

## **Executive summary**

This paper lists the Government's responses to questions about the estimated impacts of the Auckland region local governance reforms.

We have not included our analysis of the responses at this stage. Some of the issues are further dealt with in later information requests to other sections of government.

In summary, in our opinion there is a distinct lack of impact assessment for the estimated or predicted proposal.

## **Version history**

<b>Version</b>	<b>Status</b>	<b>Date</b>	<b>Comments</b>
01	Issue	23 July 2009	Initial release

## **Introduction**

Questions from SavePapakura.com

- Question parts 1-5 dated Friday, 12 June 2009 13:16 NZST
- Question parts 6-7 dated Tuesday, 16 June 2009 16:05 NZST

Responses from the Auckland Governance Reform Enquiry Line (the official information line run by the Department of Internal Affairs)

- Responses dated Thursday, 18 June 2009 11:18 NZST

You may wish to consider the official response given to request 5.1 (on page 8) which has provided a good summary for the overall status of the government's preparedness. It should not be assumed the government has done detailed budgets!

With thanks to the Department of Internal Affairs for assembling the responses from various departments at short notice.

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## **Background to requests 1–5 (supplied with the information request)**

As briefly outlined this morning, I'm seeking the financial analysis & projections that were done for the proposed Auckland Supercity.

I am referred from the [www.auckland.govt.nz](http://www.auckland.govt.nz) website that has Department of Internal Affairs' contact details listed for further information on the Auckland Supercity.

As a Papakura resident, I'm extremely concerned by the apparently hasty decisions made by Central Government and the lack of any substantial supporting information on the plans. I am in communication with many residents about Supercity so an early answer is appreciated.

I accept the Auckland Transitional Authority is still getting rapidly getting into gear; and Auckland Council (supercity) is planned to commence in late 2010; and there must have been some analysis done by Government when they made their decisions in recent months. Due to the swift changes made via different bodies information can quickly become dates; please advise what dates the underlying information was prepared.

## **1. Transition costs**

### ***Background supplied with the request***

I cannot find any published estimates of the transition costs; nor their underpinning financial analysis.

(I am broadly aware of the Royal Commission's coverage of various models; though that is superseded by the Government's change in direction in rejecting many of the recommendations).

### ***Information request***

- 1.1 Please advise what the latest estimated transition costs are; with the underpinning financial analysis that includes modelled assumptions, estimated accuracy, sensitivity analysis and time analysis.

### ***Official response***

#### **Question 1: Transition costs**

The transition costs will fall into four elements:

- a) The cost to the Government of responding to the Royal Commission and drafting legislation to create the Auckland Transition Authority (ATA), etc is part of the normal work of the Department's policy unit, and is not separately estimated. It was met from existing departmental budgets.
- b) The Government has allocated \$10.5 million over the next 18 months, plus \$2.5 million one-off set-up costs for the operation of the ATA. This is a debt to the Crown, which is expected to be repaid by the Auckland Council when it is established.
- c) There may be some cost to existing councils before they are wound up. (They may, for example, fill some positions that become vacant with staff on short-term contracts, rather than make permanent appointments.) It is not feasible to estimate this cost.
- d) There will be costs to the Auckland Council in rationalising the operations of existing councils. These would include, for example, the cost of rationalising IT systems that are currently duplicated.

The Royal Commission estimated that total costs for transition would be between \$120 million and \$240 million, spread over four years (cf Executive Summary para 75). The differences between the Government's proposal and that put forward by the Commission are not significant enough to put that estimate in question.

## **2. How will the transition costs be funded and apportioned?**

### ***Background supplied with the request***

(My limited, incomplete and probably incorrect understanding is people in the Auckland region will be funding the transition costs for the unwanted Supercity 'we have to have'; and the costs will be placed on existing councils who will have to invest in the transition and repay the Transitional Authority within two years.)

### ***Information request***

2.1 How will the transition costs be funded? Who funds them?

2.2 How will the transition costs be apportioned?

2.3 What are the estimated transition costs borne by the existing Papakura District Council area? What are the estimated additional costs to people taxed within that boundary (regardless whether via a levy or rates)?

### ***Official response***

#### **Question 2: How will the transition costs be funded and apportioned?**

The costs of (a) will fall on the taxpayer. the costs of (c) will fall on the existing councils. The costs of (b) and (d) fall on the Auckland Council, and will form the bulk of the costs. The funding and apportionment of these costs will be a decision for the Auckland Council. We cannot anticipate the decisions the Auckland Council will make, so cannot answer question 2.3.

### **3. Impact on rates**

#### ***Background supplied with the request***

The Government's information only makes the statement there will be a 'single rating system' and 'single rates bill'; yet avoids mentioning what the estimated level of rates will be for the one system (let alone if the provisions of targeted local rates is included).

Papakura District Council has one of the lower rates in the region; which will be subject to change with the Supercity plans.

#### ***Information request***

- 3.1 What changes are estimated to the level of rates for those in the existing Papakura District Council boundary? Including average residential rate and average commercial rates?
- 3.2 Will Papakura ratepayers pay higher rates under the Supercity? How much more?
- 3.3 Will the Supercity rates be pegged towards the highest, average or lowest current rates in the region?
- 3.4 If there are levies, other taxation or debt that is not included in the above analysis on rates impacts; what are the impacts for levies, taxation or debt?

#### ***Official response***

##### **Question 3: Impact on rates**

The Auckland Council will make the decision as to how it funds its services. We cannot anticipate these decisions.

## **4. Government debt**

### ***Background supplied with the request***

Existing councils carrying varying levels of debt and financial performance.

### ***Information request***

- 4.1 For the existing Papakura District Council boundary, how will debt levels compare or change between Council's current debt, and the geographical portion of Auckland Council (Supercity) envisioned debt level?

### ***Official response***

#### **Question 4: Government debt**

There is no "envisioned debt level" for the Auckland Council, which will make its own decisions on funding arrangements.

## **5. Information available?**

### ***Background supplied with the request***

I appreciate there may be information management challenges given the pace of changes and the number of participating stakeholders.

### ***Information request***

5.1 If the requested information is not available, why not?

5.2 Is there non-disclosed information that would have changed the answers given?  
Which questions are impacted?

### ***Official response***

#### **Question 5: Information**

5.1 This, and many of your other questions, make the assumption that the Government has prepared detailed budgets for the Auckland Council. This is not the case, because these are local decisions for the Auckland Council to take in consultation with the citizens and ratepayers of Auckland.

5.2 No.

## **Background to requests 6–7 (supplied with the information request)**

I hope the requested information is coming along; as I and the rest of the public have just over one week to lodge submissions to the current select committee inquiry about the second Supercity bill; and I'm sure the select committee members equally are dependent on quality information.

Please add these additional two issues to my list of concerns on the perceived quality of the government's decision making / information request.

## **6. Regulatory Impact Statement – Adequacy Statement?**

### *Background supplied with the request*

I am concerned about the perception that the government is cutting so many corners. Apparent lack of relevant impact assessments; bypassing reorganisation consultation & public binding polls under the Local Government Act; bypassing select committee processes and bypassing cabinet procedures such as those incorporating the Regulatory Impact Analysis Team (RIAT). The perceived lack of appropriate checks and balances has led some to draw a conclusion that shoddy practices will lead to shoddy outcomes; whereas I would sum it up as perhaps the government is not thinking clearly or logically in its haste to make 'urgent' decisions.

The explanatory notes for the first two Bills clearly state in their Regulatory Impact Statement:

### **Adequacy statement**

The Regulatory Impact Analysis Team (**RIAT**) considers that the proposals relating to Auckland's future governance arrangements are economically significant. RIAT has not assessed the regulatory impact statement because it was prepared after Cabinet's decisions were made.

It also appears from publicly released cabinet papers, there has not been any real assessment considered by the cabinet; in the absence of a Regulatory Impact Statement.

Drawing attention to Cabinet's policy manual:

- that RIAT should have been involved in significant cases such as these pieces of legislation; and
- 'When providing a discussion of impacts of options, the RIS should not be limited to economic concerns, and should examine the full range of outcomes including social, cultural, health, and environmental outcomes.'

**Estimated impact analysis of Auckland Supercity plans  
– official responses from the Department of Internal Affairs**

***Information request***

- 6.1 What level of confidence can be placed on the adequacy of the two Bills (one of which is now an Act), if cabinet are making their decisions in the apparent absence of Regulatory Impact Statements (at the times of making decisions)
- 6.2 What level of confidence can be placed on the Regulatory Impact Statement's quality assurance and adequacy (and hence the legislations themselves), given the Bills bypassed the involvement of the Regulatory Impact Analysis Team that could have contributed to the quality levels – such as ensuring relevant impact assessments are conducted and expressed; and ensuring the Regulatory Impact Statement is consistent with the objective stated in that assessment?
- 6.3 The information that would have contributed to an 'adequate' Regulatory Impact Statement is vital right now for sound decision making (by the public in making select committee submissions; and for the select committee in undertaking their review)
  - 6.3.1 Please provide information on the impacts of these two pieces of legislation, including 'economic, social, cultural, health, and environmental outcomes' of the proposed (or enacted) as well as the alternative options
  - 6.3.2 Please advise on the adequacy and relevance of the supplied information about those impacts
- 6.4 With the anticipated transition for the proposed Auckland Council to deal with larger businesses that are operating regionally or nationally:
  - 6.4.1 What are the assessments or projections for the degree of anticipated change; and the associated impacts?
  - 6.4.2 What are the assessments or projections for the benefits to larger sized businesses under the Supercity proposal?
  - 6.4.3 What are the assessments or projections for the harmful impacts to smaller sized business under the Supercity proposal? (Including economic flow-on impacts, as there are often economic impacts such as supply chain or service chain effects)
- 6.5 If the requested information is not readily available, why not?

***Official response***

**Question 6: Regulatory Impact Statement**

6.1, 6.2 As this is not a request under the Official Information Act, which may seek an opinion, we are unable to reply.

6.3.1 The Royal Commission provided the information you request in its report.

6.4 This question relies on assumptions about the Auckland Council business model that may not occur.

## **7. Accountability, transparency, auditing and safeguards**

### ***Background supplied with the request***

I am concerned about the management of >\$27B of assets and >\$3B per annum expenses for the proposed Supercity.

### ***Information request***

- 7.1 What assessments have been conducted on the potential or actual impacts for accountability and transparency of the proposed Supercity structure – both collectively and for its individual parts?
- 7.2 What are the identified weaknesses or risks?
- 7.3 How do the proposed measures compare with best practice?
- 7.4 Given that the council controlled organisations are arms length with little oversight from the proposed Council; how will the accountability, performance, effectiveness, records and meetings of those organisations be publically open?
- 7.5 What process, checks and balances are in place to avoid sell-offs of public assets or privatisation?
- 7.6 What data is there that the proposed changes will concretely lead to savings? (Usually the assumptions are way off; the projected savings small in relation to the underestimated risks)
- 7.7 What past evidence is there that amalgamation produces benefits? (The government's statements only mention they wishfully expect savings; not evidence based)
- 7.8 If the requested information is not readily available, why not?

### ***Official response***

#### **Question 7: Accountability, transparency, auditing and safeguards**

7.1-7.3 The Royal Commission assessed these issues.

7.4 We do not accept the presumption on which this question is based. CCOs are subject to Parts 1 - 6 of the Local Government Official Information and Meetings Act. They must have a Statement of Intent approved by the Council, and must produce a half yearly report and an audited Annual Report, which must both be made publicly available. They must use the Auditor-General as their auditor and are subject to the Auditor-General's scrutiny under the Public Audit Act.

7.5 The same processes, checks and balances that apply to all councils now will still be in place. ATA has no power to direct existing councils to sell or privatise assets. Any future decision will be made by the Auckland Council.

7.6 The Royal Commission discussed this at length in chapter 32 of its report.

7.7 Benefits and savings are not synonymous. The Royal Commission discusses the benefits of reform at length.