



Local Government Commission

Review of Otorohanga District and Waitomo District

COMMISSION'S FINDINGS AND DECISIONS

Review of Otorohanga District and Waitomo District

1.0 INTRODUCTION

- 1.1 This document is published pursuant to section 37ZZTJ(a) of the Local Government Act 1974 (“the Act”). It contains the Local Government Commission’s findings and decisions in respect of its review of the Otorohanga District and the Waitomo District.
- 1.2 On 3 August 2001 the Waitomo District Council initiated a reorganisation proposal for the union of the Waitomo District and the Otorohanga District to form a King Country District. The proposal was submitted pursuant to Parts IIB and IIBB of the Act.

2.0 PRELIMINARY CONSULTATION

- 2.1 As required by section 37ZZQB of the Act the Commission sought the views of the following organisations on the proposal: the Waitomo District Council, Otorohanga District Council, Controller and Auditor-General, Parliamentary Commissioner for the Environment, Secretary for Local Government, Secretary for the Environment, Department of Conservation, Ministry of Health, Ministry of Māori Development, Ministry of Transport, New Plymouth District Council, Ruapehu District Council, Taupo District Council, South Waikato District Council, Waipa District Council, Waikato District Council, Waikato Regional Council, Taranaki Regional Council, and Manawatu-Wanganui Regional Council.

3.0 UNDERTAKING A REVIEW

- 3.1 Under section 37ZZS of the Act the Commission, after receiving a reorganisation proposal and undertaking preliminary consultation, is required to consider whether to carry out a review of the affected districts.
- 3.2 As part of its preliminary consultation the Commission met with representatives of the Otorohanga and Waitomo District Councils on 13 September 2001 and 14 September 2001 respectively.
- 3.3 Overall, the preliminary consultation process brought forward a wide range of issues, including arguments in favour of the proposal as well as the status quo. An alternative reorganisation arrangement was also put forward for the Commission’s consideration by one organisation, which suggested that if a reorganisation scheme based on the proposal were to proceed then consideration could be given to altering the southern boundary of the Waipa District to accommodate the residents

of the proposed King Country District who consider that their community of interest lies more with the Waipa District.

- 3.4 After considering the submissions the Commission came to the view that it was unable to reach a decision on the proposal on the basis of the information gained from the preliminary consultation. Therefore, it decided to proceed with a review of the Otorohanga and Waitomo Districts in accordance with section 37ZZTB of the Act.

4.0 MATTERS CONSIDERED IN THE REVIEW

- 4.1 On 7 November 2001 the Commission issued its Statement of Review. In its Statement the Commission advised that it would consider:
- (a) *what system of local government in the Otorohanga District and the Waitomo District would best meet the criteria specified in sections 37ZQA to 37ZRA of the Act;*
 - (b) *whether good local government would be promoted by the inclusion of any part of the Otorohanga District and the Waitomo District in the district of another local authority (whether by the constitution of a new district or by alteration of boundaries);*
 - (c) *whether the system of representation in the Otorohanga District and in the Waitomo District best meets the criteria specified in section 37ZRA of the Act;*
 - (d) *whether the good local government of the Otorohanga District and the Waitomo District would be best promoted by:*
 - *the existing system of communities and the functions, duties and powers of the community boards in the two districts;*
 - *an alternative system of communities; or*
 - *a change in the functions, duties and powers of the community boards; and*
 - (e) *any other matters which may be raised with the Commission, and which it could consider and determine, whether under Parts IIB or IIBB of the Act, or some other statutory provision.*
- 4.2 The parties referred to in section 37ZZTF of the Act (i.e. in this case the two territorial authorities affected by the proposal, the six territorial authorities whose districts adjoin the districts of the two affected authorities; and the Waikato, Manawatu-Wanganui, and Taranaki Regional Councils) were notified and supplied with a copy of the Statement of Review, and informed that they would be given the opportunity to meet with and be heard by the Commission. The Commission also notified other organisations that it considered might have an interest in the proposal, including organisations identified by the Otorohanga and Waitomo District Councils.

- 4.3 Eighty-eight submissions were received. Of this total, 16 were from organisations consulted under section 37ZZQB of the Act, and 72 were from the public and other organisations. A list of submitters is attached as an Appendix to this document.
- 4.4 The closing date for submissions was 1 February 2002. Following a number of requests for an extension, the Commission later extended the closing date to 22 February 2002.

5.0 HEARING AND CONSIDERATION OF SUBMISSIONS AND OTHER INVESTIGATIONS

- 5.1 To meet its obligations under section 37ZZTF of the Act, the Commission held meetings in Te Kuiti and Otorohanga on 28 and 29 August 2002 respectively, for the parties referred to in that section and for all others who made written submissions and wished to be heard. At those meetings the Commission heard submissions from 17 persons and organisations. Those persons and organisations are marked with an asterisk in the Appendix.
- 5.2 The Commission met separately with the representatives of the Maniapoto Māori Trust Board, and convened a hui with local iwi and hapu at Waipapa Marae, Kawhia, on 30 August 2002.
- 5.3 In addition to the various meetings, the Commission also carried out further investigations on:
- communities of interest (“Communities of Interest in the Southern part of the Waikato Region” by Martin Ward) – initiated in February 2002 and completed in May 2002; and
 - financial matters (“Financial Analysis for Review of Otorohanga and Waitomo Districts” by Beattie Rickman) – initiated in November 2002 and completed in August 2003.
- 5.4 In relation to the financial study of the likely costs and benefits of several amalgamation options to be undertaken by Beattie Rickman, Commission representatives on 11 November 2002 met separately with representatives of the Otorohanga, Waipa and Waitomo District Councils to brief them on the study and to obtain their views.
- 5.5 At the meeting involving the Mayor and General Manager of the Otorohanga District Council, and in a letter of 19 November 2002 to the Commission, the Council’s General Manager suggested that one of the Beattie Rickman partners was well known for being in favour of the union of the Otorohanga and Waitomo Districts. In light of an associated suggestion by the Council’s General Manager that any report prepared by the consultants would be “tainted” the Commission’s Chairman, on 27 November 2002, met with the Otorohanga District Council’s Mayor, Deputy Mayor and General Manager, together with a senior partner of Beattie Rickman. At that meeting, and later confirmed in writing between the parties, it was agreed that:

“... the process to be used by Beattie Rickman in doing the assessment will involve consulting the parties individually and together, and where possible obtaining agreement on key points to be covered by its report. Where positions cannot be agreed, Beattie Rickman will note the views of the Councils in the report with the reasoning for any views”, and

“... That in order to ensure independence of the findings, Beattie Rickman will conduct a peer review of its report by a senior partner not directly associated with the preparation of the report.”.

- 5.6 Once the draft findings of the study were prepared the Commission also offered to meet with the three Councils to discuss the draft findings – the Waitomo and Waipa District Councils met with the Commission and raised no objections to the findings. The Waipa District Council pondered the validity of staff positions being replaced by contracting out – the Commission referred this to its consultants who advised that this made no difference to the findings of the report.
- 5.7 The Otorohanga District Council decided not to meet with the Commission to discuss the draft findings of the financial study. By way of a letter dated 27 May 2003 to the Commission from the Council’s Mayor, the suggestion was made that the tenor of the Beattie Rickman report vindicated the Council’s earlier expressed concerns that the report “would be influenced by Beattie Rickman’s pre-determined view in favour of amalgamation”. Although the Council provided no evidence to support its assertions the Commission referred the matter to Beattie Rickman for comment. In response, Beattie Rickman provided to the Commission an outline of its partners’ involvement and its internal peer review process. The Commission is satisfied that Beattie Rickman has produced a robust report and considers that there is no basis to the assertions made by the Otorohanga District Council.

6.0 SUMMARY OF MATTERS RAISED IN SUBMISSIONS

- 6.1 The main points raised in the submissions of the parties consulted under section 37ZZQB of the Act were as follows:
- the proposal will improve local government
 - the increased compliance requirements of local government cannot be met without an increased rating burden
 - financial savings would flow from amalgamation
 - the local flavour of local government in the area would not be diminished as a result of union
 - the two districts share a definite community of interest
 - the current form of local government is appropriate
 - no other system of local government under consideration can guarantee the same level of service or efficiency, and certainly not an improvement
 - no evidence exists that amalgamation would promote local government

- amalgamation would require the review of two district plans
- amalgamation is not the best option for the long-term promotion of good local government
- Otorohanga District appears to be successful and well managed
- There are greater synergies between the Otorohanga and Waipa Districts and an amalgamation of those districts would benefit both districts
- The challenges currently facing Waitomo District might not be resolved through an amalgamation with Otorohanga District
- A longer term option may see the Waitomo District become the subject of boundary adjustments with neighbouring districts
- The existing regional boundaries should be retained to conform with whole of catchment principles
- There do not appear to be any changed circumstances or new factors that would justify a boundary alteration between New Plymouth District and Waitomo District
- Iwi/Māori concerns should be explicitly taken into consideration in the review and any decision should be mindful of matters such as iwi rohe (boundaries) and Māori traditional communities of interest.

6.2 The 72 public submissions principally focused on the issue of the union of the two districts rather than addressing other issues that could be encompassed by the review. Fifty-six of the submissions were from persons or organisations based in the Otorohanga District, with 13 from the Waitomo District and three from persons resident elsewhere. In total 57 submitters indicated that they were opposed to the proposal that gave rise to the review, and 10 indicated that they were in favour. Two submitters were neutral, one submitter did not express a view, and two submitters put forward alternative amalgamation options.

6.3 The two alternative amalgamation options put forward in the public submissions were:

- The division of the Otorohanga District between the Waipa and Waitomo Districts
- The combining of the Waipa, Otorohanga and Waitomo Districts.

6.4 One submitter, who favoured the status quo, considered that the review should also consider other reorganisation options, namely the amalgamation of the Otorohanga and Waipa Districts. Another submitter, who also favoured the status quo, considered that the review should focus on the whole of the western portion of the Waikato Region.

6.5 A number of submitters, in their appearance before the Commission, raised issues about the identification of communities of interest in the community of interest study prepared for the Commission. Some of those submitters criticised the findings of the study. However, after considering the submissions, and hearing various arguments put forward, the Commission was satisfied that the study reasonably

identified the principal communities of interest in the Otorohanga and Waitomo Districts.

7.0 CONSULTATIONS WITH AFFECTED COUNCILS

- 7.1 As stated previously, the Otorohanga and Waitomo District Councils were consulted prior to the Commission deciding to undertake this review, and have been consulted at various times during the review process. The Councils have maintained opposing views on the merits of the union proposal throughout the process, with the Waitomo District Council supporting its proposal and the Otorohanga District Council opposing the proposal.
- 7.2 At times since the initiation of the proposal, the relationship between the two Councils has become strained. In the view of the Commission, the increasingly entrenched position of the Otorohanga District Council contributed to the failure of both Councils to jointly develop a business case on the proposal to an advanced stage, despite their various assurances to the Commission that the work would be progressed.
- 7.3 The Otorohanga and Waitomo District Councils requested that the hearings of submissions on the review, scheduled by the Commission for April 2002, be deferred until August 2002 because the Mayors of both Councils would be absent overseas during April 2002, and because deferral would give the Councils the opportunity to work through the issues together so that they could jointly prepare a business plan showing the possible financial outcome of union. The Commission agreed to the request for deferral and the hearings were rescheduled for August 2002. The Commission was very disappointed to find at the August 2002 hearings that although the two Councils had prepared individual assessments, the joint business plan, which was the main reason for the deferral, had not been completed. The Commission expressed its disappointment on this matter at the hearings.
- 7.4 As a result of these issues the review process has not been able to be completed as quickly as the Commission would have wished, which creates an unsatisfactory period of uncertainty for elected members, Council staff, ratepayers and all those involved or interested in the review process.

8.0 LEGISLATIVE CONSIDERATIONS

- 8.1 While the provisions of the Local Government Act 2002 that relate to reorganisation proposals came into force on 1 July 2003, the Commission is required by sections 24(3) and 291 of the Local Government Act 2002 to undertake its proceedings and to complete consideration of the matters in accordance with the provisions of the Local Government Act 1974 as if the Local Government Act 2002 had not been passed.

9.0 DISCUSSIONS OF PROPOSAL IN RELATION TO CRITERIA

- 9.1 Section 37ZQA(1)(a) of the Act requires the Commission to satisfy itself that a proposal or scheme will “promote the good local government” of the districts concerned. With regard to the word “promote”, the Commission is conscious that it has various meanings, but is satisfied that in the context of the legislation, the clear intention was that the word have the meanings: to advance, help forward, enhance, or improve. The expression “good local government” is not defined in the Act. However, the Commission has adopted a view, based on section 37K of the Act (which sets out the purposes of local government), that the achievement of those purposes would be the basis of good local government. Additionally, section 37ZQA(1) itself, by listing various requirements to be met, can, in the Commission’s opinion, be accepted as a strong indicator of matters to be taken into account in determining what may be good local government. When considering the various criteria set out in subparagraphs (i) to (iv) of paragraph (b) of 37ZQA(1), the Commission must consider also the factors in subsection (2) of that section.
- 9.2 By conducting a review, the Commission could also consider, in terms of section 37ZZTB(2)(a), which system of local government for the affected districts best meets the criteria specified in sections 37ZQA to 37ZRA of the Act.
- 9.3 By considering all the above factors, the Commission interpreted the expression “promote the good local government” as meaning that implementation of the proposal would best improve or enhance the ability of the local authority for the proposed enlarged district to achieve the purposes of local government as set out in section 37K.

10.0 CONSIDERATIONS OF CRITERIA IN SECTION 37ZQA

Subsection (1)(a) – whether the proposal will promote the good local government of the districts concerned.

- 10.1 This is the principal criterion which the Commission must satisfy itself would be complied with if the proposal were given effect to. However, the obligations imposed by section 37ZQA of the Act will be met only if the Commission is satisfied that:
- Implementation of the proposal will improve or enhance the ability of the affected local authorities to achieve the purposes of local government as set out in section 37K of the Act; and
 - All the requirements of section 37ZQA(1)(b) are met.

Legislative challenges

- 10.2 Legislation enacted since 1989, particularly the recent enactment of the Local Government Act 2002, is in the Commission’s view increasing the demand for enhanced competencies in local government. Larger authorities, with their greater and more broadly based resources, will

tend to have an advantage in providing the needed competencies. Likewise, a local authority must be sufficiently resourced to be able to put meaningful and realistic financial planning into effect.

10.3 The Commission considers that there is a need for long-term resource management and financial planning. The integrity of such planning must be maintained if a local authority is to be able to respond to the wishes and aspirations of its communities.

10.4 These issues have recently been canvassed in the Controller and Auditor-General's report – *Local Government-Looking Back and Looking Forward* – which was presented to the House of representatives in May 2002. In his report the then Controller and Auditor-General made the following observations:

“The legislative requirements are the same for every local authority, notwithstanding differences in geographical size and characteristics, population, and location. In addition, community aspirations and expectations of their local authority may be quite different as between (for instance) a small rural local authority and a larger urban local authority.

By the term ‘capability’ I mean both the financial resources and the human resource capacity to meet the expectations of the community and the requirements of legislation. The Councils of several small rural authorities have approached us seeking dispensation for a more relaxed (or simplified) response to the legislative requirements. I have steadfastly resisted the temptation to go down this path.

However, the fact that such approaches have been made demonstrates that smaller local authorities (and even mid-sized ones) are struggling to provide the range of expertise needed (such as policy analysts, economists and experienced asset managers) to meet their legislative obligations. And, as I noted earlier, some Councils in areas of declining population and growth have not yet come to terms with the prospect of reassessing services which may be unaffordable in the long term.

The challenge for Councils is to face the realities of what they can achieve and what they cannot achieve. Already, we are seeing some adjoining Councils sharing administrative support, or jointly providing a service (e.g. libraries). Moving forward requires understanding the needs of the community – but, on the other hand, can often require overcoming parochial interests and political hurdles. I believe that sharing the joint effort will become a developing trend.”

Demographic trends

10.5 While both Councils have committed staff and elected representatives, the two Districts have declining populations and per capita incomes that are less than the New Zealand average. This creates increasingly difficult challenges for the local authorities to deliver essential services

and those additional services sought by their communities while maintaining rates at an affordable level. The statutory framework of the Local Government Act 2002 will, in the view of the Commission, create new challenges for the two local authorities in this regard.

- 10.6 Each District has a small population in the New Zealand local government context. At the time of the 2001 Census Waitomo District had a usually resident population of 9453, a decline of 279 (2.9%) from the 1996 Census. In 2001 the Waitomo District's population ranked 61st out of the 74 territorial authority districts. In 2001 the Otorohanga District had a usually resident population of 9282, a decline of 381 (3.9%) from the 1996 Census. The Otorohanga District's population ranked 62nd. The proposed united district's population would rank 48th out of the 74 local authority districts.
- 10.7 2001 Census information indicates that the median per capita income of people in both the Otorohanga and Waitomo Districts was significantly below the median income for New Zealand as a whole. The New Zealand median income was \$18500, while the median incomes in Otorohanga and Waitomo Districts were \$17700 and \$17500 respectively.
- 10.8 Statistics New Zealand population projections through to 2021 forecast at best (under a high growth scenario) a static population in each District. Under its medium and low growth scenarios (with a base of estimated resident population as at 30 June 2001) the population of the Otorohanga District is forecast to decline by approximately 800 and 1600 respectively, while the medium and low growth forecasts for the Waitomo District predict a decline of 1000 and 2000 respectively.

Community of Interest considerations

- 10.9 While the topography and land uses in the two districts are quite different, both districts are principally rural economies, each with a single major service town. The Otorohanga District has a strong dairy sector, which is the predominant land use on the rolling country in the District. The Otorohanga District also has a significant proportion of land dedicated to sheep and beef farming. The Waitomo District, while having some dairying, has more of an emphasis on beef and sheep farming. In recent years there has been conversion of significant areas of land in the Waitomo District, particularly in the steeper hill country in the south-eastern area of the District, into commercial forestry.
- 10.10 The two principal service towns of Otorohanga and Te Kuiti are closely located, being approximately 20 kilometres apart. To the north of both Districts, the larger town of Te Awamutu and the City of Hamilton are located within an easy drive. The relative proximity of the wide range of commercial and social facilities in Hamilton, in the view of the Commission, means that many residents of both Districts look to the north for business and social activities and opportunities.

- 10.11 The residents of the southern area of Waitomo District, particularly in the areas of Mokau and Awakino, look to the urban area of New Plymouth for the provision of services because of its size and proximity. For these residents, although travel to Te Kuiti or New Plymouth involves an approximately similar travelling time, New Plymouth is a more common reference point and base for administrative support for health, education and other social services. However, the Commission notes that there are significant connections in both directions, with high school bus services from the area both going north to Piopio and south to Waitara, and Fire Service backup coming from either Piopio or Urenui. Rural Mail services come from the south as do the other emergency services.
- 10.12 Some parts of the Otorohanga District have strong links with Te Awamutu, in Waipa District. These links are principally a result of the relative isolation of those areas and the fact that the roading linkages between those areas and Te Awamutu are more direct than their roading linkages with Otorohanga. Two such areas are Kawhia, at the western edge of Otorohanga District, and the Arohena-Panetapu area in the eastern area of the District. Commercial services and emergency services to Kawhia are principally derived from Te Awamutu.
- 10.13 For the Arohena, Wharepunga and Panetapu communities in the east of Otorohanga District the roading network with Te Awamutu draws the residents of those areas to that town. The school bus routes follow this roading network.
- 10.14 Both Otorohanga and Waitomo Districts share strong iwi connections. These connections are important culturally and economically. The proportion of Māori resident in each District is significantly higher than the New Zealand average, with Otorohanga District's population at the 2001 Census being 27% Māori (2538 persons) and Waitomo District's population being 37% Māori (3544 persons).
- 10.15 Both Districts share connections with each other and with other districts. Examples of the connections between Otorohanga and Waitomo Districts include the focus in Te Kuiti on local headquarters for a number of government departments, and the area's main hospital (servicing the area from the Puniu River (south of Te Awamutu) to Awakino). Te Kuiti is the administrative base of the Maniapoto Māori Trust Board, whose boundaries generally encompass both Districts. The King Country Rugby Football Union's jurisdiction extends over both Districts, although one Otorohanga rugby team has dispensation to play in the Waikato competition and a Mokau team plays in the Taranaki competition.
- 10.16 The recent upgrade of the Te Kuiti stockyards, and the closure of the Otorohanga stockyards means that Te Kuiti stockyards are an important facility for farmers from both the Otorohanga and Waitomo Districts. Other than for Te Kuiti the nearest large live weight yards are in Frankton and Taumarunui.

10.17 In the view of the Commission the Otorohanga and Waitomo Districts share strong linkages, which is important for a shared sense of a common community of interest. While parts of each District also have linkages to other districts, those linkages reflect the accessibility of services and roading networks, which is quite typical of rural areas throughout New Zealand. It is to be expected that the reasonable access that is available to business services and social opportunities available in bigger centres outside the Districts will be a strong draw card for the residents of some areas.

Financial considerations

10.18 The Commission, in its 1988 draft reorganisation scheme for the Waikato Region, with respect to the then existing Otorohanga and Waitomo Districts, considered that the options were to either unite the districts or retain them as separate local authority districts. The Commission, in deciding to retain separate districts commented as follows:

“The Commission gave serious consideration to the first option, as both the Otorohanga and Waitomo Districts would have limited resources if they remained as separate authorities..... The Commission considers that both districts are relevant units of local government and that little other than greater strength would be achieved if the two were united. The Commission therefore concluded that, as the two districts are efficient and effective and relevant to their particular circumstances, the second option was the more appropriate at this time. In the longer term, the union of the two authorities, with some boundary alterations, to constitute a King Country district will probably be desirable.”

10.19 As noted above, the Otorohanga, Waipa and Waitomo District Councils had significant opportunities for input into the financial study prepared for the Commission by Beattie Rickman. With respect to the Otorohanga and Waitomo District Councils the report notes that both Councils have high rates, fees and charges when compared with other predominantly rural Councils in the Waikato region. The report states:

“Any savings that can be achieved through reorganisation, or other means, will improve the ability of local government in the districts to meet ratepayer expectations.”

10.20 The report notes that employee costs are the most significant components of indirect Council operating costs. It identifies the opportunity for a new Council to reduce current staffing levels by 10 to 15 positions, when compared with the combined staffing levels of the existing Councils. Staff savings would arise through economies of scale, synergies of design and service delivery methods, and the operational efficiencies that can be achieved in a larger organisation.

10.21 The financial report indicates that the savings from a union of the two districts would conservatively be in the order of \$857,000 in the first

year and approximately \$1 million in subsequent years. This is equivalent to an average saving across each of the 8936 rateable properties of the proposed united district of \$96 in the first year and \$113 each year thereafter.

10.22 As a basis for comparison the financial study also considered an option of amalgamating the Otorohanga, Waipa and Waitomo Districts into a single unit of local government. The likely cost savings identified under that option were in the order of \$1.31 million in the first year and \$2.21 million in subsequent years. This is equivalent to a saving across each of the 24664 rateable properties across the possible united district of \$53 in the first year and \$90 in subsequent years.

10.23 The Commission decided not to proceed with further consideration of a union of the Otorohanga, Waipa and Waitomo Districts because of the limited commonalities of interest across such a combined district, the large geographic area of such a district, and the relative level of cost savings that would likely arise from such a reorganisation. Unlike the Otorohanga and Waitomo Districts, the Waipa District is experiencing sustained population growth. Its population increased by 3.7% between the 1996 and 2001 censuses, from 38853 to 40293. This largely reflects the growth of the Te Awamutu and Cambridge townships and the development taking place between those towns and the urban area of Hamilton. The Waipa District is also comparatively wealthy with a per capita median income of \$19800, compared with the New Zealand average of \$18500. The Waipa District also has a significantly different projected population growth profile from those of the Otorohanga and Waitomo Districts – Statistics New Zealand forecasts growth in the District between 2001 and 2021 ranging from 5% (low growth scenario) to 23% (high growth scenario).

Promotion of good local government

10.24 Taking all the information provided to it into account, the Commission is of the view that a reorganisation scheme based on the proposal initiated by the Waitomo District Council will promote the good local government of the districts concerned.

10.25 Having determined that the proposal passes the test of good local government required under section 37ZQA(1)(a) of the Act, the Commission is required to further consider the proposal against the criteria of subsections (1)(b) and (2) of section 37ZQA.

Subsection (1) (b)

(i) *Whether the proposed authority will have the resources necessary to enable it to carry out their functions, duties and powers.*

10.26 The Otorohanga and Waitomo District Councils are currently able to fund their functions, duties and powers, but the Local Government Act 2002 will impose additional burdens.

- 10.27 Both Districts have a small population and rating base. They each have high fees, charges and public debt levels when compared with other predominantly rural councils in the Waikato Region. As the financial study noted, any savings that can be achieved through the union of the two districts would improve the ability of local government in the districts to meet ratepayer expectations.
- 10.28 While there would be transition costs associated with a merger of the two local authority administrations (identified in the independent financial study as being in the order of \$600,000) there would be ongoing savings in areas such as governance, information systems, computer costs, audit, legal, and buildings.
- 10.29 It would be a matter for a new local authority for the combined area to determine whether cost savings and efficiency gains achievable from amalgamation should be used to finance desirable levels of service or to reduce debt across the united district.
- 10.30 The Commission is satisfied that a local authority resulting from the union of the two districts would have the resources necessary to enable it to carry out its functions, duties and powers.
- (ii) *Whether the proposed authority would have a district or districts which would be appropriate for the efficient and effective exercise of local government functions, duties and powers.*
- 10.31 With an area of approximately 534,000 hectares, the united district would be similar in size to the Hastings District. Like the Hastings District, the united district would be predominantly rural.
- 10.32 Implementation of the proposal would require significant administrative reorganisation, but the Commission is of the view that the necessary changes would be readily achievable. The local authority for the united district would have the ability to attract additional expertise to respond to legislative demands and the local government expectations of its communities.
- 10.33 The Commission is satisfied that the union of the Otorohanga and Waitomo Districts would create a district which would be appropriate for the effective and efficient exercise of local government functions, duties and powers.
- (iii) *Whether the proposed authority would contain within its district a sufficiently distinct community of interest or sufficiently distinct communities of interests*
- 10.34 Taking into account the community of interest study prepared for the Commission, together with consideration of submissions, the Commission is satisfied that although each District contains a number of communities of interest, the commonalities of interest between those communities would be enhanced through the union of the Otorohanga and Waitomo Districts.

- 10.35 In the case of the Otorohanga District there is a distinct coastal community based around Kawhia, an urban community based on Otorohanga township, and rural communities in the District's rural hinterland.
- 10.36 In Waitomo District, the Te Kuiti township has approximately half the District's population and this area has a recognised community of interest. The District also has a coastal community of interest based around the Taharoa-Te Anga-Marokopa area, another community based in the Mokau-Awakino area, and communities in the other rural areas of the District.
- 10.37 While the Commission is satisfied that the united district would contain within it distinct communities of interest, and would not split recognised communities of interest, it did consider it appropriate to consider whether the Awakino-Mokau area should be included within the united district. While the Commission did not receive any submissions seeking the transfer of the Awakino-Mokau area to another district, it was a high profile issue in the lead up to the 1989 reorganisation of local government and there was significant media comment on the issue during the course of the current review, mainly in the context of the Waitomo District Council's decision to move to the Capital Value rating system.
- 10.38 The Awakino-Mokau area is a relatively isolated area at the south-western area of Waitomo District. It has a small resident population. A significant number of properties in the area are holiday homes owned by non-resident ratepayers. Roading access to the area from both the north and south traverses difficult terrain, imposing considerable challenges to improving the road. While the residents of the area have linkages to both the north and south, the approximately equal travelling to time to New Plymouth or Te Kuiti means that many residents of the area utilise the commercial and social facilities of New Plymouth for the provision of services. The Commission has noted in other determinations that such a situation is not uncommon in rural areas throughout New Zealand, where there is reasonable access to facilities provided by a urban centre in another district - this is not necessarily a reason for changing local government boundaries.
- 10.39 As earlier noted, the Commission did not receive any submissions seeking the transfer of the Mokau-Awakino area to the New Plymouth District. One resident of the area who lodged a submission, while expressing the view that the residents of the area have a good working relationship with the local elected members and staff of the Waitomo District Council, did not support the amalgamation proposal because she considered the area would lack an effective voice on a Council for the united district.
- 10.40 Two local authorities made submissions relevant to the Mokau-Awakino area. The New Plymouth District Council advised that it is satisfied with the current boundary position and did not seek any revision or

alteration. The Council considered that the Commission's reasoning set out in its 1988 draft reorganisation scheme remained valid and that there did not appear to be any changed circumstances or new factors which would justify a boundary revision at this location. The Waikato Regional Council submitted that the proposal should not change in any way its functions and regional boundaries with the Taranaki and Manawatu-Wanganui Regional Councils.

10.41 The existing boundary between the Waitomo and New Plymouth Districts was determined by the Commission as part of its 1989 reorganisation of local government. Prior to its final determination, the Commission considered a large number of submissions seeking the inclusion of the Mokau-Awakino area in the then proposed Taranaki Region and the New Plymouth District. After considering the issues in terms of the legislative criteria, the Commission at that time decided that the area should be included in the new Waitomo District and the new Waikato Region, and that its boundary determination was appropriate for the provision of local government services.

10.42 The Commission received no submissions suggesting that the current boundary was inappropriate for the provision of local government services. Having considered the various issues it decided that the boundary of the united district with the New Plymouth District should remain unchanged.

(iv) Whether the proposed authority would be able to meet the requirements of section 223C of the Act.

10.43 Section 223C of the Act sets out issues relating to local authority conduct of affairs. The Commission is satisfied that a local authority for the united district would be able to maintain governing and administrative structures that comply with the requirements of this section.

Section 37ZQA subsection (2) paragraph (a) area of impact of functions, duties and powers of the proposed authority; and paragraph (b) area of benefit of services provided.

10.44 The Commission considered the area of impact of functions, duties and powers of the proposed local authority for the united district and the area of benefit of services provided and concluded that the proposed district would be appropriate for the delivery of those functions and services. There do not appear to be any areas where service networks or areas of benefit are split between the proposed district and other districts.

10.45 The Commission is of the view that the proposed new authority would have the ability to deliver appropriate services to the various parts of the new district, and is therefore satisfied that the criterion is met in respect of the proposal.

Section 37ZQA subsection (2) paragraph (c) likely effects of the exclusion of any area from the proposed district.

10.46 This criterion is not relevant to the proposal. Giving effect to the proposal would not leave a remainder district with diminished resources through the loss of any part of its district.

11.0 CONSIDERATION OF BEST FIT TO CRITERIA FOR PROMOTION OF GOOD LOCAL GOVERNMENT

11.1 Having considered the proposal against the criteria of section 37ZQA of the Act, and in terms of the purposes of local government as specified in section 37K of the Act, the Commission is satisfied that the proposal meets the requirements of the criteria specified in section 37ZQA.

11.2 In particular, the Commission is of the view that the proposal will promote the good local government of the area of the existing Otorohanga and Waitomo Districts. The Commission has therefore determined to issue a draft reorganisation scheme for the union of the Otorohanga and Waitomo Districts.

12.0 DETERMINATION OF APPROPRIATE SCHEME

12.1 The Commission is satisfied that the union of the Otorohanga and Waitomo Districts would best promote good local government for the residents of the two Districts. The Commission is satisfied that a Council for the enlarged area would be better able to respond to legislative requirements through attracting staff with the skills needed to provide appropriate local government services. The financial study undertaken for the Commission shows that there is the potential for real cost savings through the union of the two Districts, and these savings could be utilised by a new Council to enhance services, off-set increases in rates or reduce debt.

12.2 The Commission is proposing that the Council for the united district, to be known as the King Country District Council, come into existence at the time of the 2004 local elections, which will be held on 11 October 2004. This is to give sufficient time for new arrangements, such as administrative structures and rating policies, to be established prior to the date of constitution. The transitional process is dealt with in more detail in section 17 below.

13.0 BOUNDARIES (REQUIREMENTS OF SECTION 37ZR)

13.1 The Commission certifies that, in respect of a union of Otorohanga District and Waitomo District, the boundaries of the districts affected would still conform, where practicable, with the boundaries of the Waikato Region. An area in the south-eastern area of the united district will continue to fall within the Manawatu-Wanganui Region.

13.2 The Commission also certifies that the boundaries of the affected districts, as proposed to be amended, conform to the boundaries of statistical meshblock areas determined by Statistics New Zealand and used for Parliamentary electoral purposes.

13.3 The requirements of section 37ZR of the Act would therefore be met by the proposal.

14.0 REPRESENTATION AND MEMBERSHIP

14.1 The proposal for the union of the two districts requires the Commission to determine the membership and representation for the local authority of the new district. The criteria for determining membership are set out in section 37ZRA of the Act which provides as follows:

“Where a principal local authority or the Commission is required to determine the membership of a local authority as a consequence of any reorganisation proposal or reorganisation scheme, the principal local authority or the Commission, as the case may be, shall –

- (a) Provide for the effective representation of the electors of the local authority; and*
- (b) Comply with the requirements of sections 101C, 101CA, 101D, 101E, and 101L of this Act; and*
- (c) Take into account the need to provide effective and accountable local government; and*
- (d) Take into account the functions, duties and powers of the local authority.”*

14.2 Paragraph (b) of section 37ZRA requires compliance with a number of other sections in the Act. Briefly, the provisions of these sections (other than section 101L) are as follows:

- *Section 101C* states that a territorial authority’s membership shall be not less than 6 nor more than 30;
- *Section 101CA* fixes the membership of regional councils;
- *Section 101D* authorises the division of territorial authority districts into wards, requires that regions be divided into constituencies, and prohibits some members of a territorial authority being elected from wards and some elected at large; and
- *Section 101E* provides that at least one member of an authority shall be elected from each ward or constituency, and states who may elect councillors and community board members.

14.3 Section 101L is the principal legislation in this group, especially subsections (2) and (3), which provide as follows -

“(2) In determining whether the council is to be elected by the electors of the district as a whole or by the electors of two or

more wards and in determining (where necessary) the number and boundaries of wards, ... the Commission shall ensure-

- (a) That the election of members of the council by the electors of the district as a whole or by the electors of the 2 or more wards whose number and boundaries are determined will provide effective representation of communities of interest within the district; and*
 - (b) That ward boundaries coincide with the boundaries of current statistical meshblock areas determined by Statistics New Zealand and used for Parliamentary electoral purposes; and*
 - (c) That, so far as is practicable, ward boundaries coincide with community boundaries.*
- (3) In determining the number of members to be elected by the electors of any constituency or ward, ... the Commission shall ensure that the electors of the constituency or ward receive fair representation having regard to the population of every constituency or ward within the region or district and, if the circumstances so require, the rateable values, areas, or other relevant characteristics of the various constituencies or wards."*

- 14.4 Otorohanga District has seven members elected from six wards, with the Mayor elected at large. Waitomo District has 10 members elected from seven wards, plus the Mayor elected at large. Both Districts are divided into wards to provide effective representation for the various communities of interest.
- 14.5 In addition, the Otorohanga District has two constituent community boards – the Otorohanga and Kawhia Community Boards cover the areas of their respective townships.
- 14.6 The Commission has determined that effective representation of communities of interest would best be achieved by the division of the united district into wards. For the purposes of the draft reorganisation scheme the Commission considers that this division can be effectively achieved through grouping the wards of the existing Districts as follows:

Ward groupings	Wards of the King Country District
Tainui, Paemako and Aria Wards (WDC)	South-Western Ward
Mangaokewa Ward (WDC) and Waipa Ward (ODC)	South-Eastern Ward
Wharepuhunga and Kiokio-Korakonui Wards (ODC)	North-Eastern Ward
Kawhia and Tihiroa Wards (ODC)	North-Western Ward
Te Anga and Waitomo Wards (WDC)	Western Ward
Otorohanga Ward (ODC)	Otorohanga Ward
Te Kuiti Ward (WDC)	Te Kuiti Ward

(WDC: Waitomo District Council; ODC: Otorohanga District Council)

- 14.7 In terms of section 101L of the Act, the Commission in determining the fairness of representation must have regard primarily to population, but

if this factor alone does not, in the opinion of the Commission, achieve fairness then regard should be given to rateable value and area or other relevant characteristics of the various wards.

- 14.8 For the united district the Commission considers that population provides an appropriate basis for determining fairness of representation. The Commission proposes a Council of nine elected representatives, made up of a Mayor elected at large and eight councillors elected from the seven wards. Each ward will elect one councillor, except for the Te Kuiti Ward, which will elect two councillors.
- 14.9 In terms of the usually resident population at the time of the 2001 Census, the population per councillor ratio is as follows:

Ward name for purposes of draft reorganisation scheme	Ward population	Number of Councillors	Population per Councillor
South-Western Ward	2232	1	2232
South-Eastern Ward	2529	1	2529
North-Eastern Ward	2769	1	2769
North-Western Ward	2562	1	2562
Western Ward	1779	1	1779
Otorohanga Ward	2631	1	2631
Te Kuiti Ward	4362	2	2181

15.0 COMMUNITY STRUCTURE

- 15.1 As noted above, the Otorohanga District currently has two communities – the Otorohanga Community encompasses the Otorohanga Ward of the District, while the Kawhia Ward encompasses the Kawhia township.
- 15.2 The Otorohanga Community Board has four elected members and two appointed members. The Kawhia Community Board has four elected members and one appointed member.
- 15.3 The Commission received no submissions suggesting that the existing community structure should be altered. For the purposes of the draft reorganisation scheme the Commission has determined that new Otorohanga and Kawhia Community Boards should be constituted, covering the area of the existing boards, each with four elected members and one appointed member.
- 15.4 The Commission has also determined that a Te Kuiti Community Board should be constituted, covering the area of the proposed Te Kuiti Ward. That board will have five elected members and two appointed members.

16.0 POWERS OF COMMUNITY BOARDS

16.1 The Commission has determined that the Community Boards should have the following powers in respect of the geographical area of jurisdiction of each Board:

Planning

- To provide input into the budgetary process of the Council through the Annual Plan process.
- To provide input into the Long-term Council Community Plan.
- To allocate project funding from the Board's discretionary fund (the quantum of funding to be determined by the Council).

Resource Management Act

- To provide input into the District Plan.
- To provide input on resource management issues of local significance.

Policy

- To provide input into policy making through the Council's consultation processes.
- To provide input into the disposal or acquisition of property assets.
- To consult with and make recommendations to the Council on tourism issues of interest to the Board in respect of the Community area.
- To provide input into the development of tourism strategies and initiatives proposed by the Council in respect of the Community area.
- To participate in Council deliberations on any matters impacting on the area of the Community.

Community Development and Consultation

- To consult with, advocate and promote the interest of the community.
- To make submissions to any organisation relating to matters of interest to the Board in respect of the Community area (with any such submission being copied to the Council's Chief Executive at the time the submission is made).

Parks and Reserves

- To provide local input into policy making concerning local parks and reserves.
- To provide local input into the temporary use of local parks and reserves.

Civil Defence

- To participate under delegated authority as part of the Civil Defence Plan.

Traffic Management

- To provide input into policy making.
- To provide input into the temporary use of roads and footpaths.
- To provide input into roading capital works priorities.
- To determine a traffic management plan concerning the placement of road signage, controls on vehicle parking, traffic constraints and controls.
- To approve the temporary use and closure of roads, footpaths and Council owned land for market days, street appeals, stalls and parades and specific events and functions.

17.0 OTHER ISSUES AND ARRANGEMENTS CONSEQUENTIAL TO THE SCHEME

17.1 The draft reorganisation scheme provides for the administration headquarters of the local authority for the united district to be located in Otorohanga.

17.2 The draft scheme also provides for:

- the establishment of a Council service centre in Te Kuiti, to be maintained at least until the date of the triennial local elections in 2007; and
- the Capital Value rating system to apply across the united district.

17.3 Under the draft scheme a transitional committee is proposed for establishment by the Otorohanga and Waitomo District Councils to:

- (a) make arrangements for a person to be the Acting Chief Executive of the Council for the united district until a person appointed by the Council takes up the position of Chief Executive;
- (b) undertake preparatory work for the 2005/06 draft annual plan for the new Council;
- (c) make recommendations to the new Council on its administration structure;
- (d) make recommendations to the new Council on general principles of funding and rating policies for the united district;
- (e) make recommendations to the Council on any proposed powers of Community Boards, which would be additional to those prescribed in the reorganisation scheme for the united district;
- (f) make recommendations to the Council on the quantum of discretionary funding to each Community Board;
- (g) make recommendations to the Council on whether the Council should have committees, and what the membership and functions of any committee should be;
- (h) make recommendations to the Council on the services to be provided by the Te Kuiti service centre; and
- (i) make recommendations to the Council on such other administrative matters as are required to ensure that the Council is able to function effectively from the day on which it comes into existence.

17.4 Assuming the statutory procedures of the Local Government Act 1974 are completed by April 2004 the Commission proposes that the transitional committee come into existence from May 2004 and remain in existence until the members of the new Council come into office after the first election of the Council.

18.0 DECISIONS

18.1 After considering:

- the submissions it had received before and after the commencement of the review;
 - the information it had obtained during its own investigations since the receipt of the proposal; and
 - the provisions of Parts IIB and IIBB of the Act,
- the Commission made the decisions outlined in the following paragraphs.

18.2 The Commission:

- considered what system of local government in the Otorohanga and Waitomo Districts would best meet the criteria in sections 37ZQA and 37ZRA of the Act; and
- being satisfied that a reorganisation scheme resulting from the proposal for the union of the Otorohanga and Waitomo Districts would promote the good local government of both Districts; and
- being satisfied that the inclusion of any part of either district in the district of another local authority would not promote the good local government of either District;

resolved, pursuant to section 37ZZTI of the Act to issue a draft reorganisation scheme under section 37ZZV of the Act which will implement the proposal for the union of Otorohanga District and Waitomo District with effect from the 2004 local elections.

18.3 The Commission considered which system of representation would best meet the criteria specified in section 37ZRA of the Act and resolved that the draft scheme would make provision for representation of the residents of the King Country District through:

- the establishment of a South-Western Ward for the combined area of the present Tainui, Paemako and Aria Wards of Waitomo District, to be represented by one member;
- the establishment of a South-Eastern Ward for the combined area of the present Mangaokewa Ward of Waitomo District and the Waipa Ward of Otorohanga District, to be represented by one member;
- the establishment of a North-Eastern Ward for the combined area of the present Wharepuhunga and Kiokio-Korakonui Wards of Otorohanga District, to be represented by one member;
- the establishment of a North-Western Ward for the combined area of the present Kawhia and Tihiroa Wards of Otorohanga District, to be represented by one member;

- the establishment of the Western Ward for the combined area of the present Te Anga and Waitomo Wards of Waitomo District, to be represented by one member;
- the establishment of the Otorohanga Ward for the area of the present Otorohanga Ward of Otorohanga District, to be represented by one member;
- the establishment of the Te Kuiti Ward for the area of the present Te Kuiti Ward of Waitomo District, to be represented by two members; and
- a Mayor elected at large.

18.4 The Commission considered whether the good local government of the united district would be best promoted by -

- the existing system of communities and functions, duties and powers of community boards;
- an alternative system of communities; or
- a change in the functions, duties and powers of the community boards

and resolved that the draft scheme provide for –

- the establishment of the Otorohanga Community Board, comprising four elected members and one appointed member (being the member of the Council for the Otorohanga Ward);
- the establishment of the Te Kuiti Community Board, comprising five elected members and two appointed members (being the members of the Council for the Te Kuiti Ward);
- the establishment of the Kawhia Community Board, comprising four elected members and one appointed member (being the member of the Council for the North-Western Ward); and
- the Community Boards having those powers prescribed in section 16 of this document.

THE LOCAL GOVERNMENT COMMISSION

Grant Kirby, Chairman
Linda Constable, Commissioner
Kerry Marshall, Commissioner

29 August 2003

APPENDIX

Review submissions were made by the following persons and organisations (an asterisk denotes that the submitter also appeared before the Commission):

Organisations consulted under section 37ZZQB of the Local Government Act 1974:

Waitomo District Council *	Otorohanga District Council *
Manawatu-Wanganui Regional Council	Waikato Regional Council *
Controller and Auditor-General	Ministry of Health
Parliamentary Commissioner for the Environment	Department of Internal Affairs
Secretary for the Environment	New Plymouth District Council
Taupo District Council	Taranaki Regional Council
Waipa District Council *	South Waikato District Council
Waikato District Council	Ministry of Maori Development

Public Submissions:

David and Ann Plowright	James Barker
Richard Jolly	Trish Stewart *
Eduard Visser	Marion Lewin
ER & BR Bell	Waitomo News
JT & JA Appleton	TD Alexander
JA Hall	Barry Oldham
Annette McCarthy	M Mai
W Mai	S Willison
Douglas Stone *	Otorohanga Zoological Society *
Maureen & Patrick Owens	A & G George
E Hayes	John Barton *
R Jones	Alma Robb
Nan Owen	J Pevreal
BHP New Zealand Steel	Jacqueline Hahn
John Kaati *	Andrew & Anna Clark
DA Burton	Don Sattler
JG Arnold	Brian Pitts-Brown
Maniapoto Maori Trust Board	MJ Anso
Denise Hunt	Kabal Singh
Giltrap Farm Machinery Ltd/Andrew Giltrap Family Trust	Kevin & Averil Wooding
Otorohanga Support House Whare Awhina Inc	JE Saunders
Roy Brown	Helen O'Shea
Otorohanga District Development Board	IM Clark
Te Runanganui O Ngati Hikairo	Peter Burton
Otorohanga Business Association Inc *	Wendy Chadwick *
John & Karam Haddad *	IM Perry
Federated Farmers – Otorohanga Branch *	MV Lellman
Federated Farmers of New Zealand (Inc)	Waitomo Ratepayers Group
OTC Timber Co. Ltd	Rey Tapara
Val & Maurice Phillips	Cherie Riches
Mark Ammon *	Majorie Carr
Otorohanga Community Board	Kawhia Community Board
Danny & Bev Moloney	PF Corboy & 4 others
Waitomo Caves Community Committee *	Ian Wards
Trevor Skilton *	AL Miller
Patricia Oldham	David Plowright