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Mana Kāwanatanga ā Rohe

Local Government Commission

Auckland reorganisation process:

Auckland Options Assessment

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Glossary

AC – Auckland Council

AMP – Asset Management Plan

ARAFA - Auckland Regional Amenities Funding Act 2008

CCO – Council Controlled Organisation

FAR – Financial Assistance Rates (from New Zealand Transport Agency)

HGI – Hauraki Gulf Islands

HGMPA – Hauraki Gulf Marine Park Act 2000

IMSB – Independent Maori Statutory Board

KDC – Kaipara District Council

LGA – Local Government Act 2002

LGC – Local Government Commission

LTP – Long Term Plan

NAG – Northern Action Group

NPS – National Policy Statement

NRC – Northland Regional Council

NZTA – New Zealand Transport Agency

RLTS – Regional Land Transport Statement

RMA – Resource Management Act 1991

RPMS – Regional Pest Management Strategy

RPO – Reasonably Practicable Option

RPS – Regional Policy Statement

TCDC – Thames Coromandel District Council

Executive summary

Morrison Low has been commissioned by the Local Government Commission (LGC) to independently investigate, in accordance with the Local Government Act 2002 (LGA), the seven long list Options identified by the LGC for local government reorganisation in Auckland.

The purpose of the assessment is to assist the LGC in identifying the Reasonably Practicable Options (RPOs) for local government in the affected area and in determining its preferred Option.

Part I – Longlist assessment

The legislative criteria require the LGC to be satisfied that any local authority proposed to be established or changed under an RPO 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) comprise distinct communities of interest;
- d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.”¹

Our assessment, at the request of the LGC, excluded clause (c) above.

In the case of a local board reorganisation, as is the case for Option 2, the LGC must be satisfied that “the governance arrangements proposed under an RPO will—

- a) enable democratic local decision making by, and on behalf of, communities throughout the affected area; and
- b) provide fair and effective representation for individuals and communities throughout the affected area; and
- c) enable equitable provision to be made for the current and future well-being of all the communities within the affected area.”²

To assess the Options, we created a one year and a forecast ten year financial model, based on an apportionment of Auckland Council financial information³ to the affected areas, to determine if each of the potential local authorities would have the resources necessary to effectively carry out its responsibilities, duties and powers. We then assessed the likely capability and capacity of each of the potential local authorities to efficiently perform its role as defined in the Act. For the Options involving a change to regional boundaries, we assessed the ability for the authority to enable catchment-based flooding and water management issues to be dealt with effectively.

¹ Local Government Act 2002, Schedule 3, clause 11(5).

² Local Government Act 2002, Schedule 3, clause 11(6A)

³ Operational and capital expenditure, 2015 (actual) and 2016-2025 (forecast). Apportionment methodology is detailed in the main body of the report

The findings from our assessment are summarised below, for the seven identified Options.

Option 1 - The Status Quo. This Option includes the current Auckland Council as a local authority. As per Clause 11 (4)(a) of Schedule 3 of the Act, the existing arrangements for local government are included as a RPO.

Option 2 - Two local boards for Rodney. This Option includes the provision of an additional local board. It does not include any proposed change to the boundaries or functions of the affected local authority. The Option enables democratic local decision making, provides fair and effective representation and enables equitable provision to be made for the current and future well-being of all communities within the affected area.

Option 3 - Merge a portion of North Rodney (the Wellsford area) with Kaipara District Council and Northland Regional Council. This Option results in a year one⁴ estimated \$2.9 million deficit for Kaipara District Council and a reduced surplus for the Northland Regional Council. This will have a significant impact on Kaipara District Council's ability to carry out its responsibilities, duties and powers. This Option also does not enable catchment-based flooding and water management issues to be dealt with effectively.

Option 4 - North Rodney Unitary Authority. This Option results in a year one estimated \$13.5 million deficit, which is forecast to increase over the ten year forecast period. Rates would need to increase by 48% in year one to cover the deficit. In addition there are likely to be significant capability and capacity issues for a unitary authority that has approximately half the population of the smallest current unitary authority in New Zealand⁵.

Option 5 - Waiheke Unitary Authority. This Option results in a year one estimated \$6.4 million deficit. Rates would need to increase by 43% in year one to cover the deficit. In addition there are likely to be significant capability and capacity issues for a unitary authority that has approximately one fifth the population of the smallest current unitary authority in New Zealand⁶.

Option 6 - North Rodney District Council. This Option results in a year one estimated \$10.2 million deficit, which is forecast to increase over the ten year forecast period. Rates would need to increase by 43% in year one to cover this deficit.

Option 7 - Waiheke District Council. This Option results in a year one estimated \$4.7 million deficit, which is forecast to increase over the ten year forecast period. Rates would need to increase by 36% in year one to cover this deficit.

A summary of the findings is shown in Figure 1. As a result of the assessment, it was found that Options 1 and 2 were RPOs, and Options 3 to 7 were not RPOs.

⁴ Year one refers to the first year of the modelling, based on 2015 actual (Annual Report) data for the respective councils

⁵ Excluding the Chatham Islands Council

⁶ Excluding the Chatham Islands Council

Part II – RPO assessment

As two potential RPOs were identified including the current arrangements (Option 1) and a local board reorganisation (Option 2), an assessment against clause 12(2) of Schedule 3 and section 10 of the Act was required under the Terms of Reference.

For those purposes, the LGC must be satisfied that its preferred Option, in the case of a local board reorganisation:

- a) “will best promote, in the affected area, the purpose of local government as specified in section 10; and
- b) will best promote the interests of the communities in the district in terms of—
 - i. the benefits to all communities of a consistent or co-ordinated approach in the district; and
 - ii. the benefits to particular communities of reflecting the particular needs and preferences of each community.”⁷

The “purpose of local government” in section 10 has two parts. The first relates to enabling “democratic local decision-making and action by and on behalf of communities”. This contains within it questions of governance, representation, decision making and resources to support and to give effect to decisions.

The second part of the purpose of local government definition is about the ability to “meet current and future needs ... for good quality local infrastructure, public services and regulation”. The focus here is a question of financial and resourcing capacity and capability for the current and future delivery of infrastructure, services and regulation.

In undertaking the assessment of how well the Options give effect to the purpose of local government and the interests of the communities in the Auckland region, consideration was given to a number of interrelated questions that identified the benefits and disbenefits of each Option.

For option 2, the key changes to the status quo are:

- An increase in local board members in Rodney from 9 to 12.
- An increase in representation in Rodney, increasing the population to local board member ratio from 6911:1 to 5183:1.
- Creation of two new local board offices in Rodney, one within each of the new local board areas.
- Additional governance costs, including the cost of the local board members and democracy, administrative and engagement support to elected members, as well as transitional costs to establish the new local board.

Compared to the status quo, the relevant benefits and disbenefits associated with this Option are:

- Benefits
 - The addition of another local board for Rodney provides the Rodney ward with two local boards and accordingly an increase in governance in respect of the shared governance model. There would be a stronger mandate for Rodney communities to advocate through the two local boards for the Rodney ward.
 - The Rodney community will benefit from an increased level of representation.

⁷ Local Government Act 2002, Schedule 3, clause 12(2)

- Rural communities of Auckland will benefit through a greater voice for rural ratepayers as a whole.
- There will be a greater local board presence and better access to the board for North and South Rodney constituents through increased representation and offices in each local board area.
- Disbenefits
 - There will be a disbenefit to the other communities of Auckland outside of Rodney, their voice will be diminished as their local boards will now be one of 22 voices rather than one of 21.
 - Substantially lower representation than in Rodney could be perceived to be inequitable by other communities within Auckland (excluding Waiheke and Great Barrier communities).
 - The overall logistics of managing Auckland's shared governance model will be made slightly more complex, potentially slowing decision making and impacting Auckland Council's ability to provide informed and timely advice to 22 local boards to enable informed decision making.
 - While the creation of an extra local board and local board office will deliver an enhanced presence and level of governance for residents in North and South Rodney, it will not address those issues as identified in the Governance Framework Review⁸ including policy, funding and organisational structure, and the way the overall shared governance model and council organisation is operating.
 - There would be an increase in Auckland Council's operating and capital costs.

Summary

In summary, the Part I - longlist options assessment identified Option 1 and Option 2 as potential RPOs. The Part II - RPO assessment findings were that Option 1 maintains the same benefits and disbenefits as are currently in place in Auckland, while Option 2 has some governance and representation benefits for the Rodney communities and also has some disbenefits in respect to governance and representation for the wider Auckland community and resourcing implications on Auckland Council.

The findings of this report are to assist the LGC to determine its preferred Option. It is not within our terms of reference to draw conclusions as to the preferred RPO.

⁸ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

Longlist evaluation of options											
Option description		Status Quo			Two Local Boards Rodney	North Rodney merged Kaipara		North Rodney Unitary	Waiheke Unitary	North Rodney District	Waiheke District
Option number		1			2	3		4	5	6	7
		Auckland C	Kaipara DC	Northland RC		Kaipara DC	Northland RC				
Scenario 1 Base case	One-year surplus/deficit (\$ M)	250.0	5.3	5.3	249.0	-2.9	3.3	-13.5	-6.4	-10.2	-4.7
	One-year deficit as a percentage of rates	-	-	-	-	-9%	-	-48%	-43%	-43%	-36%
Scenario 2 Low FAR	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	-0.3	N/A	-0.6	-0.3	-0.6	-0.3
Scenario 3 High FAR	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	0.3	N/A	0.6	0.3	0.6	0.3
Scenario 4 Use Capital Value	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	0.6	N/A	1.3	0.1	0.9	0.0
Scenario 5 Regional Parks costs split	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	N/A	N/A	0.9	N/A	N/A	N/A
Scenario 6 Exclude Regional Amenities	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	0.1	N/A	0.9	0.7	0.9	0.7
Scenario 7 Comm Boards for North Rodney	Positive/negative impact on financial result (\$M)	N/A	N/A	N/A	N/A	N/A	N/A	-0.8	N/A	N/A	N/A
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:											
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;		Yes			-	No		No	No	No	No
b) have a district or region that is appropriate for the efficient performance of its role;		Yes			-	Yes		No	No	Yes	Yes
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;		Outside Morrison Low scope - to be analysed by LGC									
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.		Yes			-	No		Yes	Partial	N/A	N/A
Evaluation against Legislative Criteria for reorganisation of local boards - do the governance arrangements:											
b) not include any proposed change to the boundaries or functions of the affected local authority?		-			Yes	-		-	-	-	-
c)(i) enable democratic local decision making by, and on behalf of, communities throughout the affected area;		-			Yes	-		-	-	-	-
c)(ii) provide fair and effective representation for individuals and communities throughout the affected area;		-			Yes	-		-	-	-	-
c)(iii) enable equitable provision to be made for the current and future well-being of all the communities within the affected areas		-			Yes	-		-	-	-	-
Reasonably Practicable Option (note exclude communities of interest analysis)		Yes			Yes	No		No	No	No	No

Figure 1: Summary of the findings⁹

⁹ Note that for Scenarios 2-7, the figures shown should be added to or subtracted from the base case (Scenario 1). For example, Option 4 has a deficit of \$13.5 million. Including a high FAR scenario (Scenario 3) would improve the financial result by \$0.6 million resulting in a deficit of \$12.9 million.

1 Introduction

Morrison Low has been commissioned by the Local Government Commission (LGC) to independently investigate, in accordance with legislation, the seven long list Options identified by the LGC for local government reorganisation in Auckland.

The purpose of the assessment is to assist the LGC in identifying the Reasonably Practicable Options (RPOs) for local government in the affected area (including the status quo) and, if there is more than one, in determining its preferred Option.

1.1 Longlist Options

The longlist Options we have been asked to assess are:

Option 1	The Status Quo
Option 2	Two local boards for Rodney
Option 3	Merge a portion of North Rodney (the Wellsford area) with Kaipara District Council and Northland Regional Council
Option 4	North Rodney Unitary Authority
Option 5	Waiheke Unitary Authority
Option 6	North Rodney District Council
Option 7	Waiheke District Council

The affected area for the purpose of the assessment is the Auckland Council region and (in relation to Option 3) the Kaipara District Council (KDC) district and Northland Regional Council (NRC) region. The Options are described in more detail in the relevant sections of the report and a map of the respective boundaries is attached in Appendix A.

1.2 How the Assessment has been undertaken

The assessment has been undertaken in two parts and the report is divided accordingly:

- **Part I** is the assessment of the longlist of Options in accordance with clause 11 of Schedule 3 of the Local Government Act 2002 (the Act), to identify which if any of those Options meet the legislative criteria for a RPO (except that concerning communities of interest under clause 11(5)(c)), and
- **Part II** is the assessment of the identified RPOs against clause 12 of Schedule 3 and section 10 of the Act, to assist the LGC to determine its preferred Option under clause 11(8).

1.2.1 Part I – Longlist assessment

Part I of the assessment is to identify the potential RPOs from the longlist of Options. The legislative criteria require the LGC to be satisfied that any local authority proposed to be established or changed under an RPO 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) comprise distinct communities of interest;
- d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.”¹⁰

For those purposes, the LGC must have regard to –

- a) “the area of impact of the responsibilities, duties, and powers of the local authorities concerned; and
- b) the area of benefit of services provided; and
- c) the likely effects on a local authority of the exclusion of any area from its district or region; and
- d) any other matters that it considers appropriate.”¹¹

In the case of a local board reorganisation, as is the case for Option 2, the LGC must be satisfied that “the governance arrangements proposed under an RPO will—

- a) enable democratic local decision making by, and on behalf of, communities throughout the affected area; and
- b) provide fair and effective representation for individuals and communities throughout the affected area; and
- c) enable equitable provision to be made for the current and future well-being of all the communities within the affected area.”¹²

1.2.2 Part II – RPO assessment

If two or more potential RPOs are identified, Part II of the assessment is to identify which of the RPOs would be the preferred Option (to the extent that our terms of reference enable). It is for the LGC to determine its preferred Option if there is more than one RPO.¹³ For those purposes, the LGC must be satisfied that its preferred Option, in the case of the creation of a new local authority:

- a) “will best promote, in the affected area, the purpose of local government as specified in section 10; and
- b) will facilitate, in the affected area, improved economic performance, which may (without limitation) include—
 - i. efficiencies and cost savings; and
 - ii. productivity improvements, both within the local authorities and for the businesses and households that interact with those local authorities; and
 - iii. simplified planning processes within and across the affected area through, for example, the integration of statutory plans or a reduction in the number of plans to be prepared or approved by a local authority.”¹⁴

¹⁰ Local Government Act 2002, Schedule 3, clause 11(5). Note the exclusion of paragraph (c) from this assessment.

¹¹ Local Government Act 2002, Schedule 3, clause 11(6). The assessment has regard to these factors only to the extent they are relevant to clause 11(5)(a), (b) and (d); and to the extent that they impact on the geographical areas covered by the options (i.e., the assessment has not considered the impact of the longlist options on the remainder of the Auckland region).

¹² Local Government Act 2002, Schedule 3, clause 11(6A)

¹³ Local Government Act 2002, Schedule 3, clause 11(8)

¹⁴ Ibid, clause 12(1)

Or, in the case of a local board reorganisation:

- a) “will best promote, in the affected area, the purpose of local government as specified in section 10; and
- b) will best promote the interests of the communities in the district in terms of—
 - i. the benefits to all communities of a consistent or co-ordinated approach in the district; and
 - ii. the benefits to particular communities of reflecting the particular needs and preferences of each community.”¹⁵

It is useful at this point to be reminded of section 10 of the LGA which states:

- “(1) The purpose of local government is –
- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
 - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for household and businesses.
- (2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are-
- (a) efficient; and
 - (b) effective; and
 - (c) appropriate to present and anticipated future circumstances.”¹⁶

1.3 About Morrison Low

Morrison Low has an extensive track record of assisting councils on a wide range of projects across New Zealand and Australia, including local government reform. The cornerstone of our business is local government although we also have real depth and experience in central government. With offices in Auckland, Wellington, Sydney and Brisbane, Morrison Low prides itself on understanding the Australasian local government sector and the matters confronting it.

Morrison Low is currently assisting numerous councils across New Zealand, New South Wales and Tasmania with mergers, boundary changes and alternative delivery models. These reviews are based on robust financial modelling of the proposed entities, supported by qualitative understanding of the likely benefits and challenges associated with operating local government organisations of varying sizes and resource bases. This report has been delivered by the same team that successfully completed the Assessment of Wairarapa Local Government Options for the LGC.

In addition we are familiar with the current challenges and opportunities for Auckland Council, through a number of significant recent projects for Auckland Council, including in the areas of governance, delivery and council-controlled organisations.

¹⁵ Ibid, clause 12(2)

¹⁶ Local Government Act 2002, Section 10

2 Methodology and assumptions

2.1 Methodology

We have assessed each of the proposed Options against the relevant criteria set out in the Act, as described in the introduction. To do this, we have utilised our experience of assessing council amalgamations and merger options in New Zealand (Wairarapa) and for over 35 councils in New South Wales, Australia, as well as our experience working with all councils in New Zealand, across all activities.

We have not assessed the Options against the communities of interest criteria as per Schedule 3, clause 11(5)(c) in the Local Government Act 2002. This work will be carried out separately by the LGC.

The role of any local authorities considered as part of the options assessment will be in accordance with Section 11 of the Local Government Act 2002 which states that “The role of a local authority is to give effect, in relation to its district or region, to the purpose of local government stated in section 10; and perform the duties, and exercise the rights, conferred on it by or under this Act and any other enactment.”

As with all local authorities, there are a range of delivery options available including shared service arrangements, which could result in efficiencies. These would be subject to negotiations between the new entity and the partnering local authority. We have assessed each Option from the point of view of a district, regional or unitary authority acting as a standalone entity, with Option 2 being the exception. This means that services would no longer be delivered through Auckland Council’s council controlled organisations, including Auckland Transport and Watercare, unless a shared service was agreed with Auckland Council.

As part of the Part I longlist assessment, we have not considered the impact on the remainder of the Auckland Region although at a high level we note that this would need to consider transition costs and stranded costs, as well as the long term financial impact of a smaller rating base and council area.

2.1.1 Financial modelling

To determine the prospective financial position for each of the proposed longlist Options, we created a one-year snapshot of the financial statements for each Option based on the Councils’ 2015/16 Annual Reports. We used publicly available information from the Councils’ Long Term Plans (LTP), Annual Plans and Annual Reports. Information was sourced from Auckland Council, KDC, NRC, the Local Government Commission and Statistics New Zealand.

To determine the revenue and expenditure associated with each of the identified Options, it was necessary to apportion the financial information as contained in Auckland Council’s 2015/16 Annual Report. Consequently the Annual Report financial information was requested from Auckland Council on a geographic basis for each of the identified option areas.

Since the longlist Options comprise of a range of entity types including unitary council, regional authority and territorial authority, this necessitated that Auckland Council’s activities be split into the functions of a traditional regional versus territorial authority.

As a unitary authority, Auckland Council does not have the same definitions of ‘local’ and ‘regional’ activities as that of regional and territorial authorities.

This results in some Auckland Council local activity costs being allocated to the regional council and some Auckland Council regional activity costs being allocated to the territorial authority, under Options 3, 6 and 7.

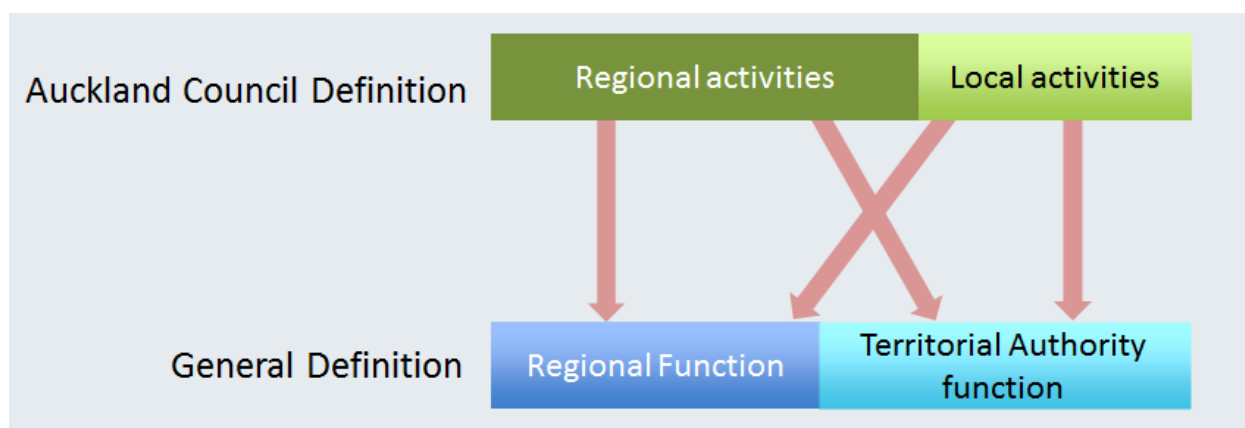


Figure 2: Comparison of Auckland Council and general definitions of activities

Accordingly the split of Auckland Council's activities was requested based on regional and territorial functions for the purposes of evaluating the Options.

Our methodology proposed that the longlist assessment only include a one year financial statement and the RPO assessment a ten year financial statement. However, in undertaking the year one financial statement for the longlist options it became evident and was considered prudent for the purposes of the assessment to model the longer term financial sustainability for each Option. Using the modelled year one financial statement, we then created a year two to ten model for each Option. This was based on the inflation forecast and the anticipated population and revenue growth over that period as adopted by Auckland Council in its forecast financial statements¹⁷. The ten year modelling also incorporated an allowance for Auckland Council's capital works programme for each Option area to understand the financial implications of the capital expenditure on the future sustainability of the proposed Option.

Information Framework

We have used the following framework when apportioning financial information.

Where actual costs are available, these have been used. Examples of this include:

- 'Local activities' that are allocated based on Auckland Council local board areas
- Activities that do not apply to the affected areas e.g. Regional facilities¹⁸, volcanic cones, City Centre targeted rates, waterfront development. In these cases, no allocation has been made.

Where direct actual costs are not available an assumption has been made regarding the apportionment of cost to the Option areas. Examples of this include:

- Stormwater revenue and expenditure, which is allocated based on the length of the piped stormwater network in the affected area
- Governance costs, which are spread across all ratepayers and have been allocated based on the number of rating units in the affected areas.

¹⁷ BERL local government inflation forecast, 2006 census population growth data and rates increases as adopted in Auckland Council's 2015/25 Long Term Plan

¹⁸ Regional facilities refers to the Museum of Transport and Technology (MOTAT), Auckland Regional Amenities Funding Act funded facilities/services and the Auckland War Memorial Museum

We have also reviewed major areas of expenditure where the majority of costs are not asset based, for example Governance and Organisational Support costs to identify if the total cost and the share of overall costs is in line with our experience of working with other New Zealand councils. Where appropriate we have compared these results with other similar councils under the proposed Option to provide confidence that the results are appropriate.

Benchmarking across councils is inherently difficult because of the differences between councils due to such factors as population, land area, topography, rating base, demographics and local economic characteristics. Councils also report costs in different ways, with allocation of overheads having a significant impact on the reported cost of service delivery.

Some New Zealand councils have the benefit of substantial investments and well-maintained assets, while others are facing a delayed maintenance and renewals workload on top of a falling rating base. Our assessment is based on a typical New Zealand council operating model with a growing rating base, as is the case for Auckland.

2.2 General assumptions

In order to model the various Options, a range of assumptions and standard indicators have been developed based on our previous experience and discussions with Auckland Council, the original North Rodney applicant and alternative proposers. Details of the engagement with stakeholders are provided in Appendix B. The key assumptions are presented below and as part of the Option description, where option-specific assumptions exist.

- All assets and services will be funded by and be the responsibility of the relevant regional or district council, or unitary authority.
- In determining the cost of delivering activities the assumption is that services will continue to be delivered in accordance with existing levels of service provided by Auckland Council to the respective areas. The new entity/entities will be able to review service levels, however this will be subject to engagement with the community and meeting minimum regulatory standards. Historically, regulatory requirements for local government have steadily increased, giving local authorities less flexibility in setting their own levels of service across a wide range of activities. Policy and regulatory changes impacting medium to high growth areas in particular (but not exclusively) may further reduce this flexibility.
- All existing contracts will continue until their expiry or until they are replaced by the new entity. We have not allowed for a penalty for cancelling any contracts prior to their expiry. We have also not reviewed the contracts to determine what clauses they include regarding novation to a new client. There is a risk that some contractors could choose not to continue with the current contracts, however we do not anticipate that this would have a material impact on the overall finances of the new entity.
- The longlist and RPO assessment is premised on a typical council operating model based on advice from the Local Government Commission including typical representation, decision making, delegations and allocations. Details around decision making delegations and allocations can be further considered at the draft proposal stage if appropriate. This would include a public consultation phase. The LGC has power to make a decision on these for the first council period only. The new council then has the power to change these, through normal decision making and engagement processes.
- Figures have been rounded as part of the financial modelling where appropriate.

- It was assumed that the proposed Options were all in place at the start of the 2015/16 financial year to allow the future state to be assessed for the purposes of the longlist assessment. In practice the Options would not be fully in place until the 2018/19 financial year at the earliest. For the purposes of the RPO assessment, it is assumed that the Option(s) come into effect in the 2018/19 financial year.
- The base year for the financial model was 2015/16 to allow the model to be built on audited financials as presented in the councils' annual reports with a further breakdown provided based on the groups of activities. Where necessary data on the costs and revenues for individual activities was requested to enable district and regional council functions to be separated and costs and revenues to be apportioned to the Option areas.
- The intention of the ten year financial modelling was not to develop a full operating plan or LTP, but rather to understand the implications of infrastructure projects on the financial sustainability of the entity going forward. It should be noted that all councils are currently developing their 2018/28 LTPs and that forecast infrastructure projects could be brought forward, pushed back, changed or cancelled as a result of this process. Outgoing years are modelled on the base year with the following adjustments made:
 - Auckland Council's forecast rates increases for the remainder of the 2015/25 LTP¹⁹,
 - the forecast growth in the rating base in the Option area as shown in the table below,
 - an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs as forecast in the LTP, and
 - the increased depreciation and interest costs from Auckland Council's capital works programme for the area.
- Table 1 below shows the forecast rates, population and rating base increase used to develop the ten year financial model.

Table 1: Forecast increase in general rates, population and rating base for Auckland²⁰

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
General rates increase²¹	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Population increase	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%
Rating base increase²²	1.6%	1.6%	1.8%	1.8%	2.0%	1.9%	1.9%	1.9%	1.8%

- No allowance was made for potential increase in operating costs to accommodate a larger population base in the outgoing years. Some activities would have a corresponding increase in operating costs e.g. solid waste for Waiheke. For water and transport the impact of a growing population is primarily felt on the capital budget, not on the operating budget.
- The actual rates collected, including targeted rates, have been allocated to each Option area
- Rates have been split into territorial authority and regional council rates based on the proportion of net expenditure allocated to the territorial authority and regional council in that area. Population data and forecasts were sourced for the relevant local board areas, wards and meshblock areas from Statistics New Zealand, based on the subnational population estimates at 30 June 2016 (2017 boundaries).

¹⁹ Note these are currently under review as part of the 2018/28 LTP

²⁰ Source: Auckland Council

²¹ This is the general rates increase and does not include growth in the rating base

²² This represents the forecast growth in the number of rating units

- For Options 6 and 7, we have assumed that the Local Government Act 2002 Amendment Bill (No 2) will be enacted as currently drafted. The proposed changes will allow a local authority to have the responsibilities, duties, and powers of a regional council in respect of a region; and the responsibilities, duties, and powers of a territorial authority in respect of a district that constitutes a part only of that region. These Options are not possible under the current legislation.
- There would also be additional costs in transitioning to the new entity including development and implementation of a Regional Policy Statement, Regional Land Transport Plan, regional plans, district plan, policies, bylaws, civil defence, developing a new stand-alone IT system and recruitment costs. These have not been included in the financial results shown as part of the longlist Options assessment. These would be anticipated to be primarily incurred in the first three to five years of the entity's existence, although some work, including preparing a new district plan and a developing a new IT system, could continue for a longer period. The transition costs for the unitary authority Options would be higher than for the district council Options due to the increased number of plans and policies that would need to be created or amended and the number of staff involved.
- Transition costs have not been estimated for the longlist Options assessment. The estimated transition costs for the longlist of governance options for the Wairarapa ranged from \$15 million to \$20 million over ten years. It should be noted that these costs were based on a merger of three (or four) councils, not a de-merger. There are no recent examples in New Zealand of a de-merger that could be used to provide an indicator of likely transition costs. If the LGC selects an Option other than the Status Quo as its preferred Option, the transition costs for that Option will need to be modelled.
- The financial position of Auckland Council is not unduly affected by any of the Options as proposed, although there would be substantial transitional workload for Auckland Council.
- No allowance has been made for the costs borne by other parties due to the proposed Options. This includes costs associated with council liaison for iwi and cost incurred by central government for legislative change e.g. some Options are likely to require changes to the Hauraki Gulf Marine Park Act (HGMPA) to reflect representation changes on the Hauraki Gulf Forum.

2.3 Activity based specific assumptions

We have applied the following activity based assumptions to our assessment:

2.3.1 Roding

- Roding expenditure was based on actual operational financial information provided by Auckland Transport for each local board area. Where data was for a larger area, such as the Rodney Local Board area, the expenditure was allocated based on the length of roads in the Option area.
- Asset values and the depreciation expense was apportioned based on the proportion of assets in each Option area. Specific data was provided on the number of streetlights, length of footpath and length of road. Road lengths were further broken down into 3 categories, chipseal, asphaltic concrete and unsealed roads. The proportionate lengths were used to allocate the asset values and depreciation expense.
- Some minor assets were considered to relate predominantly to the Auckland urban area and were not allocated to the Option areas. These included seawalls, busway stations, and traffic signals.
- For other assets, including bridges and drainage assets where there was no other information available, the overall proportion of the length of road was used to determine the share of expenditure.

- New Zealand Transport Agency (NZTA) provides financial assistance to councils and other approved organisations based on the Financial Assistance Rate (FAR). This is calculated based on centreline kilometres divided by capital value, the inverse of rating units and the index of deprivation. The maximum normal funding assistance rate for all local authorities is 75%²³, while the minimum rate is set at 51%. The FAR is based on data from all local authorities across New Zealand, with a higher rate for one local authority resulting in a lower rate for the other local authorities. If a new territorial authority is created, NZTA may need to recalculate the FAR for all local authorities.
- Due to the complexities associated with calculating the actual FAR rate for the proposed local authorities, the FAR rates used for calculating the NZTA subsidy for each Option are based on comparable councils. A sensitivity analysis has been carried out to identify the impact of a potential 5% increase or decrease in the FAR from the midpoint figure selected. The estimated FAR rate has then been applied to the different categories of transport expenditure based on Auckland Transport's activity reports. The low, midpoint and high FAR figures for each option are shown in the table below.

Table 2: Estimated FAR rates used for the purposes of financial modelling

	Options 1 & 2	Option 3	Option 4	Option 5	Option 6	Option 7
Low FAR scenario		56%	51%	63%	51%	63%
Midpoint	51%	61%	56%	68%	56%	68%
High FAR scenario		66%	61%	73%	61%	73%

- Public transport, a regional council activity, was split out from roading costs and allocated based on the actual costs allocated to the local board area and then the local board costs were allocated based on the number of rating units in each area.
- Costs relating to parking activities were allocated based on the actual costs allocated to the local board area and then the local board costs were allocated based on the number of rating units in each area.

2.3.2 Regional parks

- Revenue and expenditure on regional parks has been allocated based on the proportion of the total Regional Park land area within each of the Option areas.
- One of the scenarios modelled as part of the sensitivity analysis for Option 4 – North Rodney Unitary Authority, considers the possibility that Auckland Council contributes to the operating costs of the Regional Parks in North Rodney, due to the use of these parks by Auckland residents not living in the North Rodney area. This would not address the use of the Regional Parks by residents from other parts of New Zealand or from international tourists.
- We are not aware of any current arrangements in New Zealand whereby one council contributes to another Council's operating costs, unless there is a contract or agreement in place for that council to provide services on behalf of the other council. This suggestion was made as part of the Northern Action Group's (NAG's) application to the LGC and is included here to address NAG's concerns regarding the funding of Regional Parks.
- The new North Rodney Unitary Authority would need to negotiate with Auckland Council regarding any contributions to North Rodney Regional Parks.

²³ Excluding the Chatham Islands, who are governed by separate legislation and receive a FAR of 85%.

2.3.3 Waste

- Solid waste costs in Rodney were calculated based on the value of the separate targeted rate charged to Rodney residents. This targeted rate covers recycling and the costs of recycling centres and transfer stations. Other waste activity costs funded through the general rate were allocated based on the number of rating units in each area.
- Waste expenditure for the Hauraki Gulf Islands is currently subsidised by mainland ratepayers. Auckland Council carried out a detailed costing exercise for this in 2015, culminating in a report to Council. This specified the subsidy per chargeable unit for Waiheke and Rakino. This was multiplied by the number of chargeable units on each island to determine the total waste subsidy. Costs relating to other Hauraki Gulf Islands including Great Barrier were excluded.

2.3.4 Water and wastewater

- Watercare provided detailed revenue, costs, assets and assessed debt for each of the Option areas. This information was used directly in the model and no further apportionment was required.

2.3.5 Stormwater

- Stormwater revenue and costs, including vested assets and development contributions, has been allocated based on the proportion of the piped stormwater network in the Option areas.

2.3.6 Environmental services

- Environmental services are a predominantly regional activity and include biodiversity, biosecurity and clean waters. Expenditure is related to land area and is mainly focused on rural areas and regional parks, although there are some significant clean waters initiatives in the urban areas relating to stream remediation, as well as responses to coastal erosion.
- The environmental services costs have been allocated on the basis of land area.

2.3.7 Local activities

- Auckland Council has provided the actual costs charged to the Rodney and Waiheke Local Boards for the following activities:
 - Local community services
 - Local environmental management
 - Local governance
 - Local parks, sport and recreation
 - Local planning.
- Local board costs have been allocated to the specific Option areas based on the number of rating units in the local board area relative to the total number of rating units for the local board.

2.3.8 Regulation and consents

- Building control costs have been allocated based on the average of the proportion of building consent applications and proportion of building inspections within each of the Option areas.
- Resource consenting costs have been allocated based on the proportion of resource consent applications within each of the Option areas.

- Resource consenting costs have also been apportioned into local and regional consents, based on consent numbers within each of the Option areas. This is based on a high level description of the consent type and an estimate has been made where the type of consent was not clear e.g. ‘bundled consents’.
- Licencing and compliance costs have been allocated based on the proportion of licences and animal registrations within each of the Option areas.
- Weathertightness claims have not been allocated to the Option areas. Auckland Council has reviewed the current weathertightness claims and there have been no claims accepted to date in any of the Option areas. There are currently a small number of claims that are pending across the Option areas, but these are not considered material in the context of the apportionment exercise.
- The average share of the costs for building consents, resource consents and licencing was used to allocate residual costs within this area.

2.3.9 Regional facilities

- Funding for the Museum of Transport and Technology (MOTAT), Auckland Regional Amenities Funding Act funded facilities/services²⁴ and the Auckland War Memorial Museum have been allocated on a weighted capital value basis in accordance with the historic funding model prior to the establishment of Auckland Council.
- We note that should one of the unitary authority Options proceed (Options 4 and 5), then a new funding model could be agreed for these facilities that excluded the new Unitary Council area. This possibility has been included as a scenario in the sensitivity analysis.

2.3.10 Investment

- Investments, including investments held by Auckland Council’s council controlled organisation Auckland Council Investments Limited, have been allocated on a rating unit basis, as the investments are held for the benefit of the ratepayers as a whole and any returns on investments is used to offset rates.
- We have not considered the position of the legacy councils (e.g. Auckland City Council and Rodney District Council) when apportioning investment. When Auckland Council was formed all investment was amalgamated in the creation of the new entity. We have taken the current Auckland Council as the starting point for considering the potential Options, rather than a historical position.

2.3.11 Debt

- Debt has been allocated based on the share of total assets within each of the Option areas, as debt is usually associated with the acquisition of new or replacement of assets.
- We have not considered the position of the legacy councils (e.g. Auckland City Council and Rodney District Council) when apportioning debt. When Auckland Council was formed all debt was amalgamated in the creation of the new entity. We have taken the current Auckland Council as the starting point for considering the potential Options, rather than a historical position.

²⁴ Including Auckland Observatory and Planetarium Trust Board, Auckland Philharmonia, Auckland Regional Rescue Helicopter Trust, Auckland Theatre Company Limited, Coast Guard Northern Region Incorporated, New Zealand National Maritime Museum Trust Board, New Zealand Opera Limited, Surf Life Saving Northern Region Incorporated, The Auckland Festival Trust and Watersafe Auckland Incorporated

2.3.12 Governance, management and organisational support

- Governance, management and organisational support costs have been developed based on our experience of the actual cost categories and costs within these areas. This has been benchmarked against comparable district councils. We do not consider that there are any comparable unitary authorities for Options 4 and 5 due to the small population base in the proposed North Rodney and Waiheke Unitary Authorities. The governance, management organisational support costs for these Options have been developed based on the district council Options, with an additional uplift allowance made for the added complexity associated with a unitary authority.
- For Option 4, an additional governance scenario has been modelled including five community boards, each with four elected members²⁵.

2.3.13 Activities not allocated

- Revenue and expenditure associated with activities that do not apply to the Option areas have not been allocated. These are:
 - Volcanic cones
 - City Centre targeted rates
 - Waterfront development
 - Weathertightness claims.

2.3.14 Other

Other activities have been allocated based on a rating unit basis as it is considered that this is the most accurate way to allocate these costs. These activities are:

- Economic Growth and Visitor Economy
- Property development
- Regional community services
- Cemeteries
- Regional Sports
- Regional Sports Development Contributions and Vested Assets
- Regional planning
- Environmental Services - Management and Education
- Civil Defence and Emergency Management
- Rural Fire
- Waste and Environmental Services Other.

A number of different apportionment methodologies were considered for these costs. A comparison of the relative share of these costs that would be allocated to the Option areas is shown in the table below.

²⁵ Note four is the minimum number of elected members required under the Local Electoral Act 2001, Section 19F.

Table 3: Comparison of the share of Auckland region's population, capital value, rating units and land areas in the Option areas

Method	Option 3 Merger a portion of North Rodney with KDC and NRC	Option 4 & 6 North Rodney Unitary Authority/ District Council	Option 5 & 7 Waiheke Unitary Authority/ District Council
Population ²⁶	0.41%	1.49%	0.58%
Capital Value	0.41%	2.45%	1.16%
Rating Units	0.57%	2.74%	1.18%
Land Area	13.85%	26.51%	2.25%

Population was excluded as a means of apportionment as it does not capture the non-resident ratepayers in the area.

As part of the sensitivity analysis, we have modelled a scenario using capital value instead of number of rating units to allocate these costs, as the actual apportionment methodology that would be utilised in the case of de-amalgamation is unknown.

Land area is only appropriate to use for some activities e.g. environmental services which are directly related to the area of land.

2.4 Limitations in data

Auckland Council's financial reporting system does not identify all expenditure to specific parts of the region, particularly for expenditure that is not geographically tied. It is not a requirement for local authorities to provide financial information this way. As a unitary authority, Auckland Council's revenue and costs are collected and spent regionally, with the exceptions of some activities (e.g. solid waste) that are the subject of separate targeted rates across the region. Auckland Council has provided additional information, including over 50 separate pieces of information to allow the assessment to be carried out as accurately as possible.

We note that a number of the applications received by the LGC suggested that Auckland Council should provide all financial data at a local board level, not just the 'local activities' data. However not all revenue or expenditure is directly linked to one geographic area. To develop a full assessment of expenditure for a local board area would require apportionment of centralised costs based on a range of assumptions as has been done for this assessment and would only be an estimate rather than the actual expenditure.

Even were Auckland Council to capture financial information at a local board level, this assessment would still have required apportionment of most activities as, except for Option 2, the proposed local authority boundaries do not align with the current local board boundaries.

For costs other than organisational support and governance, we have assumed that the current service delivery cost will remain the same as the frontline service levels will not change. This will be the case in areas such as parks and roading, where the majority of costs are locked into external contracts with varying expiry dates.

However, for activities that are predominantly based on staff costs, the economies or diseconomies of scale may mean that the actual cost to deliver the service is higher or lower in the proposed local authorities. Examples of this include Building Control and Environmental Services which are dependent on a small number of skilled officers. Some activities may not justify a full-time employee e.g. Legal Services in which case external providers may be used but potentially at a higher cost.

²⁶ Note this is based on the Statistics New Zealand subnational population estimates which are derived from the census usually resident population count and therefore exclude visitors/tourists

There are a number of matters confronting local government and the implications of these are still under investigation. These include the:

- National Policy Statement on Urban Development Capacity
- National Policy Statement on Freshwater Management
- Climate change.

It is recognised that to meet the objectives of these policies will require additional local government expenditure. For example, the National Policy statement on Freshwater Management will require upgrades to the existing water and wastewater assets. The impact of the National Policy Statement on Urban Development Capacity will be particularly significant for medium to high growth areas.

The extent and implications of these are unknown and accordingly are excluded from the financial model. These are expected to have further implications on resourcing and funding needs under the different Options.

In addition, council expenditure and spending priorities are currently under review in Auckland, Kaipara and Northland as part of the 2018/28 LTP development. This assessment is based on actual expenditure in 2015/16 and forecast expenditure for the period 2016/17 to 2024/25.

As a result of the limitations in the data, we have conducted a sensitivity analysis to determine if the financial results are significantly altered by some of the assumptions that have been made.

2.5 Sensitivity analysis

A number of different scenarios have been modelled. The intention of this is to firstly accommodate any uncertainties in the data provided, included where estimates of actual numbers have had to be made and the impact of these could be material in terms of the overall financial result.

The second of these intentions is to reflect areas that would be subject to negotiation between future local authorities or to determination by the LGC²⁷. As we cannot predict the outcome of these decisions, we have modelled a number of potential outcomes.

Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

A description of the scenarios modelled is provided in Table 4 below. Note not all scenarios are applicable to all Options.

In the financial results shown in Appendix C and also in the Executive Summary, the impact of each of the scenarios has been shown independently to allow a comparison of different combinations of these scenarios. For Scenarios 2-7, the figures shown should be added to or subtracted from the base case (Scenario 1). For example, Option 4 has a deficit of \$13.5 million. Including a high FAR scenario (Scenario 3) would improve the financial result for this Option by \$0.6 million resulting in a deficit of \$12.9 million. Including both a high FAR scenario (Scenario 3) and excluding the regional amenities costs from this Option (Scenario 6) would improve the financial result by \$1.5 million, resulting in a deficit of \$12.0 million.

²⁷ For the first council period and in consultation with stakeholders

Table 4: Scenarios modelled for sensitivity analysis

Scenario	Name	Options affected	Description
Scenario 1	Base Case	All	The allocations made to determine the base case scenario for the purposes of financial modelling are described in Sections 2.1-2.4 above.
Scenario 2	Low FAR	4,5,6,7	NZTA's financial assistance rate (FAR) is reduced by 5% from the midpoint shown in Table 2, reducing the external revenue available for roading expenditure. Total roading expenditure remains unchanged, increasing the roading expenditure of the new entity, relative to the base case. See section 2.3.1 for more details of this scenario.
Scenario 3	High FAR	4,5,6,7	NZTA's FAR is increased by 5% from the midpoint shown in Table 2, increasing the external revenue available for roading expenditure. Total roading expenditure remains unchanged, reducing the roading expenditure of the new entity, relative to the base case. See section 2.3.1 for more details of this scenario.
Scenario 4	Use of capital value	3,4,5,6,7	All expenditure that is allocated on a rating unit basis in the base case scenario is instead allocated on a capital value basis under this scenario. The relative share of expenditure under the base case and scenario 4 is shown in Table 3. All five Options have a slightly lower share of expenditure when costs are allocated using capital value rather than rating units. See section 2.3.13 for more details of this scenario.
Scenario 5	Regional Parks	4	Auckland Council funds a share of Regional Parks costs for the North Rodney Unitary Authority. The share funded by North Rodney has been determined based on its share of the total population of both Auckland and the potential North Rodney region. See section 2.3.2 for more details of this scenario.
Scenario 6	Regional amenities	4,5	North Rodney and Waiheke Unitary Authorities do not contribute funding for Regional Amenities. The base case assumes that these costs are allocated across the whole of the current Auckland Region based on the historical funding model for these activities. See section 2.3.9 for more details of this scenario.
Scenario 7	Community boards for North Rodney Unitary Authority	4	The North Rodney Unitary Authority has five community boards, each comprised of four elected members. See section 2.3.11 and Appendix C, Option 4 for more details of this scenario.

3 Part I: Longlist Assessment

An assessment of the seven Options against the legislative criteria is outlined below. A summary of this assessment is attached in Appendix C.

4 Option 1 – Status Quo

As per Clause 11 (4)(a) of Schedule 3 of the Act, the existing arrangements for local government are included as a RPO.

4.1 Option description

4.1.1 Boundaries

- As per the current Auckland Council boundaries.

A map showing the current Auckland Council boundaries is attached in Appendix A.

4.1.2 Status

- Auckland Council will continue to be the unitary authority for the all of the Auckland area.

4.1.3 Affected areas

- Auckland Region.

4.1.4 Representation

Governing body

- A mayor and 20 Councillors elected by voters from the Ward they represent.

Local boards

- 21 local boards with between five and nine members elected by the community they represent.

Māori

- The role of Independent Māori Statutory Board (IMSB) is to ensure there is a voice for Māori in the governance of Auckland and to assist the council with making informed decisions and meeting its statutory obligations in relation to the Treaty of Waitangi.

4.1.5 Resources

- As per the current Auckland Council resources.

4.1.6 Area offices, Council Controlled Organisations and Advisory Panels

Customer service centres offering a variety of services are located at:

- Graham Street – Central City
- Bledisloe Lane – Central City
- Waiheke Island
- Great Barrier Island
- Albany
- Birkenhead
- Devonport

- Glenfield
- Hibiscus and Bays
- Orewa
- Takapuna
- Warkworth
- Whangaparaoa
- Helensville
- Henderson
- Huapai
- Waitakere Ranges Local Board Office
- Whau Local Board Office.

Auckland Council has seven Council Controlled Organisations (CCOs) being:

- Auckland Council Investments Limited
- Panuku Development Auckland
- Auckland Regional Investment Funding Board
- Auckland Transport
- Auckland Tourism Events and Economic Development
- Regional Facilities Auckland
- Watercare Services Auckland.

Council is also advised by a range of advisory panels including:

- Disability Advisory Panel
- Ethnic Peoples advisory panel
- Pacific Peoples Advisory Panel
- Rainbow Communities' Advisory Panel
- Seniors Advisory Panel
- Youth Advisory Panel
- Auckland City Centre Advisory Panel
- Heritage Advisory Panel
- Rural Advisory Panel

4.1.7 Assumptions specific to this Option

Any change of delegations or powers of local boards is outside the scope of this assessment. We understand that Auckland Council has a Governance Framework Review underway that is considering options relevant to this.

4.1.8 Financial resources

Table 5 below shows the financial results for Auckland Council. The results show that Auckland Council's surplus was \$311.4 million in 2015/16.

Table 5: Financial results for Auckland Council

2015/16	Auckland Council (status quo) (\$M)
Total Revenue	3,705
Total Expenditure	3,455
Surplus/Deficit	250

4.2 Summary of assessment against legislative criteria

As per Clause 11 (4)(a) of Schedule 3 of the Act, the existing arrangements for local government are included as a RPO.

4.3 Is Option 1 a Reasonably Practicable Option?

The status quo is always considered a Reasonably Practicable Option under the legislation.

5 Option 2 – Two local boards for Rodney

5.1 Option description

5.1.1 Boundaries

- No change to current boundaries of Auckland Council
- The boundary of the North Rodney Local Board would be:
 - The existing northern boundary of the Wellsford Subdivision
 - The existing southern boundary of the Warkworth Subdivision
- The boundary of the South Rodney Local Board would be:
 - The existing northern boundaries of the Kumeu and Dairy Flat subdivisions
 - The existing southern boundaries of the Kumeu and Dairy Flat subdivisions

A map showing the proposed local board boundaries is attached in Appendix A.

5.1.2 Status

- Auckland Council will continue to be the unitary authority for the all of the Rodney area with one additional local board (22 local boards in total).

5.1.3 Affected areas

- Auckland Region

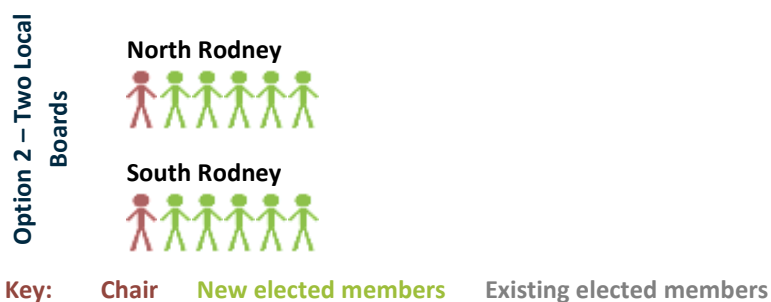
5.1.4 Representation

Local board

- The North Rodney Local Board will comprise 6 local board members, including a chairperson
- The South Rodney Local Board will comprise 6 local board members, including a chairperson

Regional

- All other representation will remain the same



5.1.5 Resources

- Additional resources would be required to support the new local board.
- Premises would need to be identified for the new local board offices.

5.1.6 Area offices

- A North Rodney Local Board office will be established within the North Rodney area.
- A South Rodney Local Board office will be established within the South Rodney area.

5.1.7 Assumptions specific to this Option

- The role and delegations of the new local boards will remain the same as for the existing Auckland Council local boards.

5.2 Summary of assessment against legislative criteria

This Option does not include any proposed change to the boundaries or functions of the affected local authority. The Option enables democratic local decision making, provides fair and effective representation and enables equitable provision to be made for the current and future well-being of all communities within the affected area.

A full assessment against the legislative criteria is provided in Appendix C.

Option 2 - Two Local Boards for Rodney	
Evaluation against Legislative Criteria for reorganisation of local boards - do the governance arrangements:	
b) not include any proposed change to the boundaries or functions of the affected local authority?	Yes
c)(i) enable democratic local decision making by, and on behalf of, communities throughout the affected area;	Yes
c)(ii) provide fair and effective representation for individuals and communities throughout the affected area;	Yes
c)(iii) enable equitable provision to be made for the current and future well-being of all the communities within the affected areas	Yes
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	Yes

Option 2 – Two local boards for Rodney

5.3 Is Option 2 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 2 is a Reasonably Practicable Option.

6 Option 3 – Merge a portion of North Rodney with KDC and NRC

6.1 Option description

6.1.1 Boundaries

- Boundary between Auckland and Kaipara/Northland would move south
- The area to be included in Kaipara District/ Northland Region is the Wellsford Subdivision of the Rodney Local Board plus part of the Warkworth subdivision north of the Hoteo River. The part of the Warkworth subdivision to be included is Statistics NZ meshblock 0145200.

A map showing the proposed boundaries is attached in Appendix A.

6.1.2 Status

- Kaipara District Council will be the territorial authority and Northland Regional Council will be the regional council for the portion of the North Rodney area described above (which we will refer to as the Wellsford area for the purposes of this document).

6.1.3 Affected areas

- Northland Region
- Kaipara District
- Auckland Region

6.1.4 Representation

District

- The Wellsford area would form a new ward within the Kaipara District
- Kaipara District Council will comprise a mayor and 8 existing and 2 additional councillors
- 2 additional councillors will be elected from the Wellsford ward
- A community board will **not** be established for the Wellsford area (note there are currently no community boards in Kaipara District)

Regional

- The Wellsford area would not form a new constituency within the Northland Region
- Northland Regional Council will continue to comprise 9 councillors including the chairperson



6.1.5 Resources

- Additional resources would be required by Kaipara District Council and Northland Regional Council to support the addition of the Wellsford area.
- Premises would need to be identified for a new service centre.

6.1.6 Area offices

- Kaipara District Council will establish a new service centre within the Wellsford area.
- Northland Regional Council will not establish a new service centre within the Wellsford area.

6.1.7 Water catchment

- The natural catchment area is bisected with locating the proposed boundary change on the Hoteo River. This would result in fragmented catchment management including environmental improvement programmes and river management plans and would be inconsistent iwi's holistic approach to managing natural catchments. Regional planning rules as part of consent conditions require integrated catchment management planning.

6.1.8 Assumptions specific to this Option

- Revenue (including rates) will remain the same for the affected areas for the remainder of the LTP and then be harmonised over a five year period, with a policy to smooth the impact of any changes for individual ratepayers.
- For Kaipara District Council and Northland Regional Council, financial information will be based on publicly available LTPs, Annual Plans and Annual Reports financial data. This will be added to the apportioned revenue and costs for the Wellsford area.
- Auckland Council expenditure will be apportioned into regional and territorial authority functions. These do not align with its current split of regional and local activities. These will be apportioned based on the range of services within each activity and whether these are a regional council or a territorial authority function.
- The current allocation of activities between Kaipara District Council and Northland Regional Council will be used to determine which activities are a regional function and which activities are territorial authority functions.

6.2 Summary of assessment against legislative criteria

On the basis of enabling integrated catchment management and growth planning and keeping natural catchments, this Option does not enable catchment-based flooding and water management issues to be dealt with effectively.

This Option results in a year one estimated \$2.9 million deficit for Kaipara District Council and a reduced surplus for the Northland Regional Council. This will have a significant impact on Kaipara District Council's ability to carry out its responsibilities, duties and powers.

While the LGC in considering this Option could change the boundary to satisfy the integrated catchment based management criteria, it is considered unlikely that this would result in Kaipara District Council, including the revised area, having the resources necessary to enable it to carry out effectively its responsibilities, duties and powers.

A full assessment against the legislative criteria is provided in Appendix C.

Option 3 - Merge a portion of North Rodney with KDC and NRC	
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:	
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;	No
b) have a district or region that is appropriate for the efficient performance of its role;	Yes
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;	Outside Morrison Low scope - to be analysed by LGC
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.	No
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	No

6.3 Is Option 3 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 3 is **not** a Reasonably Practicable Option.

7 Option 4 – North Rodney Unitary Authority

7.1 Option description

7.1.1 Boundaries

- New unitary authority created between Auckland and Northland regions.
- The area to be included in the new unitary authority is all of the Warkworth and Wellsford subdivisions of the current Auckland Council.

A map showing the proposed unitary authority boundaries is attached in Appendix A.

7.1.2 Status

- North Rodney Unitary Authority will be the unitary authority for the North Rodney area and will be responsible for all territorial authority and regional council functions.
- The Rodney local board would be affected.

7.1.3 Affected areas

- Auckland Region.

7.1.4 Representation

Unitary authority

- North Rodney Unitary Authority will comprise a mayor and 10 councillors, elected by wards.
- Community boards will **not** be established. A scenario including five community boards, each comprised of four elected members, has been considered as part of the financial modelling.



Key: Chair New elected members Existing elected members

7.1.5 Resources

- Additional resourcing and systems would be required.
- Premises would need to be identified for the new unitary authority.

7.1.6 Area offices

- The North Rodney Unitary Authority will have one office, located within the North Rodney area.

7.1.7 Assumptions specific to this Option

- Revenue (including rates) will remain the same until the new entity establishes its financial strategy including rating policy, fees and charges.
- The North Rodney Unitary Authority will operate as per a typical unitary authority operating model.

7.2 Summary of assessment against legislative criteria

This Option results in a year one estimated \$13.5 million deficit for the North Rodney Unitary Authority, which is forecast to increase over time. Rates would need to increase by 48% to cover the deficit. In addition there are likely to be significant capability and capacity issues for a unitary authority that is approximately half the size of the smallest current unitary authority in New Zealand.

A full assessment against the legislative criteria is provided in Appendix C.

Option 4 - North Rodney Unitary Authority	
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:	
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;	No
b) have a district or region that is appropriate for the efficient performance of its role;	No
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;	Outside Morrison Low scope - to be analysed by LGC
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.	Yes
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	No

7.3 Is Option 4 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 4 is **not** a Reasonably Practicable Option.

8 Option 5 – Waiheke Unitary Authority

8.1 Option description

8.1.1 Boundaries

- New unitary authority created incorporating Waiheke Island, Motuhoropapa, Otata, Pakatoa, Rotoroa, Ponui and Tarakihi islands, and the Noises.
- The area to be included in the new Waiheke Unitary Authority is the Waiheke Local Board area excluding Rangitoto, Motutapu, Rakino, Motuihe, Browns, Pakihi and Karamuramu Islands.

A map showing the proposed unitary authority boundaries is attached in Appendix A.

8.1.2 Status

- Waiheke Unitary Authority will be the unitary authority for the Waiheke area and will be responsible for all territorial authority and regional council functions.
- Auckland Council would have one less local board (20 local boards).

8.1.3 Affected areas

- Auckland Region.

8.1.4 Representation

Unitary authority

- Waiheke Unitary Authority will comprise a mayor and 6 councillors, elected at large.
- There will **not** be any community boards within the Waiheke Unitary Authority.



Key: Chair New elected members Existing elected members

8.1.5 Resources

- Additional resourcing and systems would be required.
- Premises would need to be identified for the new unitary authority as the current local board office and service centre would be unlikely to be large enough to accommodate the staff required for a unitary authority.

8.1.6 Area offices

- The Waiheke Unitary Authority will have one office, located on Waiheke Island.

8.1.7 Assumptions specific to this Option

- Revenue (including rates) will remain the same until the new entity establishes its financial strategy including rating policy, fees and charges.
- We have assumed that Council services would involve a centralised or traditional model of delivery (e.g. one centralised office for delivery of services).

8.2 Summary of assessment against legislative criteria

This Option results in a year one estimated \$6.4 million deficit for the Waiheke Unitary Authority. Rates would need to increase by 43% to cover the deficit. In addition there are likely to be significant capability and capacity issues for a unitary authority that is approximately one fifth the size of the smallest current unitary authority in New Zealand.

A full assessment against the legislative criteria is provided in Appendix C.

Option 5 - Waiheke Unitary Authority	
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:	
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;	No
b) have a district or region that is appropriate for the efficient performance of its role;	No
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;	Outside Morrison Low scope - to be analysed by LGC
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.	Partial
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	No

8.3 Is Option 5 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 5 is **not** a Reasonably Practicable Option.

9 Option 6 – North Rodney District Council

9.1 Option description

9.1.1 Boundaries

- New district council created within the Auckland region.
- The area to be included in the new district council is all of the Warkworth and Wellsford subdivisions of the current Auckland Council.

A map showing the proposed district council boundaries is attached in Appendix A.

9.1.2 Status

- North Rodney District Council will be the territorial authority for the North Rodney area.
- Auckland Council will be the regional council for the North Rodney area and the Rodney local board would be affected.

9.1.3 Affected areas

- Auckland Region.

9.1.4 Representation

Regional

- Auckland Council representation would remain unchanged, with one councillor representing the whole of the Rodney area including the Kumeu and Dairy Flat subdivisions.

District

- North Rodney District Council will comprise a mayor and 8 councillors, elected by wards.
- Community boards will **not** be established.

Option 6

North Rodney District Council



Key: Chair New elected members Existing elected members

9.1.5 Resources

- Additional resourcing and systems would be required.
- Premises would need to be identified for the new district council.

9.1.6 Area offices

- The North Rodney District Council will have one office, located within the North Rodney area.

9.1.7 Assumptions specific to this Option

- Revenue (including rates) will remain the same until the new entity establishes its financial strategy including rating policy, fees and charges.
- We have assumed a centralised or traditional model of delivery for the purpose of the long list Options assessment. Decentralised delivery through a number of offices, as was the case at Thames-Coromandel District Council has not been considered.
- Auckland Council expenditure will be apportioned into regional and territorial authority functions. These do not align with its current split of regional and local activities. These will be apportioned based on the range of services within each activity and whether these are a regional council or a territorial authority function.

9.2 Summary of assessment against legislative criteria

This Option results in a year one estimated \$10.2 million deficit for the North Rodney District Council, which is forecast to increase over time. Rates would need to increase by 43% to cover this deficit.

A full assessment against the legislative criteria is provided in Appendix C.

Option 6 - North Rodney District Council	
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:	
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;	No
b) have a district or region that is appropriate for the efficient performance of its role;	Yes
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;	Outside Morrison Low scope - to be analysed by LGC
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.	N/A
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	No

Option 6 – North Rodney District Council

9.3 Is Option 6 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 6 is **not** a Reasonably Practicable Option.

10 Option 7 – Waiheke District Council

10.1 Option description

10.1.1 Boundaries

- New district council created within the Auckland region incorporating Waiheke Island, Motuhoropapa, Otata, Pakatoa, Rotoroa and Ponui islands.
- The area to be included in the new district council is the Waiheke Local Board area excluding Rangitoto, Motutapu, Rakino, Motuihe, Browns, Pakihi and Karamuramu Islands.

A map showing the proposed district council boundaries is attached in Appendix A.

10.1.2 Status

- Waiheke District Council will be the territorial authority for the Waiheke area.
- Auckland Council will be the regional council for the Waiheke area and there would be one less local board (20 local boards).

10.1.3 Affected areas

- Auckland Region.

10.1.4 Representation

Regional

- Auckland Council representation would remain unchanged, with one councillor representing the whole of the Waitemata and Gulf area including the Waiheke District Council area.

District

- Waiheke District Council will comprise a mayor and 6 councillors, elected at large.
- There will not be any community boards within the Waiheke District Council.



Key: **Chair** **New elected members** Existing elected members

10.1.5 Resources

- Additional resourcing and systems would be required.
- Premises would need to be identified for the new district council as the current local board office and service centre would be unlikely to be large enough to accommodate the staff required for a district council.

10.1.6 Area offices

- The Waiheke District Council will have one office, located within the Waiheke area.

10.1.7 Assumptions specific to this Option

- Revenue (including rates) will remain the same until the new entity establishes its financial strategy including rating policy, fees and charges.
- Auckland Council expenditure will be apportioned into regional and territorial authority functions. These do not align with its current split of regional and local activities. These will be apportioned based on the range of services within each activity and whether these are a regional council or a territorial authority function.
- We have assumed that Council services would involve a centralised or traditional model of delivery (e.g. one centralised office for delivery of services).

10.2 Summary of assessment against legislative criteria

This Option results in a year one estimated \$4.7 million deficit for the Waiheke District Council, which is forecast to increase over time. Rates would need to increase by 36% to cover this deficit.

A full assessment against the legislative criteria is provided in Appendix C.

Option 7 - Waiheke District Council	
Evaluation against Legislative Criteria for establishment/change of local authority - would the proposed local authority:	
a) have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers;	No
b) have a district or region that is appropriate for the efficient performance of its role;	Yes
c) contain within its district or region 1 or more communities of interest, but only if they are distinct communities of interest;	Outside Morrison Low scope - to be analysed by LGC
d) in the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively.	N/A
Reasonably Practicable Option	
Is the option a reasonably practicable option? (note exclude communities of interest analysis)	No

Option 7 – Waiheke District Council

10.3 Is Option 7 a Reasonably Practicable Option?

Based on the assessment against the legislative criteria, Option 7 is **not** a Reasonably Practicable Option.

11 Part II: RPO Assessment

As two potential RPOs have been identified including the existing arrangements for local government (Option 1) and a local board reorganisation (Option 2), Part II is the assessment of the identified RPOs against clause 12(2) of Schedule 3 and section 10 of the Act, to assist the LGC to determine its preferred Option under clause 11(8)(a).

For those purposes, the LGC must be satisfied that its preferred Option, in the case of a local board reorganisation:

- a) “will best promote, in the affected area, the purpose of local government as specified in section 10; and
- b) will best promote the interests of the communities in the district in terms of—
 - i. the benefits to all communities of a consistent or co-ordinated approach in the district; and
 - ii. the benefits to particular communities of reflecting the particular needs and preferences of each community.”²⁸

The “purpose of local government” in section 10 has two parts. The first relates to enabling “democratic local decision-making and action by and on behalf of communities”. This contains within it questions of governance, representation, decision making and resources to support and to give effect to decisions.

In undertaking the assessment of how well the Options give effect to the first part of the purpose of local government, “democratic local decision-making and action by and on behalf of communities” and the interests of the communities in the Auckland region we considered a number of interrelated questions:

- Could appropriate governance arrangements be put in place in the context of the Auckland shared governance model to support an additional local board?
- What impacts, if any, are there on decision making under the Auckland shared governance model through the addition on a local board?
- Does the provision of an additional board impact representation ratios across the Auckland region?
- Could Auckland Council maintain a sufficient level of capacity and capability to support a new local board and act effectively on decisions that are made?
- Does the provision of an additional local board impact on the Auckland region and its communities?
- What would be the impacts for the communities of the Rodney ward through the addition of another local board?
- Does the provision of an additional local board for the Rodney ward allows community concerns to be addressed effectively?

The second part of the purpose of local government definition is about the ability to “meet current and future needs ... for good quality local infrastructure, public services and regulation”. The focus here is a question of financial and resourcing capacity and capability for the current and future delivery of infrastructure, services and regulation.

Based on the above, consideration was given to the benefits and disbenefits of the RPOs for all communities within the Auckland Region and to the particular communities of the Rodney Local Board area.

²⁸ Local Government Act 2002, Schedule 3, clause 12(2)

12 RPO assessment: Option 1 – the Status Quo

As per Clause 11 (4)(a) of Schedule 3 of the Act, the existing arrangements for local government are included as a RPO.

12.1 Option description

Under this Option there would be no change and the responsibility for the roles, activities and services provided by Auckland Council would remain unchanged.

Any change of delegations or powers of local boards is outside the scope of this assessment. We understand that Auckland Council has a Governance Framework Review underway that is considering options relevant to this.

12.1.1 Boundaries

- As per the current Auckland Council boundaries.

A map showing the current Auckland Council boundaries is attached in Appendix A.

12.1.2 Status

- Auckland Council will continue to be the unitary authority for all of the Auckland area.

12.1.3 Affected areas

- Auckland Region.

12.1.4 Representation

Governing body

- A Mayor elected at large and 20 Councillors elected by voters from the ward they represent.

Local boards

- 21 local boards with between five and nine members elected by the community they represent.
- The Rodney Local Board comprises nine local board members, including a chairperson.



Key: Chair New elected members Existing elected members

12.1.5 Māori involvement in decision making

- Auckland Council has the Independent Māori Statutory Board (IMSB) whose role is to ensure there is a voice for Māori in the governance of Auckland and to assist the council with making informed decisions and meeting its statutory obligations in relation to the Treaty of Waitangi.

12.1.6 Advisory panels

Council is also advised by a range of advisory panels including:

- Disability Advisory Panel
- Ethnic Peoples advisory panel
- Pacific Peoples Advisory Panel
- Rainbow Communities' Advisory Panel
- Seniors Advisory Panel
- Youth Advisory Panel
- Auckland City Centre Advisory Panel
- Heritage Advisory Panel
- Rural Advisory Panel.

12.1.7 Council controlled organisations

Auckland Council has seven Council Controlled Organisations (CCOs) being:

- Auckland Council Investments Limited
- Panuku Development Auckland
- Auckland Regional Investment Funding Board
- Auckland Transport
- Auckland Tourism Events and Economic Development
- Regional Facilities Auckland
- Watercare Services Auckland.

12.1.8 Resources

Overall resources are as per the current Auckland Council resources. These resources include:

- The local board services team for each local board comprises approximately 5 FTEs²⁹ including 0.5 of a Relationship Manager, 1 Senior Advisor, 1 Advisor, 1 Democracy Advisor, 1 Personal Assistant and 0.5 of an Engagement Advisor.
- Operational staff who are dedicated to local boards or who are local board facing. In the Auckland Council Governance Framework Review it was estimated that there were 120 staff in these positions across the Council organisation and CCOs.

12.1.9 Local board and area offices

- The existing local board office for the Rodney Local Board is in Orewa, outside the local board area.
- The Rodney Local Board is currently the only Board that has an office outside its area. The Orewa office is approximately 47 km from Wellsford and 31 km from Helensville.

²⁹ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

- Customer service centres offering a variety of services are located at:
 - Graham Street – Central City
 - Bledisloe Lane – Central City
 - Waiheke Island
 - Great Barrier Island
 - Albany
 - Birkenhead
 - Devonport
 - Glenfield
 - Hibiscus and Bays
 - Orewa
 - Takapuna
 - Warkworth
 - Whangaparaoa
 - Helensville
 - Henderson
 - Huapai
 - Waitakere Ranges Local Board Office
 - Whau Local Board Office.

12.2 Governance

The model of local government for Auckland Council is unique in New Zealand. The governance of Auckland Council consists of:

- a governing body, comprising the mayor and 20 elected members, having regional and regulatory responsibilities.
- 21 local boards, which each elect their chairperson from among their members, having local responsibilities.

This provides for a shared governance model where decisions are made regionally and locally.

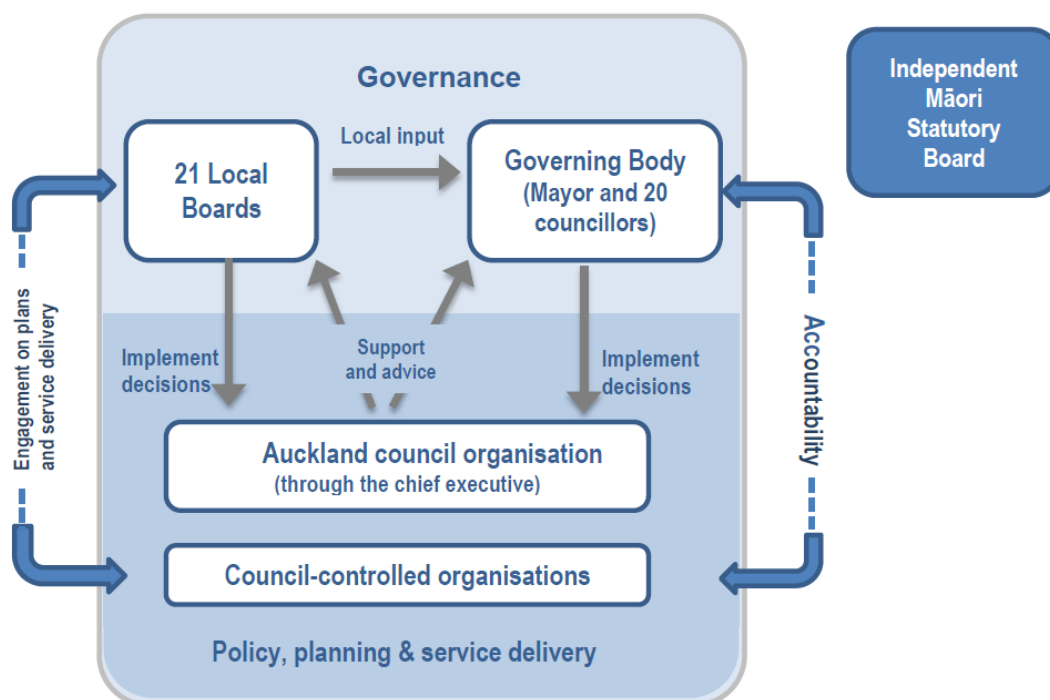


Figure 3: Auckland Council's shared governance model³⁰

Auckland Council also has council-controlled organisations (CCOs) that provide services and carry out certain functions. They are independent in their operations, but are accountable to the governing body.

The Independent Māori Statutory Board (IMSB) is an independent board established by the Local Government (Auckland Council) Amendment Act 2010. In addition there are nine advisory panels that advise the council on its strategies, policies, plans and bylaws and mechanisms for engagement.

12.3 Representation

Currently, Auckland has a Mayor plus 20 Councillors on the governing body, with the mayor elected at large and Councillors elected by wards. This results in an average ratio of one Councillor (including the Mayor) for every 76,876³¹ people.

There are also 21 local boards with 149 elected members. This results in an average ratio of one local board member for every 10,835 people.

The population within each local board area varies, with Howick representing the largest local board population of 146,500 people, and Great Barrier representing the smallest population of 990 people. Of the local boards on the mainland, Papakura has the smallest population of 52,700.

³⁰ Source: Auckland Council Local Governance Statement

³¹ All estimates from Statistics New Zealand, based on the subnational population estimates at 30 June 2016 (2017 boundaries).

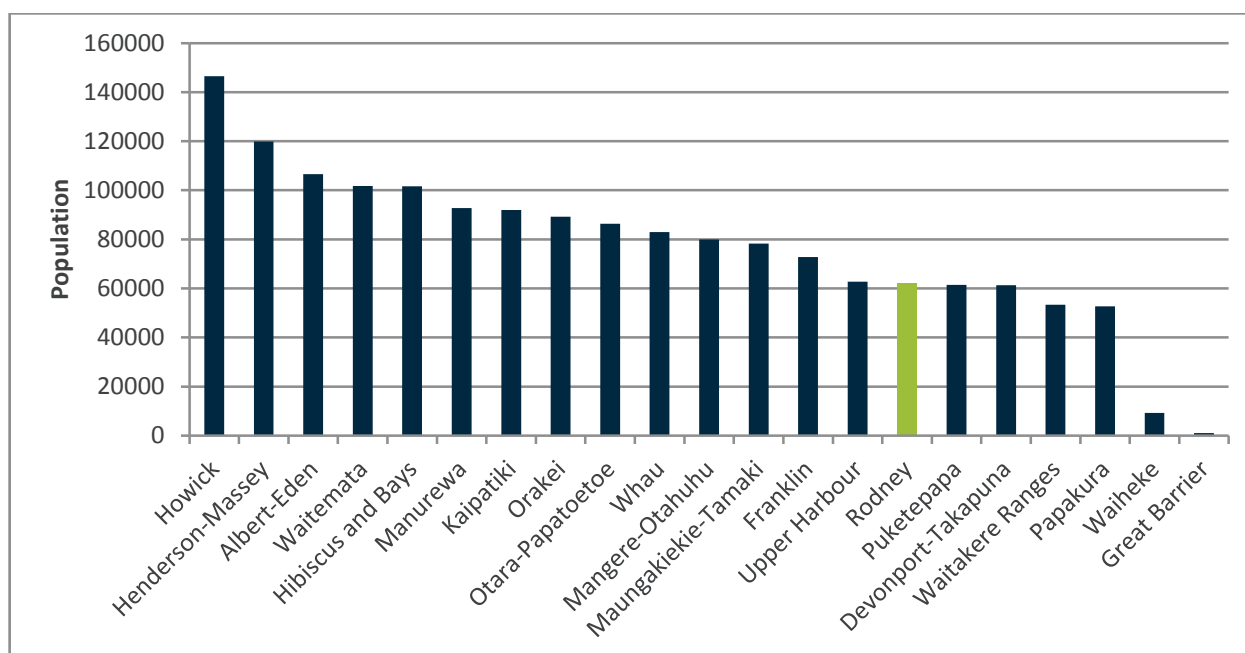


Figure 4: Population for each of Auckland's 21 local boards

The Rodney ward is represented by one governing body Councillor and 9 local board members. The population of the Rodney local board is 62,200, giving a population to local board member ratio of 6,911:1.

Rodney



1 Councillor



9 Local Board Members

Key: New elected members Existing elected members

The population to local board member ratio varies from 16,278:1 in Howick to 198:1 in Great Barrier. Of the mainland local boards, the lowest population to local board member ratio is in Rodney. The three mainland local boards with the lowest population to local board member ratio are the wards including substantial rural areas, namely Papakura, Franklin and Rodney.

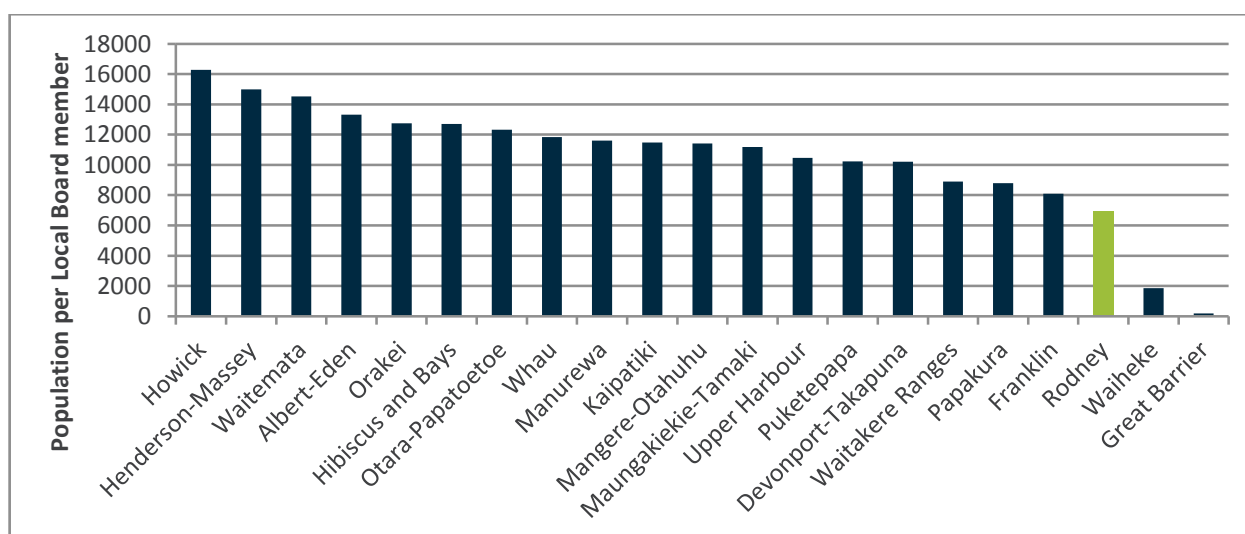


Figure 5: Population per local board Member for Auckland's 21 local boards

12.4 Decision making

The governing body and the local boards are both responsible and democratically accountable for the decision-making of Auckland Council. The classes of decisions that are the responsibility of the governing body and local boards respectively are set out in the Local Government (Auckland Council) Act.

The responsibility for regional policies, strategies and plans; region wide programmes, projects or initiatives; regional assets; region-wide fees and charges; regional service specifications and setting minimum levels of service standards for local service specifications is the responsibility of the governing body.

Decisions and oversight on local activities such as local parks, libraries, events, recreational facilities and community activities is the responsibility of local boards. In addition local boards are also responsible for those regulatory and non-regulatory activities that are delegated by the governing body or those transport responsibilities by Auckland Transport.

The current decision making framework is shown below illustrating the statutory responsibilities between the governing body and the local boards and the allocation of regulatory and non-regulatory activities. Part 3.5 of the LTP 2015-25 includes the full decision-making allocation policy.

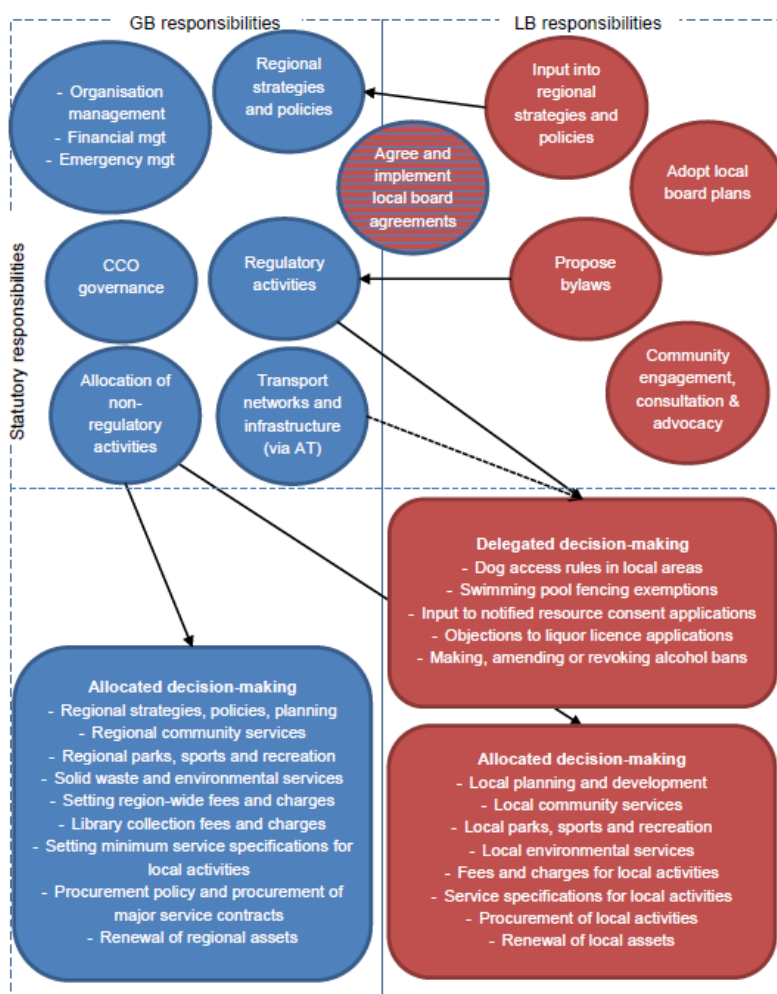


Figure 6: Governing body and local board decision making framework³²

³² Auckland Council Governance Framework Review, Gareth Stiven, November 2016

Accordingly local boards are able to make decisions based on:

- Legislation – local boards are responsible for activities such preparing local board plans, agreeing and monitoring local board agreements, proposing local bylaws, community engagement and communicating local views to the governing body on regional strategies, policies, plans and bylaws.
- Allocation of decision-making for non-regulatory activities – local boards have oversight and make decisions on a broad range of local activities such as local parks, libraries, events, recreational facilities and community activities.
- Delegation of decision-making responsibilities – the governing body may delegate to local boards responsibility for some regulatory activities and Auckland Transport may delegate some decision-making responsibilities to local boards.

12.4.1 Local priorities

To inform the development of the 10 year LTP and to guide the decision making of local boards, each local board develops a local board plan every three years. The plan captures the aspirations and priorities for the local community and may incorporate the local interests in respect to regional strategies and plans.

Local board agreements are developed and agreed annually between the governing body and each local board. The agreement includes what has been agreed in terms of the delivery and funding of local activities and intended levels of service for that local board area. It takes into account local board plan priorities, and also reflects those governing body decisions impacting on the local board area.

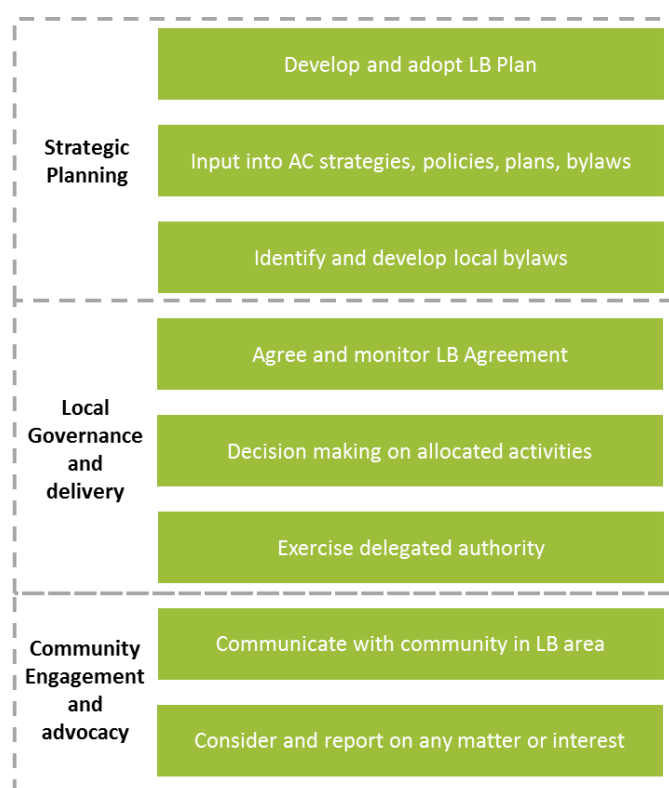


Figure 7: Role of local boards – as per the Local Government (Auckland Council) Act

A review of the performance of Auckland Council’s Governance Framework has been completed and presented to councillors and local board members. It is understood that Auckland Council now has a Governance Framework Review underway that is considering options relevant to the change of delegations or powers of local boards.

12.5 Financial

The financial results for Auckland Council are shown below.

Table 6: Financial results for Auckland Council

\$M	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue	3,705	3,969	4,219	4,503	4,577	4,884	5,097	5,224	5,273	5,422
Expenditure	3,455	3,667	3,828	3,944	4,059	4,161	4,295	4,497	4,655	4,789
Surplus/ Deficit	250	302	391	559	518	723	802	727	618	633

12.5.1 Local board funding agreement

Each local board has two main sources of funding, namely asset based services and locally driven initiatives. The funding for each local board is agreed annually as part of Auckland Council's LTP/Annual Plan development and documented in a local board agreement.

The Rodney Local Board Agreement for 2016/17 included \$7.46 million of capital expenditure and \$13.483 million of operating expenditure. The asset based services funding included \$1.081 million of governance costs, covering the following activities:

- Strategic advice on council-wide initiatives and regional planning.
- Development of the Local Board Agreement for 2017/18.
- Democracy, administrative and engagement support to elected members.
- Prepare the draft Local Board Plan 2017.

Table 7: Rodney Local Board funding 2016/17

\$'000	Capital expenditure	Operating expenditure
Asset based services	7,447	11,999
Locally driven initiatives	13	1,484
Total	7,460	13,483

The locally driven initiatives budget is allocated based on population within the local board area, deprivation in the local board area and the land area of the local board area. Rodney received approximately 4% of the locally driven initiatives operating expenditure for local boards in 2016/17, roughly in line with its share of the total Auckland population. Locally driven initiatives capital funding varies from year to year as this is a discretionary fund. Rodney received approximately 0.1% of the capital expenditure fund for local boards in 2016/17.

12.6 Overall benefits and disbenefits

The relevant benefits and disbenefits associated with the Status Quo are:

12.6.1 Benefits

- Most communities in Auckland would benefit through the continuation of a consistent approach to local governance and representation. Each community within Auckland will continue to have its voice heard through one of 21 local boards.
- All communities in Auckland benefit through the avoidance of disruption and transition costs to a new Option.

- The Rodney communities will continue to benefit from having the highest local board representation under the status quo compared to other local boards (excluding the Waiheke and Great Barrier Islands).
- Existing relationships with and appointments to external bodies are retained.
- The Auckland Council retains the ability in the normal course of representation reviews to reconsider ward boundaries. The next representation review is scheduled to take place in 2018.
- There is an ongoing opportunity to improve co-operation and cohesion between the governing body and local boards through the current Governance Framework Review.

12.6.2 Disbenefits

- Some community groups and organisations within the Rodney area will continue to consider that being a rural community is an issue as they don't have similar interests and priorities to that of urban communities.
- Some Rodney communities will continue to feel that the Rodney priorities may not be prioritised due to a focus on urban needs, with one ward councillor representing 46% of Auckland's landmass.
- There will continue to be disbenefits to some elements of the Rodney community through not having access to a local board office within their area.
- There remains a separation between the decision making by the governing body and local boards on matters affecting Rodney.
- The Auckland Council Governance Framework Review is considering options to improve how local boards function (within the existing legislative structure). The Review included the establishment of a political working party and it is understood that it is due to provide recommendations to the governing body for decisions in July 2017. There is a risk that the matters identified in the Governance Framework Review report³³ may not necessarily be addressed through the review and there could be no improvements to the status quo.

³³ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

13 RPO assessment: Option 2 – Two Local Boards for Rodney

13.1 Option description

Under this Option the current Rodney Local Board would be disestablished and two new local boards (described here as the North Rodney Local Board and the South Rodney Local Board) would be established.

Any change of delegations or powers of local boards is outside the scope of this assessment. We understand that Auckland Council has a Governance Framework Review underway that is considering options relevant to this.

13.1.1 Boundaries

- No change to current boundaries of Auckland Council.
- The boundary of the North Rodney Local Board would be:
 - The existing northern boundary of the Wellsford Subdivision
 - The existing southern boundary of the Warkworth Subdivision.
- The boundary of the South Rodney Local Board would be:
 - The existing northern boundaries of the Kumeu and Dairy Flat subdivisions
 - The existing southern boundaries of the Kumeu and Dairy Flat subdivisions.

A map showing the current Auckland Council boundaries is attached in Appendix A.

13.1.2 Status

- Auckland Council will continue to be the unitary authority for the entire Auckland region.

13.1.3 Affected areas

- Auckland region

13.1.4 Representation

Governing body

- A mayor elected at large and 20 Councillors elected by voters from the ward they represent.

Local boards

- 22 local boards with between five and nine members elected by the community they represent.
- The North Rodney Local Board will comprise six local board members, including a chairperson.
- The South Rodney Local Board will comprise six local board members, including a chairperson.

North Rodney Local Board



South Rodney Local Board



Key: ■ Chair ■ New elected members Existing elected members

13.1.5 Māori involvement in decision making

- As per the existing arrangements including the Independent Maori Statutory Board.

13.1.6 Advisory panels

- As per the existing advisory panels.

13.1.7 Council controlled organisations

- As per the existing Council controlled organisations.

13.1.8 Resources

- Overall resources are as per the current Auckland Council resources.
- An additional local board services team of 5 FTEs would be required to support the new local board. The existing local board services teams for each local board comprises approximately 5 FTEs³⁴ including 0.5 of a Relationship Manager, 1 Senior Advisor, 1 Advisor, 1 Democracy Advisor, 1 Personal Assistant and 0.5 of an Engagement Advisor.
- Additional operational staff, comprising 5.7 FTEs, who are dedicated to local boards or who are local board facing would also be required to support the new local board. In the Auckland Council Governance Framework Review³⁵ it was estimated that there were 120 staff in these positions across the Council organisation and CCOs. The workload for these staff is determined by the number of boards rather than the number of local board members and it is estimated that this number will need to increase by 1/21 to accommodate the increased workload associated with an additional local board.

13.1.9 Local board and area offices

- As per the existing local board offices and there will be a new local board office in each of the two local board areas.
- As per the existing customer service centres, plus new customer service centres at each of the two local board offices.
- The existing Orewa office would no longer be a local board office, however could remain as a customer service centre.

13.2 Governance

The governance under this option would consist of:

- a governing body, comprising the mayor and 20 elected members, having regional and regulatory responsibilities (no change to the status quo)
- 22 local boards, which each elect their chairperson from among their members, having local responsibilities.

³⁴ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

³⁵ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

The two newly created local boards in Rodney would have the same responsibilities, delegations and decision making powers as the existing Auckland local boards. There would be no change to service levels or funding for Rodney as a result of this Option. However, the new local boards could choose to change service levels within the overall limits and funding envelope set by Auckland Council, or could chose to raise service levels for particular activities through the introduction of a targeted rate for their local board area.

The responsibility for the roles, activities and services provided by Auckland Council to the Auckland region would remain unchanged.

13.3 Representation

Under this Option, Auckland would continue to have a Mayor plus 20 Councillors on the governing body, with the mayor elected at large and Councillors elected by wards. This results in an average ratio of one Councillor (including the Mayor) for every 76,876³⁶ people.

There would be 22 local boards with 152 elected members. This results in an average ratio of one local board member for every 10,621 people.

Under this Option, the two mainland local boards with the smallest populations would be South Rodney with 35,830 people and North Rodney with 26,350 people. Both would still have a substantially larger population than the Waiheke or Great Barrier Local Boards.

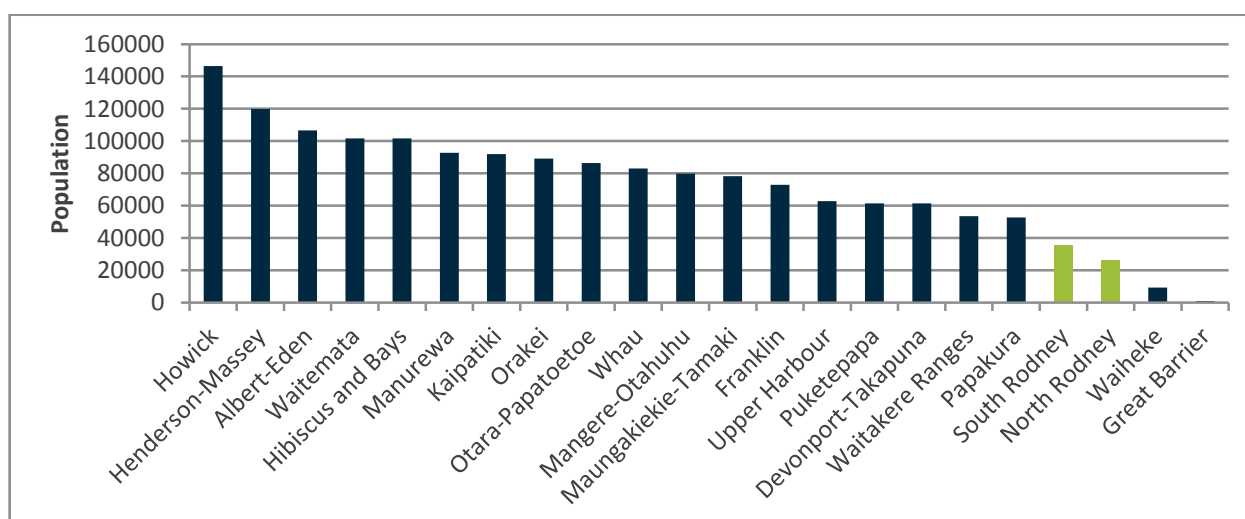


Figure 8: Population per local board if increased to 22 local boards

Under this Option, the Rodney ward is represented by one Councillor, the North Rodney Local Board with six members and the South Rodney Local Board with six members.

The population of the South Rodney Local Board would be 35,830, giving a population to local board member ratio of 5,972:1. The population of the North Rodney Local Board would be 26,350, giving a population to local board member ratio of 4,392:1.

³⁶ All estimates from Statistics New Zealand, based on the subnational population estimates at 30 June 2016 (2017 boundaries).

Rodney



1 Councillor

North Rodney Local Board



South Rodney Local Board



Key: Chair New elected members Existing elected members

Of the mainland local boards, the lowest population to local board member ratios would be in South Rodney and North Rodney. These areas would have substantially higher representation than the other mainland local boards.

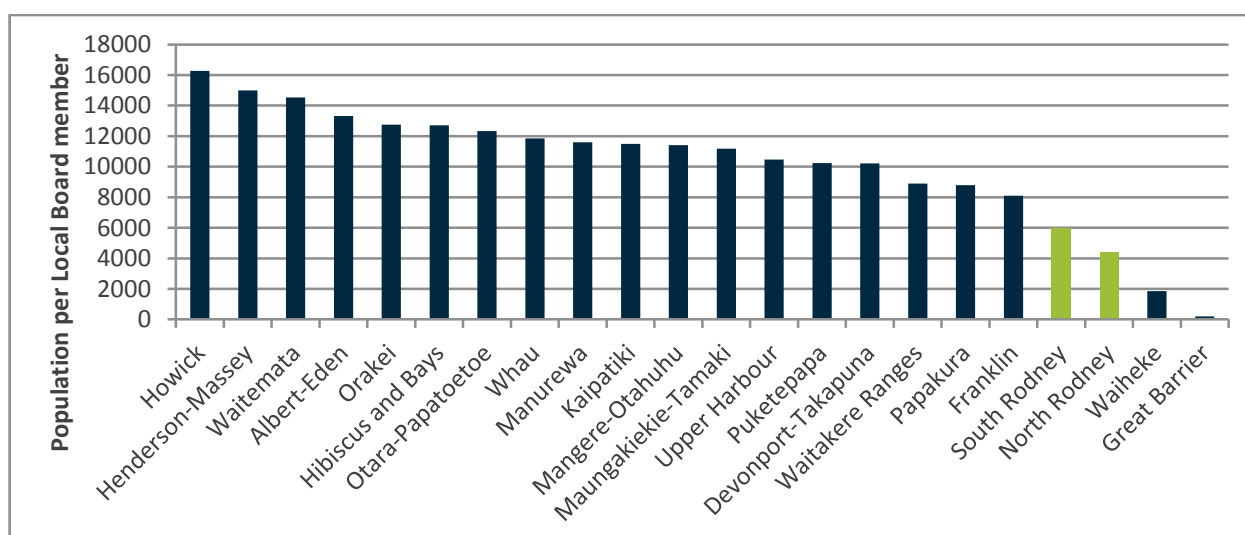


Figure 9: Population per local board member if increased to 22 local boards

13.4 Decision making

There may be some benefits achieved for the Rodney community by creating two local boards for the Rodney area but they will be limited without progressing a broad range of policy, delegations, funding and organisational changes. The Governance Framework Review report³⁷ identifies issues with the quality and timeliness of reporting and advice to local boards. The level of complexity for the Auckland Council organisation associated with servicing 21 local boards is a contributing factor. It is recognised that the inability to service the local boards can hinder the ability of the local boards to make decisions which best promote the interests and meet the needs and preferences of their local communities.

Without improving the current service model to local boards, the introduction of a further local board in the Auckland region is likely to impact further on the provision of advice and ability for local boards to make decisions.

³⁷ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

13.5 Financial

The financial results for Auckland Council are shown below. It is assumed that the additional local board is created in the 2019 elections. Therefore there will only be an impact from the 2019/20 financial year³⁸.

Table 8: Financial results for Auckland Council with two local boards for Rodney

\$M	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue	3,705	3,969	4,219	4,503	4,577	4,884	5,097	5,224	5,273	5,422
Expenditure	3,455	3,667	3,828	3,946	4,060	4,162	4,297	4,499	4,657	4,791
Surplus/ Deficit	250	302	391	557	517	722	800	725	616	631

An allowance has been made for the following ongoing costs associated with the additional local board:

- Additional governance costs covering elected member costs and the costs of the direct democracy, administrative and engagement support to elected members. We have assumed that the governance costs for each of the new local boards will be equal to the current costs for the Rodney Local Board (\$1.081 million in 2015/16) with the exception of the Elected Member remuneration costs. These costs will increase, but will not double, as the total number of elected members increases from nine (including one chair) to 12 (including two chairs). The costs of an additional local board services team consisting of 5 FTEs has been allowed for.

We have also made an allowance for the following transitional costs in the financial estimate above:

- Recruitment costs for a new local board team and operational staff.
- A project manager to manage the transition process to introduce the new local board. This individual would be responsible for project managing the establishment of a new office, recruitment and changes to systems and processes.

There will be a requirement for all parts of the organisation to update their systems and processes to accommodate 22 local boards. This will particularly be the case for corporate support functions including the finance team and will also impact the CCOs, particularly Auckland Transport and Watercare. This is an indirect cost and has not been included in the transition costs shown above.

There will also be a marginal increase in costs associated with either the 2019 or future local body elections to accommodate the additional local board. An allowance has not been made for this.

We have not made an allowance for the establishment of the new local board offices within each of the local board areas as these are capital, not operating costs. These costs would include furniture, fit-out, IT equipment, vehicles and associated set up costs for the new local board offices. Should premises be leased for the purposes of the local board offices then the associated rental costs would need to be included.

13.5.1 Local board funding agreement

The Rodney Local Board Agreement for 2016/17 included \$7.46 million of capital expenditure and \$13.483 million of operating expenditure. The asset based services funding included \$1.081 million of governance costs.

³⁸ Note in the longlist evaluation the additional costs were shown from 2015/16 to allow comparison between options.

With the creation of two local boards for Rodney, the following changes are anticipated to the funding agreement:

- Asset based services funding, with the exception of governance costs, will be allocated between the boards based on the location of the assets that are being funded.
- Governance costs will increase to allow for the cost of servicing an additional local board. We have assumed that the governance costs for each local board will be equal to the current costs for the Rodney Local Board (\$1.081 million per annum). This will result in an additional \$1.081 million cost to Auckland Council.
- The locally driven initiatives budget will be split between the two local boards on the basis of Auckland Council's funding policy. This policy states that 90% of the budget is allocated based on population, 5% on land area and 5% based on the deprivation in the area. Based on this funding policy it is estimated that there would be no material change to the locally driven initiatives budget for the other local boards.
- Other additional costs including the cost of additional operational staff to support the local boards are not reflected in these numbers as they are funded directly by Auckland Council.

Table 9: North and South Rodney Local Boards - indicative funding 2016/17

\$'000	Capital expenditure	Operating expenditure
Asset based services (combined)	7,447	11,999
Additional governance costs	-	1,081
Locally driven initiatives – North Rodney	6	629
Locally driven initiatives – South Rodney	7	855
Total	7,460	14,564

13.6 Other considerations

There may be some benefits achieved by creating two local boards for Rodney. But these are likely to be limited to representation without Auckland Council progressing a broad range of organisational and policy changes, many of which are before the Council for consideration or in the process of implementation.

These changes are generally canvassed in the report commissioned by the Auckland Council and produced in November 2016: -Governance Framework Review³⁹

The report acknowledges various initiatives and an ongoing effort by Auckland Council to improve the effectiveness of the shared governance model. To a large extent these initiatives are independent of the consideration of whether or not to create two local boards in place of the existing one but if a decision is made to proceed with Option 2, then there is potential to enhance the benefits from that decision.

13.7 Overall benefits and disbenefits

The relevant benefits and disbenefits associated with this Option are:

³⁹ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

13.7.1 Benefits

- The addition of another local board for Rodney provides the Rodney ward with two local boards and accordingly an increase in governance in respect of the shared governance model. There would be a stronger mandate for Rodney communities to advocate through the two local boards for the Rodney ward.
- The Rodney community will benefit from an increased level of representation through an additional three local board elected members and an additional local board chair.
- Rural communities of Auckland will benefit through a greater voice for rural ratepayers as a whole.
- There will be a greater local board presence and better access to the board for North and South Rodney constituents through increased representation and the establishment of offices in each local board area. We have assumed that the two area offices would provide council customer services such as paying rates and fees as a minimum.
- No changes to the ward boundaries of Auckland Council are required.
- There is no fragmentation for inter-region and inter local authority co-operation as the Auckland Council boundaries and regional responsibilities remain the same.
- Existing relationships with and appointments to external bodies can be retained and leveraged.
- Auckland Council retains the ability in the normal course of representation reviews to reconsider ward boundaries.

13.7.2 Disbenefits

- There will be a disbenefit to the other communities of Auckland outside of Rodney, their voice will be diminished as their local boards will now be one of 22 voices rather than one of 21.
- Substantially lower representation than in Rodney could be perceived to be inequitable by other communities within Auckland (excluding Waiheke and Great Barrier communities). The population to elected member ratios for the Rodney Local Boards will be significantly lower (i.e. less population per member) than for other boards in Auckland other than Waiheke and Great Barrier where separate boards are justified by the geographic isolation as islands. The next lowest is Franklin Local Board with a ratio of 8,089:1.
- The overall logistics of managing Auckland's shared governance model will be made slightly more complex with the increase in the number of boards from 21 to 22.
- An extra local board has the ability to slow decision making under the shared governance model with increased meetings and resourcing requirements.
- There are implications on Auckland Council's resources and the ability to provide informed and timely advice to 22 local boards to enable informed decision making.
- Iwi and interest groups in the Rodney ward will need to engage with two local boards instead of one.
- There would be disruption to the current Rodney Local Board and decision making processes as two local boards are established. It would be disruptive for the community and some council staff.
- Some Rodney communities will continue to feel that the Rodney priorities may not be prioritised due to a focus on urban needs, with one ward councillor representing 46% of Auckland's landmass.

- While the creation of an extra local board and local board office will deliver an enhanced presence and level of governance for residents in North and South Rodney, it will not address those issues as identified in the Governance Framework Review⁴⁰ including policy, funding and organisational structure, and the way the overall shared governance model and council organisation is operating.
- There would be an increase in the number of documents for Auckland Council to produce, with the addition of a further Local Board Plan and Local Board Agreement.
- There would be an increase in Auckland Council's operating and capital costs, through:
 - Governance support costs. An increase in the number of governance staff will be required to support an additional board to undertake its governance and statutory functions.
 - Other resourcing costs. In addition staff from other support functions e.g. council departments, support services and CCO's will be required to report and provide support to the local board.
 - New office space. Suitable office premises will need to be purchased, leased or developed in North and South Rodney, and fitted out for local board offices and service centres for members and staff.
 - Other resources. Additional vehicle/s would be required

⁴⁰ Auckland Council Governance Framework Review, Gareth Stiven, November 2016

Appendix A – Indicative boundary lines for the Options

Option 1 – Status quo

- Current Auckland Council boundaries



Option 2 – Two local boards for Rodney

- Northern board (above the red line) is made up of the current Wellsford and Warkworth local board subdivisions
- Southern board (below the red line) is made up of current Kumeu and Dairy Flat local board subdivisions



Option 3 – Portion of Rodney to be merged into Kaipara

- The red line indicates the possible boundary, which runs along the Hoteo River on the left (the national electorate boundary) before meeting the current local board subdivision boundary between the Wellsford and Warkworth subdivisions.



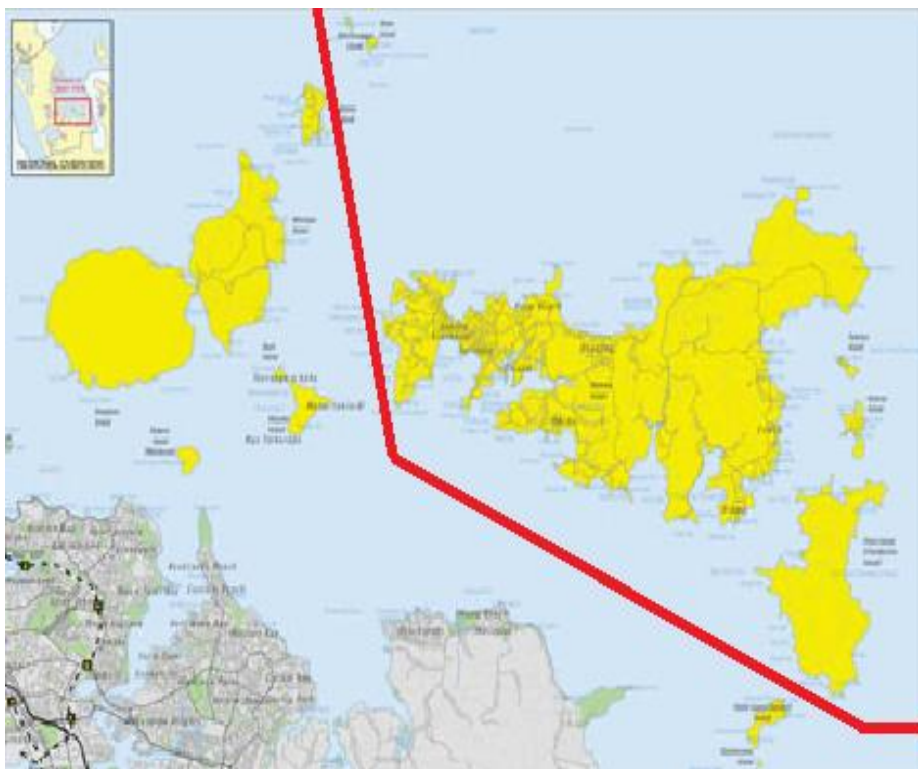
Option 4 – North Rodney Unitary Authority and Option 6 – North Rodney District Council

- Northern Rodney area – Wellsford and Warkworth (above the red line) becomes a unitary authority or district council
- Southern Rodney area – Kumeu and Dairy Flat (below the red line) remain in Auckland



Option 5 – Waiheke Unitary Authority and Option 7 – Waiheke District Council

- Includes the current Waiheke Local Board area excluding Rangitoto, Motutapu, Rakino, Motuihe, Browns, Pakihi and Karamuramu Islands
- Islands that are included are: Motuhoropapa, Otata, Pakatoa, Rotoroa, Panui (Chamberlains Island)
- The area to the right of the red line becomes a unitary authority or district council
- The area to the left of the red line remains in Auckland



Appendix B – Details of the engagement with stakeholders

Meetings were held with the following stakeholders as part of the preparation of this assessment.

Auckland Council

- Two meetings to discuss the assumptions and financial apportionment exercise

Rodney applicants

- A stakeholder presentation was held and was attended by representatives of:
 - Local Government Commission
 - Morrison Low
 - Alternative proposers including the original applicant⁴¹

Waiheke applicants

- A stakeholder presentation was held and was attended by representatives of:
 - Local Government Commission
 - Morrison Low
 - Alternative proposers⁴²

⁴¹ All alternative proposers as at February 2017 received an invitation to attend an engagement meeting on the assessment framework in Auckland on 28 March 2017.

⁴² As per previous footnote.

Appendix C – Assessment of the longlist Options against the legislative criteria

Option 2 – Two Local Boards for Rodney

11(6A)(b) Does the option not include any proposed change to the boundaries or functions of the affected local authority?

This Option does not include any proposed change to the boundaries or functions of the affected local authority.

11(6A)(c)(i) Do the Governance arrangements enable democratic local decision making by, and on behalf of, communities throughout the affected area?

For Rodney constituents, an increased level of representation is provided and an increased governance focus will be achieved through the creation of two local boards in the place of one. There will also be a greater local board presence and better access to the board and services for constituents of the proposed Northern Local Board through the establishment of an additional office. Democratic local decision making for other communities in the Auckland Region will not be substantially diminished by the creation of an additional local board in Rodney.

There is no further fragmentation for inter-region and inter local authority co-operation as the Auckland Council boundaries and regional responsibilities remain the same.

11(6A)(c)(ii) Do the Governance arrangements provide fair and effective representation for individuals and communities throughout the affected area?

Statistics NZ 2016 estimate of populations show the population of the proposed Northern Local Board as 26,350 and of the proposed Southern Local Board as 35,830. The current local board representation for the northern subdivisions is 4 members and for the southern subdivisions it is 5 members. The Option to be assessed allows for 6 members for each new board (the statutory minimum is 5) which is an increase of 3 members over the status quo. On this basis, the population to member ratio would be 4,392:1 for the Northern Board and 5970:1 for the Southern Board. For the Rodney ward, as a whole it would be 5182:1.

The population to member ratios for the Rodney local boards will be significantly lower (i.e. less population per member) than for other boards in Auckland other than Waiheke and Great Barrier where separate local boards are justified by the geographic isolation as islands. The next lowest is Papakura with a ratio of 8089:1.

11(6A)(c)(iii) Do the Governance arrangements enable equitable provision to be made for the current and future wellbeing of all the communities within the affected areas

In having two local boards for Rodney, iwi and some interest groups in the Rodney ward will need to engage with two local boards instead of one.

The cost of governance and service provision in the Rodney ward will increase. This includes the cost to find suitable premises to be purchased, leased or developed, and fitted out for two new local board offices. This would be an increase of one local board office over the current number, as one would be replacing the existing Rodney Local Board office in Orewa. We have assumed that the Orewa office would become a service centre, while the Warkworth service centre would become a local board office. This may result in both needing to be relocated to new premises.

An increase in the number of staff will be required to support an additional board to undertake its governance and statutory functions. Typically, each board requires Local Board Services Department staff including advisors and local board office support staff. The Governance costs for the local boards is approximately \$1 million per annum for each Board. In addition, staff from other support functions e.g. Finance, operation departments and CCO's will be required to support and report to the board. As this workload is determined by the number of boards rather than the number of constituents some extra staff will be required.

The overall logistics of managing Auckland's shared governance model will be made slightly more complex with the increase in the number of boards from 21 to 22.

Planning framework

This Option does not involve the creation of another entity or move the boundaries of the Auckland Region. As such, the planning framework that is currently in place for Auckland Council would continue to apply.

Financial resources

Table 10 below shows the financial results for Auckland Council including two local boards for Rodney. The results show that Auckland Council's surplus would have decreased by 0.4% from \$250 million to \$249 million in 2015/16, had the two local boards been in place.

There would be some transition costs to create an additional local board. These have not been included in the financial results shown.

Table 10: Financial results for Auckland Council with two local boards for Rodney

2015/16	Auckland Council (status quo) (\$M)	Auckland Council (two local boards for Rodney) (\$M)
Total Revenue	3,705	3,705
Total Expenditure	3,455	3,456
Surplus/Deficit	250	249

Option 3 – Merge a portion of North Rodney with KDC and NRC

11(5)(a) Does the option have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers?

Financial resources

Table 11 below shows the financial impact on KDC and NRC of including the Wellsford area into the district/region, based on the Option description above and the general assumptions set out in Section 2. We have excluded the \$4.7 million one-off item that was recorded in KDC's 2015/16 Annual Report⁴³. This figure masks the true operating position of KDC and, therefore, of this Option in 2015/16.

The results show that KDC would have a deficit and NRC would have a smaller surplus under this Option than under the status quo. This is due to the current expenditure in the Wellsford area exceeding the rates that are collected from that area. Currently, the shortfall is met by an effective subsidy from other ratepayers in the Auckland Region. If this area were to be transferred to KDC and NRC, their ratepayers would need to provide this subsidy, for the current levels of service to continue.

There would also be additional costs in transitioning to the new entity. These have not been included in the financial results shown.

Table 11: Financial results for Kaipara District Council and Northland Regional Council⁴⁴

2015/16	Existing local authorities			Proposed local authorities	
	AC ('\$M)	KDC ⁴⁵ ('\$M)	NRC ('\$M)	KDC ⁴⁶ incl. Wellsford ('\$M)	NRC incl. Wellsford ('\$M)
Total Revenue	3,705	52.2	38.4	64.5	39.6
Total Expenditure	3,455	46.9	33.1	67.4	36.2
Surplus/Deficit	250	5.3	5.3	-2.9	3.3
Deficit as a percentage of rates revenue				9.4%	

A number of scenarios have been modelled to accommodate the uncertainty about the potential apportionment of revenue and expenditure to the KDC and NRC as a result of decisions made during the de-amalgamation process. Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

⁴³ Due to a settlement with the Office of the Auditor-General

⁴⁴ Note numbers may not add due to rounding

⁴⁵ Excluding the \$4.7 million one-off item in 2015/16

⁴⁶ Excluding the \$4.7 million one-off item in 2015/16

Table 12: Results of scenario analysis for Kaipara District Council including the Wellsford area⁴⁷

Scenario	Surplus/deficit (\$M)	Positive/ negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	-2.9	
Scenario 2 - Low FAR		-0.3
Scenario 3 - High FAR		0.3
Scenario 4 - Use of Capital Value		0.6
Scenario 5 - Regional Parks costs split on a population basis		N/A for this Option
Scenario 6 - Exclude Regional Amenities costs		N/A for KDC
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		N/A for this Option

Table 13: Results of scenario analysis for Northland Regional Council including the Wellsford area⁴⁸

Scenario	Surplus/deficit (\$M)	Positive/ negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	3.3	
Scenario 2 - Low FAR		N/A for NRC
Scenario 3 - High FAR		N/A for NRC
Scenario 4 - Use of Capital Value		N/A for NRC
Scenario 5 - Regional Parks costs split on a population basis		N/A for this Option
Scenario 6 - Exclude Regional Amenities costs		0.1
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		N/A for this Option

The ten year financial results have also been modelled, based on:

- Auckland Council's forecast rates increases for the remainder of the LTP,
- the forecast growth in the rating base in the Wellsford area,
- an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs, and
- the increased depreciation and interest costs from Auckland Council's capital works programme for the area.

⁴⁷ The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, including a high FAR scenario (Scenario 3) would improve the financial result for Kaipara District Council by \$0.3 million resulting in a deficit of \$2.6 million.

⁴⁸ The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, excluding the Regional Amenities costs (Scenario 6) would improve the financial result for Northland Regional Council by \$0.1 million resulting in a surplus of \$3.4 million.

Table 14: Forecast increase in general rates, population and rating base for the Wellsford area⁴⁹

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
General rates increase⁵⁰	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Population increase	-2.7%	-2.7%	-2.7%	-2.7%	-2.7%	0.0%	0.0%	0.0%	0.0%
Rating base increase	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%

The population of the Wellsford area is forecast to decrease slightly over the next five years and then stabilise for the remainder of the forecast period. There are some capital expenditure items for water, wastewater and transport in this area over the next ten years.

The impact of the lack of growth in the rating base and the new capital expenditure in the Wellsford area means that the financial position for the Wellsford area becomes marginally worse over the ten year period, based on Auckland Council's proposed rates increases and the existing service levels. Note that the transition costs of merging the Wellsford area into the two councils are not accounted for in these figures.

The tables below show the impact on the KDC and NRC revenue, expenditure and surplus/deficit over the ten year period. These figures should be read in conjunction with the KDC and NRC 2015/25 LTPs to understand the resulting financial position of KDC and NRC.

Table 15: Ten year financial forecast for territorial authority activities for the Wellsford area to be transferred to KDC

('\$M)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	12.3	12.6	13.1	13.5	14.0	14.5	15.1	15.7	16.3	17.1
Expenditure	20.5	20.9	21.5	22.0	22.8	23.7	24.5	25.2	25.8	26.6
Surplus/Deficit	-8.2	-8.3	-8.4	-8.5	-8.8	-9.2	-9.4	-9.5	-9.5	-9.5

Table 16: Ten year financial forecast for regional council activities for the Wellsford area to be transferred to NRC

('\$M)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	1.2	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.8	1.9
Expenditure	3.1	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.8	3.9
Surplus/Deficit	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0

⁴⁹ Source: Auckland Council

⁵⁰ This is the general rates increase and does not include growth in the rating base

Non-financial resources

- There are a large number of tasks required for a local authority to effectively carry out its responsibilities, duties and powers. Both Kaipara District Council and Northland Regional Council will need to review the majority of their existing plans and policies to make sure that they are appropriate for the new area within their boundaries. Regulatory requirements would include:
 - Northland Regional Council would need to revise its Policies and Plans to include the Wellsford area, including:
 - Regional Policy Statement
 - Regional Plans (e.g. soil, coastal, discharges to land, natural resources, air quality, freshwater)
 - Regional Land Transport Plan
 - Regional Pest Management Strategy.
 - Kaipara District Council would need to amend its District Plan and review its bylaws and policies to confirm their applicability to the Wellsford area
 - Northland Regional Council would need to take on harbourmaster functions for the new area under its jurisdiction
 - The NRC and KDC would need to respond to the Hauraki Gulf Marine Park Act
 - Extension of Civil Defence and Emergency Management functions by both Councils.

That part of Rodney to remain within the Auckland Region would continue to have the same planning framework that currently applies under the status quo.

That part of Rodney to be merged with KDC would be managed under the KDC and NRC planning documents which will require changes to include the merged council areas. These changes cannot happen immediately, as the RPS, district and regional plans, and the RLTP and RPMS will all require changes to bring the new area into its jurisdiction. Changing documents under the RMA and Land Transport Management Act takes time and is a costly exercise. Plan changes can take 3 years from development to decision and are often appealed resulting in lengthy expensive hearings. Under recent changes to the RMA, KDC and NRC could request a streamlined planning process before commencing the preparation, change and review of policy statements and plans under Schedule 1 of the RMA. If accepted the Minister for the Environment becomes the decision maker on the proposed policy statement, plan, change or variation and will issue a direction for a streamlined planning process. Appeals to streamlined planning processes are limited to designations and notices of requirements, however judicial review of the decisions made by the Minister as part of the streamlined process can still be sought from the High Court. The intention is that the streamlined process will result in a faster plan change process, however this has not been tested yet as the new legislation only came into effect on 19 April 2017.

In addition to the streamlined process, the recent changes to the RMA also provide for a collaborative planning process which is intended to provide the community with greater front-end participation in plan development to produce plans that better reflect community values. This process enables the community to be more actively involved in testing costs and benefits of different options early on rather than at a time when a single option has been proposed for consultation. The intention is that this process would reduce litigation at a later date and avoid delays associated with appeals.

Councils have the ability to decide whether to use a collaborative process as set out in the RMA. This process uses a review panel to consider the change and report recommendations to Council. Council then must decide whether to accept or reject the recommendations of the panel. There are specific circumstances where appeals to the Environment Court may be made, and these are outlined in Schedule 1 of the RMA.

KDC and NRC may require additional resources to undertake the regulatory functions of that portion of the Auckland Council area to be merged e.g. building and resource consents, bylaws, licencing and monitoring. The scale of change with this Option will not impact resourcing for Auckland Council as much as it continues to provide services to the remaining Rodney area, although AC will also need to amend the unitary plan to reflect the changes to the boundaries.

The KDC will also need to ensure that their changes to the operative district plan does not conflict with sections 7 and 8 of the HGMPA which recognise the national significance of the Hauraki Gulf and set out objectives for its management. In addition this Act requires that sections 7 and 8 be treated as a New Zealand Coastal Policy Statement which the district plan must give effect to.

In terms of the LTMA, there are consultation requirements under the LGA when preparing a Regional Land Transport Plan (RLTP). The NRC will be required to amend its RLTP to incorporate that portion of Rodney to be merged into KDC which will take time and will result in additional cost. RLTPs are required to be prepared every 6 years with NRC's current plan being for the period of 2015-2021.

NRC Harbourmaster functions will need to be extended to cover the Wellsford area to be merged with the Council.

There would be minor impacts on Auckland Council, which would be considered as part of the RPO assessment under Schedule 3, clause 11(6)(c) of the LGA if this Option was found to be a RPO.

11(5)(b) Does the option have a district or region that is appropriate for the efficient performance of its role?

Governance

The 2016 population of Wellsford subdivision is 6,250 which would increase Kaipara's population by 28.8% to 27,950. It is assumed that an additional ward with two councillors would be added to make four wards in total for Kaipara District Council.

Minor changes to ward boundaries may be required as a result of the addition of the Wellsford area. Without boundary changes the population to member ratio for all wards would marginally exceed the 10% limit on variance, as stated in the Local Electoral Act⁵¹. All variances would fall between 10% and 12%.

Based on 2016 population numbers the current variance for the Otamatea ward is 13.7% with the variance for the other two wards being under 10%.

⁵¹ Local Electoral Act 2001, Section 19V

No additional councillors are contemplated for the Northland Regional Council so the boundaries for the Kaipara and Coastal South wards will need to be adjusted to absorb the Wellsford area. Depending on how the population of Wellsford falls between the two wards it may trigger the need for a broader representation review for the region. The population (2016) to member ratio for Coastal South is presently 16.6% above that for the total region while it is 7.8% below for Kaipara. However, it could be that the addition of Wellsford to the Kaipara ward actually reduces the variances.

As a result of adding two additional councillors, Kaipara District Council may need to increase its governance support, however this is not anticipated to be substantial.

Apart from the adjustments and transition required at the outset there should be no added complexity from a governance perspective compared with the status quo. There are no additional local authorities so while there will be some transfer of responsibilities, inter-region and inter-authority co-operation should not be adversely effected.

The population of the Rodney ward will decrease and there will be a reduction of one local board member.

Specific considerations applied to Rodney and Franklin when Auckland Council was established which justified one councillor for each ward even though the population to member ratios fell outside the 10% variance allowance. If the same considerations still apply, the change of boundaries between Auckland and Northland should not of itself trigger a representation review for the balance of the Rodney ward and the Auckland Council area. There may however need to be an adjustment of district health board boundaries.

Size/rating base relative to comparable councils

Kaipara District Council has the 43rd largest population of the 78 territorial authorities in New Zealand. Including the Wellsford area would result in it having the 40th largest population.

Kaipara's population density would increase slightly from 6.2 to 6.7 people per square kilometre, which is slightly below the median population density of 9.3 people per square kilometre for New Zealand's territorial authorities.

Impact on Iwi and external groups

Auckland, Kaipara District and Northland Regional councils are already involved in a co-operative relationship with respect to the Kaipara Harbour and will likely be more formally involved in future co-governance arrangements for the harbour following the conclusion of Treaty settlement negotiations.

There is unlikely to be any significant impacts for Iwi relationships with the respective councils. There will be no impact for the Independent Maori Statutory Board (IMSB).

11(5)(d) In the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively?

Catchment Based Flooding:

- Integrated catchment management and growth planning
 - Locating the proposed boundary change on Hoteo River would bisect the natural catchment as noted and this would make the Option unlikely to comply with the clause 11(5)(d) consideration in relation to ‘reasonably practicable options. This may result in fragmented management of this catchment including environmental improvement programmes and river management plans. A Service Level Agreement or similar between Northland Regional Council and Auckland Council would need to be developed to ensure clear roles and responsibilities.
- Natural catchments kept intact
 - The natural catchment would be bisected by dividing the governance boundary on the Hoteo River
- Supports the NPS for Freshwater Management Clean Water package of initiatives
 - The Hoteo River is on the proposed boundary change between Kaipara District Council and Auckland Council. This governance change would make it difficult to implement the NPS for Freshwater Management and Clean Water package, particularly with the proposed target of 90 per cent of rivers and lakes being swimmable by 2040.
- Natural catchments in relation to iwi groups’ priorities and requirements
 - Locating the governance boundary on the Hoteo River would bisect the natural catchment. This is inconsistent with iwi’s holistic approach to managing natural catchments.
- Cultural significance of three waters to iwi
 - Iwi’s preference for holistic management would be difficult with this Option as there would be more Council’s involved with the Hoteo River and Kaipara Harbour. In particular, NRC, KDC and AC would all have management and / or stakeholder roles with the Hoteo River.
- Catchment planning capability
 - The catchment areas under NRC would be increased with the addition of the Wellsford Option area. NRC currently manages a large region so would have sufficient internal capability and capacity with this proposed boundary change for catchment wide planning.

Water Management Issues:

- Catchments protected for drinking water purposes
 - The catchments for Warkworth and Snells Beach / Algies Bay water supplies are not impacted with this boundary change.
- Cultural significance of three waters to iwi
 - Three waters management is already compartmentalised in the Auckland Region, therefore it is unlikely to be of concern to iwi the splitting the Warkworth and Snells Beach / Algies Bay water supplies.

Option 4 – North Rodney Unitary Authority

11(5)(a) Does the option have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers?

Financial resources

Table 17 below shows the financial results for the North Rodney Unitary Authority, based on the Option description above and the general assumptions set out in Section 2. The results show a projected deficit of \$13.5 million in 2015/16. In the absence of changes to service levels or securing other revenue streams, a 48% increase in rates would be required to cover this deficit.

There would also be additional costs in transitioning to the new entity. These have not been included in the financial results shown but, as stated in the assumptions, would be anticipated to further increase the operating deficit over the first three or more years of the North Rodney Unitary Council's existence.

Table 17: Financial results for North Rodney Unitary Authority

2015/16	Auckland Council (status quo) (\$M)	North Rodney Unitary (\$M)
Total Revenue	3,705	63.5
Total Expenditure	3,455	77.0
Surplus/Deficit	250	-13.5
Deficit as a percentage of rates revenue	-	-48%

The North Rodney Unitary Authority has 10% higher revenue and 13% higher expenditure than Option 5 – North Rodney District Council.

A number of scenarios have been modelled to accommodate the uncertainty about the potential apportionment of revenue and expenditure to the new entity as a result of decisions made during the de-amalgamation process. Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

Table 18: ⁵² Scenario Analysis for North Rodney Unitary Authority

Scenario	Surplus/deficit (\$M)	Positive/negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	-13.5	
Scenario 2 - Low FAR		-0.6
Scenario 3 - High FAR		0.6
Scenario 4 - Use of Capital Value		1.3
Scenario 5 - Regional Parks costs split on a population basis		0.9
Scenario 6 - Exclude Regional Amenities costs		0.9
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		-0.8

⁵² The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, including a high FAR scenario (Scenario 3) would improve the financial result for the North Rodney Unitary Authority by \$0.6 million resulting in a deficit of \$12.9 million.

The ten year financial results have also been modelled, based on:

- Auckland Council's forecast rates increases for the remainder of the LTP,
- the forecast growth in the rating base in the North Rodney area (see Table 19 below),
- an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs, and
- the increased depreciation and interest costs from Auckland Council's capital works programme for the area.

Table 19: Forecast increase in general rates, population and rating base for the North Rodney area⁵³

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
General rates increase⁵⁴	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Population increase	1.2%	1.2%	1.2%	1.2%	1.2%	2.2%	2.2%	2.2%	2.2%
Rating base increase	2.3%	2.3%	2.3%	2.3%	2.3%	2.9%	2.9%	2.9%	2.9%

The population of North Rodney is forecast to grow faster over the ten year period than the remainder of the Auckland Region. For the North Rodney Unitary Authority, the majority of capital costs over the ten year period were in relation to water, wastewater and transport, to accommodate the anticipated growth in the North Rodney area.

The impact of this capital expenditure means that the North Rodney Unitary Authority would not be anticipated to generate a surplus across the first ten years, based on Auckland Council's proposed rates increases and the existing service levels. Note that the transition costs of establishing the new entity are not accounted for in these figures.

The proposed North Rodney Unitary Authority would have the ability to review its service levels, subject to engagement with the community and meeting minimum regulatory standards. This could impact positively or negatively on the financial position, for example increasing the length of sealed roads would have negatively impact both the capital and operating costs due to the higher whole of life costs for sealed roads.

Table 20: Ten year financial forecast for North Rodney Unitary Authority

('\$M)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	63.5	65.8	68.5	71.3	74.3	77.4	81.0	84.9	88.7	93.4
Expenditure	77.0	78.7	81.1	84.4	90.0	97.3	102.5	105.4	108.3	111.4
Surplus/Deficit	-13.5	-12.9	-12.7	-13.1	-15.8	-19.9	-21.4	-20.5	-19.6	-18.0
Deficit as % of rates	-48%	-43%	-40%	-39%	-45%	-53%	-54%	-49%	-44%	-38%

⁵³ Source: Auckland Council

⁵⁴ This is the general rates increase and does not include growth in the rating base

Figure 10 below shows the breakdown in expenditure for the proposed North Rodney Unitary Authority. When compared to Auckland Council, the percentage of expenditure on roading is significantly higher, as would be expected for a council of a similar size.

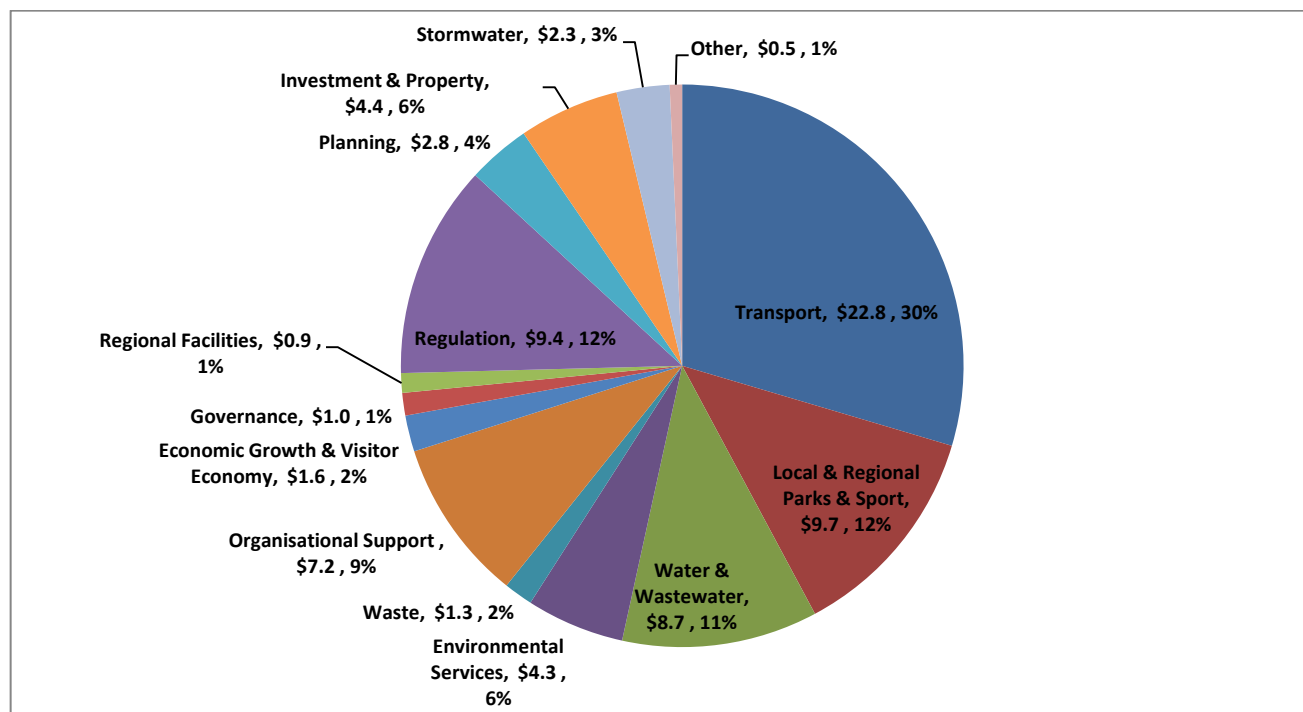


Figure 10: Breakdown of expenditure for North Rodney Unitary Authority

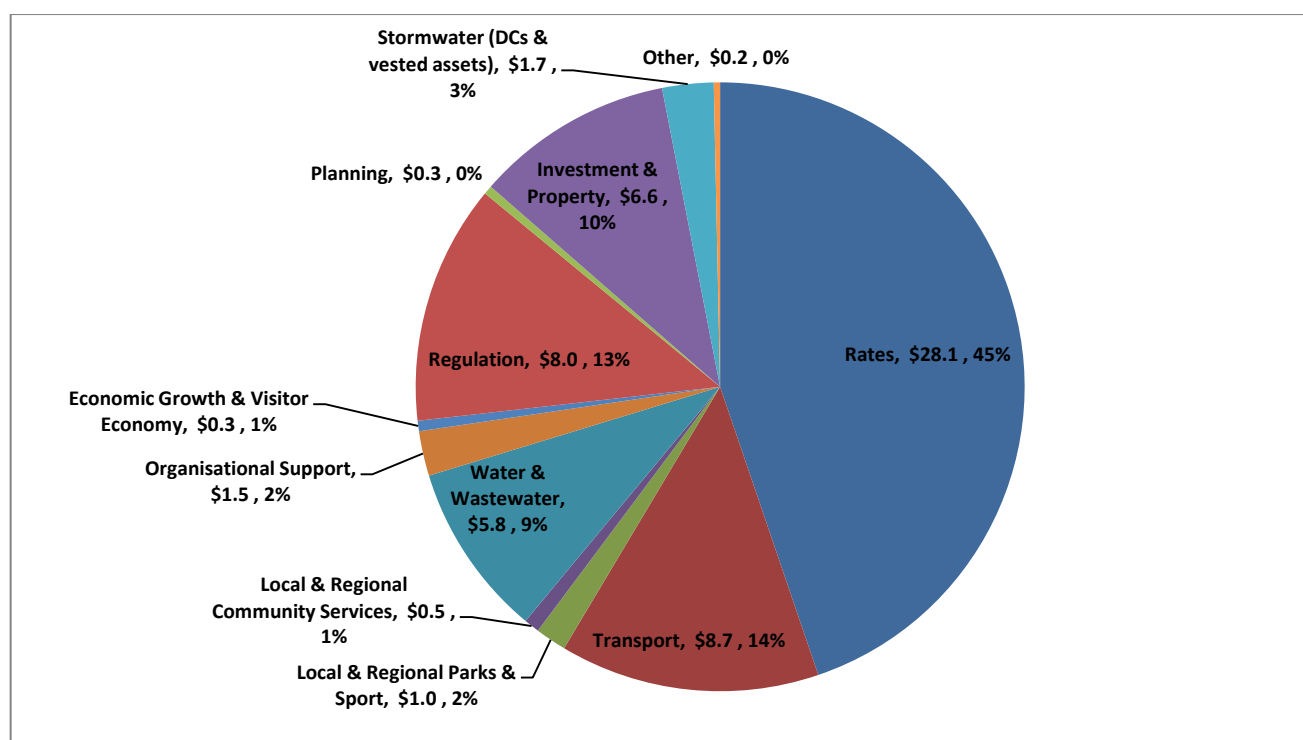


Figure 11: Breakdown of revenue for North Rodney Unitary Authority

Non-financial resources

- There are a large number of tasks required for a local authority to effectively carry out its responsibilities, duties and powers. For a new entity there will be a significant workload as new policies, plans, bylaws as well as in-house processes are developed. This will require additional resources, particularly over the first three years. On an ongoing basis, there are ongoing requirements as well as regular reviews of all regulatory documents. Regulatory requirements for a unitary authority:
 - The new unitary authority would need to have the resources to produce a range of plans as required by legislation, including:
 - Regional Policy Statement
 - Regional Plans (e.g. soil, coastal, discharges to land, natural resources, air quality, freshwater)
 - Regional Land Transport Plan
 - Regional Pest Management Strategy
 - District Plan (or a unitary plan incorporating RPS and regional plans)
 - The new unitary authority would need to develop bylaws and policies for its area
 - The new unitary authority would need to take on Civil Defence and Emergency Management functions
 - The new unitary authority would need to respond to the Hauraki Gulf Marine Park Act 2000
 - The new unitary authority would need to take on Harbourmaster functions
- Impact on Auckland
 - Disaggregation and duplication of Auckland Council activities
 - Potential risk of stranded costs
 - Potential for reduction in rates after transition period for remainder of Auckland Region

The creation of a North Rodney unitary authority would require the development of either a new unitary plan or the creation of a separate RPS, Regional plans and a district plan. As a unitary authority the Council would have full control of the development and decision making around RMA, bylaws and the RLTP under the LTMA plans. The costs in developing these plans will be high and are likely to take at least a minimum of 3 years. The new unitary authority will need to prepare a Regional Pest Management Plan under the Biosecurity Act 1993, and Regional Land Transport Plan under the LGA. Each plan has consultation requirements set out in legislation and has time and cost implications for the new unitary authority.

In having both regional and district planning functions, the council will be required to have capacity and capability for the delivery any monitoring of regional and district council activities or have the ability to outsource specialised technical services and advice (e.g. water quality, air quality, biodiversity and pest management).

The Council will also need to ensure that the new district plan does not conflict with sections 7 and 8 of the HGMPA which recognise the national significance of the Hauraki Gulf and set out objectives for its management. In addition this Act requires that sections 7 and 8 be treated as a New Zealand Coastal Policy Statement which a district plan must give effect to.

The new council will also need to develop its own policies and bylaws which will require consultation with the community in accordance with the LGA. The development of bylaws can be a costly and time consuming process, with ongoing review requirements under the LGA.

The new unitary authority will also need to take on Civil Defence and Emergency Management functions and responsibilities under the Civil Defence Emergency Management Act 2002 which will have resourcing implications for the new unitary authority.

The new unitary authority will need to take on Harbourmaster functions as required by legislation.

There would be minor impacts on Auckland Council, which would be considered as part of the RPO assessment under Schedule 3, clause 11(6)(c) of the LGA if this Option was found to be a RPO.

11(5)(b) Does the option have a district or region that is appropriate for the efficient performance of its role?

Governance

The overriding consideration is whether the North Rodney Unitary Authority would be large enough to effectively undertake the full responsibilities of a unitary council. Compared with the status quo, the benefits for the communities concerned will be a greater level of representation, more autonomy in decision making, an enhanced ability to design service levels and set priorities aligned to local need and a more direct accountability of elected members for funding decisions and the inevitable trade-offs.

It is noted that the Option assessed comprises a simple representation model with no community boards.

That is different from the Thames Coromandel District Council based representation model proposed by the Northern Action Group in their supplementary proposal. It is noted that model would have required more elected members than NAG proposed because the minimum number of elected members for a community board is four. In the revised reorganisation application from NAG it indicates there would be five community boards with delegations similar to the model previously in place at Thames Coromandel District Council (TCDC). This model involved a high level of empowerment for the community boards, supported by Area Offices that were each led by a Tier 2 manager, supported by a number of dedicated 'area' or local staff. It should also be noted that TCDC is a district council, not a unitary authority.

In our experience adding community boards will add additional governance costs, and in proposing a model similar to TCDC there would be additional support costs to support this operating model. Therefore this would increase the operating costs of this Option.

We have modelled a scenario including the cost of five community boards, each comprising four elected members. In our experience the increase in costs would be in the order of \$150,000 per board per annum. This includes elected member remuneration, incidental costs including venue hire, governance support costs and some policy advice, as we would typically expect for a community board. This excludes the cost of an additional Tier 2 manager for each community board. For five community boards, this would increase the costs associated with this Option by approximately \$0.75 million per annum.

This Option may trigger a representation review for the balance of the Auckland Region as it will be more difficult to justify a councillor for the reduced Rodney ward. It would have a population of 37,830 compared with 72,800 for Franklin.

There will be increased governance support costs over the status quo for the new council arising from the increased level of representation and breadth of functions. These increased costs will not be offset by a matching reduction in costs for Auckland Council which will still need most of the staff required to support its shared governance model.

Size/rating base relative to comparable councils

North Rodney would be the unitary authority with the smallest population in New Zealand⁵⁵, with a population of approximately 24,000. The next smallest unitary authority is Marlborough, with a population of approximately 45,500. The smallest regional council in New Zealand is the West Coast Regional Council, with a population of 32,500. Other than the Unitary Authorities and the West Coast, the other eleven regional councils all have a population of at least 100,000. A rating base of this size allows the regional councils to fulfil all their duties and to fully participate in national bodies.

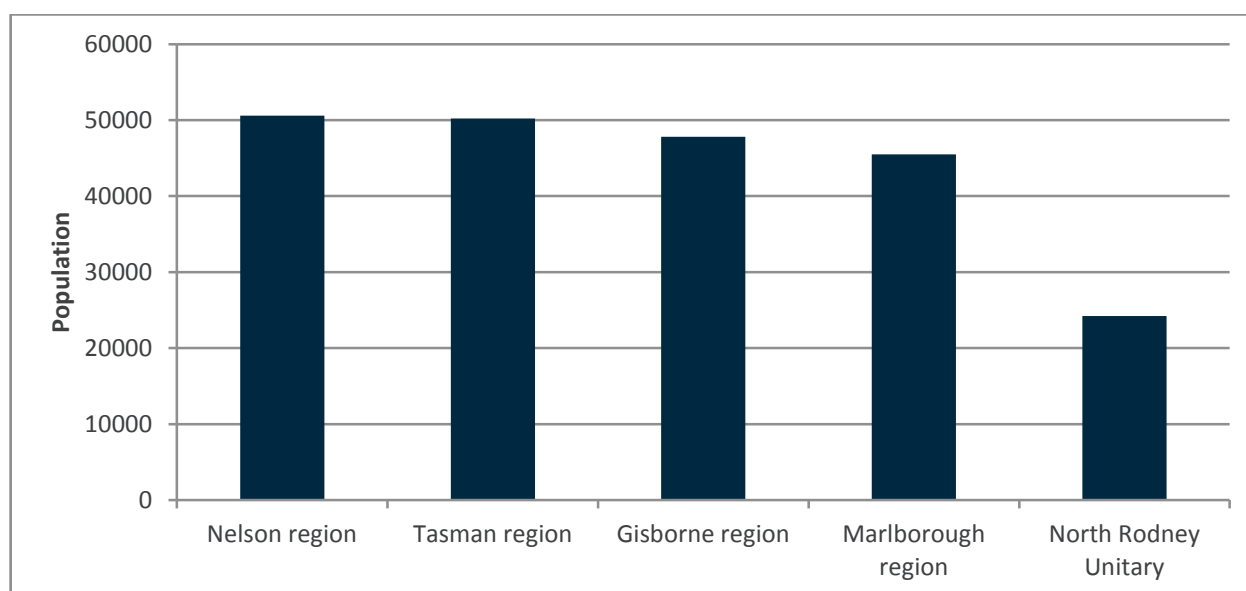


Figure 12: Population of New Zealand Unitary Authorities (excluding Auckland)

⁵⁵ Excluding the Chatham Islands Council, which is governed by separate legislation and receives direct funding from the Crown

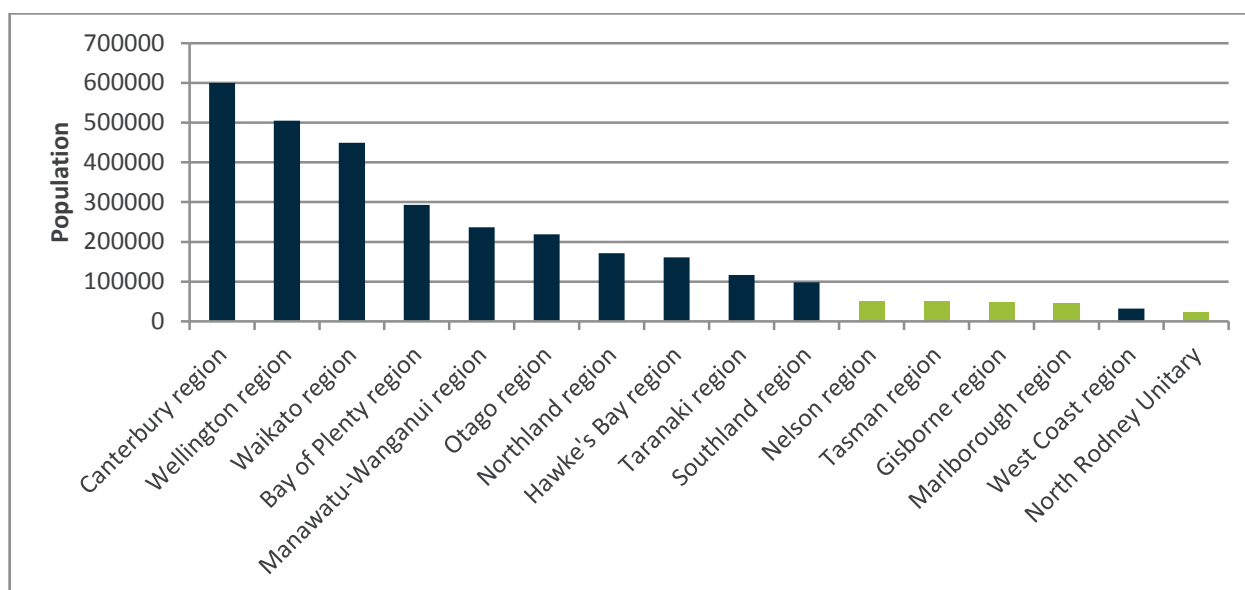


Figure 13: Population of New Zealand regional councils and Unitary Authorities (excluding Auckland)

The Productivity Commission's, 'Towards better local regulation'⁵⁶ report noted the increasing pressures on local government as a result of:

- Increasing community expectations
- Treaty settlements and growing influence of Maori
- The continuous flow of new regulation
- Pressures on the physical environment
- Increased exposure to legal challenge

It is unlikely that any of these will substantially decrease in future and it is considered more likely that these forces will continue to increase over time.

The splitting off of Wellsford and Warkworth from the Auckland region would also not support integrated growth planning. Auckland is New Zealand's fastest growing city and Warkworth has been identified as the new northern growth satellite town. This Option would fragment strategic growth planning.

The scale of the proposed unitary authority would place limits on the strategic capacity of the council to deliver services to its community. This would limit the opportunity for discretionary spending as operational processes and capital works required to meet regulations would consume most of the council's revenue. The small size of the council's staff would mean that there is limited scope for advanced strategic planning and policy development, with increased dependence on contracted external expertise. Most staff would need to be able to cover a range of responsibilities and there would be limited scope for specialists in any one field. Resourcing for complex or unexpected change, whether through natural disaster, regulatory change, personnel changes or outside events would be difficult to forecast or manage, and there would likely be a number of key officers for whom there is no or limited back-up available.

⁵⁶ Productivity Commission, 'Towards better local regulation' May 2013

Impact on Iwi and external groups

There are a greater number of Iwi with mana whenua status in the proposed new council area than is commonly understood. Iwi presently engage with both the governing body and the local boards but at the heart of it they are engaging with Auckland Council. With the creation of a new unitary authority iwi will need to engage with a new council. This will have some resourcing implications for Iwi and may impact arrangements arising out of Treaty settlements and natural resource management; however there will be no impact on the IMSB.

Inter-regional and inter local authority co-operation will be made more complex with the addition of the new council and this will flow onto bodies like the future Kaipara Harbour co-governance arrangements (and the existing co-operative arrangements for the harbour).

11(5)(d) In the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively?

Catchment Based Flooding:

- Natural catchments kept intact
 - The natural catchment would not be divided.
- Supports the NPS for Freshwater Management Clean Water package of initiatives
 - All major rivers are generally contained within the proposed boundary change. This governance change would not make it more difficult to implement the NPS for Freshwater Management and Clean Water package in relation to rivers from a governance perspective. However, the North Rodney Unitary Authority would need to establish its own Freshwater Management capability.
- Natural catchments in relation to iwi groups' priorities and requirements
 - The natural catchments have not been divided so are aligned to iwi's preference for holistic management.
- Cultural significance of three waters to iwi
 - Iwi's preference for holistic management could be achieved with this Option in relation to river management as they are generally contained within the proposed boundary change.
 - However, there would be more councils involved with the Kaipara Harbour (i.e. Northland Regional Council, Northern Rodney Unitary Authority, Kaipara District Council and Auckland Council).
- Catchment planning capability
 - The new Northern Rodney Unitary Authority would need to build catchment management capability and capacity. Alternatively they could have a shared service agreement with neighbouring NRC or Auckland Council for all or some services.

Water Management Issues:

- Catchments protected for drinking water purposes
 - The catchments for Wellsford, Warkworth and Snells Beach / Algies Bay water supplies are not impacted with this boundary change. They would be within the proposed Northern Rodney Unitary Authority boundary.

- Cultural significance of three waters to iwi
 - The Northern Rodney Unitary Authority would be responsible for the protecting the catchment for drinking water purposes as well as providing the urban water services. Three waters management is already compartmented in the Auckland Region, therefore it is unlikely to be of concern to iwi the splitting the Wellsford, Warkworth and Snells Beach / Algies Bay water supplies.

Option 5 – Waiheke Unitary Authority

11(5)(a) Does the option have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers?

Financial resources

Table 21 below shows the financial results for the Waiheke District Council, based on the Option description above and the general assumptions set out in Section 2. The results show a projected deficit of \$6.4 million in 2015/16. In the absence of changes to service levels or securing other revenue streams, a 43% increase in rates would be required to cover this deficit.

There would also be additional costs in transitioning to the new entity. These have not been included in the financial results shown but, as stated in the assumptions, would be anticipated to further increase the operating deficit over the first three or more years of the Waiheke Unitary Council's existence.

Table 21: Financial results for Waiheke Unitary Authority

2015/16	Auckland Council (status quo) (\$M)	Waiheke Unitary (\$M)
Total Revenue	3,705	29.1
Total Expenditure	3,455	35.5
Surplus/Deficit	250	-6.4
Deficit as a percentage of rates revenue	-	-43%

A number of scenarios have been modelled to accommodate the uncertainty about the potential apportionment of revenue and expenditure to the new entity as a result of decisions made during the de-amalgamation process. Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

Table 22: ⁵⁷ Scenario Analysis for Waiheke Unitary Authority

Scenario	Surplus/deficit (\$M)	Positive/negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	-6.4	
Scenario 2 - Low FAR		-0.3
Scenario 3 - High FAR		0.3
Scenario 4 - Use of Capital Value		0.1

⁵⁷ The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, including a high FAR scenario (Scenario 3) would improve the financial result for the Waiheke Unitary Authority by \$0.3 million resulting in a deficit of \$6.1 million.

Scenario 5 - Regional Parks costs split on a population basis		N/A for this Option
Scenario 6 - Exclude Regional Amenities costs		0.7
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		N/A for this Option

The ten year financial results have also been modelled, based on:

- Auckland Council's forecast rates increases for the remainder of the LTP,
- the forecast growth in the rating base in the Auckland area,
- an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs, and
- the increased depreciation and interest costs from Auckland Council's capital works programme for the area.

There are not specific population increase forecasts for the Waiheke Option area. The overall Auckland rate of forecast population increase has been used instead.

Based on the information provided, there are no significant capital projects addressing growth in Waiheke over the ten year period, with the majority of expenditure on renewals of existing assets. This results in a more favourable financial position towards the end of the forecast period as the 3.5% p.a. rates increases include an allowance for new capital projects. However it is noted that the modelled transport asset depreciation for Waiheke is approximately \$2.5 million per annum lower than the annual renewals programme, suggesting that the model is not allowing for full funding of transport asset depreciation. To fully fund the renewals programme would increase the deficit by approximately \$2.5 million per annum.

The Waiheke Unitary Authority would not be anticipated to generate a surplus across the first ten years, based on Auckland Council's proposed rates increases and the existing service levels. Note that the transition costs of establishing the new entity are not accounted for in these figures.

The proposed Waiheke Unitary Authority would have the ability to review its service levels, subject to engagement with the community and meeting minimum regulatory standards. This could impact positively or negatively on the financial position.

Table 23: Ten year financial forecast for Waiheke Unitary Authority

('\$M)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	29.1	30.1	31.2	32.4	33.7	35.1	36.6	38.1	39.3	41.4
Expenditure	35.5	36.2	37.0	37.8	38.7	39.7	40.7	41.8	42.9	44.2
Surplus/ Deficit	-6.4	-6.1	-5.8	-5.4	-5.0	-4.6	-4.1	-3.7	-3.6	-2.8
Deficit as % of rates	-43%	-39%	-35%	-31%	-27%	-24%	-20%	-17%	-16%	-12%

Figure 14 below shows the breakdown in expenditure for the proposed Waiheke Unitary Authority. When compared to Auckland Council, the percentage of expenditure on roading is significantly higher, as would be expected for a council of a similar size.

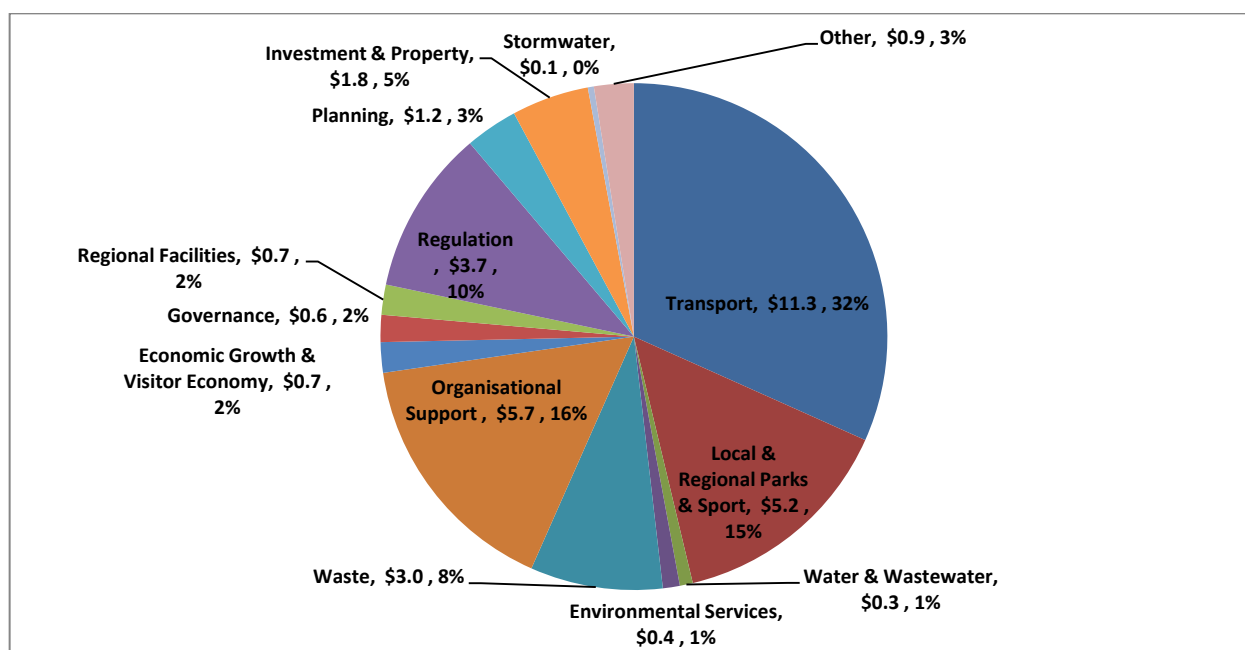


Figure 14: Breakdown of expenditure for Waiheke Unitary Authority

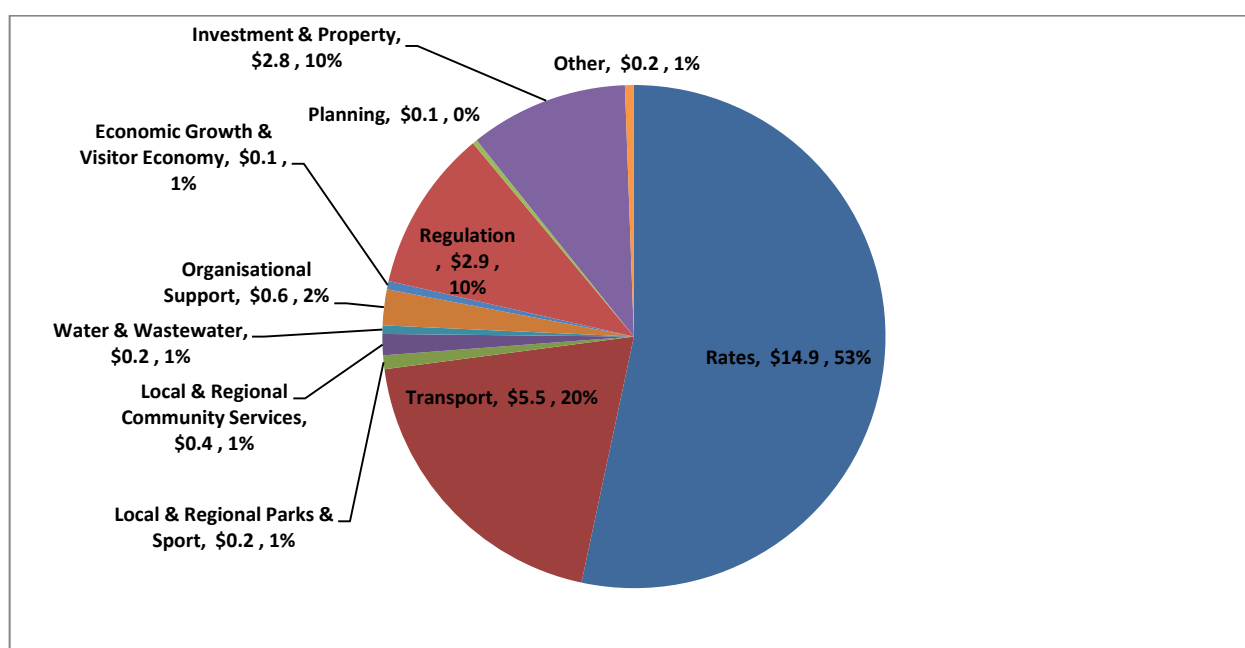


Figure 15: Breakdown of revenue for Waiheke Unitary Authority

Non-financial resources

- Regulatory requirements for a unitary authority
 - The new unitary authority would need to have the resources to produce a range of plans as required by legislation, including:
 - Regional Policy Statement
 - Regional Plans (e.g. soil, coastal, discharges to land, natural resources, air quality, freshwater)
 - Regional Land Transport Plan
 - Regional Pest Management Strategy
 - District Plan (or a unitary plan incorporating RPS and regional plans)
 - The new unitary authority would also need to develop bylaws and policies for its area
 - The new unitary authority would need to respond to the Hauraki Gulf Marine Park Act 2000
 - The new unitary authority would need to take on Civil Defence and Emergency Management functions
- Impact on Auckland
 - Disaggregation and duplication of Auckland Council activities
 - Potential risk of stranded costs
 - Potential for reduction in rates after transition period for remainder of Auckland Region

The creation of a Waiheke Unitary Authority would require the development of either a new unitary plan or the creation of a separate RPS, Regional plans and a district plan. The current district plan applying to Waiheke and the areas proposed to be included in the Waiheke Unitary Authority is the Auckland Council District Plan Hauraki Gulf Islands Section Operative 2013. This Plan would continue to govern the remaining Hauraki Gulf Islands until a time it is incorporated into the Auckland Unitary Plan. As a unitary authority the Council would have full control of the development and decision making around RMA, bylaws and the RLTP under the LTMA plans. The costs in developing these plans will be high and will take at least a minimum of 3 years unless a streamlined or collaborative planning approach is adopted (as outlined in Option 3) for those RMA plans. The new unitary authority will need to prepare a Regional Pest Management Plan under the Biosecurity Act 1993, and Regional Land Transport Plan under the LGA. Each plan has consultation requirements set out in legislation and has time and cost implications for the new unitary authority.

In having both regional and district planning functions, the council will be required to have capacity and capability for the delivery of regional and district council activities, or have the ability to outsource specialised technical services and advice.

The Council will also need to ensure that the new district plan does not conflict with sections 7 and 8 of the HGMPA which recognise the national significance of the Hauraki Gulf and set out objectives for its management. In addition this Act requires that sections 7 and 8 be treated as a New Zealand Coastal Policy Statement which a district plan must give effect to.

The new council will also need to develop its own policies and bylaws which will require consultation with the community in accordance with the LGA. The development of bylaws can be a costly and time consuming process, with ongoing review requirements under the LGA.

The new unitary authority will also need to take on Civil Defence and Emergency Management functions and responsibilities under the Civil Defence Emergency Management Act 2002 which will have resourcing implications for the new unitary authority.

The new unitary authority will need to take on Harbourmaster functions as required by legislation.

There would be minor impacts on Auckland Council, which would be considered as part of the RPO assessment under Schedule 3, clause 11(6)(c) of the LGA if this Option was found to be a RPO.

11(5)(b) Does the option have a district or region that is appropriate for the efficient performance of its role?

Governance

The overriding consideration is whether either council would be large enough to effectively undertake the full responsibilities of a unitary council.

Compared with the status quo, the benefits for the communities concerned will be a greater level of representation, more autonomy in decision making, an enhanced ability to design service levels aligned to local need and a more direct accountability of elected members for funding decisions and the inevitable trade-offs.

There will be increased governance support costs over the status quo for the new council arising from the increased level of representation and breadth of functions. These increased costs will not be offset by a matching reduction in costs for Auckland Council which will still need most of the staff required to support the shared governance model.

The Waiheke proposal creates complexities because of the stronger linkages, particularly with respect to public transport which exist between Waiheke and the Auckland Isthmus.

Size/rating base relative to comparable councils

Waiheke would be the unitary authority with the smallest population in New Zealand⁵⁸, with a population of approximately 9,000. The next smallest unitary authority is Marlborough, with a population of approximately 45,500. The smallest regional council in New Zealand is the West Coast Regional Council, with a population of 32,500. Other than the Unitary Authorities and the West Coast, the other eleven regional councils all have a population of at least 100,000. A rating base of this size allows the regional councils to fulfil all their duties and to fully participate in national bodies.

⁵⁸ Excluding the Chatham Islands Council, which is governed by separate legislation and receives direct funding from the Crown

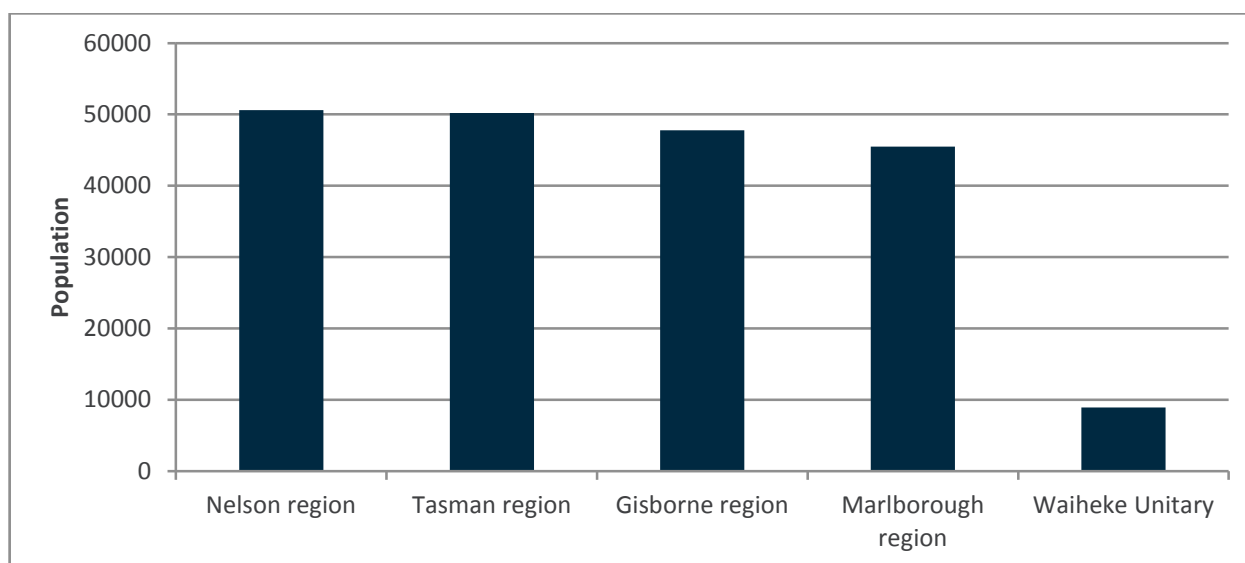


Figure 16: Population of New Zealand unitary authorities

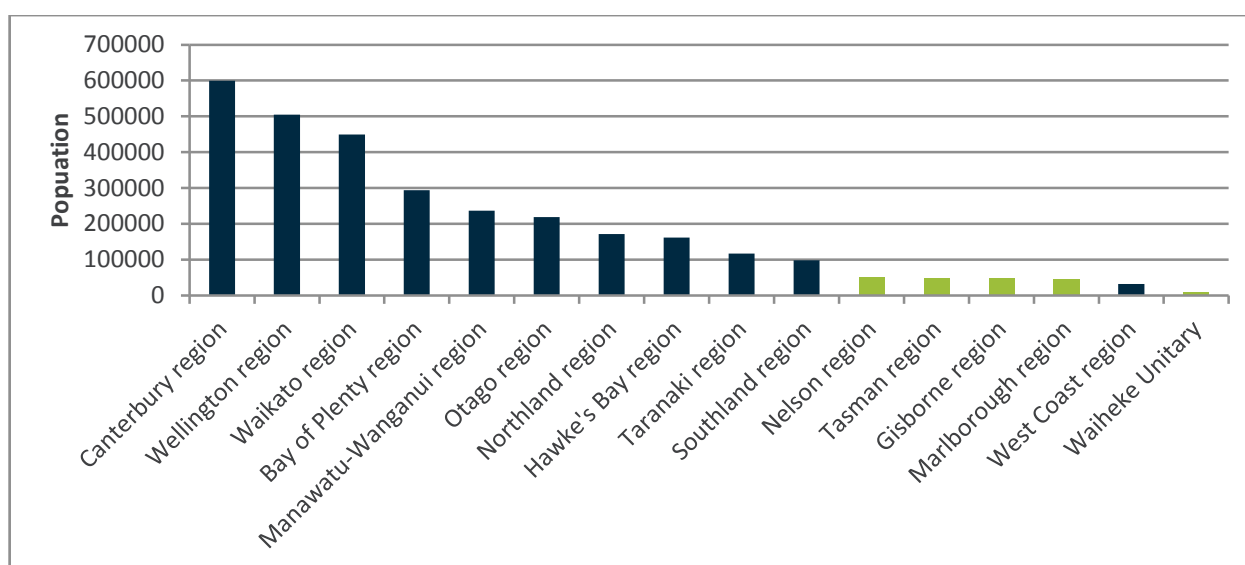


Figure 17: Population of New Zealand regional councils and unitary authorities (excluding Auckland)

The scale of the proposed unitary authority would place stringent limits on the strategic capacity of the council to deliver services to its community. This limits the opportunity for discretionary spending, as operational processes and capital works required to meet regulations would consume most of the council's revenue. The small size of the council's staff would mean that there is limited scope for advanced strategic planning and policy development, with increased dependence on contracted external expertise. Most staff must be able to cover a range of responsibilities and there would be limited scope for specialists in any one field. Resourcing for complex or unexpected change, whether through natural disaster, regulatory change, personnel changes or outside events is difficult to forecast or manage, and there would likely be a number of key officers for whom there is no or limited back-up available.

The splitting off of Waiheke Island from the Auckland region would not support integrated growth planning. Auckland is New Zealand's fastest growing city and Waiheke is a popular tourist destination for national and international guests. There may be insufficient capability to support the impact of peak demand and increased growth on infrastructure services such as wharves, local roads, public transport and waste management.

Impact on Iwi and external groups

There are a greater number of Iwi with mana whenua status in the proposed new council area than is commonly understood. Iwi presently engage with both the governing body and the local boards but at the heart of it they are engaging with Auckland Council. With the creation of a new unitary authority Iwi they will need to engage with a new council. This will have some resourcing implications for Iwi and may impact arrangements arising out of Treaty settlements and natural resource management; however there will be no impact on the IMSB.

Inter-regional and inter local authority co-operation will be made more complex with the addition of new councils and this will flow onto bodies like the Hauraki Gulf Forum.

11(5)(d) In the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively?

Catchment Based Flooding:

- Natural catchments kept intact
 - The natural catchments would not be divided.
- Supports the NPS for Freshwater Management Clean Water package of initiatives
 - There are no major rivers located on Waiheke Island so the National Policy Statement requirements for Freshwater Management and Clean Water will not have a substantial impact on the Waiheke Unitary Authority. However, there may be insufficient capability and capacity within the Waiheke Unitary Authority to support these freshwater changes driven by Government.
- Natural catchments in relation to iwi groups' priorities and requirements
 - The natural catchments have not been divided so are aligned to iwi's preference for holistic management.
- Cultural significance of three waters to iwi
 - There would be an additional council involved with the Waitemata Harbour and the Hauraki Gulf.
- Catchment planning capability
 - The new Waiheke Unitary Authority would need to build catchment management capability and capacity. Alternatively they could have a shared service agreement with Auckland Council. It may be difficult to attract capable staff to such a small authority.

Water Management Issues:

- Catchments protected for drinking water purposes
 - There are currently no catchments protected for public drinking water purposes on Waiheke Island.

- Cultural significance of three waters to iwi
 - Iwi may be concerned splitting Waiheke Island from Auckland Council. However, three waters management is already compartmented in the Auckland Region.

Option 6 – North Rodney District Council

11(5)(a) Does the option have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers?

Financial resources

Table 24 below shows the financial results for the North Rodney District Council, based on the Option description above and the general assumptions set out in Section 2. The results show a projected deficit of \$10.2 million in 2015/16. In the absence of changes to service levels or securing other revenue streams, a 43% increase in rates would be required to cover this deficit.

There would also be additional costs in transitioning to the new entity. These have not been included in the financial results shown but, as stated in the assumptions, would be anticipated to further increase the operating deficit over the first three or more years of the North Rodney District Council's existence.

Table 24: Financial results for North Rodney District Council

2015/16	Auckland Council (status quo) (\$M)	North Rodney District (\$M)
Total Revenue	3,705	57.8
Total Expenditure	3,455	68.0
Surplus/Deficit	250	-10.2
Deficit as a percentage of rates revenue	-	-43%

A number of scenarios have been modelled to accommodate the uncertainty about the potential apportionment of revenue and expenditure to the new entity as a result of decisions made during the de-amalgamation process. Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

Table 25: ⁵⁹ Scenario Analysis for North Rodney District Council

Scenario	Surplus/deficit (\$M)	Positive/ negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	-10.2	
Scenario 2 - Low FAR		-0.6
Scenario 3 - High FAR		0.6
Scenario 4 - Use of Capital Value		0.9
Scenario 5 - Regional Parks costs split on a population basis		N/A for this Option

⁵⁹ The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, including a high FAR scenario (Scenario 3) would improve the financial result for the North Rodney District Council by \$0.6 million resulting in a deficit of \$9.6 million.

Scenario 6 - Exclude Regional Amenities costs		N/A for this Option
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		N/A for this Option

The ten year financial results have also been modelled, based on:

- Auckland Council's forecast rates increases for the remainder of the LTP,
- the forecast growth in the rating base in the North Rodney area (see Table 26 below),
- an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs, and
- the increased depreciation and interest costs from Auckland Council's capital works programme for the area.

Table 26: Forecast increase in general rates, population and rating base for the North Rodney area⁶⁰

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
General rates increase ⁶¹	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Population increase	1.2%	1.2%	1.2%	1.2%	1.2%	2.2%	2.2%	2.2%	2.2%
Rating base increase	2.3%	2.3%	2.3%	2.3%	2.3%	2.9%	2.9%	2.9%	2.9%

The population of North Rodney is forecast to grow faster over the ten year period than the remainder of the Auckland Region. For the North Rodney District Council, the majority of capital costs over the ten year period were in relation to water, wastewater and transport, to accommodate the anticipated growth in the North Rodney area.

The impact of this capital expenditure means that the North Rodney District Council would not be anticipated to generate a surplus across the first ten years, based on Auckland Council's proposed rates increases and the existing service levels. Note that the transition costs of establishing the new entity are not accounted for in these figures.

The proposed North Rodney District Council would have the ability to review its service levels, subject to engagement with the community and meeting minimum regulatory standards. This could impact positively or negatively on the financial position, for example increasing the length of sealed roads would have both a capital impact and an operating impact due to the higher whole of life costs for sealed roads.

Table 27: Ten year financial forecast for North Rodney District Council

('(\$M))	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	57.8	59.9	62.2	64.7	67.4	70.2	73.4	76.8	80.1	84.3
Expenditure	68.0	69.6	71.8	74.8	80.2	87.3	92.2	94.8	97.4	100.2
Surplus/ Deficit	-10.2	-9.7	-9.5	-10.1	-12.8	-17.1	-18.8	-18.1	-17.3	-15.8
Deficit as % of rates	-43%	-39%	-36%	-36%	-44%	-55%	-57%	-51%	-46%	-40%

⁶⁰ Source: Auckland Council

⁶¹ This is the general rates increase and does not include growth in the rating base

Figure 18 below shows the breakdown in expenditure for the proposed North Rodney District Council. When compared to Auckland Council, the percentage of expenditure on roading is significantly higher, as would be expected for a council of a similar size.

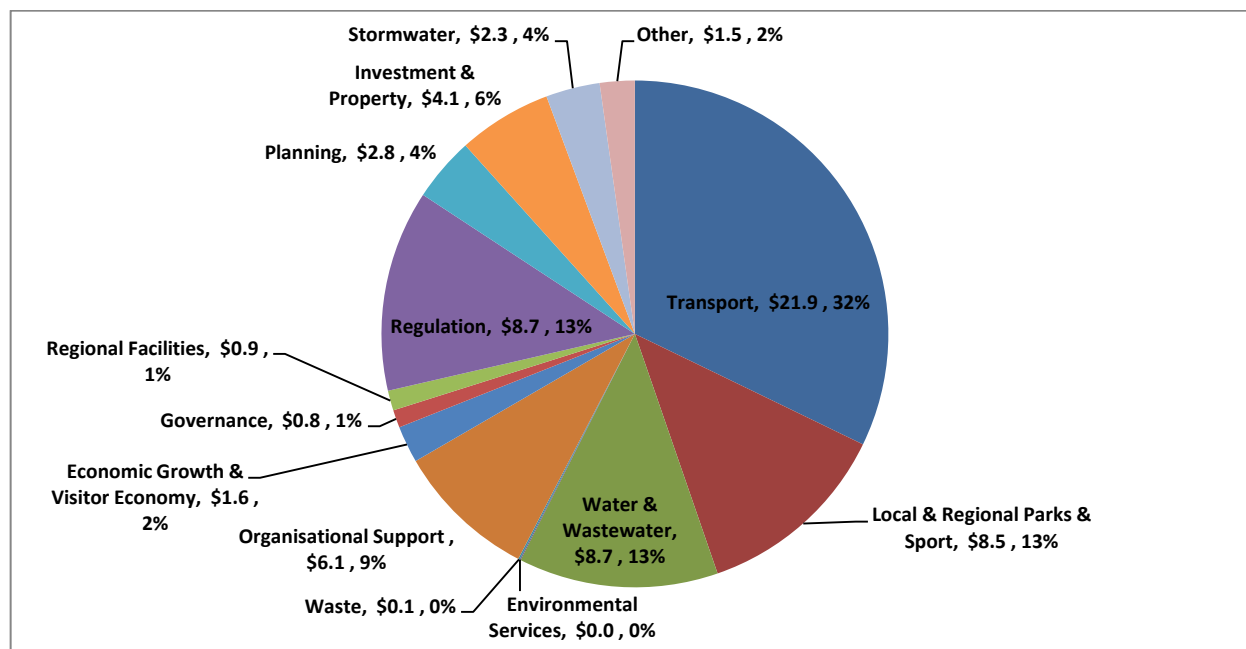


Figure 18: Breakdown of expenditure for North Rodney District Council

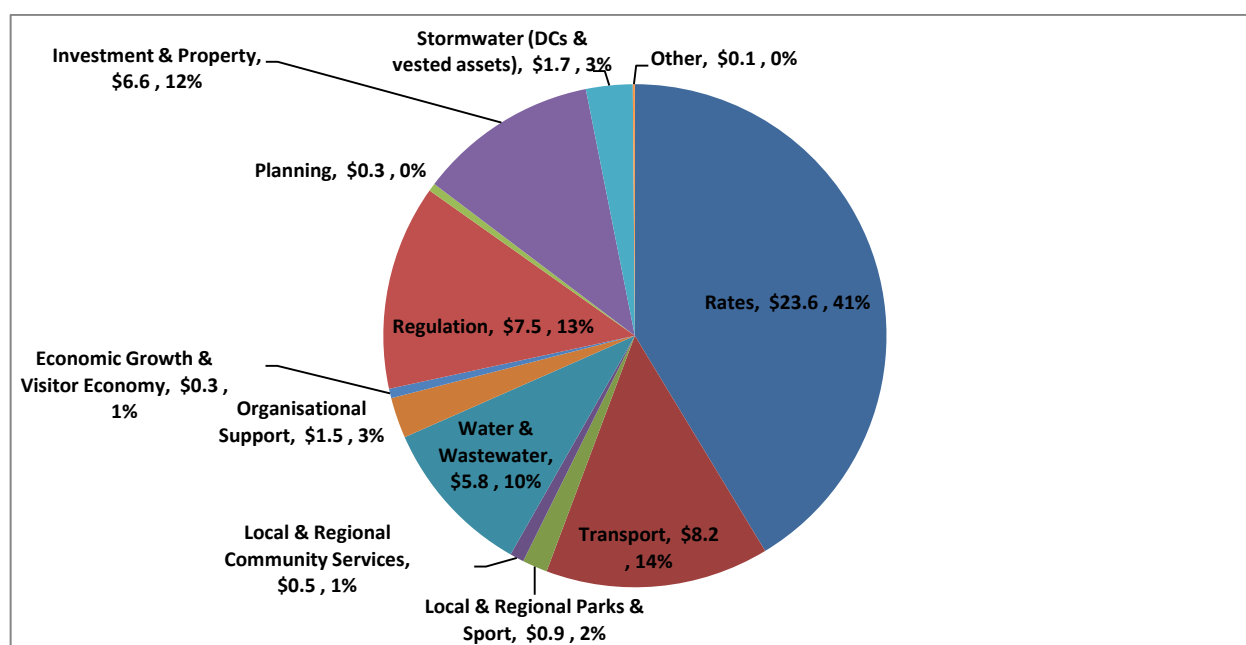


Figure 19: Breakdown of revenue for North Rodney District Council

Non-financial resources

There are a large number of tasks required for a local authority to effectively carry out its responsibilities, duties and powers. For a new entity there will be a significant workload as new policies, plans, bylaws as well as in-house processes are developed. This will require additional resources, particularly over the first three years. On an ongoing basis, there are ongoing requirements as well as regular reviews of all regulatory documents.

- Regulatory requirements for a district council
 - The new Council would need to develop a District Plan as well as bylaws and policies
 - The new Council would need to respond to the Hauraki Gulf Marine Park Act (HGMPA)
 - Civil defence and emergency management functions
- Impact on Auckland
 - Disaggregation and duplication of Auckland Council activities
 - Potential risk of stranded costs
 - Potential for reduction in rates after transition period for remainder of Auckland Region
 - Increased complexity of governance arrangements

A new district plan would need to be developed by the new North Rodney District Council that gave effect to the Auckland Regional Policy Statement and relevant regional provisions in the Auckland Unitary Plan. The costs in developing a district plan will be high and will take at least 3 years from development to decisions, and are often appealed resulting in lengthy expensive hearings. As outlined in Option 3, the new Council could adopt a streamlined or collaborative planning approach to the preparation of the new district plan prior to commencing the formal Schedule 1 requirements in accordance with the RMA. Auckland Council will need to amend the Unitary Plan to reflect the new boundary.

The Council will also need to ensure that the new district plan does not conflict with sections 7 and 8 of the HGMPA which recognise the national significance of the Hauraki Gulf and set out objectives for its management. In addition this Act requires that sections 7 and 8 be treated as a New Zealand Coastal Policy Statement which a district plan must give effect to.

The new council will also need to develop its own policies and bylaws which will require consultation with the community in accordance with the LGA. The development of bylaws can be a costly and time consuming process, with ongoing review requirements under the LGA.

The new Council will also need to take on Civil Defence and Emergency Management functions and responsibilities under the Civil Defence Emergency Management Act 2002 which will have resourcing implications for the new unitary authority.

There would be minor impacts on Auckland Council, which would be considered as part of the RPO assessment under Schedule 3, clause 11(6)(c) of the LGA if this Option was found to be a RPO.

11(5)(b) Does the option have a district or region that is appropriate for the efficient performance of its role?

Governance

The Local Government Act 2002 Amendment Bill (No 2) states that the Local Government Commission will be empowered to provide for the same local authority to act as a unitary council in one district and as a regional council in another district that has its own territorial authority.

The LGC assumptions state that regional representation will be the status quo. That is the whole of the Auckland Council governing body will be responsible for the regional council functions. It can be no other way, however, there is potential for confusion amongst electors. Under present representation arrangements the ward councillor for Rodney is elected by electors from North Rodney and South Rodney.

South Rodney electors should be basing their assessment of candidates on their fit for the Auckland Council governing body responsibilities which are different, more strategic, and much broader than the regional council role the North Rodney electors should be considering.

From a customer perspective the expectations will be for improved efficiencies, fit for purposes policies and service provision and greater autonomy over decision making for the North Rodney community. However, there will be some negative customer impacts, particularly for developers having to work with two planning and consenting authorities. It may cause confusion for those developers, ratepayers and residents who operate or live in both the reduced Auckland Council and North Rodney areas.

Regional versus Territorial considerations for Auckland Council

While there is a reasonable distinction between regional council and territorial functions there is some overlap and/or conflict at the interface between the two sets of responsibilities. Friction between regional councils and territorial councils is not uncommon. Each can be driven by differing philosophies which is often a reflection of the differing responsibilities particularly with respect to environmental protection and development and it is not uncommon for Environment Court actions to be taken between the regional and territorial authorities.

The Unitary Council structure has allowed Auckland Council to make substantial progress through taking a holistic approach to regional and territorial responsibilities. This is now reflected in the committee and management structures of the council. It is also reflected in CCO's, particularly Auckland Transport.

Creating a district council within the framework of a unitary council structure is likely to require the governing body and its committees to structure meetings and agendas differently and potentially require the establishment of new committees or sub committees. Council staff will need to be conscious of the different status of Rodney when undertaking exercising their responsibilities including policy formulation.

There will be a need to separate out the costs, revenues and finances of Auckland Council and some of its CCO's to allow the initial establishment of the district council, but also on an ongoing basis to separately account for and fund the regional council functions for North Rodney. This may require restructuring to allow a clear delineation between regional and district activities.

Auckland Council's LTP, finance and rating policies will also need to reflect the different responsibilities.

Size/rating base relative to comparable councils

The scale of the proposed district council would place stringent limits on the strategic capacity of the council to deliver services to its community. This limits opportunity for discretionary spending, as operational processes and capital works required to meet regulations would consume most of the councils' revenue. The small size of the council's staff would mean that there is limited scope for advanced strategic planning and policy development, with increased dependence on contracted external expertise. Most staff must be able to cover a range of responsibilities and there would be limited scope for specialists in any one field. Resourcing for complex or unexpected change, whether through natural disaster, regulatory change, personnel changes or outside events is difficult to forecast or manage, and there would likely be a number of key officers for whom there is no or limited back-up available.

Impact on Iwi and external groups

There are a greater number of Iwi with mana whenua status in the proposed new district than is commonly understood. Iwi presently engage with both the governing body and the local boards but at the heart of it they are engaging with Auckland Council. With the creation of a new district Iwi will need to engage with a new council. This will have some resourcing implications for Iwi and may impact arrangements arising out of Treaty settlements and natural resource management.

The creation of another local authority will add complexity to governance forums in which Auckland Council is not the sole participant, such as the Hauraki Gulf Forum and the likely future co-governance arrangements for Kaipara Harbour.

11(5)(d) In the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively?

Not applicable – this Option does not include a change to regional council or unitary authority boundaries.

Option 7 – Waiheke District Council

11(5)(a) Does the option have the resources necessary to enable it to carry out effectively its responsibilities, duties and powers?

Financial resources

Table 28 below shows the financial results for the Waiheke District Council, based on the Option description above and the general assumptions set out in Section 2. The results show a projected deficit of \$4.7 million in 2015/16. In the absence of changes to service levels or securing other revenue streams, a 36% increase in rates would be required to cover this deficit.

There would also be additional costs in transitioning to the new entity. These have not been included in the financial results shown but, as stated in the assumptions, would be anticipated to further increase the operating deficit over the first three or more years of the Waiheke District Council's existence.

Table 28: Financial results for Waiheke District Council

2015/16	Auckland Council (status quo) (\$M)	Waiheke District (\$M)
Total Revenue	3,705	24.4
Total Expenditure	3,455	29.1
Surplus/Deficit	250	-4.7
Deficit as a percentage of rates revenue	-	-36%

A number of scenarios have been modelled to accommodate the uncertainty about the potential apportionment of revenue and expenditure to the new entity as a result of decisions made during the de-amalgamation process. Two scenarios have also been modelled to recognise that the future Financial Assistance Rate (FAR) would need to be agreed with NZTA and that the precise FAR cannot be predicted at this time.

Table 29: ⁶² Scenario Analysis for Waiheke District Council

Scenario	Surplus/deficit (\$M)	Positive/ negative impact on 15/16 financial result (\$M)
Scenario 1 – Base case surplus\deficit	-4.7	
Scenario 2 - Low FAR		-0.3
Scenario 3 - High FAR		0.3
Scenario 4 - Use of Capital Value		0.0
Scenario 5 - Regional Parks costs split on a population basis		N/A for this Option
Scenario 6 - Exclude Regional Amenities costs		N/A for this Option
Scenario 7 – Include Community Boards for North Rodney Unitary Authority		N/A for this Option

The ten year financial results have also been modelled, based on:

- Auckland Council's forecast rates increases for the remainder of the LTP,
- the forecast growth in the rating base in the Auckland area,
- an increase in expenditure equivalent to Auckland Council's forecast rate of inflation for staff and other costs, and
- the increased depreciation and interest costs from Auckland Council's capital works programme for the area.

There are not specific population increase forecasts for the Waiheke Option area. The overall Auckland rate of forecast population increase has been used instead.

Based on the information provided, there are no significant capital projects addressing growth in Waiheke over the ten year period, with the majority of expenditure on renewals of existing assets. This results in a more favourable financial position towards the end of the forecast period as the 3.5% p.a. rates increases include an allowance for new capital projects. However it is noted that the modelled transport asset depreciation for Waiheke is approximately \$2.5 million per annum lower than the annual renewals

⁶² The figures shown in this table should be added to or subtracted from the base case (Scenario 1). For example, including a high FAR scenario (Scenario 3) would improve the financial result for the Waiheke District Council by \$0.3 million resulting in a deficit of \$4.4 million.

programme, suggesting that the model is not allowing for full funding of transport asset depreciation. To fully fund the renewals programme would increase the deficit by approximately \$2.5 million per annum.

The Waiheke District Council would not be anticipated to generate a surplus across the first ten years, based on Auckland Council's proposed rates increases and the existing service levels. Note that the transition costs of establishing the new entity are not accounted for in these figures.

The proposed Waiheke District Council would have the ability to review its service levels, subject to engagement with the community and meeting minimum regulatory standards. This could impact positively or negatively on the financial position.

Table 30: Ten year financial forecast for Waiheke District Council

('\$M)	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Revenue	24.4	25.2	26.2	27.2	28.3	29.5	30.8	32.1	33.1	34.9
Expenditure	29.1	29.7	30.3	31.0	31.7	32.5	33.4	34.3	35.2	36.2
Surplus/ Deficit	-4.7	-4.5	-4.1	-3.8	-3.4	-3.0	-2.6	-2.2	-2.1	-1.3
Deficit as % of rates	-36%	-32%	-28%	-24%	-21%	-18%	-14%	-11%	-11%	-6%

Figure 20 below shows the breakdown in expenditure for the proposed Waiheke District Council. When compared to Auckland Council, the percentage of expenditure on roading is significantly higher, as would be expected for a council of a similar size.

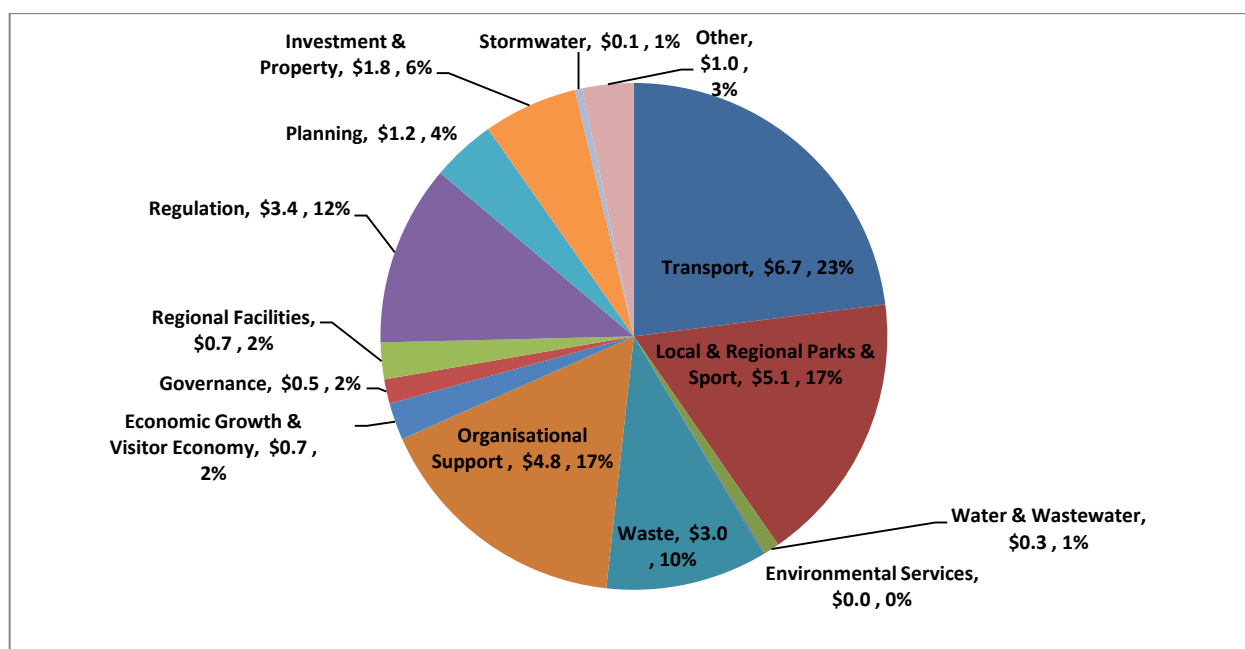


Figure 20: Breakdown of expenditure for Waiheke District Council

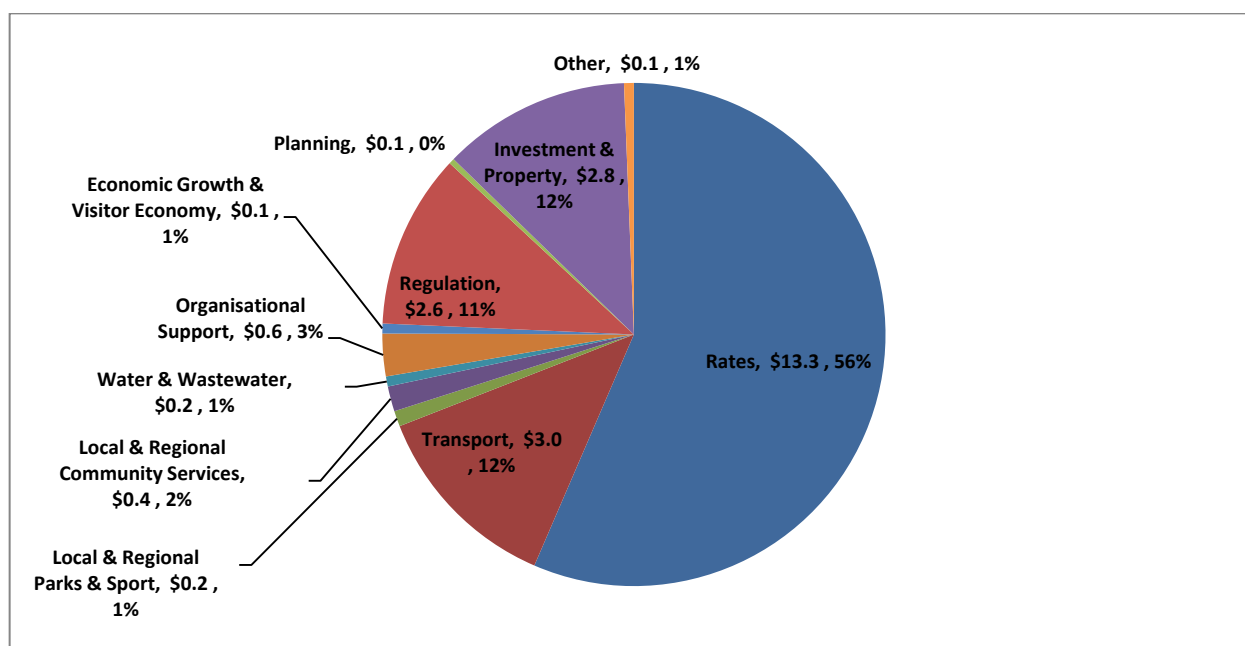


Figure 21: Breakdown of revenue for Waiheke District Council

Non-financial resources

There are a large number of tasks required for a local authority to effectively carry out its responsibilities, duties and powers. For a new entity there will be a significant workload as new policies, plans, bylaws as well as in-house processes are developed. This will require additional resources, particularly over the first three years. On an ongoing basis, there are ongoing requirements as well as regular reviews of all regulatory documents.

- Regulatory requirements for a district council
 - The new Council would need to develop a District Plan as well as bylaws and policies
 - The new Council would need to respond to the Hauraki Gulf Marine Park Act 2000
- Impact on Auckland
 - Disaggregation and duplication of Auckland Council activities
 - Potential risk of stranded costs
 - Potential for reduction in rates after transition period for remainder of Auckland Region
 - Increased complexity of governance arrangements

There is currently an Auckland Council District Plan Hauraki Gulf Islands Section (Operative 2013) which includes the proposed Waiheke District Council area, as well as other islands (including Great Barrier Islands). A new district plan would be developed by the new council excluding the areas to which it does not have jurisdiction, which would need to give effect to the Auckland Regional Policy Statement relevant regional provisions in the Auckland Unitary Plan. The costs in developing a district plan will be high and will take at least 3 years from development to decisions, and are often appealed resulting in lengthy expensive hearings. As outlined in Option 3, the new Council could adopt a streamlined or collaborative planning approach to the preparation of the new district plan prior to commencing the formal Schedule 1 requirements in accordance with the RMA. Auckland Council would need to amend the Operative district plan to reflect the new boundaries. In the future it is likely that the remaining HGI Section of the Plan will be incorporated into the Auckland Unitary Plan.

The Council will need to ensure that the new district plan does not conflict with sections 7 and 8 of the HGMPA which recognise the national significance of the Hauraki Gulf and set out objectives for its management. In addition this Act requires that sections 7 and 8 be treated as a New Zealand Coastal Policy Statement which a district plan must give effect to.

The new council will also need to develop its own policies and bylaws which will require consultation with the community in accordance with the LGA. The development of bylaws can be a costly and time consuming process, with ongoing review requirements under the LGA.

The new Council will also need to take on Civil Defence and Emergency Management functions and responsibilities under the Civil Defence Emergency Management Act 2002 which will have resourcing implications for the new district council.

There would be minor impacts on Auckland Council, which would be considered as part of the RPO assessment under Schedule 3, clause 11(6)(c) of the LGA if this Option was found to be a RPO.

11(5)(b) Does the option have a district or region that is appropriate for the efficient performance of its role?

Governance

The Local Government Act 2002 Amendment Bill (No 2) states that the Local Government Commission will be empowered to provide for the same local authority to act as a unitary council in one district and as a regional council in another district that has its own territorial authority.

The LGC assumptions state that regional representation will be the status quo. That is, the whole of the Auckland Council governing body will be responsible for the regional council functions. It can be no other way, however, there is potential for confusion amongst electors. Under present representation arrangements the ward councillor for Waiheke is also elected by the electors of the Great Barrier Local Board area and the Waitemata Local Board area.

Great Barrier and Waitemata electors would need to be basing their assessment of candidates on their fit for the Auckland Council governing body responsibilities which are different, more strategic, and much broader than the regional council role the Waiheke electors should be considering.

From a customer perspective, the expectations will be for improved efficiencies, fit for purposes policies and service provision and greater autonomy over decision making for the Waiheke community. However, there may be some negative customer impacts, particularly for developers having to work with two planning and consenting authorities. It may cause confusion for those developers, ratepayers and residents who operate or live in both the reduced Auckland Council district and Waiheke.

Regional versus Territorial considerations for Auckland Council

While there is a reasonable distinction between regional council and territorial functions there is some overlap and/or conflict at the interface between the two sets of responsibilities. Friction between regional councils and territorial councils is not uncommon. Each can be driven by differing philosophies which is often a reflection of the differing responsibilities particularly with respect to environmental protection and development and it is not uncommon for Environment Court actions to be taken between the regional and territorial authorities.

The Unitary Council structure has allowed Auckland Council to make substantial progress through taking a holistic approach to regional and territorial responsibilities. This is now reflected in the committee and management structures of the council. It is also reflected in CCO's, particularly Auckland Transport.

Creating a district council within the framework of a unitary council structure is likely to require the governing body and its committees to structure meetings and agendas differently and potentially require the establishment of new committees or sub committees. Council staff will need to be conscious of the different status of Waiheke when undertaking exercising their responsibilities including policy formulation.

There will be a need to separate out the costs, revenues and finances of Auckland Council and some of its CCO's to allow the initial establishment of the district councils, but also on an ongoing basis to separately account for and fund the regional council functions for Waiheke. This may require restructuring to allow a clear delineation between regional and district activities.

Auckland Council's LTP, financing and rating policies will also need to reflect the different responsibilities.

Size/rating base relative to comparable councils

The scale of the proposed District Authority would place stringent limits on the strategic capacity of the council to deliver services to its community. This limits opportunity for discretionary spending, as operational processes and capital works required to meet regulations would consume most of the councils' revenue. The small size of the council's staff would mean that there is limited scope for advanced strategic planning and policy development, with increased dependence on contracted external expertise. Most staff must be able to cover a range of responsibilities and there would be limited scope for specialists in any one field. Resourcing for complex or unexpected change, whether through natural disaster, regulatory change, personnel changes or outside events is difficult to forecast or manage, and there would likely be a number of key officers for whom there is no or limited back-up available.

Impact on Iwi and external groups

There are a greater number of Iwi with mana whenua status in the proposed new district than is commonly understood. Iwi presently engage with both the governing body and the local boards but at the heart of it they are engaging with Auckland Council. With the creation of a new district council they will need to engage with at least one new council. This will have some resourcing implications for Iwi and may impact arrangements arising out of Treaty settlements and natural resource management.

The creation of an additional local authority will add complexity to governance forums in which Auckland Council is not the sole participant, such as the Hauraki Gulf Forum.

11(5)(d) In the case of a regional council or unitary authority, enable catchment-based flooding and water management issues to be dealt with effectively?

Not applicable – this Option does not include a change to regional council or unitary authority boundaries.