

# Northland Regional Council Submission

## Options for Local Government in Northland

Having reviewed the Terms of Reference pertaining to your appointment to hear submissions on the District Councils-led review of local government in Northland, the regional council would like to take this opportunity to be heard in support of its submission. The following information is intended to more fully explain the Regional Council's position. We respectfully request that its views be taken into consideration when making your final recommendations.

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## Summary of submission

### 1. Background – The regional council perspective

- i) The process undertaken by the district councils is predicated on a narrow, predetermined focus motivated by political self-interest and not for the benefit of Northland.
- ii) No effort has been made to identify the existing barriers to Northland unlocking its future potential that a new structure of local government will supposedly overcome.

### 2. Community support

- i) The process does not have the support of Northland's communities and they have not been actively engaged in the process. The community has not demonstrated any demand for change.
- ii) The relevant provisions of the Local Government Act (LGA) 2002 have not been adhered to.
- iii) Affordable solutions are available now if all Northland leaders have the vision and ability to work together for the benefit of our mutual ratepayers.

### 3. Financial considerations

- i) No analysis of the costs and benefits of all options as required by the LGA 2002 has been provided to enable the public to make an informed decision on what options they may support.
- ii) Claims that quantified cost savings were sourced from Northland Regional Council are incorrect and a blatant attempt to further mislead the people of Northland to justify the desired outcome of the district councils.

### 4. The probability of success – effective use of ratepayers' funds

- i) The reasons that a previous Far North District Council attempt to become a unitary authority failed are still relevant today.
- ii) The proposals do not have the support of central government agencies or the Minister of Local Government.
- iii) The likelihood of the current proposals proceeding through the process required by the LGA 2002 is acknowledged by a variety of local and national sources as extremely low. It is therefore irresponsible and unacceptable to continue to use significant amounts of public funds in an effort to create demand to achieve political goals.

### 5. The submission process

- i) Information provided to the public has been misleading, incomplete and biased.
- ii) The principles of natural justice have not been adhered to.

### 6. Conclusion – the missed opportunity

Please refer to page 11

### 7. Recommendations – what we ask of you as Commissioners

Please refer to page 11

## 1. Background – The regional council perspective

In mid 2009, the Northland Regional Council (NRC) initiated discussion at the Northland Mayoral Forum regarding the importance of seeking ways to improve the overall performance of the Northland region. This was a desire for improvement in its broadest sense – encompassing economic, environmental, social and cultural well-being. Against the backdrop of the Royal Commission on Auckland Governance, local discussions inevitably traversed both the current and possible future structures for local government in Northland and how these might best foster this desired change in performance. Although all four Northland councils initially agreed to be involved in undertaking a review, the regional council withdrew almost immediately when both the review's narrow focus - and clear expectations the district councils had regarding its outcome - became apparent.

Explained in the most simple terms, NRC believes the review's initial priority should have been to identify what the region needed to do unlock its full potential and thrive across all areas of well-being. We need to fully understand the scope for improvement and secondly, identify any barriers to the region fully capitalising on its growth potential. As part of a robust research project, the current structure of local government (amongst other things), may indeed be identified as being a barrier to Northland unlocking its future potential. However, equally, it may not. It is a central focus of NRC's submission that it is at this secondary stage that the region should be looking at options for local government structures in Northland. Only when problems are fully understood, can the most effective solutions be canvassed with the community and their implementation be assured of success.

In addition, Northland is a geographically diverse region with a relatively small population and one of the lowest capital bases in New Zealand. Consequently, limited resources are often spread very thin and initiating positive change can be a challenge. All research to date indicates that any reorganisation of local government would be extremely costly. Serious questions must be asked about the affordability of such a move and whether this current drive for politically motivated change is really the most effective use of the limited resources available. It is highly probable that the resources required to reorganise local government could be better spent on tangible initiatives to improve the well-being of Northlanders.

For these reasons, the regional council's submission makes no specific comments on the merits or otherwise of any of the local government options included in this district councils-led review.

In contrast, the district councils unanimous view was to proceed directly to reviewing local government structures and consultants McKinlay Douglas were commissioned to complete this work. The regional council was extremely concerned that this highly defined approach would not provide the leadership and vision Northland needs to achieve the transformational change that current and future generations of Northlanders would most benefit from.

To add to our concerns, it also became apparent that the district councils were actively directing the outcome of the McKinlay Douglas Report from very early on in the process. In an effort to gain a better understanding of the actual process being followed, the regional council utilised the provisions of the Local Government Official Information and Meetings Act 1987 to urgently request a range of information from the district councils pertaining to the work being undertaken by McKinlay Douglas Ltd. This information was analysed and a supplementary report provided to Regional

Councillors at their regular monthly meeting on 21 April 2010. The material contained in this report provides confirmation that the district councils were leading a process that was more about self-interest and personal political agendas, rather than recommending changes that would result in tangible improvements for Northland in terms of our future environmental, economic, social and cultural well-being. A copy of the regional council supplementary agenda item dated 21 April 2010 is included for your reference as **Appendix A**.

## 2. Community Support

Another core feature of the regional council submission is that despite this council's view that reviewing governance structures is part of the secondary stage of what Northland needs to do to move forward, any review of local government options should have the support and interest of Northland's various communities. The community has not initiated this drive for change in any way. The process undertaken by the district councils does not have this support and Northland's communities have not been actively engaged in the process. There was poor public turnout at the first round of the public meetings held by Peter McKinlay which resulted in a second round of public meetings hosted by the district councils, where council staff and political attendees frequently outnumbered members of the public. Public meetings in general are recognised as a poor tool for public engagement in the 21st century. When compared to population size, attendance is negligible and meaningless as an accurate gauge of public opinion. The results of a recent telephone survey commissioned by the Whangarei District Council indicate that 66% of Northlanders are unaware of the proposal for local government reform in Northland.

The desire for change in local government structures has not been led by the community, nor was it signalled as an area of interest in any District Council Long Term Council Community Plan or Annual Plan, which in turn would have provided members of the public with the opportunity to comment before councils committed their funds. A brief review of submissions received over the past 5 years of consultation on statutory plans, clearly demonstrate that from the submitters' point of view, the need for local government reform is not a pressing issue. The actual number of submissions received that relate to the specific issue of local government reform do not add up to a single percentage point.

Given the level of significance of this initiative and the fact that it was not signalled to the community in any statutory plans, the regional council questions why the district councils have not complied with their own Significance Policies as required by the Local Government Act (LGA) 2002. This council does not consider that the decision-making provisions sections 76 to 82 of the LGA 2002 have been adequately observed. The objective has not been clearly defined, all reasonable practicable options have not been identified, and the benefits and costs of each option have not been assessed in terms of the present and future social, economic, environmental and cultural well-being of the region. Claims that reorganising local government will somehow improve mortality rates and educational achievement in Northland are tenuous and unconvincing. Lack of public consultation before deciding to embark on this council-led initiative and a failure to take community views and other expert advice into consideration before committing significant amounts of ratepayer funds are also shortfalls in the current process. The people of Northland deserve better quality governance than the shallow process followed to date, and indeed it is their right as provided for in the Local Government Act 2002. Relevant sections of the LGA 2002 are included for your reference as **Appendix B**.

The regional council strongly objects to a district councils-led process which has resulted in substantial amounts of public money being spent in an attempt to create ratepayer demand to achieve a predetermined political outcome with little public support or probability of success. Glossy brochures prepared by both the Far North and Whangarei District Councils contain numerous inaccuracies regarding the regional council and attempt to create demand through weak and unsubstantiated claims such as the public being confused about council functions and unnecessary duplication of council services. The brochures led on to an extensive series of newspaper advertisements making unsubstantiated claims that the establishment of unitary authorities in Northland would result in anything from residents not having to travel to Auckland for high level medical care, to a greater proportion of young people choosing to stay and study in Northland and improved economic development. The drive for change is being led by two district councils, deeply in debt and not dealing with current issues, pushing ahead with a process until their desired result is achieved. This in itself is a misuse of ratepayer funds. The regional council agrees that all councils should be actively seeking ways to work more efficiently and effectively with each other to improve services provided to the public. Northland needs this level of collaboration now, not in three years time when it is proposed that the outcome of this process be implemented. Numerous examples of successful collaboration already exist at an officer level across all Northland councils; the level of dissatisfaction appears to lie at a political level. Affordable solutions to improve services to ratepayers are readily available. The "1-stop-shop" shared services approach to the delivery of council functions does not require a costly reorganisation of local government - only the vision and ability to put political agendas aside and work together for the benefit of our mutual ratepayers.

### **3. Financial considerations**

Throughout their campaign, the district councils have attempted to "sell" their proposal to the public on the basis of unsubstantiated claims that the establishment of their desired unitary authority structure would either save money (the Far North claim), or be cost-neutral (the Whangarei district claim). References to transition costs are scant. As detailed in our submission, there has been no analysis of the costs and benefits of the proposed changes to local government structures, and therefore the community has been denied the facts as required by the LGA 2002, that people need in order to make an informed decision on whether to support the proposed changes. The regional council does not believe that Northland can afford to divert significant resources into costly restructuring that is not based on the current and future needs of the region, but rather on the political aspirations of incumbents.

The lack of robust financial information upon which to make an informed decision has not gone unnoticed by many members of the public. In an effort to lend credibility to their claims and answer the groundswell of questions in this regard, the Whangarei District Council has recently purported that the claim of savings is the result of a regional council report.

This claim is in reference to an item considered at the June 2009 meeting of the regional council where it was resolved to proceed to investigate the issues surrounding a review of governance of Northland. This report contained an appendix that outlined the financial assumptions used in a report for the Royal Commission on Auckland Governance compiled by Taylor Duignan Barry, commonly referred to as the TDB Report. This report contained a financial model used to estimate efficiency gains for

establishing a single (not multiple) entity for Auckland. Running Northland's financial data through this model resulted in preliminary estimated cost savings of between \$9.3M and \$14M for a single (not multiple) entity. Transition costs were estimated of up to \$28M. The TDB report itself draws the reader's attention to the high levels of uncertainty and broad brush assumptions used in the model. Apart from early preliminary analysis, the TDB model subsequently ceased being used in the Auckland reorganisation due to the recognised need to have robust and detailed cost benefit analysis upon which to base informed decisions for Auckland. The resulting expanded analysis resulted in the identification of significantly higher transition costs, estimated increased operational costs (not savings) and increased job losses than originally indicated in the preliminary results of the model when applied to the Auckland scenario. It has recently been reported that transition costs for the Auckland Super-City are now well over \$200M and continuing to rise. Information gained from the Whangarei District Council as a result of the previously mentioned Official Information Request contain emails from the McKinlay Douglas Report's author Peter McKinlay indicating that reforms in Northland will cost more and yet claims of cost neutrality or savings continue to be made.

For the Whangarei District Council to now claim in their public communications, that preliminary high level analysis using an obsolete model designed for Auckland (not Northland) are quantified cost savings identified by the regional council is incorrect. This erroneous claim is another example of a blatant attempt to mislead the people of Northland and to justify the desired outcome of the district councils.

#### **4. The probability of success – effective use of ratepayer funds**

In late 1993 the Far North District Council proposed to establish a unitary authority encompassing the powers of a regional council and territorial authority within its current district. The Local Government Commission considered the proposal and subsequently referred it back to the Far North District Council (FNDC) on the basis that implementation of the proposal would make it difficult to ensure good local government. A copy of the decision is included for your reference as **Appendix C**. The regional council is of the opinion that most of the observations made by the Local Government Commission in its March 1994 decision still apply to the Far North's current proposal to become a unitary authority. In addition, emails from Peter McKinlay note his concerns that a Far North unitary council is unlikely to be financially viable and yet the process to establish one continues.

Also included for your reference as **Appendix D**, is an excerpt from a report prepared for the Minister for the Environment on the consent processing performance of the FNDC dated February 2010. This report comments specifically on the FNDC's current bid to become a unitary authority, exercising both regional and district council functions under sections 30 and 31 of the Resource Management Act 1991. Whilst acknowledging that the following comments are strictly outside the scope of their investigation, the report's authors were sufficiently concerned about this proposal to include comment that "the FNDC has much work to do to get its own house in order". The report goes on to state that "until matters such as these are resolved (refer appendix D), the question of whether the Council (FNDC) should exercise unitary functions should not be explored actively. It would be inappropriate for instance for FNDC to make decisions on standards of wastewater discharges to the coastal environment. It would also need to prepare plans for its regional functions, but at present the District Plan needs substantive work. Matters such as this should be the district council's priority".

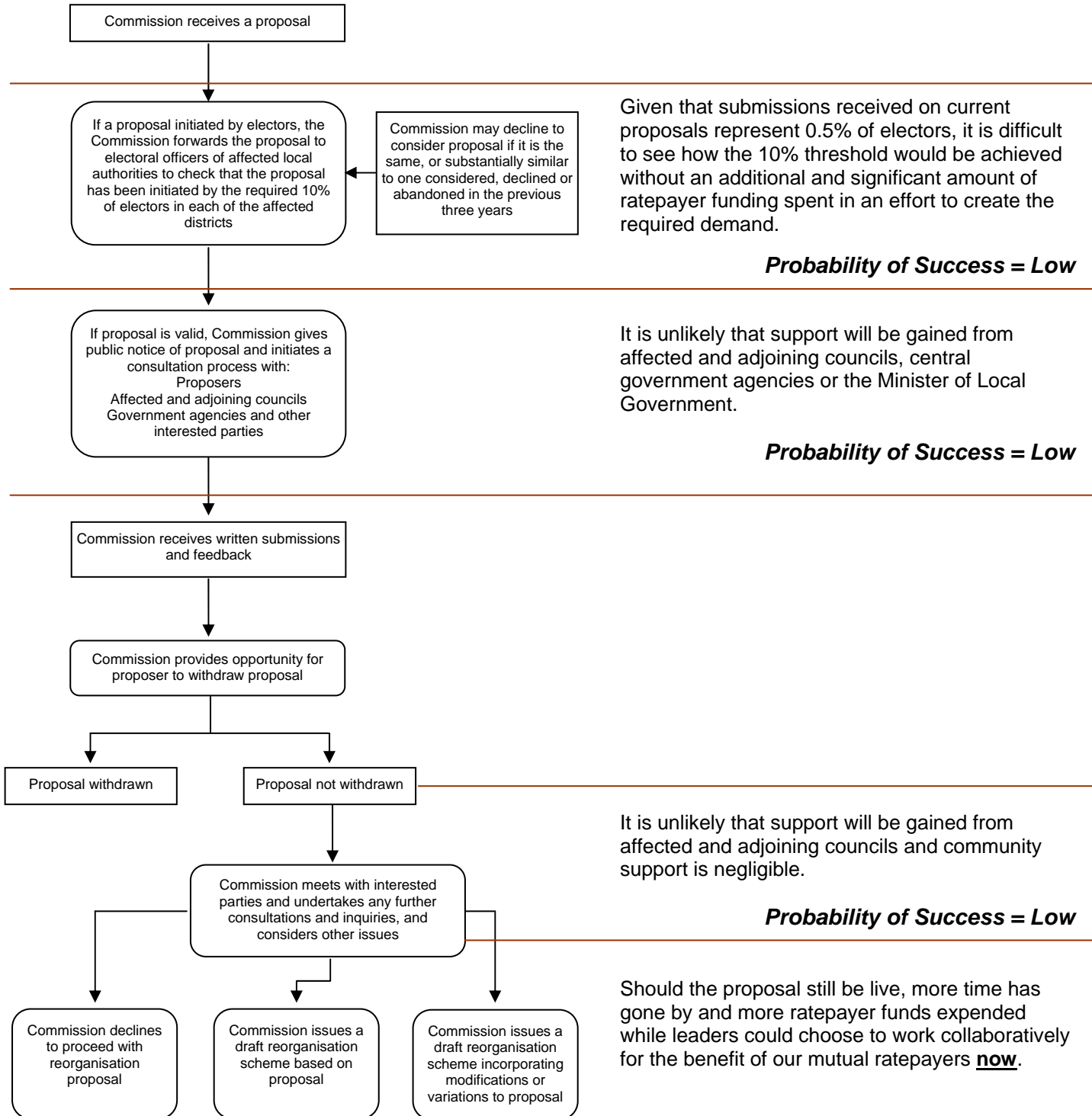
In terms of local support, should the district councils resolve to establish themselves as unitary authorities and initiate a reorganisation proposal, schedule 3 of the Local Government Act 2002 outlines the process. A brief outline of the process for initial consideration of reorganisation proposals and reorganisation schemes along with their probability of success are illustrated as follows in **Figures 1 and 2**:

# Figure 1

## Process Required by LGA

## Probability of Success

### Initial Consideration of Proposals

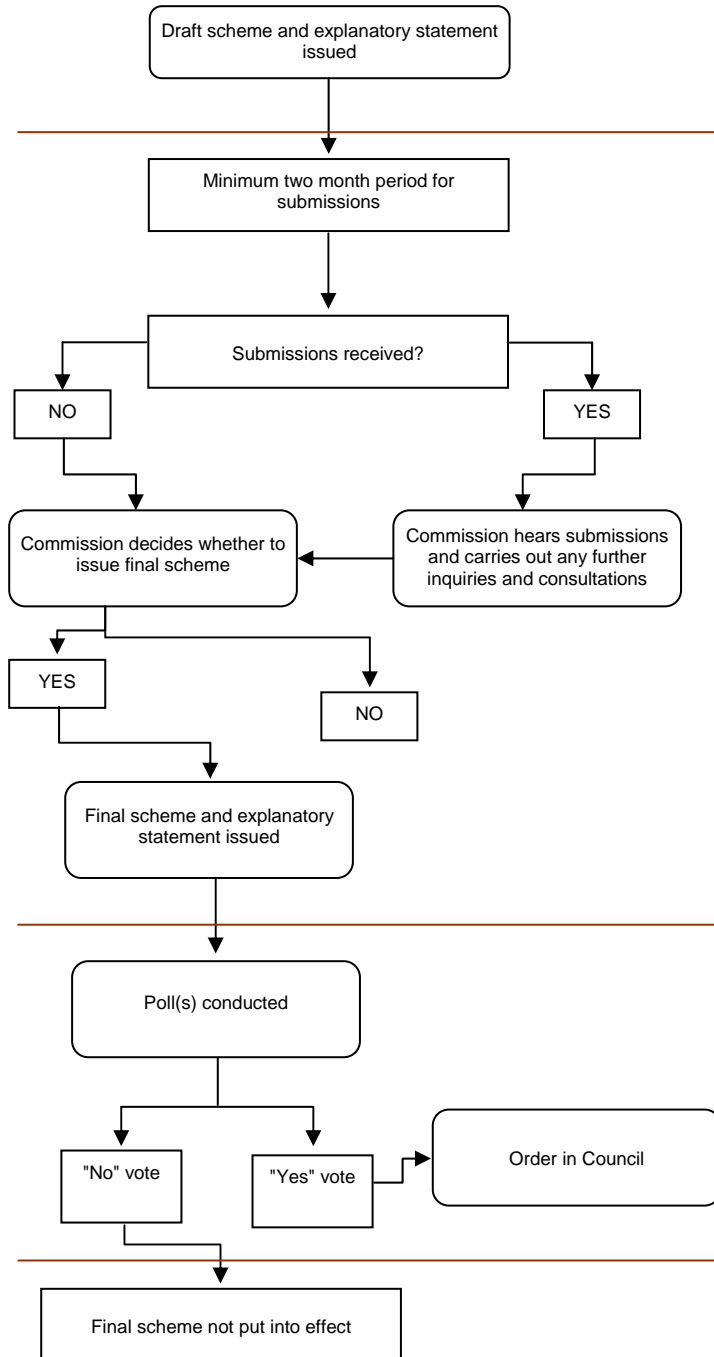


# Figure 2

## Process Required by LGA

## Probability of Success

### Reorganisation Schemes



The Minister of Local Government has confirmed that he has little interest in any reorganisation schemes until after the Auckland Super-City has been bedded in and the LGA reviewed.

**Probability of Success = Low**

The poll must gain at least 50% support from electors or the reorganisation scheme fails.

Given the lack of support from the community, other councils and Central Government:

**Probability of Success = Low**

### ***In conclusion***

It is irresponsible to continue to spend public funds when the probability of success is so low.

Northland needs these funds to be spent productively in other areas now.

In terms of central government support, in addition to the comments made in the report prepared for the Minister for the Environment, the Minister of Local Government has stated on numerous occasions, as recently as a Radio NZ interview on 2 June 2010, that the current proposal is not citizen-initiated and has a low probability of success. A transcript of this interview, "Northland Councils persist with doomed unitary proposal" is included for your reference as **Appendix E**. When the Minister met with Councillors in May 2010, he stated that central government is focusing first on concluding the implementation of the Auckland Super City reorganisation before considering any other reorganisation proposals. In addition, he stated that the government also intended on reviewing the Local Government Act 2002 prior to considering any other reorganisation proposals.

Given the stated lack of current central government support and the knowledge that the ground rules are likely to change before any further reorganisation proposals are considered, it is unclear why the district councils continue to spend ratepayer funds pursuing this course of action. It is irresponsible to continue to spend public funds in this manner when the probability of success is so low.

## 5. The submission process

As previously discussed, the regional council has concerns concerning the dubious quality of information supplied to the public. It is this council's view that if any or all of the Northland territorial authorities wish to engage with the community on proposed changes to local government, then the information supplied to support such engagement should be well researched, unbiased, honest and provide the community with all the facts and options in order to make an informed decision.

It has at times been difficult to keep abreast of all the claims being made by others involved in this process. Due to this council's early decision to withdraw from the process, the regional council made a conscious decision not to involve itself in public trading of conflicting information with the district councils. The regional council believes that the standing of local government is severely damaged when councils disagree too often in public. Such disagreements do not reflect well on the professionalism or reputation of any of the local authorities involved and do nothing to build the public's confidence and respect in regards to how councils choose to spend ratepayer funds.

Where there have been inaccuracies that have cast a shadow on the regional council's reputation or challenged the integrity of the organisation, this approach was reviewed. Both staff and Councillors received unsolicited requests from the public to enter the fray and "defend ourselves" against what ratepayers often recognised as spurious claims aimed at discrediting the regional council. Reluctantly, the council produced a fact sheet in an effort to provide more balanced information to enable the public to make more informed decisions about what they might put in a submission. A copy is included for your reference as **Appendix F**. This fact sheet was published as part of the regional council's regular newsletter to residents the "Regional Report", as this council felt strongly about dedicating any more public resources into an area that has already cost ratepayers dearly.

In addition to not adhering to the principles of the LGA 2002, there are also aspects of the process to date which cause some concerns as to whether the principles of natural justice will be adhered to in making any decisions regarding local government options for Northland. Apart from the issues of predetermination that contributed to the

regional council withdrawing from the process, this council has concerns about full disclosure of all information prior to submissions closing – allowing all submitters access to the same information upon which to base their submissions. It is understood that the Whangarei District Council (WDC) has very recently commissioned some sort of public survey to support the hearings process. Although a copy of this report has been requested, it has not been received to date. In addition, in response to objections from the regional council and many members of the public that no financial analysis was provided to support the claims of either cost savings or cost neutrality resulting from any changes in local government structure, the WDC have belatedly commissioned another report from McKinlay Douglas Ltd entitled “Excuse me, what will it cost?” dated June 2010. Released after the submission period closed, this new report concludes that it is neither feasible nor useful to attempt to quantify the financial impacts of any changes to local government structures in Northland. This calls into question claims made by the district councils that their unitary authority structures would save ratepayers’ money while improving council services. It is difficult to see these claims as anything but a thinly veiled attempt to “sell” their unitary council ambitions to the people of Northland and must be acknowledged as misleading and inappropriate.

This raises concerns that you as commissioners have been provided with information that will be used in future decision making that either no-one else has access to or was unavailable to submitters prior to submissions closing.\* The regional council also has concerns about the bias shown in public information distributed by both the Far North and Whangarei District Councils and the distinct lack of evidence relating to claims of financial savings or cost neutrality of the various reorganisation options being considered. As previously discussed, the recent assertion made in response to questions from this council about the lack of cost / benefit analysis and due diligence of the various options being considered, that it is regional council analysis that is being used to underpin these claims of financial savings is completely unacceptable.

It wasn’t clear from the Terms of Reference what the policy was as regards the receiving and hearing of late submissions. It is noted that the Far North District Council submission was received late on 14 June 2010 when submissions closed on 31 May. Whatever the policy on late submissions, this Council assumes that all late submitters have been treated equally, no matter who they are or what organisation they represent. It is also unclear whether all information supplied to yourselves as Commissioners will be made available to the public and other interested parties and in what level of detail your findings will be made public.

**\*Footnote**

It should be noted that on Day 1 of the hearings, additional information was presented to you as commissioners that has not been previously been publicly released. Deloitte presented estimated cost savings in the area of planning and regulatory overheads – a collaborative proposal already being promoted by the regional council under the banner “1-Plan”. Deloitte commented that all the projected savings could be achieved through a shared services approach and are not dependent on a reorganisation of local government. Why not just get on and do this now instead of spending significant amounts of ratepayer funds on reorganisation? A press release on the Deloitte findings was sent during the presentation. This ties in well with the orchestrated, calculating and relentless drive of the district councils to sell their desired outcome.

## 6. Conclusion - The missed opportunity

*What does Northland need to improve its current and future well-being?*

As stated in the opening stages of the regional council's submission, in the absence of robust analysis to identify what the problems in Northland currently are, the regional council has no fixed preference on which form of local government would be best placed to resolve such issues. Bridging the gap between improving the environmental, social, cultural and economic wellbeing of Northlanders and optimising local government performance is the missed opportunity in the current process – What does the region really need to thrive and prosper? What can the region afford? and; What is the most effective way to deploy our limited resources for the overall benefit of the region?

Only by fully understanding the answer to these questions first, can the best local government structure be put in place to deliver the benefits. Dividing Northland is not a solution. The region already struggles in terms of critical mass and further divisions make no sense. Any further effort in recommending changes to local government structures at this point in time, is a costly, unproductive diversion from the real game of lifting Northland's performance and does not serve the interests of Northland's communities.

## 7. Recommendations - What we request of you as Commissioners

The regional council recognises that these hearings are the first genuine independent part of the process. We are fully engaging with you in the knowledge that you will listen. We therefore have the following requests of you:

1. That you please consider the issues raised and the conclusions reached in the Northland Regional Council's submission when making your recommendations about future local government options for Northland.
2. That you please make your recommendations in the context of what Northland's problems are and what potential solutions might exist apart from costly local government reform. Practical, affordable solutions are needed now.
3. That all decisions be made and fully explained to the public and other interested parties in terms of the principles of natural justice.

Thank you for your time and effort in considering our submission, and we look forward to reading your findings in due course.