5.1 Consultation in relation to this agreement will be undertaken within the following groups:

- a) A meeting of the Mayors, Regional Council Chair and their Chief Executives will occur at least once every six months to discuss general policy business and to review the performance of the agreement.
- b) Existing regional and sub-regional forums such as:
 - The Wellington Regional Mayoral Forum
 - The Joint Wairarapa Councils' Meeting and Shared Services Working Group
 - The Wellington Regional Strategy Committee
 - The Wellington Regional Transport Committee
 - LGNZ Zone Four
 - Regional Civil Defence Emergency Management
- c) Meetings between staff as necessary to achieve communication and co-ordination on issues identified in the agreement.

5.2 Under Section 15(2) of the Act, the following consultation processes will apply to proposals for new Regional Council activities:

- a) Where a proposed new Regional Council activity is significant in terms of the Wellington Regional Council's policy on significance, the process will be as set out in s.16 of the Act.
- b) Where a proposed new Regional Council activity is not significant in terms of the Wellington Regional Council's policy on significance, the Regional Council undertakes to notify all other councils in the Region prior to commencing any public consultation, in line with the principles of 'no surprises', transparency and good faith.
- c) Where the parties to this agreement are unable to agree, dispute procedures set out in s.16 (4)-(7) of the Act will apply.

5.3 The following consultation process will apply to any change, variation, or review of the Regional Policy Statement for the Wellington Region, and the preparation of any future Regional Policy Statement:

- a) The Regional Council will seek the input of territorial authorities into the review of the Regional Policy Statement for the Wellington Region.
- b) The Regional Council will make available to all local authorities, for discussion and development, draft copies of:
 - any change or variation of to the Regional Policy Statement
 - any proposed Regional Policy Statement.
- c) Territorial authorities will be given a reasonable period of time, but no less than 30 working days, to respond to any such proposal. The Regional Council agrees to consider

fully any submissions and representations on the proposal made by territorial authorities within the Region.

6. OTHER ISSUES

The parties agree that, in addition to the general consultation obligations of this agreement, the councils of the Wellington Region will continue to meet together in various forums to develop common approaches on issues identified as priorities for the Region, including the progressing of Shared Services initiatives consistent with the following principles:

Collaboration Principles

In giving effect to shared services the councils will adopt the following principles to guide progress towards implementation of shared services across the region:

1. **Transferable** - regardless of future decisions around governance, that any approach to shared services be transferrable to any new council structure.
2. **Beneficial** - that shared services focus on services where these will result in significant cost savings, and focus on the delivery of functions that result in more effective and efficient delivery for households and businesses.
3. **Sustainable**/ that the approach has longevity and sets a benchmark for quality service provision in the region but can be scaled up.
4. **Urgent** – that the approach can realise benefits quickly and, if necessary, start small.

6.1 Collaboration within the region

The Mayoral Forum will:

- Be the vehicle for oversight of regionwide projects, such as regionwide collaboration projects.
- Review existing collaboration and shared services arrangements as necessary to ensure that current arrangements remain relevant and optimal
- Identify new opportunities for collaboration and shared services for consideration by the councils

Within the Wairarapa the Shared Services Working Group, on behalf of the three Wairarapa Councils and Greater Wellington Regional Council, will:

- Prepare, at the beginning of each Triennium, a list of shared services initiatives that will be undertaken or investigated during that Triennium.

7. SERVICING

7.1 The parties agree that responsibility for servicing this agreement shall be shared, with responsibility passing from local authority to local authority at the start of each triennium. Servicing involves:

- providing those secretarial services required
- within the limits outlined in the protocols and principles above, acting as a media and communications contact (including the provision of information to the public on request) in relation to matters covered in the agreement.

7.2 The parties agree that the Upper Hutt City Council will be the council responsible for servicing this agreement for the 2016 -2019 triennium, after which it shall pass to the remaining local

authorities as listed in appendix one, unless otherwise agreed.

- 7.3 The parties also agree that responsibility for servicing, and making media comment on behalf of, existing specific regional and sub-regional forums, will lie within those specific forums.

8. REVIEW OF THE AGREEMENT

The parties agree to review the terms of this agreement in accordance with s.15(4) of the Act within four weeks of a request by one of the councils made in writing to the council delegated responsibility to service the Agreement.

9. DISPUTE RESOLUTION

In the event of a disagreement over the terms of this agreement, the parties agree to refer the issue of disagreement to arbitration for non-binding resolution. If no agreement on an arbitrator is forthcoming an arbitrator will be appointed by the President of the Wellington Branch of the New Zealand Law Society.

Wairarapa Shared Services – actual shared activities and options for future consideration

- Combined District Plan review and Joint Planning Committee
- Waste management contract
- Waste minimisation initiatives
- Wairarapa joint bylaws
- Other joint Wairarapa policies
- Wairarapa Road Safety Council
- Wairarapa Library Services Joint Committee (SWDC/CDC)
- WaiConnect/UFB/RB2 rollouts
- Cycling strategies and trails co-ordination
- Wairarapa Safer Communities Trust (CDC/SWDC)¹
- Environmental and climate change initiatives
- Remutaka Hill Road Committee
- Predator-free and cat strategies
- Combined pound
- Roding activities
- Wairarapa GIS
- Wairarapa events – eg Apprentice Awards
- Wairarapa Youth Council
- Wairarapa tourism promotion – Destination Wairarapa
- Wairarapa Economic Development Strategy and Action Plan
- Wairarapa Emergency Management EOC provision

Future potential activities include:

- Building Services – Building Control Authority
- IT services
- Communications
- Internal Audit
- Payroll
- HR

¹ Note MDC supports and funds Connecting Communities Wairarapa which delivers aspects of community development across Wairarapa

- Health and Safety (including Pre-Qualification of and Contractor Safety)
- Resource consenting
- Legal services
- Rates collection
- Accounts payable
- Call centre / After hours
- Management.