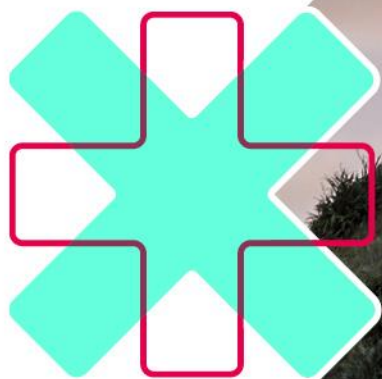


# WEST COAST LOCAL GOVERNMENT ARRANGEMENTS

## Final Report

Assessment of reasonably practicable and  
possible preferred reorganisation options

11 October 2017





# CONTENTS

<b>West Coast local government arrangements</b>	<b>1</b>
<b>Preface</b>	<b>5</b>
<b>Executive summary</b>	<b>6</b>
Practicability of options	7
Detailed option assessment	7
<b>Introduction</b>	<b>13</b>
Background	13
Report structure	13
<b>Part A: Validation of reasonably practicable options</b>	<b>15</b>
Overview	15
Resourcing to effectively carry out responsibilities, duties and powers	15
A district or region appropriate for the efficient performance of roles	18
Flooding and water management	19
Finding – reasonably practicable options	20
<b>Part B: Detailed option assessment</b>	<b>21</b>
Scope and approach	21
(1) Efficiencies	24
Infrastructure	26
Local public services	36
Performance of regulatory functions	40
Governance and internal corporate services	45
Top-down assessment	50
Setting of rates	51
(2) Productivity improvements for businesses and households	52
(3) Simplified planning processes	58
<b>Overall summary</b>	<b>64</b>



# APPENDICES

<b>Appendix 1 : Relevant statutory provisions</b>	<b>66</b>
<b>Appendix 2 : Service delivery</b>	<b>69</b>
<b>Appendix 3 : Economies of scale</b>	<b>71</b>
<b>Appendix 4 : Financial analysis</b>	<b>72</b>

# TABLES

Table 1: West Coast reorganisation options	6
Table 2: Summary of qualitative assessment of options for efficiencies	9
Table 3: Overall summary of estimated cost savings	9
Table 4: Bottom-up and top-down comparison – Year 7 (2024/25)	10
Table 5: Transition costs	11
Table 6: Summary of qualitative judgements of efficiency gains	12
Table 7: West Coast reorganisation options	13
Table 8: Debt (current arrangements)	16
Table 9: Airports – efficiency and quality ranking	26
Table 10: Cemeteries – efficiency and quality ranking	27
Table 11: Housing – efficiency and quality ranking	28
Table 12: Parks, reserves and other public facilities – efficiency and quality ranking	28
Table 13: Ports – efficiency and quality ranking	29
Table 14: Quarries – efficiency and quality ranking	29
Table 15: Transport – rail – efficiency and quality ranking	30
Table 16: Transport – roads – efficiency and quality ranking	30
Table 17: Transport – state highways – efficiency and quality ranking	31
Table 18: Waste management – efficiency and quality ranking	32
Table 19: Water management – efficiency and quality ranking	33
Table 20: Infrastructure – summary of qualitative assessment of options	33
Table 21: Infrastructure – summary of estimated efficiency savings	35



Table 22:	Economic development – efficiency and quality ranking	36
Table 23:	Tourism – efficiency and quality ranking	36
Table 24:	Community grants – efficiency and quality ranking	37
Table 25:	Emergency functions – efficiency and quality ranking	38
Table 26:	Libraries – efficiency and quality ranking	38
Table 27:	Local public services – summary of qualitative assessment of options	39
Table 28:	Local public services – summary of estimated efficiency savings	39
Table 29:	General regulatory functions – efficiency and quality ranking	40
Table 30:	Building control – efficiency and quality ranking	41
Table 31:	Environmental management – efficiency and quality ranking	41
Table 32:	Environmental health – efficiency and quality ranking	42
Table 33:	Policy and planning – efficiency and quality ranking	42
Table 34:	Regulatory functions – summary of qualitative assessment of options	43
Table 35:	Regulatory functions – summary of estimated efficiency savings	44
Table 36:	Governance assumptions	45
Table 37:	Governance – efficiency and quality ranking	46
Table 38:	Finance, information systems and general management – efficiency and quality ranking	47
Table 39:	Insurances – efficiency and quality ranking	47
Table 40:	Governance and corporate services – summary of qualitative assessment of options	47
Table 41:	Governance and corporate services – summary of estimated efficiency savings	49
Table 42:	Bottom-up and top-down comparison	51
Table 43:	Potential for productivity improvements for businesses and households	53
Table 44:	Comparison of selected fees and charges across districts	56
Table 45:	Resource management services options	58
Table 46:	Summary of expected level of benefits from simplified planning processes	63
Table 47:	Summary of qualitative judgements of efficiency gains and/or quality improvements	64
Table 48:	Overall summary of estimated efficiency savings	64
Table 49:	Existing and planned shared services delivery and procurement	69
Table 50:	Council controlled organisations	70
Table 51:	Infrastructure savings	73
Table 52:	Local public services	74
Table 53:	Regulatory services	74
Table 54:	Governance and corporate services	75



Table 55: Transition costs	77
----------------------------	----

## FIGURES

Figure 1: Income/expenditure (current arrangements)	16
---	----

Figure 2: Income/expenditure (Options C, D and E)	17
---	----



# PREFACE

This report has been prepared for the Local Government Commission by MartinJenkins (Martin, Jenkins and Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors, providing services in these areas:

- Financial and economic analysis
- Public policy
- Evaluation and research
- Strategy and investment
- Performance improvement and monitoring
- Organisational improvement
- Employment relations
- Economic development.

Our aim is to provide an integrated and comprehensive response to client needs – connecting our skill sets and applying fresh thinking to lift performance.

MartinJenkins is a privately owned New Zealand limited liability company. We have offices in Wellington and Auckland. The company was established in 1993 and is governed by a Board made up of executive directors Kevin Jenkins, Michael Mills and Nick Davis, plus independent directors Sir John Wells (Chair) and Hilary Poole.

# DISCLAIMER

This Report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose. To the fullest extent permitted by law, we accept no duty of care to any third party in connection with the provision of this Report. We accept no liability of any kind to any third party and disclaim all responsibility for the consequences of any third party acting or refraining to act in reliance on the Report.

We have not been required, or sought, to independently verify the accuracy of information provided to us. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. We reserve the right, but will be under no obligation, to review or amend this Report if any additional information, which was in existence on the date of this Report, was not brought to our attention, or subsequently comes to light.



# EXECUTIVE SUMMARY

## The context of this assessment of options

In June 2015 the Local Government Commission received an application asking it to look at local government arrangements on the West Coast, with a view to making changes. The application met the legal requirements for assessment.<sup>1</sup>

The Commission ran a community engagement programme on the West Coast in June and early July 2016 to find out what the community thought. In August 2016 the Commission decided it was satisfied there was demonstrable community support across the West Coast and that it would progress the application. Subsequently, the Commission called for alternative reorganisation proposals, as required by the governing legislation.

The Commission received 23 responses, 19 of which made specific proposals for change. These fall into two broad categories: proposals for structural reorganisation; and proposals for some form of shared service.

Based on the original application, from the community discussion, and from the subsequent proposals, the Commission has identified four options for further assessment (in comparison to the status quo).

## What this report considers

This report considers two aspects of these reorganisation options for West Coast local government – the various options' practicability (Part A) and their comparative efficiency (Part B) in comparison to the status quo. The measures used are those set by the Local Government Act 2002.

Table 1 shows the reorganisation options considered.

**Table 1: West Coast reorganisation options**

Option	Description
Option A	Status quo option
Option B	Transfer to West Coast Regional Council of Buller, Grey and Westland district councils' statutory obligations to prepare district plans
Option C	Combine Westland and Grey districts
Option D	Combine the three West Coast districts while retaining West Coast Regional Council
Option E	Constitute a unitary authority for the West Coast

Source: Local Government Commission

We have not been asked to provide an opinion on one *preferred* option – that step will be undertaken by the Commission. We note that Options B and C are not mutually exclusive; however, an assessment of the combination of these two options was not requested and has not been included.

<sup>1</sup> The governing legislation is the Local Government Act 2002 – details of the relevant sections are set out in the Introduction, and the relevant sections and clauses are included as Appendix 1.





Our terms of reference asked us to conduct a largely desk-based review of the options, relying on publically available information, specific data requests sent to the four councils, discussions with the Local Government Commission, and our recent experience in working on the West Coast, principally in relation to the development of Tai Poutini West Coast Regional Growth Study and the West Coast Economic Development Action Plan 2017.

This report forms one part of the overall information package to be used by the Commission to inform their views on a preferred reorganisation option for the West Coast. Other factors to be taken into account include the Local Government Commission’s own report on West Coast communities of interest and the enabling of “democratic local decision-making and action by and on behalf of communities”<sup>2</sup>.

## Practicability of options

Part A provides validation that the identified reorganisation options are “reasonably practicable”. To assess this, we considered the current and projected financial performance of each of the existing local authority organisations, and applied assumptions about the future organisation of financial resources, people and capability for each reorganisation option, as well as the appropriateness of district or regional entities for efficient performance of different roles.

Our finding is that each of the options meets the statutory criteria for reasonably practicable options. However, there is a necessary limitation on this finding – as the assessment of whether the resulting local government areas would suitably allow for “distinct communities of interest” is being undertaken separately by the Local Government Commission, and this would need to be taken into account in a final assessment of practicability.

## Detailed option assessment

Part B starts from the basis of the findings of Part A, and continues on to perform a detailed assessment of each option. It has four parts: an assessment of efficiencies possible for each option; likely transition costs; potential productivity improvements; and benefits of simplified planning processes.

### Efficiencies

This assessment seeks to clarify what, if any, efficiencies can be realised under each reorganisation option – when compared to the status quo. For the purposes of this assessment, we have adopted an approach where we measure the potential for efficiency from two perspectives. The first is a bottom-up approach, which looks at each operational area across the district and regional councils and estimates the potential for savings and improvements in quality at the functional level. The second approach is to take a top-down, global view across all council activities and make an informed assumption regarding the overall level of cost-efficiency savings – based on comparators taken from local and international

<sup>2</sup> As in section 10 of the Local Government Act 2002 and clause 11(5)(c) of Schedule 3 to that Act – see Appendix 1.



studies and benefits that councils have achieved by putting in place alternative delivery models. The results of these two assessment methods are described below.

### **‘Bottom-up’ assessment – by activity**

We start by detailing a bottom-up assessment for each option by council activity – from the perspective of the West Coast region. This looks at each activity area of local government, and ranks the reorganisation options by the level of change in efficiency and quality they could bring to that specific area. We also estimate the savings (in dollar terms) of the different reorganisation options.

We separated the activity areas into infrastructure, local public services, performance of regulatory functions, and governance and corporate services.

The overall finding of this bottom-up assessment was there is likely to be few efficiency gains in the areas of local public services and performance of regulatory functions. Depending on the option, there may be gains in governance and corporate services. However, the most substantial efficiency gains from the reorganisation options can be expected in infrastructure.

Generally, the more substantive the reorganisation (through combining more and more functions) the higher the expected infrastructure efficiency gains – and within each option, the capital-intensive areas present the most opportunity for cost-effective improvements. The outcome of our assessment is that there is no material difference between Option A (status quo) and Option B (one district plan). There are increasing gains in efficiency, including quality of service, from Option C (Westland/Grey only) to Option D (one district council) to Option E (unitary authority).

There is an important distinction to make, around the relative costs and quality gains in terms of governance for Options D and E. The higher costs of the local boards associated with a unitary authority (Option E) mean that the overall cost savings for that reorganisation option are *lower* than for Option D (one district council).<sup>3</sup> However, while this is significant in cost terms, this has had only limited effect on our *qualitative* assessment of the various reorganisation options, which combines efficiency and quality rankings across all the areas. We note there are further considerations to come in this area, as the Local Government Commission is separately addressing the issues of enabling “democratic local decision making and action by, and on behalf of, communities” (as in section 10(1)(a) of the LGA).

Table 2 shows a summary of the qualitative assessment of the reorganisation options with regard to efficiency for internal council operations and the expected quality of services delivered (see colour key in notes below the table).

<sup>3</sup> See Part B: Detailed option assessment under Governance and internal corporate services.



**Table 2: Summary of qualitative assessment of options for efficiencies**

Assessment summary	Overall impact	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Infrastructure	High	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Local public services	Low	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	1 <sup>st</sup> =	1 <sup>st</sup> =
Performance of regulatory functions	Low	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Governance and corporate services	Medium	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
<b>Overall efficiency change in comparison to the status quo</b>		<b>Status quo</b>	<b>Low gains</b>	<b>Moderate gains</b>	<b>Medium/high gains</b>	<b>High gains</b>

**Key:**

Gold shading shows the status quo and areas with no change.

Light green shows minor changes in expected efficiency from the status quo, with the darker green blocks showing areas with increasing efficiency gains. The 'Overall impact' column reflects the expected financial impact of each of the assessment areas. This measure is further described in Table 3.

The qualitative assessment shows Options D and E as the highest ranked reorganisation options, in terms of cost-efficiencies and quality improvements, with Option E (unitary authority) ranked first. In contrast, careful review of estimated cost savings shows that Option D (one district council) would potentially deliver higher cost savings than Option E (Table 3).

The quantitative assessment shows annual cost savings by 2024/25 ranging from \$132,000 for Option B (one district plan) to \$3.0 million for Option D (one district council).

Our analysis also took into account transition costs under each of the options – and total costs over the seven-and-a-half-year period to 2024/25 (being the last year for which councils had provided data in their Long Term Plans). Table 3 shows the total savings in each year and the net present value of all cost savings, after allowing for transition costs, for the period to 2024/25.

**Table 3: Overall summary of estimated cost savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	29,859	30,404	31,798	32,763	33,057	34,123	35,079	35,889	<b>262,972</b>	
Grey	32,970	33,578	33,944	34,829	35,910	36,595	37,567	39,133	<b>284,526</b>	
Westland	21,318	21,759	22,288	22,616	23,252	23,862	24,451	24,957	<b>184,502</b>	
WCRC	8,775	8,962	9,183	9,326	9,559	9,808	10,024	10,278	<b>75,916</b>	
<b>Status quo costs (Option a)</b>	<b>92,922</b>	<b>94,703</b>	<b>97,213</b>	<b>99,534</b>	<b>101,779</b>	<b>104,388</b>	<b>107,121</b>	<b>110,257</b>	<b>807,916</b>	
<b>Savings</b>										
Option B: one district plan	-	(90)	(128)	(144)	-	-	64	132	<b>(167)</b>	<b>(184)</b>
Option C: Westland/ Grey only	(404)	(1,109)	(1,438)	(253)	1,210	1,505	1,584	1,667	<b>2,763</b>	963
Option D: one district council	(649)	(1,551)	(1,641)	124	2,259	2,673	2,832	3,003	<b>7,051</b>	3,448
Option E: unitary authority	(697)	(2,096)	(1,966)	(113)	2,070	2,482	2,635	2,799	<b>5,113</b>	1,978

Year 7 shows annual cost savings in the year to 30 June 2025. The NPV shows 7 ½ years of savings from 2018 to 2025, which includes transition costs in the early years.



For Option B, in the seven-and-a-half-year assessment period, the net present value of transition costs exceed the cost-efficiency gains by \$184,000. The net present value of efficiency savings will ultimately exceed total transition costs – but this won't occur until two years after Year 7 (around 2027).

It is important to note, that across all options, the NPV cannot be used as the sole basis to determine the viability of a particular option.

### ‘Top-down’ assessment – findings from other research

To validate the results from the accumulated assumptions of the bottom-up approach, we also undertook a top-down assessment. This consisted of a desk-based study of actual and estimated savings from similar changes of governance arrangements in local government, both in New Zealand and internationally.

We found these studies showed a variety of projected and actual efficiency gains for similar kinds of reorganisation options proposed for the West Coast. We used the most comparable figure for efficiency gains given across the studies, and applied that to the proposed options.

The conclusion from this top-down assessment is that, based on other reviews, assessments and international evidence, an assumption of around 3 percent savings can be applied to operating expenditure when combining local government functions.

This top-down calculation supports the bottom-up assessment (and in particular confirms that we have not overstated the possible impacts). For example, total cost savings in 2024/25 for Option D (one district council) were \$3.0 million, which is 3.0 percent of the total costs for all four councils of \$100.0 million.

**Table 4: Bottom-up and top-down comparison – Year 7 (2024/25)**

\$000	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Total operating cost of councils impacted by option</b>	64,090	99,979	110,257
<b>Top-down approach</b>			
Estimated annual savings	1,923	2,999	3,308
Efficiency percentage	3.0%	3.0%	3.0%
<b>Bottom-up approach</b>			
Estimated annual savings	1,667	3,003	2,799
Efficiency percentage	2.6%	3.0%	2.5%

Option B is excluded as there is no formal amalgamation of councils. Year 7 best reflects the expected longer term impact of efficiency gains.

## Transition costs

The transition costs associated with moving from the status quo arrangements (Option A) are estimated for each of the change options (Options B, C, D and E). These costs are expected to be substantial for options involving a significant degree of reorganisation, as shown in Table 5. Transition costs include change management personnel costs, branding, communications (including a new website), ICT integration costs and redundancy payments.



The process to estimate transition costs has had regard to transition costs for other council reorganisation proposals, the current shared service arrangements in place amongst West Coast councils (including ICT services and infrastructure), and a desk-based review of transition costs associated with amalgamations of New Zealand and international organisations.

**Table 5: Transition costs**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Cost (2017 dollars)</b>	\$0.05 million	\$4.1 million	\$5.7 million	\$6.1 million

## Productivity improvements

We then considered the potential for productivity improvements for businesses and households, in particular the potential for improvement in the quality and access to infrastructure, reduction of direct costs, reduction of transaction costs, and improvement in the quality of available information to inform investment and reduce the cost of advice.

Our overall view was that while Option E (unitary authority) could realise the most productivity improvements for households and businesses, the quality of decision-making and execution of initiatives is critical to whether the benefits would be material.

## Simplified planning processes

The options that consolidate planning functions (Options B, D and E) will result in simplification of the planning processes.

There will be some benefit in the strategic alignment of plans and through integrated assessment and processing – in particular the impact those factors may have on organisations applying for consents across multiple jurisdictions.

There will also be simplification in annual and long term planning, efficiencies in the submission processes, and in the consistency associated with a single plan versus many plans.

## Overall finding

Overall, we assessed:

- how well each reorganisation option promotes the purpose of local government set out in section 10(1)(b) of the Local Government Act 2002:
  - to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.*
- against the criteria in Schedule 3, clause 12(1)(b), if an option:
  - will facilitate, in the affected area, improved economic performance, which may (without limitation) include–*
    - (i) *efficiencies and cost savings; and*



- (ii) *productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and*
- (iii) *simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.*

Our overall finding is that the costs of local boards for a unitary authority (Option E) make the overall cost savings lower than for one district council (Option D). This contrasts with the qualitative analysis, which found across all criteria that the unitary authority option (Option E) could be expected to have the most benefits. This was followed by the single district council (Option D) and combined Westland and Grey district councils (Option C) – which would have some benefit to business and households across the two areas. Option B (one district plan) showed little overall tangible benefit when compared to the status quo.

Table 6 outlines the expected ranking of overall efficiency gains, which is based on the qualitative evaluation of the efficiencies and quality improvements for council functions, as well as impact on households and businesses.

**Table 6: Summary of qualitative judgements of efficiency gains**

Assessment summary	Overall impact	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Infrastructure	High	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Local public services	Low	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	1 <sup>st</sup> =	1 <sup>st</sup> =
Performance of regulatory functions	Low	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Governance and corporate services	Medium	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Productivity improvements	Low	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Simplified planning processes	Low	5 <sup>th</sup>	2 <sup>nd</sup> =	4 <sup>th</sup>	2 <sup>nd</sup> =	1 <sup>st</sup>
<b>Overall efficiency change in comparison to the status quo</b>		<b>Status quo (5<sup>th</sup>)</b>	<b>Low gains (4<sup>th</sup>)</b>	<b>Moderate gains (3<sup>rd</sup>)</b>	<b>Medium/high gains (2<sup>nd</sup>)</b>	<b>High gains (1<sup>st</sup>)</b>

It must be noted that this report is only assessing the factors described above and there are a number of other factors to take into account. Importantly, the consideration of communities of interest and related appropriate democratic decision-making structures that are required under the Local Government Act 2002 are not included in this report and the weighting of these criteria is not part of this assessment.

To be clear, MartinJenkins has not been asked to take a position on the most preferred arrangements for the various authorities on the West Coast, and we caution that the conclusions in this report must be considered alongside other factors noted above – as required in the Local Government Act 2002.



# INTRODUCTION

## Background

In June 2015 the Local Government Commission received an application asking it to look at local government arrangements on the West Coast, with a view to making changes. The application met the legal requirements for assessment.

The Commission ran a community engagement programme on the West Coast in June and early July 2016 to find out what the community thought. In August 2016 the Commission decided it was satisfied there was demonstrable community support across the West Coast and that it would progress the application.

The Commission’s call for alternative reorganisation applications or other proposals for change to West Coast local government arrangements closed on 15 March 2017. The Commission received 23 responses, 19 of which made specific proposals for change. These fall into two broad categories: proposals for structural reorganisation; and proposals for some form of shared service.

From these proposals, the Commission derived four options for further assessment (as well as the status quo option).

**Table 7: West Coast reorganisation options**

Option	Description
Option A	Status quo
Option B	Transfer to West Coast Regional Council of Buller, Grey and Westland district councils’ statutory obligations to prepare district plans (‘one district plan’)
Option C	Combine Westland and Grey districts (‘Westland/Grey only’)
Option D	Combine the three West Coast districts while retaining the West Coast Regional Council (‘one district council’)
Option E	Constitute a unitary authority for the West Coast (‘unitary authority’)

Source: Local Government Commission

This report provides specific analysis to the Commission to help it comply with its obligations under the Local Government Act 2002 (the LGA) to “determine its preferred option for local government of the affected area” (Schedule 3 clause 11(1)). Noting that before determining a preferred option, the Local Government Commission must first identify the reasonably practicable options, which must include status quo local government arrangements.

## Report structure

The report is in two parts:

**Part A** determines, in addition to status quo arrangements, which of the other four options described in Table 7 are “reasonably practicable” under Schedule 3 clause 11(2) of the LGA. Specifically, Part A



considers whether the options meet the requirements of clauses 11(5)(a), (b) and (d) – with clause 11(5)(c)<sup>4</sup> being separately addressed by the Commission. The assessment tests whether the proposed local authority under each option will:

- have the resources necessary to enable it to carry out effectively its responsibilities, duties, and powers; and
- have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and
- in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.

**Part B** provides a detailed assessment of each of the options that have been judged to be reasonably practicable, and compares these to the status quo. The Commission’s terms of reference require the report not to consider the decision-making component of the purpose of local government under section 10(1)(a) of the Local Government Act 2002 (as referred to in clause 12(1)(a) of Schedule 3 of the LGA), as that assessment is to be completed separately by the Commission. The assessment in Part B of this report therefore focuses on two matters.

- 1 *The quality of delivery and cost-effectiveness of the options* – by testing how well each option promotes the purpose of local government set out in section 10(1)(b) of the LGA “to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”.
- 2 *How well each option facilitates improved economic performance* – by testing each option against the criteria in clause 12(1)(b) of Schedule 3 of the LGA, which assesses if an option “will facilitate, in the affected area, improved economic performance, which may (without limitation) include –
  - efficiencies and cost savings; and
  - productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and
  - 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.”

Full text of the relevant statutory provisions is provided in Appendix 1.

<sup>4</sup> Section 11(5)(c) tests whether an option will “contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest”.





# PART A: VALIDATION OF REASONABLY PRACTICABLE OPTIONS

## Overview

This assessment considers the practicability of options in accordance with clause 11(5) of Schedule 3 to the Local Government Act 2002 (the LGA).

This part of our assessment considers the criteria set out in clause 11(5)(a), (b) and (d) of Schedule 3 – specifically, whether local authorities proposed to be established or changed under the options would:

- have the resources necessary to enable it to carry out effectively [their] responsibilities, duties, and powers; and
- have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and
- in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.

Criterion (c), whether the options would result in local government areas containing one or more distinct communities of interest, is a matter on which the Commission's staff are providing advice.

## Resourcing to effectively carry out responsibilities, duties and powers

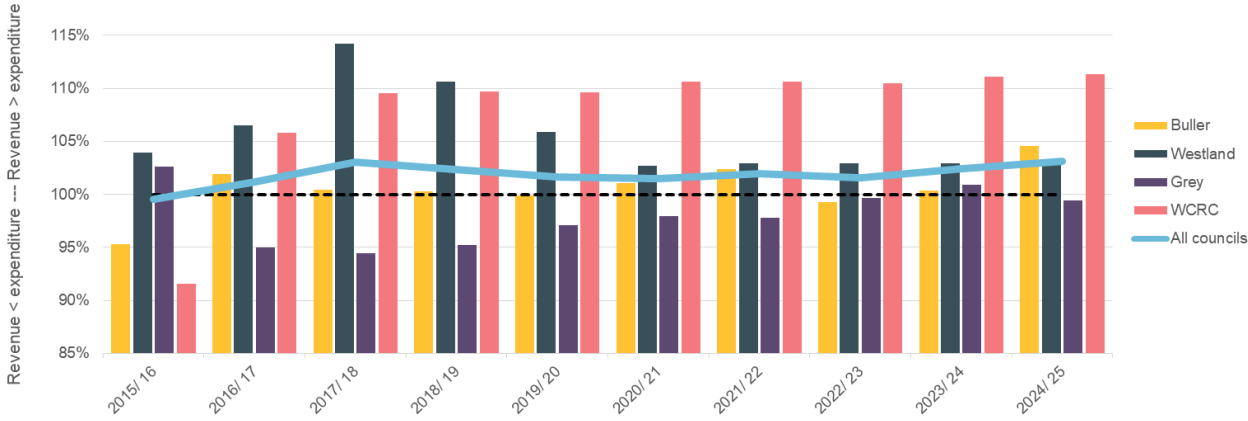
### Financial resources

Figure 1 shows the extent that revenue is forecast to meet expenditure for the Buller, Westland and Grey District Councils and West Coast Regional Council over the 2015–2025 period. The figure is based on data audited by the Auditor-General as required under the LGA.

Buller and Westland District Councils, and the West Coast Regional Council, are budgeting surpluses through to 2024/25. Following a period of significant infrastructure investment and with a view to maintaining low rates, Grey District Council has budgeted for deficits with a return to surplus in 2023/24.



**Figure 1: Income/expenditure (current arrangements)**



Source: 2015/16 Annual Reports, 2016/17 Annual Plans, 2015–2025 Long Term Plans (LTPs).

The Local Government Funding Agency sets debt to revenue ratio limits of 250 percent for all councils except Auckland, which has a 270 percent limit. The decision to operate at deficit is taken in consultation with the ratepayers through the Long Term Plan and Annual Plan processes. Table 8 shows, as at June 2016, all councils were operating within their debt affordability benchmarks.

**Table 8: Debt (current arrangements)**

	Debt (\$ million)	Debt affordability benchmark
Buller District Council	10.3	\$20 million limit on net debt
Westland District Council	17.0	\$60 million limit on net debt
Grey District Council	30.3	Net debt as a percentage of total revenue was 69% versus a benchmark of <135%

Council annual reports, as at June 2016.

Figure 2 shows the expected income and expenditure, assuming status-quo service levels and revenues for the new councils that would be formed under Options C, D and E.

Option B (transferring of the obligation to make a district plan to the regional council) has not been included, because we have assumed that the financial impact of transferring this role would be close to neutral. The impacts of this transfer are discussed in more detail later in our assessment.



**Figure 2: Income/expenditure (Options C, D and E)**



**Source:** 2015/16 Annual Reports, 2016/17 Annual Plans, 2015–2025 Long Term Plans (LTPs).

Under Options C, D and E, the new council arrangements appear to have generally sustainable financial positions with balanced income and expenditure. We note in particular the moderating effect that would result from combining the Grey District Council with its neighbouring districts or as part of a unitary authority.

Not accounting for any savings that we would expect from achieving economies of scale and/or scope, it is our view that under these options the resulting councils would have the financial resources to perform their roles and functions.

We are of the view that under Option B, the councils would have the resource necessary to carry out district plan making under the Resource Management Act 1991 (RMA).

This is because the West Coast Regional Council already prepares and maintains a regional policy statement and regional plans under the RMA. The process and expertise that already exists in this area could be supplemented by resource from the district councils and applied to the preparation of a combined district plan.

**People and capability**

As none of the options involve a reduction in the size of any of the councils we would expect that the main impact of the options in terms of people and capability would be that larger councils may be more attractive to prospective employees, enabling the councils to more easily attract and retain talent.

In respect of Option B, we would similarly expect that should the West Coast Regional Council have an additional district plan role, this would be an attractive employment prospect for planning practitioners.

At the same time, the transfer of the function away from district councils could potentially have a negative impact on district councils’ ability to attract the expertise required to perform other roles that



currently share capability with district plan making. Those functions that may be affected are identified in our discussion on Option B.

We do, however, note that with the large geographic areas that the council/s would have under their management with Option D and Option E in particular, the new council/s would need to be mindful of the need to retain adequate capacity and capability across the region to provide regional service delivery and community engagement.

## A district or region appropriate for the efficient performance of roles

Our assessment considers whether, as required by criterion (b) of clause (11)(5) in Schedule 3 of the LGA, the options proposed would result in districts (or regions) appropriate for the efficient undertaking of the role of local government as set out in section 11 of the LGA.<sup>5</sup>

In undertaking our assessment against this criterion we have assumed that the scale of the resulting council areas would be 'appropriate' for the efficient undertaking of their roles, unless there is compelling evidence to show that this would not be the case. Further, as the LGA deems the status quo (ie current local government configuration) to be reasonably practicable, we have focused our assessment on the extent to which the roles of councils would change under each of the options, specifically:

- *Option B*: whether the regional council could efficiently prepare a combined district plan for the region and whether transferring district plan making obligations to the regional council would undermine the ability of the district councils to perform the remainder of their functions.
- *Option C*: whether the district council role could be efficiently undertaken by a combined Westland and Grey district council?
- *Option D*: whether the district council role could be efficiently undertaken by a single district council for the region?
- *Option E*: whether the district council role could be efficiently undertaken by a unitary authority?

### Efficiency – Option B

Transferring district plan making to the regional council would mean that the district councils would no longer need to resource this function, while additional resources would be required by the regional council. Overall, however, we would expect that transferring district plan making to the West Coast Regional Council would achieve some efficiencies for the region, given that similar capabilities are required for regional and district planning and these would be brought together to provide attractive employment opportunities.

<sup>5</sup> The geographic area and implications in relation to decision-making under the section 10(1)(a) criterion will be addressed by the Commission's staff.



We would anticipate some minor impact on (and possibly dis-efficiencies for) the district councils as a result of a transfer. Specifically:

- there would be some loss of efficiency for functions that share capabilities with district plan making including:
  - bylaw making for environmental health, nuisance and other matters that are likely to share policy analyst and/or regulatory design expertise
  - resource consent processing that is likely to share planning staff
  - strategic and financial planning, bylaw making and other council policy development that require public consultation, notification, submission processing etc
- it could be challenging to maintain good information flows with resource consenting, monitoring and compliance functions.

Some of these factors were also noted in a recently completed West Coast Regional Efficiency Report on Resource Management Services (Boffa Miskell, 2017).

## Efficiency – Options C, D and E

Option D, Option E and, to a lesser extent, Option C would significantly increase the geographic scale over which the district council functions would be undertaken; some of which are required to respond to highly localised values and interests.

We note that, even with an enlarged district, required functions can be structured to be readily undertaken at a sub-district scale. This occurs now in the three existing districts with each, for example, having a number of local water supply and wastewater schemes for parts of their district.

We are not aware of any compelling evidence to show that the scale of the existing districts, including their distinct sub-district areas, is not appropriate for the efficient performance of their roles. Therefore, all options may be viewed as 'appropriate' scales for the efficient undertaking of district council functions, subject to suitable arrangements being put in place to ensure responsiveness to localised values and interests.

We expect this matter will be considered in some detail in the communities of interest assessment that Commission staff are undertaking.

With regards to efficiency, Options C, D and E would all result in the district council role being undertaken on an enlarged scale by fewer agencies. We would expect that this would result in some efficiencies through increased scale – and 'scope' in the case of Option E.

## Flooding and water management

None of the options propose to change the boundaries within which the role and functions of the regional council, including flooding management and water management, would be undertaken. As such, to the extent that this role and functions are currently being undertaken effectively by the West Coast Regional Council, they should continue to be under any of the options.



## Finding – reasonably practicable options

The overall finding of our assessment is that, subject to confirmation that the resulting local government areas would contain one or more distinct communities of interest (clause 11(5)(c) of Schedule 3 to the LGA), all options meet the statutory criteria for reasonably practicable options.

This is consistent with our general observation that, where larger units of local government are proposed, questions of financial viability are unlikely to be a limiting factor – questions in these situations more typically revolve around matters such as local democracy, responsiveness and cost of change.



# PART B: DETAILED OPTION ASSESSMENT

## Scope and approach

Clause 11(8) of Schedule 3 to the LGA states that in the event that more than one option is assessed to be reasonably practicable the Commission will determine its preferred option having regard to the criteria in clause 12(1) of Schedule 3. The conclusion from Part A of this report was that the four identified options, along with the status quo option, all met the test for being reasonably practicable. Therefore, in Part B of this report, we assess five different local authority options. These are:

- *the status quo option (Option A)* – continuation of the responsibilities of the three existing district councils (Buller, Grey and Westland) as well as the West Coast Regional Council
- *Option B* – transfer to West Coast Regional Council of the Buller, Grey and Westland district councils' statutory obligations for preparing district plans under the Resource Management Act 1991 ('one district plan')
- *Option C* – combine Westland and Grey districts ('Westland/Grey only')
- *Option D* – combine the three West Coast districts, leaving West Coast Regional Council in place ('one district council')
- *Option E* – a unitary authority for the West Coast region ('unitary authority').

Clause 12(1) of Schedule 3 has three relevant sections for the assessment of the Commission's preferred option. Assessment of the first part relating to democratic decision-making under section 10(1)(a) of the Local Government Act is being undertaken by the Commission. The assessment of the other two parts is covered by this report as follows:

- 1 *Assessing how well the options promote the purpose of local government (set out in section 10(1)(b) of the LGA) "to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and business" – by testing how cost-effectively this would be achieved by each change option compared to the status quo; and*
- 2 *Assessing how well each option facilitates improved economic performance – by testing each change option compared to the status quo option using the criteria in clause 12(1)(b) of Schedule 3, which assesses if an option "will facilitate, in the affected area, improved economic performance, which may (without limitation) include –*
  - efficiencies and cost savings; and
  - productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and
  - 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."



Taking these two tests together, we have conducted our assessment of options using the following structure:

- *Efficiencies* – (including cost-effectiveness, and the quality of service delivery) for the local authority (noting that this is likely to have a flow-on effect to households and businesses through improved services and/or rates reduction) relating to:
  - infrastructure (based on section 197 of the LGA, eg network and community infrastructure)
  - local public services (defined as all services that are not infrastructure or regulatory)
  - performance of regulatory functions
  - governance and corporate support services
- *Productivity improvements*:
  - for businesses and households that interact with the local authorities
- *Simplified planning processes*:
  - for statutory plans (including district and regional plans).

Our analysis focuses on key areas across the four councils that might change under any of the reorganisation options. The purpose of our work is to identify those potential areas of change, describe the positive and negative impacts of the changes and, where possible, measure the financial impact of the changes. We have not been asked to provide an opinion on one preferred option – that step will be undertaken by the Commission.

Our process involves comparing each of the reorganisation options against the status quo – across the areas of operations and functions that are performed by the district and regional councils.

Our terms of reference asked us to conduct a largely desk-based review of the options, relying on publically available information, specific data requests sent to the four councils<sup>6</sup>, discussions with the Local Government Commission, and our recent experience in working on the West Coast, principally in relation to the development of the Tai Poutini West Coast Regional Growth Study and the West Coast Economic Development Action Plan 2017.

This report forms one part of the overall information package to be used by the Commission to inform their views on a preferred reorganisation option for the West Coast. Other factors to be taken into account include the Local Government Commission’s own report on West Coast communities of interest and “achievement of democratic local decision-making and action by and on behalf of communities”.

## Parameters of the status quo option

Under the status quo (Option A) there would be no structural change to local government governance on the West Coast. The regional council and three district councils would carry on operating as separate entities, while continuing to look for opportunities to work together to provide efficient and effective local government services.

<sup>6</sup> Although not all councils responded to our request for information.





For the purposes of our assessment of the reorganisation options, we have assumed the following principles regarding the status quo:

- district and regional council initiatives that are in place or already in train form part of the status quo
- future initiatives that have not yet begun, and where there is no legal requirement to undertake the activity, are excluded from the status quo. We believe this is the appropriate treatment, even if an initiative has been signalled for potential consideration, because the completion of the activity is still uncertain – particularly because future councils are able to change or modify any of the existing councils' plans.

The specific status quo position for each of the council's core activities is described within each of the following sections.



## (1) Efficiencies

---

This section takes account of the requirements of: section 10(1)(b) of the LGA re the cost-effectiveness for households and businesses of the provision of infrastructure, local public services and performance of regulatory functions; Schedule 3, clause 12(1)(b)(i) re improved economic performance through efficiencies and cost savings; and part of clause 12 (1)(b)(ii), to the extent it relates to productivity improvements *within* local authorities.

---

### Measurement approach

As noted earlier, in assessing the efficiencies of each of the options the approach has been to bundle together the testing for cost-effectiveness, cost-efficiency and the potential for cost savings. The methodology has also applied the following principles:

- the status quo costs are based on the Buller District Council, Grey District Council, Westland District Council and West Coast Regional Council Long Term Plans for 2015–2025
- cost-effectiveness is measured by assessing potential changes to the status quo operating and capital costs within the four council organisations – under each of the four reorganisation options
- it is assumed that cost savings identified within the councils will in some way flow through to households and businesses (for example through rates reductions or provision of improved services) – meeting the cost-effectiveness test under section 10(1)(b)
- to avoid double counting of impacts in our analysis of costs, depreciation expenses have been used as a proxy for capital expenditure.

In accordance with the LGA, cost-effectiveness for each of the options has been assessed for the affected area's infrastructure, local public services, performance of regulatory functions, and internal corporate services (to the extent the latter are not already covered in the preceding sections). More generally, however, increased efficiency in local government reorganisations can typically be achieved through a number of over-arching mechanisms including:

- economies – through combining back-office functions and achieving greater scale economy
- adopting common regulatory systems and processes that reduce administrative costs
- being able to exercise greater buying power as a result of amalgamating councils into larger entities
- enabling more efficient utilisation of staff (more ability to align staff resources with areas of work demand).<sup>7</sup>

<sup>7</sup> See Appendix 2 for further observations on the potential for achieving economies of scale.



In addition to the efficiency mechanisms, the need to ensure that options deliver good quality services (per section 10(1)(b) of the LGA) can be enhanced by:

- using the consolidation and re-organisation of staff to release funds that can be used to attract higher quality candidates through higher salaries
- combining functions that are currently split across councils into single, larger business units, creating bigger and more challenging roles that are more likely to appeal to higher quality candidates
- using greater scale to create specialised roles in the larger organisations – and hiring staff with those specific skills.

The scale of potential savings across all areas of council activities is difficult to know with certainty. There will be significant savings in some areas (such as where an option would reduce the number of mayors, chief executives and senior managers) but, equally, there are likely to be areas of little or no saving where frontline staff will continue to need to function across the geographical area, eg compliance inspectors, enforcement officers.

For the purposes of this assessment, we have adopted an approach where we measure the potential for effectiveness from two perspectives. The first is a bottom-up approach, which looks at each operational area across the district and regional councils and estimates the potential for savings and improvements in quality at the functional level. This assessment is made from the perspective of the West Coast region.

The second approach is to take a top-down, global view across all council activities and make an informed assumption regarding the overall level of cost-efficiency savings – based on comparators taken from local and international studies and benefits that councils have achieved by putting in place alternative delivery models. The results of these two assessment methods are described below.

## Bottom-up assessment by functional areas

The sections below set out the status quo for each of the key functional areas across the councils, and an assessment of the expected changes to the status quo performance and costs under each of the reorganisation options. We have included an efficiency and quality assessment table under each of the council activities, as follows:

### Example – efficiency and quality assessment table

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Cemeteries	Low	4=	4= No change	3	2	1

The table should be interpreted as follows.

- Each activity area has been graded for the ‘Overall impact on assessment’. This ranges from ‘nil’ to ‘high’ and designates the quantum of efficiency and quality gains that might be expected in the activity – in the context of the total activities assessed. Areas where no changes are expected in any of the options, compared to the status quo option, rank as ‘nil’. Areas where there are



expected to be relatively significant impacts, such as in water management, local roading and governance, rank at 'high' or 'medium'.

- Each activity area shows a numerical ranking of each of the reorganisation options from 1 to 5, where 1 is the option expected to have the greatest gain in efficiency/quality, and 5 is expected to have the least gain in efficiency/quality. Any options that are not expected to be materially different from the status quo are shown as 'no change'. The colours reflect the differences across the options – with dark green being the most efficient/highest quality and light green being the least. The status quo and any options with 'no change', are shown in gold.

The tables summarise our qualitative judgments about the expected changes in efficiency and quality between the four reorganisation options (Options B to E) and the status quo option (Option A). The reasoning behind the scores is explained in the text below each of the tables.

Following the assessment for each of the core functional areas (infrastructure, local public services, regulatory functions, and governance/corporate) we provide a summary of those qualitative judgments.

This is followed by a quantitative assessment of the expected cost savings (net of any transition costs, or cost increases). The quantitative assessment involved estimating changes to staffing and operational costs for each activity area under the four reorganisation options. Costs associated with transitioning to new arrangements and phasing of changes to the costs were included in the analysis.

A summary of all cost savings is provided at the end of the section, on page 64. Details of the assumptions used in the bottom-up quantitative assessment are summarised in Appendix 4.

## Infrastructure

### Airports

*Management of the Hokitika and Westport airports (limited services), and airstrips at Karamea and Franz Josef.*

The Westport Airport Authority is a joint venture operation between the Buller District Council and the Ministry of Transport (50/50 ownership). Management and control of the airport is vested in the Buller District Council, which oversees operations on a day-to-day basis. Sounds Air services Westport, in a six-year partnership agreement with Buller District Council and with a loan from Development West Coast.

Hokitika Airport is managed by Westland Holdings Ltd, which is 100 percent owned by the Westland District Council. Air New Zealand operates to Hokitika, but not to Westport.

**Table 9: Airports – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Airports	Nil	No change	No change	No change	No change	No change



Over the long term, there could be an opportunity to centralise the management of West Coast airports and airfields – but this would apply only under Options D and E (as the main airports are in Buller and Westland).

However, any impact is likely to be small, as airport governance and employee costs are minor. Hokitika Airport has 2 employees, with a total annual cost (2016) of \$45,000. Directors’ fees were \$45,000. Westport Airport has total staff and supplier costs of \$87,000 (Annual Plan, 2016/17). Given the low cost base and the complexity of the current ownership arrangements (the joint venture in Buller), no efficiency savings or changes in service quality have been included in the overall analysis.

### Cemeteries

*Administration and management of burials, cremations, and the land associated with burials, and burial records.*

Buller District Council administers 4 cemeteries in Westport, Mokihinui, and two in Reefton.

Grey District Council manages 11 cemeteries in Ahaura, Barrytown, Blackball, Cobden, Gladstone, Greenstone, Kāroro, Māori Gully, Nelson Creek/Ngahere, Notown and Stillwater.

Westland District Council manages 8 cemeteries, in addition to managing an online cemetery database.

**Table 10: Cemeteries – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Cemeteries	Low	4=	4= No change	3	1=	1=

There is potential for small efficiency gains in the management layer (noting cemeteries form a portion of managers’ overall responsibilities) but no material changes are expected at the operating/cemetery level.

### Housing

*Provision of council housing for the elderly and those with disability; setting of criteria for eligibility for housing units; maintenance of a complaints register and waiting list for council housing units.*

Pensioner housing and liaison with agencies responsible for providing accommodation is currently managed by district councils. The population of the West Coast region is aging more rapidly than many other regions, with 16.1 percent of the population aged over 65 years.

Grey District Council manages 118 retirement housing units in the Greymouth, Runanga, Dobson and Blaketown areas.

Westland District Council owns 46 pensioner flats, with 42 located in Hokitika and 4 in Ross. Westland District Property Ltd administers these on behalf of the council.



Buller District Council provides 46 housing units for the elderly: 4 in Karamea, 16 in Reefton and 26 in Westport.

**Table 11: Housing – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Housing for the elderly and those with disability	Low	4=	4= No change	3	1=	1=

There is potential for small management gains as well as, longer term, potential for consolidation and/or rationalisation of housing stock. No material changes are expected at the operating level. No major differences are expected between Options D and E, as these options include all three councils.

**Parks, reserves and other public facilities**

*Construction and maintenance of children’s playgrounds, sports and recreational grounds and centres, and local neighbourhood reserves. Includes maintenance and access to beaches, foreshore areas and walkways, and construction and maintenance of public toilets.*

Each district council maintains reserves including children’s playgrounds, sports and recreational grounds, and local neighbourhood reserves. They also provide maintenance and access to beaches, foreshore areas and walkways.

Grey District Council manages parks in the area and the Westland Recreation Centre and Spring Creek pool, as well as hire of the Sunshine Coach to authorised persons in the Grey area.

Westland District Council manages parks, reserves and gardens throughout the district and the Jackson Bay Wharf. It also manages a number of community halls, eight sporting facilities and the Hokitika pool.

Buller District Council provides parks, reserves and sports facilities, as well as the NBS Theatre.

All district councils provide public toilets.

**Table 12: Parks, reserves and other public facilities – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Parks, reserves and other public facilities	Low	4=	4= No change	3	1=	1=

Potential for consolidation of management roles only (no change to operating roles). Some rationalisation of amenities could be possible, but this is expected to be minor, due to the distances between population bases across the West Coast region.



## Ports

*Management of Westport and Greymouth ports (neither being deep water).*

Westport Harbour is managed by Westport Harbour Ltd, which is a subsidiary of Buller Holdings Ltd (a council controlled trading organisation). Dredging has now ceased in Westport due to loss of the Holcim Cement business, and the future viability of the dredge is uncertain.

The Port of Greymouth is mainly a fishing port, and is managed by the Grey District Council.

**Table 13: Ports – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Ports	Nil	No change	No change	No change	No change	No change

Potential efficiency measures for the ports could be addressed equally under any of the options – on the assumption that such decisions should be based on the commercial needs of each of the port operations, with no impediment caused by council structures.

## Quarries

*Management of quarries.*

The West Coast Regional Council is responsible for the management and safe operation of four quarries in the area.

**Table 14: Quarries – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Quarries	Nil	No change	No change	No change	No change	No change

To the extent there are any additional efficiency gains from coordinating the regionally managed quarries with locally managed roading or other projects, these efficiencies have been included in the other functional areas.

## Transport – rail

*Rail links are not owned or managed by the local or regional councils.*

KiwiRail operates five coal trains and two general freight trains in each direction daily over the Midland Line. The Hokitika minor line carries approximately one train per week-day from Westland Milk to Greymouth. There is a daily TranzAlpine passenger service from/to Christchurch.

Reorganisation options will have no direct impact on the West Coast rail infrastructure.



**Table 15: Transport – rail – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Transport – rail	Nil	No change	No change	No change	No change	No change

## Transport – local roads and other

*Management of roads other than state highways. This includes maintenance and renewal of sealed and unsealed roads, bridges and culverts, footpaths, seats and shelters, road signs, road markings and street lighting. Also included are cycle paths, sealed pavements, traffic services and car park rental.*

The New Zealand Transport Agency (NZTA) contributes between 57 percent and 63 percent of transport funding assistance to each West Coast district council, with the remaining local share paid for by district ratepayers. Arterial, collector (primary and secondary) access and low volume roads are managed and maintained by the district councils.

Buller District Council's road network consists of 601 km of roads. Of these, 318 km are sealed and 283 km are unsealed. The Buller District Council also maintains 84 km of footpaths, 143 bridges, 1618 culverts and more than 1300 streetlights.

Westland District Council maintains 685 km of roads, 632 km of which are rural roads. NZTA subsidises around 60 percent of the Westland District Council's road programme.

Grey District Council manages 350 km of sealed roads. It also manages leases for private car parks within Greymouth CBD.

Public transport service registration is managed by the West Coast Regional Council. Currently only subsidised mobility and taxi services operate.

**Table 16: Transport – roads – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Transport – local roads and other transport services	Medium	5	3=	3=	2	1

The different roading services models currently employed by the district councils could be reviewed and replaced with a single model – with the best approaches adopted across the region.

A larger, combined roading delivery model, required to support a bigger road network, would be expected to attract and retain high quality people, particularly in management and core planning and technical roles. This could lead to gains in improved key-person capability, planning and procurement. Savings could also be expected through consolidation of some non-technical support roles.





Options B and C have different advantages and disadvantages but have been assessed to have a similar outcome. Option B would benefit from a regional approach given the benefits of closer alignment between resource management and land transport planning, but would lack synergies and advantages in implementation. Option C would capture end-to-end benefits from planning to procurement, but only for two districts.

Option E is likely to realise slightly greater savings than Option D due to streamlining the small number of transport-related activities that West Coast Regional Council undertakes.

### Transport – state highways

*SH6: linking Nelson and Wanaka (via Haast Pass), SH7: to Christchurch (via Lewis Pass), SH73: to Christchurch (via Arthurs Pass). State highways form 30 percent of the region’s roads, three times the national average.*

State highways are managed by NZTA directly.

Regional collaboration exists through the Regional Transport Committee, joint tender evaluation for road contracts and joint funding for the Road Safety Promotion and Education contract.<sup>8</sup>

**Table 17: Transport – state highways – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Transport – state highways	Nil	No change	No change	No change	No change	No change

Councils are potentially facing an issue with proposed changes to the Funding Assistance Rate for maintenance and improvements, and for the Special Purpose Roads in Westland and Buller. This could create funding problems for the councils – but will need to be addressed under all the potential arrangements, including the status quo, so is not a factor that differentiates the options.

### Waste management (rubbish and recycling)

*Solid waste collection, transfer, recycling and disposal. Also includes management of vehicles abandoned on or located in public places.*

Buller District Council maintains two transfer stations (at Karamea and Maruia), with waste transferred to Nelson City Council’s landfill.

Grey District Council manages one active landfill (McLeans Pit) and three resource centres (Moana–Lake Brunner, Blackball, and Nelson Creek). Grey District Council also manages disposal of hazardous waste.

<sup>8</sup> Rationale Limited (2017). *West Coast Regional Transport Efficiency – Draft Indicative Business Case (to Options Framework stage)*. Report prepared for the Local Government Commission. Final Version. Arrowtown: Rationale Limited.



Westland District Council manages two active landfills. Butler’s Landfill (22 km south of Hokitika) and Haast. There are transfer stations run by EnviroWaste at Kumara, Hokitika, Ross and Harihari; and stations run by South Westland Rubbish Removal at Whataroa, Franz Josef and Fox Glacier.

**Table 18: Waste management – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Waste management	Low	4=	4= No change	3	1=	1=

Efficiency and quality gains are likely from consolidation of contract management and procurement activities and the ability to attract and retain high quality staff to a larger organisation. These gains are more likely in Options D and E.

Some opportunity may exist for rationalisation of landfill and transfer station assets. This may be achieved through, for example, tendering the entire needs of the West Coast region to one party. However, contracts are currently outsourced to a number of different parties and it will be difficult to realise any savings in the short term.

### Water management

*Includes water supply, wastewater and stormwater.*

Water supply and waste water management is the responsibility of district councils.

Buller District Council maintains and operates domestic water supplies at Little Wanganui Subdivision, Mokihinui, Ngakawau/Hector, South Granity, Waimangaroa, Westport/Carters Beach, Reefton, Inangahua Junction and Punakaiki. Buller District Council also operates three sewage treatment facilities: Westport, Reefton and Little Wanganui. These are all operated by WestReef Services Ltd under supervision from council staff.

Grey District Council manages five water supply schemes in the Grey district for the sourcing, treatment and distribution of water. Council also manages six wastewater (sewerage) schemes and stormwater services.

Westland District Council operates and maintains nine water supplies. The council operates sewerage systems in Hokitika, Franz Josef, Fox Glacier and Haast. Stormwater reticulation services various communities throughout the Westland district. Hokitika is the only township serviced by a significant stormwater reticulation scheme.

The West Coast Regional Council measures and manages water quality in the West Coast’s rivers and lakes as well as administering a Special Management Plan for Lake Brunner. The regional council also has responsibility for monitoring the water quality in 28 wells, 24 of which are used for human consumption.



**Table 19: Water management – efficiency and quality ranking**

Infrastructure	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Water management	High	4=	4= No change	3	1=	1=

The biggest gains are expected from options that offer the greatest economies of scale. Options C, D and E would provide an opportunity to structure the management of water services into a different delivery model. There are a number of possible options to consider, with different cost, risk and benefit profiles – ranging from centres of excellence, through to shared services arrangements or a CCO.

Currently district councils are required to comply with the Resource Management Act 1991 (RMA) with respect to water management and this is enforced by the regional council. There is unlikely to be any benefit from regulatory alignment as there will need to be a structure in place to ensure that the roles of compliance and enforcement are suitably separated.

Savings can be expected from maintenance, improved investment, reduction in management roles (efficiency gains) and/or increases in capability (quality gains). Similar to the local roading assessment, a larger combined operation would give the region a better chance, over the long term, to recruit and retain high quality staff. Consolidation would provide an opportunity to increase the combined councils' leverage in procurement negotiations.

This assessment assumes that no additional gains are made on top of Option D, as the efficiencies will be achieved through combining the district councils, with no further impact from adding the regional council. It is not expected that legacy councils' water infrastructure would be connected and, to the extent there are issues with existing assets, these would be addressed under all of the options.

## Infrastructure – summary

### Qualitative assessment

Table 20 sets out a summary of the assessment factors considered above in relation to district and regional council infrastructure. Option B (one district plan) has only minor cost and quality advantages compared to the status quo. Option D (one district council) and Option E (unitary authority) have the highest expected efficiency and quality gains.

**Table 20: Infrastructure – summary of qualitative assessment of options**

Activity	Overall impact	Option A (Status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Airports	Nil					
Cemeteries	Low	4=	4=	3	1=	1=
Housing	Low	4=	4=	3	1=	1=
Parks and reserves (and public toilets)	Low	4=	4=	3	1=	1=



Activity	Overall impact	Option A (Status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Ports	Nil					
Quarries	Nil					
Transport – rail	Nil					
Transport – local roads and other	Medium	5	3=	3=	2	1
Transport – state highways	Nil					
Waste management	Low	4=	4=	3	1=	1=
Water management	High	4=	4=	3	1=	1=
<b>Assessment summary – infrastructure</b>		<b>27.5 (5<sup>th</sup>)</b>	<b>26 (4<sup>th</sup>)</b>	<b>18.5 (3<sup>rd</sup>)</b>	<b>9.5 (2<sup>nd</sup>)</b>	<b>8.5 (1<sup>st</sup>)</b>

## Quantitative assessment

Under the status quo, the four councils combined are expected to spend a total of \$471 million in the infrastructure area over 2017/18 – 2024/25. Under Option B (one district plan) no discernible cost savings are expected; however, for Options C to E, infrastructure efficiencies are expected to provide the greatest cost savings compared to the status quo.

Option E (unitary authority) is estimated to generate net savings of \$6.3 million in the infrastructure area over seven years to 2024/25 (\$3.7 million in present value terms). The savings are phased over 2–4 years depending on the activity, and are offset by transition costs incurred in Years 1–3 (totalling \$1.2 million). Full savings are realised in Year 5. Approximately 60 percent of the infrastructure savings are expected from efficiencies in the maintenance of water management assets (eg procurement, better processes, combined asset maintenance programme), and 30 percent due to efficiency gains in the maintenance of roads. The savings are offset by a small increase in expected management cost (\$0.1 million) as a result of 1 additional management FTE and bigger job sizing.

Option D (one district council) is expected to result in nominal cost savings of \$4.6 million (\$2.6 million in present value terms) in the infrastructure area over seven years. The main difference, when compared to the unitary authority option, is due to the need for management roles in both the regional council and district council.

Option C (Westland/Grey only) is expected to result in nominal cost savings of \$1.5 million (\$0.6 million in present value terms over seven years). The main differences, compared to Options D and E, are lower savings expected from delivery of water and roading services and the retention of more management roles.

Table 21 summarises the cost of infrastructure across each of the reorganisation options.



**Table 21: Infrastructure – summary of estimated efficiency savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	16,612	17,039	17,677	18,460	18,544	19,179	19,590	20,309	<b>147,410</b>	
Grey	18,421	18,759	18,754	19,127	19,788	20,115	20,469	21,594	<b>157,027</b>	
Westland	16,900	17,431	17,776	17,988	18,614	19,063	19,471	19,982	<b>147,226</b>	
WCRC	2,249	2,290	2,336	2,381	2,427	2,473	2,533	2,593	<b>19,281</b>	
<b>Status quo costs (Option a)</b>	<b>54,182</b>	<b>55,519</b>	<b>56,543</b>	<b>57,955</b>	<b>59,372</b>	<b>60,831</b>	<b>62,063</b>	<b>64,478</b>	<b>470,943</b>	
<b>Savings</b>										
Option B: one district plan	-	-	-	-	-	-	-	-	-	-
Option C: Westland/ Grey only	-	(196)	(723)	(557)	531	775	805	835	<b>1,471</b>	635
Option D: one district council	-	(237)	(715)	(428)	1,189	1,538	1,595	1,656	<b>4,599</b>	2,596
Option E: unitary authority	-	(237)	(505)	(184)	1,476	1,840	1,908	1,979	<b>6,277</b>	3,721

1 Status quo based on sum of four Long Term Plans.

2 Costs and savings are in nominal terms. The net present value discounts future savings and costs back to 1 July 2017.



## Local public services

### Economic development

*The approach taken to attract ongoing investment and economic activity in the region.*

All councils have provided funding to support a regional development manager. The Tai Poutini West Coast Growth Study recommended a review of economic development arrangements in the region, which has been completed. Economic development is already a largely regional activity.

**Table 22: Economic development – efficiency and quality ranking**

Local public services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Economic development	Nil	No change	No change	No change	No change	No change

As discussed in the West Coast Economic Development Action Plan 2017, the region has agreed to develop a single economic development agency supported by the four councils within Development West Coast with a regional growth strategy governance group overseeing the agency. The agency will include economic development functions and the destination marketing functions of Tourism West Coast.

### Tourism

*Includes promotion of the region and tourism activities, which bring external visitors to the area.*

Tourism activities on the West Coast are already a largely regional activity.

Tourism West Coast, a collaborative initiative of the three district councils, is being merged into the new economic development agency within Development West Coast.

There are three i-Sites on the West Coast. Hokitika is owned and run by Enterprise Hokitika, Greymouth is privately owned and Paparoa is owned and managed by the Department of Conservation.

Westland District Council manages the Hokitika Museum and hosts an annual Wildfoods Festival, which generates revenue for the region. The Punakaiki area is managed by both the Buller and Grey District Councils due to the complexity of the area.

Grey District Council manages the History House Museum.

**Table 23: Tourism – efficiency and quality ranking**

Local public services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Tourism	Nil	No change	No change	No change	No change	No change



The West Coast Economic Development Action Plan 2017<sup>9</sup> identifies a number of changes that are required to increase tourism activity and economic growth. As these are currently being undertaken within the status quo arrangements we are of the view there is no advantage or disadvantage to these under any of the options being considered.

We also note Tourism West Coast provides a regional forum to promote tourism across all three districts. There are only a small number of individual events, sites and venues that need council resources – and the ability (and need) to rationalise the management of these is limited.

### Community grants

*Administration of funding specific to sport or community groups and activities.*

Community grants are administered separately by each district council.

**Table 24: Community grants – efficiency and quality ranking**

Local public services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Community grants	Nil	No change	No change	No change	No change	No change

No material change is expected across the options (ie any benefits of regional coordination may be seen as balanced against loss of local access and benefit).

### Emergency functions

*Emergency management / civil defence and rural fire services.*

Civil defence staff are joined up to deliver regional priorities through a new regional organisation, Civil Defence West Coast. A collective Emergency Management Group Plan, as required by legislation, sets out the strategic direction for civil defence activities over the next five years.<sup>10</sup> Each district council has an Emergency Management Officer who contributes to local and regional efforts.

The West Coast Regional Council provides flood warning to assist communities to assess risk of impending floods for five rivers (Karamea, Buller, Grey, Hokitika, and Waiho).

Responsibility for rural fire services (including permitting) now falls to Fire and Emergency New Zealand, not to the district councils.

<sup>9</sup> Tai Poutini West Coast Regional Growth Study Governance Group (2017), *Tai Poutini West Coast Economic Development Action Plan*. Greymouth: West Coast Regional Council

<sup>10</sup> West Coast Civil Defence Emergency Management Group Plan Version 1.0 (November 2016)



**Table 25: Emergency functions – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Emergency functions	Nil	No change	No change	No change	No change	No change

The emergency management functions are already largely handled at a regional level. Although there are currently separate Emergency Management Officers in each council, it is expected these roles would either remain, in a slightly modified form, or be re-organised using a similar number of staff. In either case, it is assumed that the costs and quality of service would not change materially.

## Libraries

*Provision of public library services.*

Buller District Council provides public library services at two main locations in Buller: the district library in Westport and a branch library in Reefton. The Buller area also has the historic Maruia Valley Community Library run by volunteers, from the Maruia Valley School.

Grey District Council operates and manages the Grey District (Greymouth) and Runanga Community Libraries. Westland District Council operates the Westland District Library (Hokitika) and eight community libraries run by volunteers. Grey and Westland District Councils also offer a joined-up library service, providing free access to services across both areas.

**Table 26: Libraries – efficiency and quality ranking**

Local public services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Libraries	Low	4=	4= No change	3	1=	1=

Some small efficiencies could be expected at the management level of the libraries and in procurement, but due to the large distances and spread out populations on the West Coast it is not expected that there would be any change to sites and assets. More local issues of viability and/or need can already be addressed by existing councils and this would not necessarily change with any of the Options B to E. No difference would be expected between Options D and E as the West Coast Regional Council has no role in the delivery of library services.

## Local public services – summary

### Qualitative assessment

Overall, we would expect very little change in the delivery of local public services across the reorganisation options. Economic and tourism development activities are already largely managed at the regional level, so we would not expect that reorganisations would, in themselves, materially impact the efficiency or quality of those services.





The only measurable change would be expected in the provision of library services, and even there, we would expect the efficiency gains to be relatively small. Table 27 shows a summary of the expected impact under each of the reorganisation options.

**Table 27: Local public services – summary of qualitative assessment of options**

Activity	Overall impact	Option A (Status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Economic development	Nil					
Tourism	Nil					
Community grants	Nil					
Emergency functions	Nil					
Libraries	Low	4=	4=	3	1=	1=
<b>Assessment summary – local public services</b>		<b>4.5</b> <b>(4<sup>th</sup>=)</b>	<b>4.5</b> <b>(4<sup>th</sup>=)</b>	<b>3</b> <b>(3<sup>rd</sup>)</b>	<b>1.5</b> <b>(1<sup>st</sup>=)</b>	<b>1.5</b> <b>(1<sup>st</sup>=)</b>

## Quantitative assessment

Under the status quo, the four councils expect to spend a total of \$117.1 million in the local public services area over 2017/18 – 2024/25. Table 28 summarises the cost impacts for each of the reorganisation options. No cost impact is expected for Option B (one district plan). For the other options, savings are expected as a result of some rationalisation of library management staff. For Option C (Westland/Grey only) expected savings are relatively minor – \$83,000 over seven years (\$54,000 in present value terms). For Option D (one district council) and Option E (unitary authority) expected savings are \$0.2 million over seven years (\$125,000 in present value terms). No changes are assumed for library service delivery or number of librarians.

**Table 28: Local public services – summary of estimated efficiency savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	4,384	4,635	4,667	4,674	4,763	4,915	5,048	5,123	<b>38,209</b>	
Grey	5,204	5,344	5,457	5,574	5,733	5,858	5,985	6,196	<b>45,351</b>	
Westland	1,002	1,023	1,047	1,072	1,095	1,124	1,154	1,186	<b>8,703</b>	
WCRC	2,869	2,930	2,980	3,052	3,133	3,222	3,291	3,409	<b>24,885</b>	
<b>Status quo costs (Option a)</b>	<b>13,459</b>	<b>13,932</b>	<b>14,152</b>	<b>14,372</b>	<b>14,723</b>	<b>15,119</b>	<b>15,478</b>	<b>15,914</b>	<b>117,148</b>	
<b>Savings</b>										
Option B: one district plan	-	-	-	-	-	-	-	-	-	-
Option C: Westland/ Grey only	-	(10)	12	15	16	16	17	17	<b>83</b>	54
Option D: one district council	-	(10)	25	33	34	35	36	37	<b>189</b>	125
Option E: unitary authority	-	(10)	25	33	34	35	36	37	<b>189</b>	125

Status quo based on sum of four Long Term Plans.



## Performance of regulatory functions

### General regulatory – including animal and stock control, camping, class 4 gambling and TAB venue consent

*Development and enforcement of local bylaws relevant to animal and stock control. Management of freedom camping areas. Management of applications.*

Animal and stock control is managed separately by each district council, via their animal control units.

The three district councils operate separate freedom camping bylaws and policies, with differences in permitted length of stays.

Applications for gambling consents and approval are managed separately by the district councils.

**Table 29: General regulatory functions – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
General regulatory	Medium	4=	4= No change	3	1=	1=

Across the listed regulatory functions, the reorganisation options involving combining district councils will provide opportunities to align and streamline bylaws, processes and systems, providing a more consistent regulatory framework across the region. The consolidation process will also allow the councils to review the current approaches and determine the best processes for the region – lifting the performance of some or all of the councils. These improvements are likely to positively impact the public’s use of council services, but we have not assessed there to be any material savings in council personnel, as team leaders and operational staff would remain in current locations to carry out their regulatory activities in the community.

The planning functions are covered separately so there is no change in Option B. Option E is judged the same as Option D, with no further efficiencies expected from consolidation of the regional council.

### Building control

*Building functions and building consents including inspections.*

The three district councils are part of a joint building consent service, AlphaOne. This includes standardised documentation and sharing of staff resources and expertise between West Coast councils and other district councils outside the region who are participants.

The district councils maintain individual responsibility for processing and approving building consents, and also hold responsibility for undertaking functions in relation to dangerous, earthquake-prone and insanitary buildings; administering audits, and enforcing building warrants of fitness; and issuing project information memoranda, building consents subject to waivers or modifications, certificates of acceptance, compliance schedules and amendments, and certificates for public use.



**Table 30: Building control – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Building control	Medium	4=	4= No change	3	1=	1=

The AlphaOne system is used by all three councils for building consents, allowing for an increase in the efficient use of staff resources over the previous, separate approaches. A consolidation of councils would allow for a pooling of specialist resources (such as fire, structural and other engineers), and enhance the ability to recruit and retain high quality personnel into key positions.

As with general regulatory functions, locally-based inspection teams would still be needed to service the same level of demand, across the very large area that makes up the West Coast region.

## Environmental management

*Resource, water and land management, air quality and pest control. (This area covers consent processing. Resource management planning is covered in a separate section.)*

The three district councils have different forms and processes for managing resource consent applications. The regional council also has a lead role in some consents, and sometimes both parties are involved. Responsibility for functions can be transferred between councils, and Westland District Council has transferred responsibility for mining consents to the regional council.

The West Coast Regional Council monitors and reports on Reefton’s air quality. West Coast Regional Council has a general responsibility to monitor air quality but at present its focus is on Reefton because it is known to not meet national standards in winter.

**Table 31: Environmental management – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Environmental management	Medium	5	4	3	2	1

Across the region there is some potential to standardise environmental management processes and procedures – which would be expected to marginally lift the overall performance of this activity. Option B may provide a marginal improvement over the status quo resulting from having one district plan.

## Environmental health

*Includes food premises, liquor licensing, hairdressers, administration of dog bylaws and trading in public places bylaws, noise monitoring and management.*

Each district council manages noise control measures for excessive or unreasonable noise. Each council has a Noise Control Officer who can implement written directions under the Resource



Management Act 1991. Each council have dog registration officers, food safety officers, environmental health officers and administrative support roles to undertake licensing and compliance activity – although the number of positions in each council are small and a number of positions have dual responsibilities.

**Table 32: Environmental health – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Environmental health	Nil	No change	No change	No change	No change	No change

No change is assumed, as under all the reorganisation options the existing operational staff will continue to be needed to perform the same functions in the same areas. Councils have an MOU that asserts a single regional resource is used for Environmental Health.

### Policy and planning

*Bylaws, resource management planning, policy development, frameworks, strategies and guidelines.*

All bylaws, most resource management services, and most policies are developed by individual councils. There have been some collaborative efforts for strategic planning documents, including the West Coast Economic Development Action Plan 2017, the Civil Defence plan for the West Coast and the Digital Enablement Plan.<sup>11</sup> We note the district councils have proposed a single district plan but, at the time of writing the report, one council had not endorsed the proposed arrangement.

The West Coast Regional Council has responsibility to complete regional policy statements and plans to operative stage and to review those periodically to reflect national policy direction, respond to new and emerging issues, and reflect community expectations. This includes the Regional Land Transport Plan, Regional Policy Statement, and Regional Plans for Air, Land and Water and the Coastal Marine Area.

**Table 33: Policy and planning – efficiency and quality ranking**

Regulatory function	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Policy and planning	Medium	5	2=	4	2=	1

Impacts on planning processes are addressed below in Part B (3) Simplified Planning Processes, and are summarised in Table 46. In summary, cost-efficiencies and more effective planning will be

<sup>11</sup> Tai Poutini West Coast Regional Growth Study Governance Group (2017), *Tai Poutini West Coast Economic Development Action Plan*. Greymouth: West Coast Regional Council; West Coast Civil Defence Emergency Management Group Plan Version 1.0 (November 2016); Buller District Council, Grey District Council, Westland District Council, West Coast Regional Council, Tai Poutini Polytechnic (2015), *West Coast Digital Enablement Plan*.



greatest in Option E, where all regional planning is performed by a single organisation. Options B and D both have a single district plan and a regional plan, which will also lead to a similar level of efficiency benefits over time. Benefits are expected to accrue from capacity and capability improvements, strategic alignment across district and regional planning, and from integrated assessment and processing of plans.

It is important to note, that for consistency purposes, Option C is assessed from the perspective of the West Coast region. If Option C was assessed based on the benefits to Westland and Grey districts only, the ranking would likely be higher.

## Performance of regulatory functions – summary

### Qualitative assessment

Overall, although we expect some improvements in the delivery of regulatory functions across the reorganisation options, these differences are not likely to be significant. Several activities are already managed at the regional level, and others present few opportunities for material improvements in cost-efficiency. Table 34 provides a summary of the qualitative assessment.

**Table 34: Regulatory functions – summary of qualitative assessment of options**

Activity	Overall impact	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
General regulatory functions	Medium	4=	4=	3	1=	1=
Building control	Medium	4=	4=	3	1=	1=
Environmental management	Medium	5	4	3	2	1
Environmental health	Nil					
Policy and planning	Medium	5	2=	4	2=	1
<b>Assessment summary – performance of regulatory functions</b>		<b>19 (5<sup>th</sup>)</b>	<b>15.5 (4<sup>th</sup>)</b>	<b>13 (3<sup>rd</sup>)</b>	<b>7.5 (2<sup>nd</sup>)</b>	<b>5 (1<sup>st</sup>)</b>

### Quantitative assessment

Under the status quo, the four councils are expected to spend a combined total of \$81.1 million in the under the different reorganisation options.

A shift to combined plans would involve a small cost increase for all options as a result of making one district plan (Option B, C and D) or, in the case of Option E, a unitary plan. For Option B (one district plan), Option D (one district council) and Option E (unitary authority) – this would be \$0.16 million over seven years (\$0.18 in present value terms). For Option C (Westland/Grey only) the cost increase would be \$0.10 million over seven years (\$0.10 in present value terms).



A transition cost is expected in Years 1 and 2 to design new plan-making processes for the councils. A small amount of additional planning resource is likely to be required in the short term to give effect to the change, with some duplication of roles likely across councils. Over time, councils are expected to realise small efficiency gains from the new plan-making arrangements (eg through attrition or a shift to part-time for some roles). It is assumed planning staff would continue to work from their current office locations.

**Table 35: Regulatory functions – summary of estimated efficiency savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	2,142	2,136	2,277	2,273	2,356	2,384	2,479	2,507	<b>18,554</b>	
Grey	1,886	1,934	1,989	2,044	2,110	2,169	2,250	2,317	<b>16,699</b>	
Westland	2,165	2,059	2,131	2,271	2,233	2,271	2,467	2,403	<b>18,001</b>	
WCRC	3,225	3,298	3,378	3,424	3,515	3,577	3,682	3,741	<b>27,840</b>	
<b>Status quo costs (Option a)</b>	<b>9,418</b>	<b>9,427</b>	<b>9,775</b>	<b>10,013</b>	<b>10,214</b>	<b>10,401</b>	<b>10,879</b>	<b>10,968</b>	<b>81,094</b>	
<b>Savings</b>										
Option B: one district plan	-	(90)	(128)	(144)	-	-	64	132	<b>(167)</b>	<b>(184)</b>
Option C: Westland/ Grey only	-	(56)	(58)	(54)	-	-	24	50	<b>(95)</b>	<b>(97)</b>
Option D: one district council	-	(90)	(128)	(144)	-	-	64	132	<b>(167)</b>	<b>(184)</b>
Option E: unitary authority	-	(90)	(128)	(144)	-	-	64	132	<b>(167)</b>	<b>(184)</b>

Status quo based on the sum of four Long Term Plans.



## Governance and internal corporate services

The final make-up of councils and community and local boards under the reorganisation options is not certain. However, for the purposes of this analysis, the following assumptions have been made.

**Table 36: Governance assumptions**

	Mayors (and regional council Chair)	Local & community boards	Local & community board members	District councillors	Regional councillors	Chief executives
Option A (status quo)	4	1 community board	4	26	7	4
Option B – one district plan	4	1 community board	4	26	7	4
Option C – Westland/Grey only	3	4 community boards	16	20	7	3
Option D – one district council	2	5 community boards	25	14	7	2
Option E – unitary authority	1	5 local boards	30	14	n/a	1

Source: working assumptions for cost estimation.

The assumptions about the number of district wards and boards have been derived based on the Commission’s identification of the current communities of interest on the West Coast. The Commission identified the potential numbers of councillors and board members based on the relative populations of the wards and possible responsibilities of the community and/or local boards.

Option B is based on the status quo of one community board for the Buller District; this is the Inangahua Community Board, consisting of 4 members and 2 councillors.

In the following sections we set out our assessment of governance and corporate services functions based on these assumptions. We note there are further considerations to come in this area, as the Local Government Commission is separately addressing the issues of enabling “democratic local decision making and action by, and on behalf of, communities” (as in section 10(1)(a) of the LGA).

### Governance

*Mayors, councillors, board members and chief executives.*

Council governance is undertaken by democratically elected councillors and community and/or local board members. The mayors of district councils are elected by the public, whereas regional councillors elect their own Chair from the elected councillors. In each case the elected councillors appoint the CEO.



**Table 37: Governance – efficiency and quality ranking**

Governance and corporate services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Governance	Medium	4=	4= No change	3	1=	1=

See Table 36 for a description of the governance assumptions in each of the reorganisation options. Moving from the status quo to a unitary authority, savings will be made through reductions in the number of mayors, chairs, councillors and chief executives. There are also likely to be savings in democratic services, the function of council that supports councillors and council meetings, including preparation of agendas, minutes, standing orders and administration of council papers.

Some of the cost savings are offset by the costs associated with the introduction of local boards (Option E) and additional community boards (Options C and D).

The equal ranking of Options D (one district council) and Option E (unitary authority) reflect our weighing up of their relative governance costs and benefits. The local boards for a unitary authority (Option E) have greater cost than the additional community boards required for Option D (one district council), but they also have different decision-making powers.

The higher costs of the local boards associated with a unitary authority (Option E) mean that the overall cost savings for that reorganisation option are *lower* than for Option D (one district council). However, while this is significant in cost terms, this has had only limited effect on our overall *qualitative* assessment of the governance and corporate services area (see Table 40). We note also this area will have separate consideration when the Commission carries out its own review of effects on democratic local decision-making in terms of section 10(1)(a) of the LGA.

**Finance, information and general management systems**

*Finance departments, information management and communication and other core management roles (including human resources) not already covered.*

All councils require finance, IT, HR and other management systems (eg planning and regulatory licensing and compliance systems). The councils have previously collaborated in some areas – with shared procurement processes for financial software (in 2011), web mapping (in 2012) and website development (in 2014).

Each district council has individual people-management policies and procedures. Buller District Council employs 65 staff, 40 of which are employed full time. Westland District Council employs 44 staff (34 full time). Grey District Council employs 66 staff<sup>12</sup> (44 part time). The West Coast Regional Council employs 53 staff who work across Corporate Services, Consents and Compliance, Planning and Operations, Information Services and VCS Business.

<sup>12</sup> Excluding Port, aquatic and gym personnel.





**Table 38: Finance, information systems and general management – efficiency and quality ranking**

Governance and corporate services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Finance, information systems and general management	Medium	4=	4= No change	3	2	1

Although some efficiencies have already been achieved in parts of the information management area, combining councils is likely to provide opportunities for further lifts in performance. Cost savings from rationalisation of management roles (and some staff positions) would to some extent be offset by bigger job sizing and some additional staff roles. It is probable that more significant long-term efficiency/effectiveness gains would be achieved through providing managers with more effective decision support and control systems.

## Insurances

The councils undertook joint procurement of insurances in 2015, which resulted in substantial savings across the four councils. No further efficiency gains are expected.

**Table 39: Insurances – efficiency and quality ranking**

Governance and corporate services	Overall impact on assessment	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Insurances	Nil	Already a regional activity	No change	No change	No change	No change

## Governance and corporate services – summary

### Qualitative assessment

Table 40 summarises the qualitative assessment of the reorganisation options in terms of governance and corporate services.

**Table 40: Governance and corporate services – summary of qualitative assessment of options**

Activity	Overall impact	Option A (status quo)	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
Governance	Medium	4=	4=	3	1=	1=
Finance, information systems and general management	Medium	4=	4=	3	2	1
Insurance	Nil		No change	No change	No change	No change
<b>Assessment summary – governance and corporate services</b>		<b>9 (4<sup>th</sup>=)</b>	<b>9 (4<sup>th</sup>=)</b>	<b>6 (3<sup>rd</sup>)</b>	<b>3.5 (2<sup>nd</sup>)</b>	<b>2.5 (1<sup>st</sup>)</b>



## Quantitative assessment

Under the status quo, the four councils expect to spend a combined \$138.7 million in the governance and corporate services area over 2017/18 – 2024/25. Table 41 summarises the cost impacts for this area expected under each of the reorganisation options.

No change to cost is expected for Option B (one district plan), although there will be some increase in the governance load for regional councillors. Under Options C, D and E, cost will reduce due to reductions in the number of governance roles (mayors, chairs and councillors), chief executive roles and corporate services personnel.

Across the councils' existing corporate services functions, there are different roles and levels of resourcing. A reasonable amount of change is expected to these functions under Options C, D and E due to rationalisation of management roles and some staff positions, bigger job sizing and some additional staff roles. Overall this is expected to result in personnel savings in the order of \$350,000 for Option C, rising to \$450,000 for Options D and E.<sup>13</sup>

For Options C and D, the savings would be offset to some extent by increases in cost relating to additional community boards. In the case of Option E, local boards would be established and the impact of the increased costs would have a much greater effect on the final savings made. The additional cost of local boards for a unitary authority (\$0.9 million) is more than half of the total expected governance cost savings for this option (\$1.7 million), and makes a significant difference to the relative cost savings assessment for Option E overall.

At the request of the Commission, we considered alternative scenarios for Option E involving fewer councillors (7) and local board members on each board (5 per board). Fewer local board members mean there is a decrease in cost and the NPV for Option E increases to \$2.8 million (compared to an NPV of \$1.9 million based on 6 members per local board). If this scenario is expanded to include a reduction in the number of councillors, the NPV increases further to \$3.8 million.

Costs associated with transition activities are also included in this area. These are the costs relating to shifting from status quo arrangements (Option A) to one of the reorganisation options (Options B, C, D and E). These costs will vary depending on the reorganisation option finally adopted, and are expected to be substantial for options involving a significant degree of reorganisation. Transition costs include:

- change management personnel costs
- branding and communications
- revamped website
- ICT integration costs
- redundancy payments.

The following assumptions have been made about transition costs (with more information provided in Table 55 in Appendix 4):

<sup>13</sup> We did not have access to information about the type of resourcing for the West Coast Regional Council's corporate service and were therefore unable to determine whether there would likely be a difference in cost savings between Options D and E.



- Option E (unitary authority) is expected to generate net additional costs of \$1.1 million in the governance and corporate services area over seven years to 2024/25 (\$1.7 million in present value terms). Transition costs are the main component (\$6.1 million), incurred in Years 1–4. Offsetting the transition costs are savings associated with fewer governance roles, chief executives and a net decrease in the cost of corporate services personnel.
- Option D (one district council) is expected to result in savings of \$2.4 million (\$0.9 million in present value terms) over seven years. Under this option, transition costs are expected to total \$5.7 million, incurred in Years 1–4. The main differences, compared to Option E, are the lower fees paid to community board members versus local board members, and more governance and chief executive roles.
- Option C (Westland/Grey only) is expected to result in savings of \$1.3 million (\$0.4 million in present value terms) over seven years. Compared to Options D and E, personnel cost savings are expected to be lower due to the need to retain more governance and management roles. Transition costs are also expected to be smaller for Option C (\$4.1 million in total), reflecting the smaller scale of change.

**Table 41: Governance and corporate services – summary of estimated efficiency savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	6,721	6,594	7,177	7,356	7,394	7,645	7,962	7,950	58,799	
Grey	7,459	7,541	7,744	8,084	8,279	8,453	8,863	9,026	65,449	
Westland	1,251	1,246	1,333	1,285	1,311	1,404	1,358	1,386	10,573	
WCRC	432	444	490	470	485	536	517	535	3,910	
<b>Status quo costs (Option a)</b>	<b>15,863</b>	<b>15,825</b>	<b>16,744</b>	<b>17,194</b>	<b>17,469</b>	<b>18,038</b>	<b>18,701</b>	<b>18,897</b>	<b>138,731</b>	
<b>Savings</b>										
Option B: one district plan	-	-	-	-	-	-	-	-	-	-
Option C: Westland/ Grey only	(404)	(847)	(669)	343	663	714	738	765	1,304	371
Option D: one district council	(649)	(1,213)	(824)	664	1,037	1,100	1,137	1,178	2,430	911
Option E: unitary authority	(697)	(1,759)	(1,358)	183	560	607	628	651	(1,186)	(1,684)



## Top-down assessment

As noted earlier, we have cross-checked our detailed cost-saving analysis against an overall cost-efficiency measure appropriate for council reorganisations. For this 'top-down' assessment of cost-efficiencies, we have assumed a maximum 3 percent saving in total operating expenditure. This is based on the following considerations.

- Advice presented to the Royal Commission on Auckland Governance indicated that, in the context of the Auckland reforms, efficiency gains in the range of 2.5–3.5 percent of total expenditure could be achieved. This comprised gains of around 3–4 percent in operating expenditure and 2–3 percent for capital expenditures.<sup>14</sup> The information presented to the Commission cited reviews of Australian local government reorganisations where savings of between 2 percent and 8.5 percent have been achieved. Reference was also made to 5 percent savings in operating expenditure in the United Kingdom.<sup>15</sup>
- The Wellington Region Local Government Review Panel (the Palmer report) noted estimated efficiency savings of between 2.5 percent and 3.5 percent arising from local government reform, and noted that Auckland Council has recently reported it is on track to achieve the forecast level of savings and efficiencies.<sup>16</sup>
- The Joint Working Party that examined local government reform options in Wellington assumed operating expenditure savings in the range of 3–4 percent.<sup>17</sup>
- Analysis undertaken by Morrison Low for the Wairarapa councils indicated the potential for cost-efficiencies of between 2 percent and 20 percent for expenditure on road materials and contracts<sup>18</sup> and 2 percent for materials and contracts for other services other than solid waste management.<sup>19</sup>
- There is considerable evidence from the UK of savings in local government through sharing of back-office functions well in excess of the 3–4 percent figures indicated above.<sup>20</sup>

We note the evidence presented to the Royal Commission on Auckland Governance that savings in capital expenditure of around 2–3 percent could also be expected. We have chosen not to separately include this because we have included depreciation expense within operating costs – serving as a proxy for capital expenditure.

Table 42 shows a comparison of the top-down and bottom-up results. The top-down value is relevant only for larger scale amalgamations, so is not assessed for Option B and is less applicable for Option C (Westland/Grey only).

<sup>14</sup> Royal Commission on Auckland Governance (March 2009), page 751.

<sup>15</sup> Sir Peter Gershon, CBE (July 2004) "Releasing resources to the front line; Independent review of public sector efficiency".

<sup>16</sup> Wellington Region Local Government Review Panel (October 2012), page 66.

<sup>17</sup> Joint Working Party on Local Government Reform (March 2013) "Realising the potential of the Wellington region", page 42.

<sup>18</sup> Morrison Low (September 2012) "Phase Three Report: Investigation into the formation of an Amalgamated Wairarapa District Council and Wairarapa Unitary Authority", page 18.

<sup>19</sup> Ibid, page 22.

<sup>20</sup> Audit Commission (October 2008) "Back to front: efficiency of back office functions in local government."



**Table 42: Bottom-up and top-down comparison**

\$000	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Total operating cost of councils impacted by option</b>	64,090	99,979	110,257
<b>Top-down approach</b>			
Estimated annual savings	1,923	2,999	3,308
Efficiency percentage	3.0%	3.0%	3.0%
<b>Bottom-up approach</b>			
Estimated annual savings	1,667	3,003	2,799
Efficiency percentage	2.6%	3.0%	2.5%

The top-down calculation supports the bottom-up assessment (and in particular that we haven't overstated the possible impacts) where, for example, total cost savings in 2024/25 for Option D (one district council) were \$3.0 million, being 3.0 percent of the total costs for all four councils of \$100.0 million.

## Setting of rates

Our assessment of the impacts of the reorganisation options is focused on identifying potential cost-efficiencies and improvements in the provision of services. In circumstances where net cost savings become available to councils, this will provide choices as to how those savings could be used – including decreasing rates, repayment of debt, increases to services, or a combination of these. We have not sought to second guess which of these options a future council would adopt, but we make the following observations with regard to potential changes to rates.

Under Options C, D and E, the amalgamation of councils would ultimately result in a single rating system across the new jurisdiction. This can mean that, even if there are overall cost savings as a result of an amalgamation, the charges for some properties may increase, while others may decrease.

To smooth the transition to a new rating system, it is likely that a specific West Coast transition policy would be necessary. For example, in Auckland the transition policy caps rate increases at 10 percent of the previous year's rates and requires the council to set a cap on the maximum rate reduction annually (generally in the order of 3–4 percent). In the proposed reorganisation in the Wairarapa it is suggested that a 5 percent per annum cap is placed on rates increases or decreases (attributable to transition to a single rating system) – with this cap remaining in place until 2024.



## (2) Productivity improvements for businesses and households

---

This section takes account of part of the requirements of Schedule 3, clause 12(1)(b)(ii) – to the extent it relates to productivity improvements for businesses and households that interact with local authorities.

---

The productivity of households and businesses can be increased if they can use inputs more efficiently (use less or cheaper labour, capital, land) to achieve the same outputs (eg to undertake a development) and/or increase the value of their output while using the same inputs (eg getting a greater level of service or better services for the same cost).

In relation to changes to local government arrangements, potential productivity improvements can arise from:

- improving the quality of and access to infrastructure and services (eg reducing transport costs due to better roads, improving access to broadband; fewer disruptions to waste and water services)
- reducing the direct costs of receiving local government services (eg reduced fees, rates)
- reducing the costs of transacting with local government (eg reducing the time it takes to apply for a consent, reducing costs involved in procurement processes)
- improving the quality of information and increasing certainty to enable decision-making (eg improved information on the sequencing of infrastructure investment across the region; reduction in the need to obtain and pay for expert advice).

Businesses and households can also obtain productivity benefits from activities of local government that are aimed at improving their capability and prospects, for example through local government supported economic development services (eg employment initiatives, events and marketing) and digital enablement programmes.

Table 43 rates the potential of the different options on their ability to generate the different sources of productivity improvements. It is important to note that this is simply the 'potential' of the options to generate productivity benefits – whether they will or will not arise will come down to decisions on services, staff, funding and processes. As with earlier tables, each area carries a ranking from 1 (most potential for gains in efficiency) to 5 (least potential).



**Table 43: Potential for productivity improvements for businesses and households**

Potential productivity improvements	Option A (status quo)	Option B (one district plan)	Option C (Grey/Westland only)	Option D (one district council)	Option E (unitary authority)
Improving the quality of and access to infrastructure and services	4=	4= None beyond business as usual	3	1=	1=
			Likely to achieve better delivery and higher quality of services and infrastructure through combined capability and resources (eg through greater spending power, greater ability to negotiate with central government) under consolidated options. However, there may also be a potential loss of existing technical staff and local knowledge through restructuring, which may reduce the quality of decision-making on infrastructure and services.		
Reduction in direct costs	4=	4= None beyond business as usual	1=	1=	1=
			Rates and fees vary across the districts. Assuming that rates and fees are equalised across districts under consolidation options, some ratepayers will likely pay lower rates and fees over time and some will pay higher rates and fees. However, to the extent that consolidation will provide for lower costs over time, we would expect that these options will result in a greater proportion of ratepayers in the region incurring lower rates and fees (subject to decisions around debt management and service delivery).		
Reduction in the costs of transacting with local government	5	2= Moderate potential – some reduction in time and costs associated with transactions involved in planning approvals and consents.	4	2=	1
			Increased potential for cost and time reductions for households and businesses in interacting with councils through consolidated options, particularly with the unitary authority option as individuals will only have to interact with one organisation for all services, enquiries, planning approvals etc. However, there will be some increases in the costs involved in interacting directly with council governance and executive groups under consolidation options.		



Potential productivity improvements	Option A (status quo)	Option B (one district plan)	Option C (Grey/Westland only)	Option D (one district council)	Option E (unitary authority)
Increasing certainty for decision-making	5	1= Moderate potential – one set of planning rules, enabling greater consistency in the application of planning approvals across the region – but not to the same extent than if there was one team administering the plan (ie Option E)	3=	3=	1=
			Increased potential to improve the quality of information and certainty for decision-making through consolidated options due to consistency in planning rules, regulations, policies, fees across multiple districts, and an increased ability to employ higher skilled staff to work with businesses and individuals and to contract for services effectively.		
Improved access to local government supported capability building services	4=	4= None beyond business as usual	1=	1=	1=
			Likely limited potential for productivity improvements through direct capability building services under any of the consolidated options. There may be improved coverage and consistency of employment and digital enablement services that are supported directly by councils across multiple districts.		
<b>Summary of ranking of potential</b>	<b>23.5 (5<sup>th</sup>)</b>	<b>17.5 (4<sup>th</sup>)</b>	<b>14.5 (3<sup>rd</sup>)</b>	<b>11.5 (2<sup>nd</sup>)</b>	<b>8 (1<sup>st</sup>)</b>

Compared to the status quo, Option E has the highest potential for productivity improvements, Option B the least.

Note that we've assumed that, under any of the options to reduce the number of councils (C, D and E), staff will continue to be located in offices around the region and hence there will not be any changes in the time and costs involved in meeting directly with council staff (although there may be additional costs for some businesses and individuals involved in meeting directly with the executive and governance leaders of the councils).

Further discussion about the potential for productivity improvements resulting from the reorganisation options is provided below.

## Status quo

Under the status quo, we would assume no additional productivity improvements for households and businesses beyond business as usual improvements that will arise from improved local government processes over time. For example, this could be increasing the use of technology in transacting with





ratepayers (eg online application forms that reduce time required to apply and/or the need to obtain external advice), and potential shared services.

## One district plan

If West Coast Regional Council takes responsibility for all planning, this is likely to contribute to some productivity improvements for businesses and households involved in developments by simplifying the processes and reducing the time involved in planning approvals and consents – there will be one set of planning rules across the region, one district plan for individuals to understand. A caveat is that detailed knowledge of a local area will often be required to ensure good quality planning and hence local staff and input will still be required.

We would not expect there to be any other sources of productivity improvements from this option.

## Consolidation options

The remaining options – C, D and E – offer increasing potential for households and businesses to experience productivity improvements.

We would expect that a unitary authority (Option E) would result in the provision of higher quality services and infrastructure over time as a result of having a greater pool of expertise available, improved and consistent procurement practices and through the ability to speak with one voice – it will have a stronger ability to negotiate with central government agencies and other partners for co-investment. Consolidation of the three district councils (Option D) would also provide these benefits, although expertise and purchasing power would be split between the regional council and the joint district council. It is important to note, however, that under consolidation options there may be a potential loss of local expertise through organisational change which may result in some services being less responsive in the short to medium term.

Although we would expect that consolidation options would result in lower fees and rates than otherwise would be the case (noting that the three options are estimated to result in a higher level of revenue over expenditure compared to the status quo), the impact on households and businesses will vary. Currently rates, charges and fees vary across the districts. For example, as shown in Table 44, dog registration, food licensing, waste refuse and subdivision consent charges are lower in Westland than in Grey and Buller but the uniform annual general charge is higher in Westland than in Buller and Grey. Assuming that fees and charges are made consistent across the relevant districts if the councils are consolidated, then some households and businesses will face lower fees and charges overall and some will face higher fees and charges. However, assuming that the options will enable lower fees and rates overall than otherwise would be the case, there should be a net gain to the region.



**Table 44. Comparison of selected fees and charges across districts**

Council	Dog registration fee	Food licensing	Waste refuse	Subdivision consents	Uniform annual general charge
Buller	Approved dog owners: \$65 or \$85 (depending on whether dog is de-sexed)	Premises licence fees \$350 (no kitchen) or \$600 (all other premises)	Varies depending on type of waste – up to \$150 per tonne	\$800 plus \$50 per additional lot (non-notified) or \$1200 (notified)	\$413.04
Grey	Registration fee: \$67.50 or \$91.50 (depending on whether dog is de-sexed)	Initial registration and renewals for food control plans \$311	\$289 per tonne	\$768.50 to \$1966 depending on number of lots (non-notified) \$1277 (notified)	\$464.10
Westland	Registration fee (selected owners): \$45 Registration fee (standard) \$58.50 or \$74 depending on area	Initial registration \$200 and renewal \$100	\$225 per tonne	\$800 or \$900 (including land use)	\$656.72

In terms of transaction costs, Options C, D or E would see the consolidation of council chambers from four, to three, two or one respectively. This may impact on the ability of ratepayers to access council meetings, depending on the location of the council’s chambers and whether council meetings are held in different locations over time – although community and local boards would meet in local areas. There will be no further impact on ratepayers in terms of the costs of visiting or meeting with council staff as we assumed that service centres will still operate in each of the current districts. Moreover, under consolidation options, the costs of making applications, paying fees, etc. is likely to reduce for a proportion of ratepayers that currently deal with more than one council (ie for all ratepayers under the unitary authority Option E, for smaller proportions of ratepayers under Options C and D). In addition, businesses that contract with local authorities in the region (and potentially multiple authorities) for services will be subject to a consistent procurement process and be able to provide services to more than one district or the entire region.

Options D and E will result in improved certainty for decision-making for businesses involved in investments across districts as they will be subject to a consistent set of rules and policies (for example, covering land, air, coast and water across districts). The larger pool of expertise available may also mean that council decision-making processes will be higher quality (eg for procurement).

As with Option B (one district plan), Option E (unitary authority) will also reduce the number of plans for individuals to understand and work through, reducing their costs in undertaking developments and dealing with consents, and likely reducing their need for external advice.

Given that economic development services in the region are being integrated into Development West Coast, we would expect only limited improvements in services targeted toward business and individuals to build business capability. However, councils also directly support capability development; for example, Buller supports a jobs scheme, and Buller and Grey are proposing to



support digital capability initiatives for their communities. Options C, D and E may result in such services being spread more widely across the region. However, this will depend on their relevance at a regional level.

Overall, Option E provides the greatest potential for households and businesses to achieve productivity gains but these may not be significant in magnitude. The extent to which this potential is achieved depends on the capability of individuals in the council, the quality of decisions made, and the execution of any initiatives to improve the delivery of infrastructure, services and regulation.



### (3) Simplified planning processes

---

This section takes account of the requirements of Schedule 3, clause 12 (1)(b)(iii). It considers the extent to which any of the options would result in 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.

---

In our analysis we have assumed that the configuration of planning processes would align with the local government structure under each of the options. We note, however, that there is also the potential for councils to delegate their resource management functions to another council, or make arrangements to share services – giving rise to many potential options, some of which are canvassed in the West Coast Regional Efficiency report<sup>21</sup> by BoffaMiskell (2017). We do not intend to repeat this work here. Rather, we have assessed a sub-set of these arrangements that align with the configuration of councils under each of the reasonably practicable options as set out in Table 45.

We note that the councils, in their submission to the Commission, have proposed a single district plan, but at the time of writing the report one council had not endorsed the proposed arrangement. As stated in the section ‘Parameters of the status quo option’, for the purpose of this report we have excluded future initiatives that have not begun, and where there is no legal requirement to undertake the activity.<sup>22</sup>

**Table 45: Resource management services options**

Option	Assumed resource management service configuration
Option A – Status quo option	One regional plan prepared by the regional council and three district plans (one prepared by each of the councils).
Option B – Transfer to West Coast Regional Council of Buller, Grey and Westland district councils’ statutory obligations to prepare district plans	One regional plan prepared and administered by the regional council and one district plan also prepared by the regional council.
Option C – Combine Westland and Grey district	One regional plan prepared and administered by the regional council, one district plan prepared and administered by the combined Westland/Grey district council, and one district plan prepared and administered by the Buller District Council.

<sup>21</sup> Boffa Miskell Ltd (2017), *West Coast Regional Efficiency: Report on Resource Management Services*. Report prepared for the Local Government Commission, final version, Boffa Miskell Ltd, Wellington.

<sup>22</sup> For the purpose of the ‘simplified planning processes’ analysis, and given our stated assumptions, the benefits of the combined councils’ submission are potentially equivalent to Options B and D.



Option	Assumed resource management service configuration
Option D – Combine the three West Coast districts while retaining West Coast Regional Council	One regional plan prepared and administered by the regional council and one district plan prepared and administered by the district council.
Option E – Constitute a unitary authority for the West Coast	One unitary plan prepared and administered by the unitary authority.

In relation to local government arrangements the potential benefits from streamlined planning processes are likely to be derived from improvements in:

- *Capacity and capability:* The ability of councils to attract and retain staff with the necessary (and potentially expanded) range of skills and experience.
- *Simplification:* Reduced complexity through a consistent approach to the structure, format and, to some extent, content of plans.
- *Strategic alignment:* Alignment in the objectives and policies both vertically (between regional and district plans) and horizontally (across district plans).
- *Integrated assessment and processing:* The ability to process regional and district resource consents together, or district resource consents together across two or three districts, under the same regulatory practices to process consents.

As noted in the previous section of this report, simplification, and integrated assessment and processing, also have the potential to reduce transaction costs of business and households engaging with the planning process, while improved strategic alignment, and integrated assessment and processing, may lead to increased certainty. Each of these areas is addressed below. A qualitative summary of the expected level of benefits of each of the reorganisation options is also provided in Table 46 at the end of this section.

## Capacity and capability

The preparation of district plans and plan changes is a resource intensive exercise requiring significant planning and technical expertise, both on behalf of external parties engaging in the processes as submitters (or proponents of private plan changes), and the councils.

A potential benefit of increased shared services is the increased scale of the service (inter-district, or regional) to be more attractive to prospective employees. The benefits of this is greatest under Option E, which would enable a unitary plan to be prepared by a single resource management team.

We would also expect some efficiencies to be achieved through scale – in particular of plan administration functions such as plan notification and submission processing, where identical functions are required in preparing regional plans and plan changes.

Consolidation of the planning processes into one team would allow better matching of staff resources to workflows. This is because a single administrative team would have a higher volume of work (processing plans and plan changes) and greater staff numbers than the current individual teams. This increased scale would provide increased flexibility to manage utilisation across the team, particularly



in reducing periods of under- and over-utilisation – by spreading work more effectively across all the available staff.

However, it is common practice among councils for plan administration staff to perform a range of other similar tasks for other statutory functions, such as under Local Government Act 2002 special consultative processes. To the extent that this is the case in the West Coast district councils, some dis-economies could result by consolidating the district plan administration function – without also re-organising other functions as well.

In summary, there is potential capacity and capability benefits in pooling planning capability by reducing the number of plans. Direct benefits will be realised by the district councils. Businesses and households should also realise benefits – arising from the councils' ability to undertake plan reviews more quickly (to reduce the period of uncertainty during plan development), and to progress plan changes more quickly (speeding up private sector developments).

The benefits would be greatest under Option E, where a single unitary plan would be prepared and administered by the unitary authority. Significant benefits would also accrue from Option D, deriving from the need to only prepare and administer a single district plan.<sup>23</sup> Similar benefits, but on a smaller scale, would be available under Option C (Westland/Grey only). Option B has a different mix of benefits as a result of the regional council preparing a single district plan, but each council retaining responsibility to administer it.

## Simplification

The benefits of simplification would be felt most by district plan resource consent applicants who operate across multiple jurisdictions on a regular basis. We understand that this would only account for a very small number of consent applicants.

Further, amongst the changes to the Resource Management Act introduced by the Resource Legislation Amendment Act 2017 is provision for National Planning Standards. Under section 58G of the 2017 Act, the first iteration of the standards is to be put in place by April 2019 and the minimum requirements are:

- (a) structure and form for policy statements and plans, including references to relevant national policy statements, national environmental standards, and regulations made under this Act; and
- (b) definitions; and
- (c) requirements for the electronic functionality and accessibility of policy statements and plans.

In addition, discussion papers issued by the Ministry for the Environment suggest that the first National Planning Standards will also include a standard zone framework and standard zone provisions such as objectives and policies.

Noting the importance of district plans to reflect their local context, local community values, and the simplification benefits that should be achieved by implementing the National Planning Standards,

<sup>23</sup> As described earlier, we note that the district councils intend to progress the preparation of a single district plan irrespective of the outcome of the Local Government Commission's inquiry; however, at the time of writing the report, one council had not endorsed the proposed approach.



there are limited additional simplification gains to be made from consolidation of council planning processes.

In summary, it is unlikely that any material simplification benefits will be realised by households or businesses simply through reducing the number of plans under any of the reorganisation options.

## Strategic alignment

The degree of alignment between regional and district plans, and between district plans in adjacent jurisdictions, is an important determinant of the level of certainty that the regulatory framework provides. This is relevant for:

- significant development proposals that require approvals under both district and regional plans
- the development and ongoing management of regional networks of facilities<sup>24</sup>
- businesses whose focus is on developments that span multiple jurisdictions.

Lack of alignment between adjacent district plans may simply be the result of genuine differences in local conditions and community values; however, where this is not the case, it can unnecessarily influence investment decisions, resulting in a poor allocation of resources.

The requirement for both regional and district plans within a region to give effect to the relevant Regional Policy Statement (RPS) should provide this alignment. However, this does require the RPS to be sufficiently directive. On review, the Proposed West Coast Regional Policy Statement (2015) is unlikely to be directive enough to ensure the strategic alignment of the regional and district plans. This is particularly apparent in key areas such as the Use and Development of Resources, and Biodiversity and Landscape Values.

This issue was also apparent in the observations from sector representatives interviewed for the Tai Poutini West Coast Regional Growth Study<sup>25</sup> which notes that for the extractive industries, tourism, horticulture, food and beverage, dairy and related processing sectors:

*Apart from the concerns about long timeframes involved in finalising consents when there are environmental objections, there were also views that resource management processes were being duplicated across councils and that in some areas there was a lack of consistency in policies and rules for the same activities across the Districts.*

To improve strategic integration the Opportunities Report (MBIE, 2016) suggests regional spatial planning as a potential solution, though notes the potentially significant development costs.

In summary, strategic alignment will be most improved by Option E (unitary authority). While it would enable integrated assessment and processing of regional and district resource consent requirements (addressed below), it would also provide greater certainty for significant development proposals that require approval under other district and regional plans, such as those for the extractive industries.

A single district plan under Options B and D would likely provide significant benefits for the operation of regional networks such as that required for tourism infrastructure. It would also reduce the likelihood

<sup>24</sup> Note that network infrastructure will generally be established under designation and so no district plan approvals are required.

<sup>25</sup> As cited in the Opportunities Report (MBIE, 2016).



of differences in district plans distorting investment decisions and reduce the potential for resources to be poorly allocated.

## Integrated assessment and processing

Regional and district resource consents are likely to remain a requirement for significant development proposals, including for extractive industries. This remains the case under a unitary plan, although the regional and district resource consent requirements could be addressed in parallel through a single application and assessment process.

The potential benefits of integrated assessment and processing are that information requirements, notification and hearings (if required) can be dealt with together. If processed separately, these areas can all result in divergence of regional and district resource consents that have been lodged for the same proposal, resulting in delays and the possibility of variations to one or other consent.

This is the focus of the proposed 'single window regulatory processing initiative' under the West Coast Economic Development Action Plan 2017<sup>26</sup> which is "focused on identifying and developing, within existing legislative settings, a 'single window' or coordinated process across agencies for:

- information requests and assessments of documentation related to permits, access agreements, resource consents and concessions
- public notifications, community and iwi consultation
- support for resource consent hearings" (p. 26).

Integrated assessment and processes across district plans would also have benefits for businesses that regularly apply for resource consents in more than one of the current districts. Some residual benefits of improved regulatory practice would also be realised by households.

The potential benefits from integrated assessment and processing are most significant for businesses that prepare significant development proposals – such as those in the extractive industries. The greatest potential for efficiency gains for these businesses arise under Option E. Lesser benefits may be realised under Option D from the integrated assessment and processing of district plan resource consent requirements for businesses that regularly apply for resource consents in more than one of the current districts.

The potential to provide integrated assessment and processing of resource consent applications would remain under the status quo – including if individual district and regional plans were maintained. While the benefits of such an approach would not be as significant as those possible under some of the reorganisation options, the consistency in forms, fees, timeframes and other matters of regulatory practice would likely generate moderate benefits for the businesses that operate across multiple jurisdictions, and generate minor benefits to households.

<sup>26</sup> Tai Poutini West Coast Regional Growth Study Governance Group (2017), *Tai Poutini West Coast Economic Development Action Plan*. Greymouth: West Coast Regional Council





## Summary of incremental benefits of each reorganisation option

**Table 46: Summary of expected level of benefits from simplified planning processes**

Impact on planning process	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
	1 x Regional plan 3 x District plans	1 x Regional plan 1 x District plan	1 x Regional plan 2 x District plans	1 x Regional plan 1 x District plan	1 x Unitary plan
<b>Capacity and capability</b>	5	2=	4	2=	1
<b>Simplification</b>	5	1=	4	1=	1=
<b>Strategic alignment</b>	5	2=	4	2=	1
<b>Integrated assessment and processing</b>	5	2=	4	2=	1
<b>Summary – all impacts</b>	<b>20</b> <b>(5<sup>th</sup>)</b>	<b>9.5</b> <b>(2<sup>nd</sup>=)</b>	<b>16</b> <b>(4<sup>th</sup>)</b>	<b>9.5</b> <b>(2<sup>nd</sup>=)</b>	<b>5</b> <b>(1<sup>st</sup>)</b>



# OVERALL SUMMARY

## Qualitative assessments

Table 47 sets out a summary of the qualitative assessments of expected efficiencies and impacts across the options – as they compare to the status quo.

**Table 47: Summary of qualitative judgements of efficiency gains and/or quality improvements**

Assessment summary	Overall impact	Option A (status quo)	Option B (one district plan)	Option C (Westland/ Grey only)	Option D (one district council)	Option E (unitary authority)
Infrastructure	High	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Local public services	Low	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	1 <sup>st</sup> =	1 <sup>st</sup> =
Performance of regulatory functions	Low	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Governance and corporate services	Medium	4 <sup>th</sup> =	4 <sup>th</sup> =	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Productivity improvements	Low	5 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Simplified planning processes	Low	5 <sup>th</sup>	2 <sup>nd</sup> =	4 <sup>th</sup>	2 <sup>nd</sup> =	1 <sup>st</sup>
<b>Overall efficiency change in comparison to the status quo</b>		<b>Status quo (5<sup>th</sup>)</b>	<b>Low gains (4<sup>th</sup>)</b>	<b>Moderate gains (3<sup>rd</sup>)</b>	<b>Medium gains (2<sup>nd</sup>)</b>	<b>High gains (1<sup>st</sup>)</b>

## Quantitative assessments

Table 48 summarises the estimated cost-efficiency savings of each of the options compared to the status quo – net of transition costs. It is important to note, that across all options, the NPV cannot be used as the sole basis to determine the viability of a particular option.

**Table 48: Overall summary of estimated efficiency savings**

\$000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	NPV
	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
<b>Costs</b>										
Buller	29,859	30,404	31,798	32,763	33,057	34,123	35,079	35,889	<b>262,972</b>	
Grey	32,970	33,578	33,944	34,829	35,910	36,595	37,567	39,133	<b>284,526</b>	
Westland	21,318	21,759	22,288	22,616	23,252	23,862	24,451	24,957	<b>184,502</b>	
WCRC	8,775	8,962	9,183	9,326	9,559	9,808	10,024	10,278	<b>75,916</b>	
<b>Status quo costs (Option a)</b>	<b>92,922</b>	<b>94,703</b>	<b>97,213</b>	<b>99,534</b>	<b>101,779</b>	<b>104,388</b>	<b>107,121</b>	<b>110,257</b>	<b>807,916</b>	
<b>Savings</b>										
Option B: one district plan	-	(90)	(128)	(144)	-	-	64	132	<b>(167)</b>	<b>(184)</b>
Option C: Westland/ Grey only	(404)	(1,109)	(1,438)	(253)	1,210	1,505	1,584	1,667	<b>2,763</b>	963
Option D: one district council	(649)	(1,551)	(1,641)	124	2,259	2,673	2,832	3,003	<b>7,051</b>	3,448
Option E: unitary authority	(697)	(2,096)	(1,966)	(113)	2,070	2,482	2,635	2,799	<b>5,113</b>	1,978



Transition costs are expected to be substantial, particularly across Options C, D and E. Although subsequent cost savings are estimated to exceed these initial costs over time, the upfront transition costs will need to be funded by the new council organisations over Years 1 to 3. This could be achieved by reducing reserves, increasing debt, or possibly reducing the delivery of services, but this would need to be determined by the new councils.



# APPENDIX 1: RELEVANT STATUTORY PROVISIONS

Below are the relevant statutory provisions for the evaluation of the practicability of options, which guide the Local Government Commission's decision on their preferred option. The provisions specifically addressed in this report have been made **bold**.

## Excerpts from the Local Government Act 2002

### Section 10 of the Local Government Act 2002

#### Subpart 1—Purpose of local government

##### 10 Purpose of local government

- (1) The purpose of local government is—
  - (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
  - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.**
- (2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—
  - (a) efficient; and
  - (b) effective; and
  - (c) **appropriate to present and anticipated future circumstances.**

### Schedule 3 of the Local Government Act 2002 – clauses 11 and 12

##### 11 Commission to determine preferred option

- (1) As soon as practicable after the deadline for the receipt of alternative applications, the Commission must, in accordance with this section, determine its preferred option for local government of the affected area.
- (2) The Commission must first identify the reasonably practicable options for local government of the affected area.
- (3) In deciding the extent to which it identifies the reasonably practicable options, the Commission must have regard to—



- (a) the scale and scope of the changes proposed; and
  - (b) the degree of community support for relevant applications that has been demonstrated to the Commission; and
  - (c) the potential benefits of considering other options; and
  - (d) the desirability of early certainty about local government arrangements for the affected area.
- (4) The reasonably practicable options—
- (a) must include the existing arrangements for local government; and
  - (b) may include—
    - (i) the proposals in the application made under clause 3; or
    - (ii) the proposals in an alternative application made under clause 10; or
    - (iii) options, other than those referred to in paragraph (a) and subparagraphs (i) and (ii), formulated by the Commission; or
    - (iv) a combination of aspects derived from 2 or more of the options referred to in paragraph (a) and subparagraphs (i) to (iii).
- (5) The Commission must 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; and**
  - (b) have a district or region that is appropriate for the efficient performance of its role as specified in section 11; and**
  - (c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest; and
  - (d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively by the regional council or unitary authority.**
- (6) For the purposes of sub clause (5), the Commission must have regard to—
- (a) the area of impact of the responsibilities, duties, and powers of the local authorities concerned; and
  - (b) the area of benefit of services provided; and
  - (c) the likely effects on a local authority of the exclusion of any area from its district or region; and
  - (d) any other matters that it considers appropriate.
- (6A) If the application made under clause 3 is a local board reorganisation application,—
- (a) sub clauses (5) and (6) do not apply; and
  - (b) the reasonably practicable options must not include any proposed change to the boundaries or functions of the affected local authority; and
  - (c) the Commission must be satisfied that the governance arrangements proposed under a reasonably practicable option will—



- (i) enable democratic local decision making by, and on behalf of, communities throughout the affected area; and
  - (ii) provide fair and effective representation for individuals and communities throughout the affected area; and
  - (iii) enable equitable provision to be made for the current and future well-being of all the communities within the affected area.
- (7) In deciding whether any proposed changes are reasonably practicable, the Commission may—
- (a) request further information from applicants and affected local authorities; and
  - (b) undertake any investigations and make any inquiries that the Commission considers appropriate.
- (8) If the Commission identifies 2 or more reasonably practicable options, the Commission must determine its preferred option, having regard to—**
- (a) the criteria in clause 12(2), if sub clause (6A) applies; or
  - (b) the criteria in clause 12(1) in any other case.**

## **12 Promotion of good local government**

- (1) For the purposes of clause 11(8), the Commission must be satisfied that its preferred option—**
- (a) will best promote, in the affected area, the purpose of local government as specified in section 10; and**
  - (b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include—**
    - (i) efficiencies and cost savings; and**
    - (ii) productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and**
    - (iii) simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.**
- (2) For the purposes of clause 11(8)(a), the Commission must be satisfied that its preferred option—
- (a) will best promote, in the affected area, the purpose of local government as specified in section 10; and
  - (b) will best promote the interests of the communities in the district in terms of—
    - (i) the benefits to all communities of a consistent or co-ordinated approach in the district; and
    - (ii) the benefits to particular communities of reflecting the particular needs and preferences of each community.



## APPENDIX 2: SERVICE DELIVERY

Table 49 sets out the current and planned shared services across the West Coast councils.

**Table 49: Existing and planned shared services delivery and procurement**

Service/activity	Approach	Current / proposed	Buller	Grey	Westland	WCRC
Joint District Plan	Undefined	Proposed <sup>27</sup>	✓	✓	✓	
Regulatory services (review including consent processing, compliance monitoring, building consents) <sup>28</sup>	Undefined	Proposed	✓	✓	✓	✓
Information systems (WC4 – the councils' collaborative information system project)	Joint procurement	Progressive implementation <ul style="list-style-type: none"> <li>Financial software (2011)</li> <li>Web mapping (2012)</li> <li>Web sites (2014)</li> <li>Telephony and internet (2015)</li> </ul>	✓	✓	✓	✓
Environmental health	One officer covers the whole region	Current	✓	✓	✓	NA
Aerial imagery	Joint procurement	Current	✓	✓	✓	✓
Visitor attraction (Tourism West Coast)	Joint marketing and management including DWC	Current	✓	✓	✓	✓
Economic development	Joint governance and funding including DWC	Further initiatives in progress	✓	✓	✓	✓
Insurance	Joint procurement	Current	✓	✓	✓	✓
Civil defence	Coordinated service delivery	Current	✓	✓	✓	✓

All three district councils have outsourced their building consent application processing systems to AlphaOne. While applications are assessed by the individual councils, under AlphaOne the

<sup>27</sup> We note the district councils had proposed a single district plan, but at the time of writing the report one council had not endorsed the proposed arrangement.

<sup>28</sup> Under the West Coast Economic Development Action Plan 2017 (MBIE, 2017) the West Coast councils have committed to a 'single regulatory window' for development approvals required for mining.



information management, assessment and workflow systems are common and they have direct access to an overflow facility to manage peaks and troughs.

In addition to identifying the current and prospective areas for shared services, the West Coast councils, in their submission to the Commission in March 2017, note the intention to establish a shared pool of expertise in the following areas:

- Human resources (high-level strategic advice)
- Risk management
- Health and safety
- Procurement and contracts
- Policy and strategy
- Quality assurance
- Business development and/or funding (seeking external funding opportunities)
- Business improvement
- Strategic communications
- Information management
- Iwi engagement
- Rates and accounting services

Table 50 sets out the West Coast council controlled organisations (CCOs) operating within the West Coast.

**Table 50: Council controlled organisations**

Entity	Buller	Grey	Westland	WCRC
Buller Holdings Ltd – holding company for selected assets of this council	✓			
WestReef Services Ltd – contracting services for physical works (roading, parks, rural fire, property maintenance)	✓			
Westport Harbour Ltd – port services	✓			
Buller Recreation Ltd – owns and operates the Solid Energy Centre sports complex	✓			
Tourism West Coast	✓	✓	✓	
West Coast Recreation Trust – deliver funding required to complete the Westland Recreation Centre		✓		
Westland Holdings Ltd			✓	
Westroads Ltd: general roading contractor			✓	
Hokitika Airport Ltd				
Westland District Property Ltd: manages portion of this council's property portfolio			✓	





# APPENDIX 3: ECONOMIES OF SCALE

## Potential for economies of scale

There is little quantitative evidence on the effect of economies or diseconomies of scale on the provision of local government services. The research that does exist from New Zealand and overseas stops short of making conclusive findings, although we can observe some general themes:

- Population is only a partial indicator of the scale of service provision and the importance of other factors will vary from service to service – for example land area, length of roading network, population density, non-resident service users (such as tourists) will be more or less important depending on the type of service.
- Efficiencies are most likely to be realised from services that are capital intensive. Services that are labour intensive are less likely to result in efficiencies from increased scale.
- For those where economies of scale are realised, it is likely that the cost curves will be 'U' shaped – this means that at a small scale some economies of scale may be realised, but that these benefits decline as scale increases, and past a certain point costs begin to increase.
- Different services are likely to be able to be delivered most efficiently at different scales.

Specific to the New Zealand context, it is important to note that while larger local government authority areas may reduce the number of mayors or councillors, their remuneration is set independently by the Remuneration Authority – and are likely to increase following reorganisation to reflect greater responsibility.



# APPENDIX 4: FINANCIAL ANALYSIS

This appendix sets out the key assumptions used to estimate costs and savings. A number of studies about the realisation of benefits from local body amalgamations<sup>29</sup> have observed the tendency to inflate savings and under-estimate costs. We have sought to avoid this by applying a conservative approach to our assumptions.

## General assumptions

- The model estimates costs and savings for each option using a bottom-up modelling approach.
- The model estimates costs and savings for the base year (2017/18) plus 7 years – from 2018/19 to 2024/25 (the last financial year of the current LTPs). Costs and savings are phased over time.
- The model uses financial information from the councils' current LTPs.

We also asked councils for additional information (such as FTE staff data and shared services arrangements). One council responded in full, two councils provided a limited response (eg organisational chart only) and another council did not reply before the report was completed. As a result we have had to fill information gaps using publically available information (where possible) and estimates based on comparable councils.

- Costs and savings are initially calculated in 2017 dollars and inflated using assumptions set out in the LTPs.<sup>30</sup>
- Costs include one-off transition costs, plus ongoing costs.
- Depreciation expenses have been used as a proxy for capital expenditure.

## Assumptions about council activities

The following tables set out the key assumptions used to estimate costs and savings for the councils' main functions:

- infrastructure
- local public services
- regulatory functions
- governance (including corporate services).

All figures are in 2017 dollars.

<sup>29</sup> For example, TDB Advisory: Governance Options for the Wellington and Wairarapa Regions: An Economic and Financial Assessment, May 2013.

<sup>30</sup> Grey District Council 2015–2025 Long Term Plan, page 196.



**Table 51: Infrastructure savings**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Water</b>				
<b>Annual (cost) / savings</b>	No change	\$0.600 million	\$0.850 million	\$0.850 million
<b>Key drivers (in order of magnitude)</b>		<ul style="list-style-type: none"> <li>Assumptions are based on analysis of two alternative delivery scenarios identified in the Waikato water study:<sup>31</sup> an enhanced shared services and a CCO model. <ul style="list-style-type: none"> <li>For the shared services model, key saving assumptions include: staffing efficiencies (2%); a reduction in maintenance expenditure (1.5%); and, general savings on capital expenditure (1.5%).</li> <li>For the CCO model, key savings assumptions include: staffing efficiencies (18%); a reduction in maintenance costs (5%) and overhead costs of (15%) – offset by stranded overheads and council monitoring costs. The net savings for the CCO model range from 6.5% to 9.0%.</li> </ul> </li> <li>Applying these assumptions to Options C, D and E result in water services efficiencies of 5%. <ul style="list-style-type: none"> <li>When undertaking the analysis, we did not have access to a breakdown of expenditure for Westland's and Buller's water services. The expenditure breakdown for those councils was based on a profile of Grey's water operating expenditure.</li> <li>Staff personnel efficiencies range from 0.4 to 1.6 FTE depending on the option and delivery model. The impact on management staff is addressed separately below (but, across all options, there is an increase in management cost due to greater job sizing).</li> </ul> </li> <li>Savings are phased with the first full year of savings occurring in 2022/23 (Year 5), reflecting the time required to transition to new arrangements.</li> </ul>		
<b>Roading</b>				
<b>Annual (cost) / savings</b>	No change	\$0.315 million	\$0.475 million	\$0.480 million
<b>Key drivers (in order of magnitude)</b>		<ul style="list-style-type: none"> <li>There are a number of possible roading delivery options for the new entity (which could also impact on existing CCO arrangements) – each option giving rise to a different set of efficiencies and transition costs. Our assumptions are based on a shared services scenario which was ranked as the mid-option according to cost, complexity and benefit in the West Coast regional transport efficiency report.<sup>32</sup> This scenario is assumed to realise savings of 6% of councils' annual maintenance expenditure. This is based on the benefit realised by Tairāwhiti Roads (also a shared service model).</li> <li>We did not have access to information about maintenance expenditure for Westland's and Buller's roading assets. The maintenance expenditure for those councils is based on Grey's roading maintenance cost as a percentage of its total operating road expenditure (41%).</li> </ul>		

<sup>31</sup> Cranleigh: Business Case for Water Services – Delivery Options for Hamilton City Council, Waikato District Council and Waipa District Council, May 2015.

<sup>32</sup> Rationale Limited (2017). *West Coast Regional Transport Efficiency – Draft Indicative Business Case (to Options Framework stage)*. Report prepared for the Local Government Commission. Final Version. Arrowtown: Rationale Limited.



	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
				<ul style="list-style-type: none"> <li>• Small personnel efficiency gains (0.1 – 0.4 FTE depending on option) arise from rationalising duplicate non-technical delivery roles across councils.</li> <li>• Savings phased with first full year of savings occurring in 2022/23 (Year 5), reflecting time required to transition to new arrangements.</li> </ul>
<b>Other infrastructure</b>				
<b>Annual (cost) / savings</b>		\$0.034 million	\$0.130 million	\$0.130 million
<b>Key drivers (in order of magnitude)</b>		<ul style="list-style-type: none"> <li>• Small efficiency gains for waste management based on rationalising existing council roles and improved contract value for money. First full year of savings occurs in Year 4, taking into account the number of existing council contracts with different end dates.</li> <li>• Small reduction of expenditure for outsourced maintenance of grounds and facilities for cemeteries, residential housing, and parks and reserves.</li> <li>• No efficiencies assumed for possible rationalisation of existing housing stock and other land and reserves in the out years.</li> </ul>		
<b>Infrastructure management personnel</b>				
<b>Annual (cost) / savings</b>	No change	(\$0.390 million) – additional cost	(\$0.320 million) – additional cost	(\$0.100 million) – additional cost
<b>Key drivers (in order of magnitude)</b>		<ul style="list-style-type: none"> <li>• Change to number of managers and assistant roles and bigger job sizing in new entity.</li> <li>• Change to management structure to take effect from Year 2. Costs associated with change included in transition costs (refer Table 55).</li> </ul>		

**Table 52: Local public services**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Library</b>				
<b>Annual (cost) / savings</b>	No change	\$0.015 million	\$0.030 million	\$0.030 million
<b>Key drivers (in order of magnitude)</b>		<ul style="list-style-type: none"> <li>• Small change to mix of library manager roles for Options C, D and E.</li> <li>• Change to management structure to take effect from Year 2. Costs associated with change included in transition costs (refer Table 55).</li> <li>• No change to library delivery or number of library staff.</li> </ul>		

**Table 53: Regulatory services**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Planning</b>				
<b>Annual (cost) / savings</b>	Up to \$0.130 million additional cost per annum, reducing over time	Up to \$0.060 million additional cost per annum, reducing over time	Up to \$0.130 million additional cost per annum, reducing over time	Up to \$0.130 million additional cost per annum, reducing over time



	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Key drivers (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>1–3 additional FTE roles in regional council in short term with savings to take effect from Year 4</li> <li>Small cost for district council-led committees to input into plan-making processes.</li> </ul>			

**Table 54: Governance and corporate services**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Mayors and councillors</b>				
<b>Annual (cost) / savings</b>	No change	\$0.150 million	\$0.280 million	\$0.480 million
<b>Number of mayors</b>		2 plus regional council Chair	1 plus regional council Chair	1 Mayor
<b>Number of councillors (including deputy mayor)</b>		27	21	14
<b>Key drivers (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>Savings from changes to remuneration: <ul style="list-style-type: none"> <li>remuneration levels based on 2013 levels set by Remuneration Authority<sup>33</sup></li> <li>remuneration for roles in new entity based on rates paid to comparable-sized councils.</li> </ul> </li> </ul>			
<b>Boards</b>				
<b>Annual (cost) / savings</b>	No change	(\$0.035 million) – additional cost	(\$0.070 million) – additional cost	(\$0.900 million) – additional cost
<b>Board composition</b>		16 community board members (4 community boards)	25 community board members (5 community boards)	30 local board members (5 local boards)
<b>Key drivers (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>Additional cost for board fees: <ul style="list-style-type: none"> <li>local board fees based on average rates paid to Auckland local boards<sup>34</sup></li> <li>community board fees based on 2013 levels set by Remuneration Authority<sup>35</sup>.</li> </ul> </li> <li>Minor administrative cost for councils to provide board services.</li> </ul>			
<b>Chief executive, and assistant support</b>				
<b>Annual (cost) / savings</b>	No change	\$0.270 million	\$0.420 million	\$0.680 million
<b>Key drivers (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>Reduction in number of roles, offset by bigger job sizing for new positions: <ul style="list-style-type: none"> <li>new positions to take effect in Year 1 – costs associated with change (including potential redundancy) included in transition costs (refer Table 55).</li> </ul> </li> </ul>			

<sup>33</sup> [http://www.gw.govt.nz/assets/council-reports/Report\\_PDFs/2013\\_676\\_2\\_Attachment.pdf](http://www.gw.govt.nz/assets/council-reports/Report_PDFs/2013_676_2_Attachment.pdf)

<sup>34</sup> Local Government Elected Members (2016/17) (Auckland Council and Local Boards) Determination 2016.

<sup>35</sup> *ibid.*



	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Corporate services</b>				
<b>Annual (cost) / savings</b>	No change	\$0.350 million	\$0.450 million	\$0.450 million
<b>Key drivers (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>• Rationalisation of corporate services management structure and removal of some duplicate roles, offset by bigger job sizing and some new positions (depending on option). Additional role to support local/community boards in Options C, D and E.</li> <li>• We did not have access to information about the type of resourcing for the West Coast Regional Council's corporate service and were therefore unable to determine whether there would likely be a difference in cost savings between Options D and E.</li> <li>• Corporate services review to be undertaken in Year 2, with changes taking effect from Year 3. Costs associated with change (including potential redundancy of GM roles) included in transition costs (refer Table 55).</li> </ul>			

## Transition costs

Transition costs reflect the activities that need to occur to give effect to each option. Transition costs are phased over a number of financial years, depending on the nature of the activity (phasing remains the same across the different options).

The process to estimate transition costs has had regard to transition costs for other council reorganisation proposals, the current shared service arrangements in place amongst West Coast councils (including ICT services and infrastructure), and a desk-based review of transition costs associated with amalgamations of New Zealand and international organisations.

Table 55 summarises the transition costs.



**Table 55: Transition costs**

	Option B (one district plan)	Option C (Westland/Grey only)	Option D (one district council)	Option E (unitary authority)
<b>Cost (2017 dollars)</b>	\$0.05 million	\$4.1 million	\$5.7 million	\$6.1 million
<b>Main costs (in order of magnitude)</b>	<ul style="list-style-type: none"> <li>• Business process redesign for new plan-making arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of new entity:               <ul style="list-style-type: none"> <li>– dedicated change-project personnel</li> <li>– internal and external communications</li> <li>– branding</li> <li>– redundancy provision</li> <li>– business process redesign for new plan-making arrangements.</li> </ul> </li> <li>• ICT system integration:               <ul style="list-style-type: none"> <li>– dedicated ICT change-project personnel</li> <li>– backfill of existing ICT staff who will support the systems change</li> <li>– staff training to operate the changed/new systems</li> <li>– changes to existing ICT systems (including new website)</li> <li>– rationalisation of vendors and contracts (where possible)</li> <li>– changes to software licensing (one-off and ongoing cost).</li> </ul> </li> <li>• Integrating water and roading delivery in new entity; including provision to: review existing arrangements, design future model and implement integrated approach – note, actual implementation cost will vary according to type of delivery model.</li> <li>• Organisational change that will occur beyond 'Day One' (eg changes to corporate services).</li> </ul>		

