

1. Local Government Reorganisation in Northland

Reporting officer Alan Adcock (Group Manager Support Services)

Date of meeting 11 April 2013

Vision, mission and values

This item is in accord with Council's vision, mission and values statement.

Draft alternative application to the Local Government Commission

Item 1 of the Agenda for the Extra-ordinary Council Meeting on 11 April 2013 summarises the outcomes of Whangarei District Council's public meetings of 19 and 20 March and a workshop held on 28 March to update councillors on local government reorganisation in Northland before outlining alternative application requirements. A draft alternative application was not able to be tabled with that Item given the timeframes available.

The draft alternative application to the Local Government Commission has now been completed and is attached for consideration under the recommendations of Item 1 of the Extra-ordinary Agenda.

Attachment:

[Whangarei District Council – Draft Alternative Application for the Reform of Local Government in Northland \(April 2013\)](#)

[Appendix 1: Final McKinlay Douglas Report - Local Government Options for Northland – A report prepared for Northland's Territorial Local Authorities \(February 2010\)](#)

[Appendix 2: Commissioners' Reports - Local Government Options for Northland \(November 2010\)](#)

[Appendix 3: Greg Innes Review – Whangarei District Council's comments on the \[draft\] McKinlay Douglas report \(2009\)](#)

[Appendix 4: Extra-ordinary Whangarei District Council Agenda - 2012 Representation Arrangements Review \(July 2012\)](#)

[Appendix 5: Indicative Diagram of a Two Unitary Model for Northland](#)

Whangarei District Council

DRAFT Alternative Application for the Reform of Local Government in Northland

April 2013



Table of Contents

1	Executive Summary	3
1.1	Overview	3
1.2	A two unitary structure	3
1.3	Key benefits	4
1.4	Good local government	4
2	Alternative application details	5
3	Background to change	6
3.1	Local Government options for Northland: 2009/10	6
3.2	Findings of the independent commissioners	6
3.3	Better Local Government	7
3.4	FNDC application	8
4	Community engagement	9
4.1	Findings from WDC meetings	9
4.2	Findings from the Te Huinga Hapu hui	12
4.3	Findings from the NRC public forums	12
4.4	Implications	12
5	The Northland context	13
5.1	Social and economic indicators for Northland	13
5.2	Implications	15
6	Basis for an alternative application	16
6.1	Preferred structure	16
6.2	What's wrong with the status quo?	17
6.3	Two separate unitary authorities	17
6.4	Communities of interest and ward structure	18
6.5	Community voice	19
6.6	Maori representation	19
6.7	Service Delivery across Northland	20
6.8	Is there another alternative?	21
6.9	How will our community respond to any change?	21
7	Efficiency and effectiveness	22
7.1	Resourcing to ensure effective delivery of responsibilities, duties, and powers	23
7.2	A district or region structure appropriate for efficient performance	25
8	Financial matters	27
9	Benefits of reorganisation	30
9.1	Efficiencies and cost savings	30
9.2	Effectiveness and productivity improvements	30
10	Conclusion	31
11	Appendices	32

1 Executive Summary

1.1 Overview

In notifying the Far North District Council (FNDC) application on 5 March the Local Government Commission (the Commission) gave until 15 April 2013 for individuals and organisations to lodge an alternative application for local government reorganisation in Northland. While Whangarei District Council (WDC) had previously resolved to conduct a comprehensive community engagement programme on local government reorganisation in Northland this programme had to be condensed considerably. Public meetings were held on 19 and 20 March 2013 to explore possible structures for local government, the community's views on the ways we could improve community voice/grassroots representation and options for Maori representation.

There was no one clear direction from feedback that could be sought in the timeframes provided and those present questioned whether any of the feedback received could be considered representative. However it was clear in the meetings that there was an element of support for some form of the status quo; although attendees were also of the opinion that local authorities across Northland had to do better at working together through increased collaboration, introducing more shared services, aligning political agendas and coordinating our regional voice. In other words, they sought an 'enhanced status quo'.

As discussed in the body of this application there are always be impediments (many quite legitimate) to introducing an enhanced status quo approach where there are different community-led governance structures in place. In addition, under the Local Government Act 2002 (the Act) the Commission must undertake a full analysis of the status quo as a reasonably practicable option and there is no benefit in submitting an alternative application on that basis. There is, however, benefit in WDC being engaged, and having a voice, in the process on behalf of ratepayers.

Complementing findings from the limited consultation able to be undertaken is the extensive body of work compiled through the 2009/10 the Local Government Options for Northland process. This was the first formal review of local government in Northland since the 1989 reforms and included a full, independently commissioned, public submission and hearing process. As such the 2009/10 process provides a robust foundation from which to consider local government reorganisation and key documents, including the final McKinlay Douglas Ltd report, have been utilised in this application and are attached as appendices.

Given the impediments to enhancing the existing status quo, and the fact that the Commission must assess the relative merits of the status quo against any alternative applications, this application has been compiled to provide an alternative option that sets out WDC's position and also reflects concerns raised in the limited feedback received from the community and the historic body of work on local government options for Northland. In the event that the Commission determines that change is necessary and the status quo is not its preferred option, we submit that a Two Unitary structure is the best fit for Northland.

1.2 A Two Unitary structure

As outlined in the body of this application two key considerations when looking at a structure that will meet the needs of Northland and be sustainable going forward are appropriate communities of interest and the extent of any large scale cross-subsidisation. These tie into wider requirements under the Act regarding the ongoing efficiency and effectiveness of any organisation created. In this context the outcomes of reorganisation are not just about being more efficient (doing things for less) but also about being effective (doing the right things with the resources available).

It is WDC's belief that in reality local authorities need to be both efficient and effective but there is an inevitable trade-off between these requirements. It is this balance that has led to WDC's submission of an alternative application for two unitary authorities; one based on the present FNDC boundaries and the other on a combination of the Whangarei and Kaipara District Council boundaries, as the best mechanism for promoting good local government in Northland.

In order to ensure this structure hears from communities within the Northland region it will be supported by a network of advisory groups and panels (within the current WDC boundaries) and Community Boards (within the current FNDC and potentially the current KDC boundaries). Given the Commission's advice regarding its limited ability to provide for Maori Wards or Constituencies through the current reorganisation process, effective Maori representation will be achieved through expansion of the Te Kārearea Strategic Partnership Forum to the Kaipara District. WDC will leave it to the communities of the Far North to consider the mechanism that should be applied there in the absence of Maori Wards.

A number of innovative approaches will be proposed to ensure service provision that is efficient yet effective in meeting the needs of Northland communities for local services, local infrastructure and regulatory functions. These include a Council Controlled Organisation (CCO) for the Northland Port Corporation (and potentially other maritime activities), regional committees at the governance level to ensure policy alignment and regional coordination/prioritisation and liaison with central government, supported by a range of specialist functions delivered on a Northland-wide basis through out-sourcing arrangements between the two authorities. This approach will avoid duplication while saving costs, addressing the challenge of attracting enough skilled staff in key roles and also making it easier to align policies and practices over time. In addition opportunities for coordinating back-office functions and encouraging 'centres of excellence' will be actively pursued through the reorganisation process.

1.3 Key benefits

A brief summary of the benefits outlined in section 9 of this application for each of these areas is provided in the table below:

Efficiency & Cost Savings	Effectiveness & Productivity Improvements
Improved ability to deliver infrastructure at a reasonable cost to ratepayers	Reduction of statutory planning processes across (i.e. Long Term Plans, Annual Plans and Annual Reports).
Reduced cost/duplication through combined and simplified regulatory and monitoring activities	Improvement of the development of affordable and innovative local infrastructure while delivering good environmental outcomes.
Reduction in the number (and associated costs) of elected members and key staff.	Improved cross-functional development of good quality local infrastructure solutions
Fleet and overhead rationalisation.	Centralised support functions.
Consolidated information systems and elimination of duplicate roles and responsibilities	An integrated approach to resource management.
Centralised support functions	A more cohesive cross-functional approach in areas where multiple activities intersect (e.g. consent processes).
A consolidated/regional economic development approach	An integrated framework for reporting and resolving environmental issues.
Reduced cost in providing coordinated Civil Defence Emergency Management	A single, effective, delivery system for all local government services in each unitary authority area.

As outlined in this application cost savings as a result of reorganisation are inherently hard to estimate, with any savings realised having to be offset by any transition costs. It is anticipated that effectiveness and productivity improvements will be the key benefits of any reorganisation. These are considered to be significant, and tangible, under a Two Unitary structure.

1.4 Good local government

The fundamental test of any proposal for local government reform is whether it promotes good local government in terms of the criteria set out in the Act. This application comprehensively demonstrates that a Two Unitary model for Northland does exactly that and as such is the appropriate model for the Commission to take to our community for consultation.

2 Alternative application details

Applicant: Whangarei District Council
Private Bag 9023
Whangarei 0148

Proposed changes: The WDC alternative application is for Two Unitary authorities to be established, one based on the present FNDC boundaries and the other on a combination of the Whangarei and Kaipara District Council boundaries as per the following high level diagram. For the sake of clarity the scope of local government reorganisation sought under this application can be seen to fall under sub-paragraphs a), b), c) and d) of section 24 of the Act.



Outcome of application: The outcomes of proposed changes sought are outlined in this application with sections 6 to 9 being of particular relevance. The discussion of structure and resourcing under those sections sets out in detail how these outcomes will be achieved.

Potential improvements: Again potential improvements that would result from the proposed changes, and how they would promote good local government, are outlined in detail in this application with sections 6 to 9 being of particular relevance. The discussion of structure and resourcing under those sections sets out how these outcomes will be achieved. As outlined in the conclusion this application comprehensively demonstrates that a Two Unitary model for Northland promotes good local government in terms of the criteria set out in the Act and as such is the appropriate model for the Commission to take to our community for consultation.

Community support: Schedule 3 clause 10(2) states that an alternative application is not required to demonstrate community support in a territorial authority where this has already been demonstrated. The Commission has already found demonstrable support for both the FNDC application and change to local government within the Whangarei District and has previously advised that it is now its role to establish community support for any alternative application and resulting preferred or final proposal. Having said that WDC has undertaken a condensed consultation programme in the timeframes available, the results of which are outlined under section 4 of this application.

3 Background to change

Local government in New Zealand was historically comprised of numerous territorial authorities and single-purpose authorities. In 1989 the Government embarked on a major reform of local government which resulted in fewer, larger, councils. The reforms were part of a wider programme of public sector and economic reform. As highlighted in the McKinlay Douglas Ltd report (discussed below) the need to 'improve the performance of New Zealand's public sector and wider economy, with a particularly strong emphasis on efficiency and the role of structural design in achieving this' was central to these reforms. In Northland the reforms resulted in major changes with a significant number of smaller local authorities being amalgamated into the underlying structure of local government that remains in place today.

3.1 Local Government options for Northland: 2009/10

The Local Government Options for Northland process of 2009/10 was the first formal Northland-wide review of local government structure since the 1989 reforms. The review was in part instigated by changes to Auckland's local government structure and the imminent creation of the 'super-city'. The origins of the process can be traced to a Mayoral Forum in August 2009 where it was agreed that 'Northland should be in charge of its own destiny when a further round of local government restructuring begins'.

Correspondence from that time indicates that all three mayors and the regional chair were initially in agreement on the need to commence an independent review. McKinlay Douglas Ltd were appointed to undertake the review with a brief 'to consider what set of local governance arrangements would enable the "fit for purpose" local government needed to take Northland forward'. In reviewing documented events, differences in opinion between the (then) mayors of the three territorial authorities and the (then) regional chair are apparent, resulting in Northland Regional Council (NRC) withdrawing from the review early in the process. The Commissioner's findings in relation to these matters will be discussed in more detail below. Kaipara District Council (KDC) later withdrew from the process to explore options around amalgamation with the (then) Rodney District on its southern boundary.

While the Local Government Options for Northland review did not have the unconditional support of local government across Northland, significant time, effort and resources were invested in the process. As was noted by independent commissioners, this work is not wasted and the report (along with the supporting consultation process) provides a view of local government structures that could take Northland forward. While the landscape of local government in Northland, and indeed nationally, has changed since the final McKinlay Douglas Ltd report was released in February 2010, the report provides a relevant base from which to start in considering any future programme of reform in Northland.

The full McKinlay Douglas Ltd report has been included in Appendix One. The report identified eight key areas that McKinlay Douglas Ltd considered should form the basis of assessing 'fit for purpose' local government in Northland. These were environmental management, infrastructure management, connectedness, economic development, inter-authority relationships, central government/local government co-ordination, Maori engagement with local government and critical mass.

The report concluded that after 20 years it was time for change. After reviewing four potential structures (enhanced status quo, a single unitary authority, two unitary authorities and three unitary authorities), McKinlay Douglas Ltd preferred one tier of local government in Northland through either a single unitary authority or two unitary authorities. Potential structures were presented in the report for delivering these options. In terms of the proposed structures it is worth noting that while McKinlay Douglas Ltd preferred a single tier of local government, Maori wards and community boards were considered necessary representation mechanisms regardless of whether this took the form of a single or double unitary. Similarly, broader CCO responsibilities were seen as a key means of managing infrastructure under both of the proposed structures.

3.2 Findings of the independent commissioners

Sir Peter Trapski and Dr Don Brash were appointed as independent commissioners to hear and consider submissions on the Local Government Options for Northland report. The commissioners' report has been included in Appendix Two. Findings of the commissioners can be broadly grouped as relating either to the preferred structure for Northland going forward or the process that was followed.

In relation to the preferred structure the commissioners' opinions were split, with the divergence in opinion largely hinging on what constitutes a 'community of interest'. In his findings Sir Peter Trapski did not support two unitary authorities as he did "*not accept that the proposal will promote good local government in Northland*". In favoring the single unitary approach Sir Peter Trapski stated that he was "*far from convinced that Northland is too large for a comprehensively representative, well-organised and appropriately-resourced*

and serviced unitary authority". Dr Don Brash, on the other hand, highlighted the size of the Far North and differences between it and Whangarei/Kaipara in ethnicity, urban/rural mix and economic activity. Dr Brash "*on balance . . . came to the view that two [unitary authorities] in this case would be better than one*".

While the commissioners were unable to agree on the best structure for Northland going forward, they agreed on a number of core principles that would need to underpin local government in Northland, regardless of the structure it took. Common findings of the commissioners included:

- A need to eliminate one tier of local government to create a unitary based structure.
- A need for any unitary based structure to be supported by a network of community boards with decision making powers.
- A need for any unitary based structure to be supported by CCOs responsible for infrastructure management.
- A need for any unitary based structure to be supported by special committees to represent Northland wide issues.
- Establishment of independent commissioners for council consents with oversight from the Environmental Protection Authority.
- That reform of local government structures in Northland may not result in significant and quantifiable financial benefit to ratepayers, but is key to providing effective (and ultimately efficient) representation that moves Northland forward.

While the commissioners highlighted the potential value of the Local Government Options for Northland report going forward, their findings in relation to the process are of note. Both commissioners commented extensively on the breakdown in relationships between local government agencies in Northland, particularly between the three territorial authorities and NRC. Both highlighted that in openly and publicly stating a preferred outcome that they wanted the report to show at the beginning of the process the three territorial authorities created a perception that the review was able to be influenced, and this perception in part resulted in the early departure of NRC from the process.

The draft McKinlay Douglas Ltd report preferred one unitary authority. Following comments from the territorial authorities, including those outlined in a peer review completed by Greg Innes (Appendix Three), the final McKinlay Douglas report left it to the existing councils, in consultation with their communities, to determine whether one or two unitary authorities would be 'fit for purpose' for delivering local government for Northland. While Sir Peter Trapski rejected criticism that the report was biased, he noted that, given the clearly stated preference of the territorial authorities and the fact that conclusions of the draft report were different to those of the final report, a perception of bias remained.

3.3 Better Local Government

In March 2012, Government released a discussion document entitled *Better Local Government*. The document foreshadowed changes the Government wanted to see within the local government sector in terms of its purpose and fiscal responsibilities. In addition the Government signalled that it wanted to make it easier to reorganise council structures and boundaries and to intervene when councils are perceived to have a 'problem'. Proposed legislative changes to achieve these outcomes were introduced by way of the Local Government Act (2002) Amendment Bill (the Bill) on 30 May 2012.

Of particular relevance are provisions in the Bill which seek to amend the process by which reorganisation occurs. Key changes include a Commission led process, broadening the scope of matters that can be considered by the Commission, allowing anyone to initiate a proposal so long as they have 'significant community support', removal of a mandatory poll (instead requiring a petition of 10% of eligible voters to initiate a poll) and, should a poll proceed, the requirement that 50% of voters across the affected area support the proposal. In addition the Bill provides for the Minister to specify which reorganisation applications are to be regarded by the Commission as having a higher priority.

The Better Local Government Cabinet Paper introduced at the first reading of the Bill stressed the importance of passing the Bill in September 2012 to 'enable voluntary reorganisation proposals to be implemented for the 2013 local authority elections'. While delays were initially experienced, the third reading progressed quicker than had previously been indicated by the Minister of Local Government, with the amended Act gaining Royal Assent on 04 December 2012. A key change to the reorganisation provisions of the Act during the third reading require that any application must have demonstrable (rather than significant) community support across the affected area.

In October WDC considered its position in relation to local government structures in Northland, resolving to investigate options with our community before forming a position, a comprehensive consultation program over a several month period was envisaged, but this was unfortunately forestalled by the FNDC application.

3.4 FNDC application

In December 2012 FNDC lodged an application with the Commission for a Unitary Authority. At a high level the application can be assessed as having four key dimensions;

- Governance: a unitary authority for the Far North based on the existing FNDC boundary with the boundaries of NRC contracting to cover the Whangarei and Kaipara District and a preference for a second unitary authority combining the Whangarei and Kaipara districts. The proposal for a second unitary was not essential to the application.
- Service Delivery: a proposal to contract some services from NRC during any transition phase and establish shared services or contract from the new Whangarei/Kaipara unitary authority if that is established.
- Maori Representation: a proposal for three wards, each with an elected Maori representative.
- Community Representation: a proposal for three wards, each with a Community Board.

The Commission determined that both Whangarei and Kaipara districts are “affected parties” under the FNDC application and subsequently found ‘demonstrable community support’ for local government reorganisation across Northland. The FNDC application was notified on 5 March 2013 by the Commission with alternative applications sought by 15 April 2013.

4 Community engagement

At the time of notification the Commission's timetable changed with WDC and any other interested parties being required to submit any alternative application by 15 April 2013 (previously the 'indicative timeline' of the Commission gave WDC until 30 April 2013).

The revised timeframes of the Commission removed two weeks from the already truncated period in which WDC had planned to consult with the community before developing an alternative application. As a result of time constraints WDC was unable to meet with individual ratepayer and resident groups and instead organised Public Meetings on 19 and 20 March 2013. While there was limited time to advertise and promote these meetings, ratepayer groups and stakeholder/interest groups were invited and both meetings had relatively good attendance given the short timeframes

NRC had initially proposed an independently facilitated process involving the development of materials, focus groups with invited participants, and use of a reference group selected from focus group participants to determine a preferred position, and finally a broadening of consultation to the public to test this position. While this approach was considered complimentary to the meetings originally proposed by WDC, both organisations agreed to work collaboratively and share results. NRC also had to amend its consultation programme, instead holding open participative meetings across the region.

Feedback from public engagement has been summarised below. It must be stressed however, that a full consultation programme was not possible given the timeframes available, so these findings cannot be relied upon as being representative of the wider community's views. It is therefore strongly recommended that the Commission undertake a comprehensive consultation programme, inclusive of surveys if deemed appropriate, to determine community support for any preferred option or draft proposal it progresses.

4.1 Findings from WDC meetings

Public meetings held on 19 and 20 March 2013 explored possible structures for local government, the community's views on the ways we could improve community voice/grassroots' representation and options for Maori representation. These meetings provided an opportunity for both general and structured feedback.

General Feedback

The general feedback provides a feel for some of the key issues of those attending. This can be summarised as follows:

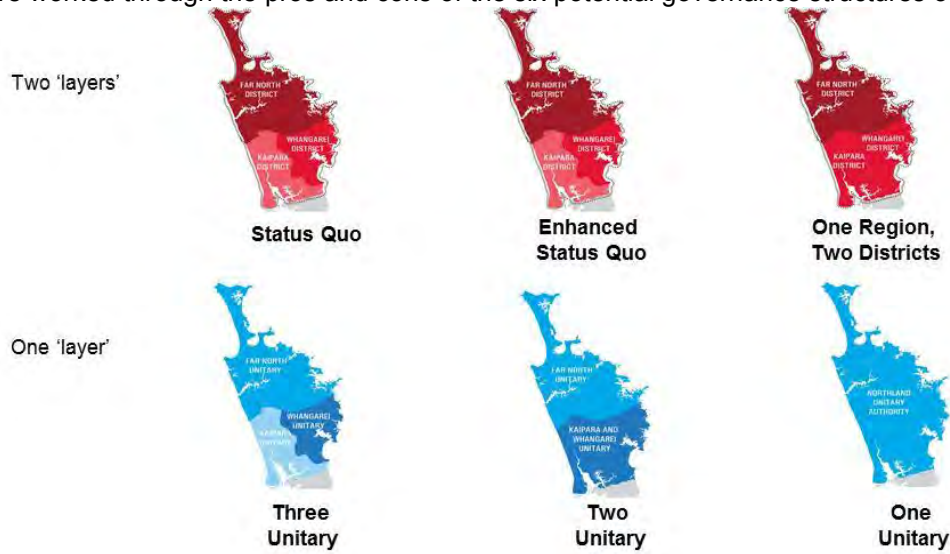
- Process and timeframes: Concerns were raised regarding the consultation timeframes. Attendance at the meetings was not considered representative and some people did not want the findings used as a 'poll'.
- Support for the status quo: There was general support for the status quo rather than structure change. Arguments in support included that no problem had been defined, councils should be working on enhancing the status quo already, enhancement could be achieved by removing duplication and that positive leadership and the removal of egos would address many of the current issues.
- Identity: There was significant discussion around losing Whangarei's identity and momentum of the Whangarei: Love it here! promotion as a result of reorganisation. This was partially countered by calls to take a Northland perspective.
- Control of assets: Control, and the potential sale of, significant assets such as Northport (majority owned by NRC) was raised.
- Enforcement: Concerns were raised regarding combination of the functions and accountabilities of the district and regional councils. The public concern is that the resulting authority would be both 'poacher and game keeper'.
- Debt: there was discussion of the debt of all districts with particular concerns raised around Kaipara and strong direction that the Kaipara's debt would need to be dealt with in any proposal of the Commission to avoid cross-subsidies.

Structured feedback

In terms of the structured component of the meetings attendees were asked to provide feedback on the following three 'elements': governance structure, community voice and Maori Representation.

1. Governance structure

Attendees were worked through the pros and cons of the six potential governance structures outlined below;



While this is not an exhaustive list of possible structures it provides a feel for some of the options that may be possible and enabled attendees to more confidently consider their preference for some variant of the status quo via a two layered governance model or a shift to one layer.

While those present were asked to indicate their first and second choices from the above models it is again important to note that concerns were raised regarding whether or not attendance at meetings was representative, and attendees again stressed that they did not want the findings used as a 'poll'.

The table below represents the combined feedback from the WDC public meetings. While some variant of the status quo was clearly favored, the results provide limited clear direction with significant variation in feedback between the two meetings.

Governance	First Choice	Second Choice
Status Quo	5	11
Enhanced Status Quo	25	13
One Region, Two Districts	3	4
One Unitary	6	5
Two Unitaries	5	2
Three Unitaries	0	2

As noted above this feedback cannot be considered as representative of the overall Whangarei community; indeed some meetings attendees were reluctant to participate in this process in case too much weight was given to the findings.

In this light it is pertinent to consider the finding of the 2010 survey alongside this feedback. This survey, which was based on a statistically reliable random sample, gave considerably more weight towards a move away from the status quo i.e. there was a demonstrable (and significant) call for change. The findings were:

2010 NRB Survey	Whangarei	Northland
Status Quo	27%	35%
Single Unitary	12%	11%
Two Unitaries	17%	16%
Three Unitaries	35%	30%
Don't Know / Other	9%	7%

Given subsequent events within KDC it appears a three unitary model is not viable. If the preference of those who selected this model were distributed evenly between one and two unitaries, a two unitary model becomes the preferred choice, although it could be argued that those who wanted three are more likely to opt for two rather than one (particularly when supporting comments relating to 'communities of interest are taken into account).

2. Community voice

Mechanisms presented in relation to community voice were advisory committees, community boards or ward committees. The pros and cons of each were presented before attendees indicated their preference; the results of which have been captured in the table below:

Community Voice	Preferred
Advisory Committees	10
Ward Committees	6
Community Boards	13

There was no clear trend from the meetings. While Advisory Committees were strongly favored at the first meeting, Community Boards were the preference at the second.

3. Maori Representation

Mechanisms presented in relation to Maori Representation included advisory committees, committees appointees or Maori Wards. The pros and cons of each were presented before attendees were asked to indicate their preference; the results of which have been captured in the table below:

Maori Representation	Preferred
Advisory Committees	10
Committee Appointees	4
Maori Wards	12

Again there was no clear trend from the meetings. Maori Wards were strongly favored at the first meeting and Advisory Committees were the preference at the second.

4.2 Findings from the Te Huinga Hapu hui

The outcomes of the Te Huinga-facilitated Hapu hui did not provide clarity on one option over another. This is partly due to the process and timeframes of the Commission not being conducive to Maori decision making processes. While there was generally a preference for one or two unitary authorities the opportunity for in depth exploration of what those options might mean for Maori would require more extensive consultation by the Commission.

What is clear from feedback received is that the status quo is not working for Maori who require more involvement in, and ability to influence, decision making.

4.3 Findings from the NRC public forums

As outlined above NRC also had to amend it's consultation programme, instead holding open participative meetings across Northland. The report relating to meetings held between 25 and 27 March (information relating to subsequent NRC meetings was not available at the time of writing) states that in general two options were preferred:

- *The status quo was a preferred option for many of the participants. It is familiar, keeps the separation of regional and district functions with the associated checks and balances, and retains regional assets in the ownership of the regional council. However, the status quo does need to be enhanced through, for example, greater collaboration and co-operation between the councils.*
- *One unitary authority was preferred by many because it is seen to provide economies of scale, consistency of service, policy and planning, and a single Northland voice when working with central government. For this option to be effective though, participants stressed the need for good local representation through either local boards or community councils that have real decision-making power and are properly funded”.*

4.4 Implications

There was no one clear direction from feedback that could be sought in the timeframes provided and it is questionable whether any of the feedback received can be considered representative. However, what was clear in the meetings was an element of support for some form of the status quo. Under schedule 3, clause 11(4) of the Act the Commission must undertake a full analysis of the status quo as a reasonably practicable option. Given that status quo must be considered by the Commission it is requested that the Commission take the above findings into account.

As the Commission must consider the status quo regardless, this application has been compiled to provide an alternative option that may reflect the limited feedback received from the community in the event that the Commission determines that change is necessary and the status quo is not a suitable option.

Key themes woven into this application based on the community's feedback include:

- the need to maintain communities of interest and local identity,
- the need to ensure effective Maori Representation,
- the need to manage real or perceived conflicts of interest between the issuing of consents and monitoring/enforcement,
- a need to ensure the security of strategic assets such as Northland Port Corporation, and
- a need to limit cross-subsidisation (i.e. Kaipara debt).

However, regardless of all of the information outlined above, the fact remains that there is **no valid statistical information based on current opinions** to indicate the preference of our community. This application is based on our interpretation of all the information at our disposal, but we urge the Commission to complete their own investigations before reaching an interim position for consultation.

5 The Northland context

As outlined above changes to the Act have sought to focus the purpose of local government. While the revised purpose focuses the activities of local government, it is clear that local government remains a key contributor of infrastructure and services that underpin the achievement of a community's interests in the social, cultural and economic spheres, as well as the more traditional engagement in the environmental sphere through local government's resource management and regulatory functions. In that context local government is a key player in taking Northland forward, and the emphasis on "*good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses*" under the new purpose focuses the role that local government has to play in the local economy.

Before considering the structure and mechanisms that would deliver fit for purpose local government in Northland, it is necessary to review relevant social and economic indicators and statistics to understand the issues that face our community today and in the future. This analysis was largely undertaken in the final McKinlay Douglas report and, while the information in the tables below have been brought up to date where possible, little has changed since that time. As a result the following section will briefly update and summarise the analysis undertaken by McKinlay Douglas before considering some of the implications for local government in Northland.

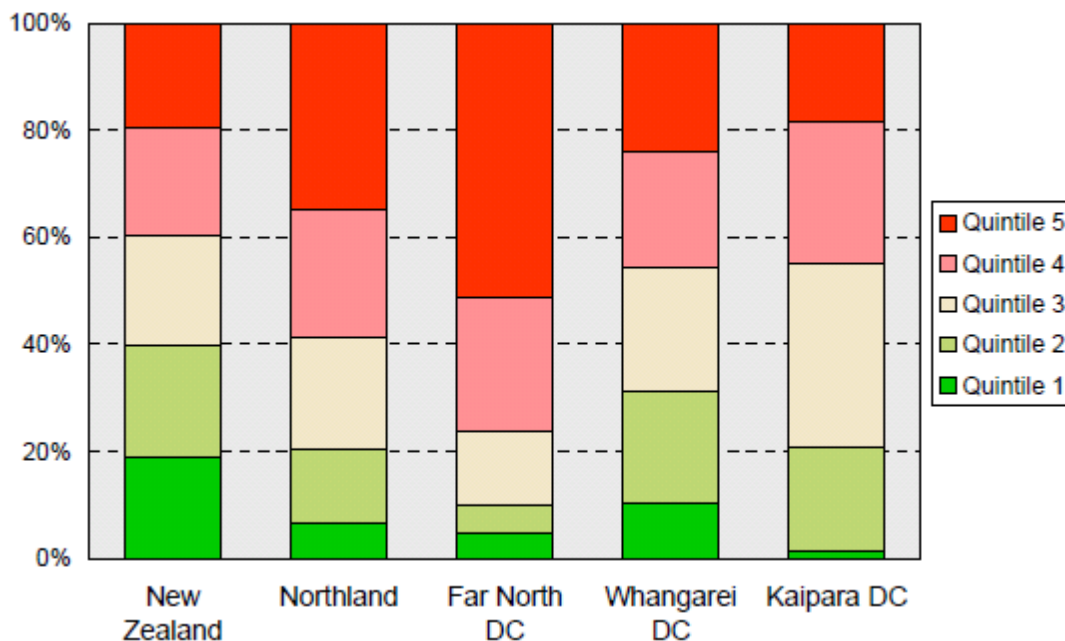
5.1 Social and economic indicators for Northland

McKinlay Douglas argued that the question of what 'will take Northland forward' can be seen as a natural reaction to key social and economic statistics for the Northland population. The following table outlines a broad range of indicators from Ministry of Social Development's (MSD) 2008 and 2010 Social Reports for New Zealand's 16 regions. A ranking of 1 is top (or most favourable); 16 is bottom (or least favourable).

Indicator	Ranking	Source
Life expectancy (years, 2005-2007, male)	=14	B
Life expectancy (years, 2005-2007, female)	14	B
Cigarette smoking (% , 2006)	15	B
Suicide - Males (rate per 100,000, 2003-2007)	14	B
Suicide – Females (rate per 100,000, 2003-2007)	=15	B
Participation in early childhood education (percent, 2009)	16	B
School leavers with higher qualifications (% NCEA 2 or higher 2008)	12	B
Adult population educational attainment (% , 25-64 years, 2009) – upper 2ndy+	16	B
Adult population educational attainment (% , 25-64 years, 2009) – tertiary bach+	16	B
Unemployment (% of labour force, 2009)	16	B
Employment (% of population 15-64 years, 2009)	16	B
Median hourly earnings (\$, 2009)	11	B
Workplace injury claims (rate per 1000 FTEs, 2008)	11	B
Population with low incomes (% , 2006)	16	A
Household crowding (% , 2006)	14	A
Voter turnout, local authority elections (% , 2007)	=8	A
Representation of women in local government (% , 2007)	14	A
Maori language speakers (% , 2006)	3	A
Language retention (% , 2006) ^[1]	16	A
Participation in physical activity (2007/2008)	13	B
Drinking water quality E. coli compliance (% of population, 2006/2007)	11	A
Drinking water quality cryptosporidium compliance (% of population, 2006/2007)	11	A
Recorded criminal offences (rate per 10,000 population, 2007)	11	A
Road casualties (deaths and injuries per 100,000 population, 2009)	11	B
Telephone access in the home (% , 2006)	15	A
Internet access in home (% , 2006)	15	A
Contact between young people and their parents (% , 2007, male)	=6	B
Contact between young people and their parents (% , 2007, female)	16	B
Measures from Source A have the same data as used in the final McKinlay Douglas report (based on the 2008 MSD report). Those from Source B have had values updated with new data from the 2010 MSD report.		

[1] The proportion of people who can speak the "first language" (excluding English) of their ethnic group, for ethnic groups (other than Maori) with an established resident population in New Zealand, as recorded in the 2006 Census.

The following table extracted from Northland District Health Board 2012/2013 Annual Plan depicts deprivation by Area for New Zealand, Northland and its district councils with Quintile 5 being most deprived and Quintile 1 being least deprived.



A review of data from the 2006 Census (updated with projections where possible) provides another insight into the relative circumstances of Northland's population as compared with the rest of New Zealand. The following table shows selected data for each of the three districts within the Northland compared with New Zealand data:

Comparison between Northland councils and New Zealand					
Variable	Far North	Kaipara	Whangarei	New Zealand	Source
Population	58,400	19,100	80,800	4,433,100	A
Population %	43.2%	23.0%	26.2%	15.2%	B
Population Maori*					
Population %	70.0%	85.3%	81.8%	74.7%	B
Population European*					
Population over 65	16.9%	18.2%	17.3%	13.8%	A
Population under 15	22.3%	21.2%	21.5%	20.1%	A
% with post-school formal qualification	33.7%	30.0%	37.6%	39.9%	C
% over 15 with no formal qualification	33.6%	35.9%	29.7%	25%	C
Median income (individual)	\$19,200	\$20,200	\$22,500	\$24,400	C
Household access to cell phones	67.1%	68.4%	74.0%	74.2%	C
Telephones	84.1%	87.3%	89.2%	91.6%	C
Internet	49.3%	48.9%	54.3%	60.5%	C
Notes					
Source A: Figures are based on 2012 population projections.					
Source B: The Population % Maori and Population % European, were calculated using the medium population projections for June 2011 and the overall population projections from June 2012 to get percentages.					
Source C: Figures are based on 2006 census data as per the final McKinlay Douglas report. Figures may have been updated recently, but only at a regional level and not at a territorial level.					

This data provides another perspective on Northland's relative position on a number of key variables as compared with New Zealand. The population of each district is both older and younger than the New Zealand norm: perhaps surprisingly, it is generally more European than New Zealand as a whole despite the high proportion of Maori in the population. This reflects the relative absence of people of other ethnic backgrounds compared with other New Zealand regions in general. Overall, Northland residents are less well qualified, are less well-connected and have lower incomes.

While Northland stands out being more deprived than the rest of New Zealand, the Far North has a higher level of deprivation than other districts within Northland. This was expanded upon in analysis in the final McKinlay Douglas report. That report highlighted that at the district council level the data understates the nature of these extremes within the Far North. To demonstrate this point the report included two tables showing the same data for selected areas within the Far North, highlighting the differences between the East Coast, and the balance of the Far North district. In summary the eight areas shown for the East Coast collectively made up what is locally referred to as 'Greater Kerikeri', and between them they have one quarter of the district's total population. These areas were seen as dramatically different from the areas selected to represent the balance of the Far North district as Greater Kerikeri's population is generally older, better qualified, predominantly European and enjoying average incomes in the order of 40% or more greater than the selected areas from the balance of the Far North District. This analysis formed the basis for the reports discussion on the risks of cross-subsidisation within the Far North District.

At face value these social indicators paint a bleak picture for the sustainability of the Far North as a stand alone entity. However, it should be noted that a similar situation has existed in the Poverty Bay / East Coast region for over 20 years. Nevertheless the Gisborne District Council has operated successfully since its formation, and there is no reason to suspect that Far North could not do the same.

5.2 Implications

One of the key issues highlighted by McKinlay Douglas for local government in the Far North was the ability to fund local government services. While the capacity to cross-subsidise between the wealthier and poorer parts of the Far North was highlighted, and considered appropriate as one of the basic roles of local government, limits of public acceptability (and some technical constraints around development contributions) were stressed. Potential for cross-subsidy across Northland will need to be considered under any viable unitary structure and will be discussed in more detail below. The funding issue is compounded by the high costs of roading, water and wastewater developments in the Far North exacerbated by the subsoil issues and the need to import materials. An example provided by McKinlay Douglas related to the on-site disposal of wastewater, normally acceptable in smaller communities where sub-soils are absorbent but not typically acceptable in the Far North where the subsoil lacks the absorptive capacity required.

Another key factor raised by McKinlay Douglas in considering current and future options for local government in Northland is the impact of geography. While it was argued at that time that *"Kaipara can in some respects be seen as almost a natural extension of the Auckland region, based on close connections with Auckland"*, Kaipara was omitted from the new Auckland Council when it was formed. Without amendment to the Auckland boundary to include Kaipara or combine it with parts of the former Rodney Council (which is considered unlikely) Kaipara is not considered to be sustainable as a single entity.

McKinlay Douglas observed that Whangarei as the region's urban centre is relatively self-sufficient and does not face the extreme challenges of infrastructure provision to service relatively sparse low-income populations which the Far North, in particular, has. McKinlay Douglas highlighted that the Far North District has 2.7% of New Zealand's land area but only 1.4% of its population, spread out across a largely rural area with and a number of relatively small towns and settlements. Many of these are several hours distant from Whangarei city, and have little direct identification with it.

6 Basis for an alternative application

There are a number of different ways of assessing the optimal arrangements for local government. The approach taken by McKinlay Douglas through the Local Government Options for Northland process was to consider the range of activities in which the community has an interest and build on those. McKinlay Douglas undertook extensive interviews with industry, sector and stakeholder groups and reviewed local and international material before commencing analysis. The final report outlines the current experience and issues in eight key areas before considering what would make for 'fit for purpose' local government (refer to the background section of this report for further discussion of the approach taken by McKinlay Douglas). As indicated in the discussion above, the findings of McKinlay Douglas remain relevant but must be balanced against the feedback though the limited public engagement WDC was able to complete as a result of constricted timeframes (refer to section 4 of this application).

The McKinlay Douglas report goes on to assess the extent to which three different options (the status quo and the options of a single unitary authority or two unitary authorities) would contribute to delivering fit for purpose local government in Northland. While the WDC consultation options of two districts and one regional council and three unitary councils were not part of the McKinlay Douglas assessment, these options received limited support through public feedback and, in the case of three unitaries, would not be viable without changes to the Auckland Council boundary.

Of the remaining options the status quo (along with any enhancement thereof) is required to be considered by the Commission under schedule 3, clause 11(4) of the Act. Given the Commission must consider the status quo this application has been compiled to provide an option that will address the limited feedback received from the community, while taking into account the significant body of material from the 2009/10 process, in the event that the Commission determines that change is necessary and the status quo is not the preferred option. When viewed in this context the remaining options are for either a one or two unitary structure supported by mechanisms to ensure community voice and Maori Representation.

6.1 Preferred structure

As outlined under section 4, public feedback highlighted the need maintain communities of interest and local identity, ensure effective Maori Representation, and limit cross-subsidisation (e.g. Kaipara debt).

Communities of interest are one of the key issues to be considered in determining fit for purpose local government. As can be seen from the WDC consultation feedback in section 4 of this application there is a strong sense of identity within the Whangarei District that residents do not want to lose. The FNDC application highlights a similar sentiment in the North. This, along with the distinct characteristics of the North, forms a key component of FNDC's argument for a unitary authority based on their boundaries.

Looking back to the 2009/2010 process the Whangarei District's sense of identity can be seen in both the submission statistics where 37% opted for the status quo, 30% for two unitaries, 10% for three unitaries, and just 11% opted for one, with these results backed by the supporting comments. Similarly an NRB survey run after the close of submissions found that 35% of survey respondents favoured the status quo with 16% of survey respondents supporting a two unitary structure and 30% supporting three, compared to 11% favouring a single unitary). Also telling when considering communities of interest are the statistics and characteristics outlined under section 5 of this application and within the final McKinlay Douglas report. These highlight the unique demographics and dispersed communities of the Far North when compared to the Whangarei and Kaipara districts.

McKinlay Douglas surmised that the unique nature of the Far North relative to its neighbours (us) becomes more pronounced when you look below the district level. The resulting issues of cross-subsidisation are another key consideration for the Commission, particularly given the unique challenges surrounding the provision of infrastructure and services in the Far North. While mechanisms such as ring fencing of debt can be used to address isolated issues such as Mangawhai wastewater debt, cross-subsidisation of the wider infrastructure and service provision in the Far North is unlikely to be publicly acceptable or, as discussed elsewhere in this report, financially sustainable if extrapolated across Northland.

Other issues raised by the community included potential conflicts of interest between the issuing of consents and monitoring/resourcing works (the poacher and game keeper dilemma) and a need to ensure the security of strategic assets such as Northland Port Corporation. These will need to be considered under either a single or dual unitary structure and, as will be demonstrated below, there are mechanisms to address these issues.

As outlined above considerations around communities of interest and the sustainability of large scale cross-subsidisation are necessary when considering a structure that will meet the needs of Northland and be sustainable going forward. These tie into wider requirements under the Act regarding the efficiency and

effectiveness of any organisation created. These considerations are discussed in detail under section 7, but in summary we wish to make it clear that reorganisation is not just about being more efficient (doing things **for less**) but also about being effective (doing the right things with the **resources available**). It is WDC's belief that in reality local authorities need to be both efficient and effective but there can be a balance or trade off between these requirements. It is this balance that has led to WDC's submission of an alternative application for two unitary authorities as the best mechanism for meeting the needs of the communities within the Northland region.

6.2 What's wrong with the status quo?

The majority of people attending our public meetings were of the view that local government (at least in Whangarei) was 'not broken, so why fix it?' However, at the same time they were clearly of the opinion that we had to do better at working with the other authorities in Northland through better collaboration, introducing shared services, aligning political agendas and coordinating our regional voice. In other words, they sought an 'enhanced status quo'.

However, as highlighted by McKinlay Douglas and discussed elsewhere in this application, achieving this is not necessarily easy. Despite a stated willingness over several years to introduce shared services, very little has been achieved in this area. Some of the reasons include:

- Fundamental differences in policy e.g. use of SUIP's for rating.
- Different enterprise computer systems.
- Established contractual arrangements.
- Differing community aspirations e.g. levels of service.
- Differing political agendas.

Regardless of whether these issues can be addressed over time, there will always be impediments (many quite legitimate) to introducing a 'co-operative' approach where there are different community-led governance structures in place. Our history tells us that we will not make any significant enhancements to the current position unless there is a fundamental change in the structure of local government in the North.

6.3 Two separate unitary authorities

The WDC alternative application is for two unitary authorities to be established; one based on the present FNDC boundaries and the other on a combination of the Whangarei and Kaipara District Council boundaries as per the following high level diagram.



Many of the same issues will arise for two separate unitary authorities for Northland as arise with a single unitary authority. However, a two unitary model is critical for addressing considerations around communities of interest, sustainability and achieving a balance between the effective and efficient provision of local infrastructure and local services. WDC believes that potential constraints of a two unitary model, for example speaking with 'one regional voice' with central government and the coordination of cross-boundary functions, can be addressed through structure and resourcing and these matters will be specifically discussed below and under section 7 of this application.

In assessing this application the Commission will need to consider the likely effects on a local authority of the exclusion of any area. In this context the FNDC application makes a case in their application for a separate Far North unitary. WDC supports a two unitary approach as the most sustainable mechanism for achieving fit

for purpose local government in Northland. The exclusion of Kaipara from the second unitary is likely to have a dramatic effect on that district as McKinlay Douglas considers Kaipara to be unsustainable as a unitary in its own right. The key challenge in including Kaipara in any second unitary will be ensuring that its communities of interest are recognised through an appropriate structure and that it has an effective community voice. These matters will be discussed in the next two sections of this application.

6.4 Communities of interest and ward structure

As outlined above, a key consideration for the Commission will be the extent to which any application demonstrates that it contains one or more distinct communities of interest.

A community of interest can be said to exist where people feel a sense of belonging and to where they look for social, service and economic support. A community of interest can be defined in terms of:

- distinctive physical and topographical features (e.g. rivers, principal roads, hill ridge lines)
- similarities in economic or social activities carried out in the area
- similarities in the demographic, socio-economic and/or ethnic characteristics of the residents of a community
- distinct local history of the area
- the rohe or takiwā of local iwi

It can also be said to exist where there is a dependence on shared facilities and services in an area, including schools, recreational and cultural facilities, retail outlets, and transport and communication links.

At a high level the FNDC argued that the rurally-focussed Far North and urban-focused Whangarei districts encompass distinctively different communities of interest. WDC is broadly in support of this argument and believes that, when coupled with issues such as the sustainability of cross-subsidisation and a need to balance the effective and efficient provision of local infrastructure and local services, a two unitary model would be the best mechanism to provide fit for purpose local government in Northland.

Below this level more granular communities of interest are clear in both the Far North and Whangarei districts. In the case of the Far North the FNDC application proposes three wards. The arguments for communities of interest within those wards are outlined in their application and will not be covered again here. Whangarei has recently completed its representation review revising ward boundaries, with some minor changes. The extra-ordinary agenda item for that review (Appendix Four) outlines communities of interest within the Whangarei District.

We now turn to consideration of communities of interest for Kaipara. Current representation arrangements have established distinct communities of interest within the current Kaipara boundaries, and these will help to develop representation arrangements in any new structure that is formed.

However, regardless of the communities of interest within the current KDC boundaries, it is pertinent to consider what alignments its residents have with other areas. For instance, do Kaipara residents look north, east or south for the provision of services not available locally (e.g. healthcare, education, specialist retail outlets, service provision)? It is our submission that the 'first port of call' is Whangarei in the majority of cases i.e. there is a natural connection between Kaipara and ourselves.

In terms of water catchments, there is clear geographical link between Whangarei and Kaipara, with the Hikurangi Swamp connecting to the Kaipara Harbour via the Northern Wairoa River. In fact the Whangarei district contributes approximately 55% of the total catchment of the Kaipara Harbour.

Consideration could also be given to adjusting the southern border of the current Kaipara district. We understand that there is support in northern Rodney to move away from the Auckland Council; primarily because they have no particular affinity with Auckland i.e. their community of interest aligns with Northland.

Given the limited time available to complete this application, we have not formed a view on the detailed representation arrangements for a new Whangarei/Kaipara region, with many issues to be considered. For example, is Kaipara a community of interest in its own right? Or do areas such as Dargaville and Mangawhai represent distinct communities of interest? If so, are these best represented by a ward structure at the governance level or is a mechanism for achieving community voice such as advisory groups or community boards required? Once these questions have been answered it is possible to consider representation at the governance level using the +/- 10% rule. Detailed consultation with Kaipara residents will be needed before decisions can be made about these matters.

However, notwithstanding the fact that some detail is yet to be finalised, we submit that there is a distinct community of interest encompassing the current Kaipara and Whangarei districts.

6.5 Community voice

Larger local government organisations run the risk of becoming removed from their local communities and the aspirations of the people who live within them. Local government options need good community representation to ensure communities across Northland have a voice and can participate in decision-making.

The basic options currently available for achieving this are informal structures such as ratepayers and resident groups and advisory groups; or formal community boards with powers delegated from the council. An alternative mechanism which can be seen as a hybrid of these is the use of ward committees. This mechanism involves appointment of non-elected representatives to a council committee or sub-committee where these entities are considered to have the skills, attributes or knowledge to assist in its work (refer schedule 7 clause 31(3) of the Act) and is used in councils such as the Hurunui District and Hutt City.

The preferred mechanism for ensuring community voice in the Far North, community boards, is outlined in the FNDC application and will not be covered in detail here.

Within the Whangarei District there is already an extensive network of ratepayer and resident groups which, depending on the level of community engagement, can be extremely effective in ensuring that the community voice is heard in the decision making process. In addition WDC's Community Services and Planning Departments currently gain community advice through mechanisms such as village plan committees, the City Safe Governance Committee and Operational Network Committees, the Safer Whangarei Network, the Whangarei Youth Network and the Whangarei Community Networkers. In terms of advisory groups WDC has established the Disability Advisory Group, the Positive Aging Advisory Group, the Youth Advisory Group and the Te Kārearea Strategic Partnership Forum (a Maori Advisory Group discussed in more detail below) through formal terms of reference.

The diversity of these mechanisms is considered extremely effective at giving communities a voice and enabling them to contribute to the decision-making process. The debate for shifting to a formal mechanism is essentially one of the efficiency of a set number of community boards with delegated powers versus the effectiveness of the diverse informal mechanisms currently utilised by WDC. In this context, community boards are considered somewhat of a 'blunt instrument', and it is questionable whether they will provide the diversity of views and advice required to meet the present and future needs of our community. As a result changes to community voice mechanisms are not proposed within the current Whangarei District boundaries under this application.

Given recent events there is likely to be an element of distrust in the local democratic process within the current Kaipara district that will take some time to address. WDC consider that this needs to be worked through in more detail with the Kaipara community, but given the timeframes available this was not possible prior to compiling this application. While it needs to be tested with the Kaipara ratepayers, we propose the formation of Community Boards for Kaipara residents for (say) the first two terms of the new authority, perhaps centred on Dargaville, Otamatea and Mangawhai. This would give these communities a formal position within the overall decision-making process, and would offer an interesting alternative to the mechanisms currently used in Whangarei.

In closing on community voice it is worth noting that while local boards provide another mechanism for community voice they are not available in Northland under current legislation and have not been considered in preparing this application. WDC understands that a change to legislation is currently being considered by the Department of Internal Affairs and would welcome the opportunity to discuss local boards with the Commission if changes to the legislation make local boards a possibility within the bounds of this reorganisation process.

6.6 Maori representation

Māori represent a significant proportion of the population within both of the proposed unitaries, and effective Māori representation is a key consideration for any local government reorganisation. Options available for effective Maori representation range from informal arrangements such as the existing Te Kārearea Strategic Partnership Forum through to Maori Wards or Constituencies set up under the Local Electoral Act 2001 (the LEA). An alternative mechanism that can be seen as a hybrid of these is the appointment of non-elected representatives to a council committee or sub-committee with delegated decision making powers.

While the Maori Ward option has been in the public domain and, along with advisory panels, received positive feedback at the WDC public meeting, advice received from the Commission after those meetings is that:

"it will be difficult and impractical for the Commission to provide for Māori constituency wards as part of the reorganisation process [and as a result] the inevitable conclusion is that a decision on Māori

constituencies or wards is ultimately a decision of any new or changed local authority, to be made following its establishment, when it has time to consult its communities and meet all of the LEA statutory requirements without conflict with other legislation”.

It is therefore clear that, even if WDC were to take a similar approach to FNDC and propose Maori Wards or Constituencies, the Commission will not be in a position to provide for them as part of this reorganisation process barring changes to legislation. Similarly, while the possibility for an Independent Maori Statutory Board following the Auckland model was discussed at public meetings and hui, the Auckland board is provided for under legislation specific to the Auckland Council and, barring legislative change, is not possible as part of this reorganisation process. These options have therefore not been pursued within this application. If changes to legislation make either of these options feasible within the confines of the current reorganisation process WDC would welcome the opportunity to discuss them with the Commission.

The current model used by WDC is the Te Kārearea Strategic Partnership Forum. While technically an advisory group with no formal status or delegations the partnership aims to achieve an agreed vision, to build the relationship between WDC and Whangarei hapu incrementally, and to develop more robust partnership arrangements over time through learning conversations. The forum comprises seven councillors and seven Maori representatives as advocates of Whangarei hapu, and while only established in September 2012 the forum has made significant progress on a number of key initiatives.

Again this is considered to be an effective form of representation and it is therefore proposed to extend this model to the Kaipara District (WDC will leave it to the communities of the Far North to consider the mechanism that should be applied there in the absence of Maori Wards). As per the Commission’s advice this would enable any new council to consider a formal mechanism such as Maori Wards or Constituencies once established.

While it is possible to consider establishment of a standing committee which includes non-elected Maori representatives, this option was not strongly supported in the limited public engagement that was able to be undertaken recently. In addition, if recommended by WDC and implemented by the Commission, any such committee would be subject to the whim of new council and could be disestablished or have delegations removed by a vote of council. In light of the discussion above it is considered appropriate to leave a decision on the establishment of a standing committee which includes non elected Maori representatives to any new council once established.

6.7 Service Delivery across Northland

While we believe efficiency gains through an ‘enhanced status quo’ are unlikely to be significant, we think Northland can achieve coordination and cost-savings by taking some different approaches to service delivery, such as outsourcing, joint ventures and some shared services. Many of these mechanisms relate to the appropriate resourcing of the resulting organisations and will be key to ensuring that regional and/or cross-boundary functions can be delivered seamlessly and with one voice, and as such they will be discussed in detail under section 7 of this application. Joint delivery entities, such as a combined business unit or a CCO are a key component of the two unitary structure proposed by WDC and as such it is appropriate to outline them here.

Joint CCO’s, (as proposed in the 2010 review), have appeal as vehicle for delivering critical mass and achieving efficiencies, while ensuring consistent technical advice across the two unitaries. Further, they provide a mechanism by which to avoid the duplication that could be present under a two unitary structure while ensuring that the focus on effective delivery for local infrastructure and local services is maintained. In addition, they could ensure that operational activities are delivered under an entity that is detached from the governing body which, along with the Environmental Protection Agency and the use of independent commissioners to monitor consent breaches (refer to section 7 of this application), could address concerns regarding unitary authorities becoming both ‘poacher and game keeper’.

However, CCO’s come with some negative aspects as well. As stand-alone entities they have their own governance structures (with associated costs), and carry compliance requirements that can be expensive and cumbersome. A degree of scale is required to make the entity cost effective, in terms of offsetting these costs with efficiency gains.

Perhaps more concerning though, is the transfer of control away from the respective councils under a CCO model, which is magnified as scale is added. For example, if a CCO was established for the management and delivery of infrastructure, this entity would manage over an estimated 70% of the overall spend in Northland; effectively outside the direct control of the elected representatives.

However, there are some situations where a CCO would be appropriate, as it offers a degree of control for issues of particular significance and/or sensitivity. A CCO structure is considered to be an appropriate

mechanism to address concerns regarding the potential sale of shares in Northland Port Corporation (which NRC currently owns 53.61% of) as it would place this under an arms-length entity. Any change to the ownership of these shares could then be controlled by requiring an 80% (say) approval, which would provide the sort of safeguard our community is indicating it wants to see. This CCO could also cover wider maritime functions (i.e. harbour safety, navigation, pilotage services and marine oil spill responses). This would ensure joint ownership and a coordinated approach to these functions avoiding the possibility of duplication. It is also recommended that the Commission look at further legal mechanisms to ensure the security of strategic assets including, but not limited to, Northland Port Corporation.

In other areas, we recommend an approach based on regional committees at the governance level to ensure policy alignment, regional coordination/prioritisation and liaison with central government; supported by a range of functions delivered on a Northland-wide basis in what are essentially out-sourcing arrangements. For example, a Regional Land Transport Committee would be retained, albeit just with members from the two unitary authorities. A Roding unit in one authority could then manage contracts with the main providers for all operations. Each unitary authority would then arrange for works in its area which would ensure localised decision making on significant infrastructure and services. A similar approach could be taken for other infrastructure areas, as well as many regulatory functions, such as dog control, health inspections, building consenting etc.

One of the key attractions of this approach is that it avoids the need to employ specialist staff in both authorities. As well as potentially saving costs, it addresses the challenge of attracting enough skilled staff in key roles, and also makes it easier to align policies and practices over time.

There is also scope to coordinate some back-office functions. For example, one authority could house a 'centre of excellence' for rating services, with responsibility for rates invoicing, policy development and technical matters such as drafting rating resolutions, with each authority responsible for its own day to day operations. Currently both WDC and FNDC use the same computer system for financial management, and other functions, such as asset management and consenting could be aligned over time.

In summary, many of the perceived benefits of a single unitary model in relation to coordination, shared service delivery and regional alignment can be delivered through a two unitary model, whereas it is simply too hard to drive this through the four entities in place now. A diagram illustrating a possible structure for a Two Unitary model in Northland is included at Appendix Six.

6.8 Is there another alternative?

As noted in section 6.3 above, WDC believes the ideal structure for Northland is a two unitary model. However, if this option is not favoured by the Commission, we believe Northland's interest's will be better served in the long term by removing a layer of governance from the current model i.e. we submit that the 'next best' option is for a single unitary model, as opposed to the status quo.

6.9 How will our community respond to any change?

Feedback from both WDC and NRC's public meetings shows that there is an element of our community that supports the status quo. This sentiment also came through the NRB survey completed in 2010. In the absence of any current statistical data it is difficult to determine exactly how well-supported this position is. However, unless care is taken to address contentious transition issues, there is a risk that a 'fear of change' leads to a groundswell of opposition to any sector reform i.e. a poll will be sought in one or more areas.

Some of the major concerns expressed by our community to date are:

- How Kaipara's debt will be dealt with
- How rates will be affected, particularly in terms of increases and/or cross-subsidisation
- Whether there is a back-log of infrastructure upgrade issues that Whangarei ratepayers would inherit
- Whether any change will lead to a Whangarei-centric approach that will not be supported elsewhere
- How majority ownership of Northland Port Corporation is protected
- Whether a unitary model embeds a 'poacher and game-keeper' situation

The way these issues are addressed will be critical to the way any proposed sector reform is received by the community. For instance, a Two Unitary model, which would see the Far North retain responsibility for any backlog issues, is likely to find more favour among Whangarei residents than a One Unitary model. We respectfully suggest the Commission considers whether a One Unitary model would be rejected by our community on this basis alone.

7 Efficiency and effectiveness

In determining reasonably practicable options under schedule 3, clause 11(5) the Commission must be satisfied that any local authority proposed to be established or changed will:

- a) have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers; and
- b) have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and
- c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest; and
- d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.

With the exception of c), which relates to communities of interest and has been covered in detail above, these considerations can be seen to relate to;

- Effectiveness; ensuring any proposed local authority is resourced to effectively carry out its responsibilities, duties and powers (a) and in the case of regionals or unitaries to enable catchment-based flooding and water management issues to be dealt with (d).
- Efficiency; ensuring the district or region that is appropriate for the efficient performance of its role as specified in section 11

Indeed efficiency and effectiveness are key recurring requirements of the amended legislation. In performing their role under section 11 councils must give effect to the new purpose and perform the duties, and exercise the rights, conferred on them under the Act (and any other enactment). As outlined above the revised purpose requires a council to enable democratic local decision-making and action by, and on behalf of communities and *“to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses”*. Good quality is a key term within the purpose and is defined in subsection 10(2) as infrastructure, services, and the performance of regulatory that are efficient, effective and appropriate to present and anticipated future circumstances.

Requirements for efficiency and effectiveness flow through to clause 12 of schedule 3 which states that for the promotion of good local government the Commission must be satisfied that its preferred option;

- a) will best promote, in the affected area, the purpose of local government as specified in section 10; and
- b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include—
 - i. efficiencies and cost savings; and
 - ii. productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and
 - iii. simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.

Efficiency and effectiveness are therefore implicit in the purpose of local government, and as a result in subparagraph a) as well. In reading subparagraph b) it is clear that i. relates to efficiency and a strong case can be made that the simplified planning processes and the integration/reduction of plans sought under iii. also fall under this banner. Conversely, ii. relates to productivity improvements within local authorities, and for the business and households that interact with them, and can be seen to be closely aligned to effectiveness.

In summary it is clear that reorganisation is not just about being more efficient (doing things **for less**) but also about being effective (doing the right things with the **resources available**). This is recognised in the Commissions preliminary reorganisation guidelines which describe schedule 3, clause 12(b) as being *“about changes that will lead to doing more with the same resources, or doing the same with less resources while also (where relevant) simplifying local government processes [and as such] local authority service delivery should be appropriate to the area, the communities and their circumstances both in the present and for the future”*. In reality local authorities need to be both efficient and effective but there can be a balance or trade off between these requirements. These matters are explored below.

7.1 Resourcing to ensure effective delivery of responsibilities, duties, and powers

Any unitary structure, regardless of whether it is one or two, needs to have the resources to deliver responsibilities, duties and powers. There is however likely to be a trade off in effectiveness depending on which structure is chosen. For example a one unitary model is likely to provide a more effective vehicle for delivering one voice for Northland (particularly with central government) while a two unitary model will be more effective at understanding, and delivering on, the present and future needs of the community for local infrastructure and local services.

As outlined above WDC consider that, should the Commission see a need for changes to the status quo, the distinct differences between (and communities of interest within) the two proposed unitaries, the unsustainability of increased cross-subsidisation and the need to provide for effective 'local' decision making, action, infrastructure and services in accordance with the revised purpose are key drivers for a two unitary structure. The following sections will therefore consider effective resourcing under a two unitary model before specifically focusing on the effective resourcing of regional functions.

Effective resourcing under a two unitary model

Broadly speaking this section will cover the delivery of infrastructure and services that would otherwise be undertaken by the existing district authorities (with specific regional functions being covered in more detail below) and those that have a cross-over between the existing regional and district function and/or require a Northland perspective (i.e. economic development, environmental management, central government/local government coordination, Northland Port Corporation etc). Where appropriate the challenges associated with a two unitary model will be discussed before outlining the resourcing that will ensure effective delivery.

As outlined in detail under section 6 of this application a key driver of effectiveness in the delivery of infrastructure will be joint delivery models, with some core functions provided by one authority to the other. In terms of effectiveness professional services could be obtained, maintained and developed to serve the north so that consistent good quality advice is being provided. Each unitary authority can then use this advice to agree to a program for works in its area. This would ensure effective localised decision making on significant infrastructure and services.

In relation to policy development each unitary authority would also be the sole planning authority within its area. The move to a 'one plan' approach within each area will provide consistency in rulemaking and application. While there is potential for differences between the two authorities this is offset by greater local community engagement in policy-making, the development of plans and in monitoring. Again this is considered to provide an effective mechanism for localised decision making on matters relevant to each of the distinct communities.

Reference should also be made to Government proposals in regard to the Resource Management Act and Freshwater Reform, upon which WDC has made submissions^[1]. There is a strong emphasis on planning for outcomes in both discussion documents, whether in regard to water management or the use and implementation of infrastructure. Proposals of relevance to this report include;

- A desire to promote one planning document per district.
- Proposed templates including plan templates, standardised terms, and standardised definitions.
- Standardised zones which will likely have activity rules and thresholds that will be applicable across New Zealand.
- An "obligation to plan positively to future needs".
- Frontloading the resource management process in a way that promotes more collaborative efforts amongst stakeholders in a given spatial area.

If implemented these changes will further support a two unitary model as they will be strongly dependent on councils effectively engaging with local communities. Proposed templating and standardisation is also likely to help smaller local authorities to undertake planning functions in an efficient way.

As highlighted by McKinlay Douglas central government/local government coordination will be more challenging in a two unitary authority situation because of central government's focus on a regional perspective. The most difficult area will almost certainly be land transport. The recommended approach to ensure effective resourcing was the establishment of a joint committee with power to decide so that, as far as possible, central government agencies were still dealing with the region as a whole. This will need to be supported by resources within both councils to ensure that they do speak with an authoritative voice, and

^[1] Ministry for the Environment (2013) Improving our resource management system & Ministry for the Environment (2013) Freshwater reform 2013 and beyond.

their individual communities are engaged within that. As a result it was proposed to have a second-tier manager with responsibility for government liaison (this was also proposed under the one unitary model). WDC support the proposal for both a joint committee and a second tier manager. In order to ensure strong inter-authority relationships and an effective strategic focus it is proposed that the same joint committee have a role in overseeing joint activity between the two authorities in areas such as contracting with external agencies and dealing with any relevant jointly owned CCOs.

A single economic development body should be in place for Northland. In order to ensure that this is effective it is proposed to have a memorandum of understanding between the two unitary authorities, a joint committee for economic development and a single contract with the economic development entity. The entity should also be required to ensure adequate focus on locally-based economic development, and on working with Maori.

Given the catchments of the Kaipara Harbour a joint committee for integrated management is proposed. This would be required under either a one or two unitary model as it would also need to include Auckland Council. Given the level of community interest this should be supported by a memorandum of understanding between the councils and key stakeholders. The joint committee terms of reference and a memorandum of understanding should recognise the status various iwi and hapu including Te Uri o Hau, Ngati Hau, and Ngati Whatua, amongst others. As discussed below this will also be necessary for enhanced catchment-based flooding and water management and the capacity to develop collaborative approaches.

Effective resourcing of regional functions

As outlined above schedule 3, clause 11(5) d) requires the Commission to be satisfied that any unity authority proposed to be established will enable catchment-based flooding and water management issues to be dealt with effectively. As such this is a key requirement in considering the effective resourcing of regional functions.

The combination of WDC and KDC under a unitary structure will enable more effective, and coordinated catchment-based flooding and water management under one entity. This is supported by the FNDC application which argues that catchments within the Far North are predominantly contained within the boundaries of the proposed Far North Unitary Authority. Notable exceptions for include Kaihu River which feeds into the Kaipara harbour and a small portion of the Hikurangi swamp catchment. As outlined above a joint committee is proposed for the Kaipara Harbour. While not essential for effective management under this proposal minor amendments to boundaries to follow these catchments could be considered by the Commission if necessary. Treaty settlements between the Crown and Ngati Whatua, for example, may have the effect of leading this process.

River management and drainage works, storm water works and erosion and flood control are already undertaken by district councils with some capacity and expertise in house. The creation of a unitary authority structure would enable the technical and operational capacity to be built within one organisation providing for better integrated management of resources. In the case of specialist expertise such as hydrology and coastal erosion it is likely that shared services would be pursued to avoid duplication. Under this model each unitary authority would however be able to prioritise, control, maintain and plan for flood protection schemes in partnership with their at-risk communities through Long Term and Annual Plan processes.

The effective resourcing of other regional functions has been discussed in detail elsewhere in this document but for the sake of completeness the functions requiring a regional approach and the proposed solution are outlined in the table below:

Function requiring a regional approach	Proposed solution
Environmental Functions (combined policy development and environmental management) <ul style="list-style-type: none"> • Regional Policy Statement • Coastal Planning • Air Quality planning • Soil and Water planning • Bio-security 	These functions would be undertaken independently by each unitary authority but where appropriate technical specialists would be shared to support decision-making and 'positive planning'.
Maritime functions	As outlined above – delivered via a CCO along with management of Northland Port Corporation as outlined above.
Regional Transport	As outlined above – a joint committee with decision making powers supported by resources within both councils including a second-tier manager with responsibility for government liaison.
Flood protection and catchment management	As outlined above – a joint committee is proposed for the Kaipara Harbour with shared services in relation to technical expertise.
Regional Strategy (policy) <ul style="list-style-type: none"> • Key infrastructure • Renewable energy • Power transmission 	As outlined above – a joint committee with decision making powers supported by resources within both councils including a second-tier manager with responsibility for government liaison.
Regional Economic Initiatives	As outlined above – delivered through a single economic development body supported by a joint committee.
Emergency Management	Shared services and expertise to provide coordination across Northland similar to the model currently employed by WDC and NRC.

7.2 A district or region structure appropriate for efficient performance

While it could be argued that a one unitary approach would result in greater efficiencies and cost savings McKinlay Douglas highlight that *“the experience of local government restructuring internationally is that generally it results in little or no savings even though typically proponents of restructuring argue that reduced cost will be one of the outcomes [and] for this reason councils should approach consideration of all three options not in terms of expecting savings, but with a focus on which of them will best result in better services and outcomes for their communities”*.

This was largely borne out by a high level benefits estimation undertaken by Deloitte in June 2010 to ascertain potential savings through the removal of one of the current tiers of local government. While the report suggested savings of up to \$10 million per annum could be made Sir Peter Trapski comments that this estimate is 'inevitably superficial' and notes that one submitter stated the indicative savings were within the margin of error, given an approximate Northland local government annual expenditure of \$300 million.

In this context while savings will be a component of any application they are likely to be present, and may not be that different, under either a one or two unitary option. The real challenge regardless of the high level governance model is to develop a structure that delivers better local services, infrastructure and regulatory functions for our communities while ensuring that any resulting cost savings can be realised.

In this context getting the right scale of services, not the scale of local authorities, is the key factor in creating efficiencies. Economies of scale must be balanced so that they are efficient and the community can access services and influence levels of service within their local communities. This proposal provides for two unitary authorities that are geared to provide local services and local infrastructure at the appropriate economies of scale. Some infrastructure and services are likely to be best managed at a local level, some at the unitary

level and some (as outlined above) through joint mechanisms. These economies of scale provide the balance between efficiency, effectiveness and connectedness.

In addition this model ensures that the 'tyranny of distance' inherent in Northland's geography can be managed. Indeed this was a key argument of the FNDC application which argued that the FNDC community, being made up of 42 small towns or settlements, nine harbours and more than 2,300km of coastline, is very rural with only 27 per cent of the District's population living in the three main towns of Kaikohe, Kerikeri, and Kaitaia. By contrast it was argued that Whangarei District is the 10th most urbanised area in New Zealand and over 60 per cent of the residents live in the Whangarei urban area. This approach is already utilised by a number of organisations for delivery of services across Northland including the:

- The split of lines companies between Top Energy and North Power.
- The management of Northland by New Zealand Police, with the Far North covering the FNDC's boundaries and Whangarei covering KDC and WDC.
- The New Zealand Fire Service operating two Districts in Northland (Muriwhenua being from Kawakawa north and Whangarei covering WDC/KDC).

In this regard Northland is very different to Auckland, and the model applied there is not appropriate here. While encompassing significant areas of rural land, the urban areas of Auckland are clearly a homogenous entity that was previously split into several areas, leading to a lack of coordination. Conversely, Northland has a large number of small urban settlements with distinctly separate needs. The only infrastructure that can be said to be shared is the roading network, as opposed to Auckland's interconnected water, wastewater, storm water and public transport networks. It makes sense to combine the governance, management and operation of these functions where they genuinely comprise a network. However, where they are stand-alone functions, decision making needs to be as close as possible to where the asset is located. In Northland, that is best provided through a two unitary model.

8 Financial matters

Given the short timeframes in which to prepare this application, there has been limited time to complete detailed financial analysis. However, there are several salient points to consider:

Potential for cost savings

As pointed out in the MDL report, there should be minimal expectation that any changes will result in significant cost savings in the short to medium term, as has been borne out by the Auckland experience. If there is a change to a unitary model there will be significant transition costs, ranging from the integration of computer systems and the huge body of accumulated data, new statutory planning processes through to staffing the new organisation/s. These are likely to match (if not exceed) any gains in purchasing power and removal of any costs in duplicated functions. Similarly, if the status quo were to prevail, there is little evidence to show significant cost savings will be realised, based on the past performance of the respective councils in this area.

Cross-subsidisation and rating

If authorities are combined, there will inevitably be issues of cross-subsidisation to consider. Anecdotally, service levels already differ markedly across Northland. Communities across the region have varying abilities to pay for services as well as different expectations and priorities. Each council has dealt with these issues in its own way; applying different service levels, adopting targeted rates or adjusting general rates as required. If there is a 'merging' of councils, many of these issues will have to be re-considered.

Rating is one of the most important issues to consider in this regard. Table 1 (below) shows the potential movement in rates incidence under One and Two Unitary models, based on 2013/14 Draft Annual Plans.

Note: In Tables 1 & 2 below, data from NRC has been excluded, on the assumption that is currently allocating the cost of its services on an equitable basis across the region, so as a result there are no cross-subsidisation issues to consider. However, this assumption should be tested before any final decisions are made.

Table 1: Rating		KDC	WDC	FNDC	Total	KDC & WDC
Population	1	19,100	80,800	58,400	158,300	99,900
Rates Income \$000	2	\$ 25,735	\$ 74,676	\$ 78,341	\$ 178,752	\$ 100,411
Rates/Capita - Status Quo		\$ 1,347	\$ 924	\$ 1,341	\$ 1,129	\$ 1,005
Comparism to WDC		146%		145%		
One Unitary		\$ 1,129	\$ 1,129	\$ 1,129		
Movement		-\$ 218	\$ 205	-\$ 212		
		-16%	22%	-16%		
Two Unitaries		\$ 1,005	\$ 1,005	\$ 1,341		
Movement		-\$ 342	\$ 81	\$ -		
		-25%	9%	0%		
<i>1 Population estimates as at June 2012 from StatisticsNZ</i>						
<i>2 General and Targeted Rates as per Cashflow Statement in 2013/14 Draft Annual Plan</i>						

While this approach is fairly simplistic, in that it considers targeted rates on the same basis as general rates, it does illustrate some key points:

- Projected rates per capita in 2013/14 for Kaipara (46%) and Far North (45%) are considerably higher than those in Whangarei.
- As a result, any merging of councils could lead to an increase for Whangarei ratepayers, with an offsetting decrease for Kaipara and Far North ratepayers, unless mitigants are put in place.
- This cross-subsidisation is greater in a One Unitary model.

These effects could be mitigated in several ways, including the introduction of more targeted rates and levying general rates on a catchment basis, but this adds additional complexity on an ongoing basis.

Obviously the issue of rating policy will be a critical issue if any structural changes are made. This rudimentary analysis has not examined the underlying property values within each region or considered any variations in rating policies. However, it does illustrate the relative 'funding burden' on the ratepayers in each area and shows that a move to a Two Unitary model will be less disruptive in terms of rating incidence.

In Auckland, the normalisation of rating policies became a major issue as the effect of merging different rating methodologies (i.e. Land vs. Capital vs. Average Value), together with a revaluation took place. In Northland this process should be somewhat easier as all authorities rate on land value and now apply broadly similar policies (e.g. SUIP's, sector differentials), but there will still be significant transition issues. It is suggested that if there is movement away from the status quo, regardless of the final structure, this would be an appropriate time to introduce a capital value rating system

Debt

Turning to the issue of debt, Table 2 (below) highlights the significantly higher debt that Kaipara residents face. Unless specific steps are taken to 'ring-fence' this debt, there would be an unfair imposition on the ratepayers of Whangarei and/or Far North if a unitary model is introduced.

Table 2: Debt		KDC	WDC	FNDC	Total	KDC & WDC
Population	1	19,100	80,800	58,400	158,300	99,900
Total Debt \$000	2	\$ 79,086	\$ 157,827	\$ 111,006	\$ 347,919	\$ 236,913
Debt per Capita - Status Quo		\$ 4,141	\$ 1,953	\$ 1,901	\$ 2,198	\$ 2,372
Comparism to WDC		212%		97%		
One Unitary		\$ 2,198	\$ 2,198	\$ 2,198		
Movement		-\$ 1,943	\$ 245	\$ 297		
		-47%	13%	16%		
Two Unitaries		\$ 2,372	\$ 2,372	\$ 1,901		
Movement		-\$ 1,769	\$ 418	\$ -		
		-43%	21%	0%		
1 Population estimates as at June 2012 from StatisticsNZ						
2 Total Consolidated Debt as per 2011/12 Annual Report						

This simplistic analysis does not separate 'user-pays' debt from general debt, and this has particular relevance as a large portion of the Kaipara debt relates to the Mangawhai wastewater scheme which is partially funded by a targeted rate. However this does highlight the importance of including a mechanism to ensure that specific debts are taken to repatriate debt to its original source should any re-structure take place.

A suggested mechanism for doing this is to separate user-pays and general debt, and then deal with any difference in the general debt via a targeted rate, as illustrated in the example below:

Table 3: Ring-Fencing of Debt			
	Council A	Council B	Combined
Properties	10,000	30,000	40,000
User Pays Debt	\$ 35,000,000	\$ 50,000,000	85,000,000
General Debt	\$ 40,000,000	\$ 100,000,000	140,000,000
Total Debt	\$ 75,000,000	\$ 150,000,000	225,000,000
General Debt / Property	\$ 4,000	\$ 3,333	
To pay via Targeted Rate	-\$ 667		
Adjusted General Debt/Property	\$ 3,333	\$ 3,333	
Additional User Pays Debt	\$ 6,666,667		
Final User Pays Debt	\$ 41,666,667	\$ 50,000,000	\$ 91,666,667
Final General Debt	\$ 33,333,333	\$ 100,000,000	\$ 133,333,333
	\$ 75,000,000	\$ 150,000,000	\$ 225,000,000

In this example the additional user-pays debt of \$667 per property would be repaid by the ratepayers of Council A to 'normalise' the general debt, either as a lump sum of a targeted rate over several years.

There will undoubtedly be other mechanisms that achieve this outcome, but this shows that any fears Whangarei or Far North ratepayers have that they will be forced to take on Kaipara's debt can be addressed if positive steps are taken.

Repatriation of assets

In the 1989 local government restructure assets owned by the various authorities were allocated to the four authorities in existence now. These assets (such as land holdings), may not be deemed strategic through any further reorganisation but are critical to ensuring that each unitary is effectively resourced to provide local services and local infrastructure in the future. For the sake of clarity it is recommended that ownership of these assets 'falls where they lie' in terms of the proposed boundaries for each unitary authority. For example, when the Northland Harbour Board was disestablished leasehold land in Whangarei was split between WDC and NRC. Ownership of these NRC landholdings should be held within this area going forward, as their future use is an important factor in the development of Whangarei's urban form.

9 Benefits of reorganisation

The benefits of a two unitary authority approach are outlined in the discussion above and in both the McKinley Douglas report and the FNDC application. For the sake of convenience the key points have been summarised below.

9.1 Efficiencies and cost savings

As outlined above cost savings as a result of reorganisation are inherently hard to estimate. While there is no detailed research into the quantum of these benefits, and the extent to which they will differ under a one or two unitary model, it is anticipated that this will form part of the Commission's assessment of the preferred option. WDC will assist the Commission where possible in this assessment. Key efficiencies and cost savings that are potentially available include;

- Combined and simplified regulatory and monitoring activities delivered through a joint mechanism could reduce cost while eliminating duplicate and/or overlapping roles and responsibilities
- Reduction in the number (and associated costs) of elected members and key staff.
- Fleet and overhead rationalisation.
- Consolidated information systems infrastructure, data storage, licensing, and elimination of duplicate roles and responsibilities.
- Centralised support functions such as procurement, human resources, finance and governance.
- Consolidated effort and expenditure on initiatives to boost the region's economic development.
- Some reduction in the cost of providing coordinated Civil Defence Emergency Management across the region.
- Reduced costs to deliver infrastructure to ratepayers as a result of the formation of mechanisms for the delivery of transport, water and other hard infrastructure as discussed in section 7.

However, it is important to note that any savings realised have to be offset by any transition costs.

9.2 Effectiveness and productivity improvements

Simplified and consolidated processes (and subsequent improved productivity) will be a direct result of the proposed reorganisation. Effectiveness and productivity improvements will be a key driver of any reorganisation and there are significant, tangible, benefits to the two unitary approach. Key effectiveness and productivity improvements are as follows;

- Reduction of statutory planning processes across the are e.g. producing only two Long Term Plans, Annual Plans and Annual Reports.
- Shifting to a joint delivery for infrastructure provision will provide opportunities to further improve the development cycle of affordable and innovative local infrastructure while at the same time delivering good environmental outcomes.
- Improved cross-functional development of good quality local solutions, particularly in the significant areas of water/wastewater and roading management.
- Centralised support functions such as HR, procurement and governance.
- Consolidation of activities and removal of jurisdictional overlaps will improve public understanding of responsibilities providing one liaison point in each area, improving customer experience and increasing productivity.
- Reorganisation will result in an integrated approach to resource management. The processing and granting of consent requests, policy framework and the ongoing monitoring can be carried out at one point in the new organisation. This is likely to result in further cost savings and a reduced or rationalised cost to the end user.
- The proposed reorganisation provides an opportunity to create a more cohesive cross-functional approach in areas where multiple activities need to occur in order to get the required result. For example, builders and developers could deal with a single individual who would explain the consenting process and coordinate activities to ensure convenience and a positive result.
- A reorganisation would provide an integrated framework for reporting and holistic resolution of any identified environmental issues.
- A single delivery system for all local government services in a region will improve the efficiency of services and reduce duplication of functions in general.

10 Conclusion

The fundamental test of any proposal for local government reform is whether it promotes good local government in terms of the criteria set out in the Local Government Act. It is our contention that our proposal for a Two Unitary model for Northland does exactly that and it is the best option available as it:

- Will enable democratic local decision-making and action by, and on behalf of, communities by creating regions that are of manageable size given the unique geographic and demographic characteristics of Northland. High level governance will be supported by localised decision-making by supplementing arrangements that are already operating effectively (such as ratepayer groups) with additional mechanisms, such as community or local boards where communities will benefit from them. Maori representation will evolve through ongoing dialogue, continuing the positive steps that have been taken in recent times.
- Meets the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by sharing resources and expertise across the two regions and making sure district-wide issues are handled by joint governance committees. Strategic assets, such as Northland Port Corporation, will be managed via mechanisms that safeguard their ownership and appropriate management for the people of Northland as a whole.
- Ensures an appropriate balance is maintained between operating efficiently, where things are 'done right', with operating effectively, where good local decision-making ensures the 'right things' are done. We see the management of this trade-off as being one of the most important differentiators between a One or Two Unitary model.
- Is appropriate to both present and anticipated circumstances, as it addresses issues of current concern, with the proposed joint governance committees for cross-region issues (such as Transportation) providing a mechanism for future planning.
- Will facilitate improved economic performance in terms of the operation of the two proposed authorities and the way businesses and households interact with them. As well as de-duplicating some functions, the removal of one layer of governance removes some of the 'approval steps' for customers interacting with local government and will enable faster and more timely decision-making.
- The removal of a layer of governance also creates a platform for the rationalisation of planning frameworks over time.

In summary, the Two Unitary model does promote better local government in Northland, and we recommend this as the appropriate model to take to our community for consultation.

11 Appendices

- One** Final McKinlay Douglas Report - Local Government Options for Northland – A report prepared for Northland's Territorial Local Authorities (February 2010)
- Two** Commissioners' Reports - Local Government Options for Northland (November 2010)
- Three** Greg Innes Review – Whangarei District Council's comments on the [draft] McKinlay Douglas report (2009)
- Four** Extra-ordinary Whangarei District Council Agenda - 2012 Representation Arrangements Review (July 2012)
- Five** Indicative Diagram of a Two Unitary Model for Northland

Whangarei District Council's
Comments on the
McKinlay Douglas (2009) report:

**“Local Government
Options for Northland
prepared for Northland’s Territorial Authorities”**



1. Key points:

- 1.1 Council believes the report's overall discussion and canvassing of issues is a useful first step when considering Northland's re-organisation. The report's assessment principles in themselves are fundamentally sound; yet the report falls short by creating a disconnect between these principles and its concluding preference for the one unitary authority option. This is particularly evident in the context of securing greater organisational effectiveness for Northland's benefit.
- 1.2 Council believes that two effective/efficient organisations serving Northland are better than one "efficient" but less effective one. In other words, there is more simplicity achieved by dealing with and managing issues where they best fall – i.e. in Northland's case - these have - and will continue to - largely aggregate at a bi-regional level.

2. Greater effectiveness

- 2.1 The key premise of the report centres on securing a 'fit –for-purpose' organisation with the extent of complexity seen as the key rationale for justifying the one unitary authority approach. Reducing complexity has to be viewed not only in the context of operational/administrative efficiency, but also the needs to embrace and achieve genuine and relevant effectiveness. In this regard, the report is somewhat limited when looking at the potential opportunities that this imminent change could provide. Council believes Northland needs an approach that creates an influential structure that is fully identifiable and fully accountable to its varied constituencies.
- 2.2 Council recognises that an organisation's effectiveness centres on the way that it "goes about its business". In the context of Northland, Council proposes that this would require 'fit for purpose' organisation(s) that operate in ways to:

- connect, align with, and secure working relationships Northland's diverse communities at the most influential level – local, sub-regional, regional - to produce actual, sustainable results;
- enable and facilitate initiatives that realise opportunities at local and sub-regional levels aligned to Northland's diverse situations - reinforcing ownership and ensuring accountability remains with those involved and most affected;
- enable central government departments' service delivery at the level that really works - delivering outcomes that meet Northland's local-level needs;
- ensure infrastructure is planned, designed, established and managed at levels aligned to need and where additional opportunities can be realised;
- achieve a range of 'win-win' benefits – i.e. enhanced organisational effectiveness, as well as increased employee satisfaction plus overall attractiveness to retain and recruit professional, competent staff.

2.3 In other words, the change need not just solely strive to be 'leaner,' but rather must select and express core values that identify with and serve Northland's various communities of interest at a level where they are most influential. These pro-active core values include establishing and maintaining relationships across organisations and with Northland's diverse communities, as well as fostering innovation that builds upon Northland's uniqueness.

Clearly, these values run parallel with Council's commitment to community leadership through expressing and facilitating a strong shared vision and working towards it.

2.4 The six assessment principles to drive change, as outlined in Appendix 1, need a further vital ingredient – innovation – i.e. action unique initiatives that evolve over time in keeping with Northland's special characteristics. This principle needs to permeate throughout the organisation and the way it works for and with its constituency.

3. Affordability

- 3.1 Council acknowledges that affordability is one of the key elements that has the potential to compromise the ‘best fit’ bio-regional approach. Current low ratings base – particularly in the Far North - call for fair and reasonable central government cross subsidies to enable resilient local government, (i.e. rating of crown land, increasing/distributing excise tax on petrol, etc) – matching the recent call by Local Government New Zealand.
- 3.2 Whangarei does not see itself in the position of explicitly (or otherwise) propping up disadvantaged areas beyond realistic servicing thresholds. The practicalities of geography and Northland’s remote communities are also relevant here in terms of supporting the two – rather than one – unitary authority approach.

4. The ‘Regional Voice’

- 4.1 Council believes that a dual ‘coordinated and committed’ voice articulating Northland’s opinion is equally if not more representative than a “one authoritative voice” from one regional organisation.
- 4.2 Council also believes that the report’s fundamental call for a ‘single regional voice’ needs to be weighed against the option of achieving this through a formal collaborative process between the two unitary authorities on essentially regional issues. This clearly needs to occur where there is a natural aggregation with benefits that produce real ‘on-the-ground’ results.
- 4.3 There have always been impediments and a non-acceptance of a single regional organisation attempting to be fully representative of the diverse make-up of Northland. A single body is still widely perceived as being at ‘arms-length’ to local effective decision-making as well as being more ‘centralist’ by nature.

- 4.4 Council notes that the option of creating a single regionally-dispersed tier of community/area boards with delegated powers has inherent weaknesses. The Far North's community boards have experienced limited success primarily because the extent of delegations has never fully satisfied either the boards or their respective constituencies. Council's preference for two authorities would certainly heighten the prospect of success of the community/area board arrangements through stronger working relationships and autonomy where circumstances and communities of interest are evident.
- 4.5 The report puts forward the notion that central government agencies have universally called for a single entity to deal with Northland's issues. This approach is contrary to their expressed preference of wanting effective service delivery at a local community level - e.g. the success of Northland's iwi health service delivery and community-based crime prevention initiatives.
- 4.6 Council acknowledges that the 'two unitary authority' approach may in some instances involve more collaboration by these agencies – but if it achieves the desired, effective results, then the required additional efforts are certainly well directed.
- 4.7 Furthermore, stronger beneficial outcomes will be achieved by securing arrangements involving central government agencies by way of Memoranda of Understandings (or similar joint-venture agreements) to action service delivery rather than solely relying on the Northland Intersectoral Forum and/or the largely non-committal obligations inherent in LTCCP processes.
- 4.8 Current discussion with key players in Auckland's restructuring indicates that social services could be more effectively targeted at a local area level – often in partnership with effective local authorities. This indicates a growing acceptance towards better targeted public funding through local government.

5. Maori representation and participation

- 5.1. Council believes that the form that this takes needs to be shaped by way of Maori-initiated hui, to determine the type of approach that best works for iwi and hapu interests. The recent Auckland experience suggests that this needs to be given priority.
- 5.2. Council would note that full participation of Hapu members in developing their respective Hapu Management Plans is also significant for addressing Maori needs. Council acknowledges these Plans are an effective means of addressing Maori needs and aspirations. The inclination of central government departments to target funds through such processes has already reinforced the role of local government in its emerging shape, ensuring its function both complement and reinforce these plans.

6. Joint Venture

- 6.1. Council accords with the proposal for a joint-venture with the New Zealand Transport Agency – as recommended in the report - for road building and maintenance. Similarly, there is merit in seeking useful engagement with Northland's community-owned lines companies to manage other allied, regionally-scaled infrastructure to secure efficient implementation, i.e. broadband.

7. Economic Development Agency

- 7.1. The report states that economic development would be best undertaken through a council organisation, and run as a partnership between the council, business and other key stakeholders. Council accords with this approach.
- 7.2. Council believes the board for this agency would need to be substantially appointed by business, conditional on strong financial support from business. The EDA's relationship with the two proposed unitary authorities would need to be secured primarily through a performance-based funding contract.

Should the private sector support such an organization, this process - in itself - provides the confidence in new ventures, with government support and solutions aimed at buttressing Northland's competitive advantage. Council believes that if the two unitary authorities are truly effective in the way that they undertake their business, the prospect of local initiatives will be strengthened and the region will become more attractive to potential investors.

8. The Planning and Regulatory Services (CCO)

- 8.1. Council believes that Planning and Regulatory Services should remain in-house and not 'silo'ed' into a regional CCO as recommended. The 'one-stop-shop' solution may seem elegant in its simplicity, but is potentially fraught with problems. Central to this issue is personnel separation and resulting tension between policy and implementation. It also works against the benefits of achieving integrative, organisational capability across departments with services tailored to local and sub-regional levels.
- 8.2. In essence, this 'silo'ed' approach does not support the premise reiterated in the report that effective local government requires strong connectedness within Northland's diversity. This approach would largely re-visit the much-criticised attempt of having the Northland Regional Planning Authority undertaking both a planning and regulatory functions for the entire Northland region and all its constituent local authorities in the late 1970's.
- 8.3. The report claims that critical mass is the key means of attracting professional, competent staff. International experience strongly demonstrates that this can be better achieved by introducing organisational culture change – i.e. developing an integrated and innovative organisation as well as changes that address staff satisfaction and work-life balance.
- 8.4. There is potential to build in a capacity to share specialised staff across the two unitary authorities – in effect, giving the needed critical mass on a planned project basis. In a collaborative sense, highly specializes technical staff could also be sourced from the Infrastructure EDA as and when required.

- 8.5. Council is already considering an organisational change programme that enhances staff satisfaction and creates the momentum for organisational effectiveness. In other words, we see that our effectiveness doesn't have to wait until any new structures are in place.

9. Southern Boundary

- 9.1. Council recognises that the outlook of preferring two unitary authorities needs to be qualified in the context of where the southern boundary of Northland is determined – i.e. in relation to the division of the Kaipara harbour component of Rodney and its boundary delineation in the Greater Auckland debate. In this light, it could be prudent to support a case by way of a submission that best suits a solid, workable southern representation. Despite Council's preference for - and the implicit advantages of - two unitary authorities, if the southern boundary is adjusted to take in that portion of Rodney district that abuts the Kaipara harbour, then Council acknowledges that three unitary authorities may be more effective but requires further investigation/analysis.

Appendix 1. The report's assessment principles and elements:

The report outlines six principles to drive the necessary change. Council is largely in accord with these principles where they meet the expectations of Northland's communities:

- Speaking with an authoritative and legitimate voice for the whole region
- Ability to create critical mass
- Capability
- Connectedness
- Maori representation
- Simplicity

Council would add a further vital ingredient for effectiveness here: –

- Innovation - rather than traditional administrative solutions - to address Northland's diversity.

These principles are used in further explanation of ten elements that constitute the organisational design:

1. Form and Function
2. Environmental Management
3. Infrastructure Management
4. Connectedness
5. Economic Development
6. Inter-agency relationships
7. Central Government/local government co-ordination
8. Maori Engagement with Local Government
9. Critical Mass.
10. Impact of the Environmental Protection Agency

The desired capacity of the new organization needs to reflect these six principles (plus one) and the ten elements in the Northland stock-take. Council believes this will only be achieved by the two organisational approach advocated earlier in this document. Such an arrangement has even more chance of success if it is complemented by a commitment to organisational cultural change.

Appendix 2: Organisational Design

1. The question of one, two or three Unitary Authorities or enhanced Status Quo:

Council strongly believes that opting for at 'an enhanced status quo' would be, in effect an opportunity lost - given this chance to realise the benefits gained from resilient change.

Council's preference for two unitary authorities is largely based on the prevalence and weighting of issues at a sub-regional level compared those encountered at a regional level. However, where issues emerge that clearly require regional resolution, then (as discussed earlier) these are best dealt with via the complementary the joint-venture infrastructure organisation and/or of the EDA.

The two unitary authority approach also takes account of the distinct character and sense of place and community evident in Northland's make-up - notwithstanding more objective analysis needs to be undertaken on this.

Council believes the two sub-regional groupings and (tentative) local areas encompass:

- Whangarei-Marsden Point, the Eastern Coastal seaboard inc. Mangawhai to Tutukaka, then the communities of Dargaville and settlements south of the Brynderwyns.
- Kaikohe - Kerikeri – Waitangi/ Paihia / Kawakawa / Russell, then the distinct communities north of the Mamamukas (Kaitaia north) and Hokianga

These areas need recognition in the devolution/local area governance structure.

A final note:

Using the premise that structure should follow strategy, Council recognises that there is scope for further analysis to be undertaken to confirm the best operational arrangements as taken up in this report. This research would gauge the most effective level for undertaking or resolving Northland's wide-ranging issues – i.e. whether at a local, sub-regional or regional level. Once the relative weighting of these issues is determined – whether at a sub-regional or regional level - then all Council's can gain more certainty in shaping the new aligned representative structures.

Appendix Five: Indicative Diagram of a Two Unitary Model for Northland

