

Memo

To: Local Government Commission

From: Chief Executive Officer

Date: 20 September 2013

Meeting:

Subject: Northland local government arrangements: reasonably practicable options and preferred option for reorganisation (final)

Purpose

1. This is an updated report on the 'reasonably practicable options' and recommended 'preferred option' for local government arrangements in Northland Region. It follows Commission consideration of an initial report and subsequent decisions taken at its meeting on 17 September 2013. The report includes the proposed timeline for the next steps in the process following determination of the 'preferred option'.

Executive summary

2. The Commission received a reorganisation application from Far North District Council (FNDC) for that council to become a unitary authority. Having met legislative requirements, the Commission publicly notified the application and invited alternative applications. The Commission is now required to identify its 'preferred option' for the 'affected area' which has been declared to be Northland Region. But first it must identify the 'reasonably practicable options'.
3. The report notes that 41 responses to the invitation for alternatives to the FNDC application were received by the Commission. Seven of these met the requirements for reorganisation applications set out in section 24 of the Local Government Act 2002 (LGA).
4. *Part A* of the report notes the statutory requirements for 'reasonably practicable options' and provides initial consideration of the original FNDC application and the alternative applications including recommendations on those that not be identified as 'reasonably practicable options'.
5. *Part B* provides more in-depth analysis of the remaining alternative applications and recommends that, in addition to existing local government arrangements which is a mandatory consideration, the following be identified as 'reasonably practicable options':
 - a modified status quo (involving transfer of territorial authority statutory obligations for roading and transport, and land-use planning to Northland Regional Council)
 - two unitary authorities for Northland Region
 - one unitary authority for Northland Region.
6. *Part C* provides analysis of the above 'reasonably practicable options' against the 'promotion of good local government' statutory criteria and recommends the one unitary authority option be adopted as the Commission's 'preferred option' for Northland Region.

7. Proposed next steps and timeline are:

- 15 October: Commission agrees detailed second tier representation and decision-making structure and approves draft proposal and accompanying documentation
- 12 November: Commission releases draft proposal for consultation.

Background

8. The FNDC lodged a reorganisation application on 18 December 2012. The application was for that council to become a unitary authority. At its meeting on 23 January 2013, the Commission declared the area of Northland Region to be the 'affected area' in relation to the application and agreed to assess the application. Following a decision on 5 March 2013 that there was demonstrable community support for reorganisation in the 'affected area', the Commission publicly notified the application and invited alternative applications by 15 April 2013.

9. A total of 41 responses to the invitation for alternative applications were received. A summary analysis of these responses is provided in *Appendix 1*. Clause 7 of Schedule 3 LGA enables the Commission to decline any reorganisation application on particular grounds including under clause 7(d) where one or more aspects that would be essential if an application were implemented, are inconsistent with current legislation. Given this provision, the following reorganisation applications (in addition to existing arrangements) were identified for consideration:

- a) original application: FNDC constituted as a unitary authority with status quo arrangements applying for the balance of Northland Region
- b) alternative applications:
 - a modified status quo involving the retention of existing councils with transfer(s) of particular statutory obligations between councils and/or minor boundary adjustments (e.g. Far North/Whangarei boundary relating to Hikurangi Swamp as identified in one application)
 - constitution of the three territorial authorities as unitary authorities
 - union of Whangarei and Kaipara Districts, and no change to the other councils
 - constitution of a Kaipara Harbour territorial authority and no change to the other councils
 - constitution of a Hokianga unitary authority and no change to the other councils
 - constitution of two unitary authorities (FNDC and Whangarei-Kaipara) for Northland Region
 - constitution of one unitary authority for Northland Region.

10. Under clause 11(1) Schedule 3, the Commission is required, as soon as practicable after the deadline for the receipt of alternative applications, to determine its 'preferred option' for local government arrangements in the 'affected area'. Clause 11(2), however, first requires the Commission to identify the 'reasonably practicable options'. This report addresses these requirements as follows:

- *Part A* notes the statutory requirements for 'reasonably practicable options' in clauses 11(3) to (6) and provides initial consideration of the original FNDC application and the alternative applications including recommendations on what are considered not to be 'reasonably practicable options'

- *Part B* provides more in-depth analysis of the remaining alternative applications received and a further option identified by the Commission from its consultations, along with existing local government arrangements which is a mandatory consideration, against the requirements for 'reasonably practicable options' with appropriate recommendations
- *Part C* analyses the identified 'reasonably practicable options' against 'promotion of good local government' criteria set out in clause 12 and recommends adoption of a 'preferred option'.

Northland Region

11. Before considering appropriate local government arrangements for Northland Region it is important to consider the nature of the region and how particular factors relate to the local government role and performance of that role. A summary of key characteristics of the region is set out below based on the PWC report *Understanding the Northland Region and its constituent economies* (see *Appendix 2*) and other material:¹

- Northland Region is a relatively large area with a small scattered population
- approximately half of the population live in rural or semi-rural areas which is the highest proportion of all regions in New Zealand
- nearly one third of the population is Māori with the highest proportion being in Far North District (44%) including 58% in Kaitaia, 68% in Hokianga and 73% in Kaikohe
- the region has the lowest average annual household income in New Zealand with Far North District having the lowest of the three Northland districts
- the region was ranked 13th out of 14 for growth in gross domestic product (GDP)
- Whangarei District contributes relatively more to regional GDP (61%) though with only 51% of the region's population
- the combination of location of particular economic activities in the south and south-east of the region and their proximity to Auckland, coupled with population growth in these areas, is likely to result in increasing disparity in wealth and general well-being between the south/south-east and north/north-west of the region in future
- while local tourism is important for the Far North, both Far North and Kaipara Districts rely on good transport links to the south for ensuring their primary products reach their markets
- local government has an important role to play in relation to transport links and also planning and regulatory activities, to assist community development and economic growth and also environmental management
- local government arrangements need to reflect communities of interest in the region in order to enable democratic local decision-making and also to facilitate representation and advocacy to other bodies including to central government
- local government arrangements need to be sustainable into the future given ongoing demographic, social, economic and environmental changes in Northland, and this requires efficient and effective use of scarce resources, including organisational and staffing resources, to address concerns about future affordability for the community.

¹ Other sources were Statistics New Zealand website material; Ministry of Business, Innovation and Employment *Regional Economic Activity Report*, August 2013; and Department of Internal Affairs 'local councils' and website material

Part A: Considerations in relation to identification of ‘reasonably practicable options’

Statutory requirements

12. The Commission has firstly to decide the extent to which it will identify ‘reasonably practicable options’ for local government arrangements in the ‘affected area’ which has been declared, pursuant to clause 2 of Schedule 3 LGA, to be Northland Region. In deciding the extent it will identify ‘reasonably practicable options’, the Commission must, under clause 11(3), have regard to:

- a) the scale and scope of the changes proposed
- b) the degree of community support for relevant applications that has been demonstrated to the Commission
- c) the potential benefits of considering other options
- d) the desirability of early certainty about local government arrangements for the affected area.

13. Clause 11(4) states that the ‘reasonably practicable options’:

- a) must include the existing local government arrangements and
- b) may include:
 - the proposals in the original (i.e. FNDC) application
 - proposals in an alternative application
 - options formulated by the Commission
 - a combination of aspects from all of the above.

14. In identifying the ‘reasonably practicable options’, the Commission is required under clause 11(5) to be satisfied that any local authority proposed to be established or changed under a ‘reasonably practicable option’ will:

- a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers
- b) have a district or region that is appropriate for the efficient performance of its role
- c) contain within its district or region, one or more distinct communities of interest
- d) enable catchment-based flooding and water management issues to be dealt with effectively (if a unitary authority or regional council)

and for the purposes of clause 11(5), the Commission is required by clause 11(6) to have regard to:

- a) the area of impact of the responsibilities, duties and powers of the local authorities concerned
- b) the area of benefit of the services provided
- c) the likely effects on a local authority of the exclusion of any area from its district or region
- d) any other matters the Commission considers appropriate.

15. For the purposes of clause 11(5), the process of identification of 'reasonably practicable options' set out in this report addresses the requirements in the following order: contains one or more distinct communities of interest; has an appropriate district/region for efficient performance of the local authority role; enables effective catchment-based flooding and water management; and has the necessary resources to carry out local authority responsibilities, duties and powers effectively.
16. In line with the requirements of clause 11(5), the analysis relates to local authorities "proposed to be established or changed". The analysis also covers existing local government arrangements in Northland Region i.e. one regional council (Northland Regional Council [NRC]) and three territorial authorities (Far North [FNDC], Kaipara [KDC] and Whangarei District [WDC] Councils) for the purposes of comparison.

Extent to which reasonably practicable options are to be identified

17. In relation to "the scale and scope of the changes proposed" under clause 11(3)(a), the original FNDC application and many of the alternatives proposed constituting unitary authorities in Northland Region. Such proposals would represent significant changes to existing arrangements. On this basis identification of a range of 'reasonably practicable options' for the region is appropriate.
18. With one exception, all applications relate exclusively to Northland Region previously declared by the Commission to be the 'affected area'. The exception is a proposal for a Kaipara Harbour territorial authority which would cut across the current Northland-Auckland regional boundary. Given its wider scope, the application needs to have evidence of community support for it to be considered but no such evidence has been provided. The application also fails to meet the content requirements of clause 5. This means it cannot be fully analysed against the 'reasonably practicable option' requirements. Given the above and the analysis provided in this report, the officers recommend the Kaipara Harbour territorial authority proposal not be considered as a 'reasonably practicable option'.
19. Given the absence of "community support demonstrated to the Commission" under clause 11(3)(b) for proposals wider than the declared 'affected area', including any responses from within Auckland Region, the officers do not consider at this stage that there are "potential benefits of considering other options" (i.e. wider than Northland Region) under clause 11(3)(c). It is noted that, if a draft proposal is released, there will be the opportunity for the public to submit on other options in response to the Commission's proposal before it considers a final proposal.
20. In relation to "desirability of early certainty" under clause 11(3)(d), we have previously advised that there was not considered to be pressure for early certainty about local government arrangements in Northland Region to the extent that it would preclude consideration of a range of 'reasonably practicable options'. On this basis, the Commission has undertaken quite extensive informal consultation on local government arrangements in Northland Region and advised it would not be releasing any draft proposal before the October 2013 local authority elections. A list of the individuals, groups and organisations consulted to date is attached as *Appendix A1*.
21. In conclusion, the Commission is required to have regard to the factors identified in clause 11(3) in deciding the extent to which it identifies 'reasonably practicable options' for local government arrangements in Northland Region. The officers' view is that a range of 'reasonably practicable options' should be identified by the Commission for Northland Region (the 'affected area'), and that this should range from existing arrangements (a mandatory consideration) and modified status quo arrangements, to constitution of one or more unitary authorities for the region.

Contains one or more distinct communities of interest

22. The FNDC application and the identified alternative applications must be considered against the clause 11(5)(c) criterion of the proposed region/district needing to contain one or more distinct communities of interest.
23. The Commission has identified three dimensions of community of interest which it uses for both reorganisation and representation review purposes. These dimensions are:
- perceptual: a sense of belonging to or identity with an area
 - functional: ability to meet a community's requirements for services covering both council and non-council services
 - political: ability to represent the interests and reconcile conflicts of communities.

Perceptual dimension of communities of interest in Northland

24. We are not aware of any survey specifically testing residents' sense of belonging to Northland Region as one entity. However, in respect of a sense of identity, a 'Northland identity' has existed for a long time. In relation to local government, this includes the establishment of a Northland catchment commission in 1961 and a Northland Harbour Board in 1965. A Northland region has existed since 1980 following constitution of a united council which then combined with the Catchment Commission in 1988 to form the NRC. The region and regional council were retained as part of the comprehensive reforms in 1989.
25. It is noted that in 1988 the then Local Government Commission considered it had two options available to it in relation to Northland Region: continuation as a separate region or inclusion of Northland in the same region as Auckland. In weighing the options, it noted that "Northland has a long-standing sense of regional identity and an economic structure that is distinctly different from that of Auckland". The Commission went on to say "the existing regional boundary appears accurately to reflect the respective Northland and Auckland communities of interest".² Our 'Northland profile' supports the argument of a distinct Northland economic and social structure.
26. A range of other factors can reinforce the perceptual dimension of community of interest in an area. These include support for sports teams and we note, for example, that the boundaries of the Northland Rugby Union include all of Northland Region and also a significant area of the former Rodney District similar in type to Northland.
27. As noted above, all applications recognise the existing Northland Region with the exception of the Kaipara Harbour territorial authority alternative proposal which cuts across the Northland-Auckland regional boundary and associated communities of interest.
28. At the district level, the current three districts in Northland Region were constituted as part of the local government reforms in 1989. While these districts have remained identifiable communities of interest, there have been increasing differences in demographic and socio-economic terms between northern and southern, and between western and eastern areas in Northland since that

² Prior to 1989 the catchment of Mangawhai Harbour was in Auckland Region but included as an out-district of Northland Region for water and soil catchment purposes. In 1989 the boundary between Auckland and Northland Regions was fixed at the southern limit of the Mangawhai catchment.

time (see *Part B*). These differences are seen both between and within the three districts and need to be taken into account in considering any local government reorganisation.

29. The FNDC application is based on what that council sees as distinctive differences between the Far North and the Whangarei-Kaipara area of the region socially and economically as well as physically with the Waipoua Forest seen as providing a clear physical separation. As noted, the proportion of the population being Māori is significantly higher in the Far North as is the proportion in quintile 5 (most deprived) in deprivation statistics.³ The applicant argues this distinction justifies continuation of separate local authority structures at the district level. This argument needs to be considered alongside requirements for an appropriate area for carrying out in this case regional functions, and also local authorities having the necessary resources to carry out their responsibilities, duties and powers effectively. These criteria are addressed below along with those relating to political communities of interest including issues of effectiveness of advocacy on behalf of local communities.
30. Two of the alternative applications involve combining Whangarei and Kaipara Districts (i.e. union of the two districts to become a district council or to become a unitary authority along with a Far North unitary authority). Whangarei and Kaipara can be seen as containing distinct communities of interest in socio-economic terms and with urban-rural and eastern-western differences. Careful consideration would need to be given to the commonality of the respective communities of interest for any union of the districts to be considered. Other considerations relating to these two applications as 'reasonably practicable options' under clause 11(5), are addressed below.
31. The Hokianga proposal would see a division of that community from the remainder of the Far North District community of interest. As noted in *Appendix 1*, a number of the standard form Hokianga applications include elements that are inconsistent with current legislation and on these grounds the Commission can decline to assess them pursuant to clause 7(d). Analysis in this report is confined to those Hokianga applications which do not explicitly involve elements inconsistent with current legislation. While there is evidence of a quite strong perceived Hokianga community of interest, analysis below shows it does not align with catchment boundaries and is unlikely to have the necessary resources to be constituted as a unitary authority.
32. With the exception of the Kaipara Harbour territorial authority proposal, the remaining applications reflect existing communities of interest. In the case of the modified status quo and three unitary authorities proposals, these reflect district level communities of interest. In the case of the single unitary authority proposal, this reflects a regional level community of interest in association with proposed second tier structures reflecting district or, possibly, sub-district communities of interest.

Functional dimension of communities of interest in Northland

33. Ability to provide local government services required by local communities is addressed below under 'Appropriate district/region for efficient performance of the local authority role'. Provision of particular non-local government services is addressed here.
34. A number of functional/service delivery jurisdictions coincide with the area of Northland Region and these include:

³ Statistics extracted from Northland DHB 2012/13 annual plan.

- Northland District Health Board
- Work and Income (Northland region)
- Child, Youth and Family (Northern region comprising Auckland and Northland with offices in Kaitaia, Kaikohe, Dargaville, Whangarei)
- Family and Community Services (Northern region comprising Auckland and Northland)
- Sport Northland (regional sports trust with offices in Whangarei, Kaitaia, Kaikohe, Kawakawa, Rawene, Dargaville, Maungaturoto, Mangawhai).

35. Place of employment statistics set out in the following table show that there is not a lot of cross-boundary travel between the three districts though in relation to Whangarei and Kaipara Districts there is a reasonable amount of travel to and from Auckland in the south for work purposes. The limited cross-boundary travel suggests the current territorial authorities in Northland do reflect certain distinct functional dimensions of community of interest.

Residents' place of work (2006 census)

	Far North	Kaipara	Whangarei	Auckland
Far North	14,871	27	327	198
Kaipara	30	5,310	264	399
Whangarei	201	204	23,127	366
Auckland	378	177	345	

36. The FNDC application identifies a number of non-local government functions that reflect two distinct communities of interest in Northland, based on functional dimensions, rather than just one. These are:

- Northland Police district which is divided into the two areas of Far North and Whangarei-Kaipara
- Auckland Fire region which is divided into districts including Muri Whenua and Whangarei-Kaipara
- Top Energy which recently moved to Puketona in Far North District, and North Power based in Whangarei.

37. Having a common area for the delivery of both local government and non-local government services in Northland is useful for facilitating inter-agency cooperation. However, when making decisions between local government structures based on a single functional community of interest or on dual communities of interest in Northland, the officers do not see such commonality of areas as important a criterion as having an appropriate area for efficient delivery of local government services or local authorities having the necessary resources.

Political dimension of communities of interest in Northland

38. Ability to represent different interests and to reconcile conflicts of different communities is another important dimension of communities of interest. This relates to the operation of local government itself and also its relationship with central government and with a wide range of non-governmental bodies.

39. Northland Region's political or democratic structures currently bear some relationship to parliamentary representation structures with the region containing two general parliamentary constituencies (Northland and Whangarei) as well as part of the Te Tai Tokerau Māori electorate which extends south into Auckland. Commonality of parliamentary representation structures and

local government structures help to reinforce identity with an area, and to facilitate advocacy to the other level of government on behalf of the people of the area. It is noted, however, that the current parliamentary constituencies are under review following the recent census.

40. A number of non-governmental bodies, representing particular sectors and interests, coincide with Northland Region including farming organisations (Federated Farmers and Farmers New Zealand) and the Northland Chambers of Commerce.
41. As noted, Northland Region and the three districts within the region have been in place for nearly a quarter of a century as democratic structures representing distinct communities of interest. Within the boundaries of these local authorities there are a variety of other bodies representing more local communities of interest. These include both local authority structures such as community boards, Māori liaison bodies and a range of committees and boards sometimes including non-council representatives, as well as non-local authority structures such as community, residents and ratepayer associations. Details of current Northland local government representation and decision-making structures and processes are set out in *Appendix A2*.
42. A number of iwi are based in Northland Region or extend into the region from the south. The FNDC application states there are 11 iwi whose rohe or takiwā fall within, and do not extend beyond, the boundaries of Far North. However, information from the Te Puni Kōkiri website indicates this is not correct with the rohe of some iwi extending south across the Far North District boundary. The rohe of other iwi relate more closely to the Kaipara and Whangarei Districts and also extend south into Auckland. This suggests an approach wider than one based on the three existing territorial authorities in Northland may be appropriate in helping enhance responsiveness and for meeting statutory obligations to Māori.
43. The LGA includes specific obligations for facilitating participation by Māori in local authority decision-making processes. The Northland local authorities currently have a range of mechanisms to meet these obligations (see *Appendix A2*) and consideration needs to be given to their efficacy and possible improved arrangements.⁴ The FNDC application supports the establishment of Māori wards in Far North and while the Commission is not able to provide for such wards in any reorganisation scheme, it should still consider representation arrangements that might facilitate such a step in future. It is noted that consultation to date with hapū/iwi has indicated support for direct local authority representation and a relationship with local government which reflects the principle of partnership envisaged under the Treaty of Waitangi. It is noted that the option of an independent Māori statutory board, as in place in Auckland, is also not currently available to the Commission under general reorganisation legislation. Other options to promote participation, however, include Māori advisory boards as committees of the local authority.
44. As described in *Parts B and C* of this report, in identifying the ‘reasonably practicable options’ and determining its ‘preferred option’ for local government arrangements in Northland, the Commission needs to consider, in addition to obligations to Māori, the appropriateness and effectiveness of existing structures and processes in relation to the purpose of local government set out in section 10 LGA. This purpose includes: “to enable local democratic decision-making and action by, and on behalf of, communities”.
45. “Action” in section 10 may be seen to include such functions as leadership and advocacy on behalf of communities to other authorities including to central government. Taking into account

⁴ For example, feedback during Commission consultation (Porowini marae, 12 June 2013) suggests for external agencies wanting to contact local Māori, hapū rather than iwi is often the more favoured point of contact.

key well-being statistics of Northland relating to such issues as health, education, income and social deprivation, consideration needs to be given to the efficacy of current local government structures to represent and advocate on behalf of Northland communities. This relates to the argument made by some for “one voice” to strongly and clearly speak on behalf of Northland communities.

46. The FNDC application argues that the profile of Far North is significantly different/more deprived than the Whangarei-Kaipara area and its “distinct socio-economic characteristics warrant a concentrated approach to local government that is best served by a single Far North unitary authority concentrating on the needs of our community without the distractions of managing growth in the Whangarei area”. Others argue that the combined weight and resources of Northland Region would be more effective in dealing with central government to address particular issues. NRC uses this argument in support of its proposal for a single unitary authority for Northland. The respective arguments are addressed further in *Parts B and C* in relation to options of one or two unitary authorities for Northland Region.
47. Other applications are seen as ‘partial’ only in relation to representation and advocacy for Northland as a whole. These applications are a modified status quo (addressed further in *Part B*) and the alternatives of union of Whangarei and Kaipara, constitution of a Far North unitary authority and a Kaipara Harbour territorial authority all with no other change in the region. These are not seen as likely to result in enhanced representation of Māori across Northland or enable a strong voice to speak on behalf of all Northland communities. Likewise options of multiple unitary authorities, i.e. three or more including a Hokianga unitary authority, are seen as unlikely to enable “one voice” to speak on behalf of Northland.

Has an appropriate district/region for efficient performance of the local authority role

48. The FNDC application and the alternative applications must be considered against the clause 11(5)(b) criterion of the proposed region/district being appropriate for the efficient performance of the prescribed local authority role. That role is prescribed as: to give effect to the purpose of local government (section 10 LGA) and to perform the duties and exercise the rights conferred by legislation.
49. Clause 11(6) provides some guidance on factors to consider in relation to an “appropriate district or region for the efficient performance of a local authority’s role”. The clause requires the Commission to have regard to:
- a) the area of impact of the responsibilities, duties and powers of the local authorities concerned
 - b) the area of benefit of the services provided
 - c) the likely effects on a local authority of the exclusion of any area from its district or region
 - d) any other matters it considers appropriate.
50. It is also noted that the amended definition of the purpose of local government in section 10 LGA, refers to meeting current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a cost effective manner. Good quality is defined in terms of efficiency, effectiveness and appropriateness in relation to present and anticipated future circumstances.
51. With the exception of the proposals for a modified status quo, the union of Whangarei and Kaipara only (i.e. other councils remain in place) and the constitution of a Kaipara Harbour territorial authority, all other proposals involve constitution of one or more unitary authorities. It is appropriate, therefore, to focus firstly on arrangements for undertaking regional responsibilities,

duties and powers. These are currently undertaken by NRC and its 2012 annual report sets out its regional activities and their proportion of council operating expenditure as follows:

- democracy and corporate services (7.24%)
- regional information and engagement (6.43%)
- regional economic development (6.18%)
- transport (8.95%)
- resource management planning (6.53%)
- consents (7.59%)
- environmental monitoring (19.42%)
- land and rivers (15.27%)
- biosecurity (8.75%)
- emergency management (1.24%)
- maritime operations (6.12%).

52. The FNDC application is for that council to become a unitary authority. It was submitted on the basis that a Whangarei-Kaipara unitary authority would ultimately also be established, but this is not part of the application. Therefore this option has to be seen as involving status quo arrangements continuing for WDC and KDC, and for NRC. (N.B. the two unitary authority proposal covering the whole region is considered further in *Part B*.) Similarly the proposed union of Whangarei and Kaipara Districts and the proposed Kaipara Harbour territorial authority are seen as submitted on the basis that status quo arrangements would apply elsewhere.

53. The Hokianga unitary authority is also seen as applying to the Hokianga area only and therefore that status quo arrangements would apply elsewhere. In respect of the Hokianga area, it is noted that a number of the applications refer to boundaries as defined by the Hokianga Health Enterprise Trust or the former Hokianga County which the officers understand coincide. These boundaries are not seen as relating to boundaries for the efficient performance of a unitary authority's role today, and in particular they would not enable effective catchment-based flooding and water management.

54. Neither the FNDC application (distinct from a two unitary authority proposal) nor these other 'partial' applications are seen as able to address issues relating to efficient performance of the local authority role as applied to responsibility for regional functions for Northland as a whole. In particular, these applications are not seen as providing appropriate replacement arrangements for the following functions presently carried out by NRC over the whole region:

- regional economic development
- regional transport planning and management
- regional resource management planning and monitoring.

55. In addition, these 'partial' applications are not seen as able to provide appropriate arrangements for the management of regional assets and investment funds (managed under the NRC 'Democracy and corporate services' activity) as addressed in *Part C*.

56. Further information relating to performance of regional functions is provided in *Part B* in relation to the modified status quo, two unitary authorities for the region, and one unitary authority proposals.

57. In summary, efficient performance of the local authority role relates to areas of impact and benefit from particular services and functions matching, as closely as possible, areas over which costs related to these services and functions are imposed. Given these services and functions need to be provided in respect of the whole region, arrangements need to be put in place for this to occur and for their associated costs to be spread fairly across the region now and in the future.

Enables effective catchment-based flooding and water management

58. The FNDC application and the alternative applications proposing establishment of unitary authorities must also be considered against the clause 11(5)(d) criterion of the proposed region being able to ensure catchment-based flooding and water management issues are dealt with effectively.

59. NRC has identified 26 priority river/stream catchments fully contained within Northland Region. These do not include harbour catchments such as Whangarei, Hokianga, Kaipara and Rangaunu or other minor catchments. Two of the alternative reorganisation proposals, Hokianga and Kaipara Harbour, would cut across one or more river/stream catchments. This would make them unlikely to comply with the clause 11(5)(d) consideration in relation to 'reasonably practicable options'. In addition, the proposal that the three territorial authorities be constituted as unitary authorities would not comply without boundary alterations in the case of Kaipara and Whangarei Districts. On the other hand, the one unitary authority would clearly enable effective catchment-based flooding and water management across the region given this reflects current arrangements.

60. The FNDC application notes that all catchments in the Far North are contained within the boundaries of the proposed boundaries of the unitary authority. It also notes, however, that the current south-western boundary of the district includes the upper catchment of the Kaihu River which feeds into the Kaipara Harbour, and a small area of the Hikurangi swamp on the south-eastern boundary is also in a different district (Whangarei). It suggests that if necessary small boundary adjustments (one or two meshblocks) could be made. This would also apply in respect of the two unitary authorities proposal.

Has the necessary resources to carry out local authority responsibilities, duties and powers effectively

61. Finally, the FNDC application and the alternative applications must be considered against the clause 11(5)(a) criterion of the proposed or changed local authority having the resources necessary to enable it to carry out its responsibilities, duties and powers effectively.

62. In determining the 'affected area' in respect of the FNDC application, the Commission noted the application has the consequences of reducing the area administered by NRC by approximately 53% and its population by around 37% of the Northland total (based on 2012 estimates). The FNDC application was also made on the basis that approximately one third of regional council staff would be transferred to the new Far North unitary authority. The Commission concluded "the operational scale, scope and capability" of NRC would be materially affected if the reorganisation proposed under the FNDC application were to proceed. Since that initial decision the officers have not identified any evidence to reach any other conclusion.

63. We note that clause 11(6)(c) requires the Commission to have regard to the likely effects on a local authority of the exclusion of any area from its district or region. On the basis of the above information, the officers do not consider the FNDC application on its own can be seen as a 'reasonably practicable option' in relation to necessary resources for both the proposed new Far North unitary authority and also the changed local authority i.e. NRC with a significantly reduced region.

64. The FNDC application, for a unitary authority in Far North and no change to other council arrangements, could be treated as a first phase in Northland reorganisation with a second phase being constitution of a Whangarei-Kaipara unitary authority at a later date. Given the assumptions around staffing identified in the previous paragraphs, such an approach would have significant repercussions for NRC.
65. It is noted that clause 11(6)(d) requires the Commission to have regard to any other matters considered appropriate in the identification of 'reasonably practicable options'. The officers believe that an extended period of uncertainty arising from a phased approach to reorganisation in Northland is such a matter for consideration. On the basis of the resulting indefinite period of uncertainty regarding necessary (organisational) resources and likely additional costs, the officers do not consider a phased approach to reorganisation to be a 'reasonably practicable option'.
66. In relation to the proposal for the constitution of a Hokianga unitary authority, Brian Smith Advisory Services Ltd has provided an analysis relating to its likely financial viability. This highlighted the rates levied in the area, on both general and Māori freehold titles, as a percentage of the total for Far North District, and also accumulated rates arrears. It was noted that yearly rates levied for Hokianga are currently about one third of annual Kaipara District rates and that Hokianga commercial rates are only about \$250,000 per annum or 3% of the total Hokianga rates strike. This suggests that there is currently a significant level of subsidy for Hokianga from other parts of Far North District. On this basis, the Hokianga proposal is not considered to be a 'reasonably practicable option' in relation to necessary (financial) resources. In addition, a small unitary authority can be seen as unlikely to be able to attract the necessary organisational resources, particularly staffing, necessary to meet current statutory requirements and obligations.
67. As noted above, it is unclear from the alternative application received proposing a Kaipara Harbour territorial authority, what the exact extent of such a local authority would be and therefore its likely capacity and access to necessary resources.
68. The officers commented in a previous report on the proposal for three unitary authorities to be constituted in the region. This noted that the 2010 McKinley Douglas report had concluded that a Kaipara unitary authority would not be viable on its current boundaries. This was on the basis that it had been considered that the proposal for such an authority arose when suggestions were being made that the northern part of the former Rodney District might be merged with Kaipara District. The matter of a possible boundary alteration between Northland and Auckland has been addressed earlier in this report.
69. On the basis of the information provided above, the officers believe the FNDC application and proposals for the constitution of three unitary authorities, for a Hokianga unitary authority and for a Kaipara Harbour territorial authority can be considered not to be 'reasonably practicable options' in relation to having the necessary resources for carrying out local authority responsibilities, duties and powers effectively.

Conclusion

70. The Commission has firstly to decide the extent to which it will identify 'reasonably practicable options' for local government arrangements in Northland. With the exception of the Kaipara Harbour territorial authority alternative application, all reorganisation applications relate to the area declared by the Commission to be the 'affected area' i.e. Northland Region. On this basis, the officers recommend that the Commission agrees that a range of options from existing arrangements (a mandatory consideration) and modified status quo arrangements, to constitution of one or more unitary authorities for Northland Region is appropriate.

71. Based on the information provided in this Part of the report, the officers consider the following reorganisation applications should not be identified as 'reasonably practicable options' for the reasons set out:

- the Kaipara Harbour territorial proposal: as no community support has been demonstrated for reorganisation options beyond the 'affected area' determined by the Commission to be Northland Region; the application has insufficient information for further analysis in relation to requirements for 'reasonably practicable options'; and in event is only a 'partial' option for Northland Region in relation to representation and advocacy issues
- the Hokianga unitary authority proposal (not being those applications explicitly including elements inconsistent with current legislation): as it is a partial option only for Northland Region in relation to representation and advocacy issues; and it would not meet tests in relation to having an appropriate area for efficient performance of the unitary authority role, effective catchment-based flooding and water management, and for the proposed local authority having the necessary resources to carry out its responsibilities, duties and powers effectively
- the three unitary authorities proposal: as it would not address regional representation and advocacy issues; and it would not meet tests in relation to having an appropriate area for efficient performance of the unitary authority role, effective catchment-based flooding and water management, and the proposed local authority having the necessary resources to carry out its responsibilities, duties and powers effectively
- the union of Whangarei and Kaipara Districts and no change elsewhere: as it is a partial option only for Northland Region in relation to representation and advocacy issues
- the FNDC application for that council to become a unitary authority and no change elsewhere: as it is a partial option only for Northland Region in relation to representation and advocacy issues; and it would not meet tests in relation to having an appropriate area for efficient performance of the unitary authority role and both the proposed and remaining local authorities having the necessary resources to carry out their responsibilities, duties and powers effectively.

72. On the basis that the above five reorganisation applications are not to be identified as 'reasonably practicable options' for local government arrangements in Northland, the officers proceeded to analyse in more depth the remaining three applications, along with existing local government arrangements, against the statutory criteria set out in clauses 11(5) and (6). The remaining three reorganisation applications are: a modified status quo, two unitary authorities for Northland Region and one unitary authority for the region. The officers also considered another possibly 'reasonably practicable option' identified in further consultation, of union of the three territorial authorities and retention of NRC. The results of this analysis are set out in *Part B* of this report.

Recommendations

73. It is recommended that the Commission agree that:

- a range of 'reasonably practicable options' from existing local government arrangements (a mandatory consideration) and modified status quo arrangements, to constitution of one or more unitary authorities, is appropriate in relation to Northland Region at this time
- the following reorganisation applications not be identified as 'reasonably practicable options' for the reasons set out in paragraph 71: the Kaipara Harbour territorial authority proposal; the Hokianga unitary authority proposal; the three unitary authorities proposal; the union of Whangarei and Kaipara proposal; and the FNDC unitary authority proposal.

Part B: Further analysis of remaining alternative applications

74. This Part of the report analyses in more depth the following alternative applications for Northland Region, in addition to existing local government arrangements, in relation to clauses 11(5) and (6) of Schedule 3:

- a modified status quo
- two unitary authorities for the region
- one unitary authority for the region.

It also addresses the proposal of a combined district for Northland along with a separate regional council.

Existing local government arrangements

Contains one or more distinct communities of interest

75. In summary, key advantages and disadvantages of existing local government arrangements in relation to distinct communities of interest are seen to be as follows.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Northland Region has historically been recognised as a distinct community of interest and it is familiar for the community which facilitates community engagement • The region coincides with areas of other services/functions (e.g. DHB, Work & Income) which can facilitate inter-agency communication/cooperation • Current arrangements allow for diversity based on distinct district communities of interest with their own structures and processes for engaging with Māori and local communities including second tier arrangements such as community boards 	<ul style="list-style-type: none"> • Arrangements were established 24 years ago and can now be seen to not fully reflect socio-economic changes and growing disparity between north and south, east and west • The region lacks one mandated directly-elected voice to speak for/advocate on behalf of it in addressing the challenges facing the region • Any joint approaches to address challenges, including possible shared service arrangements, depend on the ongoing political goodwill of the four local authorities and investment of significant resources

Other clause 11(5) criteria

76. With the assistance of PWC and Brian Smith Advisory Services Ltd., we have analysed existing local authority arrangements in relation to the following clause 11(5) criteria:

- an appropriate district/region for efficient performance of the local authority role
- effective catchment-based flooding and water management
- necessary resources to carry out local authority responsibilities, duties and powers effectively.

77. The analysis focuses on the performance of duties and the exercise of rights under legislation in respect of the core services identified in section 11A LGA. These core services are identified in section 11A as: network infrastructure (roading and 'the three waters'); public transport services; solid waste; avoidance or mitigation of natural hazards; community facilities (including libraries, museums, reserves and recreational facilities). We have also considered the economic development function. The analysis addresses issues of efficiency, effectiveness and appropriateness (in relation to both present and anticipated future circumstances).

78. The findings from our analysis are set out in *Appendix B1* in relation to performance of council services and *Appendix B2* in relation to the present financial position and capacity of the Northland councils. A summary of these findings follows.

Roading and transport

79. *Appendix B1* identifies significant challenges in relation to roading and transport in Northland under existing local government arrangements. These challenges arise as a result of the characteristics of the region and of local communities, and also from local authority capacity issues, both financial and human resource capacity.

80. The characteristics of the region vary between the three districts including local engineering conditions, extent of the unsealed network, the nature and extent of economic activity such as forestry which can impact significantly on local roads. These factors in turn impact on the cost of provision of roading and affordability for local communities. The ability to pay of local communities varies with this generally being less in the north and west compared to the south and east. In relation to local authority capacity, the New Zealand Transport Agency (NZTA) has noted that while there have been improvements since 2010, it still has concerns about the operational capacity of KDC and FNDC in particular.⁵

81. Concerns about operational capacity have been recognised with agreement in principle for WDC and NZTA, in the first instance, to combine their roading operational units in Whangarei from 1 July 2014 and for KDC to join the joint venture in 2015. FNDC, which faces some of the biggest roading challenges, has made no commitment to join at this time. The joint venture is likely to lead to a more effective operational unit with greater capacity and ability to reduce procurement costs at least in respect of the sealed network. As a shared service arrangement, this initiative will still require ongoing support and funding from the individual councils. This raises the issue of future political uncertainty associated with all shared service arrangements.

82. Options to achieve more efficient, effective and appropriate management of the roading and transport function on a regional basis, given its importance to the region, are seen to be the transfer by the three territorial authorities of their roading and transport statutory obligations to the regional council (the modified status quo option) or the one unitary authority for the region option. These options are addressed below.

Potable water services

83. *Appendix B1* shows that current water services across the region are generally well rated by customers. Asset management planning by FNDC and WDC is robust and identifies some key issues that the councils need to grapple with. These issues include affordability (both within and across schemes), system age and renewal backlogs, lack of asset condition ratings, and funding levels. Asset management plans are not available for KDC.

84. Population projections indicate that up to a third of the schemes may come under further funding pressure as outlying areas start to depopulate over the next 20 years. This is because water service costs are generally funded on a scheme-by-scheme basis and depopulation will mean a reduced number of contributors will be available in future in relation to particular schemes.

⁵ These concerns were raised in discussions between NZTA officials and LGC staff.

85. This concern could be mitigated by operating all systems as a single network with an element of network pricing to allow some levels of cross-subsidisation. This would result in enhanced operations through the availability of a higher level of skills as generally found in larger organisations and as a result of operating larger plants (through economies of scale). This option could still enable a large number of satellite plants, as currently exist in Northland, to operate efficiently and effectively but under the umbrella of one organisation.

Wastewater services

86. *Appendix B1* notes that at a regional level, current wastewater services are not rated highly by customers with average satisfaction being under 60% compared to 90% for water, with both KDC and WDC having particularly low satisfaction levels.

87. Asset management planning for FNDC and WDC is robust and identifies the same key issues that the councils need to grapple with in respect of potable water services. These issues include affordability (both within and across schemes), system age and renewal backlogs, lack of asset condition ratings, and funding levels. Asset management plans are not available for KDC.

88. Again population projections indicate that many of the schemes may come under further funding pressure as outlying areas start to depopulate over the next 20 years. Mitigation measures are similar to those identified for potable water services with the same options available in respect of future organisational arrangements.

Stormwater services

89. *Appendix B1* notes that from a regional perspective the performance of stormwater services is variable across the region. Recent customer satisfaction results showed WDC achieved the lowest rating with KDC having the highest satisfaction ratings albeit Dargaville is the only true piped stormwater system in the district.

90. Asset management planning by FNDC and WDC identifies different issues that these councils need to grapple with. FNDC, having the benefit of a younger asset age profile, appears to need better understanding of its assets to ensure appropriate future maintenance and renewal programmes are put in place at the appropriate time. WDC's systems, which are older, are suffering from maintenance backlogs and this is reflected in customer service complaints and satisfaction results. Given current population projections, some assistance may be provided to WDC through projected growth giving it the ability to upgrade systems through new developments as they occur. By contrast the satisfactory condition of the FNDC assets is likely to be helpful in areas that will be subject to a degree of depopulation over the next 20 years.

91. It is noted that there do not appear to be major benefits from full integration of all stormwater services across the region. Potentially there may be more benefit from vertical integration with NRC's river schemes programme in some areas rather than horizontal integration with other districts. This is seen particularly to be the case in Far North District. The superior condition of the outlying areas' infrastructure is not seen as an inhibitor to such an arrangement in this district.

Solid waste

92. *Appendix B1* shows that refuse services across the region are generally well rated by customers. Existing initiatives to reduce waste to landfills are achieving long-term reductions in the two larger districts (KDC does not operate comprehensive recycling schemes).

93. At the regional level, there is a comprehensive network of strategic assets comprising transfer stations and the new Puwera landfill in Whangarei District. Given the nature of these assets, there would be merit in pursuing regional waste management collaboration given duplication of

some functions, alignment of objectives and plans, dependence on one strategic landfill, similar collection cost issues as a result of population changes, and similar customer expectations.

94. Issues identified that need to be addressed include landfill remediation in Far North and Kaipara Districts, and maintaining acceptable pricing levels in these two districts given higher costs arising from longer distances travelled.

Natural hazards management

95. There are a range of regional and district responsibilities in relation to natural hazards management covering hazard identification, policy, planning and response functions. Limited cooperation currently occurs in Northland, mainly between WDC, KDC and NRC, in these activities. We are not aware of particular concerns in relation to these activities but there is the generic New Zealand-wide concern about capability in particular specialist areas. This is likely to grow in light of increased knowledge and understanding of issues such as climate change and its impacts, and also given increasing public expectations.
96. Limited cooperation occurs in the civil defence and emergency management activity in Northland with all territorial authorities, under legislation, formally members of their regional group. The Northland civil defence and emergency management plan is the overarching readiness and response document with district plans fitting in under the national and regional plans. Under legislation, each territorial authority is responsible for its own district in terms of emergencies. With only six full-time equivalent staff employed in this activity, there are few opportunities for staff savings. There are seen to be coordination and funding advantages, however, in combining the staff of the four councils in one unit at the regional level, with the ability to locate particular staff members anywhere in the region
97. In relation to the rural fire function, FNDC and KDC have agreed to form a combined district but WDC to date has declined to become part of a combined district.

Regulatory and planning functions

98. *Appendix B1* notes there appear to be limited opportunities for financial savings in administrative areas of regulatory and planning functions in Northland given these are relatively small scale operations. This finding is in line with international research in relation to amalgamations.
99. Opportunities for improvements are more likely in relation to more consistency of approach across the region in regulatory and planning functions, and the removal of duplication. Examples of duplication are identified in respect of district land-use planning; preparation of Local Government Act policies and bylaws; and the operation of separate regulatory and contract management units. Given issues with staffing in specialist areas, improvements are also likely as a result of more coordinated initiatives to attract and retain specialist staff on a regional basis.
100. Local government reorganisation is seen as providing a more systematic approach to obtaining improvements and efficiencies in planning and regulatory activities. Structural reorganisation would provide more surety than voluntary shared service arrangements, and given the tentative nature of past collaboration in the region, such as the 'virtual one plan' proposal, and perceived accountability issues, would also address concerns about liability and insurance.

Community facilities

101. *Appendix B1* notes that there is a wide and varied range of community facilities in Northland. The nature of particular facilities and the communities they are located in or which they serve, will determine how best the facilities are governed and managed.

102. Most community facilities are appropriate for local community input and possibly for delegation of oversight depending on their scale and the localism of use. Regional facilities and some specialised facilities that need to meet national/statutory requirements or support regional/national interests, are likely to be best governed and funded at a higher level.
103. Management responsibility, such as routine maintenance, is often easily contracted, internally or externally, possibly as a shared service arrangement or to a centralised contract management group. There can also be benefits from the clustering of professional expertise in terms of planning and management resulting in improved productivity and ability to prioritise new/upgraded developments and manage existing portfolios. In some cases community facilities in Northland would benefit from some form of coordinated regional approach to their management, with the proviso that final decision-making for particular classes and levels of facility be dealt with at the most appropriate level of regional and local community.

Economic development

104. *Appendix B1* identifies a range of economic development activities undertaken by the four Northland local authorities and also a range of views held by those local authorities on appropriate economic development strategies for the region. These strategies include a regional and infrastructure-centred approach, and more locally focused approaches such as for promotion of local tourism. There is also some support for an Auckland-focussed strategy aimed at gaining leverage from proximity to this major population and activity centre.
105. The Appendix notes there are likely to be advantages in greater coordination of economic development activities across the region in terms of scale, scope and enhanced resources. In considering possible reorganisation options, account needs to be taken of the clause 11(6) criteria relating to the area of impact of responsibilities, duties and powers, and the area of benefit of services provided. Because of the importance of economic development to Northland and the scale of some of the region's assets – airports, ports, marinas – careful consideration needs to be given to these criteria and the most appropriate form of any local authority reorganisation.
106. Particular points to consider include means of access to investment assets such as Northland Port Corporation and the new community investment fund, and also structures to ensure decisions are made for the good of Northland communities generally. At the same time, careful consideration needs to be given to commercial matters, such as the value of shares held by local authorities, future income streams and possible taxation implications, arising out of any structural reorganisation.

Financial position and capacity of Northland local authorities

107. *Appendix B2* summarises the financial position of the four Northland local authorities and also their current planning and operating capacity. Comparative financial information for the four local authorities for the 2011/12 financial year is shown in the following table.

	FNDC	WDC	KDC	NRC
Op. revenue	\$96.1m	\$94.9m	\$40.3m	\$25.8m
Op. revenue/capita	\$1,646	\$1,175	\$2,108	\$163
Op. expenditure	\$91.8m	\$120.2m	\$46.4m	\$25.6m
Op. expenditure/capita	\$1,572	\$1,494	\$2,245	\$164
Rates revenue	\$61.5m	\$68.3m	\$18.4m	\$13.3m
Rates revenue/person	\$1,052	\$845	\$964	\$86
Debt	\$100.7m	\$155m	\$79.1m	-
Debt/person	\$2,060	\$1,912	\$4,547	-

	Northland Region
Total region debt/capita	\$2,283

108. With the appointment of commissioners in KDC and their adoption of new financial and operational strategies, all four councils can be seen to be viable at least in the short term. However all face either longer term financial and/or operational issues as outlined in this report and appendices.
109. In considering possible reorganisation options, consideration needs to be given to not only the actual financial and operational position of each local authority, but also public perceptions particularly in relation to KDC and its current financial position. Should a reorganisation proceed, the Commission could, for example, implement a ring-fencing of existing local authority debt to the effect that liability for the repayment of current debt lies with the communities in respect of which it was raised.
110. *Appendix B3* identifies projected population trends for Northland for the twenty-year period 2011-2031. These include a projected population increase of 7.7% for the region with the vast majority (96%) occurring in Whangarei District. Kaipara District's population is predicted to decline by 5% over this period with some growth in the southern parts of the district adjacent to Auckland but with the Dargaville area showing the largest loss across the whole region. In Far North District significant growth is predicted in the Bay of Islands with other areas mainly in decline.
111. *Appendix B3* notes that while the predicted significant growth in resident population in the Bay of Islands may provide some support for the two unitary authority reorganisation option, as it will lead to a more significant local urban centre within the Far North, this view needs to be tempered by two factors. Firstly, a large proportion of the growth is likely to be among retirees. This means the economic impact outside of a few age-related sectors such as health care, residential care and the construction sector, is likely to be limited. This demographic does not tend to as actively engage in economic activity as other age groups and therefore wider job-creation and support benefits to the Far North from the projected growth will be limited. Secondly, older residents tend to be more resistant to a higher rates burden, in part because they tend to be asset rich (owning their own homes) but income poor (superannuitants but possibly with only limited additional investment income). In summary, this means the amount of new funding generated by the projected growth in population in the Far North may be more limited than in other parts of the country where growth is spread more evenly across a mix of age demographics.

112. *Appendix B3* also notes that in the Far North targeted rates are commonly used to cover the cost of town services, particularly water and wastewater. Given the predicted decline in population numbers in many areas, this will mean the cost in each case will be placed on a smaller number of ratepayers unless a 'network' approach is taken to spread the costs across the region. This population trend appears to already be affecting half of the water schemes and a third of the wastewater schemes in the region.

113. Finally, *Appendix B3* highlights the change in age distribution at district, sub-regional and regional levels. Key findings include:

- a 'hollowing out' of the working age population particularly in Kaipara and Far North Districts as younger people migrate for work and educational opportunities
- a better profile in Whangarei District but still subject to a 'thickening' in the older age groups
- an east/west distribution moving from a relatively similar picture in 2011, to one where the western side of the region 'hollows out' in a similar manner to Kaipara District with the addition of western areas of Far North District.

114. Clearly these trends need to be considered carefully when considering local government arrangements that are sustainable twenty to thirty years hence.

Option 1: modified status quo

115. Section 24(1)(e) LGA defines a local government reorganisation as providing, among other things, for the transfer of a statutory obligation from one local authority to another.

116. Three alternative Northland applications received proposed possible transfers of statutory obligations but did not identify specific transfer candidates.

117. As a result of our analysis of existing local government arrangements, the officers identified a number of statutory obligations as potential candidates for transfer to the regional level in Northland. These included territorial authority roading and transport obligations, aspects of the 'three waters', solid waste and particular regulatory and planning functions.

118. While benefits can be identified from some form of regional coordination including possible full integration, the combined impact on the existing territorial authorities, financially and operationally, of the transfer of many or all of these obligations would be very significant.

119. The costs and benefits of this option in these circumstances tend to converge with those for the one unitary authority option. Therefore, for the purposes of this analysis, the officers limited this option to the transfer of two statutory obligations for which significant benefits can be readily identified and some support for such transfers can be identified. The statutory obligations identified are roading and transport, and land-use planning. Analysis of this proposal as a 'reasonably practicable option' follows in relation to the clause 11(5) and (6) criteria.

Contains one or more distinct communities of interest

120. This option mirrors existing local government arrangements. That is, it involves no structural reorganisation and so existing communities of interest, defined by the boundaries of NRC and the three territorial authorities, would be retained. The advantages and disadvantages of existing local government arrangements in relation to the clause 11(5)(c) criterion on communities of interest are summarised in the table in paragraph 75.

Is an appropriate district/region for efficient performance of the local authority role

121. The roading and transport function is a vital activity in the promotion of economic development and general community well-being in Northland, and local government plays an important role in its provision. The question to be addressed is what local government arrangements are likely to facilitate the most efficient, effective and appropriate transport planning and management in the region now and into the future.
122. The option of transfer of obligations to the regional level is seen to have significant benefits in relation to the clause 11(5)(b) criterion of an appropriate district/region for efficient performance of the local authority role with 'efficient' defined in terms of the clause 11(6)(a) and (b) criteria relating to area of impact and area of benefit.
123. As described in *Appendix B1*, the roading network can in important respects be seen to be a regional network. Planning is already carried out on a regional basis through the Northland regional transport committee. It is understood that NZTA's new funding scheme is likely to have an even stronger regional planning, investment and funding focus, and this would align with a Northland-wide local government approach to planning, prioritisation and funding of roading and transport.
124. This option addresses the organisational capacity issues in roading identified by NZTA and proposed to be addressed by a new road maintenance joint venture initiative between NZTA and the territorial authorities. Such an approach, however, has the disadvantage of relying on ongoing political goodwill between the territorial authorities which has not been evident to date with FNDC not agreeing as yet to participate in the joint venture.
125. NRC highlighted the present lack of cooperation in the roading area in its proposal for one unitary authority for the region, noting in relation to transport that "Northland's councils have not taken a one network approach, nor have they embarked on co-operative shared services for maintenance and operations, asset management or improved procurement".
126. To help realise the full benefits of such a transfer, consideration was given to an accompanying transfer of the territorial authority statutory obligation for land-use planning to the regional council. Full integration of transportation and land-use planning can be seen to have benefits, for example in terms of identification of optimum locations for particular land use types, e.g. commercial, industrial or agricultural, in relation to available transportation services across the region. This could have real benefits in terms of facilitating economic development in Northland through enhanced efficiency, and consequently help address the region's generally poor socio-economic statistics. Regionalisation of land-use planning would also address issues of duplication and lack of consistency as identified in *Appendix B1*.

Enables effective catchment-based flooding and water management

127. The clause 11(5)(d) criterion of effective catchment-based flooding and water management is not applicable to this option as responsibility for these functions would remain where they currently lie i.e. with NRC.

Has the necessary resources to carry out local authority responsibilities, duties and powers effectively

128. This option is seen to have advantages and disadvantages in relation to the clause 11(5)(a) criterion of having the necessary resources to effectively carry out local authority responsibilities, duties and powers. It would result in enhanced resources, as a result of aggregation of the

resources of three territorial authorities and of the regional council that are currently applied to provision of the roading and transport, and in land-use planning functions.

129. The NRC in its alternative application stated that “retaining skilled staff in the transport sector is a common issue for local government, but it is further exacerbated in Northland by having the transport responsibilities spread across three relatively small district councils and the regional council.” This option would address the concerns identified by NRC and also raised by NZTA about current capacity and capability in the existing three territorial authorities and identified in *Appendix B1*.

130. On the other hand, removal of these responsibilities, particularly roading, from the territorial authorities would have a significant impact on their budgets. The amount of the ‘roading and footpaths’ budgets of the three territorial authorities and the proportions these are of total operating budgets are as follows:

- FNDC: \$30.9 million (32%)
- WDC: \$37.7 million (28%)
- KDC: \$22.2 million (46%).

131. In addition to the financial impact, the transfer of statutory obligations would impact on overall organisational capacity given currently there is significant cross over of skills and resources in most local authorities in the planning, management and delivery of core infrastructure services.

Conclusion

132. The officers consider the option of the transfer of the territorial authority statutory obligations for roading and transport, and for land-use planning should be identified as a ‘reasonably practicable option’ under clause 11(5). This is on the basis it would result in enhanced efficiency, effectiveness and appropriateness (particularly in relation to anticipated future circumstances) compared to existing local government arrangements in provision of these functions, and given its potential to contribute to economic development and future well-being in Northland. Whether this option would best promote good local government in Northland in light of its impact on the existing territorial authorities, is addressed in *Part C*.

Option 2: two unitary authorities for Northland

133. This option is for the constitution of a Far North unitary authority based on the boundaries of the current Far North District, and for a combined Whangarei-Kaipara unitary authority.

Contains one or more distinct communities of interest

134. In relation to the clause 11(5)(c) criterion, this option recognises social and economic differences, including in relation to Māori, between communities of the Far North and those in the Whangarei-Kaipara area and could allow for greater diversity in representation and decision-making structures/processes to reflect these differences. The option also recognises two distinct functional communities in Northland for some non-local government services (e.g. Police) which would facilitate enhanced communication/cooperation between agencies.

135. On the other hand, the option splits the established and recognised Northland regional community of interest, does not address the issue of having one mandated voice to speak for the region, and would require the agreement of both local authorities, on a case by case basis, for any joint approach to promote the interests of Northland as a whole.

136. The option would see the proposed Far North unitary authority being responsible for enabling democratic local decision-making and action by, and on behalf of, communities. Given FNDC is presently responsible for this, with the assistance of three community boards in the area, the option involves no significant change in respect of the territorial authority role.
137. As a unitary authority, it would be required to give effect to the governance principle (section 39(c) LGA) of ensuring, as far as is practicable, responsibility and processes for decision-making in relation to regulatory responsibilities is separated from responsibility and processes for decision-making for non-regulatory responsibilities. This may require a review of overall representation arrangements for Far North District, i.e. number of councillors, to ensure the required separation is achieved.
138. In relation to the southern part of the region, the proposed Whangarei-Kaipara unitary authority would have the same responsibilities and obligations as the proposed Far North unitary authority. This would involve careful consideration of achievement of fair and effective representation for individuals and communities in the combined area for the purpose of enabling local democratic decision-making and action by, and on behalf of, communities. This should include consideration of the need for a second tier representation and decision-making structure given increasing differences in western and eastern communities in particular as identified in this report.

Is an appropriate district/region for efficient performance of the local authority role

139. This option would see the proposed Far North unitary authority continue to carry out the responsibilities, duties and powers that FNDC currently undertakes as a territorial authority. In the southern part of the region, the proposed new combined Whangarei-Kaipara unitary would carry out those responsibilities, duties and powers presently undertaken separately by WDC and KDC. Efficiencies and enhanced effectiveness could be expected in the delivery of particular services in this part of the region, as identified in *Appendix B1*, in line with the clause 11(5)(b) criterion.
140. The option would also require the two new unitary authorities to undertake the responsibilities, duties and powers currently undertaken by NRC in their respective areas. This would entail quite complex transitional changes in relation to a broad range of regulatory and planning responsibilities. A possible further level of complexity would arise if it was proposed also to integrate regional and district planning in these areas in the short term.
141. Integration of regional and district planning would involve the following: all regional and district resource management policy and plans, processing of regional and district resource consents, regional monitoring (environmental and resource consent), regional coastal planning, biosecurity planning and delivery, biodiversity planning, transport policy and plans, regional flood management functions, pollution control functions, regional civil defence and emergency management policies and plans, regional hazards management planning, harbour master and coastal and marine functions under maritime law.
142. Clearly this option involves duplication of regional policies and plans in two locations whereas at present they are located in one place under NRC. Comments from FNDC indicate that it and WDC have had discussions on options to reduce this duplication on a voluntary basis. It is noted, however, that voluntary arrangements cannot be relied on to be sustainable, given changes in council personnel and policy that occur from term to term. Consideration could, therefore, be given to possible transfer of particular statutory obligations under section 24(1)(e) LGA, between local authorities, as part of any reorganisation proposal.

Enables effective catchment-based flooding and water management

143. This option would not have a significant impact on catchment-based flooding and water management as the main catchments, with two small exceptions, would be located completely within one or other of the two unitary authorities. The two exceptions, as noted in paragraph 60, are the upper catchment of the Kaihu River located in Far North District and a small area of the Hikurangi swamp located in Whangarei District.

144. Small boundary adjustments could be considered, in line with the clause 11(5)(d) criterion, if this option were to be adopted as the Commission's preferred option.

Has the necessary resources to carry out local authority responsibilities, duties and powers effectively

145. The clause 11(5)(a) criterion of each local authority having the necessary resources to carry out its responsibilities, duties and powers effectively appears to be a particularly important consideration in relation to the two unitary authorities option. This is seen to relate to both financial and organisational resources, both now and for the future.

146. The Brian Smith Advisory Services' review of the financial position of the Northland councils showed FNDC, WDC and KDC, following the appointment of commissioners, were all currently in a reasonable financial position.

147. In relation to FNDC, it has a population of 58,450 which is bigger than all the other existing unitary authorities with the exception of Auckland. A Whangarei-Kaipara unitary authority would have nearly 100,000. The FNDC application notes that Far North is one of the two largest districts in terms of rateable properties (34,300) with Whangarei having 36,786, and these figures are larger than a number of cities such as Napier, Nelson, Palmerston North and Porirua. Average rates per capita for FNDC of \$1,050 is comparable to existing unitary authorities without the addition of a proportionate share of regional rates (NRC rates/capita \$86). FNDC and WDC also currently have a moderate level of debt/capita (\$2,060 and \$1,912 respectively) while noting that KDC debt (\$4,547/capita) could be ring-fenced if this option were to be adopted as the preferred option.

148. A concern about the future viability of a Far North unitary authority, however, is the level of rates arrears arising as a result of the amount of jointly-owned properties, including Māori freehold land, particularly in the north and west of the district. This coincides with areas of higher deprivation. This situation is likely to be exacerbated with projected population declines in these areas over the next 20 years coupled with continuing 'hollowing out' of the demographic profile of the district and particularly an increase in older age groups who don't add significantly to the productive economy of an area and tend to be more resistant to rates increases.

149. The FNDC application and further information received was aimed at addressing these concerns by referring to the potential for future economic development in the district, particularly as a result of Treaty of Waitangi settlements, achieving easier access to existing regional investment funds and revenue sources, and strategies to address the ongoing rates arrears issue.

150. As previously noted, the FNDC application is premised on the transfer of staff from NRC to the proposed new authority, with this comprising approximately one third of the regional council's staff with a further third transferred to any proposed Whangarei-Kaipara unitary authority. Organisational capacity in FNDC, and the other Northland local authorities, is discussed in elsewhere in this report and in *Appendix B2* with a number of shortcomings identified.

151. One strategy to address these shortcomings would be to put in place shared service arrangements between the two unitary authorities, such as that proposed by NZTA in respect of roading, or possibly with Auckland Council. The Commission could also consider transfers of statutory obligations as part of any reorganisation proposal.

Conclusion

152. While improvements could be made in the financial and operational position of KDC under this option, there are questions on the ongoing viability of the two unitary authorities option particularly in relation to the Far North given demographic trends and current socio-economic statistics. However particular approaches and strategies could be adopted by the local authorities to address these questions. We also note that both the McKinley Douglas and Trapski/Brash reports considered the two unitary authorities option viable. On this basis the officers consider this option should be identified as a 'reasonably practicable option' under clause 11(5). Again whether this option would best promote good local government in Northland is addressed in *Part C*.

Option 3: one combined Northland district and one Northland region

153. The option of combining the existing three Northland territorial authorities into one district while retaining the existing regional council, was identified as a result of the Commission's consultation.

Contains one or more distinct communities of interest

154. In relation to the clause 11(5)(c) criterion, this option would result in a district-level community of interest coinciding with the existing regional-level community of interest. As noted above, a community of interest at this level can be identified as already existing.

155. In relation to the proposed district, given its size, it is considered that a second tier representation and decision-making structure would be necessary to reflect more local communities of interest under this option. As a territorial authority, the only available mechanism for such a second tier structure would be community boards. This would lead to a three-tier local government structure for Northland.

156. A concern with this option is the impact it would have in relation to the political dimension of communities of interest i.e. the representation of different interests and mechanisms for resolution of conflicts of the different interests. The option would result in constitution of two local authorities covering exactly the same area and this is likely to cause confusion for the public as to which body is responsible for which function. In addition, the territorial authority would have a directly elected mayor while the regional council would have an appointed chair. This again is likely to cause confusion for the public as to the roles of both, and to lead to tension between the officeholders as to whether one has a greater mandate than the other to speak on behalf of Northland.

Is an appropriate district/region for performance of the local authority role

157. By retaining the existing Northland Region, an appropriate region is retained for the performance of the regional council role in terms of the clause 11(5)(b) criterion, and this can be seen as being adequately performed at present by NRC.

158. Officers consider that a territorial authority also covering the existing region could perform the territorial authority role adequately and achieve a number of efficiencies as identified in this report and appendices. To avoid unnecessary repetition, particular efficiencies are identified in more detail below under the one unitary authority option.

Enables effective catchment-based flooding and water management

159. The clause 11(5)(d) criterion of effective catchment-based flooding and water management is not applicable to this option as responsibility for these functions would remain where they currently lie i.e. with NRC.

Has the necessary resources to carry out local authority responsibilities, duties and powers effectively

160. This option is likely to result in local authorities having the necessary resources to carry out their responsibilities, duties and powers effectively in terms of the clause 11(5)(a) criterion. This is on the basis that NRC would be retained as presently constituted, and there would be gains from aggregating the resources of the existing three territorial authorities.

Conclusion

161. The primary advantages of this option are seen to be maintenance of the present separation of the regional council and territorial authority roles while gaining the benefits of increased efficiencies and effectiveness in relation to territorial authority roles. This separation of roles was seen as desirable by some of those responding to the Commission's invitation for alternative applications. However, this advantage is not seen by the officers as outweighing the disadvantages identified above in relation to coinciding communities of interest at both the regional and district level particularly in relation to the potential for public confusion. It is noted, further, that the size of Northland is comparable to existing unitary authorities elsewhere in the country which have one tier of local government and are seen as able to perform their role satisfactorily. For these reasons the officers recommend that this option not be identified as 'a reasonably practicable option'.

Option 4: one unitary authority for Northland

Contains one or more distinct communities of interest

162. As noted above, a Northland regional community of interest can be identified as currently existing in line with the clause 11(5)(c) criterion. A single authority representing the region would facilitate advocacy for the region as a whole by providing one mandated directly-elected voice to speak for the region. This is seen as a significant benefit given the socio-economic statistics of Northland. This option has the further benefit of making it easier for central government agencies to work with local government in the region with a view to helping improve the general well-being of Northland.

163. On the other hand, one region-wide local authority structure and set of processes may be seen as not able to reflect and represent the diverse local communities of interest in Northland as effectively as the different existing arrangements of the four local authorities. The two unitary authorities option would also provide some more flexibility than one uniform regional structure and processes.

164. To address such concerns the Commission would need to consider both detailed representation arrangements for any new council and also possible second tier representation and decision-making structures.

165. The officers consider that the size, geography and diversity of communities in Northland Region would require a second tier, under the one unitary authority option, to ensure the requirement to enable democratic local decision-making and action is met. Currently only community boards are

available as an option in relation to possible second tier representation and decision-making structures (although the Minister of Local Government has recently announced his intention to introduce legislation that would allow local boards to be established in all parts of New Zealand with unitary authorities).

166. Other mechanisms to address any perceived reduction in representation and access to council include mechanisms to improve access to council information, improved access to staff in all areas, well designed consultation procedures and co-management protocols for working with community groups.

Is an appropriate district/region for efficient performance of the local authority role

167. In relation to the clause 11(5)(b) criterion, the formation of a single region-wide unitary authority would provide for regional functions to be the responsibility of one local authority as they are under existing arrangements, but with that authority also acquiring territorial authority functions.

168. Of the range of regional functions, those like regional planning, regional transport planning, environmental monitoring, biosecurity planning and regional oversight of resource and coastal policy, are matters generally considered to need scale to operate well and are generally carried out at regional or even a pan-regional level in different areas across the country. The reasons for this are that the activities are inherently based around achieving consistency of management across contiguous areas. They also require specialist skills and larger organisations generally have the advantage of economies of scale in this respect. Matters such as flood control, on the other hand, are less critical in terms of economies of scale, as they are more easily integrated in local or district engineering activities.

169. The key changes under this option are therefore in the area of district functions. Amalgamating the three districts into a single organisation would achieve greater consistency and capacity in a number of functions. It would also involve a combining of regional and district funding sources into a single pool with a potential for more efficient expenditure and elimination of duplication in spending. Examples are roading and transport where regional and district responsibilities and priorities would be integrated.

170. A single regional unitary authority would also lead to a vertically and horizontally integrated planning authority and efficiencies would be both monetary and in terms of organisational capacity. In addition to improved use of scarce resources, having a single focus for a range of regulatory and planning functions would achieve greater consistency of approach for the benefit of Northland generally and also individual council clients. This option would, however, involve reasonably significant transition costs to get to the desired integrated position.

171. This report and appendices also identify potential benefits of a regional network approach in aspects of the three waters and in solid waste. Economic development and management of community assets such as airports, transport facilities, tourist sites and port assets would also be more coordinated across the region under a single management structure. Opportunities for local communities to have input into provision and management of particular community facilities could be addressed through appropriate second tier representation and decision-making structures.

Enables effective catchment-based flooding and water management

172. The clause 11(5)(d) criterion of effective catchment-based flooding and water management is not applicable to this option as responsibility for these functions would remain where they currently lie i.e. at the regional level under one body.

Has the necessary resources to carry out local authority responsibilities, duties and powers effectively

173. This option is seen as meeting the clause 11(5)(a) criterion as existing resources for carrying out regional functions would be able to be transferred from NRC to the new organisation while the combined resources of the existing three territorial authorities would also be available.

174. This option is seen as likely to result in the greatest levels of rationalisation and savings. These will arise by bringing together two levels of administration and four existing organisations resulting in rationalisations of buildings and other assets, corporate services such as IT systems and financial systems, and also personnel particularly at the senior management levels. More detailed analysis of likely savings arising from reorganisation is provided in *Part C*.

175. It is noted, however, that potential savings would be offset initially by the cost of transition to the new organisation.

Conclusion

176. The officers consider the option of one unitary authority for Northland should be identified as a 'reasonably practicable option' under clause 11(5). Whether this option would best promote good local government in Northland is addressed in *Part C*.

Recommendation

177. It is recommended that, pursuant to clause 11 of Schedule 3 of the LGA, the Commission identifies the following options, in addition to existing local government arrangements, as 'reasonably practicable options' in relation to Northland local government arrangements:

- a modified status quo (involving transfer of territorial authority statutory obligations for roading and transport, and land-use planning to Northland Regional Council)
- two unitary authorities for Northland Region
- one unitary authority for Northland Region.

Part C: Identification of the Commission's 'preferred option'

Statutory requirements

178. Clause 11(8) of Schedule 3 provides that if the Commission identifies two or more 'reasonably practicable options', it must determine its 'preferred option' having regard to the criteria in clause 12. Those criteria, on which the Commission must be satisfied, are that its 'preferred option':

- will best promote, in the affected area, the purpose of local government as specified in section 10 LGA
- will facilitate, in the affected area, improved economic performance, which may (without limitation) include:
 - efficiencies and cost savings
 - productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities
 - 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.

179. As a result of the analysis in *Part B*, three 'reasonably practicable options', in addition to existing local government arrangements, have been identified. These options are now analysed against the clause 12 requirements.

Best promotes the purpose of local government: enables democratic local decision-making and action by, and on behalf of, communities

180. The enabling of democratic local decision-making and action by, and on behalf of, communities is seen to relate to the effectiveness of both representation and decision-making structures and processes.

Representation

181. Existing local government arrangements in Northland currently provide a relatively high level of representation.

	FNDC	WDC	KDC	NRC
No. of elected members	Mayor & 9 councillors	Mayor & 13 councillors	Mayor & 8 councillors*	9 councillors
Population per councillor**	6,494	6,217	2,389	17,578

* This was the representation determined by the Local Government Commission in 2013 notwithstanding commissioners have been appointed to act in the place of the elected council

** These calculations are based on 2011 population estimates being those used for the last round of representation reviews

182. In addition, one of the three districts, Far North District, currently has a second tier structure of community boards with three boards and a total of 19 elected members.

183. Under existing arrangements, the current levels of representation and second tier structures would remain until each local authority undertook its next representation review, either prior to the 2016 local authority elections or the 2019 elections.

184. Under the modified status quo option, the current level of representation is also likely to be retained at least until the four local authorities undertake their next representation review.
185. Under the two unitary authorities option, representation in Far North can be assumed to at least be retained at the current level and possibly be enhanced given additional council responsibilities. Representation in the proposed Whangarei-Kaipara unitary authority is likely to be reduced slightly at the (combined) local authority level but could be supplemented by a second tier structure.
186. In relation to the one unitary authority option, a possible model for representation at the local authority level is that of the existing constituency arrangements of NRC. This model, comprising nine members elected from seven constituencies (see *Appendix C1*), was developed by NRC in the recent representation review process and approved, with some modification, by the Commission. It can be seen to better reflect the diversity of Northland and its various communities of interest than NRC's previous representation arrangements.
187. A unitary authority, being a territorial authority, is required to have between 6 and 30 members including the mayor. In determining representation arrangements for a new unitary authority, the Commission has to:
- have regard to the existing electoral arrangements of the existing local authorities
 - provide fair and effective representation for individuals and communities
 - comply with the requirements of the Local Electoral Act
 - take into account the responsibilities and duties and powers of the local authority.
188. The NRC model was developed for a council of nine members and it could be directly applied to a new council of 9, 18 or 27 members. Levels of representation under these three scenarios would be as follows:
- 9 councillors: one councillor per 17,578 people
 - 18 councillors: one councillor per 8,788 people
 - 27 councillors: one councillor per 5,859 people
189. A reduction in the current level of representation at the local authority level under a one unitary authority option for Northland is likely in terms of number of councillors. However, this has to be weighed up against effectiveness of representation of the various Northland communities of interest under the various options.
190. In respect of the regional community of interest, the lack of one mandated directly-elected voice to speak for and advocate on behalf of Northland and its various communities has been identified by a number of interests. This is seen as a significant problem with existing arrangements, particularly in light of the poor socio-economic statistics of the region. This concern would only be addressed by the one unitary authority option given it would result in one directly-elected mayor.
191. Supporters of the two unitary authorities option argue that there are distinctive differences between the Far North and the remainder of the region particularly in socio-economic terms and the proportion of the population that is Māori. While this is true, statistics show that Northland as a whole ranks poorly relative to the rest of New Zealand in areas such as annual household income and economic performance. This suggests a commonality of interests between north and south and the desirability of Northland presenting a united front in its representations and advocacy to central government and other parties on behalf of the various Northland communities.

192. As noted in this report, government welfare agencies such as Work and Income; Child, Youth and Family; and Family and Community Services as well as the district health board, cover all of Northland Region and sometimes Auckland as well. A whole of Northland approach can be seen as likely to be more effective in relation to advocacy given its wider representation and combined weight, and also as government agencies would find it easier to deal with one body as opposed to two or more.
193. It is noted that a recent open letter or panui to Northland whanau, hapū and iwi from the Te Taitokerau Iwi Leaders Forum urged support for the two unitary authorities option. This was on the basis of achieving a more localised approach to partnership with local government and given the size and diversity of Northland Region. The officers suggest concerns of Māori about a single unitary authority option can be addressed with appropriate representation arrangements and decision-making structures and processes.
194. While the options of Māori wards or an independent Māori statutory board as in Auckland are not available to the Commission, an empowered board as a standing committee of the council would be an effective mechanism to address concerns. Such a board could comprise representatives of all Northland iwi, appointed by iwi using their own processes, along with, say, the mayor and two or three councillors with a prescribed purpose of ensuring the views of Māori are taken into account by the council in the exercise of its functions, duties and powers. Provision could also be made for the board to appoint members to other standing committees of council to ensure Māori views are considered in council decision-making.
195. A whole of Northland approach can be seen as better facilitating engagement of Māori and fostering participation given a number of Northland iwi cross existing territorial authority boundaries. It is also noted that at present there are a range of mechanisms in place across the existing Northland local authorities in response to the requirements of the LGA relating to participation of Māori in local authority decision-making. Consistency of approach would be beneficial for Māori with the one unitary authority option resulting in fewer bodies seeking to consult with Māori and to whom submissions need to be made.
196. In summary, the one unitary authority option can be seen to best represent and advocate on behalf of the Northland regional community of interest in comparison to the other options. A concern to be addressed under this option in addition to that of appropriate Māori representation and participation, is how effectively it can represent the local communities of interest within the region given significant diversity between north and south, and between east and west. Consequently an appropriate second tier representation and decision-making structure would be very important in relation to the requirement to enable democratic local decision-making and action.

Decision-making structures and processes

197. The two main issues that need to be determined in relation to a second tier structure are the range of responsibilities of that tier and the number and boundaries of board areas. In its final reorganisation scheme for the proposed Nelson Tasman District, the Commission proposed a set of community board responsibilities and powers that were considered to give the boards a high degree of empowerment.⁶ It is considered that applying a similar model to a Northland unitary authority, involving significant levels of empowerment and delegations, would be appropriate given the diversity of the region.

⁶ They were subsequently used as one of the models for a new system of more empowered community boards developed by the Thames-Coromandel District Council.

198. The next question is what the areas of the boards should be. One option would be to use the ward structure as the basis for board areas. This would result in there being seven boards if the NRC representation model was adopted. Alternatively, some boards could cover a grouping of wards. This is a matter that would be explored further if the Commission determines the single unitary authority as its preferred option.
199. Second tier representation and decision-making structures can be seen to not only address any perceived loss of representation at the regional level, but to effectively represent the diverse communities of interest that exist at the local level across Northland. The officers consider, therefore, that an appropriate community board structure should be established as part of a one unitary authority model for Northland if this is adopted as the Commission's preferred option. Consideration could be given to establishment of local boards at a later date if this option were to become available to the Commission following enactment of new legislation.
200. In addition, it is noted there are other mechanisms which a local authority can implement to address concerns about any perceived reduction in representation and access to council. Such mechanisms include good access to council staff across the region and to council information, well designed consultation processes and co-management protocols for working with community groups in particular areas.

Best promotes the purpose of local government: meets current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions

201. Section 10 LGA, as amended, defines 'good quality' in relation to infrastructure, public services and performance of regulatory functions as meaning efficient, effective and appropriate to present and anticipated future circumstances.
202. Analysis in this report has shown significant potential for improving the quality of Northland infrastructure, public services and performance of regulatory functions as a result of possible new shared or joint arrangements. The potential for improvements arises from economies of scale and economies of scope in particular services, and better matching of the areas of impact and benefit of services with responsibility for funding these services.
203. The potential for improvements in roading and transport, for example, has been acknowledged by WDC and KDC in their agreement to join with NZTA in a new joint venture. The potential for FNDC to gain from such an approach remains. This, however, relates only to road maintenance with expected efficiencies in areas such as procurement and enhanced capacity for asset management. It does not address issues relating to potential improvements in overall network planning, prioritisation and funding including maximum leverage of the expected new regional focus for future NZTA funding.
204. The current state of the roading system in Northland Region is regarded as a significant economic development impediment for both movement of freight (over 70% of Northland freight traffic goes by road) and for tourism (the state of the roading network has been identified by tourism operators and the councils as an issue for visitors). In our consultations, transport operators and forest owners indicated that past under-investment and a lack of coordinated planning across the whole of the network has led to a long-term decline in roading assets, particularly the sealed network, bridges, and entry points onto the highway and its main feeders.
205. Planning and lobbying for transport priorities relating to the sealed road network, at least, is clearly a regional scale activity and on the basis of past performance and lack of coordination across boundaries, has not achieved an appropriate scale. This led Commission officers to

consider the transfer of the territorial authority statutory obligation to the regional level under the modified status quo option. The desired objective would also be achieved by the one unitary authority option, but not by the two unitary authorities option as this would still see a division of the regional network and associated planning and prioritisation.

206. The PWC reports on other core infrastructure, summarised in *Appendix B1*, identify the potential of a single network approach in areas such as potable water and wastewater services to address concerns raised in these areas. These concerns include affordability issues in relation to local water and wastewater schemes in particular areas, system age and renewal backlogs, and a widespread lack of ongoing asset condition rating. Similarly in relation to solid waste, potential for improvements arising out of regional collaboration initiatives are identified to address issues such as duplication of some functions, alignment of objectives and plans, dependence on one strategic landfill and similar collection cost issues as a result of population changes.

207. The officers considered the option of further transfers of territorial authority statutory obligations to the regional level to address such concerns. However, the combined impact of transfers in addition to roading, would be very significant in terms of the ongoing viability of the three territorial authorities as demonstrated in the following table showing the proportions of operating budgets comprising these core services.

Service Area	Whangarei DC		Far North DC		Kaipara DC		Service area total \$M
	\$M	% of WDC total Opex	\$M	% of FNDC total Opex	\$M	% of KDC total Opex	
Roading and footpaths	37.7	28%	30.9	32%	22.2	46%	\$90.8
Potable Water	17.0	13%	7.8	8%	2.5	5%	\$27.3
Wastewater	19.5	14%	11.1	11%	2.3	5%	\$32.9
Stormwater	5.7	4%	2.3	2%	1.1	2%	\$9.1
Solid Waste	7.7	6%	5.2	5%	1.9	4%	\$14.8
Council totals	\$87.6	65%	\$57.3	58%	\$30.0	62%	\$174.9

208. The transfer of these statutory obligations would also have a significant impact on council staffing in the territorial authorities beyond the functions actually transferred given, in smaller organisations, skilled staff often span a number of functional areas.

209. The officers also considered the option of the transfer of the territorial authority statutory obligation for land-use planning to the regional level, under the modified status quo option. This was on the basis of the close relationship between transportation and land-use planning and the potential for facilitating economic development arising from integration of these functions. However, given the negative impact of the transfer of statutory obligations as outlined above, the officers consider the one unitary authority option preferable to the modified status quo option.

210. In relation to planning and regulatory activities, it is noted that the range of regional level functions are matters generally considered to need scale to operate well and are generally carried out at regional or even a pan-regional level in different areas across the country. The reasons for this are that the activities are inherently based around achieving consistency of management across contiguous areas. They also require specialist skills and larger organisations generally have the advantage of economies of scale in this respect. This provides further support for the one unitary authority option.

211. A number of the potential service improvements identified above could theoretically be achieved under the two unitary authorities option with the necessary agreements between the two local authorities concerned. History to date has shown, however, that the Northland local authorities have been unwilling to enter into shared service arrangements with each other. This is particularly the case between the north and the south of the region as shown by FNDC's lack of

commitment to a strong regional focus for civil defence and emergency management, which the other councils have contributed to. Another example is the FNDC's current reluctance to commit to a joint regional roading collaboration initiated by NZTA and supported by the other councils.

212. When local authorities do enter into such agreements, their longevity depends on ongoing political goodwill. They also require significant investment of time and resources to get to a position of consensus on individual issues. This suggests that both the existing local government arrangements and the two unitary authorities options, with a reliance on voluntary shared service arrangements, are unlikely to achieve significant sustainable quality improvements in the provision of infrastructure, public services and regulatory activities particularly in relation to anticipated future circumstances, or result in the most efficient use of organisational resources.
213. A further very important consideration in relation to the two unitary authorities option, is the ongoing viability of a Far North unitary authority in particular, but also the rural parts of a Whangarei-Kaipara unitary authority. This is in light of demographic projections for these areas, mainly in the north and west of the region, coupled with current socio-economic statistics and deprivation levels associated with significant levels of rate arrears in particular areas. Consequently the two unitary authorities option is not seen as being best able to promote the purpose of local government in respect of meeting current and future needs of communities for good quality infrastructure, public services and regulatory functions.
214. This leaves the one unitary authority option as being most likely to realise the potential benefits identified from new approaches to local government responsibilities in relation to provision of good quality infrastructure, public services and regulatory functions. The officers consider this option most likely to best promote this aspect of the purpose of local government based on necessary scale for many of these functions and a sustainable level of both financial and organisational resources for the foreseeable future.

Facilitating improved economic performance

215. Clause 12 identifies the following considerations in relation to improved economic performance: efficiencies and savings, productivity improvements and simplified planning processes. These considerations are identified as examples only and are not intended to limit the Commission.
216. In relation to efficiencies and savings, a number have been identified in this report although it has also been stressed that enhanced capacity, consistency of approach and the removal of duplication in processes are seen as more important and more likely to be achieved, at least in the short term, than financial savings. It has also been noted in respect of certain areas, such as planning and regulatory activities, that they often are relatively small operations and there are, as a result, limited opportunities for significant financial savings particularly in the administrative areas.
217. Potential savings have been identified in areas such as elected member remuneration, chief executive remuneration and audit fees based on the four existing local authorities, as set out in *Appendix C2*. It is noted that the actual level of savings in elected member remuneration, for example, will depend on the form of the preferred option adopted by the Commission.
218. Potential savings have also been identified in current support costs of the four councils against one unitary authority for indicative purposes. A breakdown of these savings is shown in the table set out in *Appendix C2*. This shows total possible savings in staffing costs arising from a reduction in staff of approximately 70, and financial savings in the order of \$5 million.
219. Clearly there is potential to achieve cost savings arising out of reorganisation and the scale of these will depend on the preferred option identified by the Commission and matters such as the

detailed electoral arrangements adopted and, subsequently, the new organisation structure. As noted previously, any cost savings achieved from reorganisation will have to be offset against the costs of transition in the short term.

220. Opportunities for simplified planning processes have been identified in this report both in relation to integration of statutory plans, i.e. between regional and district levels, and reduction in the number of plans. In relation to the former, NRC first considered the possibility of developing a 'virtual one plan' for the region in 2009 but there appears to have been little progress on such an initiative since then. In 2012, for example, it was still being reported that "councils were supportive of exploring the potential for combined planning on specific topics and resources, and the potential for more integrated and efficient planning between councils".
221. A significant benefit of the one unitary authority option would be avoidance of the need for the existing local authorities to have to agree on the scope and timeframe for particular integration initiatives. In addition, there would be further benefits, under this option, from a reduction in the number of plans in Northland, for example in relation to Local Government Act requirements (preparation, consultation and publication of long-term plans, annual plans, annual reports by the four local authorities) and Resource Management Act requirements (preparation, consultation and publication of district plans and plan changes by the three territorial authorities).
222. Simplified planning processes under the one unitary authority option can also be seen as likely to contribute to productivity improvements for businesses and households in Northland when interacting with their local authority. Integration of regional and district planning and one consistent set of territorial level plans would significantly simplify and streamline the processes and time involved for businesses and individuals seeking planning approvals and consents. These would be based on one set of policies applying consistently across Northland and all approvals and consents would be able to be sought from a single local authority. While there would be only one local authority based in one location, it is assumed that local authority staff would be located at convenient and accessible sites around the region.
223. Other examples of potential productivity improvements include those which would arise for businesses wishing to contract with local authorities. Those businesses that wished would be able to submit single contracts, in areas such as road maintenance, covering the whole region. These contractors would also be able to operate in the knowledge that the local authority was sufficiently resourced to consider contract tenders in an efficient and timely manner.
224. As noted, the Commission is able to consider other matters which it believes would either contribute to or be a barrier to improved economic performance in Northland. The management of existing regional assets and investments, such as Northland ports and local authority shares in these companies, is seen to be such a matter. Consideration needs to be given to the impact of any Northland reorganisation on the value of port shares held by the local authorities, on future income streams from these investments and possible taxation implications.
225. The implications for Northland of other than a straightforward transfer of assets from NRC to a single unitary authority, as opposed to a division of assets between two or more councils, could be serious. This is because the company provides a significant dividend for NRC. At present NRC uses this to subsidise rates and intends gradually over time to channel the investment into new economic development opportunities in the region. On this basis, the officers consider the one unitary authority option to have further significant advantages over the two unitary authorities option.

Conclusion

226. The officers consider that the one unitary authority option has significant advantages over the other 'reasonably practicable options' for local government reorganisation in Northland including existing local government arrangements. These advantages relate to enhanced representation for the Northland regional community of interest; meeting current and future needs of Northland communities for good quality infrastructure, public services and regulatory services; and opportunities to facilitate improved economic performance in Northland.
227. While some improvements could be achieved through more cooperation under existing local government arrangements, these would still rely on ongoing political goodwill of the local authorities to realise the benefits and tend to be resource hungry. Alternatively, improvements could be achieved through the transfer of particular statutory obligations to the regional level. However, given the range of services where improvements could potentially be made, the modified status quo option would bring into question the ongoing viability of the three existing territorial authorities. Finally, significant questions will remain about the ongoing viability of the local authorities concerned if the two unitary authorities option were to be adopted as the Commission's preferred option.
228. While some may perceive a reduction in local representation under the one unitary authority option compared to existing arrangements, there are options available to address any such concerns. A comprehensive and well-designed second tier representation and decision-making structure responsible for, and/or having significant levels of input into, local issues could further enable democratic local decision-making and action by, and on behalf of, the communities of Northland.
229. Accordingly the officers recommend adoption of the one unitary authority option as the Commission's 'preferred option' for local government arrangements in Northland, being the option best able to promote the purpose of local government and facilitate improved economic performance. Subject to adoption of this recommendation by the Commission, the officers would report further on possible detailed options for a second tier representation and decision-making structure.

Recommendation

230. It is recommended that, pursuant to clause 12 of Schedule 3 of the LGA, the Commission determines that the one unitary authority is its 'preferred option' for local government arrangements in Northland Region.

Next steps and timeline

231. Proposed next steps and timeline are:

- 15 October: Commission agrees detailed second tier representation and decision-making structure and approves draft proposal and accompanying documentation for public release
- 12 November: Commission releases draft proposal for consultation.

Donald Riezebos
Chief Executive Officer

