

To: Local Government Commission

**Application for Reorganisation
To Create a Unitary Authority for Hawke's Bay**

**Submitted by A Better Hawke's Bay
6 February 2013**

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1. Executive Summary

A Better Hawke's Bay is pleased to submit this application for reorganisation to the Local Government Commission. Our application proposes a unitary authority for the Hawke's Bay region.

We are proud of Hawke's Bay. We love our climate, our towns and cities, our land, waterways and beaches, and our people.

But the world is a rapidly changing place. It's smaller, better connected and more competitive. People, including our region's best, can choose to live and work anywhere.

Unfortunately, as has been well documented, Hawke's Bay lags behind in key social and economic indicators, and requires a fresh infusion of energy, imagination and leadership.

Thus we need to develop a regional vision and plan that is future focused, inclusive and offers people a first-class quality of life supported by a sound and sustainable economic base. And we need to adopt a regional/local government structure that better supports our people, businesses and communities to achieve those goals.

A Better Hawke's Bay seeks to improve local government performance. We represent hundreds of individuals who frequently interact with local government. We experience first-hand how our multi-body structure of five councils generates inefficiencies, opportunity costs, conflicting and confused expectations, mediocre outcomes, and diluted and often conflicted leadership on important strategic issues.

Consequently, A Better Hawke's Bay advocated for an independent study to look at the region's economic, social, and local government challenges and recommend how these issues might be best addressed.

That review (conducted by McGredy Winder & Co for the region's five councils) concludes that across all of the issues and opportunities we face as a region the most important critical success factor is the need for regionally focused leadership and vision.

In brief, to enable that leadership at a political level, we propose a single unitary authority, exercising all functions and authorities, and encompassing the territories, of the present jurisdictions of the Hastings, Napier, Central Hawke's Bay and Wairoa District Councils, as well as the Hawke's Bay Regional Council.

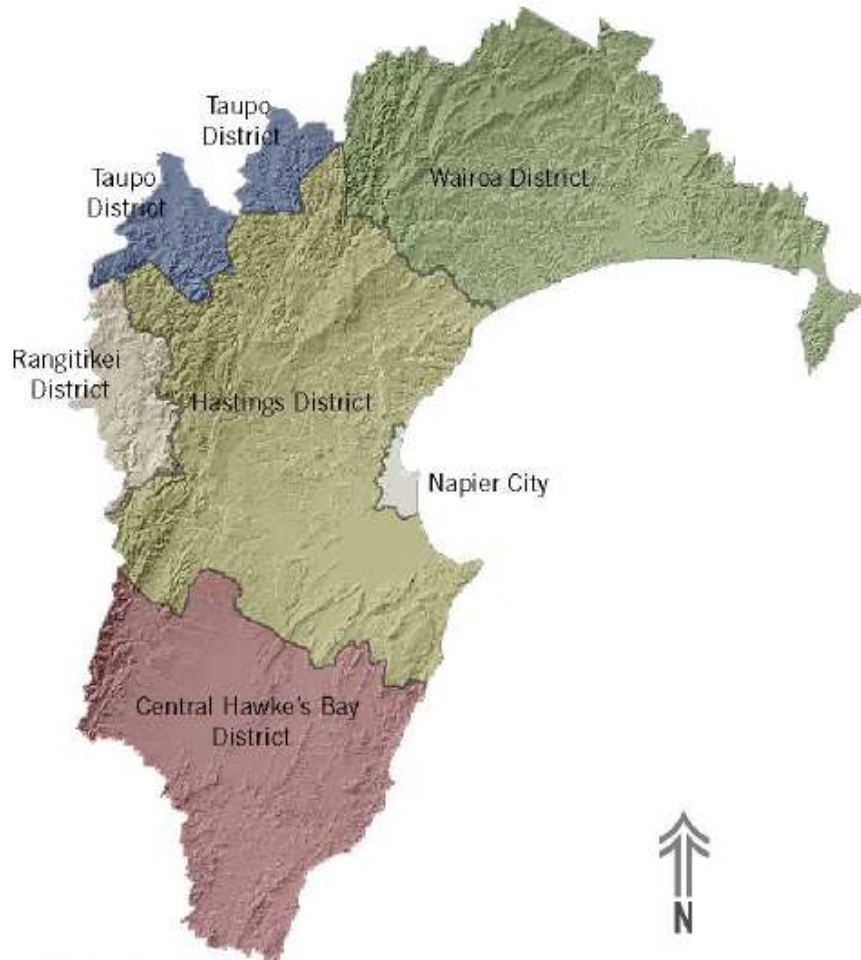
Our proposed Hawke's Bay Council (HBC) would consist of 16 councillors, elected by wards, largely congruent with existing HBRC electoral boundaries, and one mayor elected Bay-wide.

We also propose the creation of five Community Boards that within their scope of authority (focused on local community issues) would negotiate community plans and budgets with the Hawke's Bay Council, following the Auckland model, and make decisions on local priorities and initiatives. Each Board would have five elected members, with one selected as chair.

As we will demonstrate in the balance of this application, our proposed reorganisation scheme reflects the principles of simplification, accountability, subsidiarity, protecting community identity and authority, and fiscal responsibility.

We believe this scheme would best equip Hawke's Bay to govern itself effectively, accomplishing the objectives for local government set forth in the Local Government Act as recently amended – facilitating cost-savings and efficiencies, productivity improvements for councils and citizens/businesses alike, and simplified planning processes.

Hawke's Bay



Source: Hawkes Bay Regional Council

2. Improving the Performance of Hawke's Bay

- 2.1. ABHB appreciates and will address in detail in Section 5 the very practical objectives that the Local Government Act sets forth for reorganisation initiatives.
- 2.2. That said, as context to understand the energy that drives our application, we note that the broadest goal of ABHB's proposed reorganisation is creating a region-wide governance structure which can articulate and advance a truly regional vision for Hawke's Bay in order to address the sub-optimal socioeconomic performance of the region.
- 2.3. Our region lags behind most of New Zealand in terms of key household income, education, health and economic growth indicators, all to be exacerbated by future demographic trends.
- 2.4. The region's performance in these areas has been recently thoroughly reviewed in the study, *Future Prosperity of the Hawke's Bay Region: Issues and Options*, completed in August 2012 by McGredy Winder & Company. This report (hereafter *Future Prosperity*, copy attached as **Appendix 1**) reflects the analysis of the consultants after conferring with nearly 100 community leaders and local government officials, and reviewing numerous available reports on pertinent social and economic issues in the region.
- 2.5. *Future Prosperity* provides a very substantial baseline for understanding both the socioeconomic challenges faced by the Bay and the potential role of local government in meeting these challenges.
- 2.6. The findings of the report are largely in accord with our own analysis of the issues and factors causing unacceptable socioeconomic performance in the region. Our own analysis identifies the following considerations as being material in Hawke's Bay's underperformance:
 - While Hawke's Bay has a strong primary production base that dominates the economy, the sectors based in the region are the ones that have performed relatively poorly over the past decade. Hawke's Bay, for example, has not had a dairy 'boom'.
 - There is a lack of diversification in the regional economy and its dominant industries remain susceptible to factors outside its control, such as weather conditions, exchange rates, and global commodity prices.
 - The current (and projected) demographic picture for the region combined with the failures of state institutions such as the education sector to deliver consistently for Maori, have disadvantaged the region's skill base and 'growth responsiveness'. This together with the impacts of the structural economic adjustments of the 1980's and

1990's on Hawke's Bay and Maori (e.g., freezing works closure), have had a significant multi-generational impact on economic performance at both collective and whanau/individual levels.

- Significant public sector resources are employed in the region; however these are not necessarily organised in the most coordinated and effective manner. Central government agencies tend to be 'siloes' and Wellington-controlled and there is little capability and capacity to effectively influence central government expenditure to meet regional priorities. We are not getting the 'best bang for the buck' from these expenditures.
- Regional leadership and strategic decision-making tends to be highly fragmented and parochial, as evidenced by debate and decision-making (or the lack of it) on regional infrastructure priorities and major facilities. Accordingly, communication to central government on regional priorities lacks coherence and strength.
- There is duplication and waste within local government in terms of management level staffing (e.g., 5 CEOs, 5 asset management directors, 5 CFOs etc) and infrastructure/facilities (separate yet similar sewerage plants for Hastings and Napier). Conversely, staff resources are spread and there appears to be a diffusion of policy capability that often mitigates against robust research, analysis and advice in some instances.
- In areas like transportation where the region is integrated, the local government structure still incentivises competition that can create barriers to maximizing growth and socioeconomic progress.

2.7. Our analysis is strongly supported by the *Future Prosperity* report.

2.7.1. First, regarding performance, *Future Prosperity* comments ...

"Having reviewed the nature and historic performance of the Hawke's Bay the review team has reached the following conclusions:

- The region has a significant natural resource base including large areas of land suited to intensive agriculture or horticulture, and considerable flexibility in the production systems that can be used.
- Over the last decade the region has performed below average in the New Zealand context and given its resource base it could do significantly better.
- The Hawkes Bay economy is driven by primary production, but is home to those sectors of New Zealand's agri-business complex that have been amongst the poorest performers over the last

decade.

- The region's economy is thin and vulnerable to external factors, including drought, global commodity prices, exchange rates and interest rates.
- The region's primary production is currently limited because of limits to the availability and security of supply of irrigation water.
- The region faces future challenges with a rapidly aging labour-force, high levels of unemployment, lower than average levels of educational achievement and a sizable group of the current labour force not effectively engaged in the formal economy.
- The region has social challenges and particular areas of deprivation and poverty that reflect historic and continuing high levels of unemployment and limited opportunities to find meaningful employment.
- The region has considerable public sector resources that can and should be put to better use to foster the development of the region."

"If all of the measures considered by the review team were weighted and combined into an overall progress indicator it would indicate a result in comparison to the other regions of New Zealand of slightly below average."

"Translating the region's performance over the last decade into a report card for the region, the overall message would probably be **'has significant natural talent, but does not yet use it all effectively'** and **'could do better'**."

Note in particular the following chart from *Future Prosperity* (p.34):

Hawke's Bay Social and Economic Development 2001-2011.

Indicator	% Change		HB's Ranking out of 12-20 Regional Areas
	Hawkes Bay	New Zealand	
Total Population Growth	5.4	13.5	12/16
Total Household Growth	12.1	15.8	11/16
Male Life Expectancy ¹	4.1	4.8	11/16
Female Life Expectancy ¹	2.3	3.1	13/16
Enrolments in Early Childhood Education Services	32.1	27.3	6/16
Total School Enrolments	-3.0	4.0	9/16
School Leavers with Level 2 and Above Qualifications ²	15.1	25.8	13/16
School Leavers with No Formal Educational Achievement ²	-74.8	-71.8	12/16
Tertiary Education EFTS Students ³	25.6	20.1	11/20
Maori Tertiary Education EFTS Students ³	42.3	23.5	11/20
Education Attainment Level 1+ of Adult Population ⁴	+7.4 (% Points)	+2.9 (% Points)	2/16
Total Businesses	21.7	24.6	10/16
Total Employment Growth	14.9	17.7	12/16
Primary Sector Employment Growth	14.1	10.3	7/16
Manufacturing Sector Employment Growth	-16.1	-10.6	12/16
Services Sector Employment Growth	23.9	23.6	11/16
Increase in Unemployment ⁵	+22.2	+45.4	9/12
Increase in Unemployment Rate	+0.6 (% Points)	+1.1 (% Points)	7/12
Increase in Number of People Receiving Unemployment Benefit ⁵	+118.4	+54.6	12/16
Increase in Total Number of People Receiving All Income Tested Benefits ⁶	+20.0	+22.4	7/16
Nominal Increase in Median Weekly Personal Income	51.5	55.8	10/12
Nominal Increase in Median Weekly Earnings	34.2	40.2	10/12
Nominal Increase in Total Household Income	51.1	51.3	8/12
Reduction in Proportion of People Living in Households with Low Incomes ⁷	-8.7 (% Points)	-6.2 (% Points)	2/16
Increase in Nominal Value of Economic Activity/GDP ⁸	19.4	20.6	11/14
Total Port International Export Volumes	51.7	32.2	6/13
Visitors Staying in Commercial Accommodation	7.2	15.3	6/16
Visitor Nights Spent in Commercial Accommodation	17.6	19.6	6/16

Notes:

1. The monitoring period for this indicator is 1995---1997 to 2005---2007.
2. The monitoring period for this indicator is 2005---2010.
3. The monitoring period for this indicator is 2003---2010.
4. The monitoring period for this indicator is 2001---2009.
5. Based on Statistics NZ Household Labour-force Survey results.
6. The monitoring period for this indicator is 2006---2011.
7. The monitoring period for this indicator is 1996---2006.
8. National Bank data.

The Bay's economic and social situation is discussed in great detail in a study prepared to support the Winder report, titled *Social and Economic Development in the Hawke's Bay Region*, attached as **Appendix 2**.

2.7.2. Second, with respect to governance, *Future Prosperity* comments ...

Regarding the potential for 'shared services':

"Over the last decade a number of New Zealand local authorities have explored the potential for shared services to reduce their cost structure and improve delivery. There has been very little progress of this nature between the Hawke's Bay councils."

Regarding our region's two smallest jurisdictions:

"There are a range of concerns over the local government sector in the region, however, the most serious issues relate to the capability and capacity of Wairoa and Central Hawke's Bay District Councils to deal with the range and complexity of the issues that their communities face, and to contribute to the sorts of initiatives that are required in order to improve the performance of the region."

But most importantly, regarding leadership ...

"Stakeholders were critical of the overall mix of local political leadership and a framework of governance and behaviours by councils that were seen as delivering competition, where cooperation and shared vision was required. One of the common threads from stakeholders was a call for a united vision for the region's future and a strategy to achieve it ..."

"Generally local government has quite limited abilities to directly influence or drive economic development. Local government has the most profound impact on community development through leadership. Effective and inspiring community leadership can make the difference between mobilising the community's resources and capabilities to achieve common goals, or muddling along ..."

"A business as usual approach by the people, businesses and institutions of Hawke's Bay is likely to continue to deliver future below average performance ..."

"If there is one thing that above all else can make a difference, it is leadership and vision. Communities that are able to build a shared vision of the future, and the confidence to invest to make it happen, will drive change."

And finally ...

“Improving the performance of local government is also considered critical – not so much because of the potential for savings or efficiencies as because leadership and the resources of the local authorities are required as an enabler of the other critical initiatives.”

- 2.8. While ABHB concurs that local government reorganisation is not the ‘magic bullet’ that itself can cure our region’s socioeconomic ills, we are convinced that it is indeed the *crucial enabler* that can help to rescue Hawke’s Bay from merely “muddling along”.
- 2.9. Our view is that currently the local government system in Hawke’s Bay provides cooperation and integration on some things relatively unimportant, and little in the way of regional cooperation in the things people hold dear.

3. Support for Change

- 3.1. Not surprisingly, people in Hawke's Bay presently hold differing opinions regarding the value of reorganisation.
- 3.2. Nonetheless, without difficulty, ABHB has secured the endorsement of nearly 1000 citizens who have registered their support for our initiative. Many, if not most, of these individuals are the most active community leaders in Hawke's Bay. In their volunteer, professional, and business interactions with the region's five councils, they have experienced first-hand, time after time, how our multi-body structure of five councils generates inefficiencies, opportunity costs, conflicting expectations, mediocre outcomes and diluted and often conflicted leadership on important strategic issues.
- 3.3. Our supporters include the chairman of our District Health Board, the chair of the Hawke's Bay Foundation, the chair of Business Hawke's Bay and president of the HB Chamber of Commerce, the chairs of other key institutions and sector groups (for example, HB Winegrowers, Cranford Hospice, HB Fruitgrowers, HB Rugby, HB Helicopter Trust, HB Power Trust), the region's most successful business owners and employers, numerous leaders from the Maori community (for example, the chair of Ngati Kahungunu Iwi and the chief executive of Te Taiwhenua o Heretaunga), environmental, sport, arts and culture, and community services leaders – as well as 'average' ratepayers – representing all areas of our region ... from Central Hawke's Bay through Hastings and Napier to Wairoa.
- 3.4. Should the Local Government Commission request, ABHB can elicit any number of testimonials from these supporters regarding the inadequacies of our present governance arrangements. Not statements of vague fears and apprehensions, as you might hear from opponents of change, but concrete examples of dysfunction in our present structure.
- 3.5. As Peter Winder comments in *Future Prosperity*:

“...a number of stakeholders noted considerable frustration at having to deal with multiple decision-makers. Organisations that work across each of the local authorities noted many differences in policies, rules and requirements that seemed illogical or unhelpful, and which were costly to their business operations. Others noted major challenges in securing funding for regional initiatives and the substantial cost to them of engaging with each council's planning and decision-making process. Others noted opportunities for savings or efficiencies in the delivery of council services through local government reform. Generally, those that held very strong views over the need for local government reform were quite sceptical about the usefulness and potential of collaborative decision-making between the existing councils.”

“It was obvious from the stakeholders interviewed as part of this study that there is a considerable constituency of support for local government reform within Hawkes Bay. What was far less clear was whether or not there was alignment or agreement on the sort of reform that would best provide for the future of the region.”

- 3.6. In fact, most leaders in the community – from all sectors – stand in support of ABHB, as do many ‘average’ citizens. We realize our task is to broaden and confirm that broad public support.
- 3.7. In February 2012, BayBuzz, a well-respected publication covering Hawke’s Bay issues and politics, invited its 5,000 readers to respond online or by return mail to a survey on the pros and cons of reorganisation. Over 400 individuals completed the comprehensive survey, and their support for reorganisation was overwhelming – 85% supported some form of council consolidation.
- 3.8. Here are some highlights of the responses (complete survey results are provided as **Appendix 3**):
- 65% strongly agreed that reorganisation will save ratepayers money by reducing duplicate and competitive functions and bureaucracy.
 - 57% strongly agreed that reorganisation will make it easier for contractors, businesses, community groups and others who conduct activities across the Bay to get their work done more efficiently.
 - 67% strongly agreed that reorganisation will provide one voice and vision for the Bay, helping to better prioritise and focus regional priorities.
- 3.9. As for what kind of reorganisation was supported (keeping in mind that no specific proposal had been tabled at the time):
- 47% supported combining all of HB’s five councils.
 - Another 19% supported combining just the Hastings, Napier and Regional Councils.
 - Only 15% favoured no reorganisation.
 - The balance favoured other combinations.
- 3.10. At the same time, 71% agreed that “While more cooperation would be helpful, that’s not sufficient to deal with the challenges we face.” We take that as a significant lack of confidence in ‘shared services’ as an answer to Hawke’s Bay’s governance issues. This public perception aligns with

the expert opinion of the aforementioned *Future Prosperity* report author, Peter Winder:

“Over the last decade a number of New Zealand local authorities have explored the potential for shared services to reduce their cost structure and improve delivery. There has been very little progress of this nature between the Hawke’s Bay councils.”

- 3.11. In addition, in May 2011, Curia Market Research conducted a random phone survey of Napier residents (only) regarding potential merger of the Napier, Hastings and Regional Councils. The survey found that 46% of Napier residents opposed amalgamation, while 39% supported, 13% were neutral and 2% were undecided. In other words, 54% were positive or ‘winnable’.
- 3.12. Although this survey is dated, it is significant because the political ‘folklore’ of Hawke’s Bay holds that Napier voters are adamantly, overwhelmingly opposed to amalgamation. This folklore is the residue of a 1999 referendum, when the amalgamation of just Hastings and Napier was proposed, and opposed by 74% of Napier voters, and approved by 67% of Hastings voters. This referendum occurred on the heels of a decision to close the Napier hospital and consolidate hospital services in Hastings ... a decision bitterly upsetting to many in Napier.
- 3.13. Setting aside historical circumstances of 1999, ABHB is confident that attitudes have changed markedly, as evidenced by the BayBuzz and Curia surveys just cited.
- 3.14. In part because of the visibility of the *Future Prosperity* report, in part because of the progressing of LGA reform legislation, and in part because of the advocacy of ABHB, the prospect of reorganisation has received ample public attention in recent months in Hawke’s Bay.
- 3.15. However, only this January has a specific reorganisation proposal been advanced ... the plan recommended here. ABHB has mailed a brochure, *A New Way for Hawke’s Bay* (attached as **Appendix 4**) making the case for this recommended approach and its benefits to every household in Hawke’s Bay.
- 3.16. ABHB is confident that full debate over a specific reorganisation proposal will ultimately yield the majority voter support required should a scheme proffered by the Local Government Commission trigger a poll.
- 3.17. In fact, ABHB is so confident that public approval can be earned that we have committed to work with *opponents* of reorganisation to ensure that sufficient names are secured expeditiously to trigger a poll under the provisions of the LGA. We are happy for the people to decide our governance in a Bay-wide, majority vote poll.

4. Recommended Reorganisation

4.1. Present Structure

4.1.1. Presently, Hawke's Bay's local government structure consists of:

- Hawke's Bay Regional Council (HBRC) – 9 councillors, one selected as chair
- Hastings District Council* – 14 councillors, plus mayor
- Napier City Council – 12 councillors, plus mayor
- Wairoa District Council – 6 councillors, plus mayor
- Central Hawke's Bay District Council – 8 councillors, plus mayor

*Note that HDC's pending representation review proposal contemplates reducing the number of councillors to nine.

4.1.2. Thus, Hawke's Bay supports 49 councillors (including the HBRC chair) and four mayors.

4.1.3. These councillors – approximately 1 for each 3,000 residents – govern a population of 147,783 people, 85% of whom live in Napier (55,359) and Hastings (70,842).

4.1.4. Councillors are elected in a variety of representation formats:

- The HBRC and Hastings Councils elect councillors in wards, some multi-seat, some single seat.
- Some Napier councillors are elected city-wide; others by wards.
- CHB elects four councillors from each of two wards.
- All Wairoa councillors are elected at-large.

4.1.5. Each council has a Maori advisory committee. In no cases to date have Maori sought, or councils proposed, dedicated seats on these councils (elected or appointed).

4.1.6. In addition, pursuant to Crown-initiated arrangements as part of Treaty settlements, the HBRC has recently formed a Resource Policy Committee, with equal numbers of elected councillors and appointed Maori representatives.

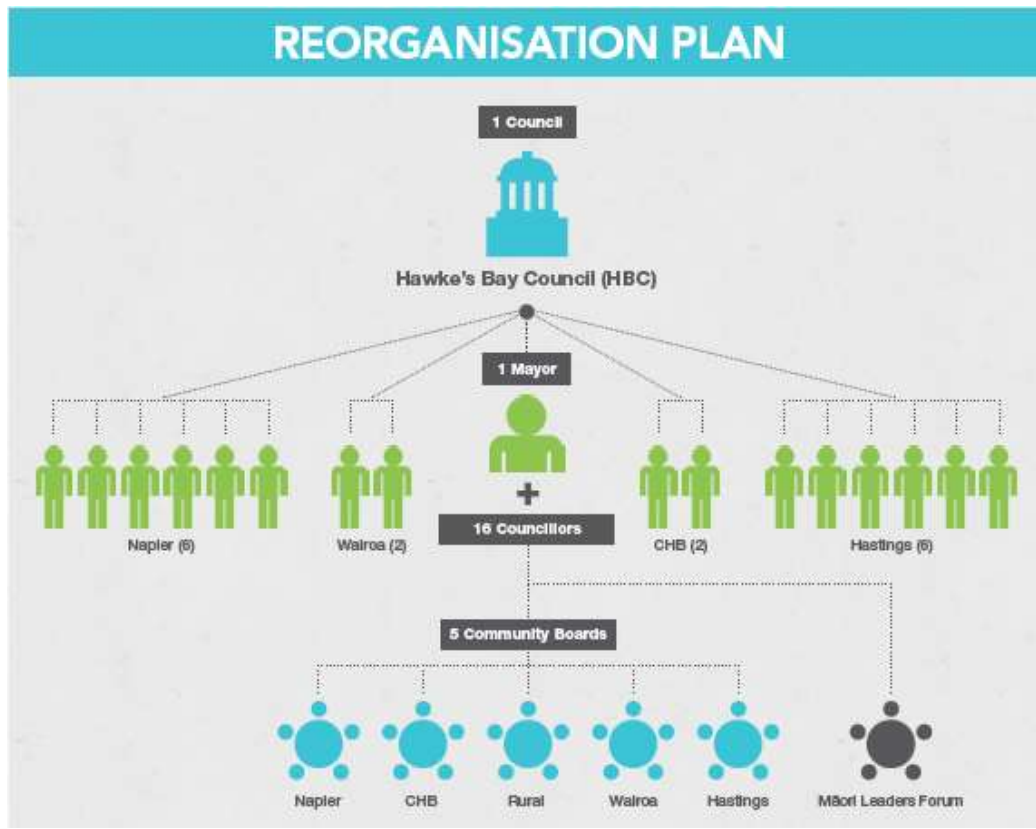
4.1.7. Only the Hastings Council presently provides formally for Community Boards, specifically a Rural Board. However its proposed Representation Review contemplates additional Community Boards for Flaxmere,

Hastings, Havelock North and Heretaunga Plains.

4.2. ABHB Proposed Structure

4.2.1. The ABHB proposed plan – the Hawke’s Bay Council (HBC) – seeks chiefly to accomplish three *structural* goals:

- Consolidate region-wide leadership and representation in fewer hands – by having only one mayor, elected region-wide, with 16 councillors.
- Recognise the economic and rate-paying significance of the region’s rural population, and the strong community of interest represented by the rural sector– by allocating 4 of 16 councillor seats to Wairoa and Central Hawke’s Bay (with re-drawn boundaries).
- Recognise the principles of subsidiarity and community determination – by focusing the new HBC itself on truly region-wide concerns (regional planning, budget priorities and infrastructure; consistency of rules and regulation; provision of HB-wide services), while providing considerable authority to elected Community Boards to make decisions of a local nature (such as town centre design and upgrades, local park and amenity priorities, local heritage and character concerns).



4.3. A Single Unitary Authority

- 4.3.1. We propose a single unitary authority consolidating all five councils in the region.
- 4.3.2. The most obvious overlap of councils causing duplication and unnecessary spending – and therefore the most significant savings and efficiency opportunities – involves the Hastings and Napier Councils.
- 4.3.3. However, as noted earlier (and as discussed more fully in Section 5.8), the *Winder Future Prosperity* study essentially describes the Wairoa and CHB Councils as unviable going into the future, due to insufficient scale, difficulty in recruiting suitable professional staff, and escalating complexity of challenges they face. For example, both councils have struggled with sewerage treatment capacity and compliance.
- 4.3.4. Residents in those two jurisdictions must weigh those realities in assessing this reorganisation plan, but it is the view of ABHB that those residents will get more value and service for their rates in a unitary authority.
- 4.3.5. As territorial authorities perform identical functions, we see no downside in terms of management efficiency in merging these four councils, and indeed considerable benefits, as discussed in the following section.

4.3.6. The Hawke's Bay Regional Council (HBRC) currently is the only governance entity nominally responsible for advancing a regional vision, which it does with respect to natural resource planning and, to a limited extent, regional economic development (including supervision of the Port of Napier) and tourism.

4.3.7. However, overlaps exist even with these latter activities also being pursued by territorial authorities, especially Hastings and Napier. Each of these territorial authorities makes considerable tourism and economic development expenditures in addition to those of the regional tourism (Hawke's Bay Tourism) and economic development (Business Hawke's Bay) agencies.

4.4. Inclusion of Regional Council Functions

4.4.1. Experience with four previous unitary authorities in New Zealand, and now Auckland, indicate that the specialized natural resource management functions of a regional council can co-exist in one organization with the activities traditionally managed in Hawke's Bay by territorial authorities.

4.4.2. As it is a key stakeholder goal in Hawke's Bay to develop and advance a single, unified vision for the region, it is imperative for the HBRC to be included in any consolidation of local government.

4.4.3. The HBRC administers substantial publicly-owned assets on behalf of the region, including the Port of Napier and the major share of the former harbour board's leasehold land portfolio. These assets were vested in the HBRC following the 1989 local government reforms.

4.4.4. These assets should be administered in an integrated manner taking into account the highest strategic priorities for the region. The original reforms anticipated a wider brief for regional councils, but the subsequent 2002 local government amendments reduced these functions without making a commensurate adjustment to asset holdings. With such a substantial amount of supplementary income meeting approximately 70% of HBRC expenditure, the HBRC has been enabled to operate in a very low-rated environment and consequently with less accountability to the ratepayer, while other local authorities in the region have struggled to meet expectations without the benefit of these publicly-owned regional assets.

4.4.5. In addition to the objective for a single regional vision and equity issues around publicly-owned assets, inclusion of HBRC would add further opportunity for 'back room' administrative cost savings.

4.5. Composition of Hawke's Bay Council (HBC)

- 4.5.1. The HBC would consist of 16 councillors, plus a mayor.
- 4.5.2. Our present regional council consists of 9 councillors. HBRC's urban councillors represent about 18,000 residents each; CHB and Wairoa have special 'community of interest' status, each representing far fewer residents.
- 4.5.3. To provide 'more' representation than afforded by HBRC, but significantly fewer than the present number of councillors (and mayors) throughout the region, ABHB recommends 16 councillors.
- 4.5.4. We recommend allocating an equal number of councillors to Napier and Hastings (6 each), plus 2 councillors each to Wairoa and CHB. This scheme would provide overall enhanced representation, with approximately one representative per 10,000 residents.
- 4.5.5. We are hopeful that LGC examination of 'community of interest' considerations, combined with boundary changes (enlarging the Wairoa and CHB constituencies), can enable this allocation plan, including its special recognition for Wairoa and CHB.
- 4.5.6. We refer to the LGC's comment its decision recommending the proposed Nelson City and Tasman District consolidation (Item 80):

"For the purpose of achieving fair representation, section 19V(2) of the Local Electoral Act 2001 (LEA) requires that the population of each ward divided by the number of members to be elected by that ward produces a figure no more than 10% greater or smaller than the population of the district divided by the total number of elected members ('the +/-10% rule'). Clause 19V(3)(a) of the LEA provides greater flexibility in circumstances where application of section 19V(2) will not achieve the effective representation of communities of interest within isolated communities."

4.6. Ward Representation

- 4.6.1. As noted above, with the exception of Wairoa, to one degree or another, the existing councils elect councillors on a ward basis. Our proposal would extend that principle uniformly to all councillors.
- 4.6.2. ABHB has no recommendation regarding specific ward boundaries. We presume that the starting point for LGC consideration would be the existing ward boundaries used by Hastings, CHB, and (partially) Napier.
- 4.6.3. The mayor of HBC would be elected region-wide, potentially enabling a broad-based perspective and political mandate to provide vigorous regional leadership.

4.7. Maori Representation

- 4.7.1. Approximately 33,555 Maori live in Hawke's Bay, or 23% of the Bay's population, giving our region the eighth largest Maori population of 16 regions in New Zealand.
- 4.7.2. ABHB is committed to full, meaningful participation of Maori in Hawke's Bay governance. Strong Maori involvement is essential to making decisions that will advance the social, economic and environmental well-being of all people in our region.
- 4.7.3. In Hawke's Bay, the current arrangement is for Councils to have Maori advisory committees. The Wairoa District Council recently polled on the matter of designated Maori seats, and those were rejected, despite a 57% Maori population in the district. To our knowledge, no Maori Committees have asked for designated Council seats during recent representation reviews.
- 4.7.4. ABHB has been meeting with Maori leaders regarding this reorganisation plan, and dialogue will continue. Amalgamation as proposed is supported; however, no clear consensus exists within the Maori community as to what form of Maori participation might be preferred in any future governance arrangements. Ideas range from a significantly empowered Maori Leaders Forum, to dedicated Maori seats (elected via general election or via the Maori roll), to full co-governance.
- 4.7.5. In the past year, alongside its traditional Maori Committee, the HBRC has created a Regional Planning Committee, with equal representation for elected councillors and appointed Maori reps, to decide regional natural resource matters. This is a Crown-endorsed mechanism for accommodating Maori claimant groups (nine in HB). It has only recently begun to function. No matter what form reorganisation takes, the new unitary authority would 'inherit' this body.
- 4.7.6. At this point, ABHB recommends continuation of present Maori advisory representation, in the form of a Maori Leaders Forum, which would sit alongside the Regional Planning Committee. As this application is filed, we are consulting further with Maori leadership in the region, and await that process before making further recommendations. That said, we expect that the LGC would also confer directly with the Maori community in Hawke's Bay in formulating any reorganisation scheme it recommends.
- 4.8. Community Boards
- 4.8.1. ABHB supports the creation of five Community Boards that within their scope of authority would negotiate community plans and budgets with the Council.

- 4.8.2. Most fundamentally, speaking to the issue of subsidiarity, there is a huge difference between the issues that might be left to some form of local determination (e.g., allocation of parking spaces, CBD improvements) and those that must be addressed on a region-wide basis (e.g., \$500 million dams, regional tourism promotion, location of major public facilities, infrastructure investment priorities, overall land use).
- 4.8.3. However, beyond enabling a rational division of labour and permitting the HB Council to focus on the big picture, in our judgment Community Boards will address the public's desire to maintain in some institutional form our existing communities of interest, and to locate truly local decision-making as close to the people as possible.
- 4.8.4. We endorse building upon the Auckland scheme.
- 4.8.5. In the Auckland model, the Local Boards, within their scope of authority, must negotiate community plans and budgets with the Council.
- 4.8.6. The local boards provide important local input into region-wide strategies and plans including those of the council-controlled organisations (CCOs). Local boards are responsible for:
- Preparing a triennial local board plan and negotiating an annual local board agreement with the governing body;
 - Non-regulatory decision-making on local matters, including negotiating the standards of services delivered locally;
 - Representing their communities and building strong local communities;
 - Providing local leadership and developing relationships with the governing body, the community, community organisations and special interest groups in the local area;
 - Identifying and communicating the views of local people on regional strategies, policies, plans and bylaws to the governing body;
 - Providing input to CCO plans and initiatives;
 - Identifying and developing bylaws for the local board area and proposing them to the governing body;
 - Monitoring and reporting on the implementation of local board agreements; and,
 - Any additional responsibilities delegated by the governing body, such as decisions within regional bylaws.

4.8.7. For Hawke's Bay, ABHB proposes five Community Boards. Each Board would have five elected members, with one selected as chair. That would result in 25 local officeholders – roughly 1 for every 6,000 residents. We would defer to the LGC on precise boundaries, but indicatively we recommend Boards for Napier, Hastings, Wairoa, Central Hawke's Bay, and Rural.

4.9. Council Controlled Organisations

4.9.1. Choice and siting of major facilities has been a vexing issue in Hawke's Bay.

4.9.2. Regional strategic management of key assets for the greater good of the region would be a natural by-product of establishing a unitary authority and, with that, consolidating the use of Council Controlled Organisations (CCOs) and the expertise they derive from the private sector.

4.9.3. Again ABHB would turn to the Auckland model, where a single entity, Regional Facilities Auckland, manages \$968 million of major regional facilities – cultural facilities, sports venues, and events centres. This enables a coherent and adequately resourced and focused approach to planning, investing in and managing facilities in conjunction with the Council.

4.9.4. In Hawke's Bay, we could build upon current governance and managerial infrastructure such as the HB Regional Investment Company, recently established to manage the HBRC's assets, including the Port, the proposed CHB water scheme, forestry and other investments. HBRIC presently has a 6 person Board (3 Councillors and 3 private sector representatives).

4.9.5. It is, however, ABHB's view that post-amalgamation use of CCOs should be left to the Council to decide, rather than be prescribed in advance.

4.10. Debt

4.10.1. Strictly speaking, council debt is not a structural issue.

4.10.2. Nevertheless, given concerns expressed about comparative debt levels and debt responsibility in the region, ABHB takes the opportunity afforded by this application to state once again our view on the matter.

4.10.3. Existing council debt should be ring-fenced – plain and simple. We trust the Local Government Commission will apply ample NZ precedent in ensuring that, post-reorganisation, ratepayers would not 'inherit' the past debt of other territorial authorities. In fact, we have experience with ring-fencing working successfully right here in Hawke's Bay with consolidations that have led to the current Hastings District.

- 4.10.4. Going forward, we would all expect to benefit from a unitary governance structure requiring all 'big-ticket' expenditures to be weighed against one another, evaluated against regional needs and priorities, and funded accordingly and transparently. The same structure will determine which small-scale projects deliver local benefits, and therefore should most fairly be paid via targeted rates.
- 4.10.5. This approach assumes 'we're all in this together' when it comes to the major investments Hawke's Bay must make to deliver the infrastructure and major amenities we will need in the future.

5. Benefits of Reorganisation

- 5.1. As we indicated in Section 2, many in Hawke's Bay are motivated by the aspirational goal of improving the region's overall socioeconomic performance, and see merger of councils and singular leadership as essential enablers of that goal.
- 5.2. That said, ABHB recognizes that the new reform legislation sets forth more specific outcomes that must be advanced by a reorganisation proposal, and we will address those in this section.
- 5.3. The Local Government Reform Act mandates that a proposed reorganisation must "promote good local government" by facilitating:
 - Efficiencies and cost savings;
 - Productivity improvements, both within the affected local authorities and for the businesses and households that interact with those local authorities; and,
 - Simplified planning processes within and across the district or region through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by the local authority.
- 5.4. In addition, any proposed authority must:
 - Have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers;
 - Contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;
 - Enable catchment-based flooding and water management issues to be dealt with effectively by the unitary authority.
- 5.5. Efficiencies and cost savings
 - 5.5.1. ABHB sees the potential for significant efficiencies and cost savings, and considers these mandatory to achieve. We have confirmed that substantial reductions in staff (from 10,500 down to 8,200) and cost savings have already been achieved in Auckland, with projected rate increases less than half of what was projected for the eight previous councils.
 - 5.5.2. In *Future Prosperity*, Peter Winder provides estimates of the order of savings that could be achieved from various approaches to local government reform in Hawke's Bay, as follows (pp. 67ff):

- Shared services: Between \$7m and \$12m per annum. That is equivalent to between 5% and 8% of total rates.
- Full amalgamation: \$25 million, or a savings of up to 16% of total rates.

5.5.3. Winder notes that savings and efficiencies could be achieved in such areas as:

- The back-office functions associated with finance and treasury;
- GIS analytical and data maintenance functions;
- Collection and maintenance of rating and valuation data;
- All aspects of the rating process (including property valuation, producing and distributing invoices, collecting payments and operating multiple channels for payment, and debt collection);
- Payroll services;
- HR services;
- Mail and archive services;
- Contact centre services;
- Legal services;
- CCTV monitoring;
- Traffic management;
- Building consents;
- Environmental health; and
- Resource consent processing.

5.5.4. ABHB could add to this list, particularly with respect to managerial staff savings in many areas of service delivery where frontline staff numbers might remain constant (if service demand does not decrease) but fewer management level staff will be required.

Such areas include:

- Council executive leadership;

- Planning functions;
- Economic development facilitation;
- Tourism promotion (including i-Sites);
- Council communications to ratepayers and the general public (including websites);
- Library services;
- Vehicle fleet management;
- Maintenance of parks, playgrounds, public toilets and other council-owned facilities and amenities; and,
- Business supervision of council-owned facilities and attractions.

Indeed, the concept can be applied to most Council activities and functions.

- 5.5.5. Winder notes that such benefits are unlikely to be achieved in Hawke's Bay via a 'shared services' approach:

"The opportunity for shared services has existed for many years. For many reasons little progress has been made to deliver significant shared services within the region. The incentives for collaboration are weak and for it to be successful organisations need to be willing to cede some of their independence and sovereignty. It is unlikely that the region could secure the potential benefits of shared services without a major and enduring commitment from both political leaders and Chief Executives."

A Better Hawke's Bay agrees ... strongly. This degree of 'commitment' appears directly proportionate to the perceived threat of structural consolidation.

- 5.5.6. Moreover, the very attempt to orchestrate 'shared services' consumes significant hours of inter-council staff negotiating time, in a context where disagreements cannot be resolved and attempted efforts become fruitless. Disagreements that would be readily resolved if there were one chain of command leading to one elected decision-making body.
- 5.5.7. We note that Peter Winder, in a separate previous study for the HB Regional Council – *Hawke's Bay Local Authority Shared Services September, 2011* (attached as **Appendix 5**) – offered this exhaustive list of reasons why more integrated delivery of services typically *do not occur* in a 'shared services' framework (p 13):

- A fundamental lack of organisational commitment (going through the motions);
- Different management philosophies and governance arrangements between the potential partners;
- Partners discovering as they work through a shared service proposal that they have different objectives that are not compatible;
- Fundamental differences in business processes (even where the processes implement a shared and equal legislative responsibility);
- Partners being at different stages of their investment cycle and therefore being either highly motivated and unable to wait for others, or unwilling to write-off historic investments in order to collaborate on new developments;
- Senior management being focused on different organisational priorities and unable to focus on driving shared services;
- Very high transaction costs associated with working with multiple organisations and trying to make timely, sound decisions by consensus;
- Middle management resistance to initiatives that may negatively impact on their jobs or their teams;
- A lack of resourcing to develop adequate business cases that set out the pros, cons, costs, benefits and risks of a particular initiative;
- A lack of resources to project manage delivery of an agreed programme, or alternatively that the resources for implementation come from one partner and the project suffers from a perception that it has been taken over by that organisation and their culture (resulting in either active or passive resistance to the programme);
- An inability to resolve changes to business processes and the extent to which changes would need to take place before implementing a shared service or afterwards;
- The large investment that is likely to be required to put in place a shared system and the normal business risks that are associated with systems development and IT projects that are magnified with multiple partners;
- Uncertain benefits and potentially longer time frames for realising returns from investment;

- Sovereignty issues with other organisations undertaking the current work of councils; and,
- Other local objectives (like economic development) that place a high premium on local jobs and local firms and the desirability of retaining the value of council expenditure in the “local” economy.

5.5.8. In the same study (p. 18), Winder lists the following areas where ratepayer savings could be realized merely through increased purchasing power:

- Stationery and office supplies;
- Land Information Updates (note LINZ is about to change the distribution of its data which should remove the need for this service);
- Insurance procurement;
- Contact Centre Services;
- Internal audit / business excellence;
- Aerial photography, LIDAR and ortho-imagery;
- Document and Information management;
- Software Licensing;
- Telephone and data transmission services;
- Video conferencing;
- Book and other purchases by libraries;
- Fuel, Vehicle Purchase and Fleet maintenance;
- Advertising;
- Printing and reprographic services;
- Legal services;
- Building maintenance;
- Contracting of civil works;
- Infrastructure maintenance;

- Parking systems, street furniture and signage; Chemicals and other services relating to the operation of swimming pools; and,
 - Electricity.
- 5.5.9. Winder has been commissioned by the five Hawke’s Bay’s councils to refine his savings estimates for reorganisation options, including full amalgamation, and ABHB will be happy to furnish updated figures when they are available.
- 5.5.10. That said, we note that the LGC itself, in its decision recommending the proposed Nelson City and Tasman District consolidation, commented (Item 65):
- “We believe the argument for a union does not rest primarily on financial savings but rather on the addressing of regional issues and opportunities, and having the financial and organisational capacity to do so.”

5.6. Productivity improvements

- 5.6.1. We are pleased to see that the Local Government Act foresees potential productivity benefits not just within reorganized councils, but also for all those residents and businesses who otherwise must deal with multiple councils with differing by-laws and consenting processes. We believe these benefits are largely unaccounted for – unmeasured – in most discussions of amalgamation.
- 5.6.2. In the case of Hawke’s Bay, such issues most noticeably arise because of the physical proximity of the two main population and business centres, Hastings and Napier – less than 20kms from CBD to CBD.
- 5.6.3. From building consents to liquor licenses to funding decisions, whether a major infrastructure organization like Unison (our power lines company), a developer unfortunate to be building in two jurisdictions, a food merchant with shops in both centres, or even a community organization seeking councils’ support to help meet an area-wide service need, the frustrations of dealing with multiple (and usually inconsistent) standards, restrictions, charges, budgets and decision-making processes is costly (in terms of time and money) and energy-sapping.
- 5.6.4. Some recent examples:
- Film Hawke’s Bay — this volunteer community group tries on an oily rag to lure film, TV and commercial producers to Hawke’s Bay, where they can spend hundreds of thousands on the ground. Most other regions fund such an entity. Film HB seeks funding from three councils; only one sees the logic and partly funds, leaving the regionally-focused

organisation twisting in the wind.

- Unison (provider of Hawke’s Bay’s electricity distribution network) – Unison has provided a statement in support of this application, attached as **Appendix 6**. In part, Unison notes:

“With seven different councils operating within Unison’s network footprint*, many inefficiencies and extra costs are in play as a result of having to adapt to different planning standards.

The issues surrounding the management of multiple entities are also significant. Each council is different, requiring a bespoke engagement approach with different considerations for each, and extra management capacity is consumed within Unison as a result.”

*Unison’s network includes Taupo and Rotorua, requiring engagement with those councils as well.

- Hawke’s Bay builders often complain about the different requirements of the different councils in interpreting and applying the NZ Building Code. They also comment on varying levels of competence of the staff across different authorities.

5.7. Simplified and coherent planning

- 5.7.1. Of course, Hawke’s Bay has four or five of every statutory plan – district/regional plans, and long-term plans (LTPs) – and often the same number of ‘strategies’, be they for adapting to climate change to planning sport facilities to marketing Hawke’s Bay to tourists.
- 5.7.2. Five councils and their staff beaver away independently, often redundantly, at their own plans, while citizens, businesses, community groups attempting to influence those plans trudge from council to council trying to decipher what is going on, searching for answers, lobbying, making submissions, and so forth. The demands on private individuals and groups are particularly burdensome during the councils’ budgeting and LTP processes, when timeframes are brief and overlapping.
- 5.7.3. There is considerable scope in Hawke’s Bay for simplification, streamlining and removal of duplicative effort.
- 5.7.4. Conflicting plans are bad enough when left sitting on the shelf; but when councils then proceed to *implement* conflicting plans, then the true waste of money and human resources occurs.
- 5.7.5. Some recent examples:
 - International hockey turf – should one be built in Hastings, or Napier, or not at all? Three councils involved, with three different

points of view. Stalemate.

- Hawke's Bay Tourism – our *regional* tourism agency begs for money to support a *regional* events strategy (two years in the making) that supposedly all councils support. However, all decline to fund. Instead, two mayors propose a bed tax to generate Hawke's Bay promotion funding; but the Regional Council rejects that idea outright. Stalemate.
- Regional Sports Strategy – all stakeholders and councils – save one council – agree on setting up a committee merely to develop a regional sport strategy (i.e., not to actually *make* facility location decisions). That one council objects to the proposed terms of reference of the committee. Given different timing of various councils' meetings, months are lost – stalemate – while the TOR must be refined and then re-considered.
- Sewage treatment -- Hastings and Napier fund nearly identical plants a few kilometres apart. They cannot even agree to share the cost of science review and engineering plans.

Meanwhile, the Central Hawke's Bay Council, after more than a year of nursing along a wastewater upgrade scheme with full support of the Regional Council (which purchased and planted forest land on which to spread expected effluent), decides at the last moment in its LTP process to adopt instead an entirely different and untested approach, leaving the two councils at odds.

- Hastings District Council regulatory staff giving defence evidence in the Environment Court in consent breach prosecutions brought by the Hawke's Bay Regional Council.
- Environmental reporting – each of our five councils prepares a “State of the Environment Report” each two years.
- Perhaps most ironic is the process required to secure the Winder Report itself. In February 2009 the mayors of Hastings and Napier, with the HBRC chair wrote then-Minister Hide indicating their plan to review Hawke's Bay governance arrangements to secure the efficiencies he was championing. Not until early 2011 had some momentum emerged to actually do so. By July 2011, the Napier Council was vociferously opposing any study that included a look at restructuring. Not until November 2011 were terms of reference for a study agreed to by the five councils. And not until May 2012 was Winder appointed. Then he delivered the report in 4 months!

5.7.6. It is a travesty that this kind of duplicate, dysfunctional, competitive and contradictory planning occupies 49 elected councillors and their five staff.

However, even worse is that these processes require the time, attention and attempted intervention of hundreds of concerned residents and businesses.

- 5.7.7. More than any other, it is in this area – strategic decision-making – where the competing objectives of five councils work to the detriment of Hawke’s Bay, precluding any clear sense of strategic priorities or shared purpose. Instead of facing up to tough choices about strategic direction and spending priorities, these choices are either not made, or made in a competitive context where councils seek to pre-empt or ‘one-up’ each other, or gain local advantage. This dissonance impedes progress in the Hawke’s Bay region.
- 5.7.8. And by hampering the reaching of agreement on priorities, it also prevents strong regional advocacy by the Bay to central government.
- 5.7.9. As *Future Prosperity* comments (p. 44):

“One of the challenges that small provincial councils have faced for a long time is how to engage effectively with government and get government attention on the particular issues facing their district. Successive governments have also struggled with this issue and have tended to want to work with regions (groups of councils) rather than with individual territorial authorities. “

“There are good connections between some of the region’s local authorities and the current government. The Hawkes Bay Regional Council is currently enjoying very good and high level working relationships with the government in relation to water storage and the development of the primary economy. As President of Local Government New Zealand the Mayor of Hastings is also in regular contact with the Prime Minister and senior Ministers. Having two local MPs serving as Cabinet Ministers also provides access to decision makers. However, the on-going challenge for the councils of the region will be how they can compete for the attention of government on the issues that are pressing to them and their communities.”

- 5.7.10. This is a significant reason that ABHB supports full amalgamation.

5.8. Resources commensurate with responsibilities

- 5.8.1. Collectively, the five councils in Hawke’s Bay budget approximately \$250 million per year, and own \$3.9 billion in fixed assets. They collect about \$140 million in rates per year. By accepted standards, local government debt is not an issue in Hawke’s Bay.
- 5.8.2. Here are summary figures from *Future Prosperity* (p. 29):

Local Authority Summary Statistics	Central Hawkes Bay District Council	Hastings District Council	Napier City Council	Wairoa District Council	Hawkes Bay Regional Council	Total
Population (2010)	13,500	75,100	57,600	8,440	154,800	154,800
Area (km ²)	3,332	5,226	522	4,077	14,138	14,138
Operating Revenue (\$000)	29,700	83,602	79,662	20,633	35,630	249,227
Operating Expenditure (\$000)	27,233	89,282	71,947	20,160	35,098	243,720
Rates (\$000)	15,121	57,867	43,799	9,415	13,583	139,785
Fixed Assets (\$000)	700,736	1,540,424	1,262,020	185,196	246,753	3,935,129
Total Equity (\$000)	704,083	1,472,620	1,326,032	204,177	409,150	4,116,062
Term & Current Debt (\$000)	11,446	58,434	4,036	0	11,352	85,268
Current Equity & Investments (\$000)	23,135	13,665	83,825	23,790	182,483	326,898
Mayors & Councillors	8	14	12	6	8	48
Councillor Rem. (\$000)	251	657	536	207	513	2,164
Staff Complement (2009)	40	368	441	38	179	1,066
Employee Costs (\$000)	3,171	24,775	24,652	2,706	12,416	67,720
Rates per Person (\$)	1,120	771	760	1,116	88	903
Rates per Km ² (\$)	4,538	11,073	83,858	2,309	961	9,887
Equity per Person (\$)	52,154	19,609	23,021	24,192	2,643	26,590
Current Equity / Person (\$)	51,906	20,512	21,910	21,943	1,594	25,421
Debt per Person (\$)	848	778	70	0	73	551
Ratio of Debt to Equity	0.02	0.04	0.00	0.00	0.03	0.02
Ratio of Debt to Rates	0.76	1.01	0.09	0.00	0.84	0.61

Source: Statistics New Zealand

- 5.8.3. While overall the financial health of local government in Hawke's Bay appears satisfactory and able to meet foreseeable demands, this picture is not uniform at the individual council level.
- 5.8.4. In our view, the smaller councils (CHBDC and WDC) struggle in terms of both financial capability from their rating base and human resource capability to plan for, advise elected members, and execute major projects and undertakings. The CHB wastewater project is an example of this. It does not take too much imagination to envision another Kaipara playing out in one of the smaller councils. We think that these smaller councils will struggle to manage the demands on them and their communities into the future.
- 5.8.5. We have also highlighted the duplication and inefficiency caused by multiple local government units in Hawke's Bay. The five councils draw resources out of the community and economy in order to operate. Amalgamation would reduce resources applied at management level, thereby reducing the financial impact on the community and economy.
- 5.8.6. These conclusions are supported by the *Future Prosperity* report.

5.8.7. *Future Prosperity* worries about the fiscal health of Hawke's Bay government in the future, as follows (p. 67):

"...the combined rates take of the five Hawke's Bay councils increased from \$92.8m to \$139.8m (50%) between 2003 and 2011. These increases were consistently above both the CPI and the NZTA Maintenance Index."

"Over this same period the regional economy grew by 9.5%, unemployment increased 48% (Hawke's Bay and Gisborne combined) and the rate of unemployment increased from 5.4% to 7.3%."

"The combined effect of the councils' long term plans is to increase rates revenue across the region by on average 3.7% per annum over the next decade. This is higher than the BERL Local Government Cost Index that is used to inflate costs over the period (3.2% per annum on average). All councils are planning rates increases of more than 4% in one or more of the next three years."

"It must be questionable if the community can sustain on-going public sector cost increases faster than both the growth of the domestic economy and nominal wages. The region will need to address the underlying cost structures of its local authorities." (Emphasis added)

5.8.8. In particular, the study is especially apprehensive about the future viability of the Wairoa and CHB District Councils ...

"When considering the wider issues within the local government sector it is clear that there are some real issues within local government in Hawkes Bay. The most significant issues relate to the on-going capacity, capability and viability of the Wairoa and Central Hawke's Bay District Councils."

"Serving a community of just 8,440 people in an area of 4,077 km² the Wairoa Council faces substantial challenges in delivering services and maintaining a large road network built in difficult terrain. The council must also retain the capability to perform all of the regulatory functions of the local authority. It has its own District Plan, its own by-laws and its own administrative and finance systems. In 2010/11 Wairoa District Council processed just 38 resource consents and in 2011/12 just 20 consents for new buildings."

"Any consideration of the future of the Wairoa District Council must also consider the important role that the council's subsidiary Quality Roding and Services Ltd (QRS) plays in the community. In the context of the Wairoa economy, QRS and the council are significant employers and two of the few organisations in the district that require highly skilled professional staff. There is a critical mass issue associated with

the retention of jobs like these within small rural communities. Loss of this sort of activity would spark a further downward spiral of loss of population and services.”

“Central Hawke’s Bay District faces very similar challenges. With a slightly smaller area of jurisdiction, but a larger population and similar staffing, the limits to what can be achieved are very real. Central Hawkes Bay District Council also has its own District Plan, and its own bylaws and administrative and finance systems. In 2010/11 CHBDC processed just 80 resource consents and in 2011/12 70 consents for new buildings. Both Central Hawke’s Bay and Wairoa have rates per person almost 50% higher than apply in either Napier or Hastings.”

“Looking ahead, if the water storage project initiative discussed in Section 11 progresses it will be critical that the range of decisions; resource, building and subdivision consents; and other infrastructure associated with increasing the area of intensive production in Central Hawkes Bay by between 20,000 and 30,000 ha are dealt with effectively. It is questionable whether the Central Hawkes Bay District Council could deal with land use change of this magnitude as it is currently resourced.”

- 5.8.9. Commenting on added responsibilities like weather-tight homes and water management, *Future Prosperity* comments (p. 44):

“The impacts of changes of this nature fall disproportionately on small councils. A council with only 40 staff will find it far more difficult to reallocate staff time and secure the necessary expertise to deal with change than a council with over 200 staff and a significant team of senior and experienced people.”

- 5.8.10. And ultimately concludes (p 71):

“Local government reform that does not include the two small rural councils fails to address some of the most significant local government issues facing the region.”

- 5.8.11. It is the view of ABHB that overall Hawke’s Bay is currently sufficiently resourced to meet the responsibilities expected by the public. However the financial stresses to come are readily apparent, and steps must be taken to achieve fiscal savings. Further, the CHB and Wairoa District Councils are already stressed financially, and for that reason should be included in any reorganisation scheme.

- 5.8.12. As Winder suggests in *Future Prosperity*, full amalgamation best enables both the capture of maximum savings and achieves the scale needed for efficient future operations and fulfilment of public-expected responsibilities and functions.

5.9. Communities of interest

- 5.9.1. ABHB views the entirety of Hawke's Bay, as defined territorially by the boundaries of the four territorial local authorities (CHB, HDC, NCC and WDC). These boundaries comprise the primary 'communities of interest' that should be reflected and represented in any local government reorganisation. The communities living within these boundaries enjoy well-established, effective and acceptable participation in regional governance.
- 5.9.2. The HBRC and the Hawke's Bay District Health Board have functioned within these boundaries for 24 years. Hawke's Bay people recognize and identify with the region they live in and accept the democratic representation associated with delivery of these bodies' regional services.
- 5.9.3. The region's community of interest is shaped firstly by the Bay's predominantly primary production economy – sheep and beef, dairying, cropping, horticulture and viticulture, and forestry – whose urban-based processing and transport hubs are centrally located in adjoining Hastings (processing) and Napier (transport).
- 5.9.4. When other businesses servicing this production economy are included, approximately 40-50% of the Bay's economy is accounted for.
- 5.9.5. This economic community is further reinforced by extensive regionalization of many community, service and sport organisations – for example, HB Rugby, Sport HB, HB District Health Board, HB Chamber of Commerce, Business HB, HB Basketball, Dove HB, and HB Cultural Trust. Central government itself tends to take a regional approach to planning and delivery of its services.
- 5.9.6. And on a practical day-to-day basis, the reality is that 23% of Napier resident workers commute to Hastings, compared with 14% of Hastings resident workers commuting to Napier. Similarly, there is a significant level of workforce inter-change to both cities from Central Hawke's Bay, as is evidenced by the volume of commuter traffic travelling on State Highway 2 on any given day of the week. These patterns belie the significance of present territorial jurisdictions.
- 5.9.7. But apart from this strong regional focus, strong and vibrant local communities also exist in Hawke's Bay, each with their own distinctive characters, commercial precincts, recreational areas and neighbourhood interest groups.
- 5.9.8. Of course Napier, Hastings, Waipukurau-Waipawa and Wairoa are our main urban centres, and these communities would be empowered to make appropriate local decisions through the Community Boards we have proposed and discussed above.

- 5.9.9. Smaller amalgamations have occurred previously in the region – Havelock North and the rural county amalgamated with Hastings, and Taradale with Napier. Yet original fears have proven baseless – both Havelock North and Taradale continue to have strong community identities.
- 5.9.10. We believe our proposal properly balances the value of regionalism and the value of localism. HBC embodies the former. However localism is appropriately protected by the election of councillors by wards and, perhaps even more so, by the creation of Community Boards that will have considerable decision-making authority.
- 5.10. Flood and water management
- 5.10.1. The Hawke’s Bay Regional Council already holds primary flood and water management responsibilities for the area addressed by our reorganisation proposal.
- 5.10.2. HBRC maintains an extensive network of stop banks to control flooding; it issues water use consents for municipal and farm takes throughout the region, and it issues consents for disposal of industrial waste and municipal treatment of sewage throughout the region.
- 5.10.3. That said, the cities are responsible for building and operating the facilities and distribution networks that provide residential and commercial water, as well as the facilities and networks that collect and treat waste and collect and dispose of storm water.
- 5.10.4. The end result has been notable conflict between the HBRC and territorial authorities around these matters, including appeals to independent hearings commissioners and the Environment Court. These conflicts are symptomatic of a failure to establish priorities and key values for the region ... a failure that is incentivized by our current local government structure.
- 5.10.5. There is also substantial duplication within the managerial ranks supervising these activities.
- 5.10.6. Combined, our five councils hold the requisite management and engineering skills to deal with flood and water infrastructure and service delivery. ABHB believes this is an area where consolidation of five councils will yield management and operational savings, provide consistent priorities and value judgments, and result in consistent service delivery in accordance with health and environmental standards.

6. Summary

- 6.1. A Better Hawke’s Bay believes the reorganisation proposed here – creation of a unitary authority governing the entirety of Hawke’s Bay,

complemented by Community Boards – represents the optimum governance structure for advancing our region’s goals.

- 6.2. We are confident it can deliver the cost savings, efficiencies, productivity gains, and planning simplification and consistency envisioned specifically by the Local Government Act, as recently revised.
- 6.3. At a strategic level, we also believe that a unified local government structure can – through its own initiatives and more effective collaboration with central government – help our communities’ better address the economic growth and social development challenges our region faces ... challenges that will magnify as our untrained youth and non-working elderly populations grow significantly.
- 6.4. Finally, we are confident that this proposal has the support of community leaders from all sectors and locations in Hawke’s Bay, more than meeting the requirement for demonstrable community support.
- 6.5. We look forward to further engagement with the Local Government Commission around this proposal.

7. Appendices

1. *Future Prosperity of the Hawke's Bay Region (Winder Report)*
Part 1: Issues and Options
August 2012
McGredy Winder & Co.
2. *Social and Economic Development in the Hawke's Bay Region: An Analysis of Current, Historical and Future Trends and Progress*
July 2012
Sean Bevin, Economic Solutions Ltd.
3. BayBuzz reorganization survey results
February 2012
4. A Better Hawke's Bay brochure
A New Way for Hawke's Bay ... It's Your Choice
January 2013
5. *Hawke's Bay Local Authority Shared Services*
September 2011
McGredy Winder & Co.
6. *Comments of Unison Networks Ltd regarding Amalgamation in Hawke's Bay*
January, 2013