

From: s9(2)(a)
To: [REDACTED]
Cc: s9(2)(a) [Raewyn Bleakley](#)
s9(2)(a) [Wayne Heerdegen](#)
Subject: Draft agenda and paper for Friday's LGC - CE Forum workshop on the transport business case
Date: Monday, 22 August 2016 6:10:07 p.m.
Attachments: [Agenda for CEs Meeting re transport IBC 26 Aug.docx](#)

Dear CEOs Forum and Raewyn

The draft agenda and paper for Friday's LGC - CE Forum workshop on the transport business case is attached.

Please give me a call if there is anything you'd like to discuss.

The start time will be after the Mayoral Forum – around 11am and will run for 2 hours max. Lunch will be provided – thank you Upper Hutt.

Kind regards

[REDACTED]

[REDACTED]

Lead Adviser – Reorganisation

Local Government Commission Mana Kawanatanga A Rohe

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From: s9(2)(a)
Sent: Wednesday, 10 August 2016 5:12 p.m.
To: [REDACTED]
Subject: Draft transport indicative business case report for your feedback by 21 Sep

Dear CEOs Forum

Draft report for your feedback by 21 Sep

I have attached a draft of the transport indicative business case for your consideration. It is quite a lengthy and detailed report.

We would appreciate any feedback by 21 September i.e. six weeks from now.

Transport workshop – 26 August

We have some time set up for us to workshop some of the complexity in the transport options after the Mayoral Forum on 26 August.

I propose we discuss funding, joint committee membership and voting rights, and community voice measures for the Wellington Roads and Wellington Transport options. Let me know if there are other things you'd like to cover.

I'll send out a draft agenda early next week. We'll also provide a paper later next week to expand

on the agenda and support the discussion.

I am on leave on Friday so see you next on the 26th.

Kind regards

s9(2)(a)

Lead Adviser – Reorganisation

Local Government Commission Mana Kawanatanga A Rohe

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Local Government Commission

Mana Kāwanatanga ā Rohe

DRAFT AGENDA

Transport Indicative Business Case – CEs workshop

Friday 26 August 2016

Civil Defence Room, Upper Hutt City Council

Time: TBC – After the Mayoral Forum – around 11am

Purpose of the workshop: To get guidance from the Wellington CEOs Forum on whether more detail is needed in the draft indicative business case on some issues to help councils consider the options including: implementation phasing, funding, governance, and community voice.

Attendees:

Wellington CEOs Forum

NZTA - Raewyn Bleakley, Wayne Heerdegen

s9(2)(a) – facilitator, s9(2)(a), Cranleigh

LGC: s9(2)(a)

Agenda items

Item	Timing (mins)	Description
1.	20	Phasing – Progressing a Wellington Rooding Maintenance organisation – potentially as a transitional step – incl. managing public engagement
2.	20	Joint shareholders' committee membership and voting rights
3.	20	Funding formula options for inclusion in the IBC
4.	20	Community voice measures
5.	20	Opportunity to raise and discuss other potential issues
6.	10	Process for finalising the IBC

Notes for Agenda Item 2 - Committee memberships and voting rights

Wellington Roads joint shareholders' committee membership: How much detail is needed for IBC?

For example - Three alternatives

Wellington Roads involves the TAs to the west of the Rimutakas. There are three main options for membership of the shareholders' committee:

- one member appointed by each shareholding council (five in total)
- membership based on population (4 WCC, 2 HCC, 1 for each of the others, nine in total)
- one voting member appointed by each shareholding council, along with one non-voting additional member, who could exercise the vote if the voting member is absent (ten in total)

The third alternative is based on the Shareholders' Forum proposed for the Waikato Sub-Regional Waters CCO. The Waikato proposal is for the Shareholders' Forum to comprise a lead representative and two others appointed by each council. The lead representative will be authorised to exercise any voting on behalf of the shareholding council. In the absence of the lead representative, one of the other representatives will be authorised to exercise the shareholder's votes.¹ The advantage of this model is that there is more than one person from each council around the table to debate and discuss issues, and an informed second representative can step in, should the lead representative not be available.

If the Wairarapa councils are included in Wellington Roads (and are not merged), then the membership would be:

- one member appointed by each shareholding council (eight in total)
- membership based on population (6 WCC, 2 HCC, 1 for each of the others, fourteen in total).

Basing committee membership on population would result in a large committee which could pose difficulties with meeting organisation and efficient decision-making. However, this approach has the benefit of better representing the larger population centres in the region.

¹ [Proposed record of agreement for Waikato Sub-Regional Waters CCO 10 June 2016](#)

Wellington Transport joint shareholders' committee membership: How much detail is needed for IBC?

For example - Two alternatives

The Wellington Transport base case would involve all councils in the region and NZTA, with Wairarapa councils being included for public transport and optionally in for part or all of roading.

There are two main options for membership of the shareholders' committee:

- one member appointed by each shareholding entity (10 in total)
- membership based on population plus two each from NZTA and GWRC (6 WCC, 2 HCC, 1 for each the other councils)

Determining membership based on population makes for a very large committee. Including two each from NZTA and GWRC would take the overall number of representatives on the joint committee to 16 (if the Wairarapa councils combine into one district council) or 18 (if the Wairarapa councils remain separate). As is the case for Wellington Roads, this approach would result in a large committee which could detract from efficient decision-making, but better represents the larger population centres in the region.

The third option proposed for Wellington Roads would result in an unwieldy number of committee members (28-36) so would be unworkable for Wellington Transport.

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Wellington Roads and Transport joint shareholders' committee voting rights: How much detail is needed for IBC?

For example - Equal voting rights or weighted voting rights

Under the membership scenarios for both Wellington Roads and Wellington Transport, the shareholding would likely have a dual structure as is the case with Wellington Water with Class A and Class B shares. Class A shares would be voting shares based on equal voting rights and Class B representing the ownership share of the CCO (income, and capital contributions or distributions), allocated based on a combination of asset value and revenue.² Further work would be required to propose a formula to allocate ownership shares.

The Waikato Waters CCO proposal presents an alternative that could be adapted to the Wellington scenario: weighted voting rights depending on the importance of issues:

- Waikato Waters' three shareholders must use best endeavours to make all joint shareholder decisions by consensus, with their independent chair facilitating that consensus.
- If consensus cannot be reached, a decision will be made by voting.
 - 'Ordinary' decisions will be made by shareholders by simple majority on a one vote per shareholder basis.
 - For 'significant' decisions, a 75% majority will be required on a voting basis proportionate to the shareholding of each council (i.e. the Class B shares). Examples of significant decisions include establishing debt caps and/or debt ratio limits and repayment of shareholder loans.
 - Unanimous decisions, reserved for individual councils, include establishing and changing the CCO's constitution and accepting another council as a new shareholder.

² In the Wellington water model Class B shares (relating to income rights) are allocated as follows: WCC, 42.1%; HCC, 21.1%; UHCC, 8.4%; PCC, 12.6%; GWRC, 15.8%.

Agenda Item 3 - Funding options

Wellington Roads funding options: How much detail is needed for IBC?

For example – Three year rolling funding

The Wellington Roads proposal is similar to the Wellington Water CCO. Wellington Roads would pool the current capability in the territorial authorities (TAs) to plan, manage and deliver services relating to roads, paths and cycleways into a new CCO. The functions would be provided to individual councils under a fee for service arrangement implemented through a service level agreement.³

While annual funding is an option, three yearly rolling funding for the organisation and for service level agreements would provide for more efficient operation. We would like to discuss whether we can propose three yearly rolling funding and service level agreements in the IBC as part of the base case.

We propose that the allocation of funding to the organisation is left to the detailed business case.

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³ Page 55 Draft Indicative Business Case.

Wellington Transport funding options: How much detail is needed for IBC?

For example - Funding principles and funding formula

Funding for Wellington Transport would be raised principally through:

- Existing targeted regional rate mechanism for public transport
- Contributions from TAs based on a funding allocation formula, which could in turn be met through the councils' funding sources.

NLTF and fare sources would be unchanged.⁴

A key question for further discussion is the basis for the funding allocation formula and whether the IBC should include an indication of options for determining the funding. To assist with discussion we have given initial consideration to:

- Potential key principles underlying the development of a funding formula, and
- Potential options for the funding formula.

Potential key principles

The following suggested key principles are provided for discussion purposes, and are not proposed as an exhaustive list:

- Fair
- Simple underlying formula
- Transparent
- Affordable.

Potential options for funding formula

For discussion purposes, we have identified three potential WT funding formula options. Variations or combinations of these options, or other alternatives could also be considered. The three are:

- **Historic approach:** The funding formula would be based on each council's share of regional transport spend at a point of time (e.g. as set out in the 2015-18 RLTP) or over a period of time (e.g. the last 10 years), and/or to the value of its transport assets as a share of the regional total at a particular point in time. This approach is simple, but could lock in any inequities as it would always reflect a 'legacy' situation, unless reviewed frequently.
- **Population approach:** The funding formula would be based on each council's share of regional population. This approach is also simple, but has the advantage of being relatively dynamic, which would ensure that any increased funding burden would be borne by the growth areas that can place increased demand on the transport system.
- **Network approach:** The funding formula would be based on each council's share of the regional transport network. This could be simple, such as a council's share of total network km or vehicle km, or it could take advantage of the One Network Road Classification system to provide a more sophisticated basis for funding allocation. The latter approach would be based on each council's share of each tier of network km - the standard low volume, access,

⁴ Page 56 Draft Indicative Business Case.

secondary collector, primary collector, arterial, regional, national, and high volume tiers, plus footpath and cycleway/shared path tiers (each of which could be further split as sealed/unsealed as appropriate), and each tier could be weighted to reflect its importance to the network. The straight network km approach is likely to be too crude and would penalise councils with large road networks (and low populations), so it is not recommended, but a vehicle km or an ONRC-based formula may provide an equitable and relatively dynamic basis for assessment.

The above options assume that public transport funding is allocated through a separate formula, probably the existing GWRC formula.

As noted above these or other approaches (including public transport) could be combined into a multi-criteria formula if desired. This would be more complex, but might eliminate imbalances caused by the use of a single approach.

In any case, the funding formula options would need to be investigated and tested in detail to determine which are likely to best meet any funding principles that are adopted.

It is likely that most formulas would result in increased funding from some councils and reduced funding from others to some degree. It would therefore seem sensible to introduce a transition period to gradually adjust council contributions to match the level specified by the formula over a specified period (e.g. six years to align with two RLTP cycles or similar).

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Agenda Item 4 - Community voice measures

The draft IBC includes details of the many ways in which councils as owners would direct and hold Wellington Roads and Wellington Transport accountable. These include:

- Appointing and managing the performance of the board of directors
- Direction setting, monitoring and accountability via
 - Letter of expectations
 - Statement of Intent
 - Shareholders' expectations manual
 - Annual report

While these documents are fundamental to the governance and accountability framework for a CCO, the linkages between the CCO and community aspirations may seem somewhat indirect to councillors and community members. Therefore we would like to include in the IBC some further detail about how these documents might direct Wellington Roads and Wellington Transport interactions with the community.

The following content is adapted from Auckland Council's (AC) governance framework as it applies to Auckland Transport (AT) (in particular, *AC Governance Manual for Substantive CCOs*, December 2015; *Draft AT Statement of Intent 2016/17-2018/1*; and *AC Significance and Engagement Policy*, December 2014.)

Principles and mechanisms for community engagement – Wellington Roads and Wellington Transport

Some principles and mechanisms for community engagement Wellington Roads or Wellington Transport could be proposed by the IBC for inclusion in the CCO Governance Manual and/or letter of expectation.

Community engagement principles could include:

- Wellington Roads/Wellington Transport should be proactive, responsive and transparent in its community engagement.
- 'No surprises' approach – the public expect a high standard of accountability and transparency from councils, council organisations and NZTA. Wellington Roads/Wellington Transport should keep shareholder councils fully informed on all matters that are likely to attract significant public interest and ensure appropriate people in those organisations are fully briefed before an issue is discussed in a public forum.
- Wellington Roads/Wellington Transport will engage with individual councils, community boards and key community stakeholders with regard to place-making initiatives and transport projects that enhance the local environment and be responsive to community feedback.

Potential mechanisms to ensure community engagement could include:

- Wellington Roads/Wellington Transport should prepare, as one of their founding documents, a community engagement policy. The policy will be developed in consultation with all shareholder councils and NZTA. The policy will set out when and how councils and ward councillors would be involved and preferred consultation processes.

- An annual community engagement plan would be developed with each council/NZTA, setting out projects on which the councils/NZTA and Wellington Roads/Wellington Transport could work together on community engagement in the upcoming year, and the best methods for community engagement.
- Given the importance of local streetscapes and places to individual communities it might be appropriate for a portion of funding for Wellington Transport funding to be set aside for local-level projects. This would ensure that smaller, but locally important, projects are not subsumed by consideration of major or strategic regional projects. The detail of how earmarked funding would work would require further thought. (This mechanism would apply only to Wellington Transport as Wellington Roads project would be delivered through service level agreements with the individual councils). This mechanism would need to be devised in a way that did not detract from the integration/alignment benefits being sought through the regional pooling of funding through Wellington Transport to be spent on regional priorities.

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Agenda Item 5 - Other issues

Are there other issues that CEs would like to see explored in more detail in the IBC to facilitate councils' consideration of the options?

E.g.

- Pooled Planning Support option governance
- WT asset ownership
- Servicing the joint committee and CCO monitoring
- Process for finalising and agreeing the SOI developed by the CCO
- Process for feedback regarding the performance of the CCO
- Process for developing and agreeing the letters of expectation and the shareholders expectations manual

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