

**Local Government Commission**  
**Mana Kāwanatanga ā Rohe**

**Memo**

<b>To:</b>	<b>Local Government Commission</b>
<b>From:</b>	<b>Chief Executive Officer</b>
<b>Date:</b>	<b>8 November 2013</b>
<b>Meeting:</b>	<b>14 November 2013</b>
<b>Subject:</b>	<b>Hawke's Bay local government arrangements: reasonably practicable options and preferred option</b>

**Purpose**

1. This is a final report on the 'reasonably practicable options' and 'preferred option' for local government arrangements in Hawke's Bay Region. It follows Commission consideration of an initial report at its meeting on 15 October 2013. The report includes the proposed timeline for the next steps in the process following determination of the 'preferred option'.

**Executive summary**

2. The Commission received a reorganisation application from 'A Better Hawke's Bay' Trust (ABHBT) for the four districts in Hawke's Bay Region (Napier City and Wairoa, Hastings and Central Hawke's Bay Districts) to be united and the four territorial authorities and the Hawke's Bay Regional Council to be abolished and replaced by one unitary authority. Having met legislative requirements, the Commission publicly notified the application and invited alternative applications. The Commission is now required to identify its 'preferred option' for the 'affected area' which has previously been declared to be Hawke's Bay Region. But first it must identify the 'reasonably practicable options'.
3. The report notes that 19 responses to the invitation for alternatives to the ABHBT application were received by the Commission. Ten of these met the requirements for reorganisation applications set out in section 24 of the Local Government Act 2002 (LGA).
4. *Part A* of the report notes the statutory requirements for 'reasonably practicable options' and provides initial consideration of the original ABHBT application and the alternative applications including recommendations on those that not be identified as 'reasonably practicable options'.
5. *Part B* provides more in-depth analysis of the remaining alternative applications and a further option identified following consultation, and recommends that, in addition to existing local government arrangements which is a mandatory consideration, the following be identified as 'reasonably practicable options':
  - a boundary alteration between Napier City and Hastings District and no other changes to local government structural arrangements in Hawke's Bay Region
  - the union of Napier City and Hastings District and no other changes to local government structural arrangements in Hawke's Bay Region
  - one unitary authority for Hawke's Bay Region.

6. *Part C* provides analysis of the above ‘reasonably practicable options’ against the ‘promotion of good local government’ statutory criteria and recommends the one unitary authority option be adopted as the Commission’s ‘preferred option’ for Hawke’s Bay Region.
7. Proposed next steps and timeline are:
  - 14 November: Commission considers detailed representation arrangements and second tier representation and decision-making structure, and considers draft proposal documentation
  - 26 November: Commission releases draft proposal for consultation.

## **Background**

8. The ABHBT lodged a reorganisation application on 7 February 2013. The application was for the four districts in Hawke’s Bay Region (Napier City and Wairoa, Hastings and Central Hawke’s Bay Districts) to be united and the four territorial authorities and the Hawke’s Bay Regional Council to be abolished and replaced by one unitary authority. Hawke’s Bay Region also includes small areas of Taupo and Rangitikei Districts but the application did not specifically address these areas.
9. At its meeting on 15 March 2013, the Commission declared the area of Hawke’s Bay Region to be the ‘affected area’ in relation to the application and agreed to assess the application. At that meeting it also agreed that there was demonstrable community support for reorganisation in the ‘affected area’. Following these decisions the Commission, as it was required to do, publicly notified the application and invited alternative applications by 3 May 2013.
10. A total of 19 responses to the invitation for alternative applications were received. A summary analysis of these responses is provided in *Appendix 1*. Clause 7 of Schedule 3 LGA enables the Commission to decline any reorganisation application on particular grounds including under clause 7(d) where one or more aspects that would be essential if an application were implemented, are inconsistent with current legislation. Given this provision, the following reorganisation applications (in addition to existing arrangements) were identified for consideration:
  - a) original application: constitution of one unitary authority for Hawke’s Bay Region
  - b) alternative applications:
    - a boundary alteration between Napier City and Hastings District and no change to the other councils
    - union of Napier City and Hastings District, and either no change to the other councils or further change be considered at a later date
    - constitution of a new council based on the “Tūhoe area of interest” and no change to the other councils
    - union of Napier City and Wairoa, Hastings and Central Hawke’s Bay Districts and retention of Hawke’s Bay Regional Council
    - constitution of two unitary authorities within the rohe of Ngati Kahungunu with one covering Hawke’s Bay and one covering Tararua and the three Wairarapa Districts
    - constitution of an east coast regional council covering the area of Hawke’s Bay Region, Tararua District and the three Wairarapa Districts and constitution of three territorial authorities within this region.

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

- *Part A* notes the statutory requirements for 'reasonably practicable options' in clauses 11(3) to (6) and provides initial consideration of the original ABHBT application and the alternative applications including recommendations on those that not be identified as 'reasonably practicable options'
- *Part B* provides more in-depth analysis of the remaining alternative applications received and a further option identified by the Commission from its consultations, along with existing local government arrangements which is a mandatory consideration, against the requirements for 'reasonably practicable options' with appropriate recommendations
- *Part C* analyses the identified 'reasonably practicable options' against 'promotion of good local government' criteria set out in clause 12 and recommends a 'preferred option'.

### **Hawke's Bay Region and the role of local government**

12. Before considering appropriate local government arrangements for Hawke's Bay Region, it is important to consider the nature of the region and how particular factors relate to the local government role and performance of that role.

13. A summary of key characteristics of the region is set out below based on the PWC report *Understanding the Hawke's Bay Region economy* (see *Appendix 2*) and other material:<sup>1</sup>

- Hawke's Bay Region is a mid-size region of New Zealand being 7<sup>th</sup> largest out of 16 in terms of area and 9<sup>th</sup> largest in terms of population (151,179 at the 2013 census)
- 86% of the population live in either Napier City or Hastings District
- the population is projected to grow by 3.8% by 2031 with all of the growth occurring in Napier (2.1%) and Hastings (8.4%) with declines projected in Wairoa (-17%) and Central Hawke's Bay (-2%, with no account taken of the possible impact of the Ruataniwha project)
- the population comprises near average proportions in the 0-14 and 40-64 age groups but a lower proportion in the 15-39 age group and a higher proportion in the over 65 age group
- in line with the rest of New Zealand, the proportion of the population over 65 is projected to increase over the next 20 years (from 13% to 26%) with the highest proportions being in Wairoa and Central Hawke's Bay Districts
- over 22% of the population is Māori (compared to the national average of 14%) with the highest proportion being in Wairoa District (56%)
- there are areas of significant deprivation in the region including in Wairoa and Mahia, and parts of Napier (Onekawa and Maraenui) and parts of Hastings (Flaxmere)
- total GDP produced in the region in 2012 was \$6.3 billion (3% of New Zealand's GDP) ranking it 8<sup>th</sup> out of 16
- primary production continues to be the largest driver of the Hawke's Bay economy (24% of GDP) with the economy underpinned by substantial natural resources, a warm climate, large areas of land suited for arable farming and large areas of land able to be irrigated

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

- the PWC report points out that the dominance of primary production has important implications as “a large portion of this production will need to be transported throughout the region, either through the port in Napier or by land to other regions ... meaning the strength of the economy depends on the transport infrastructure in place”
- the report notes that the Ministry for Primary Industries’ forecasts of wood production in Hawke’s Bay indicate that “if all the wood in the region was to be harvested at the typical age of 30 years, there would be a substantial increase (up to four times) in annual wood harvest” and this also would have significant implications for the transport network<sup>2</sup>
- over the last 10 years, there have been some significant changes in the Hawke’s Bay economy with a movement away from some types of primary production (sheep and beef, other agriculture and fishing) towards more service industries (healthcare and administrative services, construction and government)
- the PWC report notes that “the declining population in Wairoa and Central Hawke’s Bay poses several complications for infrastructure and governance (as) a decreasing population over a large area makes for expensive, hard-to-fund infrastructure requirements”
- the report notes that if the projected population declines in Wairoa and Central Hawke’s Bay are coupled with the ageing population, there is a risk the councils in these areas will find it particularly hard to collect the rates needed in future and this will be made more difficult given the reliance on sheep and beef farming which have been in steady decline
- the majority of GDP is produced in Napier and Hastings which also have the majority of the full-time equivalent workers and the PWC report notes that “the mix of industries that characterise Napier sets it apart at present as the main urban centre of Hawke’s Bay Region, despite the size of urban Hastings”
- the services industry accounts for around 40% of both GDP and employment in Napier while government and wholesale & retail are also large industries
- the PWC report points out that other districts in the region rely on Napier for the provision of services such as real estate, hospitality and transport
- however the report goes on to note that “a potential concern is that none of the largest industries in the Napier economy (hospitality, retail trade, other manufacturing, business services and ICT) have experienced significant growth over the last 10 years with three of the five largest industries in 2012 experiencing declines
- the McCredy Winder & Co report concluded that over the last decade the Hawke’s Bay Region had performed below average in the New Zealand context and given its resource base could do significantly better, and it noted that the region had considerable public sector resources that can and should be put to better use to foster the development of the region.

14. Local government in Hawke’s Bay has a very important role to play in the social and economic development and prosperity of the region. This role includes provision of infrastructure such as transport links and water and wastewater services, planning and regulatory activities, community development activities and also environmental management.

15. To be effective, local government arrangements need to reflect communities of interest in the region so as to enable democratic local decision-making and to facilitate representation and advocacy to other bodies including to central government. The arrangements also need to be sustainable into the future reflecting ongoing demographic, social, economic and environmental changes in the region.

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<sup>2</sup> The report notes this scenario is unlikely, however, as forest owners can and do make individual decisions on when to harvest.

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

### ***Statutory requirements***

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

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

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

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

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

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

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

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

19. For the purposes of clause 11(5), the process of identification of 'reasonably practicable options' set out in this report addresses the requirements in the following order: contains one or more distinct communities of interest; has an appropriate district/region for efficient performance of the local authority role; enables effective catchment-based flooding and water management; and has the necessary resources to carry out local authority responsibilities, duties and powers effectively.
20. In line with the requirements of clause 11(5), the analysis relates to local authorities "proposed to be established or changed". The analysis also covers existing local government arrangements in Hawke's Bay Region i.e. one regional council (Hawke's Bay Regional Council [HBRC]) and four territorial authorities (Napier City Council [NCC] and Wairoa [WDC], Hastings [HDC] and Central Hawke's Bay [CHBDC] District Councils) for the purposes of comparison. In addition the analysis addresses those areas of Taupo and Rangitikei Districts currently within Hawke's Bay Region.

***Extent to which reasonably practicable options are to be identified***

21. In relation to "the scale and scope of the (reorganisation) changes proposed" under clause 11(3)(a), the original ABHBT application and a number of the alternatives propose constituting unitary authorities in Hawke's Bay Region or a wider area. Such proposals would represent significant changes to existing arrangements. On this basis identification of a range of 'reasonably practicable options' for the region is appropriate.
22. Four alternative applications relate to areas that extend beyond Hawke's Bay Region previously declared by the Commission to be the 'affected area'. Three of these are proposals covering the whole of the east coast south of and excluding Gisborne District. The fourth application (referring to the "Tūhoe area of interest") is a proposal covering parts of Gisborne, Opotiki, Whakatane and Taupo Districts as well as parts of Wairoa and Hastings Districts. Given their wider scope, the four applications need to have evidence of community support for them to be considered.
23. Only one of the four applications included evidence of community support for the application. This evidence was two letters of support for the HBRC proposal (for an east coast regional council) from the Provincial Presidents of Wairarapa and Tararua Federated Farmers. However, as a result of further consultation relating to the "Tūhoe area of interest" proposal, support for consideration of appropriate local authority boundaries in this area has also been identified.
24. While the Commission needs to be satisfied in relation to the requirement for demonstrated community support for it to consider these proposals as submitted, it may decide to formulate its own proposals incorporating aspects of one or more of these proposals. On this basis the officers have proceeded to analyse the four applications along with the other alternatives submitted, in relation to the substantive criteria for identification of the 'reasonably practicable options'.
25. Given the limited "community support demonstrated to the Commission" under clause 11(3)(b) for proposals wider than the declared 'affected area', the Commission needs specifically to consider whether there are "potential benefits of considering other options" (i.e. wider than Hawke's Bay Region) under clause 11(3)(c). This consideration should take into account that, if a draft proposal is released, there will be the opportunity for the public to submit on other options in response to the Commission's proposal, before it considers a final proposal.
26. In relation to "desirability of early certainty" under clause 11(3)(d), the officers have previously advised that there was not considered to be pressure for early certainty about local government arrangements in Hawke's Bay Region to the extent that it would preclude consideration of a range of 'reasonably practicable options'. On this basis, the Commission has undertaken quite extensive informal consultation on local government arrangements in Hawke's Bay Region and advised it would not be releasing any draft proposal before the October 2013 local authority

elections. A list of the individuals, groups and organisations consulted to date is attached as *Appendix A1*.

***Contains one or more distinct communities of interest***

27. The ABHBT application and the identified alternative applications must be considered against the clause 11(5)(c) criterion of the proposed region/district needing to contain one or more distinct communities of interest.
28. The Commission has identified three dimensions of community of interest which it uses for both reorganisation and representation review purposes. These dimensions are:
- perceptual: a sense of belonging to or identity with an area
  - functional: ability to meet a community's requirements for services covering both council and non-council services
  - political: ability to represent the interests and reconcile conflicts of communities.
29. No one dimension on its own is sufficient to define a community of interest and no one dimension is more important than the others. Also it should be noted that the dimensions are not independent of each other and one may help reinforce another.

***Perceptual dimension of communities of interest in Hawke's Bay***

30. The officers are not aware of any survey specifically testing residents' sense of belonging to Hawke's Bay Region as one entity. It is noted, however, that the sense of belonging to or identity with an area can be reinforced by such factors as physical and geographic features, support for sports teams and local history, and some of these factors are addressed below.
31. A 'Hawke's Bay identity' has existed for a very long time. Hawke's Bay was one of the nine provinces established in the nineteenth century (in 1858) which were all subsequently abolished in 1876. Arrangements relating to counties and boroughs, also town districts, in Hawke's Bay evolved from that date. Other arrangements helping to establish and reinforce a Hawke's Bay identity include the establishment of a Napier (later Hawke's Bay) Harbour Board (1875), Hawke's Bay Catchment Board (1943) and then Hawke's Bay United Council in 1983. The current Hawke's Bay Regional Council was constituted as part of the comprehensive local government reforms of the late 1980s.
32. It is noted that in 1988 the then Local Government Commission, as part of nationwide reforms, considered three options in relation to Hawke's Bay: a combined East Coast/Hawke's Bay Region, inclusion of Dannevirke District in the existing Hawke's Bay Region, and the Hawke's Bay Region as then constituted.
33. The Commission noted there was little support from the local authorities concerned for combining the East Cape area (excluding Opotiki District) with Hawke's Bay Region and that there was a view that East Cape's community of interest lay more within the existing region or with Bay of Plenty Region. There was also considerable opposition for a combined region within the East Cape area. The Commission did note, however, that had it not considered it appropriate to constitute Gisborne District as a unitary authority, this option could have been considered further. This was based on "an undoubted historical, geographic and transport link between the two regions, even though the terrain is rugged".
34. In relation to possible inclusion of Dannevirke District in Hawke's Bay Region, the Commission concluded that Dannevirke's community of interest lay more towards Manawatu Region. This option also received little support at that time.

35. The Commission noted there was significant support from within Hawke's Bay Region for retention of the existing region and concluded that there was a long established regional identity and community of interest. It noted there was also a willingness to work together as a region and there appeared to be an adequate resource base. This option was therefore seen as the most practical for a regional unit of government in Hawke's Bay at that time.
36. Consideration now needs to be given to whether this conclusion remains appropriate today and for the future. This report first addresses the identity and community of interest issues in relation to the current regional boundary.
37. A new Wairoa District was constituted in 1989 as the northern most district with a common boundary with Gisborne District (the exact determination of this boundary is addressed below under 'Enables effective catchment-based flooding and water management'). Wairoa District is the smallest district in the region with 7,890 people or 5.22% of the region's population (2013 census). It has a significantly higher proportion of the population who are Māori (56%) than the other districts in Hawke's Bay Region and also compared to Gisborne District (44%). Other characteristics which distinguish Wairoa from other districts in the region and also from Gisborne District include: occupational categories, educational achievement levels and youth unemployment (although also comparatively high in Gisborne District).
38. Statistics New Zealand data suggests that Wairoa District is different from both the remainder of Hawke's Bay Region and also Gisborne District (at least in the south of the district) given the amount of area described as highly rural and remote. The main urban area is Wairoa township which has just over half the total population of the district. From the township, it is 98 km north to Gisborne City by car which takes one hour 14 minutes, compared to 116 km to Napier which takes one hour 26 minutes.
39. A new Central Hawke's Bay District was constituted in 1989 in the south of Hawke's Bay Region with a common boundary with Tararua District and also Manawatu-Wanganui Region. Central Hawke's Bay District has a population of 12,720 or 8.41% of the region's population (2013 census). The largest town is Waipukurau (population 3,741) which is 50 km south of Hastings and 108 km away from Palmerston North. The second largest town is Waipawa with a population of 1,968. The district has a primarily agricultural based economy in common with neighbouring Tararua District but also with large areas of Hastings District to the north.
40. Central Hawke's Bay District has a number of characteristics, in addition to land use, in common with Tararua District. The population of the latter is comparable (16,854) spread over several small towns and townships with generally low urban influence. Both districts have similar landscapes with mountain ranges to the west and a long coastline to the east.
41. The western boundary of Hawke's Bay Region encompasses small areas of Taupo and Rangitikei Districts given the location of river catchments in these districts. In response to the invitation for alternative applications, Taupo District Council advised it would not support the transfer of the areas of its district to any new unitary authority that may be constituted. This was on the grounds that landowners in this area "associate with Taupo rather than Napier" and use of services and facilities in Taupo District such as schools, shops, libraries and swimming pools. The council also pointed out that some large blocks of land in the area were owned by Māori trusts and "as these trusts are associated with Ngati Tūwharetoa the land should be within the local government boundary best associated with the Tūwharetoa rohe". The council has advised that it is gathering the views of residents in the area and these will be forwarded to the Commission in the near future. Recent consultation with Ngati Tūwharetoa has confirmed its sense of identity distinct from Hawke's Bay.



42. The mayor of Rangitikei District submitted a letter of support for the original ABHBT application and the option of including the area of Rangitikei District currently in Hawke's Bay Region in any new unitary authority. This was on the basis that "the two most affected properties, Ngamatea and Timahanga, already see themselves as more Hawke's Bay than Rangitikei". Support for this view was given directly to the Commission by one of the affected landowners who also pointed out that the Timahanga station currently straddles the Rangitikei and Hastings district boundaries.
43. Subject to decisions about the precise location of the western boundary of the region, the officers consider that a clear Hawke's Bay Region identity does exist including reasonably clear distinctions between the areas that comprise the current northern and southern regional boundaries from their neighbouring areas to the north and south. While there are similarities between Wairoa and Gisborne District to the north, and between Central Hawke's Bay and Tararua District to the south, there are also important differences.
44. On this basis the four alternative applications involving proposals extending beyond the previously declared 'affected area' (Hawke's Bay Region) can be seen to conflict with perceptions of a Hawke's Bay identity and likely sense of belonging to this area.
45. As noted, the three dimensions of community of interest are not independent of each other and may help to reinforce each other. In respect of the perceived dimension of a sense of regional identity and belonging, this may be reinforced, for example, by services available in the area. This is addressed next.
46. Another issue to consider is the extent changes have occurred in demographic and socio-economic characteristics of the four districts that make up the region, since 1989. These can occur both within the districts and also in the comparative position between districts and the region as a whole. These changes, which may impact on people's perceptions about communities of interest, are also discussed further below.

*Functional dimension of communities of interest in Hawke's Bay*

47. The ability to provide services required by local communities is another important dimension of communities of interest. This report addresses local government services under 'Appropriate district/region for efficient performance of the local authority role'. Provision of particular non-local government services is addressed here.
48. A number of governmental functional/service delivery jurisdictions coincide with the area of Hawke's Bay Region as a whole or a wider area, and these include:
  - Hawke's Bay DHB: covers the current Hawke's Bay Region with a corporate office in Hastings and health centres in Wairoa, Napier and Waipukurau (N.B. there are separate DHBs for Tairāwhiti (Gisborne) and for Midcentral which includes Tararua District)
  - Work and Income east coast region: covers Gisborne District and Hawke's Bay with its regional office in Napier (N.B. there is a separate central region including Tararua District, Wairarapa, Manawatu, Horowhenua and Kapiti, and also a Wellington region)
  - Family and Community Services/Heartland Services central south region: covers all of the southern North Island with advisers/coordinators in different areas
  - Child, Youth and Family central region: covers all of the southern North Island with offices in Wairoa, Napier, Hastings and Waipukurau
  - District courts: are located in Wairoa, Napier, Hastings and Waipukurau (N.B. there are separate courts in Gisborne and Dannevirke)

- Police eastern district: covers the Tairāwhiti and Hawke's Bay areas with district headquarters in Napier and area headquarters in Hastings (N.B. there is a separate central district including Tararua, and a Wellington district including Wairarapa)
- Fire Service region 3: covers all of the southern North Island with separate areas for Hawke's Bay (area office in Napier), Hutt-Wairarapa, Wellington and Manawatu
- Sport Hawke's Bay: covers Hawke's Bay Region with separate teams in Wairoa and Central Hawke's Bay.

49. An example of a common distinction between Hawke's Bay Region and Tararua District in relation to delivery of governmental services, though formally in the same government agency service region, is highlighted in the following mapping of one Tararua service. *'Government services for the region are delivered in a range of different ways. For example, Child, Youth and Family (CYF) has an office and a team in Dannevirke managed from the Masterton office and under the Palmerston North region. Dannevirke workers service Norsewood, Dannevirke, Woodville and Pahiatua, and Masterton workers service Eketahuna. CYF funding is administered from Palmerston North and CYF audit from Wanganui. Eketahuna funding is administered from Porirua while family group conferences are from Masterton.'*<sup>3</sup>

50. Having a common area for the delivery of both local government and other governmental services is useful for facilitating advocacy to central government on behalf of local communities, for inter-agency cooperation and for promoting partnerships or joint approaches on particular issues. Conversely it can be challenging to achieve these things when there are a number of local authorities needing to be coordinated in order to achieve joint action.

51. Other important functional dimensions of community of interest relate to activities such as place of employment, shopping and schooling. These reflect to varying degrees factors such as geography, distance, population characteristics and urban-rural split.

52. Place of employment statistics set out in the following table show that the Napier – Hastings conurbation is the main centre of employment including a relatively high degree of cross-boundary travel between Napier City and Hastings District.

**Residents' place of work (2006 census)**

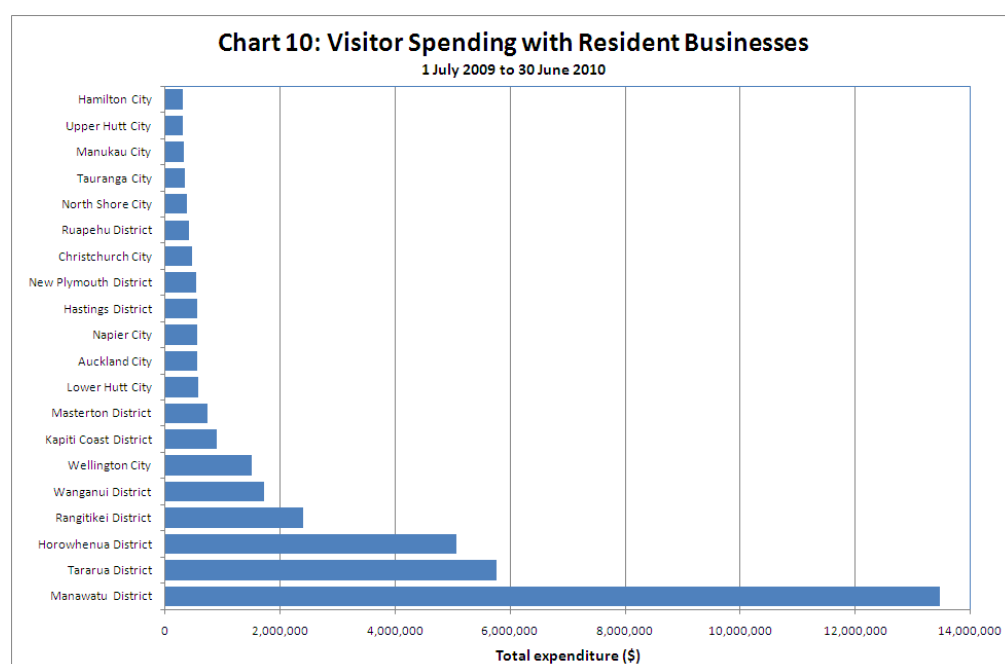
	Wairoa	Napier	Hastings	Central H.B.	Gisborne	Tararua
Wairoa	2,535	18	27	12	30	-
Napier	24	15,423	4,542	87	15	-
Hastings	18	3,294	21,207	294	21	9
Central H.B.	-	90	447	4,440	-	48

53. Another functional dimension of community of interest is where residents do their shopping. To address this, the officers identified a measure of retail activity (BNZ cardholder spending and transactions August 2012 – July 2013) in relation to particular Hawke's Bay boundary authorities with a view to confirming or otherwise ongoing functional dimensions of the existing Hawke's Bay Region.

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<sup>3</sup><http://www.familyservices.govt.nz/documents/working-with-us/programmes-services/connected-services/local-services-mapping/tararua-2006.pdf>

54. While anecdotal information suggested Wairoa residents undertake much of their out-of-district shopping in Gisborne, BNZ cardholder data show higher activity in Hawke's Bay Region compared to Gisborne District.
55. In relation to Tararua District, which abuts the Hawke's Bay Region's southern boundary, there is a strong retail link with Palmerston North as distinct from Hawke's Bay. Even at a sub-district level, it seems unlikely, given it is a similar size, that many residents of Dannevirke in the north of Tararua District or the surrounding area would travel north to Waipukurau for services. Meanwhile people in Woodville and Pahiatua are likely to travel to Palmerston North and people in Eketahuna are likely to travel to Masterton for other than regular routine shopping. This is reflected in marginally higher Tararua BNZ cardholder activity in Wairarapa compared to Hawke's Bay.
56. Analysis of BNZ spending data by Palmerston North City Council reinforces the view that Tararua residents tend to use Palmerston North as their main retail area as shown in the following table.



57. In addition, travel to work data shows that more Tararua District residents travel to Palmerston North/Manawatu (402) than to Central Hawke's Bay, Hastings or Napier (111).
58. Other economic links between Tararua District and Palmerston North are also evident. Commission staff discussions with officials from Palmerston North City Council and Horizons Regional Council identified Palmerston North as a hub for produce to be transported to CentrePoint in Wellington or north up state highway one. This hub function was demonstrated in relation to movement of produce from the east, with the closure of the Manawatu Gorge due to land slides. The closure had a significant impact on the east coast. Media reports during the closure noted it was a significant issue for Tararua District residents<sup>4</sup> and for local businesses with the loss of tourists given the reduced access and significant alternative route travel costs.

<sup>4</sup> For example, <http://www.stuff.co.nz/dominion-post/news/5736279/Business-pain-of-Manawatu-Gorge-closure>

59. Another functional dimension relates to local schooling. Wairoa District has two secondary schools and the school bus entitlement zone largely follows Wairoa District boundaries. Central Hawke's Bay District also has two secondary schools. However, the school bus entitlement zone for Central Hawke's Bay College which is based in Waipukurau, does not cover the whole district. Students in the southern part of the district are entitled to catch a bus to Dannevirke High School while students in the northern area may attend Hastings colleges.
60. In summary, there is a Hawke's Bay focus in relation to delivery of particular governmental services with the focus extending to Gisborne District for some services. Yet other services are managed on the basis of the whole of the southern North Island. For these latter services there is often a clear distinction between Hawke's Bay and Tararua District with a significant number of these provided from Palmerston North or further south. In relation to other social and economic activities such as place of work, shopping and transportation, Tararua District is also more closely tied to Palmerston North/Manawatu than to Hawke's Bay.
61. Arrangements for delivery of governmental services coupled with the relationship between Tararua District and Palmerston North/Manawatu are seen by the officers as not supporting an argument for the existence of an all of east coast community of interest from a functional perspective. In addition, data suggests there is a closer connection between Wairarapa and Wellington than between Wairarapa and Hawke's Bay from a functional point of view, and the further south in Wairarapa the stronger the connection with Wellington. This data covers travel to work statistics and BNZ cardholder transactions. In addition to governmental services, it should also be noted that non-governmental services and functions such as Chambers of Commerce and Federated Farmers have separate structures for Wairarapa reinforcing a separate sense of identity for this area.

*Political dimension of communities of interest in Hawke's Bay*

62. Ability to represent different interests and to reconcile conflicts of different communities is another important dimension of community of interest. This relates to the operation of local government itself and also its relationship with central government and with a wide range of non-governmental bodies.
63. Hawke's Bay Region's political or democratic structures currently bear some relationship to parliamentary representation structures with the region spread across three general parliamentary constituencies. These are the Napier electorate which includes Wairoa District, the Tūkituki electorate which includes the southern part of Hastings District and the northern part of Central Hawke's Bay District and Wairarapa electorate which includes the southern part of Central Hawke's Bay District including both Waipawa and Waipukurau. The Ikaroa-Rawhiti Māori electorate covers all of the east coast from Gisborne to Wairarapa.
64. Commonality of parliamentary representation structures and local government structures help to reinforce identity with an area, and to facilitate advocacy to the other level of government on behalf of the people of the area. It is noted that the current parliamentary constituencies are under review following the recent census.
65. A number of non-governmental bodies, representing particular sectors and interests, coincide to a greater or lesser extent with Hawke's Bay Region. The Hawke's Bay Chamber of Commerce, for example, was formed in 1993 with the merger of the Napier and Hastings Chambers. Two Federated Farmers provinces cover the region being Gisborne-Wairoa and Hawke's Bay. There is a separate Tararua province based on Tararua District.

66. Hawke's Bay Region and the four districts within the region have been in place for nearly a quarter of a century as democratic structures representing distinct communities of interest. Within the boundaries of these local authorities there are a variety of other bodies representing more local communities of interest. These include both local authority structures such as community boards, Māori liaison bodies and a range of committees and boards sometimes including non-council representatives, as well as non-local authority structures such as community, residents and ratepayer associations. Details of current Hawke's Bay local government representation and decision-making structures and processes are set out in *Appendix A2*.
67. The single biggest iwi in the region is Ngāti Kahungunu whose rohe extends from Wairoa District in the north to Cape Palliser in Wairarapa in the south. The rohe consists of six individual areas or districts four of which are within the current Hawke's Bay Region being (from north to south) Wairoa, Whanganui A Orutu, Heretaunga and Tamatea. The other two districts to the south are Tamaki Nui a Rua and Wairarapa. Other iwi with an interest in parts of the current Hawke's Bay Region include Tūhoe, Tūwharetoa.
68. The alternative application received proposing a new local authority based on the "Tūhoe area of interest" would cut across Gisborne, Wairoa, Hastings, Taupo, Rotorua, Whakatane and Opotiki Districts, as well as Hawke's Bay, Waikato and Bay of Plenty Regions. As noted previously, if this proposal were to be considered it would require further demonstration of community support given it extends beyond the currently declared 'affected area'.
69. Based largely in the Bay of Plenty, the "Tūhoe area of interest" crosses over the Huiarau Range and extends south to include Lake Waikaremoana in Wairoa District. A local authority based on this area, or even a narrower area more closely reflecting Te Urewera National Park, would raise significant questions about meeting the requirements for an area to be appropriate for efficient performance of the local authority role and also effective catchment-based flooding and water management.
70. The Commission would also be required, under clause 11(6)(c), to consider the effects of excluding, for example, an area around and including Lake Waikaremoana, from Wairoa District and Hawke's Bay Region. It also needs to be noted that other hapū/iwi have an interest in this area including Ngāti Ruapani ki Waikaremoana and Te Tira Whakaemi o Te Wairoa.
71. Tūwharetoa interests relate to an extensive area circling Lake Taupo and include areas of Taupo District currently within Hawke's Bay Region for purposes of effective catchment management. Consultation has confirmed that the iwi's focus of interest is more based on the Taupo area as distinct from Hawke's Bay.
72. The LGA includes specific obligations for facilitating participation by Māori in local authority decision-making processes and the Hawke's Bay local authorities currently have a range of mechanisms to meet these obligations (see *Appendix A2*).
73. As part of the consideration of reorganisation options, attention needs to be given to the efficacy of current arrangements relating to hapū/iwi/Māori and to possible improvements to encourage and facilitate participation. These arrangements should reflect the principle of partnership envisaged under the Treaty of Waitangi.
74. It is noted that the options of separate Māori wards or establishment of an independent Māori statutory board, as in place in Auckland, are not currently available to the Commission as part of a reorganisation scheme. However other options to promote participation include Māori advisory boards as committees of the local authority.

75. NCC has submitted further information relating to the rohe of local iwi/Māori, in support of its proposal for a boundary alteration between the city and Hastings District. The information provided relates to the location of marae and residences of the elected representatives of Te Taiwhenua O Whanganui a Orutu (Napier taiwhenua) which are outside the city boundary.
76. It is noted that legislation is to be introduced shortly to establish a Hawke's Bay 'regional plan committee' that comprises equal representation of regional councillors and members appointed by the regional council on the recommendation of Treaty of Waitangi claimant groups. The purpose of the committee is to review and develop regional policy statements and regional plans for Hawke's Bay in accordance with the Resource Management Act 1991.
77. Enactment of legislation to establish this committee is part of the redress sought by claimants and includes involvement in formal decision-making on natural resources. The groups proposed to be represented on the committee are Tūhoe, Tūwharetoa, Ngāti Ruapani ki Waikaremoana, Te Tira Whakaemi o Te Wairoa, Ngāti Pahuawera, Ngāti Hineuru, Ngāti Tu Hapū (Maungaharuru Tangitu), Mana Ahuriri and He Toa Takitini. The officers understand that Tūhoe has declined to take up its position on the committee.
78. If a significant change to existing Hawke's Bay Region boundaries were to be proposed by the Commission, it is recommended that further consultation with the Office of Treaty Settlements be undertaken in relation to the Bill and particularly hapū/iwi representation on the committee.
79. In addition to structures relating to hapū/iwi/Māori, the Commission, in identifying the 'reasonably practicable options' and then determining its 'preferred option' for local government arrangements in Hawke's Bay, needs to consider the appropriateness and effectiveness of other structures and processes in relation to the purpose of local government set out in section 10 LGA. This purpose includes: "to enable local democratic decision-making and action by, and on behalf of, communities".
80. "Action" in section 10 may be seen to include such functions as leadership and advocacy on behalf of communities to other authorities including to central government. The McGredy, Winder & Co report commented that if there was one thing above all else that could make a difference to the position of Hawke's Bay today it was leadership and vision. It identified leadership as being necessary to "harness the resources of the region and galvanise the actions of people, businesses and communities to work together for a better future". Consideration needs to be given to the efficacy of current local government structures to represent and advocate on behalf of Hawke's Bay communities and to help achieve desired outcomes.
81. This relates to the argument made by a number of applicants for "one voice" to be mandated to strongly and clearly speak on behalf of all Hawke's Bay communities. It is argued further that the combined weight and resources of Hawke's Bay Region as a whole is needed to be effective in dealing with central government to address particular issues.
82. In this regard, consideration needs to be given to those applications that are seen as 'partial' only in relation to representation and advocacy for Hawke's Bay as a whole. These applications are a boundary alteration between Napier and Hastings with no other change in the region<sup>5</sup>, union of Napier and Hastings with no other change in the region, and constitution of a unitary authority for the "Tuhoe area of interest" with no other change in the region. To the extent these proposals only deal with one part of the region, they are not seen as likely to result in either enhanced representation of Māori across Hawke's Bay or enable a strong voice to speak on behalf of all Hawke's Bay communities.

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<sup>5</sup> The NCC application proposes an alternative mechanism to address the need for regional advocacy and this is addressed in Part C.

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

83. The ABHBT application and the alternative applications must next be considered against the clause 11(5)(b) criterion of the proposed region/district being appropriate for the efficient performance of the local authority role. That role is prescribed as: to give effect to the purpose of local government (section 10 LGA) and to perform the duties and exercise the rights conferred by legislation.
84. Clause 11(6) provides some guidance on factors to consider in relation to an “appropriate district or region for the efficient performance of a local authority’s role”. The clause requires the Commission to have regard to:
- a) the area of impact of the responsibilities, duties and powers of the local authorities concerned
  - b) the area of benefit of the services provided
  - c) the likely effects on a local authority of the exclusion of any area from its district or region
  - d) any other matters it considers appropriate.
85. It is noted that the amended definition of the purpose of local government in section 10 LGA, refers to meeting current and future needs of communities for good-quality local infrastructure, local public services and cost effective performance of regulatory functions. Good quality is defined in terms of efficiency, effectiveness and appropriateness in relation to present and anticipated future circumstances.
86. Both the original application and a number of alternative applications propose the constitution of one or more unitary authorities. It is appropriate, therefore, to focus firstly on arrangements for undertaking regional responsibilities, duties and powers. The HBRC’s 2013 annual report identifies the following main council activities:
- strategic planning (including economic development)
  - land drainage and river control
  - regional resources (including land, air, water and coastal management)
  - regulation (including resource consent processing, compliance monitoring, maritime safety and navigation)
  - biosecurity
  - emergency management
  - transport
  - governance and community engagement.
87. Clearly the original ABHBT application, being for establishment of a unitary authority for the existing region, can be seen to be an appropriate region for the efficient performance of the regional council role including the carrying out of regional activities. The appropriateness of current districts for efficient performance of the territorial authority role and possible options for improved arrangements, including combining these roles, will be addressed in *Part B*.
88. The alternative application for two unitary authorities covering the east coast south of Gisborne, involves one unitary authority for the current Hawke’s Bay Region. To this extent it reflects the original application and therefore the same comments apply in relation to this area being an appropriate region.

89. The option of the union of the four territorial authorities and retention of the regional council would leave existing structural arrangements in place at the regional level and be seen to satisfy the requirement for an appropriate region in relation to the regional council role. Again options for efficient performance of the territorial authority role will be addressed in *Part B*.
90. Both the proposals for a boundary alteration between Napier and Hastings and for the union of these two districts, are seen as proposing that other existing arrangements, including the regional council, are kept in place at least in the meantime. In this option the current region is assumed to be appropriate for performance of the regional council role.
91. The proposal for a “Tūhoe area of interest” council is seen as applying to that area only and therefore that status quo arrangements would apply elsewhere. The exact boundaries in this proposal are not specified and therefore it is difficult to determine whether they would allow for the efficient performance of the local authority role both by the new council and by the other existing local authorities. This relates in particular to catchment-based functions, addressed next.
92. The HBRC alternative application argued for an east coast regional council on the basis that the areas within the proposed region share many similarities. These are: the areas are geographically isolated by the mountain ranges of the lower North Island, they have a similar climate, they form a single contiguous relevant ecological unit, and they are economically dependent upon its natural resource base and rural sector. On this basis an extended east coast region may be seen to be an appropriate region for the performance of aspects of the regional council role as this relates in particular to planning in relation to natural resources and environmental management. Requirements in relation to the regional council role in catchment management are addressed in the next section.
93. In summary, efficient performance of the local authority role relates to areas of impact and benefit from particular services and functions matching, as closely as possible, areas over which costs related to these services and functions are imposed. Given certain services and functions need to be provided in respect of the whole region, arrangements need to be put in place for this to occur and for their associated costs to be spread fairly across the region now and in the future. All options for reorganisation in Hawke’s Bay Region would either leave existing regional council arrangements in place or replace these with new arrangements suggesting they would at least to some extent meet the requirement to have an appropriate region for the performance of the regional council role. An appropriate district for the performance of the territorial authority role is addressed below in relation to each identified option.

### ***Enables effective catchment-based flooding and water management***

94. The ABHBT application and the identified alternative applications must next meet the clause 11(5)(d) criterion of enabling effective catchment-based flooding and water management.
95. In 1989 the then Local Government Commission concluded that strict adherence to catchment boundaries in relation to the boundary between Hawke’s Bay Region and Gisborne Region/District, would have two adverse effects on Gisborne. These were the loss of an important rating base and the loss of a water supply for the district. Accordingly the Commission determined that the regional boundary should follow existing territorial authority boundaries in this area and that the two local authorities would have to liaise closely with respect to water and soil matters affecting the Hangaroa, Mangapoike and Nuhaka river catchments.
96. In relation to the western boundary of Hawke’s Bay Region, the Commission in 1989 determined that this should follow catchment boundaries in light of the importance of the management of issues such as soil erosion relating to these catchments. This relates to the Mohaka and



Taruarau Rivers and resulted in two small areas of Taupo District and one area of Rangitikei District being placed in Hawke's Bay Region.

97. The boundary between Hawke's Bay Region and Manawatu-Wanganui Region in southern Hawke's Bay was established in 1989 to conform with river catchments in the respective regions.
98. In short, apart from the decision in respect of the boundary with Gisborne District, Hawke's Bay Region boundaries can be seen to enable effective catchment-based flooding and water management and the original and alternative applications need to be assessed by way of comparison.
99. One of the alternative applications proposed an east coast regional council with a northern boundary at the Mohaka River. As the requirement for effective catchment-based flooding and water management generally requires whole catchments to be within regions, this alternative does not meet the requirement. It would therefore have to be shown that there was good reason not to meet this requirement as the Commission found in 1989 in relation to the current boundary.
100. In addition, both this alternative application and that by HBRC would include Tararua District and, as a result, the headwaters of the Manawatu River which flows through the Manawatu Gorge and out to the west coast of the North Island. Again the appropriateness of not providing for the whole Manawatu River catchment to be within one region would have to be justified by the Commission. Both the east coast regional council alternative applications and that for two unitary authorities for the east coast have, however, already been assessed in relation to the requirement for regions/districts to contain distinct communities of interest. On the basis of this assessment, the officers consider these three alternative applications should not be identified as reasonably practicable options.
101. In summary, subject to decisions on the western boundary, discussed in *Part C*, the original application and the alternatives, with the exception of the "Tūhoe area of interest" council and the east coast proposals, can be seen to meet the requirement for effective catchment-based flooding and water management.

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

102. Finally, the ABHBT application and the alternative applications must be considered against the clause 11(5)(a) criterion of the proposed or changed local authority having the resources necessary to enable it to carry out its responsibilities, duties and powers effectively.
103. With the exception of the "Tūhoe area of interest" proposal, all proposals involve the combining of existing councils, or parts of their existing districts with other districts. On this basis the latter proposals are seen as likely to have access to the necessary resources. This will however be assessed further in *Part B* following more detailed analysis of the financial position of the existing councils.
104. The "Tūhoe area of interest" proposal does not have sufficient detail about its proposed boundaries to be definitive about it having the necessary resources. But as noted previously it could be eliminated as a 'reasonably practicable option' on other grounds.
105. In relation to the alternative applications for the union of Napier City and Hastings District, some of these can be seen as phased proposals with a possible second phase of reorganisation at a later date. Clause 11(6)(d) requires the Commission to have regard to any other matters considered appropriate in the identification of 'reasonably practicable options'. The officers believe that an extended period of uncertainty arising from a phased approach to reorganisation

in Hawke's Bay is such a matter for consideration. On the basis of the likely resulting indefinite period of uncertainty regarding necessary ongoing (organisational) resources and likely additional costs, the officers consider a phased approach to reorganisation should be considered not to be a 'reasonably practicable option'.

## **Conclusion**

106. The Commission has firstly to decide the extent to which it will identify 'reasonably practicable options' for local government arrangements in Hawke's Bay. This relates firstly to the four alternative applications that include proposals that extend beyond the area declared by the Commission to be the 'affected area' i.e. the existing Hawke's Bay Region. It is noted that limited community support for these alternative applications has been provided to the Commission.

107. The information in this part of the report relates primarily to communities of interest with a view to narrowing down the applications to be analysed in detail against the requirements for 'reasonably practicable options' set out in clause 11(5) of Schedule 3. In summary the officers have concluded:

- a clear Hawke's Bay Region identity does exist including reasonably clear distinctions between the areas that form the current northern and southern regional boundaries, and their neighbouring areas to the north and south
- while there are similarities between Wairoa District and Gisborne District, and between Central Hawke's Bay District and Tararua District, there are also important differences and these differences increase the more the area to the south is taken into consideration
- there is a Hawke's Bay focus in relation to delivery of particular governmental services with the focus extending to Gisborne District for some services
- other governmental services are managed on the basis of the whole of the southern North Island and for these services there is often a clear distinction between Hawke's Bay and Tararua District with a significant number of these services for the latter area provided from Palmerston North or further south
- in relation to other social and economic activities such as place of work, shopping and transportation, Tararua District is more closely tied to Palmerston North/Manawatu than to Hawke's Bay
- people in Woodville and Pahiatua are likely to travel to Palmerston North and people in Eketahuna are likely to travel to Masterton for other than regular routine shopping
- arrangements for delivery of governmental services coupled with the relationship between Tararua District and Palmerston North/Manawatu are seen by the officers as not supporting an argument for the existence of an all of east coast community of interest from a functional perspective
- data suggests there is a closer connection between Wairarapa and Wellington than between Wairarapa and Hawke's Bay from a functional point of view, and the further south in Wairarapa the stronger the connection with Wellington
- a number of non-governmental services and functions such as Chambers of Commerce and Federated Farmers have separate structures for Wairarapa helping to reinforce a separate sense of identity for that area
- in addition to community of interest considerations, there would be concerns about achievement of effective catchment-based flooding and water management relating to the Manawatu River if an east coast regional council or two unitary authorities for this area were to be established

- on the basis of the foregoing, the officers consider the alternative applications for a regional council for all of the east coast or for two unitary authorities for this area should not be identified as 'reasonably practicable options'
- while there are some functional connections which cross Hawke's Bay Region boundaries, a local authority in the north of the region which crossed the boundaries of Gisborne, Hawke's Bay, Waikato and Bay of Plenty Regions could not be seen to contain one distinct community of interest and would also raise catchment management issues
- on this basis, together with questions about having an appropriate region/district for performance of the local authority role and the necessary resources, the officers consider the "Tūhoe area of interest" proposal should also not be identified as a 'reasonably practicable option'.

## **Recommendation**

108. It is recommended that the Commission:

- note limited community support has been provided to the Commission for the four alternative applications involving areas beyond the previously declared 'affected area' for Hawke's Bay local government arrangements
- agree a range of 'reasonably practicable options' relating to Hawke's Bay local government arrangements should be identified
- agree that the following reorganisation applications not be identified as 'reasonably practicable options': an east coast regional council, two unitary authorities for the east coast, and a "Tūhoe area of interest" local authority.

## Part B: Further analysis of remaining alternative applications

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

- a boundary alteration between Napier City and Hastings District
- union of Napier City and Hastings District
- union of all four Hawke's Bay districts and retention of the regional council
- one unitary authority for the region.

It also addresses a further option of a modified status quo involving transfer of specified statutory obligations from territorial authorities to HBRC.

### ***Existing local government arrangements***

#### *Contains one or more distinct communities of interest*

110. In summary, key advantages and disadvantages of existing local government arrangements in relation to the clause 11(5)(c) criterion for districts/regions to contain distinct communities of interest are seen to be as follows.

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• Hawke's Bay Region has historically been recognised as a distinct community of interest and it is familiar for the community which facilitates community engagement</li><li>• The region coincides with areas of other services/functions (e.g. DHB and Regional Sports Trust) which can facilitate inter-agency communication/cooperation</li><li>• Current arrangements allow for diversity based on distinct district communities of interest with their own structures and processes for engaging with Māori and local communities including second tier arrangements such as community boards</li></ul>	<ul style="list-style-type: none"><li>• Arrangements were established 24 years ago and can now be seen to not fully reflect socio-economic changes and particularly population growth in Napier and Hastings with declines in Wairoa and Central Hawke's Bay</li><li>• The region lacks one mandated directly-elected voice to speak for/advocate on behalf of it in addressing the challenges facing the region</li><li>• Any joint approaches to address challenges, including possible shared service arrangements, depend on the ongoing political goodwill of the five local authorities and have significant transaction costs</li></ul>

#### *Other clause 11(5) criteria*

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

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

112. The analysis focuses on the performance of duties and the exercise of rights under legislation in respect of the core services set out in section 11A LGA. These core services are identified as: network infrastructure (roading and 'the three waters'); public transport services; solid waste; avoidance or mitigation of natural hazards; community facilities (including libraries, museums,

reserves and recreational facilities). Local authorities are also required to undertake a range of planning and regulatory activities. In addition, the officers have also considered the economic development function as undertaken by Hawke's Bay local authorities. The analysis addresses issues of efficiency, effectiveness and appropriateness (in relation to both present and anticipated future circumstances).

113. The findings from our analysis are set out in *Appendix B1* in relation to performance of council services and *Appendix B2* in relation to the present financial position of the Hawke's Bay councils. A summary of these findings follows.

#### Roading and transport

114. *Appendix B1* identifies roading and transport as a very significant activity in Hawke's Bay with roading representing the largest asset group for each of the four territorial authorities. Over the region, approximately two-thirds of the local network is sealed and one-third unsealed. However this ratio is reversed in Wairoa District where much forestry activity is increasingly being undertaken. It is noted that roads in this district sometimes have to be closed following wet weather due to their impassibility.
115. Much of the commercial traffic in the region is resource based activity being largely agricultural and particularly forestry, dairying and horticulture. These activities place the most demand on the roading networks. It is noted that, given the transfer of freight over time from rail to road and significant growth in total freight, pressure on the roading network is increasing.
116. The Hawke's Bay regional land transport strategy notes that rural development in the region is expected based on growth in forestry and also in dairying and horticulture facilitated by irrigation projects on the Ruataniwha Plains. There will also be growth arising from associated food processing industries and ongoing expansion of the Port of Napier. Given the expected level of development, the roading network and its capacity is seen as a key issue, particularly connections to the port in Napier and to the state highways out of the region.
117. *Appendix B1* notes concerns at council capacity to fund and gear up for the actual and potential growth in heavy traffic, particularly in areas with a declining resource base. The declining resource base is a result of declining population in areas of already low and dispersed populations, and these areas typically being associated with extensive roading networks and facing pressure from changing economic activity patterns.
118. Affordability concerns are identified in relation to Wairoa District in particular with expected development in Central Hawke's Bay seen as likely to present similar issues in the future. It is noted that WDC currently enjoys a high roading subsidy rate of 65% from the New Zealand Transport Agency but there is no certainty this will continue following the current review of funding assistance rates.
119. Options to achieve more efficient, effective and appropriate management of the roading and transport function on a regional basis, given its importance to the region as a whole, are seen to be the transfer by the four territorial authorities of their roading and transport statutory obligations to the regional council (the modified status quo option) or the option of one unitary authority for the region. These options are addressed below.

#### Potable water services

120. *Appendix B1* notes as a region Hawke's Bay has a growing water supply issue given recent rainfall patterns which may impact on growth areas in the future. Where the supplies are sourced from the plains, the districts are able to extract good quality water that does not require treatment.

121. Local authority asset management planning appears robust and captures the key issues that the councils need to grapple with. These issues include:

- concerns generally about the lack of overall asset condition ratings and associated ongoing renewal programmes
- presently ungraded water supplies in Central Hawke's Bay (to be assessed in 2014) with 3 treatment plant upgrades planned for 2014/15, and also the issue of staff shortages in management and supervision areas in CHBDC
- two of the three Wairoa schemes supply non-potable water, with the Tuai village scheme to be upgraded with an 85% government subsidy and a referendum is proposed on the future of the Mahanga scheme, also an upward historic cost trend suggesting future funding will become an increasing issue for WDC
- affordability concerns in Central Hawke's Bay and Wairoa Districts being areas of declining population, in relation to maintenance and upgrading of water supply infrastructure.

122. *Appendix B1* notes that the position of CHBDC and WDC could be mitigated through:

- operating systems as a single network with levels of cross-subsidisation
- utilising network pricing to smooth localised expenditure spikes
- enhanced operation of the schemes through the provision of potentially higher operator capacity and capability available in the larger operations of HDC and NCC.

123. The appendix notes it is accepted that larger councils generally have a greater range of skills and capacity to fully optimise the performance and strategic management of water assets. Greater optimisation in turn can lead to better quality and cost outcomes. Aside from greater size providing capacity greater, larger plants provide the opportunity for developing broader operator knowledge and skill sets.

#### Wastewater services

124. *Appendix B1* notes that local authority asset management planning appears robust and captures key issues that each of the councils need to grapple with. These issues include:

- concerns generally about the lack of overall asset condition ratings, infiltration from stormwater, and issues with resource consent conditions across a number of plants
- major sea outfall replacement requirements for the large HDC and NCC plants
- planning by NCC for an advanced primary treatment plant for domestic wastewater described in the council's pre-election report as the "single largest capital project for the council since the earthquake rebuild" involving a domestic wastewater levy now discontinued, and with significant potential risks identified
- all 6 Central Hawke's Bay schemes require some sort of upgrading with work beginning on Waipukurau and Waipawa schemes in 2013/14, CHBDC also has an issue of staff shortages in management and supervision areas
- 2 new schemes to replace local septic tanks are planned or underway in Wairoa with one receiving a 44% Ministry of Health subsidy, WDC also faces a significant risk from its pipe network given its age (a large proportion dates back to pre-1950) and ability to service existing assets will be constrained through lower numbers of contributors, the funding policy for renewals is on an "as needed basis" with significant increases in both capital and operating expenditure occurring over the last five years.

125. Population projections indicate that the CHBDC and WDC schemes will come under funding pressure as the areas start to de-populate over the next 20 years. Mitigations might include:

- operating systems as a single network
- joint procurement
- utilising network pricing to smooth out expenditure spikes
- enhanced operation of the schemes through application of potentially higher operator capacity and capability available in the larger plants in HDC and NCC.

#### Stormwater services

126. *Appendix B1* notes that from a regional perspective the performance of stormwater services is variable. The issues differ across the region with:

- CHBDC and WDC having limited networks, some being very old, limited ability to expand them and funding constraints with existing asset maintenance
- HDC and NCC being up to date from a backlog and asset age perspective, but having other issues such as stormwater infiltration into the sewer networks and flooding.

127. From a regional governance perspective, the service at a district level does not appear to present any major benefits from integration. Potentially there may be more benefit from a vertical integration with HBRC's river scheme programme than horizontal integration between the districts.

#### Solid waste

128. *Appendix B1* shows that refuse collection services across the region currently receive mixed ratings by customers as evidenced by satisfaction survey results posted in the council asset management plans and annual reports.

129. The region as a whole has a comprehensive network of strategic assets comprising transfer stations and the long term industry standard landfills in Wairoa District, Central Hawke's Bay District and Hastings District (a shared landfill with Napier). Landfill remediation does not appear to be a significant issue in the region.

130. Concerns around the apportionment of fixed landfill costs per ratepayer, however, are likely to be accentuated by predicted changes in population. This will be the case particularly in Wairoa and Central Hawke's Bay Districts with their expected declines in population.

131. In addition, existing waste plan initiatives to reduce waste to landfills are achieving long term reductions. As a result both CHBDC and WDC, which have relatively new landfills with significant future capacity, are looking for agreements to bring in waste from other districts to reduce ongoing costs.

#### Natural hazards management

132. There are a range of regional and district responsibilities in relation to natural hazards management covering hazard identification, policy, planning and response functions. Limited cooperation currently occurs in the region in these activities. The officers are not aware of particular concerns in relation to these activities but there is the generic New Zealand-wide concern about capability in particular specialist areas. This is likely to grow in light of increased knowledge and understanding of issues such as climate change and its impacts, and also given increasing public expectations.

133. Some limited cooperation occurs in the civil defence and emergency management activity as all territorial authorities, under legislation, are formally members of their regional group. The Hawke's Bay civil defence and emergency management plan is the overarching readiness and response document with district plans fitting in under the national and regional plans. Under legislation, each territorial authority is responsible for its own district in terms of emergencies. There are a total 10.6 full-time equivalent staff employed in this activity across all five Hawke's Bay councils, with some also undertaking rural fire responsibilities.
134. There have been proposals for greater collaboration but these have not progressed given different views held by the councils. The Ministry for Civil Defence and Emergency Management is keen to facilitate consideration of options for greater collaboration in Hawke's Bay including the option of a combined organisation at the regional level. Such a proposal could still involve staff being located locally.
135. In relation to the rural fire function, Wairoa District is proposed to be split between Gisborne and Hawke's Bay, with the remaining part of Wairoa, Hastings, Central Hawke's Bay and Tararua Districts also proposed to become a combined district. However, final decisions on these proposals is subject to the agreement of the councils concerned.

#### Regulatory and planning functions

136. *Appendix B1* notes that existing Hawke's Bay council regulatory and planning performance appears to be consistent with national levels. It also notes there appear to be limited opportunities for financial savings in administrative areas of regulatory and planning functions given some of these are small scale operations. This finding is in line with international research in relation to amalgamations particularly savings in labour-intensive activities compared to capital-intensive activities.
137. Opportunities for improvements are more likely to relate to consistency of approaches across the region and the removal of duplication in planning documents and processes. This would be expected to lead to a reduction in costs in the medium term (beyond a five year time horizon) as systems and processes become established and personnel become familiar with these.
138. Currently the four Hawke's Bay territorial authorities have separate district plans. The Napier and Hastings plans were described to the officers as "aligned" but with a "harmonisation" exercise having to be undertaken in respect of the two councils' planning rules. On this basis, integration of the two plans was described as not being difficult but the officers note this has not occurred with the NCC plan recently promulgated and the HDC plan now under review.
139. Consultation undertaken by the Commission identified stakeholder support for more integrated resource management planning in Hawke's Bay. This support was expressed in meetings with the Hawke's Bay Fruitgrowers Association, Pan Pac Forest Products Ltd and Hawke's Bay Chamber of Commerce most of whom questioned the need for five sets of plans and five separate review processes. The officers note that the need for a more integrated approach to planning has been acknowledged by NCC and is reflected in its proposal for a 'joint council regional board' to, among other things, direct development of a Hawke's Bay-wide spatial plan and a Hawke's Bay unitary plan. This joint or shared services approach is addressed further in *Part C*.
140. Central government policy and legislation is creating more opportunities to coordinate planning documents on a regional scale and provide national standards, but it will take some years before this bears fruit. It is also only a partial step, however, towards creating more integrated, and potentially more efficient, local government planning and regulatory delivery.



141. The full benefits of an integrated system are also unlikely to be available from shared services under status quo arrangements in Hawke's Bay based on past experience in collaboration. The alternative of transfer of obligations is an option but this can reduce the overall capacity of existing councils, particularly the smaller ones, given the typical range of responsibilities of officers in small councils, and it can lead to separation of management of related functions.

#### Community facilities

142. *Appendix B1* describes the range of community facilities currently being provided by the Hawke's Bay councils. Not surprisingly given their size, NCC and HDC provide a wider range of facilities and services than WDC and CHBDC.
143. In both its alternative application and its 2012/13 annual report, NCC provided a list of what it described as "shared services" with other councils in the region. In the community services area it included "shared library service" but comment from HDC suggested this is limited to ability for residents of either district to return books at the other's libraries. Sport Hawke's Bay was also listed but this is not a local government responsibility though the five councils are identified as sponsors of this trust along with a range of other public and private bodies and agencies. While there are some regional facilities, such as Sportspark Hawke's Bay which is run by a trust, there are very few actual shared services in these areas of council activity.
144. The officers also note comment from Tourism Hawke's Bay that there is considerable scope to promote Hawke's Bay as a venue for national sports tournaments but that this had often proved to be difficult given such things as different fee structures for the respective council facilities.

#### Economic development

145. *Appendix B1* outlines a range of activities undertaken by the five Hawke's Bay councils aimed, to varying degrees, at promoting their respective areas and assisting economic development generally.
146. HBRC has a broad economic development strategy covering promotion (through funding of Hawke's Bay Tourism) and a range of economic development activities including attracting external funding for research and development, development of sustainable primary production programmes, and targeted investment strategies.
147. In relation to promotion, NCC spends significantly more on this activity (\$9.1 million in 2012/13 or 11% of council operating expenditure) than HDC or the other two territorial authorities.
148. There is limited coordination between the councils in promotion and development activities with, for example, the Commission being advised by Hawke's Bay Tourism that there are 15 to 16 websites in the region promoting particular activities and interests, often paid for by the councils, and that this was "a huge opportunity for cooperation". The McCredy Winder & Co. report notes the opportunity and benefit that would follow from coordination of the i-sites in the region. That report also notes that Hawke's Bay now spends significantly less than many other regions in tourism promotion.
149. The McCredy Winder & Co report outlines the potential contribution of the visitor industry to the Hawke's Bay economy and notes the region has the ingredients necessary to expand the visitor market. However it goes on that to be effective, the region "will need to commit to a shared vision for the development of the sector, adequately resource the promotion of the region, commit to a long-term single-minded regional marketing and promotion strategy, integrate the i-sites with regional marketing efforts, and work to develop some new products and experiences that will make the visitor experience richer".

150. The officers note that NCC identifies the need for “a platform for decisions as to future action in regard to regional economic development priorities”. It considers that its proposed joint council regional board is the appropriate body to provide this platform.
151. Port of Napier is wholly owned by HBRC and managed through a council-controlled organisation. The port is the largest in central New Zealand (from Gisborne to New Plymouth in the north, to Nelson and Blenheim in the south). It is the North Island’s second largest export port by volume, handling 10% of the country’s exports. The Commission was advised a 50% growth in the number of containers is expected in the next 10 years. Clearly the port will play a critical part in the future development and well-being of the region, and good quality planning and management will be required to maximise its potential benefit for the region as a whole.
152. Port company representatives commented to the Commission that the port would benefit from having one council speaking with one voice to support it, as was now the case with Auckland for example. They also commented that Napier residents often said they did not get the benefits of having the port in the city with these generally being spread across the whole region, while locals complained about issues such as traffic, noise and light emanating from the port. This is an example where the costs and benefits of an activity should be equally shared but are not under current local government arrangements.

#### Financial and operational position of Hawke’s Bay local authorities

153. A review of the financial position of the five Hawke’s Bay councils was undertaken by Brian Smith Advisory Services Ltd and is provided in *Appendix B2*. Comparative financial information for the five councils for the 2012/13 financial year is shown in the following table.<sup>6</sup>

	<b>NCC</b>	<b>WDC</b>	<b>HDC</b>	<b>CHBDC</b>	<b>HBRC</b>
Operating revenue	\$85.9m	\$27.6m	\$100.7m	\$26.4m	\$38.3m
Operating revenue/capita	\$1,500	\$3,498	\$1,374	\$2,075	\$253
Operating expenditure	\$78.4m	\$20.4m	\$92.6m	\$26.0m	\$37.4m
Operating expenditure/capita	\$1,369	\$2,585	\$1,264	\$2,044	\$247
Rates revenue	\$45.9m	\$9.6m	\$63.0m	\$16.3m	\$14.5m
Rates revenue/person	\$801	\$1,216	\$860	\$1,281	\$95
Physical assets	\$1,244.7m	\$190.8m	\$1,668.2m	\$756.1m	\$153.8m
Debt	\$2.0m	\$9.5m	\$55.7m	\$14.7m	\$12.9m
Debt/person	\$34	\$1,204	\$760	\$1,155	\$85

	<b>Hawke’s Bay Region</b>
Total region debt/capita	\$627

154. All five councils may be seen to be viable at least in the short term. However WDC and CHBDC face serious longer term financial viability and operational issues as outlined in this report and appendices. These issues arise from declining populations in districts that already have a small and dispersed population, changing population profiles resulting in a ‘hollowing out’ of the working age population, and a reliance on economic activities that have been declining over several years and are projected to decline further.

<sup>6</sup> Final WDC and CHBDC 2012/13 annual reports are not available at this time but calculations are made based on interim reports.

155. *Appendix B3* identifies projected population trends for Hawke's Bay for the twenty-year period 2011-2031 and also the location of particular core infrastructure services, i.e. water schemes and wastewater treatment plants, in relation to these projected population changes.
156. It is noted that the impact of the proposed Ruataniwha water storage project on Central Hawke's Bay District is likely to be significant including increased demand for core infrastructural services, but the exact nature of the impact is not known at this time. The ability of the district to fund necessary upgrades will, nevertheless, be an important issue.
157. The officers note that Wairoa District also has potential opportunities as well as costs arising out of forestry development and also, along with other districts, potential new development as a result of future Treaty of Waitangi settlement agreements. The impact of the latter is likely to be medium term. In the meantime WDC officers commented to LGC staff that the council, in light of trends facing the district and new government requirements in areas such as drinking water standards, "is understanding how to shrink" services to reflect depopulation and to address resulting affordability concerns. This was described as requiring new skill sets which would be Wairoa's "point of difference".
158. Coupled with these issues is the current reliance of the two small councils on grants and subsidies to boost their revenues (30% and 26% respectively for WDC and CHBDC, compared to 5% and 13% respectively for NCC and HDC as noted in *Appendix B2*). WDC also currently has a significant issue in relation to rates arrears.
159. Collectively, these issues raise significant questions about the longer term viability of both WDC and CHBDC given necessary ongoing commitments to maintain and upgrade core infrastructural assets, provide effective regulatory functions, and meet naturally rising public expectations about service quality generally.

#### ***Option 1: modified status quo***

160. Section 24(1)(e) LGA defines a local government reorganisation as including the transfer of a statutory obligation from one local authority to another.
161. None of the alternative Hawke's Bay applications received proposed transfers of specific statutory obligations but the NCC application did note its alternative "may trigger" this option. The officers suggest this option should be considered as a possible 'reasonably practicable option'.
162. As a result of their analysis of existing local government arrangements, the officers identified a number of statutory obligations as potential candidates for transfer to the regional level in Hawke's Bay. These included territorial authority roading and transport obligations, aspects of the 'three waters', solid waste and particular regulatory and planning functions. While benefits can be identified from integration of these services and functions, the combined impact on the existing territorial authorities, financially and operationally, of the transfer of many or all of them would be very significant. The costs and benefits of this option in these circumstances tend to converge with those for the one unitary authority option.
163. For the purposes of this analysis, the officers therefore limited this option to the transfer of two statutory obligations for which significant benefits can be readily identified and some support for such transfers can be identified. The statutory obligations identified are roading and transport, and land-use planning. Analysis of this proposal as a 'reasonably practicable option' follows in relation to the clause 11(5) and (6) criteria.

*Contains one or more distinct communities of interest*

164. This option mirrors existing local government arrangements. That is, it involves no structural reorganisation and so existing communities of interest, defined by the boundaries of HBRC and the four territorial authorities, would be retained. The advantages and disadvantages of existing local government arrangements in relation to the clause 11(5)(c) criterion on distinct communities of interest are summarised in the table in paragraph 110.

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

165. The roading and transport function is a vital activity in the promotion of economic development and general community well-being in Hawke's Bay, and local government plays an important role in its provision. The question to be addressed is what local government arrangements are likely to facilitate the most efficient, effective and appropriate transport planning and management in the region now and into the future.

166. The option of transfer of obligations to the regional level is seen to have significant benefits in relation to the clause 11(5)(b) criterion of an appropriate district/region for efficient performance of the local authority role, with 'efficient' defined in terms of the clause 11(6)(a) and (b) criteria relating to area of impact and area of benefit.

167. The roading network needs to be seen to be a regional network including the important linkages between areas supporting primary production and the port and also state highways out of the region. This will facilitate achievement of efficient transporting of freight and also the efficient movement of both residents and visitors/tourists to and around the region.

168. It is understood that New Zealand Transport Agency's proposed new funding scheme is likely to have an even stronger regional planning, investment and funding focus, and this would align with a Hawke's Bay-wide local government approach to planning, prioritisation and funding of roading and transport.

169. While planning is currently carried out on a regional basis through the Hawke's Bay regional transport committee, the transfer option would address concerns raised with Commission staff that the current regional committee structure was not a particularly effective mechanism for land transport planning and management. These concerns were on the basis that territorial authorities are closer to ratepayers and in a better position to assess the impact of particular projects and developments. Territorial authorities also generally have a higher capacity to address practical transport issues than the regional council as presently constituted. This capacity is seen as transferable to the regional level under this option.

170. To help realise the full benefits of such a transfer, consideration was given to an accompanying transfer of the territorial authority statutory obligation for land-use planning to the regional council. Full integration of transportation and land-use planning can be seen to have benefits, for example in terms of identification of optimum locations for particular land use types, e.g. commercial, industrial or agricultural, in relation to available or proposed transportation services across the region. This could have real benefits in terms of facilitating most appropriate economic development across Hawke's Bay. Regionalisation of land-use planning would also address issues of duplication and lack of consistency under existing local government arrangements as identified in *Appendix B1*.

*Enables effective catchment-based flooding and water management*

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

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

172. The modified status quo option is seen to have advantages and disadvantages in relation to the clause 11(5)(a) criterion of having the necessary resources to effectively carry out local authority responsibilities, duties and powers. It would result in enhanced resources, as a result of aggregation of the resources of four territorial authorities and of the regional council that are currently applied to provision of the roading and transport and in land-use planning functions.

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

- NCC: \$16.5 million (21%)
- WDC: \$9.3 million (46%)
- HDC: \$29 million (31%)
- CHBDC: \$13.9 million (53%).

174. In addition to the monetary impact, the transfer of statutory obligations would impact on overall organisational capacity given currently there is significant cross-over of skills and resources in the planning, management and delivery of core infrastructure services. This is particularly the case for smaller councils (e.g. WDC and HDC).

*Conclusion*

175. Clearly the roading and footpaths function is a very significant component, at around one half of the total operating budget, for WDC and CHBDC. When the other core services, the three waters and solid waste, are added this proportion rises to 73% for WDC and 80% for CHBDC. Given there are similar arguments for transferring other core services in addition to roading and land-use planning, the officers consider the impact on the councils concerned would be so significant as to bring into question the immediate and ongoing viability of those councils. On this basis the officers recommend the modified status quo option not be identified as a 'reasonably practicable option'.

***Option 2: boundary alteration between Napier City and Hastings District***

176. This option is for the location of a new boundary between Napier City and Hastings District at the Tutaekuri River resulting in the northern rural part of Hastings District transferring to a new Napier district.

*Contains one or more distinct communities of interest*

177. In relation to the clause 11(5)(c) criterion, NCC argues that this option would better reflect communities of interest at the district level based on a range of community and other services provided to residents outside the city boundaries.

178. To support this argument, NCC has provided information relating to Napier library usage which shows 5,000 users (out of a total 38,000) reside outside the city boundaries and closer to Napier than to the Hastings urban area. The correspondence received goes on to suggest there are similar patterns for other community services but does not provide evidence to back this up.
179. NCC also refers to the fact that a number of the marae and residences of the elected representatives of Te Taiwhenua O Whanganui a Orutu (Napier taiwhenua) are outside the current city boundary.
180. On the other hand, the part of Hastings District that would transfer to Napier is rural and has an affinity with the remainder of Hastings District in contrast to the almost exclusive urban nature of Napier City. The Hastings urban area is also clearly the primary servicing centre for many of the rural areas of the region.
181. It is noted this was the argument the Local Government Commission used in 1989 when it decided it was inappropriate to divide the then Hastings County between the two urban areas (with the Ngaruroro River being the proposed boundary) and that the administration of this area should be the responsibility of one authority. In deciding whether this should be a Napier or a Hastings authority, the Commission noted that the roading pattern confirmed a community of interest of the area with Hastings, which also had a closer link to other rural areas on the Heretaunga Plains. The county was also then based in Hastings.
182. *Appendix B4* confirms Hastings District's ongoing predominance as the principal rural servicing centre. This shows the relative proportions of Hastings and Napier employment involved in 'rural production and processing' in the region, as being in excess of 60% for Hastings compared to 11% for Napier. The addition of 'other processing and manufacturing' employment (i.e. the 'total direct wealth creating industries') shows Hastings as the dominant industrial employment centre in the region.
183. In determining the current local government arrangements, the Commission in 1989 decided to extend the boundaries of Napier City "in such a way as to remove any possibility of medium to long-term boundary conflict and enable Napier to develop its broadly based commercial and industrial character".
184. When considering reorganisation options again in 1998, the then Commission proposed the union of Napier City and Hastings District based in part on what it saw as a then less clear distinction between the respective communities of interest of the two areas compared to 1989. It identified increased commuting between the two urban areas, the new expressway linking the centres, and an increasing number of organisations with interests across both areas as factors in the blurring of two previously distinct communities of interest.
185. *Appendix B4* shows a more equal role now being played by Hastings and Napier in relation to 'services' as reflected in the respective employment proportions though there appears to be a gradually growing dominance by Hastings. It is noted, however, that employment in 'central/local government' services is higher in Napier and an analysis shows there are approximately twice as many government agency offices in Napier compared to Hastings.
186. This Commission now needs to address the issue of the relative importance of the dimensions of community of interest as they exist today and into the foreseeable future. On the one hand, NCC argues there are primarily functional community of interest connections between the northern rural area of Hastings District and Napier City and has produced some evidence to support this argument. On the other hand, there is a wider rural community of interest traditionally focused on Hastings as well as evidence of growing commonality of interests between Napier and Hastings which brings into focus the issue of the appropriate territorial

authority boundary between the two areas including the appropriateness of any local authority boundary.

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

187. This option would see NCC assume responsibility for carrying out the responsibilities, duties and powers that HDC currently undertakes in the area north of Tutaekuri River.

188. The area has been governed by HDC for 24 years and as a result both governance and management experience is well-established and may not be easily transferable particularly given limited shared approaches in other areas between the two councils to date.

189. A territorial authority boundary at Tutaekuri River would divide the existing rural roading network between two territorial authorities potentially with different approaches or priorities to roading. This would be addressed to some extent, however, with planning and funding of roading being carried out through the regional land transport plan which is the responsibility of HBRC.

*Enables effective catchment-based flooding and water management*

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

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

191. Incorporation of responsibility for a large rural area into a new Napier district council would involve transfer of resource management planning to an authority not as well resourced or experienced in relation to planning for rural areas. This could be managed on a transition basis with possible staff transfers or sharing arrangements, and with present rules and requirements for the area continuing to apply until a new district plan was developed or existing plans amended.

192. The report by Brian Smith Advisory Services Ltd notes that NCC is in a strong financial position with significant financial assets, currently with very small external debt which will soon be eliminated, and robust service performance information. On this basis it would appear able to assume responsibility for an extended area.

*Conclusion*

193. NCC and HDC are the only two affected local authorities in this proposal. As the requirements for being a 'reasonably practicable option' only relate to new or changed local authorities, the proposal can be seen to meet the clause 11 requirements. The officers recommend therefore that the option of a boundary alteration between Napier City and Hastings District be identified as a 'reasonably practicable option' under clause 11(5). Whether this option would best promote good local government in Hawke's Bay is addressed in *Part C*.

***Option 3: union between Napier City and Hastings District***

194. This option involves combining Napier City and Hastings District and other councils remaining in place or these being considered for reorganisation at a later date. The officers have, however, addressed above the issue of a staged reorganisation process and recommend that this not be identified as a reasonably practicable option. Therefore the following analysis only addresses the option of the union with no change to other councils.

*Contains one or more distinct communities of interest*

195. This option can be seen to address the concern identified in respect of the option of a boundary alteration between Napier City and Hastings District about the two respective communities of interest becoming less distinct over time. It would retain the current Hastings rural community of interest in one territorial authority while recognising the increasing links between the Napier and Hastings urban areas.

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

196. On the basis that the two existing territorial authorities are currently appropriate districts for the performance of the territorial authority role and are adequately performing this role at present, combining the two districts can be seen as meeting the clause 11(5)(b) criterion for an appropriate new district. This could possibly involve establishment of a second tier representation and decision-making structure to reflect local communities of interest.

197. The option would also address the concerns raised under the boundary alteration option relating to management of roading as one network and about capacity to address planning issues in rural areas.

*Enables effective catchment-based flooding and water management*

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

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

199. This option is seen as resulting in a local authority having the necessary resources to carry out its responsibilities, duties and powers effectively in terms of the clause 11(5)(a) criterion. This is on the basis that the combined resources of both NCC and HDC would be available to the new authority.

*Conclusion*

200. The officers recommend the option of a united Napier-Hastings territorial authority district be identified as a 'reasonably practicable option' under clause 11(5). Whether this option would best promote good local government in Hawke's Bay is addressed in *Part C*.

***Option 4: one combined Hawke's Bay district and one Hawke's Bay region***

*Contains one or more distinct communities of interest*

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

202. Given the size of the proposed district, the officers consider that a second tier representation and decision-making structure would be necessary under this option to reflect more local communities of interest. As a territorial authority, the only available mechanism for such a second tier structure would be community boards. This would lead to a three-tier local government structure for Hawke's Bay



203. A concern with this option is the impact it would have in relation to the political dimension of communities of interest i.e. the representation of different interests and mechanisms for resolution of conflicts of the different interests. The option would result in constitution of two local authorities covering exactly the same area and this is likely to cause confusion for the public as to which body is responsible for which function.

204. In addition, the territorial authority would have a directly elected mayor while the regional council would have an appointed chair. This again is likely to cause confusion for the public as to the roles of both, and to lead to tension between the officeholders as to whether one has a greater mandate than the other to speak on behalf of Hawke's Bay.

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

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

206. The officers consider that a territorial authority also covering the existing region could perform the territorial authority role adequately and achieve a number of efficiencies as identified in this report and appendices and addressed further in *Part C*.

*Enables effective catchment-based flooding and water management*

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

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

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

*Conclusion*

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

***Option 5: one unitary authority for Hawke's Bay***

*Contains one or more distinct communities of interest*

210. As noted above, a Hawke's Bay regional community of interest can be identified as currently existing in line with the clause 11(5)(c) criterion. A single authority representing the region would

facilitate advocacy for the region as a whole by providing one mandated directly-elected voice to speak for the region. This option would make it easier for central government agencies to work with local government in the region with a view to helping improve the general well-being of Hawke's Bay.

- 211. On the other hand, one region-wide local authority structure and set of processes may be seen as not able to reflect and represent the diverse local communities of interest in Hawke's Bay as effectively as the different existing arrangements of the five local authorities.
- 212. To address such concerns the Commission would need to consider both detailed representation arrangements for any new council and also possible second tier representation and decision-making structures.
- 213. The officers consider that the size, geography and diversity of communities in Hawke's Bay Region would require a second tier, under the one unitary authority option, to ensure the requirement to enable democratic local decision-making and action is met.
- 214. Currently only community boards are available as an option in relation to possible second tier representation and decision-making structures (although the Minister of Local Government has announced his intention to introduce legislation that would allow local boards to be established in all parts of New Zealand with unitary authorities).
- 215. Other mechanisms to address any perceived reduction in representation and access to council include mechanisms to improve access to council information, improved access to staff in all areas, well designed consultation procedures and co-management protocols for working with community groups.

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

- 216. In relation to the clause 11(5)(b) criterion, the formation of a single region-wide unitary authority would provide for regional functions to be the responsibility of one local authority as they are under existing arrangements, but with that authority also acquiring territorial authority functions.
- 217. Based on the information provided in this report and appendices, the officers consider that combining the four territorial authority districts into one district is likely to result in an appropriate district for the efficient performance of the territorial authority role. As that role relates to the purpose of local government set out in section 10 LGA and to prescribed duties and responsibilities, the officers consider this criterion is best addressed in relation the clause 12 requirements relating to good local government. Accordingly the appropriateness of a combined district is addressed further in *Part C*.

*Enables effective catchment-based flooding and water management*

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

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

- 219. This option is seen as meeting the clause 11(5)(a) criterion as existing resources for carrying out regional functions would be able to be transferred from HBRC to the new organisation while the combined resources of the existing four territorial authorities would also be available to the new organisation. The option would also address concerns about the longer term viability of

WDC and CHBDC and particularly them having the necessary resources to carry out their responsibilities, duties and powers.

### *Conclusion*

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

### **Recommendation**

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

- a boundary alteration between Napier City and Hastings District
- union of Napier City and Hastings District
- one unitary authority for Hawke's Bay Region.

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

### Statutory requirements

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

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

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

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

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

### *Representation*

225. Existing local government arrangements in Hawke's Bay currently provide a relatively high level of representation.

	NCC	WDC	HDC	CHBDC	HBRC
No. of elected members	Mayor & 12 councillors	Mayor & 6 councillors	Mayor & 14 councillors	Mayor & 8 councillors	9 councillors
Population per councillor*	4,770	1,315	5,231	1,590	16,797

\*These are updated 2013 population census figures

226. In addition, one of the four districts, Hastings, currently has a second tier community board structure for its rural area comprising four elected members and two appointed ward members.

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

228. Under both the boundary alteration and union of Napier and Hastings options, new representation arrangements would be established for the Napier-Hastings area with existing arrangements remaining in place for other local authorities until their next representation review.

229. In relation to the one unitary authority option, one possible model for representation at the local authority level is that of the existing constituency arrangements of HBRC. This model, comprising nine members elected from five constituencies (see *Appendix C1*), was developed during the recent representation review process and approved, with some modification, by the Commission. It was seen to best provide for fair and effective representation for the region.
230. A unitary authority, being a territorial authority, is required to have between 6 and 30 members including the mayor. In determining representation arrangements for a new unitary authority, the Commission has to:
- have regard to the existing electoral arrangements of the existing local authorities
  - provide fair and effective representation for individuals and communities
  - comply with the requirements of the Local Electoral Act
  - take into account the responsibilities and duties and powers of the local authority.
231. The HBRC model was developed for a council of nine members and it could be directly applied to a new council of 9, 18 or 27 members (excluding the mayor). Levels of representation under these three scenarios would be as follows:
- 9 councillors: one councillor per 16,798 people
  - 18 councillors: one councillor per 8,399 people
  - 27 councillors: one councillor per 5,599 people.
232. A reduction in the current level of representation at the local authority level under a one unitary authority option for Hawke's Bay is likely in terms of number of councillors. However, this has to be weighed up against effectiveness of representation of the various Hawke's Bay communities of interest under the various options.
233. In respect of the regional community of interest, the lack of one mandated directly-elected voice to speak for and advocate on behalf of Hawke's Bay and its various communities has been identified by a number of interests. This is seen by many as a significant problem with existing arrangements. The officers consider that this concern would only be satisfactorily addressed by the one unitary authority option given it would result in one directly-elected mayor representing all of Hawke's Bay.
234. The officers note that NCC acknowledges the importance of the advocacy role on behalf of Hawke's Bay by proposing, as part of its boundary alteration option, the establishment of a joint council regional board to perform this role among other functions. This proposed board is addressed below under 'decision-making structures and processes'.
235. In summary, the one unitary authority option, in comparison to the other options including existing arrangements, can be seen to best enable representation and advocacy on behalf of the Hawke's Bay regional community of interest. A concern to be addressed under this option, however, is how effectively the new authority could represent more local communities of interest within the region given significant diversity between rural and urban areas in particular. Consequently an appropriate second tier representation and decision-making structure would be very important in relation to the requirement to enable democratic local decision-making and action.
236. While local boards may become available as an option before any final proposal is considered for Hawke's Bay, the only option available to the Commission at the present time is community boards.

### *Decision-making structures and processes*

237. The two main issues that need to be determined in relation to a second tier representation and decision-making structure, under a one unitary authority option, are the range of responsibilities of that tier and the number and boundaries of board areas.
238. In its final reorganisation scheme for the proposed Nelson Tasman District in 2012, the Commission proposed a set of community board responsibilities and powers that were considered to give the boards a high degree of empowerment.<sup>7</sup> The officers consider that applying a similar model to a Hawke's Bay unitary authority, involving significant levels of empowerment and delegations, would be appropriate given the diversity of the region.
239. The next question is what the areas of the boards should be. One option would be to use the ward structure as the basis for board areas. This would result in there being five boards if the HBRC representation model was adopted. Possible alternative board arrangements could be explored further if the Commission determines the single unitary authority as its preferred option.
240. Second tier representation and decision-making structures can be seen to not only address any perceived loss of representation at the regional level, but to effectively represent the diverse communities of interest that exist at the local level across Hawke's Bay. The officers consider, therefore, that an appropriate community board structure should be established as part of a one unitary authority model for Hawke's Bay if this is adopted as the Commission's preferred option.
241. In addition, it is noted there are other mechanisms which a local authority can implement to address concerns about any perceived reduction in representation and access to council. Such mechanisms include good access to council staff across the region and to council information, well designed consultation processes and co-management protocols for working with community groups in particular areas.
242. A whole of Hawke's Bay approach is seen as likely to facilitate engagement and foster participation of hapū/iwi/Māori in Hawke's Bay local government decision-making. This is firstly on the basis that four of the six areas under Ngati Kahungunu would relate closely to the combined area of Hawke's Bay Region without the complications of territorial authority boundaries dividing the area. The other two areas relate to the Tararua and Wairarapa Districts.
243. The officers note at present there are a range of mechanisms in place across the Hawke's Bay local authorities in response to the requirements of the LGA relating to participation of Māori in local authority decision-making. Consistency of approach would be beneficial for Māori with the one unitary authority option resulting in fewer bodies seeking to consult with Māori and to whom submissions need to be made.
244. One particular mechanism is the current Hawke's Bay regional plan committee which comprises equal representation from HBRC and hapū/iwi claimant groups including Tūwharetoa and Tūhoe iwi. The purpose of the committee is to review and develop regional policy statements and regional plans for Hawke's Bay under the Resource Management Act 1991. Again this committee relates to Hawke's Bay as a whole and establishment of one unitary authority for the region would facilitate the continued operation of the committee.<sup>8</sup>

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<sup>7</sup> They were subsequently used as a model for a new system of more empowered community boards developed by the Thames-Coromandel District Council.

<sup>8</sup> A Bill is proposed to be introduced to Parliament this year, as part of Hawke's Bay Treaty settlements, to entrench this committee and thereby give claimant groups a formal decision-making role in relation to natural resources in the region.

245. If the one unitary authority option were to be adopted by the Commission as its 'preferred option', consideration could be given to including the existing regional plan committee in the draft proposal as a committee of the new council, along with a Māori Board, with similar respective roles as those being proposed in Northland Region. Further consideration of the respective roles of the committee and board under a new council in Hawke's Bay could then be given in conjunction with consideration of any final reorganisation proposal for Hawke's Bay. By this time Parliament may have enacted the Hawke's Bay settlement Bill.
246. It is acknowledged that in addition to the interests of Kahungunu, the interests of Tūhoe and Tūwharetoa in the region need also to be recognised. The interests of Tūwharetoa in the areas of Taupo District included in the region are addressed below. In respect of Tūhoe, it is noted that establishment of one unitary authority in Hawke's Bay would reduce by two the number of local authorities with which it would need to maintain relations.
247. The NCC boundary alteration option also contained a proposal for establishment of a 'joint council regional board' to direct the development of:
- a Hawke's Bay spatial plan
  - a Hawke's Bay unitary plan
  - code of practice
  - common bylaws
  - advocacy for Hawke's Bay.
248. The board, as a joint committee of the existing five Hawke's Bay councils, would comprise two representatives of each council and two representatives of local iwi. NCC proposes that the board would have authority to act delegated from the parent councils.
249. Specifically NCC proposes that the board would have delegated authority to approve a spatial plan for Hawke's Bay and that this authority be provided for in a final reorganisation scheme. In this regard the officers note that clause 43(h) of Schedule 3 provides that the Commission can provide for committees and their responsibilities for the first term of a *new* local authority. While these provisions are to be addressed in the forthcoming amendment Bill, it appears such a provision, if it were able to apply to *existing* local authorities in future, would still only last for one electoral term. Delegated authority for the board beyond the initial three-year term would then depend on the continued agreement of all of the councils.
250. The NCC proposal also notes that the spatial plan would be "committed to and owned by all of the local authorities in the region" and would include the regional land transport strategy/plan. This raises further questions about the certainty of ongoing goodwill of all the councils to continue supporting the plan into the future and legal questions about including other statutory plans in the spatial plan and representation of statutorily required parties.
251. The same questions arise about ongoing support and commitment of all the councils for the other proposed tasks of the regional board. On the basis of the above comments and the fact that there has been the opportunity for many years for the Hawke's Bay councils to establish such a joint decision-making process, the officers do not consider the proposed joint council regional board is likely to provide surety in future decision-making in respect of the identified tasks. This can be compared with the surety that would result from one council being responsible and directly accountable for these tasks on an ongoing basis.

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

252. Section 10 LGA, as amended, defines 'good quality' in relation to infrastructure, public services and performance of regulatory functions as meaning efficient, effective and appropriate to present and anticipated future circumstances.
253. Analysis in this report has highlighted concerns about maintenance and upgrading of particular core services, principally roading, potable water and wastewater services, in areas of the region with declining populations notably Wairoa and Central Hawke's Bay Districts. The officers consider the capacity of these areas to fund necessary maintenance and upgrading will increasingly come into question. In addition, the councils' current reliance on outside funding through grants and subsidies is unlikely to be viable into the future given government reviews of these assistance programmes. There are also likely to be continuing concerns about the ability of the councils in these areas to attract and retain necessary skilled staff for the management of these functions.
254. This report has identified the potential for improving the quality of Hawke's Bay infrastructure, public services and performance of regulatory functions as a result of new shared or joint arrangements. The potential for improvements arises from economies of scale and economies of scope in particular services, and better matching of the areas of impact and benefit of services with responsibility for funding these services.
255. The state of the roading system in both the northern and southern areas of the region is likely to become a concern if planned developments in these areas proceed or proceed to the current projected timelines. These developments are the Ruataniwha water storage project in Central Hawke's Bay and expansion of forestry in Wairoa. Any inability of the roading network to cope with the resulting increased demand would be a serious impediment to economic development of the region as a whole. Consultation by the Commission with both primary producers and infrastructure providers has confirmed concerns about the transport network and the need for certainty in ongoing investment.
256. Amalgamating the four districts into a single organisation would achieve consistency and greater capacity in territorial authority functions such as roading. It would also involve a combining of regional and district funding sources into a single pool with a potential for more efficient expenditure and elimination of possible duplication in spending.
257. Planning and lobbying for transport priorities relating to the sealed road network, at least, is clearly a regional scale activity and on the basis of past performance and lack of coordination across boundaries, has not achieved an appropriate scale. This led Commission officers to consideration of the transfer of the territorial authority statutory obligation to the regional level under the modified status quo option. The desired objective would also be achieved by the one unitary authority option.
258. In relation to planning and regulatory activities, it is noted that the range of regional level functions are matters generally considered to need scale to operate well and are generally carried out at regional or even a pan-regional level in different areas across the country. The reasons for this are that the activities are inherently based around achieving consistency of management across contiguous areas. They also require specialist skills and larger organisations generally have the advantage of economies of scale in this respect. This provides further support for the one unitary authority option.



259. In addition to the potential benefits of a regional network approach in roading, aspects of the three waters and in solid waste, this report has also identified benefits from a more coordinated and integrated approach in other areas. In particular, economic development and management of community assets such as sporting facilities, visitor sites and visitor promotion would benefit from a more coordinated approach across the region under a single management structure. At the same time, opportunities for local communities to have input into particular facilities and services could be addressed through appropriate second tier representation and decision-making structures.
260. A number of the potential service improvements identified in this report could theoretically be achieved under existing arrangements and a reliance on shared service approaches. It is acknowledged that the Hawke's Bay local authorities have recently established a shared services company (HBLASS) but this is a recent development and has yet to produce many tangible results. History to date suggests this initiative is likely to have limited success.
261. When local authorities do enter into shared service agreements, their longevity depends on ongoing political goodwill. This suggests that the existing local government arrangements, coupled with a reliance on shared service arrangements, are unlikely to achieve significant quality improvements in the provision of infrastructure, public services and regulatory activities particularly in relation to anticipated future circumstances. Agreement on particular shared service arrangements also requires a significant investment of time and resources in order for these to be agreed and to be sustainable into the future.
262. This leaves the one unitary authority option as being most likely to realise the potential benefits identified from new approaches to local government responsibilities to meet circumstances that have changed significantly since local government reorganisation in 1989 and will continue to change. In particular, the officers consider this option most likely to best promote provision of good quality infrastructure, public services and regulatory functions based on necessary scale for many of these functions and a sustainable level of both financial and organisational resources for the foreseeable future.
263. In addition to the four territorial authorities within the boundaries of Hawke's Bay Region, the officers consider that the proposed single unitary authority should continue to be responsible for regional council functions currently performed by HBRC in the small areas of Taupo and Rangitikei Districts in Hawke's Bay Region.
264. In respect of the two Taupo District areas, the officers recommend these areas remain in that district for the purposes of delivery of territorial authority functions. This is on the basis of community of interest arguments put to the Commission including in relation to Tūwharetoa interests in the Taupo area generally.
265. The proposal would, however, involve transfer of statutory regional council obligations, under section 24(1)(e) LGA, to the new unitary authority. This is recommended in light of the importance of retaining the Mohaka River catchment within the boundaries of one local authority for catchment management purposes. This reflects the clause 11(5)(d) requirement as well as most appropriately recognising the conservation order presently placed on this river and also Waitangi Tribunal recommendations recognising the interests of Ngati Pahauwera in the river.
266. In respect of the area of Rangitikei District currently in Hawke's Bay Region, it is recommended that this area be included in the district of the new unitary authority. This is on the basis of the requirement of clause 11(5)(d) to achieve effective catchment management; the limited territorial authority functions carried out in this area, primarily roading; and support for the proposed district boundary alteration from both Rangitikei District Council and landowners in the area with a view to simplifying current boundaries and better recognising existing communities of interest.

## ***Facilitating improved economic performance***

267. Clause 12 identifies the following considerations in relation to improved economic performance: efficiencies and savings, productivity improvements and simplified planning processes. These considerations are identified as examples only and are not intended to limit the Commission.
268. In relation to efficiencies and savings, a number have been identified in this report although it has also been stressed that enhanced capacity, consistency of approach and the removal of duplication in processes, are seen as more important and more likely to be achieved, at least in the short term, than direct financial savings. It has also been noted in respect of certain areas, such as planning and regulatory activities, that these are often relatively small operations and there are, as a result, limited opportunities for significant financial savings particularly in the administrative areas.
269. Potential savings have been identified in areas such as elected member remuneration, chief executive remuneration and audit fees based on the five existing local authorities, as set out in *Appendix C2*. It is noted that the actual level of savings in elected member remuneration, for example, will depend on the form of the preferred option adopted by the Commission.
270. Potential savings have also been identified in current support costs of the five councils against one unitary authority for indicative purposes. A breakdown of these savings is shown in the table set out in *Appendix C2*. This shows possible total savings in staffing costs arising from a reduction in staff of the order of 80, and financial savings in the order of \$4.5 million.
271. Clearly there is potential to achieve cost savings arising out of reorganisation and the scale of these will depend on the preferred option identified by the Commission and matters such as the detailed electoral arrangements adopted and, subsequently, the new organisation structure. Any cost savings achieved from reorganisation will have to be offset against the costs of transition in the short term.
272. Opportunities for simplified planning processes have been identified in this report both in relation to integration of statutory plans, i.e. between regional and district levels, and a reduction in the number of plans required to be prepared.
273. Under the one unitary authority option for Hawke's Bay there would be a significant reduction in the number of plans in relation to Local Government Act requirements (preparation, consultation and publication of long term plans, annual plans, annual reports by the four local authorities) and Resource Management Act requirements (preparation, consultation and publication of district plans and plan changes by the three territorial authorities).
274. A single region-wide unitary authority would lead to a vertically and horizontally integrated planning authority and efficiencies would be both monetary and in terms of organisational capacity. In addition to improved use of scarce resources, having a single focus for a range of regulatory and planning functions would achieve greater consistency of approach for the benefit of Hawke's Bay generally and also individual council clients.
275. Simplified planning processes under the one unitary authority option can also be seen as likely to contribute to productivity improvements for businesses and households in Hawke's Bay when interacting with their local authority. Integration of regional and district planning and one consistent set of territorial level plans would significantly simplify and streamline the processes and time involved for businesses and individuals seeking planning approvals and consents. These would be based on one set of policies applying consistently across Hawke's Bay and all approvals and consents would be able to be sought from a single local authority.

276. While there would be only one local authority based in one location, it is assumed that local authority staff would be located at convenient and accessible sites around the region.
277. Other examples of potential productivity improvements include those which would arise for businesses wishing to contract with local authorities. Those businesses that wished would be able to submit single contracts, in areas such as road maintenance, covering the whole region. These contractors would also be able to operate in the knowledge that the local authority was sufficiently resourced to consider contract tenders in an efficient and timely manner.
278. Another significant benefit of the one unitary authority option would be avoidance of the need for the existing local authorities to have to agree with each other on the scope and timeframe for particular integration initiatives, and then commit the time and resources to achieving these.

## **Conclusion**

279. The officers consider that the one unitary authority option, based on existing HBRC boundaries with the exception of the areas of Taupo District currently in Hawke's Bay Region, has significant advantages over the other 'reasonably practicable options' for local government reorganisation in Hawke's Bay including existing local government arrangements. These advantages relate to significantly enhanced representation for the Hawke's Bay regional community of interest while recognising distinct local communities of interest; meeting current and future needs of Hawke's Bay communities for good quality infrastructure, public services and regulatory services; and opportunities to facilitate improved economic performance in Hawke's Bay.
280. While some improvements could be achieved through more cooperation and collaboration under existing local government arrangements, these would still rely on ongoing political goodwill of the local authorities to realise the benefits and associated commitment of significant levels of resources. The options of a boundary alteration or the union of Napier City and Hastings District do not address the region-wide issues identified in this report or the significant future viability concerns relating to WDC and CHBDC.
281. While some may perceive a reduction in representation under one unitary authority compared to existing arrangements, there are options available to address any such concerns. A comprehensive and well-designed second tier representation and decision-making structure responsible for, and/or having significant levels of input into, local issues would further enable democratic local decision-making and action by, and on behalf of, the communities of Hawke's Bay.
282. Accordingly the officers recommend adoption of the one unitary authority option as the Commission's 'preferred option' for local government arrangements in Hawke's Bay, being the option best able to promote the purpose of local government and facilitate improved economic performance. The officers also recommend the transfer of regional council statutory obligations to the unitary authority in respect of the areas of Taupo District currently in Hawke's Bay Region.
283. Subject to adoption of these recommendations by the Commission, consideration would then need to be given to detailed representation options as well as options for a second tier representation and decision-making structure.

## Recommendation

284. It is recommended that, pursuant to clause 12 of Schedule 3 of the LGA, the Commission determines that:

- a) one unitary authority is its 'preferred option' for local government arrangements in Hawke's Bay Region
- b) the boundaries of the unitary authority be those of the Hawke's Bay Regional Council with the exception of the two areas of Taupo District currently in Hawke's Bay Region
- c) regional council statutory obligations currently performed in the areas of Taupo District in Hawke's Bay Region be transferred to the new unitary authority under section 24(1)(e) of the Local Government Act 2002.

## Timeline

285. The proposed next steps are:

*14 November:*

Commission adopts its preferred option; considers proposed representation arrangements and second tier representation and decision-making structure; and considers first draft of proposal documentation

*week commencing 18 November:*

Commission approves proposal documentation

*26 November:*

Commission releases draft proposal.

Donald Riezebos  
Chief Executive Officer