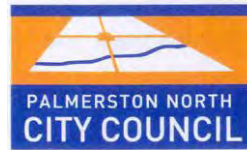




**Palmerston North City Council
and Manawatu District Council**

ABC Options – Final report

May 2010



achieving

results

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Morrison Low & Associates

PO Box 9126
 Newmarket
 Auckland 1149
 Tel: 09 523 0122
 Fax: 09 523 0133
www.morrisonlow.com

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 May 2010**



1. EXECUTIVE SUMMARY

Positive growth is occurring in the Manawatu region and in particular on the boundary between Palmerston North City Council and Manawatu District Council. The development has to date been on an ad hoc basis which has led to some planning and servicing issues. The councils want to manage these growth pressures and in November they appointed consultants to investigate and report on options for amalgamation, boundary change and cross boundary servicing in order to identify solutions that facilitate and support the economic growth of the sub-region.

This study has been conducted in collaboration with both councils and takes a long term view of what is in the best interests of the sub-region (a 50 year horizon).

The combined area of Manawatu District Council and Palmerston North City contributes \$4 billion annually to New Zealand's GDP and together would have a combined workforce which would be the 8th largest of all local authorities in New Zealand. The economic growth of this area matters and local government has an important role to play in facilitating the continued growth of the area through its capacity to plan and make strategic investments on an integrated, region wide basis, and the ability to solve the larger and longer term challenges effectively¹.

The four options considered;

- Cross boundary servicing - the existing territorial boundaries would remain as they are and Palmerston North City Council would provide water and wastewater services to developments on both the Palmerston North City side of the boundary and the Manawatu District side
- Boundary change option 1 - small areas of land to the North West of Palmerston North City that are currently in Manawatu District would transfer into the City (totaling 1,884 hectares)
- Boundary change option 2 – a larger area of land to the North and West of Palmerston North City that is currently in Manawatu District would transfer into the City including Bunnythorpe (totaling 9,776 hectares)
- Amalgamation – the two councils would combine to form a single council covering the combined district and city

The areas of land and proposed new boundary lines involved in the boundary change options are indicative only at this stage.

The purpose of this study is to consider which of the four different options of local government arrangements best facilitates and supports the economic growth of the sub-region. Councils support the economic growth of their areas through a variety of ways, both directly and indirectly and the following key considerations were used as the basis of the study:

- Economic opportunities and potential growth of the sub-region
- Certainty for development and of planning
- Simplicity of arrangements

¹ Royal Commission on Auckland Governance, Volume 1, pg 3

Additionally the LGA 2002 requires that a proposal for a boundary change, cross boundary servicing by transfer of responsibility or amalgamation “*promote good local government*”. Therefore considerations relating to the promotion of good local government were also taken into account when assessing the options, including:

- Financial impacts on the councils
- Communities of interest
- Representation
- The process of implementation and its risks

In our view each of the four options if progressed would facilitate the economic growth of the sub-region whereas the continuation of the status quo is likely to constrain the growth of the region.

Continuation of the status quo is likely to see on-going, protracted, case-by-case negotiations between the two councils as to how to best respond to cross boundary growth issues as they arise. In our opinion this will hamper the growth of the sub-region by a lack of integration between land use, infrastructure and transport providing sub-optimal outcomes.

The option that best facilitates the economic growth of the sub-region in the long term is an amalgamation of the two councils. The simplicity and certainty for developers, the community and the council that would arise with one administration is highly desirable and many of the administrative risks to continued economic growth would be removed. This study has shown that different communities of interest exist in the sub-region, most notably around Feilding and the various rural communities within the District. In order for amalgamation to proceed these communities of interest would need to be adequately represented as part of a larger council (perhaps through community boards). We note that all other options are considered to be consistent with a possible future amalgamation. Given the length of time required to carry forward an amalgamation proposal the councils may use cross boundary servicing or a small boundary change to facilitate growth in the meantime.

Boundary change option 2 provides greater flexibility for the city to grow in an integrated manner than boundary change 1, allowing both business and, if need be in the long term, residential development to take place in a simple, clear planning framework. With all the growth areas (and more) under the jurisdiction of one authority, servicing and the charging of development contributions to fund the infrastructure could be carried out in the traditional manner. An enlarged PNCC would provide the opportunity for better integration of strategic transport issues with land use around the North East industrial area. Boundary change option 2 brings settlements close the city boundary that identify with the city within PNCC and there is therefore unlikely to be negative impacts on communities of interest from the proposed change.

Boundary change option 2 would facilitate and support the long term growth of the sub-region, however MDC’s ability to fund infrastructure upgrades that support the growth of the economy of the district will be affected by its reduced financial capacity under this option and some coordination would still be required between the councils over wider transport issues. Therefore boundary change option 2 is considered to be a less desirable option than amalgamation.

Boundary change option 1 addresses issues of land supply in the medium term and provides a simple framework for the planning and servicing of the growth areas on the city fringe by putting those within a single jurisdiction. However, moving the boundary to the proposed location does not in and of itself address the key issues of the integration of wider strategic transport issues and land use. In this respect it is the same as cross boundary servicing and carries the same risks over the long term as it requires significant ongoing collaboration between the councils on these issues. MDC's ability to fund infrastructure upgrades that support the growth of the economy of the district will be affected by its reduced financial capacity under this option.

Boundary change option 1 is therefore considered to be a less desirable option than amalgamation or boundary change option 2 to provide for economic growth in the long term.

It is thought that cross boundary servicing is able to achieve the immediate business growth related objectives of the councils but to do so there will need to be ongoing collaboration and coordination between the councils to address wider strategic integration of land use and transport. We would recommend putting in place some formal structures in order to provide certainty, simplicity and longevity in these planning arrangements. Cross boundary servicing also has the advantage of preserving MDC's rating base and provides the opportunity for the district to benefit from increased rates revenue as development proceeds.

However, an issue to resolve with this option is the funding of roading upgrades within MDC associated with these growth areas. There are also limitations to the cross-boundary servicing model. Cross-boundary planning is likely to be difficult to sustain into the long term with the potential for planning frameworks to diverge, even with joint management processes in place. Overall the requirement for an ongoing relationship that requires significant collaboration, cooperation and integration presents a high risk that in the long term the potential growth of the region will not be achieved.

Cross boundary servicing is therefore considered the least desirable long term option.

Taking into account the likelihood of success in delivering sound economic growth through development we have concluded that the options should be ranked:

- First: Amalgamation
- Second: Boundary change 2
- Third: Boundary change 1
- Fourth: Cross boundary servicing

These conclusions need to be taken in the context of the scope of this report. This report is focussed on the economic growth of the sub-region and on that basis we have concluded that an amalgamation is the best arrangement. The councils will need to consider this report and our recommendation in the wider context of their social, cultural, environmental and economic responsibilities for their communities.

2. INTRODUCTION

2.1 Context and purpose of the study

Positive growth is occurring in the Manawatu region and in particular on the boundary between Palmerston North City Council and Manawatu District Council. This has raised issues between the councils in relation to planning and servicing of these developments and the councils have sought to resolve the ad-hoc developments in the best interests of the economy of the sub-region and their ratepayers.

The councils are looking to resolve these growth related issues. In October 2008 the two councils established a working group to progress options for the way forward in relation to addressing the administrative cross boundary issues and adopted a set of guiding principles for cross boundary services. The councils recognised that this was in a context of possible future boundary changes, amalgamation or retaining the status quo. The councils have adopted nine guiding principles for cross boundary services which are:

1. *That “Special Development Areas” be identified in Manawatu District, adjoining Palmerston North City that may be designated for industrial or residential development.*
2. *That the cost of development in “Special Development Area” should, as far as is practicable, be equalised with the cost of development in adjacent areas of Palmerston North City.*
3. *That the Special Development Areas be progressed in the context of possible future boundary changes, amalgamation or the retention of status quo.*
4. *That, where appropriate and practicable, the Special Development Areas be provided with relevant utility services by Palmerston North City Council*
5. *That the practical mechanism for the provision of utility services to the Special Development Areas be a matter for further discussion and negotiation by the two Councils.*
6. *That the two councils explore and agree on funding mechanisms for determining:*
 - a. *Contributions by Manawatu District Council towards any capital commitment requirements of the Palmerston North City Council*
 - b. *Charges for the services to:*
 - i. *Cover the actual cost of the services*
 - ii. *Provide a return on investment to Palmerston North City Council*
7. *Service assets to be owned by Palmerston North City Council*
8. *That Special Development Areas be identified in Manawatu District Council’s District Plan with planning provisions consistent with the relevant provisions of Palmerston North City Council’s District Plan.*
9. *That appropriate by-laws be considered for Special Development Areas.*

The recent moves to establish an Auckland unitary authority provide an additional background to the study. The Prime Minister and the Minister of Local Government have made it clear that the Government will not impose governance changes on other regions in the same manner as it has in Auckland. Rather, the Government is open to

initiatives from regions who may wish to consider a review of their governance arrangements.

This study provides an opportunity for Palmerston North City, Manawatu District and their communities to be the ones that look at their local government arrangements and decide what will provide the best outcomes now and into the future.

The intent is to identify solutions that are achievable and facilitate and support the economic growth of the sub-region.

2.2 The brief

In September 2009 the councils sought proposals for a consultant to investigate and report on options for amalgamation, boundary change and cross boundary servicing that would facilitate and support the economic growth of the sub-region (attached as **Appendix B**). In November 2009 Morrison Low was appointed as lead consultant to conduct the study in association with Hill Young Cooper and Kensington Swan. This team provided the considerable experience and multi-discipline specialists required to address the wide range of issues presented by a study such as this.

The councils were clear in the original brief and throughout the project that the investigation and evaluation should be carried out on the basis of what is in the best interests of the sub-region and the community as a whole. This ensured that there was a positive and productive climate in which to undertake the study and a clear common goal.

This report takes a long term view of development, growth and what is in the interests of the community and sub-region with a 50 year view in mind. While many growth and population figures for the sub-region extend only as far out as 2026 or in some cases 2031 in keeping with the brief a long term view is taken at all times.

All discussions around cross boundary servicing throughout this report refer only to the provision of water and wastewater.

2.3 Approach

It was agreed at an early stage that the two councils would cooperate closely with the consultants to facilitate and support the study. It was also made clear by the councils that there was no predisposition towards any of the options to be considered.

The study was carried in two phases:

- **Phase 1** was a high level analysis used to determine the issues to be addressed, the options to address the issues and the broad advantages and disadvantages of the options. A progress report was made to the Joint Strategic Planning Committee on 17 February 2010 at which stage both councils agreed that the four options of amalgamation, two boundary changes and cross boundary servicing be considered in further detail.
- **Phase 2** involved a more detailed analysis of the underlying issues as well as taking the chosen options forward and assessing the ability of each to deliver on the outcomes required and the complexity and risks of successful

implementation and operation. The final report is to be presented to the Joint Strategic Planning Committee on 10 June 2010.

Throughout the study there has been excellent availability of information from the councils and input from key staff and the Joint Working Group.

2.4 Structure of the report

The first part of this report in Chapter 3 is used to describe the context within which the study is set. This includes a discussion of the Manawatu region and the challenges and opportunities that it faces along with the role of local government and why good local government matters to the region.

The options under consideration are then described in general terms in Chapter 4 with the main features highlighted.

This leads to a discussion in Chapter 5 of how the four options are evaluated both individually and against each other (in order to establish a preferred option) and the development of key considerations on which to make that assessment. For the purposes of this study the key considerations were separated in two groups, growth factors and good local government factors. This reflects the strong need to develop a solution which best provides for the economic growth of the sub-region within the overall statutory assessment of what promotes good local government.

Each of the criteria relevant to the promotion of economic development and good local government in the Manawatu sub-region are individually analysed in a series of discussion papers in Chapter 6. This assessment includes an analysis of how each criteria provides for or is impacted by cross boundary servicing, boundary change options 1 and 2 and amalgamation.

In Chapter 7 the essence of these discussion papers are then presented in summary for each of the options individually to allow comparisons to be made as to which option overall provides best for the economic growth of the sub-region when considered within the statutory context of what promotes good local government.

Conclusions and recommendations follow in Chapter 8 with the implementation process for the preferred option presented again.

Appendix A contains further information about the two councils to support the discussion and conclusions reached within the report and **Appendix B** a copy of the brief.

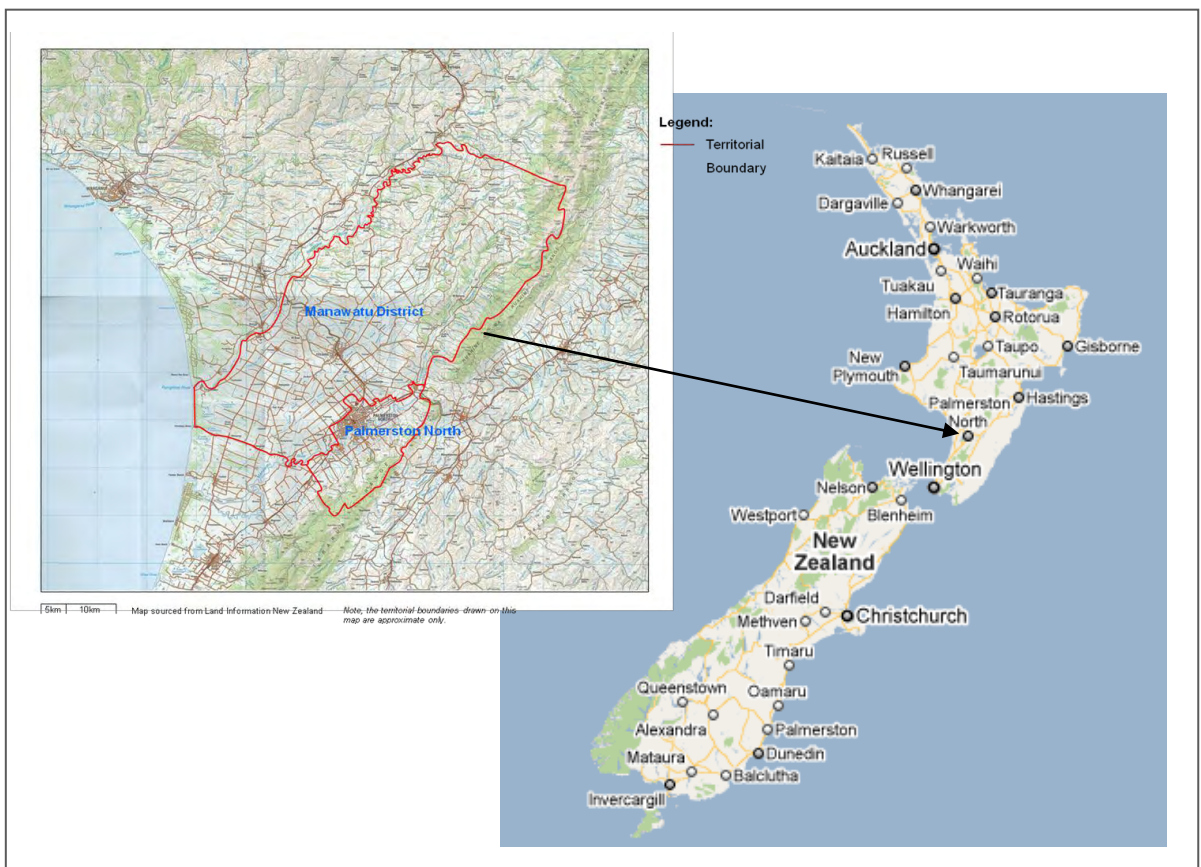
3. IMPORTANCE OF THE MANAWATU REGION AND WHY GOOD LOCAL GOVERNMENT MATTERS

3.1 Manawatu region

The Manawatu lies in the lower North Island with the main centre in the region, Palmerston North City, located about 140km north of Wellington. The Manawatu region could be said to include a wider area than that covered by just the Manawatu District Council and Palmerston North City Council and therefore throughout this study we refer to these two councils combined as a sub-region.

Together the councils cover an area of approximately 2,960km² stretching from Rangiwahia in the North to Himatangi Beach in the South and across to the Ruahine and Tararua Ranges in the East.

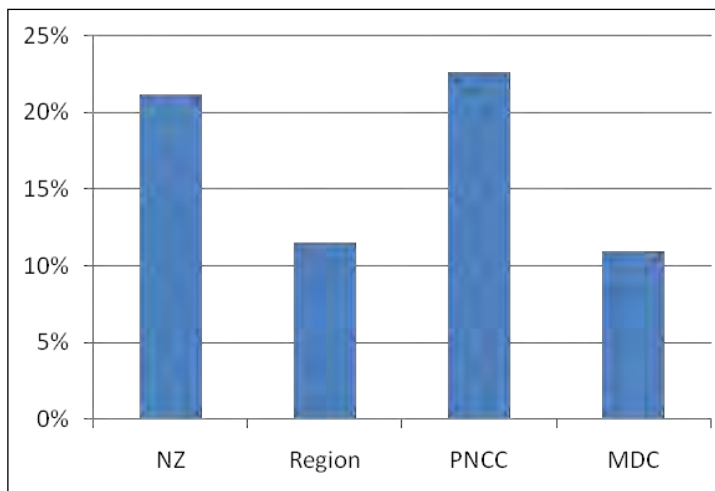
Figure 3-1 Manawatu region



3.2 Assets and resources at stake

Palmerston North City is the major growth centre for the entire Manawatu-Wanganui region. Between 2000 and 2009 the employment growth in Palmerston North City was above both the regional and national average. In contrast the employment growth in the Manawatu District was below average.

Figure 3-2 Increase in people employed 2000 to 2009



Important sectors of the Palmerston North City economy have been identified by BERL Economics as health, research/technology, manufacturing, distribution and defence. The rural economy of the sub-region is focussed on primary production and processing. Manawatu's central location provides the region with access to four seaports, seven airports, a major Air Force base and two large military bases. The area is considered to be a strategic cargo, transport and business hub for the lower North Island and the country². Accordingly the logistics sector is considered to be a key economic sector for the sub-region.

GDP projections for the Manawatu region suggest total GDP will increase from \$4,011 million in 2007 to \$6,852 million by 2026, an annual average growth rate of 2.9%³. In the same period the population of the area is projected to grow to 126,700.

Table 3-1 Population of the sub-region

	Population (2006)	Estimated (2009)	Projected (2031)
Palmerston North City Council	78,500	80,300	94,000
Manawatu District Council	29,000	29,500	32,700
Combined	107,500	109,800	126,700

3.3 Good local government

Local government in New Zealand has wide responsibilities for the social, economic, environmental and cultural wellbeing of its communities. The Local Government Commission has considered what is meant by 'good local government' on a number of occasions and has progressively grown the concept to now include the purpose, role

² MDC website

³ BERL Economics 'Historical Scenario' prediction

and principles of local government set out in the LGA 2002⁴. This builds on the four well-beings by introducing elements of democratic decision making (purpose), performing statutory duties (role) and transparency, accountability and participation in decision making (principles).

Any assessment of changes to local government must be carried out within the framework provided by the LGA 2002 which requires an assessment of whether the proposal for change promotes good local government. That is that it must enhance, advance or improve⁵ on the current arrangements. The Royal Commission on Auckland governance said that

Governance arrangements affect the capacity to plan and make strategic investments on an integrated, region wide basis, and the ability to solve the larger and longer term challenges effectively. Governance arrangements affect how much access people and communities have to the system and their ability to influence decisions about what services and initiatives they value. How local governance is structured affects the cost of services and whether good value for money is delivered, the resources made available for investment, and service provision⁶.

This statement applies equally to the Manawatu sub-region as it does to Auckland and also reflects the underlying issues which gave rise to this study. Both councils consider that the present local government arrangements are hampering the economic growth of the sub-region and that these should be resolved in a clear, certain and simple manner.

The creation of a single Auckland Council has lead to other areas also considering whether changes to local government arrangements should be made and although each report has taken a slightly different approach the underlying themes are the same. In addition to the LGC approach it is useful to make reference to the Royal Commission on Auckland Governance and other recent studies in order to consider what good local government is in relation to the Manawatu sub-region.

Royal Commission on Auckland Governance⁷

Guiding principles

- Common identity and purpose
- Effectiveness
- Transparency and accountability
- Responsiveness

Local government options for Northland⁸

Eight key areas which should form the basis of fit for purpose local government for Northland:

⁴ Hurunui District/Kaikoura District (2009)

⁵ Hurunui District/Kaikoura District (2009), Clutha District/Dunedin City (2008), the proposal to transfer most of the Hauraki Gulf Islands to Thames Coromandel District (2009)

⁶ Royal Commission on Auckland Governance, Volume 1, pg 3

⁷ Royal Commission on Auckland Governance, pg 312

⁸ Mckinlay Douglas Ltd, February 2010, pg vii

- Environmental management
- Infrastructure management
- Connectedness
- Economic Development
- Inter-authority relationships
- Central government/local government interface
- Maori engagement with local government
- Critical mass

Future Governance of the Waikato⁹

Provisional criteria to evaluate options

- Capacity to deliver both effective environmental management and local government services
- Ability to connect and engage with residents, Maori, business, and local communities of interest
- Ability to speak with a credible voice in Wellington and elsewhere
- Economies of scale and scope on all key domains of activity
- Organisational design and relationships resulting in low transaction costs
- Specific risks associated with an option

Not surprisingly the underlying themes behind the criteria and principles used in each of these reports are very similar as they are all based on the role, responsibility and purpose of local government set out in the LGA 2002. However each has a different approach that is specific to needs and demands on the particular region or sub-region. In the case of PNCC and MDC this is highlighted as the need to better provide for economic growth in a clear, certain and simple manner.

The PNCC/MDC sub-region is important to New Zealand. It contributes \$4 billion annually to New Zealand's GDP and the combined workforce of the two councils together is the 8th largest of all local authorities in New Zealand. The economic growth of this area matters and local government has an important role to play in facilitating the continued growth of the area through its capacity to plan and make strategic investments on an integrated, region wide basis, and the ability to solve the larger and longer term challenges effectively¹⁰.

3.4 The current situation

Recent cross boundary issues such as a proposed private plan change to expand the North East Industrial Area (R and R investments); a mixed use development adjacent to State Highway 3 on the MDC side of the boundary (MC²); an earlier attempt to move the city/district boundary (Cloverlea) and protracted debate around roading upgrades (Milson Line closure and the ring road concept) have highlighted the lack of a mechanism with which to resolve these growth related issues.

⁹ Scrimgeour, March 2010, pg 36

¹⁰ Royal Commission on Auckland Governance, Volume 1, pg 3

The two councils have different priorities and in some cases competing interests when it comes to addressing these issues.

The councils have sought to address this through the Joint Strategic Planning Committee and the development of the nine principles for cross boundary servicing. However, the Joint Strategic Planning Committee has lacked information and analysis upon which it could take a strategic, rather than ad hoc, approach to resolving these cross-boundary issues.

This report highlights the importance of collaboration between the councils and integration of planning, land use and transport over a wider area than just the Special Development Areas in order to achieve the desired growth of the sub-region.

4. OPTIONS

4.1 Cross boundary servicing

This option is largely the status quo with the existing territorial boundaries remaining as they are and Palmerston North City Council providing water and wastewater services to developments on both the Palmerston North City side of the boundary and the Manawatu District side.

However, in order to improve on the existing position issues other than just water and wastewater servicing would also need to be resolved such as integration of planning, land use and transport. The ability of this option to facilitate growth and provide good government depends on the ability of the councils to work together to achieve this and to provide certainty in their approach. There are a number of mechanisms and structures discussed in this report to achieve that however the risk is that in creating individual solutions the arrangements become complex.

Due to the distance and cost of providing services to developments on the Manawatu side of the boundary it is a more practical solution for Palmerston North City Council to service these developments. Under this option the provision of services (water and wastewater) any development on the Manawatu District side of the boundary would be provided by PNCC. In order to provide a level of certainty it is assumed that either an agreement would be put in place between the councils for servicing or the responsibility for providing the services would be transferred to PNCC replacing the current situation where in the absence of such agreement Palmerston North City Council is under no obligation to provide services to development in MDC land.

All other services would continue to be provided by MDC.

The use of a joint District Plan for the Special Development Areas or changing the Manawatu District Plan to replicate the Palmerston North City District Plan for these areas could provide certainty of planning and better co-ordination of land use with transportation than is the case now. This could be carried out possibly in conjunction with a transfer of responsibility for administering the Manawatu District plan in these areas under section 33 of the Resource Management Act 1991 to remove any issues that might arise through having two administrations administering the same plan.

4.2 Boundary change 1

The proposed change under this option would see small areas to the North West of Palmerston North City that are currently in Manawatu District be transferred into the City. The areas include Longburn, land around the Cloverlea area as well as an extension of the North East Industrial Zone. The total area transferred is estimated to be 1,884ha (see Figure 4-1 over the page).

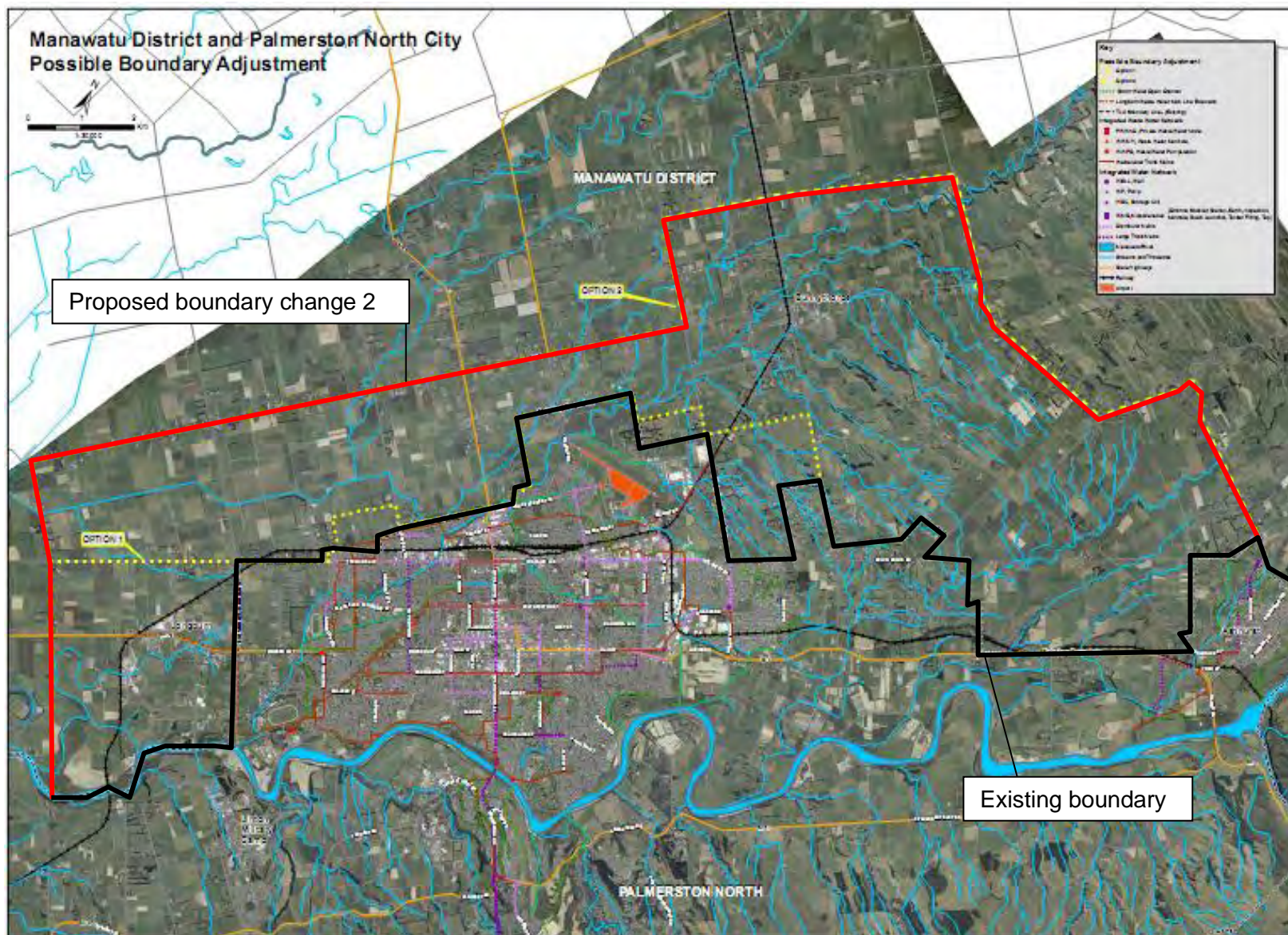
The change would affect approximately 266 households (312 properties) containing an estimated 830 residents. This represents approximately 2.8% of the population of the District.

4.3 Boundary change 2

The proposed change under this option would transfer a larger area of land to the North and West of Palmerston North City that is currently in Manawatu District into the City. The area to be transferred includes Longburn, Cloverlea, Bunnythorpe and land to the North West of Ashhurst. The proposed boundary would include a much larger rural area within the Palmerston North City Council boundary than is the case now. The total area transferred is estimated to be 9,776 ha (see figure 4-2 over the page).

The change would affect approximately 990 households (1,156 properties) containing and estimated 2900 residents. This represents approximately 9.8% of the population of the District.

Figure 4-2 Proposed boundary change 2



4.4 Amalgamation

The proposed change under this option would see the two existing councils merged into a single territorial authority covering an area stretching from Himatangi Beach in the South to Rangiwahia in the North and Palmerston North City in the East.

The proposed new council would cover an area of approximately 2,960km² enclosing a population of approximately 109,800¹¹.

Figure 4-3 Amalgamation



¹¹ Estimated 2009 population

5. KEY CONSIDERATIONS

The key considerations which are taken into account in this study are discussed below and in the final section of this chapter we highlight some of the matters outside the scope of this study which might impact on the councils' final decision on which option to carry forward.

5.1 Growth factors

5.1.1 Economic opportunities and potential growth of the sub-region

The purpose of this study is to consider which of the four different options of local government arrangements best facilitates and supports the economic growth of the sub-region. Councils support the economic growth of their areas through a variety of ways, both directly and indirectly.

A key sector for the sub-region is the transport and logistics sector and this provides a good example of the councils' role as the coordination of land use and infrastructure will be required to facilitate the continued growth. Additional suitable land will need to be made available and strategic integration with the roading network is required (this is likely to require the coordination of not only the two councils but NZTA as well). By making the sub-region a desirable place to live the councils also have a role in ensuring that there is an available workforce to support the growth.

The extent to which each of the four options is able to facilitate this growth is the key factor against which the options are assessed initially individually and then in Chapter 7 comparatively.

5.1.2 Certainty for development and of planning

Developers, the community and the council all want certainty in the resource management framework. The existing situation which has two different planning systems administered by two authorities on either side of the edge of the city does not promote that certainty. The councils recognised the need to manage those risks and established the Joint Strategic Planning Committee in 2004 to address strategic planning issues that impact on both districts.

The nine guiding principles of cross boundary servicing developed by the councils further recognised these risks and sought to address some of those issues with the following principles

1. *That "Special Development Areas" be identified in Manawatu District, adjoining Palmerston North City, that may be designated for industrial or residential development*
2. *The cost of development in the Special Development Areas should, as far as is practicable, be equalised with the cost of development in adjacent areas of Palmerston North City".*

The objective of this study to advance this further and provide a better mechanism for the coordination of environmental planning that delivers certainty for developers, the community and the councils.

A key consideration is the extent to which each of the four options provides this certainty.

5.1.3 Simplicity

A key concern for the councils is to ensure that any arrangements that are designed to facilitate growth remain simple and workable in the long term. The councils have a good working relationship that has been strengthened by their involvement in this study and this will need to continue into the future to implement any of the options successfully.

The provision of services, particularly water and wastewater to developments on the Manawatu District Council side of the existing boundary is a key issue. These areas are not currently serviced and ensuring that the services are provided is a pre-requisite to any development taking place on the city fringe. The four options essentially present two different ways of achieving the same result – establishing robust arrangements to ensure that services are provided and will continue to be provided to developments on the city fringe.

Simple, clear arrangements are preferred over complex arrangements as these are likely to be time consuming to administer and lead to confusion and difficulties for both the councils and the community in the long term.

The options each present different challenges. For example cross boundary servicing has the potential for complexity to arise through the framework that needs to be put in place to ensure certainty and longevity to the arrangement. The inability to provide simple solutions to the issues that cross boundary servicing raises is a significant obstacle for cross boundary servicing to overcome.

5.2 Good local government factors

LGA 2002 requires that a proposal for a boundary change, cross boundary servicing by transfer of responsibility or amalgamation “*promote good local government*”. In considering the proposals for a boundary change, cross boundary servicing by transfer of responsibility and amalgamation we have therefore used the status quo (cross boundary planning and servicing in an ad hoc manner) as the basis against which any improvement must be measured.

5.2.1 Financial

It is relevant to consider the financial implications of the four options on each council individually and the sub-region as a whole. The financial impacts of the four options on the councils flow on to the ratepayers and in some cases impact the councils’ ability to facilitate and support economic growth through investment in infrastructure. The financial impacts of the options are therefore considered to be relevant to the decision.

5.2.2 Communities of interest

The LGA 2002 sets out how proposals to alter boundaries between local authorities and proposals to constitute, abolish and unite districts or regions must be dealt with. One requirement is that any proposal must “contain within its district or region a sufficiently distinct community of interest or sufficiently distinct communities of interests.”¹²

There is however no definition of what a community of interest is and as the Local Government Commission says it can mean different things to different people. The Local Government Commission guidelines on representation reviews states that

The community of interest can often be identified by access to the goods and services needed for ordinary day-to-day living. Boundaries based on prominent physical characteristics of an area (e.g. rivers, principal roads, hill ridge lines) are likely to provide strong visual reminders for the residents of the community of interest and may assist in engendering feelings of belonging and empowerment. Another community of interest factor could be the rohe or takiwā area of tangata whenua.

Communities of interest have been considered in this report as we cannot sensibly recommend a change to a boundary or amalgamation without considering the affect of such changes on the relevant communities of interest.

5.2.3 Representation

The Local Government Commission Guidelines¹³ state the basis for election of representatives (by ward et al) should be that which best provides for effective representation of communities of interest. No proposal for a boundary change or an amalgamation could therefore be put forward that does not effectively represent the communities of interest that have been identified.

Representation issues have therefore been considered as part of the wider context of good local government.

5.2.4 Process and implementation

The process by which the four options would be implemented becomes relevant to the decision on which provides for good local government in two ways.

The first is that each of the options have pros and cons associated with them; these arise in the arrangements themselves and also in the ease or difficulty with which the options can be implemented. For example, (hypothetically) if the residents and elected members of both councils had made it clear that under no circumstances would amalgamation ever be considered then this might affect the council’s view of whether amalgamation was the best option.

¹² Clause 3(1)(b)(iii) of the Local Government Act 2010

¹³ Guidelines to Assist Local Authorities in Undertaking Representation Reviews, Local Government Commission, November 2008

The change to local government in Auckland and the manner in which it has happened has provided a catalyst for other areas to look at their local government. The ability of the councils to retain some control over the process of any change and not have important decisions about the sub-region imposed on them is the second way in which process is relevant to the decision.

However we recognise that there should be a limit to the extent that process and implementation issues affect the decision on which option provides the best outcome for the sub-region in the longer term.

5.2.5 What has not been considered

This report concentrates on the facilitation and support for economic growth of the sub-region. It evaluates different local government arrangements to determine which best provides for that facilitation and support of economic growth in a context of good local government. In reaching a decision as to whether cross boundary servicing, boundary change or amalgamation is the best option this report necessarily arrives at a conclusion which in order to take forward requires much wider consideration than just the economic growth of the sub-region.

Having considered this report and the conclusions it reaches there are a number of factors that the councils will need to take into account when looking at the overall picture, factors that this report does not take into account because its scope is to look at economic growth. These would need to cover the full range of social, cultural, economic and environmental responsibilities of a council.

6. DISCUSSION PAPERS

6.1 Regional economic impacts

6.1.1 Purpose

The purpose of this paper is to estimate the economic impacts of four options being considered for the future local government structure of the area covered by Manawatu District Council and Palmerston City Council. The four options are:

- Cross boundary servicing
- Boundary adjustment (two options)
- Amalgamation

6.1.2 Approach

Methodology

It was not feasible to model the economic impacts of the four local government options in their entirety, across all sectors of the Palmerston North and Manawatu District economies. This reflects a lack of data, as well as the variable extent to which local government's activities and policies impact upon economic performance in these sectors.

Instead, it was decided to pick a significant sector of the regional economy where there is a close link between local government-led planning and investment in infrastructure, and economic performance, and assess the impact of the options on that sector's growth potential. This would give a useful indication of the overall impact.

The selected sector was the logistics and distribution sector. The choice of this sector was determined by (a) its economic significance to the sub-region, (b) its growth potential and (c) the ability to make credible assumptions about how the different options will affect its growth potential, given that it is a sector that falls across the relevant administrative boundaries. This is outlined in more detail in the next section.

In making this choice, it is acknowledged that there are other sectors of the sub regional economy (like primary production and processing) where there are equally important links between infrastructure provision and economic performance and where the local government options could have differential impacts on the ability to fund required infrastructure. The focus on the distribution and logistics sector does not mean that these other sectors of the economy should be downplayed or receive less attention. If anything, the inability to resolve issues around how to reconcile the costs and benefits of the expansion of the logistics and distribution sector in an equitable way has the potential to slow economic growth elsewhere by diverting resources and time that should be applied to the wider economic development of the sub region.

The logistics and distribution sector is defined as follows:

ANZSIC Division F – Wholesale Trade

ANZSIC Division I – Transport, Postal and Warehousing

ANZSIC 43100 – Non-Store Retailing and Retail Commission-Based Buying and/or Selling

The project developed “best case” and “worst case” growth scenarios for the logistics and distribution sector, based on reasonable assumptions about the upper and lower limits to growth in the sector.

The next step was to model the economic impacts of the two growth scenarios. Palmerston North City Council has a regional economic model, developed by NZIER in 2004. The model was peer reviewed in 2009 by Geoff Butcher, an independent economist, who found that while there are some quality issues with the data, and adjustments were required to the Type II multipliers in the model, the model is usable. The model was also supported by territorial local authority GDP estimates and GDP growth projections prepared by BERL Economics for Vision Manawatu in March 2009. This model is considered to be robust enough to give indicative results in terms of key parameters (regional GDP, employment etc).

The local government options were then assessed against best and worst cases in terms of their risks and costs.

Rationale for selection of logistics and distribution sector

i Economic significance to the region

The logistics and distribution sector comprises wholesale trade, transport, postal, warehousing and non-store retailing activities. Distribution centres and transport operators are essential elements of the supply network between farmers, manufacturers and importers and the final customer. A large retailer such as a supermarket may stock thousands of different products from more than a thousand different producers and it is not feasible for each supplier to ship product to each individual supermarket in New Zealand. To manage the flow of goods from the producer to the customer some producers operate their own distribution networks to manage the supply of products to individual customers. Some retailers own and run their own distribution centres to consolidate shipments of product from thousands of suppliers while other distribution operations are run independently of either the producer or the supplier.

The logistics and distribution sector is a significant employer in the Manawatu region (the Manawatu region comprises Manawatu District and Palmerston North City), accounting for 5,830 jobs (11% of total employment in the region in 2009) and a similar proportion of total employee earnings (the employee earnings total of \$228 million in the year to June 2008 includes an estimate for earnings in non-store retailing).

The sector accounted for nearly one fifth of the region’s growth in employment over the nine year period between 2000 and 2009 and has experienced much faster growth in

the region compared with national data. During the period 2000 to 2009, Manawatu region employment in the logistics and distribution sector increased by 45% while national employment growth in that sector was just 8%. Overall employment growth in the region over that period grew by 21%. See Table 6-1 for details.

The growth of large distribution centres in the region has been obvious as a result of the construction of large distribution facilities, particularly in Kelvin Grove and the North-East industrial area of Palmerston North City but there has also been strong growth in smaller distribution centre and wholesale employment in Manawatu District over the last nine years.

The potential for strong future employment growth for the sector is set out in long-term employment projections prepared by BERL Economics in March 2009 for Vision Manawatu. The employment growth projected by BERL is very similar to employment projections prepared by Palmerston North City Council in 2008. The BERL *Historical Growth* scenario for employment projections for the Manawatu region suggest total full-time equivalent employment will increase from 50,362 in 2007 to 62,506 by 2026, an annual average growth rate of 1.1%. Based on current growth rates, the logistics sector could increase from 5,399 FTE in 2007 to 8,383 by 2026, an annual average growth rate of 2.3%. This is projected to account for 25% of total employment growth in the region between 2007 through to 2026 even though the sector currently has only an 11% share of total employment. The long term success of the sector is therefore very significant to the economic success of the region.

ii *Growth potential*

Part of the success of the Manawatu region as a logistics hub is the central location of the region relative to other regions in the lower half of the North Island. Businesses are located close to the city airport which is rarely closed and is efficient, trucks can get in and out of the region in any direction relatively quickly at any time of the day via the State Highway and local arterial network and there is good railway access with access to the North Island Main Trunk and the Palmerston North to Gisborne lines. Improved transport links to Wellington should accelerate this trend.

The recent Phase 1 Palmerston North-Manawatu Strategic Transport Study (which refers to a NZTA report on freight) confirmed the importance of these regional linkages, as follows:

A Central Region Freight Analysis report of November 2009 sets out the key relationships between the Manawatu-Wanganui region and other regions within New Zealand. Freight into the Manawatu-Wanganui region originates primarily from (in order of significance): Wellington, Bay of Plenty, Hawke's Bay and Auckland. Most of the freight from the region is destined for Wellington or Taranaki.

These patterns of freight movements reflect:

- *the central location of the region for the distribution of imports*
- *the proximity of the region to Wellington*
- *the flow of imports through the North Island*

The Transport Study is investigating ways to improve the network's efficiency for the next 30 years.

Other key location factors for logistics are land and labour. The presence of a large student population assists with the supply of a flexible workforce in the region, while flat, easy to develop land close to that labour supply assists with enabling the large building floorplates required for distribution warehouses.

There is significant potential for further growth of large scale distribution centres in the Manawatu region due to sufficient labour, the existing transport network and the availability of large blocks of land required for a major distribution centre. The new Foodstuffs dry goods distribution centre in Roberts Line, for example, occupies a site covering 9 ha in the North-East Industrial zone of Palmerston North; it employs 250 people and handles in the order of 350 B-train movements during a 24 hour period, seven days a week.

There are significant economic benefits to the region from encouraging the development of distribution centre activity close to the arterial road, railway lines and the airport.

The development of distribution and warehousing facilities allows manufacturers to increase their efficiency through larger production runs of a single item. They are able to supply products quickly in response to demand by storing surplus product while other items are being produced. Warehousing and improved storage technology has also been important for the steady supply of seasonal products to customers throughout the year. Increased automation of product handling in distribution centres is leading to the development of larger facilities where automated equipment is increasingly used to select products which have been previously brought into the distribution centre and to pack shipments for distribution to the final customer. As a result, the region is experiencing faster employment growth in transportation of goods than in distribution centres. Between 2000 and 2009 road transport employment in the Manawatu region is estimated to have more than doubled (increasing by 106%) while wholesale trade employment increased by 33%.

iii *Ability to make credible assumptions about upper and lower limits to growth potential*

Previous work on economic projections form the basis of our assumptions about what a high growth path for the sector would look like in terms of regional GDP and employment. In the absence of constraints, given what we understand about the way the logistics and distribution sector is developing, our assumptions are as robust as possible. We have erred on the conservative side and haven't factored in possible improvements through concerted industry development efforts for modelling purposes (although we do include this in the risk analysis).

In terms of the worst case scenario, potential constraints on future growth relate particularly to land supply and transport infrastructure.

Transport infrastructure

We have a good understanding of the impact of the rapid expansion of distribution centres in terms of additional pressure on the road network in the region, primarily because of the increased heavy freight volumes and increased maintenance requirements for Road Controlling Authorities in upgrading their roads to maintain safety levels and to manage traffic flows. Development contributions are used to fund investment in Council infrastructure (water supply, stormwater and waste services and roading infrastructure) but there are significant constraints to using development contributions to fund the roading investment required in the wider region.

To date the majority of distribution centres have been based in Palmerston North but the increased freight volumes created by the new and expanded distribution centres are placing increasing pressure on major roads in Manawatu District. This will no doubt be compounded by the introduction of the Vehicle Mass and Dimensions Amendment 2010 (effective from 1st May 2010) which will allow larger and longer heavy goods vehicles onto New Zealand's roads. The District does not receive any offsetting funding from the development contributions paid to Palmerston North City Council nor any share of the additional rates revenue gained in the City from the establishment of new distribution centres and their ongoing operation to fund the additional maintenance or capital expenditure required. This is essentially a flaw in the national road funding model which incorporates national road user charges, petrol taxes and property tax to fund road construction and maintenance.

Roading projects which have been identified as a result of growth in the North-East industrial zone and Kelvin Grove distribution centres include upgrades to Roberts Line, Kairanga-Bunnythorpe Road, Stoney Creek Road, Bunnythorpe bypass (with an estimated cost of \$13.8 - \$17.1 million) and Feilding bypass. Boundary changes 1 and 2 encompass some of these proposed roading improvements but only partially address the broader roading network impacts across Manawatu District. As mentioned before, the current advantage to logistics operations within the region is the ease of business for logistics operations in Palmerston North and Manawatu District – trucks can get in and out of the region in any direction relatively quickly at any time of the day. Increased constraints to the movement of trucks in the region (for example, if weight restrictions become necessary on posted or narrow bridges) could result in increased expansion of distribution centres instead in other locations, such as Levin. Choice of available routes and route security is also an issue that must be considered. For example, if the SH3 through the Manawatu Gorge is closed, this will affect logistics operations to/from the Hawke's Bay.

Land supply

The North-East Industrial zone is an ideal location for a distribution hub. However the large footprint for each distribution centre site means that the capacity of the current North-East Industrial zone may be exceeded before the zone has been fully utilised. It is likely that further expansion beyond the zone (and local authority boundary) will be required to meet anticipated demand.

While there is about 70ha in the North East industrial zone vacant, of the 20ha or so ha that is already developed, at least 50% is not for logistics related activities. To achieve the employment growth in the logistics area proposed in the BERL projections for

PNCC alone (roughly 2,300 more jobs between 2007 and 2026), then that must equal at least 65 to 70 ha of land just for the various logistics activities, or a gross area of 140ha if other activities are taken into account. If land is not added, then the current zone may only be able to accommodate another 600 logistic type jobs (this is based on the point that land prices are likely to shoot upwards if land supply falls below about 5 years – the minimum time taken to rezone land from rural to urban).

Essentially unless land supply runs well ahead of demand, then land prices will escalate and the logistics sector may get priced out of the area. We note that the need for further land has been recognised by the two councils. A proposal for a further 105 ha to be added to the existing zone (44 ha with the Palmerston North city boundary and 60 ha in Manawatu district) is subject to a joint study by Palmerston North City Council and Manawatu District Council.

6.1.3 Analysis

Best case scenario

The best case scenario is based on GDP estimates for 2007 and long-term employment and GDP projections (2007 to 2026) prepared by BERL Economics in March 2009 for Vision Manawatu. The GDP estimates show that the contribution to GDP by the logistics sector in 2007 was \$458 million in Palmerston North (14% of city GDP) and \$75 million in Manawatu District (11% of district GDP), giving a total GDP of \$533 million for the Manawatu Region (13% of region GDP).

The BERL *Historical Scenario*¹⁴ for GDP projections for the Manawatu region suggest total GDP will increase from \$4,011 million in 2007 to \$6,852 million by 2026, an annual average growth rate of 2.9%. The logistics sector is projected to increase from \$533 million in 2007 to \$1,234 million by 2026, an annual average growth rate of 4.5%. This is projected to account for 25% of total estimated GDP growth in the region between 2007 through to 2026.

Palmerston North logistics sector GDP is projected to increase from \$458 million in 2007 to \$1,083 million by 2026, an annual average increase of 4.6% while Manawatu District logistics sector GDP is projected to increase from \$75 million in 2007 to \$151 million in 2026, an annual average increase of 3.8%.

As mentioned above, note that it may be possible to improve on the “best case scenario” through concerted industry development efforts. It wasn’t feasible to capture this factor in the scenario for modelling purposes but it is incorporated in the section 3.3 analysis.

Worst case scenario

Estimating the loss of potential distribution centre investment in the Manawatu region as a result of transport and land use constraints in a worst case scenario is difficult. However, the economic model is able to assess the flow-on economic impact from the

¹⁴ The “Historical Scenario” assumes that industry in the regions grows relative to how it has performed over the last ten years (1997 to 2007)

loss of economic activity so it is possible to estimate the total economic impact for each \$1 million reduction in logistics sector activity if the best case scenario for the sector is not achieved.

Using the BERL Economics Manawatu Region Economic Profile for 2007 it is estimated that one distribution centre of the scale of the new Foodstuffs Roberts Line Distribution Centre contributes \$26.6 million to the economy in increased economic value added or GDP. However, the economic impact of the distribution centre is much greater than the initial economic impact of the additional salaries and wages and increased business activity which occurs in the distribution centre. The New Zealand Institute of Economic Research Working Model of the Palmerston North City Economy estimates these additional economic impacts in the local economy using Type I and Type II multipliers.

Type I multipliers are a measure of the “direct” and “indirect” effects of a one-off change to a particular industry (for example, an increase in GDP as a result of a new distribution centre being established in the city). The “direct” effect is the initial effect on that particular industry due to the change (for example, the new distribution centre will result in increased demand for labour in the local economy). The “indirect” effect results from the need for all other industries to produce more inputs for that industry. For example, the new distribution centre will result in increased demand for transport services, resulting in a local transport operator or operators employing more staff and increased profitability, or increased supplies of fuel and maintenance services for the materials handling machinery operating in the distribution centre). The NZIER model suggests the creation of a distribution centre of the scale of the new Foodstuffs facility would add a further \$25.8 million to economic activity in the region¹⁵. This high level of additional economic activity generated as a result of distribution centre expansion is not surprising, since employment data for the logistics sector has shown very strong growth in road transport employment in response to recent growth in distribution centre activity.

In addition to “direct” and “indirect” effects, Type II multipliers include a third effect, called the “induced-income” effect. The “induced-income” effect is the result of increased household and business income that is spent on consuming additional goods and services (generated, for example, because the distribution centre and local transport operators have employed more staff and the profitability of transport businesses has increased – business owners are also consumers). Using the more conservative Type II multiplier recommended by Geoff Butcher, the creation of a distribution centre of the scale of the new Foodstuffs facility would result in a further GDP increase of \$7.4 million.

In summary the total annual economic impact from a distribution centre of the scale of the new Foodstuffs Roberts Line Distribution Centre is estimated to be \$60 million increased GDP and a total employment impact of 680 jobs. The model also suggests that the economic activity created by the 250 full-time equivalent jobs in the new distribution centre would lead to the creation of a further 398 jobs in other parts of the

¹⁵ Note that while the NZIER model only includes the city economy, it produces a reasonable proxy for the regional impact as 89% of the Manawatu region’s total projected growth in the logistics sector in the best case scenario occurs within the city.

economy (especially transport) and a further 33 jobs as a result of the Type II second round multiplier impacts, producing a total employment increase of 680 jobs.

A representative worst case scenario was developed, based on potential constraints to growth through sub-optimal infrastructure and land use decisions. In this scenario, increased congestion from the door of the warehouse onto the State Highway network, and rising land costs significantly limit expansion of the sector. Land prices rise because the land bank is not significantly expanded ahead of demand; while local congestion, restrictions on available routes for heavy goods vehicles, limits on hours of operation and/or increased safety concerns detract from the overall advantage of the location. Labour supply growth also becomes an issue as the region fails to perform.

Under the worst case scenario we posit that without good planning, the logistics sector will grow more in-line with the local economy as a whole (in other words it doesn't pick up any more market share in a sub national sense, it just grows to serve the local economy). That is roughly the equivalent of two big distribution centres going somewhere else.

The worst case scenario (equal to two less distribution centres of the scale of Foodstuffs) would reduce regional GDP by \$120 million and employment by approximately 1,360 jobs.

Risk analysis

Options	Risk analysis
Cross-boundary servicing	<p>In accordance with previous analysis, it is assumed that cross-boundary servicing may facilitate better cooperation/alignment in land use and transport decision-making than the status quo but at higher transactions costs. It is intended to establish a joint planning framework (for land use, transport, other infrastructure and industry development) and if the cross boundary servicing option proceeds, there will be mechanisms put in place to support this. Such mechanisms will be necessary for this option to work. However, it is not possible to guarantee that functional relationships will hold in the long term. This is particularly important given the 5 to 10 year timeframes needed to develop, put in place then implement the required frameworks.</p> <p>While additional land supply could be secured by appropriate zoning within the current MDC area, there remains a large question mark over related transport funding. The ability to match who pays with where the costs fall is constrained by a regime that prevents a council from claiming development contributions from development across the boundary which generates higher demands on its roading network.</p> <p>Therefore, there remains a moderate to high risk that this option would constrain growth of the logistics and distribution sector in the region by failing to adequately invest in maintaining attractiveness to the sector relative to other regions, particularly in terms of the transport network.</p>

Options	Risk analysis
	<p>In addition, the ability to exceed the “best case scenario” may be inhibited. There has been a clear move by central government over recent years to engage at a more strategic level regionally on issues such as transport and economic development. Where the “regions” are based on regional council (i.e. catchment) boundaries, they do not always correspond to the most sensible boundaries for network infrastructure or economic impact. There is increasing recognition that the economic boundaries for Palmerston North cross the regional council boundaries. For example, Masterton District which is part of the Wellington Regional Council area, has strong linkages to Palmerston North (1 hours drive away) which are arguably more important than its linkages to Wellington. Similarly, there are strong and increasing linkages with Kapiti Coast, with Kapiti people working in Palmerston North and accessing flights from Palmerston North (because of the challenges in getting from the Kapiti Coast to Wellington airport).</p> <p>Under the cross-boundary servicing option, there is a risk that maintaining cross-boundary arrangements between Palmerston and Manawatu may pull the focus inwards onto the Manawatu “region” of Palmerston North and Manawatu District and detract from higher level of cross-boundary activity (which in itself would need to be subject to agreements between the two councils).</p> <p>Furthermore, as individually administered areas, and assuming that the relatively high employment base (see Table 6-2) has not been adequately recognised, there has been little ability to assert the full economic significance of the Manawatu region (which is more akin to Dunedin and Tauranga cities). This may not change under the cross-boundary servicing option.</p> <p>One possible implication of this is that central government support for industry development will be lower than it otherwise would be, reducing the likelihood of aligning private and public sector investment in the future growth of this sector.</p> <p>In terms of the analysis, the significance of these issues depends on whether and to what extent scale influences central government decision-making and what opportunities might be at stake and the scale of these. It is difficult to give a definitive answer on this but is flagged here as a risk to consider.</p>
<p>Boundary options 1 and 2</p>	<p>The two boundary adjustment options give wider decision-making authority to Palmerston North City Council. The larger boundary change option gives a better alignment of the responsibility for investing in strategic improvement of roads in growth areas with the ability to fund that investment (for example, investment in the rural ring road or improvements at Bunnythorpe) whereas the smaller option would be very similar in effect to the cross-boundary servicing option.</p> <p>On the other hand, either change would exacerbate the remaining challenge for Manawatu District. The smaller boundary change</p>

Options	Risk analysis
	<p>may still see Manawatu District having to fund major road upgrades within its area to support the logistics hub, to the detriment of other areas within its jurisdiction (given its limited financial means). For the larger boundary change, the loss of rural residential ratepayers close to the Palmerston North boundary would make it more difficult for the Council to service the needs of its residents and respond to any increased pressure on District roads from other economic sectors (such as primary production and processing). Either option therefore presents the risk of a negative knock-on effect in terms of the total attractiveness of the wider region, should MDC not be able to invest in improved services and facilities.</p> <p>Palmerston North will experience an increase in development contributions and rates revenue from the expected increase in distribution centres and transport operations based in the city while the increase in revenue in Manawatu District will be much smaller. The 1991 to 2009 Statistics New Zealand population estimates series shows the five area units close to the western boundary of Palmerston North (Longburn, Kairanga, Stoney Creek, Tokorangi-Hiwinui, Kauwhata) accounting for more than the total population growth of the district (i.e. population growth in these areas was offset by population decline elsewhere in the District).</p> <p>The boundary change options, from the perspective of decision-making and total investment needed to ensure the best case scenario prevails, reduce some of the risks of the cross-boundary change options and increase others. Of the two, the smaller boundary change option is the higher risk, purely because the larger change option puts the critical mass of relevant transport investments in the hands of one, relatively well resourced, authority.</p>
<p>Amalgamation</p>	<p>The amalgamation option internalises the costs and benefits of land use and transport decisions across the two areas and enables a wider set of options to match funding with costs. Both the costs of decision-making and the risks of sub-optimal decision-making are lowest with this option.</p> <p>In our view, the amalgamation option will also give critical mass for influencing NZTA's funding decisions. While the joint strategic roading study will be a significant step forward it won't in itself resolve the tensions in selecting, funding and implementing the best priorities. Amalgamation would reduce the costs and risks in two ways:</p> <ul style="list-style-type: none"> ▪ by enabling the development of an integrated growth strategy for the combined area that in our opinion is likely to carry more weight ▪ by the creation of an enhanced population base across a single authority area – note also the <i>employment base</i>, which as previously mentioned is already arguably under-rated (see Table 6-2)

Options	Risk analysis
	<p>Similarly, we believe the combined area is likely to carry more weight in the wider economic development region (however defined). In terms of the Horizons region, it seems likely that one larger council would have more ability to influence strategy development than the two individual councils¹⁶. We also expect a combined Council, representing an area of greater economic significance in its own right, would be more influential when it comes to engaging with central government on industry development.</p> <p>That influence is likely to be enhanced by engaging across different borders to get the best economic outcomes through collaboration. A single entity may find it easier to focus on those external relationships.</p> <p>Overall this option is the most likely to see the best case scenario come to pass and has the best chance of exceeding it.</p>

6.1.4 CONCLUSIONS

The best case scenario suggests the logistics sector in the Manawatu region has the potential to contribute 25% of the region's GDP growth over the period from 2007 to 2026. Logistics sector employment is projected to increase by nearly 3,000 jobs on a FTE basis (a 55% increase) while annual logistics sector GDP is projected to increase by \$701 million (132% increase). The total estimated annual increase in Manawatu region GDP as a result of this increase in logistics sector activity is estimated to be \$990 million.

The total estimated annual economic impact to the city from the loss of two distribution centres of the scale of the new Foodstuffs Roberts Line Distribution Centre is estimated to be a \$120 million loss in potential annual GDP and a total employment impact of 1,360 jobs.

There are significant potential economic impacts from major distribution centres choosing not to base themselves in the Manawatu region. This is a realistic prospect due to difficulties coming to agreement with Councils on cross boundary servicing or an inability by both Councils to fully address the road network improvements required to support growth in the logistics sector, resulting in increased congestion, restrictions on available routes for heavy goods vehicles, limits on hours of operation and/or increased safety concerns.

¹⁶ Palmerston North City currently has a 34.9% share of the Horizons region population while Manawatu District has a 12.8% share, giving a combined share of 47.7%. Statistics NZ population projections suggest the combined city and district population will be more than 50% of the Horizons region by 2021 (the Palmerston North city share will be 39.1%). By 2031 the Palmerston North plus Manawatu District share is projected to have risen to 53.5% - all of the other local authorities in the Horizons region are projected to decline while only Manawatu District and Palmerston North City are projected to grow.

Table 6-1 Employment in the Logistics and Distribution Sector

Detailed industry by region
(ANZSIC 06)

ANZSIC06	Business/ Employ Year	Employee Count										2000 - 2009 change	
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	%	#
	Area												
F Wholesale Trade	NZ	90,990	93,390	95,390	97,370	100,660	102,860	104,050	104,770	108,380	105,270	15.7%	14,280
	MD	240	350	340	400	410	410	420	480	540	520	116.7%	280
	PNC	2,060	1,980	2,090	2,090	2,160	2,220	2,390	2,490	2,620	2,730	32.5%	670
	<i>Manawatu Region</i>	<i>2,300</i>	<i>2,330</i>	<i>2,430</i>	<i>2,490</i>	<i>2,570</i>	<i>2,630</i>	<i>2,810</i>	<i>2,970</i>	<i>3,160</i>	<i>3,250</i>	<i>41.3%</i>	<i>950</i>
I Transport, Postal and Warehousing	NZ	83,480	79,450	79,780	81,260	82,420	84,740	86,200	83,260	87,140	84,180	0.8%	700
	MD	280	240	210	240	300	310	280	300	300	290	3.6%	10
	PNC	1,250	1,310	1,530	1,650	1,670	1,510	1,590	1,640	1,740	1,790	43.2%	540
	<i>Manawatu Region</i>	<i>1,530</i>	<i>1,550</i>	<i>1,740</i>	<i>1,890</i>	<i>1,970</i>	<i>1,820</i>	<i>1,870</i>	<i>1,940</i>	<i>2,040</i>	<i>2,080</i>	<i>35.9%</i>	<i>550</i>
G43 Non-Store Retailing and Retail Commission Based Buying and/or Selling	NZ	2,240	1,900	1,910	1,620	1,510	1,640	1,510	1,740	1,610	1,650	-26.3%	-590
	MD	3	3	6	6	3	3	3	0	0	0	-100.0%	-3
	PNC	175	275	330	335	345	330	310	530	440	500	185.7%	325
	<i>Manawatu Region</i>	<i>178</i>	<i>278</i>	<i>336</i>	<i>341</i>	<i>348</i>	<i>333</i>	<i>313</i>	<i>530</i>	<i>440</i>	<i>500</i>	<i>180.9%</i>	<i>322</i>
Total Logistics Sector	NZ	176,710	174,740	177,080	180,250	184,590	189,240	191,760	189,770	197,130	191,100	8.1%	14,390
	MD	523	593	556	646	713	723	703	780	840	810	54.9%	287
	PNC	3,485	3,565	3,950	4,075	4,175	4,060	4,290	4,660	4,800	5,020	44.0%	1,535
	<i>Manawatu Region</i>	<i>4,008</i>	<i>4,158</i>	<i>4,506</i>	<i>4,721</i>	<i>4,888</i>	<i>4,783</i>	<i>4,993</i>	<i>5,440</i>	<i>5,640</i>	<i>5,830</i>	<i>45.5%</i>	<i>1,822</i>

Table 6-2 Local Authority Population and Employment Comparison

Local Authority Data for 2009

Ranked for employment (employee count)	Population Estimate	Employment Estimate	Employment share of popn	TLA area (km²)	2031 Popn Projection (medium)	2009 - 2031 projected popn change
	(at 30 June)	(at February)				
Auckland city	444,100	307,300	69%	669	584,500	140,400
Christchurch city	372,600	188,980	51%	1,610	424,000	51,400
Wellington city	195,500	137,970	71%	290	238,700	43,200
Manukau city	368,600	127,630	35%	683	532,100	163,500
North Shore city	225,800	86,350	38%	130	291,000	65,200
Hamilton city	140,700	75,520	54%	99	181,700	41,000
Dunedin city	123,700	55,710	45%	3,342	129,700	6,000
Manawatu Region (PN + MD)	109,800	55,200	50%	2,960	126,700	16,900
Tauranga city	112,600	48,810	43%	168	155,300	42,700
Waitakere city	204,500	46,750	23%	367	272,800	68,300
Palmerston North city	80,300	46,550	58%	336	94,000	13,700
Lower Hutt city	102,100	44,910	44%	337	105,100	3,000
Hastings district	74,300	41,130	55%	5,217	80,500	6,200
New Plymouth district	72,300	34,720	48%	2,206	76,000	3,700
Whangarei district	79,000	30,330	38%	2,855	92,800	13,800
Rotorua district	68,200	29,320	43%	2,615	69,800	1,600
Manawatu district	29,500	8,650	29%	2,624	32,700	
Total New Zealand	4,315,800	1,919,290	44%			
Manawatu-Wanganui region	230,200	98,200	43%	25,306	236,900	6,700
Manawatu region share of Manawatu-Wanganui region	47.7%	56.2%			53.5%	252.2%

6.2 Environmental planning

6.2.1 Purpose

Palmerston North City and Manawatu District are experiencing growth pressures, particularly on the north-eastern boundary of the city.

The two councils have jointly commissioned a study to identify the advantages and disadvantages of three different governance arrangements to manage these cross boundary growth issues. The three options are cross boundary planning; boundary changes and amalgamation.

This discussion paper is one of a number of work streams that will feed into an overall analysis of these options. It is part of the second phase of a two phase project. The first phase ended with the conformation of the issues to be addressed, the options to address these issues and the broad advantages and disadvantages of the options. Phase II involves more detailed analysis of the options, leading to a recommended approach for consideration by the two councils.

The focus of the resource management work stream has been on understanding:

- The extent to which the district plans for PNCC and MDC are aligned with respect to key cross-boundary issues identified in the first phase of the project, namely co-ordination of urban expansion with infrastructure provision; enabling business development; managing out-of-centre retail development and rural-residential development
- The implementation and administrative issues involved in cross-boundary planning, based on the experience of other districts that have done this

This work has not attempted to align the two district plans; rather it has sought to understand the extent to which the plans may need to be modified to ensure a consistent framework, particularly for the cross-boundary option. Under the boundary change option it would be assumed that the district plan for PNCC would be modified to incorporate the new area, while under the amalgamation option, a new plan would be prepared to cover the combined district.

The process for preparing this discussion paper has involved:

- 1 Considering the statutory framework for addressing cross boundary issues under the Resource Management Act 1991
- 2 The experience of other districts, particularly in relation to the administration and on-going co-ordination of plans, within a cross-boundary context
- 3 Analysis of both plans in terms of the objectives, policies and processes used to manage:
 - Urban growth and infrastructure
 - Business development
 - Out-of-centre retail development
 - Rural-residential development

- 4 Commentary on the extent to which these frameworks would need to be aligned to ensure a consistent approach to the management of development on the edge of PNCC, within the area administered by MDC.

6.2.2 CONTEXT

Growth Issues

Phase I of this project identified the main cross boundary growth issues facing the sub region. Longer term growth issues include:

- The extent to which PNCC should continue to accommodate urban growth through infill-type development versus expansion of the urban area, versus satellite type development
- Where urban expansion is to occur, then the balance between growth to the south and south west, and growth towards the north and north-east
- The role of Feilding as a service town for the district and/or as a satellite of Palmerston North
- The role of Bunnythorpe as a possible longer term growth area within the area between Feilding and the city
- The on-going expansion of business areas, particularly areas that support a transport related, warehouse / distribution-based hub, such as the North-East Industrial Zone
- The stabilisation of population in the northern part of Manawatu District
- Pressure for additional retail development, such as large format stores or even new retail centres
- The rural-ring road concept to the north of Palmerston North
- The transport linkages between Feilding and Palmerston North
- State Highway network adjustments
- Flood management
- Protection of high class soils
- Rural residential development

The two councils have agreed on the need to develop a growth strategy to manage these issues, but have held off advancing the development of this strategy while the city council puts in place a number of shorter-term actions to accommodate immediate pressures for additional residential land within its boundaries.

While the pace of growth that the sub region is facing is not such that longer term growth plans need to be rapidly prepared and implemented, the two councils do wish to take a 30 to 50 year view of how these issues should be managed.

The extent to which these growth issues will impact upon land uses within the area administered by Manawatu District is unknown at this stage. However previous growth strategies, as well as current initiatives (such as the various private plan changes

underway) all point to some expansion of the Palmerston North urban area into Manawatu District.

In the first instance, this is likely to involve business development, such as the expansion of the North East Industrial Zone. Over time it may also involve residential development. These two different forms of development do raise different cross-boundary issues. Business development involves use of the land for a fairly discrete activity and does not involve the wider social and community issues involved in new or extended residential neighbourhoods, for example.

Trends also suggest the on-going growth of Feilding as an important centre in its own right and the development of rural-residential subdivisions on the fringe of the city. Bunnythorpe is also growing. These trends mean that even if PNCC decides to adopt a purist “urban containment” strategy (no further expansion of the city’s urban footprint), there will still be significant growth occurring within Manawatu District that will be strongly related to the city in physical and social terms.

The nature and scale of these growth pressures therefore mean that there are essentially three cross-boundary planning issues that need to be considered:

- 1 The nature and timing of any new urban growth areas in Manawatu District into the medium to longer term
- 2 The co-ordination of roading improvements needed to help serve growth within Palmerston North, but also to stimulate economic growth related to the distribution hub proposal
- 3 The extension of city-provided services into growth areas outside the city’s jurisdiction (both social and physical infrastructure) in tandem with urban growth

The extension of the urban footprint of Palmerston North City across an administrative boundary into Manawatu District should not of itself be a major obstacle to addressing these issues in an RMA sense. There are plenty of examples in the larger metropolitan centres where urban development of the same character and intensity extends across local authority boundaries in areas where there are no real topographical breaks (such as in the New Lynn / Avondale area in Auckland and Waitakere, and Hutt and Upper Hutt in Wellington). However these situations do tend to be the larger metropolitan centres where these cross boundary areas are part of much larger, inter-connected conurbations, and where there are structures in place to manage cross-boundary infrastructure networks.

Legislative Context

The Resource Management Act contains a number of provisions that are relevant to the consideration of cross-boundary planning. These relate to:

- 1 Acknowledging cross boundary issues
- 2 Transfer of powers
- 3 Co-ordination of land use with infrastructure

These are discussed in turn.

Cross boundary issues

Three specific requirements in relation to cross-boundary district planning are as follows:

- 1 Sec 74 states that when preparing a District Plan, a territorial authority shall have regard to:
 - (c) *the extent to which the district plan needs to be consistent with the plans or proposed plans of adjacent territorial authorities.*
- 2 Section 75 requires that a district plan may state:
 - (a) *“the processes for dealing with issues that cross territorial authority boundaries...”*
- 3 Section 80 refers to Combined Plans. As part of the 2009 Amendments to the Resource Management Act, section 80 - combined regional and district documents - has been amended to include the following:
 - 7) *Without limiting subsections (1) to (6), local authorities must consider the preparation of the appropriate combined document under this section whenever significant cross-boundary issues relating to the use, development, or protection of natural and physical resources arise or are likely to arise.*

Furthermore, sub section 3 of Section 80 provides that: “two or more territorial authorities may prepare, implement, and administer a combined district plan for the whole or any part of their combined districts”.

In short, the Resource Management Act does not specify how councils should deal with cross boundary planning issues, and in particular whether they should combine their plans in full or in part to deal with these issues. It is fair to say that most current district plans have few provisions related to cross-boundary issues, and where they are mentioned, cross-boundary issues often relate to infrastructure that may be located close to particularly boundaries (such as air port noise controls).

Some plans are beginning to acknowledge that in some cases, the effects of proposed activities within one district need to be considered on a sub regional scale, rather than just on a local authority scale. Thus in the Wellington area, the Wellington City District Plan now acknowledges that in the case of large scale retail developments, effects need to be considered in relation to town centres within the city’s boundaries, but also centres in neighbouring authorities.

The new provisions in Section 80 do lend some weight to the proposal that the two councils should consider a joint plan for the areas of growth, rather than attempting to manage these pressures by way of changes to their own plans.

The statutory tests as to whether a combined plan maybe appropriate fall back to Section 32 (costs and benefits of alternative approaches), and the overall requirements for plans to appropriately provide for the sustainable management of natural and physical resources within a district (Sec 74 and 75).

Transfer of Powers

The RMA provides for the transfer of powers between councils as a different way of managing cross boundary issues. Thus MDC could transfer the responsibility for the administration of part of its District Plan to PNCC, for example the administration of new urban zones on the edge of the city.

Section 33 of the RMA (transfer of powers) provides for a local authority to transfer any one or more of its functions, powers, or duties under this Act, except this power of transfer, to another public authority in accordance with this section.

Sub clause 4 of Section 33 sets out the process where a transfer of powers is proposed:

- (4) *A local authority shall not transfer any of its functions, powers, or duties under this section unless -*
 - (a) *it has used the special consultative procedure set out in section 83 of the Local Government Act 2002; and*
 - (b) *before using that special consultative procedure it serves notice on the Minister of its proposal to transfer the function, power, or duty; and*
 - (c) *both authorities agree that the transfer is desirable on all of the following grounds*
 - (i) *the authority to which the transfer is made represents the appropriate community of interest relating to the exercise or performance of the function, power, or duty*
 - (ii) *efficiency*
 - (iii) *technical or special capability or expertise.*

Section 33 is wide ranging, and so could include both consenting powers, as well as plan change powers. As is discussed in the next section, in the Bay of Plenty the Western Bay of Plenty District Council transferred some of its powers under the RMA to Tauranga City Council so as to better manage a specific cross-boundary growth area.

Co-ordination of infrastructure with land use development

A recurrent theme of sub regional planning is how to co-ordinate infrastructure provision (particularly roading) with land use development, particularly where this involves cross-boundary locations. This is a specific issue that PNCC and MDC face.

Section 31 of the RMA specifies the functions and duties of councils when preparing district plans. While there is a general requirement to “achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the district”, there is no specific mention of co-ordinating land use and infrastructure.

Despite the lack of an explicit mention of this, a number of councils have sought to use RMA-based processes to stage growth within their boundaries so as to align with infrastructure provision, utilising the general requirement for “integrated management”.

However where this type of issue crosses an administrative boundary, then the issues of co-ordination between plans becomes much more complex. At the regional level, there is the power to align land uses with infrastructure. Section 30 (functions of regional councils under the RMA) includes:

(ga) the strategic integration of infrastructure with land use through objectives, policies, and methods.

This enabling provision has led a number of regions to propose changes to their Regional Policy Statements so as to provide greater direction over the location and timing of urban development, particularly so that this growth can be co-ordinated with extension of infrastructure where this involves a number of local authorities. The driver for this is usually enabling economic development and effective delivery of infrastructure. While these types of provisions have raised concerns about regional policy statements moving beyond their core focus on management of the natural environment, they have been supported because of their longer term benefits to sustainable management of a region's natural and physical resources. Horizons Regional Council are considering objectives and policies within its proposed One Plan which, at least at a high level, make a link between the integration of infrastructure with land use.

6.2.3 Examples of cross-boundary planning

Bay of Plenty

The Western Bay of Plenty is experiencing significant growth pressures and has been engaged in sub regional planning since 2000 (Smart Growth initiative). This process has involved Tauranga City, Western Bay of Plenty District and Environment Bay of Plenty.

At a high level, the Smart Growth strategy seeks to co-ordinate land use planning with infrastructure development so that the region's growth can be sustained in a way that achieves economic, environmental and social outcomes.

Thus a major focus of the strategy is on aligning council plans and planning processes to achieve integrated delivery of projects. The report "The SmartGrowth Way" identifies that the strategy is very dependent upon: "a partnership and collaborative approach to growth management with a strong emphasis on inter agency implementation, community understanding and buy-in".

To this end an extensive range of joint planning committees have been put in place, including:

- Smart Growth Implementation Committee
- Smart Growth Implementation Management Group
- Smart Transport Group
- Strategic Partner Forum
- Chief Executive Advisory Group
- Combined Tangata Whenua Forum
- Population Aging Technical Advisory Group

A particular challenge identified in the SmartGrowth Way report is the need to achieve “integration and alignment of three key planning statutes” (Local Government Act, Resource Management Act and Land Transport Management Act), and “getting those with judicial and planning responsibilities to see the Local Government Act and Land Transport Management Act as significant and appropriate other methods in terms of RMA implementation”.

This observation is an example of the practical difficulties of trying to align planning documents, both in the sense of across statutes, but also across councils.

At the level of district planning and land use development that crosses boundaries, the adopted growth strategy identifies a number of areas where growth is planned to physically extend across the boundary between Tauranga City and Western Bay of Plenty District, in particular the Tauriko business area (located between State Highway 29 and 39 and 300 to 400 ha in area) and Tauranga South, a residential area. In addition to these cross boundary growth areas (effectively extensions of the Tauranga urban area), there is growth of discrete settlements within Western Bay, such as Omokoroa and Te Puke.

To help “lock in” in these growth areas, the Regional Council initiated a change to the Regional Policy Statement: Change No. 2 (Growth Management). This became operative on 16 October 2009.

The change implements aspects of SmartGrowth. The change includes the introduction of an urban limit line and a schedule of growth areas and their likely timing (i.e. 2001 to 2021, post 2021).

Two important policies brought forward by Change 2 include:

17A.3.1(b)(iv) Territorial authorities will provide for new Large-scale Business Land generally in accord with Figure 1 and only within the Urban Limits shown on maps 13- 22.

17A.3.1(b)(v) There must be coordination between:

- (a) the structure, timing and sequencing of new urban development, and*
- (b) the development, funding, implementation and operation of transport and other infrastructure serving the area in question. In satisfying this policy, regard must be had to the indicative Growth Area timing shown in Figure 1.*

The need to strengthen regional policy so as to provide a robust framework for the sub regional strategy was identified through the Smart Growth process. This was from the point of view ensuring that the councils remained committed to the growth strategy that they signed up to, as well as providing some certainty to infrastructure providers and land developers that the agreed land use patterns and the timing of that development will be maintained into the medium term.

Planning for the Tauriko business area initially proceeded on the basis of co-ordinated changes to both the Tauranga and Western Bay of Plenty District Plans. These changes were notified at the same time, with submissions heard by a joint committee. Effectively the District notified a plan change that referred to a new section within the Tauranga City

District Plan. This section introduced a new stand alone zone that applied to the Tauriko business land.

Once operative, the district transferred administration of the relevant zone within its jurisdiction, to the city. This ensured consistent administration.

Subsequently, the area within the district has been incorporated into Tauranga City by resolution of a Joint Committee of the two councils. This was agreed between the two councils at the time of the notification of the district plan as being the best long term arrangement.

The transfer of the area has avoided any issues arising from maintaining a consistent planning framework across two boundaries. A particular issue identified (but which did not need to be confronted) was subsequent changes to the Tauranga City District Plan which may have impacted upon the zone provisions applied to the Tauriko business area. If this occurred, changes may also have had to be made to the relevant section of the Western Bay of Plenty District Plan to ensure appropriate cross-referencing. This may have caused some administrative issues and could have led to the two plans diverging over time in terms of some details.

A more fundamental question is how a private plan change request in the “district” part of the zone that sought a significant rezoning would have been handled.

The Smart Growth process does demonstrate ways in which cross boundary planning issues can be managed on a co-operative basis. However to achieve this, new administrative and political layers have had to be added and significant resources devoted to joint planning. The Regional Council has had to become involved more closely in land use planning matters.

In the case of cross-boundary development, a boundary adjustment was agreed upon as being the best long term way to manage the growth of the identified area.

Waikato

Hamilton City, Waipa and Waikato District have undertaken a sub regional growth strategy called Future Proof. This strategy built on and extended work undertaken by these councils on cross-boundary planning.

In 2005, Hamilton City Council and Waikato District Council developed a strategic agreement on future urban boundaries. This agreement identified areas for long-term expansion of the city; provided a basis for future planning by the city and district; and informed communities and the wider market of the agreed intentions of both councils. Otherwise, cross-boundary concerns were addressed as matters arose or via ongoing dialogues, but there was no overarching integrated approach to growth management in the sub-region.

The Future Proof strategy has formalised other informal arrangements associated with sub-regional growth planning. The strategy identifies a range of actions to integrate implementation policy instruments including:

1. The development and implementation of a co-ordinated approach, including an agreed protocol, across the partner councils in respect of the management, preparation and processing of plan changes, plans and policy initiatives, through the pooling of resources, co-ordination of time frames and processes, and any other assessments.
2. A change to the Regional Policy Statement is to be prepared which will provide specific guidance on where growth will occur and include the concept of urban limits. The change will determine the overall extent of Future Proof through setting urban limits and working towards specific rather than indicative lines on the map:
 - a. Greenfield growth areas – where council processes have established a clear boundary these will be included in the RPS change
 - b. Rural residential – a list of criteria for assessing the location and form will be included
 - c. Intensification areas, and
 - d. Other matters as agreed

The change will also identify the significant issues for the sub-region such as large footprint retail/commercial/industrial land outside of the growth areas and the expansion of existing settlements. The RPS change is to assist in discouraging any proposed plan changes and resource consent applications for retail/industrial land that is outside of the agreed strategy.

3. A consistent approach to policy and plan preparation, e.g. common review dates to facilitate alignment of LTCCP, RLTP and NZTA highway funding, is to be developed.

The Future Proof partners have therefore agreed to adopt a process for the collaborative consideration of private plan change applications and resource consents that any of the partners may have submitted to them. Reference is also made to the need for a “boundary agreement process”, but no details are specified in the strategy.

The map below is taken from the 2005 strategic agreement between the city and district and identifies areas for growth of Hamilton that are likely to involve boundary adjustments:

Figure 6-1 Possible boundary adjustments for Hamilton (2005)



Base map taken from Strategic Agreement on Future Urban Boundaries 2005

Wairarapa Joint Plan Administration

The three Wairarapa District Councils (Masterton, Carterton and South Wairarapa) have prepared a Combined District Plan under the RMA. The concept behind the combined plan was to enable the application of a consistent approach across the whole of the Wairarapa, helping to reduce costs, as well as improve resource management outcomes.

Within this overall approach there is recognition of the need to reflect local differences. The Commissioners report on the Combined Plan noted that:

‘...some amendments to specific Plan provisions have been needed to achieve this consistency, such as the minimum rural lot size. However, where some areas have unique issues, a targeted management framework is required.’

The Combined Plan identifies “cross-boundary issues” and states that councils will participate in joint hearings with other local authorities where appropriate.

With regards to the administration of the Combined Plan, this falls on each district council and relies on regular communication between the councils to ensure consistent interpretation and implementation of the Combined Plan. Officer-level meetings are held once a month between the three councils. This provides an opportunity to discuss any issues. In between meetings, there is regular informal communication as issues arise that need to be discussed.

The funding and resourcing associated with the administration of the plan is met by each council.

Most resource consents are dealt with by each of the councils on their own, within the framework of the combined plan. Where an application involves an activity that may question the integrity of the resource management framework (for example non-complying activities) then such an application may be heard by an Independent Commissioner or a Hearings Panel, made up of more than one council. For example two members from Carterton and one member from either South Wairarapa or Masterton will attend a hearing for a non-complying activity within the Carterton area.

The processes and structures around administration and updating of the Combined Plan are being developed on an on-going basis. As the plan is not operative, if some applications cross boundaries between councils then the applicant still needs to apply for consent from both councils. However, the decision to grant consent may be delegated to one council to simplify this process.

Auckland Region

While the Auckland Region faces growth pressures which are significantly greater than those faced in the Manawatu Region, and involves seven local councils rather than two, the history of growth planning in the region is instructive in that it demonstrates a transition from co-operation amongst councils to specific cross boundary agencies and plans being prepared to manage growth to eventual amalgamation. While the transition of the region along this continuum has not been automatic it has nevertheless been driven by problems and difficulties of implementing a co-operative approach to cross-boundary planning. Thus, while not directly applicable to the Manawatu Region, this history highlights a number of limitations of the “co-operative-type” approach to cross-boundary planning being undertaken in the Bay of Plenty and the Waikato.

In Auckland, attempts to manage cross boundary planning issues through joint strategies have seen a number of specific strategies being developed and eventually given legislative effect to so as to give them more “teeth”. This includes the Auckland Regional Growth Strategy, first prepared under the general provisions of the Local Government Act,

but then given legitimacy through a change to that Act and subsequently further recognised by the Local Government (Auckland) Amendment Act.

This legislative mandate could be said to be a response to some of the problems now being encountered in the Bay of Plenty as to how to bridge the gaps between the Local Government Act and the Transport and Resource Management Acts. More recently the region has sought to further address the problems of integration around implementation priorities through developing a “One Plan”. This plan itself comes after the preparation and adoption of the START strategy (Sustaining the Auckland Region, Together).

The Royal Commission on Auckland’s Governance noted that despite these attempts to enshrine regional strategies, a continuing issue with these plans is around implementation. For example it noted that:

On many key regional issues, there is no hierarchical relationship or binding decision-making process to ensure a coordinated approach by regional and territorial authorities (although there have been piecemeal attempts to remedy this, such as the LGAAA, which requires district plans to align with regional plans to implement the regional growth strategy). This can lead to different interpretations and applications of supposedly regional policy in different parts of Auckland (page 102).

The Commission acknowledges the intent and efforts of Auckland councils in getting the One Plan to this stage. But the Commission also observes that the region’s history in managing to implement what are, in the end, voluntary joint recommendations is one of missed opportunities with few tangible results (page 105).

Along with jointly prepared strategies, special purpose infrastructure bodies have also emerged to manage cross boundary network infrastructure, including (Watercare for regional water and wastewater and ARTA for transport). These agencies have generally been successful at driving forward larger projects that span council boundaries.

Ultimately, the issues around implementation of joint plans have led to the proposal for a single council for the Auckland Region, incorporating both regional and district planning functions under the RMA, as well as all local (but not central government) infrastructure. This of course reflects the fact that within the Auckland Region there are seven local authorities as well as the Regional Council which has complicated implementation. However it also demonstrates a basic logic that as councils increasingly seek to co-ordinate planning and share service delivery (both from the point of trying to create a better region, but also to manage rising costs), then at some point amalgamation becomes “the next step to take” (either willingly or at the behest of the Government), especially where the “co-operative approach” is not delivering outcomes.

6.2.4 Managing urban growth

In response to a range of growth issues, District Plans have become increasingly more sophisticated as to how they manage the process of urban development. Second generation plans now contain much more detail on how plans are to manage the urban growth process than was the case for first generation plans.

For example, there are often policy linkages to strategic planning work, staging and sequencing schedules, as well as the use of, “future development zones” and “floating zones”; as well as requirements for concept plan / structure planning processes that have to be followed before changes in zoning can be contemplated.

Two examples of where this approach has been developed is in the North Shore City Council District Plan which contains a specific section on managing city-wide urban growth and the Tauranga District Plan which details the management of the growth of Tauriko Business Estate that straddles both Tauranga City and Western Bay of Plenty boundaries.

Tauranga District Council – Tauriko Business Estate Growth Management

Chapter 28 of the Tauranga City District Plan specifically provides for business growth within the Tauriko Business Estate (The Estate). The Estate sits on the border of Tauranga and Western Bay of Plenty. The District Plan mechanism to deal with this was outlined in the section above.

What is relevant here is the way that the Zone applying to the Estate has attempted to link development with infrastructure provision. Chapter 28 comprehensively sets out the objectives and policies for The Estate.

Three ‘special issues’ identified for the area are:

- ‘...’
- i. Achieving good urban design outcomes;*
 - ii. Mitigation potential adverse visual effects on what was originally a relatively intact rural outlook;*
 - iii. Achieving effective and efficient services provision and funding.... ‘*

Objectives include urban design and accessibility, landscape and visual protection, noise and vibration and services. In relation to services, relevant provisions include:

28.4.1.2 Policy: Timing of Services

Timing of services should follow the staging shown on the Tauriko Business Estate Staging Plan and associated staging prerequisites set out in the subdivision rules unless unforeseen circumstances result in the need for an amended sequence, the amended sequence does not result in any adverse effect on the performance of any infrastructure, and any resultant increase in costs fall on the developer.

28.4.1.3 Policy: Services Capacity

Land use should be restricted to activities that will generate effects that are within the design capacity of services, and in particular, the street network.

28.4.2 Objective - Funding of Services

Ensure that sufficient financial resources are available to provide required services at Tauriko Business Estate.

28.4.2.1 Policy - Contributions to Services

New subdivision, use, and development at Tauriko Business Estate should meet the fair and reasonable capital costs of providing local and city wide infrastructure needed by the development.

The chapter goes on to set out the rules for all types of activities. One rule requires subdivision applications to demonstrate how they comply with a services strategy statement and sequencing strategy. Any departure from the defined staging set out in this strategy requires consideration as a discretionary activity where it is “necessary to establish that the objectives and policies for urban form and servicing will still be achieved and that any financial effects of changing the staging of development are not borne by the wider community”.

An appendix to the chapter contains the relevant services strategy statement and sequencing schedule. This sets out requirements for the provision of infrastructure for the development area. A list of services such as roading, wastewater, stormwater, water supply and utilities is provided. The sequencing schedule sets out four sub areas, the development of which is dependent upon agreement being reached as to how specified infrastructure is to be provided.

Other appendices contain specific design specifications around landscaping, mitigation and buffer zones.

North Shore City Council – Growth Strategy

In response to complex growth issues, North Shore City Council has steadily developed a more “layered” approach within its District Plan, to growth management. This approach flows from high level objectives about city growth and development to area-specific structure plans and zones.

It is an approach that seeks to take a long term view of development patterns (that is beyond the 10 year life of a District Plan). While this growth strategy is confined to its own boundaries, it nevertheless links to regional policies relating to the timing and sequencing of growth areas within the wider region.

At the top of the hierarchy, Section 6 of their District Plan sets out the growth and development issues for the city, relevant goals and the urban growth strategy. This strategy outlines the key areas for growth and the expected environmental results of adopting the strategy. The preferred strategy encompasses a balanced approach to enabling growth in built up areas as well as on the periphery of the city. An emphasis is placed on higher density development adjacent to commercial centres and lower density more varied development on the periphery which was sympathetic to the surroundings.

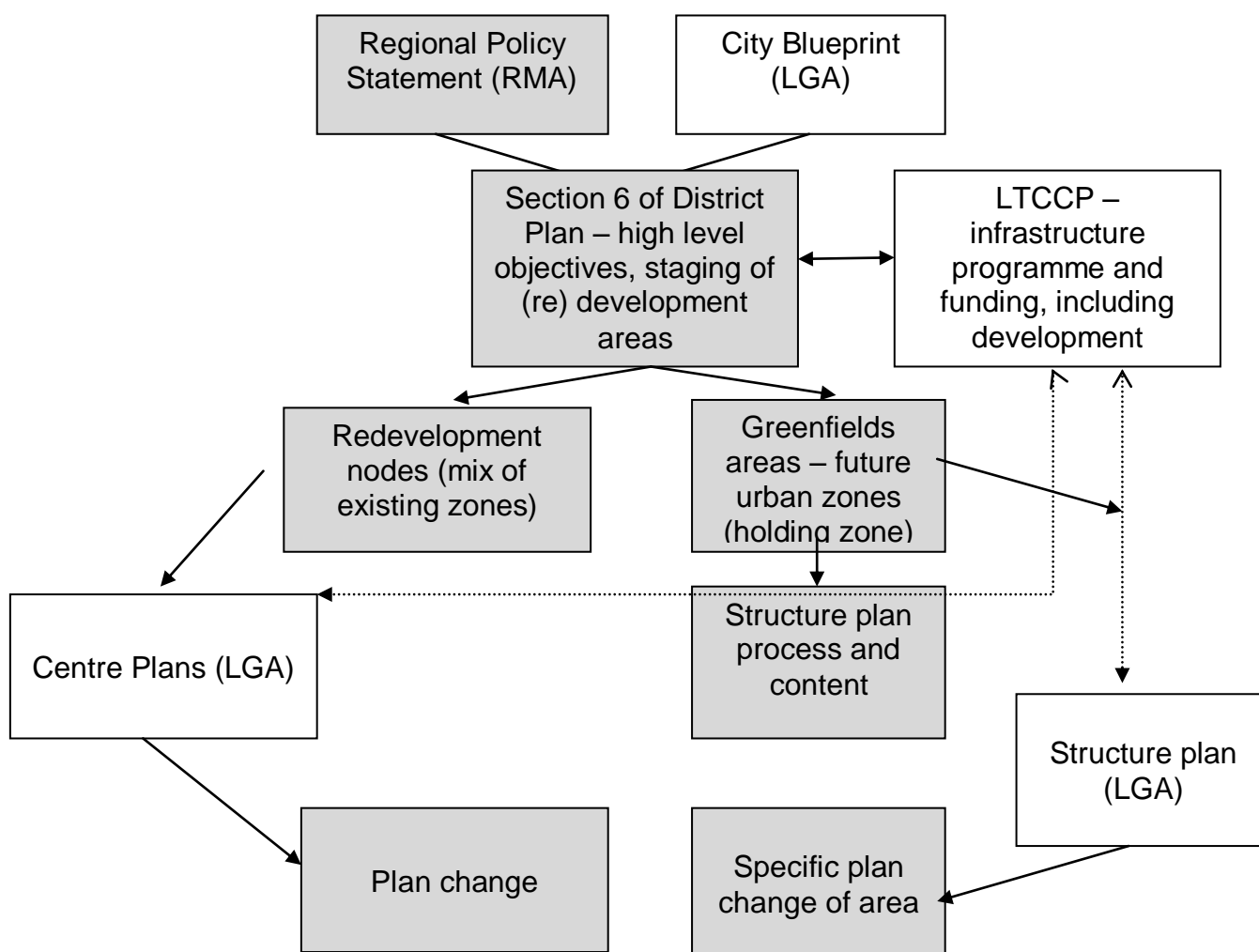
This strategy is linked to higher order documents, including the Auckland Regional Policy Statement, as well as councils strategic land use planning framework (the City Blueprint), prepared under the Local Government Act.

A plan change (still in the appeal stage) sets out a programme of future plan changes that will progressively “upzone” various parts the city, as identified by the Regional Policy Statement and the City Blueprint. This programme is partly driven by infrastructure issues,

in particular areas where infrastructure needs to be expanded before additional growth can be accommodated.

In the greenfields areas identified for growth, a future urban zoning is applied until such time as a rezoning to an operative zone has been agreed. This operative zoning has to be based on a structure plan process, the content of which and process to be followed is set out in Section 13 of the District Plan. These structure plans may sit outside the district plan as they serve a variety of purposes, including environmental protection, land use allocation, infrastructure provision and funding. However, elements of the structure plan are brought into the district plan by way of a plan change, as is occurring in the Long Bay area.

This process has been simplified in the flow diagram below. The grey shaded boxes refer to district plan provisions; while the white shaded boxes refer to related, but non-RMA actions:



Within this overall process, what emerges are area-based zones and provisions, rather than zone-based provisions. In other words under the overall strategic-level issues and

objectives, tailor-made packages of structure and concept plans are being developed that respond to the specific issues for sub areas within the city. This in turn is increasingly leading to area-based zoning packages.

6.2.5 Analyses of PNCC / MDC District Plans

Given the context set out above, it is now appropriate to review the two District Plans.

In doing so, it is acknowledged that both councils are in the process of reviewing and expanding their planning frameworks. In particular there is a commitment from both councils to develop a Long Term Combined Urban Growth Strategy for Palmerston North City and Manawatu District. The Joint Industrial Land Review also recommended that all potential growth areas should be addressed by Palmerston North City Council and Manawatu District Council developing an urban growth strategy. It was recommended that this strategy should address (but not necessarily be limited to):

- Land use (residential, including rural residential; commercial)
- Industrial; open space and recreation; flood protection
- Infrastructure (including water, stormwater, wastewater, roading/ access)
- Funding and timing

The combined urban growth strategy would set the 20-50 year vision for Palmerston North City and Manawatu District.

Palmerston North's discussion document on the district plan review notes that "given the current demand for residential and industrial land within the City, it is planned that the longer term Combined Urban Growth Strategy will be advanced once the immediate short term demand has been satisfied through the rezoning of additional industrial and residential land".

The extent to which this longer term strategy will lead to a major overhaul of the two plans (and maybe even lead to a combined plan) is unclear at this stage. While there is an advantage in trying to tackle short term issues first, there is also the possibility that the two processes (short term adjustments and larger, longer term changes) will overlap and become intertwined. Even modest changes to district plans can take three to five years to pass through the statutory process, and there will be a natural inclination for various interests to raise longer term issues in the review process, even if it this process is ostensibly focused on shorter term issues.

Palmerston North City

The Palmerston North City District Plan was made operative in December 2000. A "sectional" (or rolling) review process has commenced.

The Operative Plan follows a conventional format with general, or city-wide provisions first, followed by specific chapters for the main zones.

The bulk of the plan's provisions occur within the zone-specific sections. The front end sections provide a general description of the city and the overall approach to resource

management. There is no extensive discussion of growth management pressures facing the city and surrounds, and the processes to manage these; that is how the on-going redevelopment and expansion of the city is to be managed by way of changes to the resource management framework.

This reflects the fact that the plan was prepared during a time of modest growth as well as the normal approach to plan preparation of the time, which was to reduce or strip out strategic-level material and focus plans on the management of adverse effects of activities on the current environment; with the plan change process available to incorporate new zones or development areas as they arose.

General Issues

The general issues identified in Section 2.2 provide a guide to the wider growth issues facing the city. These include the following:

- *The effect of urban growth and how that growth should be managed, and to ensure the urban infrastructure is efficiently and sustainably utilised*
- *The need to increase urban density through infill to avoid the unsustainable use of rural land and how the perceived adverse amenity effects associated with this should be managed*
- *The role of economic development in the retention and enhancement of the City's vibrant economy through appropriate management of the City's natural and built resources*
- *The effects of rural residential development on the rural land resource and how these effects can be remedied or mitigated through controls on development*
- *Sustaining the potential of the productive rural land resource particularly with regard to its role in agricultural production*
- *Maintenance of sustainable urban form. In particular the maintenance of a compact CBD, in terms of its contribution to avoiding the adverse effects of commercial dispersion particularly with regard to efficiency of urban form*

The core themes of a compact urban area and the primacy of the CBD emerge from these issues. Counterbalancing this to an extent is the issues associated with economic development. Also important is the focus on protecting high quality soils.

Cross boundary growth issues are not specifically identified.

Section 2.4 sets out the highest order objectives that address these issues. These tend to be very high level statements, with subsequent sections providing the detail.

Urban expansion

In terms of urban expansion, the subdivision section contains some policies related to urban expansion:

- Policy 1.1 is intended to ensure that orderly growth takes place in the interests of sustainable management of natural and physical resources, within the existing urban area by way of consolidation. This policy reinforces the higher order

“convenient community objective” by making provision for subdivision to facilitate further use of land within the urban area

- Policy 1.2 states:

‘To ensure that subdivision activity for urban purposes outside existing urban areas only occurs following an appropriate assessment of all environmental effects.’

The explanation notes that:

‘Urban growth studies have shown that sometime in the future there will be a need for outward growth of the urban area. Where urbanisation is proposed outside the recognised zoning pattern such proposals must be fully assessed as to their effect on the established pattern of development and the need for further expansion.’

The plan has utilised structure plans to guide the subdivision of new growth areas. For example there is the Napier Road Residential Area Structure Plan (Refer Map 7.5).

Industrial Land

The plan has identified that the industrial land bank in Palmerston North will be insufficient to meet future needs within the life of the district plan (10 years). As such the North East Industrial Zone was identified as the most suitable, in terms of location, topography and ability to provide services, for expansion. This allowed for rezoning from rural to industrial and provided for industrial sites as a permitted activity.

The North East Industrial zone is covered by its own zone, as set out in Section 12a. It is noted in the Zone introduction that the North East Industrial Zone is to provide specifically for industrial growth. Subdivision of land for residential, commercial and general purposes will continue within the current urban footprint.

The objectives for the North East Industrial Zone are as follows:

‘Objective 1

To meet the City’s needs for land for industrial growth.

Policies

- 1.1 To provide an area of land zoned primarily for industrial purposes in the location shown as the North East Industrial Zone.*
- 1.2 To enable the establishment of industries requiring large lots within the Zone.*
- 1.3 To provide for transitional uses, including existing uses, of the land within the Zone.’*

Other objectives relates to the design and layout of the industrial area to promote a high amenity development that promotes ease of movement and the efficient use and development of the land within the zoned area. A structure plan and design guide apply.

The plan states that “unrestricted retail and office development within industrial areas, such as the North East Industrial Zone, would undermine established business areas (see

below), and community investment within these areas. As such within this zone offices are only provided for when ancillary to a permitted (industrial) activity in the plan and are otherwise are considered to be non-complying”.

Retail / business Land

The plan divides the business area into four zones – inner, outer, fringe and local. The business zones reflect areas where the city has put forward substantial investment to accommodate office and retail activities and generally satisfy the amenity and functional requirements of these activities (i.e. pedestrian access and covered walkways, streetscaping, large public and private car parks etc.).

The resource management issues outlined tend to focus on avoiding retail dispersion and encouraging a compact CBD (inner and outer zone) to ensure that the existing physical resources of this area are sustainably managed.

The objectives and policies for the Inner and Outer Zones are as follows:

Objective 1

To promote the efficient use and continued viability of existing physical resources within the Inner and Outer Business Zones.

Policies include:

- *To reinforce the compact and convenient character of the Inner and Outer Business Zones.*
- *To permit a diverse mix of activities to establish within the business zones.*
- *To mitigate the adverse effects (including distributional effects) of vehicle oriented activities on the Inner Business Zone.*
- *To ensure that all parking required for activities in the Outer Business Zone area (see Figure 11.5) adjacent to the Fringe Business Zone be provided on-site.*
- *To ensure that an integrated approach is taken to retail activity throughout the City by the maintenance of clear distinctions between the Inner Business, Outer Business zones and Fringe Business zones.'*

Other objectives in the plan relate to protecting the amenity value of surrounding residential areas and achieving a high standard of amenity.

The plan also recognises that without an integrated approach to retail activity which differentiates the complementary zones, unanticipated adverse effects may occur, particularly on the amenity of the CBD core area (inner zone) from retail development in areas other than the CBD.

Rural Areas

The city has an extensive rural zone. It is identified in the plan that there are attractive sites for horticulture and agriculture available in neighbouring districts, namely Manawatu and Horowhenua. Within the rural zone there are a number of rural residential

settlements such as Linton and a small range of industrial activities and research institutes. The plan recognises the mix of activities and potential for issues over compatibility.

The objectives for the Rural Zone include:

1. *To protect rural land from the adverse effects of unnecessary and unplanned urban expansion*
2. *To encourage the effective and efficient use and development of the natural and physical resources of the rural area*
3. *To enhance the quality and natural character of the rural environment*

In terms of subdivision in the Rural Zone, a 4 hectare minimum subdivision size applies, although rural-residential development is possible in the areas identified for that purpose on the Planning Maps. Within the Aokautere Rural-Residential Area, a minimum site area of 3,500m² applies, while within the Moonshine Valley Area it is 1.5 hectares. In other areas, the minimum is 1 hectare. These areas are quite extensive and considerable rural-residential development has occurred.

Policy Development

The city council has begun a review of the district plan which was last prepared in the early to mid 1990s. The plan was made operative in December 2000 and therefore the council is required to commence a review of the district plan not later than 2010.

The council has undertaken work on residential expansion within its current area, as well as in terms of strengthening its retail strategy. The residential growth strategy proposes a mix of infill / redevelopment and expansion of the city's footprint to the south and north, but within its current administrative boundary. In considering residential growth options, the council's highest priorities were to avoid development in areas with high class soils and areas subject to serious flooding risks (as set out in Resolution 163-08).

An initial discussion document on the district plan review released in 2009 indicated the need for a substantial overhaul of some parts of the district plan to address emerging issues. The following significant resource management issues were identified:

- *Residential Zone*
- *Rural Zone*
- *Retail Strategy and Business Zone Review*
- *Industrial Zone*
- *Rangitaane and Resource Management*
- *Institutional Zone*
- *Natural and Cultural Heritage*
- *Wind Farms*
- *Sustainability – Climate Change and other initiatives*
- *Urban Design*
- *Natural Hazards*
- *Other – Transportation, Airport Zone, Recreation Zones, Designations.*

Cross-boundary issues are identified in a general sense in that the need for a longer term growth strategy was acknowledged, but there does not appear to be any particular reference to the likely need to expand the policy base of the district plan to provide a more robust framework for long term growth management, or that it would be desirable to align some parts of the plan with Manawatu's plan (or vice versa).

More recently, the council has adopted a "sectional" review process, as provided for through recent changes to the RMA. This approach is partly in response to the likely need to amend the policy framework of the plan to take into account emerging sub regional issues.

A report on the sectional district plan review was presented to the council in November 2009. The council resolved to take the sectional review route and passed a number of resolutions as to the order of that review, as follows:

Stage 1 (starting January 2010):

All Introductory Sections; Rural Zone including rural-residential subdivision and wind farms; Residential Zone including giving effect to the Residential Growth Review; Business Zones (Retail Strategy); Ancillary Sections as required.

Stage 2 (starting July 2011):

Airport Zone; Industrial Zone, including giving effect to the Joint Industrial Land Review; Natural Hazards; Cultural and Natural Heritage; Designations; Ancillary Sections as required.

Stage 3 and 4 will cover the remaining sections and extend into 2013 and 2014. Work on Stage 1 of the sectional district plan review is already underway and will continue throughout 2010.

Manawatu District

General Issues

The Manawatu District Plan became Operative on 1 December 2002. A review process has begun with the intention to prepare a new draft plan by mid 2011.

The plan is set out in a similar format to the Palmerston North District Plan (and to other first generation plans under the RMA) as follows:

- Plan Strategy (Green Pages) – objectives, policies, methods and outcomes includes provisions for cross-boundary issues
- Plan Rules (White Pages) – consent procedures, rules, zones, subdivision standards, financial contributions and definitions
- Appendices (Yellow Pages)
- Planning Maps

The overriding issues that are addressed through provisions in the district plan are summarised as follows:

- Adverse effects on the natural environment - loss of natural ecosystems, water quality, hazardous substance spills
- Appropriate ways to take Maori values into account
- Adverse impacts on traffic safety and efficiency and water and energy efficiency
- Excessive levels of noise and smoke, dust, odours or fumes which have an adverse effects particularly on human health
- Effects on soil productivity, structure and stability through adopting inappropriate techniques
- Effect of development pressures on natural and physical resources, preservation of heritage places, reverse sensitivity issues, design and aesthetics, fragmentation of rural land
- Limitations on growth of Feilding and other townships
- Public access to the coast and other parks and reserves for recreation and management of regionally-significant landscapes

These issues highlight a strong focus on environmental management, reflective of the rural character of the district, while being perhaps less directive as to where growth should be located than is the case with the Palmerston North City District Plan.

Residential Zone (Feilding) and Village Zones

Objectives for Feilding focus around the maintenance and enhancement of the character of Feilding and to protect it from the adverse affect of new and existing development.

Similarly objectives apply for village zones such as Kimbolton, Apiti, Halcombe, Bunnythorpe, Longburn, Sanson, Rongotea, Himatangi Beach and Tangimoana. Objectives relate to maintaining and developing the unique character, residential amenity and identify of these villages.

In terms of urban expansion of Feilding, the plan currently provides for possible development of rural house allotments (down to 4000m² in size) as a discretionary activity around Feilding's perimeter. The plan notes that it is important for the future amenities of any new growth area that it be located next to the existing urban area so that it can quickly become part of a functional neighbourhood. Having outlying satellite suburbs of Feilding, each providing its own utility services is not favoured since they would take many years to reach that point.

Residential expansion in some of the smaller villages is limited by the absence of a sewage system and the need to dispose of septic tank effluent in an environmentally friendly way (Apiti, Himatangi Beach and Tangimoana). The sewered villages (Sanson, Rongotea, Longburn, Bunnythorpe, Cheltenham, Kimbolton and Halcombe) do not have this constraint. However a large site area per dwelling than Feilding has been set in these areas. The proximity of some villages to industrial plants or airfields is noted as impacting on their amenity.

Specifically in relation to urban growth objective S 8 states the following:

- 8) *To avoid, remedy, or mitigate the adverse effects of urban growth associated with existing townships in the District*

Policies that support this objective highlight the constraints and potential impact of urban growth:

- Any increased risk to people and property from natural hazards, including the possibility of sea level rise in the case of Himatangi Beach and Tangimoana
- The potential impact of urban growth on the natural character, qualities and features of the coastal environment
- Any significant and permanent adverse impact upon the life-supporting capacity of the District's soil resource, or upon options for its future use, which would arise from converting the land concerned to urban use
- The need for new growth areas around existing townships to be provided with utility services, at the developers expense, so that water supply and effluent and stormwater disposal issues are addressed. (Refer Also: Part 7.3, Page 67)
- The efficient use and development of natural and physical resources, such as land, energy and the transport network, including the degree to which infill development is possible in the existing Residential or Village zone
- The neighbourhood amenities and level of access to facilities which are likely to be available to residents in the new urban growth areas
- The need to avoid ribbon development along arterial routes for traffic safety and efficiency reasons
- Any significant adverse impacts upon the rural area, including its character and amenity, any significant habitats of indigenous fauna, and its intrinsic, ecological, or heritage values or cultural significance.
- The presence of any existing land uses which may not be compatible with a new residential neighbourhood, e.g. the Industrial zones adjoining Longburn, and the Manfeild autocourse next to Feilding

Business/Industrial Zones

The business objectives of the plan predominately relate to Feilding and the efficient use and development of that area and to enhance the attractiveness and identity. The plan recognises that Feilding cannot compete with the variety and scale of shopping offered in Palmerston North and therefore the centre needs to play on the strengths that it offers in terms of ease of parking, historic character and pedestrian friendly streets.

In terms of Industrial Zones, objectives in the plan relate to avoiding, remedying or mitigating any adverse effects on the environment and the promotion of a certain standard of amenity.

There is no specific mention of out-centre-retail developments and how these might be managed.

Rural Zones

Objectives for the rural area relate to the promotion of the sustainable use of the land and related resources particularly in relation to protection of soil quality, maintaining options for future generations and managing the effects of urban communities and growth on the environment and soil.

One specific policy discusses the need to protect rural areas from urbanisation:

- d) *To minimise the quantity of versatile land which is effectively lost for reasons such as it being put under large expanses of buildings and pavement, or being put into urban use.*

This policy refers to versatile land which is Class I or II land (except for Class IIs2).

In the Rural Zone, other specific objectives and policies relate to the protection of the character and aesthetics of the zone and reverse sensitivity issues.

An average lot size philosophy is used in the plan. The plan requires that people creating a small lot must also create a larger lot to maintain the average size. For example in the Rural 1 Zone an 8 ha average size lot is required to protect the versatile nature of the land. The average lot size for Rural 2 (less-versatile land) is 4 ha. Other objectives relate to protecting the identity and character of different zones i.e. 'ruralness', avoiding the potential impact of un-serviced subdivisions and protecting new dwellings from natural hazards such as flooding.

Rural/residential nodal growth areas

In relation to rural-residential development, in addition to the normal rural subdivision provisions which apply, within Appendix 5 of the Plan three 'nodal areas' are defined around Feilding, Rangiwahia and Hiwinui. Hiwinui is located in close proximity to Palmerston North. Subdivision to create lots within these areas of a minimum 4000m² in area is a discretionary activity. The "base proportion" requirements that apply to subdivision of rural land do not apply within these nodes.

In addition to the three areas in Appendix 5, other nodal areas exist within 1km of the following places:

- Sanson
- Kimbolton
- Halcombe
- Waituna West
- Pohangina
- Utuwai
- Apiti
- Bunnythorpe
- Cheltenham
- Taikorea
- Glen Oroua
- Colyton
- Rongotea

Some of these areas are within approximately a 10-15km distance from Feilding and Palmerston North.

The council has prepared an advice brochure titled 'A Guide to Nodal Areas'. This guide outlines that these nodal areas have a higher density of housing giving them an urban

character. As such these areas are deemed generally suitable for smaller lots than other parts of the rural zone.

Natural Hazards

There are a number of natural hazards such as flooding, earthquakes, land slippage and coastal erosion and deposition that land in Manawatu is susceptible to. In particular is the presence of flood channels around the interface between Palmerston North and the District. The plan talks about avoiding damage by keeping residents and development away from the hazard area.

Specific policies for flooding include:

- d) To help reduce the severity of flooding and land erosion events.*
- e) To prevent construction of dwellings in areas subject to deep and/or fast-flowing floodwaters.*
- f) To ensure that all buildings which are potentially affected by 100 year flood events (i.e. those with a 1% probability of happening in any given year) do not significantly impede or divert the flow of flood waters.*
- g) To ensure that dwellings which are potentially affected by 100 year flood events are designed so that floodwaters do not enter them.*

The two flood channels present in the area under discussion are as follows:

- Flood Channel 1 Zone – areas where based on flood flow velocities and/or depths where development is inappropriate and new dwellings are a non-complying activity
- Flood Channel 2 Zone – identifies those areas that are likely to be inundated by a 100 year flood event and/or affected by poor drainage. Residential development is processed as a discretionary activity in this zone subject to appropriate conditions such as minimum floor levels. The Plan also outlines that it would be undesirable to have people stranded on dry islands or living in houses on stilts

Cross Boundary Issues

Section 11 of the plan outlines cross boundary issues and the processes the council will follow, in line with Section 75 of the RMA.

In identifying cross boundary issues, the plan refers to “true cross-boundary” issues arising from:

- Activities which are located in one district but which may impact adversely on another, e.g. airport flight paths
- Natural or built resources which straddle district boundaries, if a problem may result if the resource is not managed in a consistent way by the districts concerned

The key issue identified in relation to the cross boundary issues between Palmerston North City and Manawatu District is:

- 4) *Land use and subdivision proposals which may have an impact on people and properties in a different District*

The plan in Section 11.3 identifies a number of collaborative processes that Manawatu should adopt when dealing with cross-boundary issues. These include:

- 1) Involving other councils at an early stage in the preparation and review of the Manawatu District Plan.
- 2) Being involved in the early stages of other councils' plans.
- 3) Discussing mutual problems and difficulties which arise from cross-boundary issues.
- 4) Seeking input from adjoining councils when a resource consent application is received which may affect them.
- 5) Using joint hearings where consent under the Act is required from more than one authority.
- 6) Having representatives of another district on the Manawatu District Council Hearings Committee where a land use application will have a significant effect on the residents of that district.
- 7) Delegating responsibility for plan administration, to put management in the hands of one authority.
- 8) Acting as a liaison point for the public with the Regional Council.

Policy Development

The Manawatu District Plan is currently undergoing a review. The current district plan became operative on 1 December 2002. As the majority of the district plan is almost 10 years old, there is a legal requirement to review the plan. The council is following a whole of plan review process, with the intention that a draft plan be prepared by mid 2011.

In 2005 the council prepared an urban growth strategy for Feilding which identified six areas around the perimeter of the town that could be developed for residential purposes. These six areas are to be developed over a 50 year period, re-zoned in stages for around 400-500 sections at a time.

As discussed above in relation to rural-residential development, a range of nodal areas for rural-residential development have also recently been identified.

6.2.6 Discussion

The review of the two plans highlights a number of differences in relation to resource management.

With regard to business development and expansion of the north-east industrial area, an approach similar to that of Bay of Plenty could be explored further, where the North-East business area is expanded into the Manawatu District area, with that plan amended so that specific provisions for the new area refer to the current North East Industrial Zone provisions of the city's district plan. Such a change is unlikely to require a major overhaul

of the Manawatu District Plan. There would need to be a transfer of powers in relation to administration of the provisions within the Manawatu part of the expanded zones. There is a question mark over the long term sustainability of this approach, with the potential for plan changes to see the initially linked management framework, diverge over time. It is also likely to be best suited to business areas, where consenting issues are often reasonably straight forward, compared to residential areas, where social and community values play a much larger role in plan administration.

While such an approach is likely to offer some short term advantages, it will not be able to manage longer-term issues associated with urban growth and development. Particular tensions between the two plans include those related to urban expansion, retail development and rural residential development.

In relation to urban development, the Palmerston North plan could be said to have a strong focus on containing the outward spread of the city, except in relation to business development, where the need for some expansion is acknowledged. The Manawatu plan has a more “accommodating” approach to the expansion of settlements within its districts. This difference is most stark in relation to policies on the protection of high class soils. The city has an explicit policy that urban development should be avoided in areas containing high class soils. Manawatu District could be said to have a “case-by-case” approach to whether high class soils should be urbanised. Horizons Regional Council, in a provisional determination report on part of the Proposed One Plan, has signaled its desire to provide some policy guidance on this issue. The Regional Council is proposing a policy framework that refers to “where practicable”, urban growth that results in the loss of class 1 and 2 versatile soils should be avoided. If such an objective becomes operative, then both the city and district will have to give effect to it.

Over time, it is possible that this difference will see city-based growth pressures being displaced from the city boundary to other parts of the district, particularly if proposals to accommodate more growth within the city through infill and redevelopment become difficult to implement, in comparison to urban growth within the district.

In respect of retail development, proposals for a rural ring road raise issues as to commercial land use activities being attracted to the route because of the accessibility offered by it. This may particularly be so for retail-type developments. While both plans contain some policies that could be used to counter such developments, the Manawatu plan’s framework is less developed than that of the city’s. Again this may create an incentive for such developments to seek locations in the district, rather than within the city.

Further differences relate to rural-residential developments, particularly on the border between the city and district. It is understood that the Regional Council has voiced concerns about the sustainability of reliance on on-site servicing for such activities, and the possible need for community-based wastewater treatment systems for rural residential areas. Effectively this could lead, over time, to a range of new settlement clusters emerging with attendant infrastructure needs.

Neither plan contains a comprehensive statement of how these issues are to be managed. On the positive side, the common timeframes for the review processes provide the opportunities for this to occur, should a cross-boundary planning approach be followed. However there would be the need for an agreed growth strategy to be

developed. This would not be a simple or quick exercise, and so district plan review processes will be lengthened.

6.2.7 Conclusions

The review of cross-boundary planning frameworks indicates that:

- There are a number of avenues for councils to address cross-boundary issues within district plans. This includes acknowledging cross-boundary issues within objectives and policies and setting in place processes to deal with cross-boundary applications in an integrated way; to plans having the same zone for a growth area that straddle a boundary with administration of this zone transferred to one of the councils; to joint plans, either for part or whole of a district.
- A transfer of district planning powers between the two councils for a nominated growth area has the ability to reduce concerns about inconsistent administration. However there are limitations to a “transfer of powers” type approach, both in terms of time (longevity) as well as in terms of the types of land uses that may be best managed in this way.
- Generally in relation to urban growth and development, district plans are re-introducing strategic-level objectives, policies and methods that provide direction over the future location and timing of urban growth. These frameworks flow from planning exercises that set the longer term picture and provide a crucial link to infrastructure provision
- A key aspect of future growth planning and the development is the identification of major infrastructure projects that will be required to meet the needs of future urban populations. By placing these key infrastructure projects on a timeline, a sense of timing for the provision of additional areas of land will become apparent. This is similar to the experience in Hamilton and the Bay of Plenty, where growth areas are to be bought forward in line with key infrastructure projects to allow for coordinated and planned growth
- This has then led to Regional Policy Statements taking a stronger line on where urban growth should occur, and district plans having a more sophisticated frameworks for managing the land use change process (in terms of timing, sequencing and design of new development). This would require improved coordination and collaboration between the Regional Council and PNCC/MDC on planning matters
- At the same time, district plans are increasingly becoming area-based rather than zone-based, that is rather than have broad zones that cover generic land use types, plans are increasingly organised around distinct geographic areas that may contain a variety of land uses within them
- Generally, where growth is likely to spill across an administrative boundary, then the councils involved have jointly worked on area-based strategies to determine the overall form and layout of development and then agreed a process whereby, in the longer term, the relevant land transfers from one to the other. There are interim steps that can be taken, such as the transfer of powers, as well as the possibility of a joint plan for that part of the respective districts involved.

In relation to the District Plans for PNCC / MDC:

- The plans have different approaches to resource management, but this is not an inherent flaw in terms of developing a common (or even combined) approach. This is particularly so with district plans increasingly becoming more area-based and an “area-based” philosophy could be pursued for the North East Industrial Zone
- The two plans are being reviewed at the same time, so at a simple level there are options in terms of better acknowledging cross-boundary issues, such as each plan having a common statement as to what cross-boundary issues exist and how cross boundary issues are to be addressed. For example this could refer to co-operation in the consideration of plan changes for activities or new zones that may affect both areas, and recognition that some effects will cross boundaries and need to be considered on a sub regional scale. This may help to better manage some cross-boundary issues, but such provisions make explicit what often happens in practice
- A more substantial “integration” of the two plans’ approaches to cross-boundary issues like urban growth, rural-residential development and out-of-centre retail development will require significant policy development work between the two councils, and would benefit from an agreed sub regional strategy
- This would inevitably lengthen the review process but is likely to result in a more robust outcome in the longer term
- As part of the review process, the options of a joint plan for all or part of the two areas should be explored, even if this is only to the extent of addressing the requirement in Section 80 that such options be “considered”. The other option would involve the same provisions within the respective plans applying to a zone that crosses the boundary, with administration of that zone transferred to one of the councils to ensure consistent administration.

6.3 Financial impacts

6.3.1 Introduction

This paper outlines the impact of the financial implications from the 4 options considered – cross boundary servicing, boundary change option 1, boundary change option 2 and amalgamation.

In this analysis it is assumed that the same level of service delivery will be provided, although it is recognised the method of service delivery may be altered.

Cross Boundary Servicing

The financial implication of the cross boundary servicing is based on the assumption that each council will charge the other council for the services provided.

Boundary Changes

The financial implications of the boundary changes options are considered in terms of the net impact of the change on both Palmerston North City Council and Manawatu District Council. To determine this net impact we have identified:

- the potential revenue that is generated from the associated land area
- the cost to provide services to the associated land area by Palmerston North City Council
- the reduction in cost to Manawatu District Council by ceasing to provide services
- the impact on other shared service contracts Manawatu District Council may have with neighbouring councils

Amalgamation

The financial impact of amalgamation is considered by determining the marginal change in the combined budgets. However it is difficult to estimate the costs or savings that would arise under an amalgamation with any certainty without first establishing what an amalgamated council would look like, how its services would be provided, where and by whom.

Approach

Discussions have been held with MDC to assess the impact on the delivery of services of the transfer of properties from MDC to PNCC, both in the affected areas and the wider district. We then held corresponding discussions with PNCC to determine the impact on their resource requirements of providing services to the additional area and properties.

The properties that would be transferred under the boundary change options were identified by MDC and the potential rate revenue attached to those properties has been calculated.

Fees and charges and other revenue associated with the land to be transferred have been estimated based on information provided by MDC.

6.3.2 Background information

The activities of Manawatu District Council are as shown below:

Figure 6-2 Manawatu Activities

Based on 2009/10 forecast
(000)'s

		Expenditure	Funding					Surplus/ (Deficit)	Capital Program
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other		
Community Facilities	Cemeteries	272	0	193	1	78		0	5
	Public Conveniences	155		155				0	
Democracy	Democracy and Policy Development	1211		1211				0	
District Development	Community Funding and Development	1108	928			4	242	66	532
	Economic Development	932	932					0	
	Feilding CBD Redevelopment	192	232					40	
Emergency Management	Civil Defence	176		167	9			0	21
	Rural Fire	124	124					0	
Environmental & Regulatory Management	Animal Control	385		76		309		0	1,042
	Building Control	1355	181	608		566		0	
	Environmental Health	663	135	448	33	43		-4	
	Liquor Licensing	75	8	25		42		0	
	District Planning	615	124	318	0	173		0	
Leisure Resources	Libraries and Archives	1120		1068		56		4	1,042
	Local Halls and Recreation Complexes	794		171		2		-621	
	Makino Aquatic Centre	1295		963		339		7	
	Parks, Reserves and Sportsgrounds	1905		1698	200	48		41	
Roading Network	Roading Network	11250		6422		10186		5358	15738
Waste	Solid Waste	1527		1141		380		-6	4389
	Wastewater	3474		2595	194	657		-28	
Water	Stormwater	763	160	621	195			213	7866
	Water Supply	3217		2926	2579	194		2482	
Total		32608	2824	20806	3211	13077	242	7552	29593

The activities of PNCC are as shown below:

Figure 6-3 Palmerston North activities

Based on 2009/10 forecast (000)'s		Expenditure	Funding					Surplus/ (Deficit)	Capital Program
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other		
Community Support	Cemeteries	849	382			525		58	221
	Civil Defense	543	523			20		0	
	Community Development	2045	1979			89	789	812	1144
	Housing	1641	227			981	240	-193	560
Leadship	Councillor Leadership and Decision Making	2509	2480			15		-14	
	Direction Setting	3314	3144			166		-4	
Economic Development	Economic Development	4689	3158			1384		-147	137
Leisure	Arts and Culture	5889	4601			0	981	-307	2811
	City Libraries	7948	7486			662		200	1010
	Parks and Recreation	15319	10941			1598	1229	-1551	4360
Environmental Sustainability and Health	Regulatory	7965	3906			3859		-200	23376
	Roading and Parking	21406	10418			6724	6299	2035	12205
	Rubbish and Recycling	5797	3714			1930		-153	3614
	Stormwater	3436	3266			0	11	-159	1242
	Wastewater	6577	4185			1846	132	-414	1560
	Water	6252	5587			1650	139	1124	4455
Support Services	Commercial or Strategic Investments	8447	-2970			11138	38	-241	4302
	Corporate Support	0	0			0	5762	5762	1294
	Customer Services	0	0			0		0	
Total		104626	63027	0	0	32587	15620	6608	62291

6.3.3 Cross boundary servicing

It is assumed that under cross boundary servicing, the council providing the service will receive fair compensation based on a cost recovery basis by the council who collects the funding for the activity.

One of the issues that will need to be addressed is the determination of the fair “cost recovery” as it should include full cost including corporate overhead and internal resource charges, such as fleet and plant and equipment, as well as the direct cost of the work undertaken. We also note that principle 6 of the council’s 9 principles for cross boundary servicing states that

6. That the two Councils explore and agree on funding mechanisms for determining:
 - b. Charges for the services to:
 - i. Cover the actual cost of the services
 - ii. Provide a return on investment to Palmerston North City Council

Issues relating to the levying and use of development contributions for services provided within MDC by PNCC are addressed in a separate discussion paper relating to process and implementation issues. However this only addresses the development contributions for services but not wider funding issues such as transport where road upgrades are required as a result of growth in the neighbouring authority. Such issues arise whether the growth is in PNCC and roads need to be upgraded in MDC or the growth occurs in MDC and roads in PNCC need to be upgraded.

6.3.4 Boundary change option 1

Impact on MDC

Rate Revenue

With this option, approximately 312 properties, with a capital value of \$222 million, generating a total of \$538,411 (excluding GST) rates revenue will be transferred.

These rates represent

- 1.7% of the General rate, Libraries and Archives Rate, Makino Aquatic Centre Rate, and targeted rates for activity delivery (\$216,240)
- 3% of the roading rate (\$198,171)
- 100% of the Longburn wastewater, water and stormwater rates (\$124,000)

Operating Revenue

The transfer of the properties will reduce MDC fees and charges revenue by \$66,000. This consists of:

- \$46,000 in animal control fees and fines. Due to the density of the life style blocks this represents 15% of the total animal control revenue collected by MDC
- \$7,000 in building control fees and charges from properties in the transferred area
- \$2,000 in liquor licensing fees and charges from venues in the transferred area
- \$11,000 in waste collection charges to properties in the transferred area

Operating Expenditure

There is limited opportunity to reduce the expenditure in line with the revenue reduction as the small number of properties affected limits the ability of MDC to reduce the resources required to provide services to the wider Manawatu district.

Changes in the operating expenditure are:

- \$25,000 saving by the reduction in cost to service the community committee of Longburn
- \$25,000 saving in the Environmental Health activity as MDC has issue with properties on the urban/rural fringe where urban rubbish is dumped in the rural district. The area transferred will then move the issue to inside the PNCC boundary
- \$3,000 saving from the transfer of the Longburn Hall
- \$5,000 saving from the transfer of the parks contract for Longburn
- \$166,000 estimated reduction on contract cost for roading based on the length of road transferred associated to the transferred area
- \$14,000 saving from the reduction in the contract cost for the collection of solid waste from properties in the transferred area
- \$124,000 saving in the costs associated with Longburn wastewater, stormwater and water schemes that are funded by targeted rates

Capital

It is assumed there is no impact in terms of capital projects excluding the Longburn water, wastewater and stormwater. The schemes are considered to be self funding and any further capital requirements should be recovered from the scheme participants.

Net Impact

Rate Revenue	\$538,000 decrease
Other Revenue	\$66,000 decrease
Expenditure	\$362,000 decrease
Net Impact	\$242,000 negative impact where the reduction in revenue is not offset by reduction in costs

This impact gives a net effect of a shortfall of \$242,000 for MDC. The bulk of this negative impact arises from lost revenue where the corresponding costs cannot be reduced at same level (\$210,000). Additionally the loss of the roading rates generated from within the transferred area is greater than the spending on roading in that area (\$32,000).

To recover this shortfall MDC would need to increase rates to all other ratepayers in the district. This shortfall would equate to a just over a 1% rate increase to all remaining ratepayers in the district.

Impact on PNCC

Rate Revenue

If the properties had the existing PNCC rural rates applied, they would generate approximately \$361,652 in UAGC and general rates. This is less than the rates generated under the MDC rating structure of \$414,411.

It is assumed the Longburn targeted rates will be adopted by PNCC and therefore collected at the same level of \$124,000.

Operating Revenue

It is assumed that the fees and charges revenue of \$66,000 will be collected on a similar basis at a similar level.

Operating Expenditure

It is assumed that the operating costs of the delivery of services to the properties in the area affected by boundary change option 1 would be at a similar level as the existing MDC cost and could be accommodated within the current resources of PNCC or by external service delivery arrangements that will be transferred to PNCC.

Net Impact

For PNCC, the impact will be positive as the additional rating revenue is greater than the associated increase in costs, and can be used to subsidise all other ratepayers.

Rate Revenue	
\$361,000 UAGC and general rate plus \$124,000 Longburn targeted rates	\$485,000 increase
Other Revenue	\$66,000 increase
Expenditure	
(\$238,000 roading & other, \$124,000 Longburn water, wastewater & stormwater)	\$362,000 increase
Net Impact	\$189,000 positive impact where the additional revenue will exceed the additional costs

6.3.5 Boundary change option 2

Impact on MDC

Rate Revenue

With this option approximately 1,156 properties, with a capital value of \$817 million, generating a total of \$1,699,600 (excluding GST) rates revenue will be transferred.

These rates represent:

- 6% of the general rate, libraries and archives rate, Makino Aquatic Centre Rate, and targeted rates for activity delivery (\$796,586)
- 9% of the roading rate (\$601,299)
- 100% of the Longburn wastewater, water and stormwater rates (\$124,000)
- 100% of the Bunnythorpe wastewater and stormwater rates and water rates (\$190,669).

It is assumed the grant held in reserve for the Bunnythorpe hall redevelopment will be transferred with the asset.

Operating Revenue

The transfer of the properties will reduce MDC fee and charges revenue by \$249,000. This consists of:

- \$92,000 in animal control fees and fines. Due to the density of the life style blocks this represents 30% of the total animal control revenue collected by MDC
- \$115,000 in building control fees and charges from properties in the transferred area

- \$2,000 in liquor licensing fees and charges from venues in the transferred area
- \$40,000 in waste collection charges to properties in the transferred area and the Bunnythorpe transfer station

Operating Expenditure

The opportunity to reduce the expenditure in line with the revenue reduction is constrained as services still need to be provided to the remainder district and the ability to reduce contracts or the number of internal staff is limited.

Changes in the operating expenditure are:

- \$5,000 saving from the cleaning and maintenance of the Bunnythorpe public toilets
- \$50,000 saving by the reduction in cost to service the community committees of Longburn and Bunnythorpe
- \$50,000 saving by the possible reduction in councillor numbers resulting from the reduced size of the remaining district
- \$50,000 reduction of 0.5 of an FTE plus associated costs in the Building Control activity due to lower number of transactions to be processed. Note this function is currently performed under contract by PNCC
- \$25,000 saving in the Environmental Health activity as MDC has issue with properties on the urban/rural fringe where urban rubbish is dumped in the rural district. The area transferred will then move the issue to inside the PNCC boundary
- \$10,000 saving from the transfer of the Longburn Hall, Bunnythorpe Hall, Kairanga Hall and the Pony club land
- \$18,000 saving from the transfer of the parks contract for Longburn and Bunnythorpe
- \$926,000 estimated reduction on contract cost for roading based on the length of road transferred associated to the transferred area
- \$92,000 saving from the reduction in the contract cost for the collection of solid waste from properties in the transferred area and the operation of the Bunnythorpe transfer station
- \$303,000 saving in the costs associated Longburn wastewater and stormwater and water schemes that are funded by the targeted rates

Capital

It is assumed the Longburn and Bunnythorpe water, wastewater and stormwater schemes are self funding and any further capital requirements should be recovered from the scheme participants.

Funds for the renewal of the Bunnythorpe hall are held in a capital reserve and will be transferred with the asset.

Net Impact

Rate Revenue	\$1,711,000 decrease
Other Revenue	\$249,000 decrease
Expenditure	\$1,529,000 decrease
Net Impact	\$431,000 negative impact where the reduction in revenue is not offset by reduction in costs

As with boundary change option 1, it is perceived that there is limited opportunity for MDC to reduce their expenditure in line with the revenue reduction as the services still need to be provided to the remaining district.

The hidden impact that is difficult to assess, is the impact on overall organisational performance as MDC will need to continue to provide services with less income. This will further stretch the ability to respond to increased community and legislative demands.

To recover this shortfall MDC would need to increase rates to all other ratepayers in the district. This shortfall would equate to just over a 2% rate increase to all remaining ratepayers in the district.

Impact on PNCC

Rate Revenue

If the properties had the existing PNCC rural rates applied, they would generate approximately \$1,135,376 in UAGC and general rates. This is slightly less than that generated under the MDC rating structure of \$1,376,397.

It is assumed the Longburn and Bunnythorpe targeted rates will be adopted by PNCC and therefore collected at the same level.

Operating Revenue

It is assumed that the fee and charges revenue of \$249,000 will be collected on a similar basis at a similar level.

Operating Expenditure

It is assumed that the operating costs of the delivery of services to the properties in the area affected by boundary change option 2 would be at a similar level as the existing MDC cost and could be accommodated within the current resources of PNCC or by external service delivery arrangements that will be transferred to PNCC.

Water and wastewater are currently provided to Bunnythorpe through the MDC network. Although under boundary change option 2 it would be technically feasible to pump wastewater to Palmerston North (4km) rather than Feilding (8km) and reduce operating costs by approximately \$30,000. The capital costs of approximately \$500,000 make such a change unlikely. We have therefore assumed that water and wastewater services would continue to be provided to Bunnythorpe by MDC and that PNCC would pay a service charge for the cross boundary servicing of Bunnythorpe.

Net Impact

For PNCC, the impact will be positive as the additional rating revenue is greater than the associated increase in costs, and can be used to subsidise all other ratepayers.

Rate Revenue \$1,135,000 UAGC and general rate plus \$315,000 Longburn and Bunnythorpe targeted rates	\$1,450,000 increase
Other Revenue	\$249,000 increase
Expenditure (\$1,259,000 roading and other, \$303,000 Longburn and Bunnythorpe water, wastewater and stormwater)	\$1,562,000 increase
Net Impact	\$137,000 positive impact where the additional revenue will exceed the additional costs

The net impact on PNCC of boundary change option 2 is less positive than boundary change option 1. Given that the net impact on MDC of boundary change option 2 is greater than boundary change option 1 this may be considered surprising. However, the larger area of land transferred to PNCC under boundary change option 2 transfers greater costs to PNCC which, as shown in Figure 6-5, are not as balanced by increased revenue as in boundary change option 1.

6.3.6 AMALGAMATION

Impact on MDC

Rate Revenue

The rating structure for an amalgamated council would need to be determined under a new rating policy, which itself would be part of a new revenue and financing policy. It would not be appropriate or likely to meet the LGA requirements just to apply one district's rating structure to another district. It is noted that during a transitional period, the two revenue and funding policies can continue to be applied.

It is assumed that the rates under any new revenue and funding policy will be set so the rate revenue requirement is at a level that is sufficient to meet the cost of the service provision. The application of the rates across the sectors of the community would be determined by the application of the considerations required under the Local Government Act.

The two districts use different rating bases – MDC capital value and PNCC land value. Past reviews by a range of councils considering a change in rating base have identified that the change will shift the rating incidence typically from one sector to another. Dependant on the basis adopted under a new revenue and funding policy, the affect on the ratepayer will not only be the changed amount of rates they are required to pay but will also be the incidence of rates they will pay relative to other sectors.

This shifting of burden often provides additional confusion to the ratepayers in being able to determine what the impact of the amalgamation will be on their rates.

Operating Revenue

The operating revenue would be expected to remain at a similar level with adjustments arising from the alignment of the fees and charges across both districts.

Operating Expenditure

Although the region would be larger, the provision of service to a large and predominately rural region would require the continuation of specific service delivery. The nature of service delivery to a rural based district will provide different challenges to those that are incurred with providing services to a small, predominately urban district e.g. the management of coastal areas and this may require changes to the current PNCC approach.

It is envisaged that there will be staff savings with the combination of service delivery units and the reduction in management level staff, however the number of staff for service delivery will be retained at the same level.

Similarly in relation to support services (finance, information technology, human resources), there will be the possibility to reduce the number of manager positions.

In other areas such as policy development, additional resources may be required to address the requirements to produce new “whole of region” documents and policies.

Net Impact

The net impact will be that rates will be set at a level to fund the expenditure requirements. In our experience, even with reduced management staff and efficiency gains in service delivery, it is unlikely that the net expenditure, and therefore rate revenue required from the ratepayer, will reduce below the current level incurred by the ratepayer.

Figure 6-4 Financial impacts of boundary change options on MDC

Based on 2009/10 forecast (000)'s		Expenditure		Funding				Surplus/ (Deficit)	Capital Program	Option 1 Impact on MDC				
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other			Rates (-ve = decrease)	Other Revenue (-ve = decrease)	Expenditure (+ = increase)	Net Impact (- = decrease in revenue/increase in costs)	Commentary
Community Facilities	Cemeteries	272	0	193	1	78		0		-5		0	-5	No impact as there is no cemetery at Longburn
	Public Conveniences	155		155				0	5	-4			-4	
Democracy	Democracy and Policy Development	1211		1211				0		-76		-25	-51	Potential reduction in costs as currently provide support servicing provided to community committees in Longburn - Estimated at \$25,000 per year
District Development	Community Funding and Development	1108	928				4	242	66	0		0	0	No change as majority of support provided to community organizations based in Fielding
	Economic Development	932	932						0	0		0	0	No change as programs support the wider community and will not be impacted by the properties transferred
	Fielding CBD Redevelopment	192	232						40	-3		0	-3	No change as Fielding CBD is not in the boundary change area
Emergency Management	Civil Defense	176		167		9			0	-4		0	-4	No impact as the reduction in area will not reduce the expenditure required to support the wider district
	Rural Fire	124	124						0	0		0	0	No impact as the reduction in area will not reduce the expenditure required to support the wider district
Environmental & Regulatory Management	Animal Control	385		76			309		0	-2	-46	0	-48	Revenue from user charges will decrease it is estimated that 15% of revenue will be lost. Expenditure will not reduce as the current contract covers all the district for a range of services that will not be impacted by reduced area.
	Building Control	1355	181	608			566		0		-7		-7	It is not expected that there will be a reduction in staff as majority of applications lost relate to Fonterra applications.
	Environmental Health	663	135	448	33	43			-4	-23		-25	2	Some reduction costs as PNCC residents dump rubbish across boundary. However limited licensed premises/food premises in area being transferred.
	Liquor Licensing	75	8	25			42		0		-2	0	-2	Minor impact on revenue and no impact on resources required for service delivery
	District Planning	615	124	318	0	173			0	-10			-10	No impact as staff resources will remain at the same level
Leisure Resources	Libraries and Archives	1120		1068			56		4	-19			-19	No impact as service delivery will remain the same and users will not be impacted by boundary change. No branch library in the affected area
	Local Halls and Recreation Complexes	794		171			2		-621	-4		-3	-1	Longburn hall will be transferred
	Makino Aquatic Centre	1295		963			339		7	-17			-17	No impact as service delivery will remain the same and users will not be impacted by boundary change. Further capital program will continue
	Parks, Reserves and Sportsgrounds	1905		1698	200	48			41	-29		-5	-24	Reduction in parks contract for Longburn - \$5,000
Roading Network	Roading Network	11250		6422			10186		5358	-198		-166	-32	Work performed under contract. Reduction in expenditure of \$166,200.
Waste	Solid Waste	1527		1141			380		-6	-20	-11	-14	-17	Loss of revenue from fees & charges and corresponding reduction in collection costs
	Wastewater	3474		2595	194	657			-28	-85		-85	0	Cost of specific schemes transferred in line with targeted rate revenue
Water	Stormwater	763	160	621	195				213	-7		-7	0	Cost of specific schemes transferred in line with targeted rate revenue
	Water Supply	3217		2926	2579	194			2482	-32		-32	0	Cost of specific schemes transferred in line with targeted rate revenue
Total		32608	2824	20806	3211	13077	242	7552	29593	-538	-66	-362	-242	

Based on 2009/10 forecast (000)'s		Expenditure		Funding				Surplus/ (Deficit)	Capital Program	Option 2 Impact on MDC				
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other			Rates (-ve = decrease)	Other Revenue (-ve = decrease)	Expenditure (+ = increase)	Net Impact (- = decrease in revenue/increase in costs)	Commentary
Community Facilities	Cemeteries	272	0	193	1	78		0		-17		0	-17	No impact as there is no cemetery at Longburn and Bunnythorpe cemetery managed by community
	Public Conveniences	155		155				0	5	-13		-5	-8	Maintenance of toilets at Bunnythorpe \$5,000
Democracy	Democracy and Policy Development	1211		1211				0		-281		-100	-181	Potential reduction in costs as currently provide support servicing provided to community committees in Longburn and Bunnythorpe - Estimated at \$50,000 per year. Possible reduction in Councillor numbers - estimate \$50,000.
District Development	Community Funding and Development	1108	928				4	242	66	0		0	0	No change as majority of support provided to community organisation based in Fielding
	Economic Development	932	932						0	0		0	0	No change as programs support the wider community and will not be impacted by the properties transferred
	Fielding CBD Redevelopment	192	232						40	-10		0	-10	No change as Fielding CBD is not in the boundary change area
Emergency Management	Civil Defense	176		167		9			0	-14		0	-14	no change in costs as services whole of region
	Rural Fire	124	124						0	0		0	0	no change in costs as services whole of region
Environmental & Regulatory Management	Animal Control	385		76			309		0	-6	-92	0	-98	Revenue from user charges will decrease it is estimated that 30% of revenue will be lost. Expenditure will not reduce as the current contract covers all the district for a range of services that will not be impacted by reduced area.
	Building Control	1355	181	608			566		0	0	-115	-50	-65	Estimated that will lose 9% of the revenue = \$115. It may be possible to lose 0.5 of a FTE as processing performed under contract by PNCC.
	Environmental Health	663	135	448	33	43			-4	-86		-25	-61	Some reduction costs as PNCC residents dump rubbish across boundary. However limited licensed premises/food premises in area being transferred.
	Liquor Licensing	75	8	25			42		0		-2		-2	Minor impact on revenue and no impact on resources required for service delivery
	District Planning	615	124	318	0	173			0	-37			-37	No impact as staff resources will remain at the same level
Leisure Resources	Libraries and Archives	1120		1068			56		4	-70			-70	No impact as service delivery will remain the same and users will not be impacted by boundary change. No branch libraries in affected areas.
	Local Halls and Recreation Complexes	794		171			2		-621	-15		-10	-5	Bunnythorpe Hall, Pony club land, Kairanga Hall and Longburn Hall will be transferred
	Makino Aquatic Centre	1295		963			339		7	-64			-64	No impact as service delivery will remain the same and users will not be impacted by boundary change. Future capital program will continue.
	Parks, Reserves and Sportsgrounds	1905		1698	200	48			41	-108		-18	-90	Reduction in parks contract for Longburn - \$5,000, Bunnythorpe \$8,000, other parks
Roading Network	Roading Network	11250		6422			10186		5358	-600		-926	326	Work performed under contract. Reduction in expenditure of \$926,000.
Waste	Solid Waste	1527		1141			380		-6	-75	-40	-92	-23	Loss of revenue from fees & charges and corresponding reduction in collection costs, and Bunnythorpe TS
	Wastewater	3474		2595	194	657			-28	-171		-170	-1	Cost of specific schemes transferred in line with targeted rate revenue. Assume this includes the funds for the long repayment.
Water	Stormwater	763	160	621	195				213	-37		-38	1	Cost of specific schemes transferred in line with targeted rate revenue
	Water Supply	3217		2926	2579	194			2482	-107		-95	-12	Cost of specific schemes transferred in line with targeted rate revenue
Total		32608	2824	20806	3211	13077	242	7552	29593	-1711	-249	-1529	-431	

Figure 6-5 Financial impacts of boundary change options on PNCC

Based on 2009/10 forecast (000)'s		Expenditure		Funding				Surplus/ (Deficit)	Capital Program	Option 1 Impact on PNCC				Commentary
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other			Rates (-ve = decrease)	Other Revenue (-ve = decrease)	Expenditure (+ = increase)	Net Impact (- = decrease in revenue/increase in costs)	
Community Support	Cemeteries	849	382			525		58	221				0	
	Civil Defense	543	523			20		0					0	
	Community Development	2045	1979			89	789	812	1144		3		-3	Longburn Hall
	Housing	1641	227			981	240	-193	560				0	
Leadship	Councillor Leadership and Decision Making	2509	2480			15		-14			25		-25	Longburn community committee
	Direction Setting	3314	3144			166		-4					0	
Economic Development	Economic Development	4689	3158			1384		-147	137				0	
Leisure	Arts and Culture	5889	4601			0	981	-307	2811				0	
	City Libraries	7948	7486			662		200	1010				0	
	Parks and Recreation	15319	10941			1598	1229	-1551	4360		5		-5	park contract Longburn
Environmental Sustainability and Health	Regulatory	7965	3906			3859		-200	23376		55	25	30	animal control \$46,000 building control \$7,000 liquor licensing \$2,000 dumped rubbish collection costs \$25,000
	Roading and Parking	21406	10418			6724	6299	2035	12205		0	166	-166	roading contract
	Rubbish and Recycling	5797	3714			1930		-153	3614		11	14	-3	rubbish collection costs and fees
	Stormwater	3436	3266			0	11	-159	1242		7	7	0	Longburn
	Wastewater	6577	4185			1846	132	-414	1560		85	85	0	Longburn
	Water	6252	5587			1650	139	1124	4455		32	32	0	Longburn
Support Services	Commercial or Strategic Investments	8447	-2970			11138	38	-241	4302				0	
	Corporate Support	0	0			0	5762	5762	1294				0	
	Customer Services	0	0			0		0			361		361	
Total		104626	63027	0	0	32587	15620	6608	62291	485	66	362	189	
Based on 2009/10 forecast (000)'s		Expenditure		Funding				Surplus/ (Deficit)	Capital Program	Option 2 Impact on PNCC				Commentary
Activity	Sub-activity	Operating Expenditure	General Rate	Targeted Rate	Subsidies & Grants	User Fees & Charges	Other			Rates (-ve = decrease)	Other Revenue (-ve = decrease)	Expenditure (+ = increase)	Net Impact (- = decrease in revenue/increase in costs)	
Community Support	Cemeteries	849	382			525		58	221				0	
	Civil Defense	543	523			20		0					0	
	Community Development	2045	1979			89	789	812	1144		10		-10	Longburn Hall, Bunnythorpe Hall, Kairanga Hall, Pony Club
	Housing	1641	227			981	240	-193	560				0	
Leadship	Councillor Leadership and Decision Making	2509	2480			15		-14			100		-100	Longburn & Bunnythorpe community committee, Councillor
	Direction Setting	3314	3144			166		-4					0	
Economic Development	Economic Development	4689	3158			1384		-147	137				0	
Leisure	Arts and Culture	5889	4601			0	981	-307	2811				0	
	City Libraries	7948	7486			662		200	1010				0	
	Parks and Recreation	15319	10941			1598	1229	-1551	4360		23		-23	park contract Longburn and Bunnythorpe, toilets at Bunnythorpe
Environmental Sustainability and Health	Regulatory	7965	3906			3859		-200	23376		209	75	134	animal control \$92,000 building control \$115,000 liquor licensing \$2,000 dumped rubbish collection costs \$25,000 staff 0.5 FTE
	Roading and Parking	21406	10418			6724	6299	2035	12205		0	926	-926	roading contract
	Rubbish and Recycling	5797	3714			1930		-153	3614		40	92	-52	rubbish collection costs and fees
	Stormwater	3436	3266			0	11	-159	1242		37	38	-1	Longburn and Bunnythorpe
	Wastewater	6577	4185			1846	132	-414	1560		171	170	1	Longburn and Bunnythorpe
	Water	6252	5587			1650	139	1124	4455		107	95	12	Longburn and Bunnythorpe
Support Services	Commercial or Strategic Investments	8447	-2970			11138	38	-241	4302				0	
	Corporate Support	0	0			0	5762	5762	1294				0	
	Customer Services	0	0			0		0			1135	33	1102	Other corporate costs
Total		104626	63027	0	0	32587	15620	6608	62291	1450	249	1562	137	

Figure 6-6 Financial impacts of amalgamation

Based on 2009/10 forecast (000)'s		Expenditure			Funding			Amalgamation			Surplus/ (Deficit)	Commentary				
Activity	Sub-activity	MDC Operating Expenditure	PNCCC Expenditure	Total Expenditure	MDC Rates	PNCC Rates	Total Rates	MDC Other Income	PNCC Other Income	Total Other Income			Rates (-ve = decrease)	Other Revenue (-ve = decrease)	Expenditure (+ = increase)	Net Impact (- = decrease in revenue/increase in costs)
Community Facilities	Cemeteries	272	849	1121	193	382	575	79	525	604	58			0	No change in service delivery	
	Public Conveniences	155		155	155		155			0	0			0	No change in service delivery	
Democracy	Democracy and Policy Development / Direction Setting, Councillor Leadership and Decision Making	1211	5823	7034	1211	5624	6835		181	181	-18	0	-300	300	Possible reduction in costs for reduced councillors, LTCCP production, audit - estimated at \$300,000	
Corporate Alignment													1000	-1000	Service levels between the two districts will need to be defined and if required aligned. Estimated cost of this \$1,000,000	
District Development	Community Funding and Development	1108	2045	3153	928	1979	2907	246	878	1124	878		-100	100	Program of community development will be continued but cost to service/delivery by council may be absorbed into PNCC costs	
	Economic Development	932	4689	5621	932	3158	4090		1384	1384	-147			0	Programs will be reviewed to ensure provide a wider regional approach but it is not expected that the level of service delivery will reduce	
	Feilding CBD Redevelopment	192		192	232		232			0	40			0	No change as Feilding CBD is not in the boundary change area	
Emergency Management	Civil Defence	176	543	719	167	523	690	9	20	29	0			0		
	Rural Fire	124		124	124		124			0	0			0		
Environmental & Regulatory Management	Animal Control	385		385	76		76	309		309	0			0	No impact as services will continue to be provided under amalgamation	
	Building Control/Regulatory	1355	7965	9320	789	3906	4695	566	3859	4425	-200		-140	140	No impact as services performed under contract with PNCC. But reduction in TL and manager positions	
	Environmental Health / Housing	663	1641	2304	583	227	810	76	1221	1297	-197		0	0	No impact as services will continue to be provided under amalgamation	
	Liquor Licensing	75		75	33		33	42		42	0			0	No impact as services will continue to be provided under amalgamation	
	District Planning	615		615	442		442	173		173	0		-80	80	No impact as staff resources will remain at the same level. Reduction of TL role	
Leisure Resources	Libraries and Archives	1120	7948	9068	1068	7486	8554	56	662	718	204			0	No impact as service delivery will remain the same and reflect the local user needs.	
	Local Halls and Recreation Complexes/Arts and Culture	794	5889	6683	171	4601	4772	2	981	983	-928			0		
	Makino Aquatic Centre	1295		1295	963		963	339		339	7	20	-50	70	Service delivery will remain the same and opportunity to align pricing structures (MDC cheaper), share resources and staff, and use regional programs to improve service delivery across region. Future capital program will continue.	
	Parks, Reserves and Sportsgrounds	1905	15319	17224	1698	10941	12639	248	2827	3075	-1510			0	MDC and PNCC deploy different service delivery models - inhouse vs contracted out. Under amalgamation, regardless of service delivery model it is expected that costs will remain the similar.	
Roading Network	Roading Network	11250	21406	32656	6422	10418	16840	10186	13023	23209	7393			0	MDC and PNCC deploy different service delivery models - inhouse vs contracted out. Under amalgamation, regardless of service delivery model it is expected that costs will remain the similar.	
Waste	Solid Waste	1527	5797	7324	1141	3714	4855	380	1930	2310	-159			0		
	Wastewater	3474	6577	10051	2595	4185	6780	851	1978	2829	-442			0	No impact as services will continue to be provided under amalgamation	
Water	Stormwater	763	3436	4199	781	3266	4047	195	11	206	54			0	No impact as services will continue to be provided under amalgamation	
	Water Supply	3217	6252	9469	2926	5587	8513	2773	1789	4562	3606			0	No impact as services will continue to be provided under amalgamation	
Commerical or Strategic Investments			8447	8447		-2970	-2970		11176	11176	-241		0	0		
Corporate Support				0			0		5762	5762	5762		-500	500	Estimate reduction in support services	
Total		32608	104626	137234	23630	63027	86657	16530	48207	64737	14160	0	20	-170	190	

6.4 Communities of interest

6.4.1 Introduction

Background

This discussion paper is one of a series of background reports that are being prepared as part of a study into the best long term governance arrangements for the area currently administered by Palmerston North City Council and Manawatu District Council. Three options are being considered to better manage the on-going growth of the area, particularly the physical expansion of Palmerston North City, namely:

- Improved cross-boundary planning
- Boundary adjustment
- Amalgamation

This paper is part of phase 2 of the project. Phase 1 involved identification of the relevant issues and a confirmation of the options. Phase 1 identified that the way that communities of interest may be affected will be an important factor in the overall assessment of the amalgamation or boundary change options.

The Local Government Act 2002 contains specific procedures for dealing with proposals to alter boundaries between local authorities (Part 1-Sub part 3 of Schedule 3), and proposals to constitute, abolish and unite districts or regions (Part 1-Subpart 4 of Schedule 3).

In considering boundary changes, any Joint Committee (and the Local Government Commission in the case of any changes referred to it) and the Commission, when considering amalgamations, must be satisfied that the proposal will:

“contain within its district or region a sufficiently distinct community of interest or sufficiently distinct communities of interests.”¹⁷

For the boundary adjustment options, this criterion means that the new boundary line should not split a community of interest such that it will diminish the affected communities sense of involvement with the relevant council and/or make effective representation of their interest unlikely. This involves consideration of both the area to be transferred between the two authorities, as well as the residual area.

For the amalgamation option, the criterion recognises that an amalgamated city/district may cover a number of distinct communities of interest. The issue is whether or not these communities can be effectively represented. To determine this, there needs to be an understanding of the distinct communities and what their interests are. There are obvious difficulties for a future council in grouping together two or more communities of interest that share few commonalities of interest.

¹⁷ As set out in: Procedures for Changing the Structure of Local Government. Local Government Commission. Sourced from: http://www.lgc.govt.nz/lgcwebsite.nsf/wpg_URL/Guidelines-Procedures-for-Changing-the-Structure-of-Local-Government-Index!OpenDocument

Definition of a Community of Interest

The term ‘community of interest’ is not defined in any Act. It is a term that can mean different things to different people. The Local Government Commission has noted that “local communities are typically part of a hierarchy of communities of interest which at the higher levels may be seen to be regional, national and even global. Local communities of interest can be complementary to one another and overlapping, without totally merging into one another in order to not lose their unique identity”.

The Local Government Commission has guidelines on what may make up communities of interest¹⁸. The Commission describe communities of interest as follows:

The community of interest can often be identified by access to the goods and services needed for ordinary day-to-day living. Boundaries based on prominent physical characteristics of an area (e.g. rivers, principal roads, hill ridge lines) are likely to provide strong visual reminders for the residents of the community of interest and may assist in engendering feelings of belonging and empowerment. Another community of interest factor could be the rohe or takiwā area of tangata whenua.

A paper prepared for the South Australian Department of Local Government defined community of interest as a three-dimensional concept as follows:

- *perceptual: a sense of belonging to an area or locality which can be clearly identified*
- *functional: the ability to meet with reasonable economy the community’s requirements for comprehensive physical and human services*
- *political: the ability of the elected body to represent the interests and reconcile the conflicts of all its members.*

A particular community of interest can be defined in terms of the following characteristics:

a sense of community identity and belonging reinforced by:

- *similarities in the demographic, socio-economic and/or ethnic characteristics of the residents of a community*
- *similarities in economic or social activities*
- *physical and topographical features*
- *the history of the area*

dependence on shared facilities and services in an area, including:

- *schools, recreational and cultural facilities*
- *retail outlets*
- *transport and communication links*

¹⁸As set out in: Guidelines to assist local authorities in undertaking Representation reviews. Local Government Commission, 3rd Edition. Sourced from:
http://www.lgc.govt.nz/lgcwebsite.nsf/wpg_URL/Guidelines-Representation-Reviews-Index!OpenDocument.

Decisions relating to the representation of communities of interest (the political aspect) will need to take account of the extent that distinct geographical communities of interest can be identified i.e. a physical boundary is able to be defined below the district or region level for the community of interest.

While effective and fair representation of these communities is a different step from their identification, the criteria that apply to what constitutes effective and fair representation does affect how communities of interest are defined. The Commission notes that:

While what constitutes effective representation will be specific to each local authority area, the following factors should be considered to the extent possible: avoiding arrangements that may create barriers to participation, such as at elections, for example by:

- *not recognising residents' familiarity and identity with an area*
- *not splitting recognised communities of interest between electoral subdivisions*
- *not grouping together two or more communities of interest that share few commonalities of interest*

Determining Communities of Interest

The Local Government Commission Guidelines do not state what processes should be used to identify communities of interest. Recent determinations from the Commission have considered the following:

- a) Sense of identity with or belonging to a community based on:
 - geographical features (e.g. hills, rivers, landforms)
 - other features which are seen to form barriers between areas (e.g. arterial roads)
 - particular landmarks (e.g. significant buildings and monuments)
 - land use and settlement patterns including: urban and rural land use, residential and commercial use, particular growth or development areas, other particular uses (e.g. DoC land)
 - demographic characteristics including: socio-economic, ethnic and age characteristics of the local population
 - shared values tying a community together or commonly referred to characteristics associated with an area based on, for example, history, local culture, an articulated 'community vision', or the ways in which local residents articulate a sense of identity and/or emotional connection associated with 'their place'
- b) Ability to meet the need for (council and non-council) services:
 - catchments of council-provided services including: parks and reserves, community and recreational facilities such as libraries, swimming pools, community centres, council service centres, civil defence/emergency management centres, Citizens Advice Bureau

- infrastructure networks including: roads and the ‘three waters’
 - public transport networks
 - non-council provided services and social focal points including: shopping centres (‘village hubs’ rather than large regional malls), schools, places of worship and religious congregation, health centres, marae and other Maori and ethnic services, non-council recreational and sporting facilities and services
 - significant centres/locations of employment
- c) Political arrangements for representing and reconciling interests:
- existing community and local government boundaries including networks of resident/ratepayer associations, community board areas, territorial authority wards, regional council constituencies, local authority boundaries
 - central agency jurisdictions including public health organisations and DHBs, Police districts, Work and Income offices
 - iwi/hapū interests
 - parliamentary electorates

A variety of approaches have been used to determine communities of interest:

- In some cases, such as the successful Banks Peninsula amalgamation with Christchurch City, and the recent council-initiated study of local government in Northland¹⁹, background work was undertaken on communities of interest. The approach typically involved analysis of documents, such as current plans and policies as an expression of community values; an analysis of census and other data, such as on schooling and recreational patterns; as well as key informant interviews. As noted in the Banks Peninsula study (Communities of Interest in Banks Peninsula District by Taylor Baines²⁰):
“Statistically representative surveying of Banks Peninsula residents and businesses has not been feasible within the time and resource constraints; nor is it really justified, given the existing statistical sources”
- The 1997 Study of Local Government in Hawke’s Bay that preceded the formal Local Government Commission proposal to merge Napier City and Hastings District involved consideration of communities of interest as a key criterion. However the study did not appear to involve any detailed investigations or consultation in relation to communities of interest, with this left this to the formal reorganisation process. A possible criticism of this approach is that the limited analysis of communities of interest led to an underestimation of the extent to which part of the community placed more importance on effective local community involvement ahead of any wider regional economic benefits from amalgamation
- In other cases, particularly re-organisation schemes proposed by members of the community (such as Hurunui / Kaikoura), there had been little preparatory work and the Commission has relied upon the formal submission process to

¹⁹ Local Government Options for Northland Final Report, Peter McKinley, Feb 2010. Sourced from : <http://www.wdc.govt.nz/customerservice/?lc=docs&id=13963>

²⁰ Sourced from: http://www.lgc.govt.nz/lgcwebsite.nsf/wpg_URL/Proposals-Completed-Proposals-2005!OpenDocument.

elicit views about communities of interest, and the extent to which they might be affected by the proposed scheme

In short, the method used to determine communities of interest has not been a factor in re-organisation schemes proceeding into the Local Government Commission process. However, how communities of interest can be effectively represented is an important issue in the community's reaction to proposals and is something that the Local Government Commission place an emphasis on in any final Determination.

Approach

For the purposes of this study the focus has been on communities of interest within Manawatu District, given that the communities within this district will be the most affected by the boundary adjustment or amalgamation option. However, there needs to be some understanding of the community of interest in Palmerston North, from which comparisons can then be drawn.

In addition to the work that has already taken place as part of Phase I, the analysis of communities of interest has mostly involved background/desktop research and analysis of the following factors:

- Landscapes
- Transport routes
- Places of work
- Education
- Use of hospital and medical facilities
- Recreational, cultural and other community services and facilities
- Access to basic goods and services
- Voter turnout
- Participation in voluntary community activities

To help qualify and “flesh out” the data gathered from this analysis particularly that related to the perceptual dimension a number of key informant interviews were undertaken. These interviews did not seek to gain a representative community view but rather were used to help verify the analysis undertaken. Interviews were conducted with:

- District Health Board
- Sport Manawatu
- Manawatu Federated Farmers
- Feilding Promotion
- Manawatu Social Network co-ordinator
- Community Committee Chairs for Bunnythorpe, Longburn, Rangiwahia

In addition to these interviews, Palmerston North City circulated an email to an informal contact group of residents that they maintain, asking for their views as to how similar or different the communities of interest of Palmerston North City and Manawatu District are.

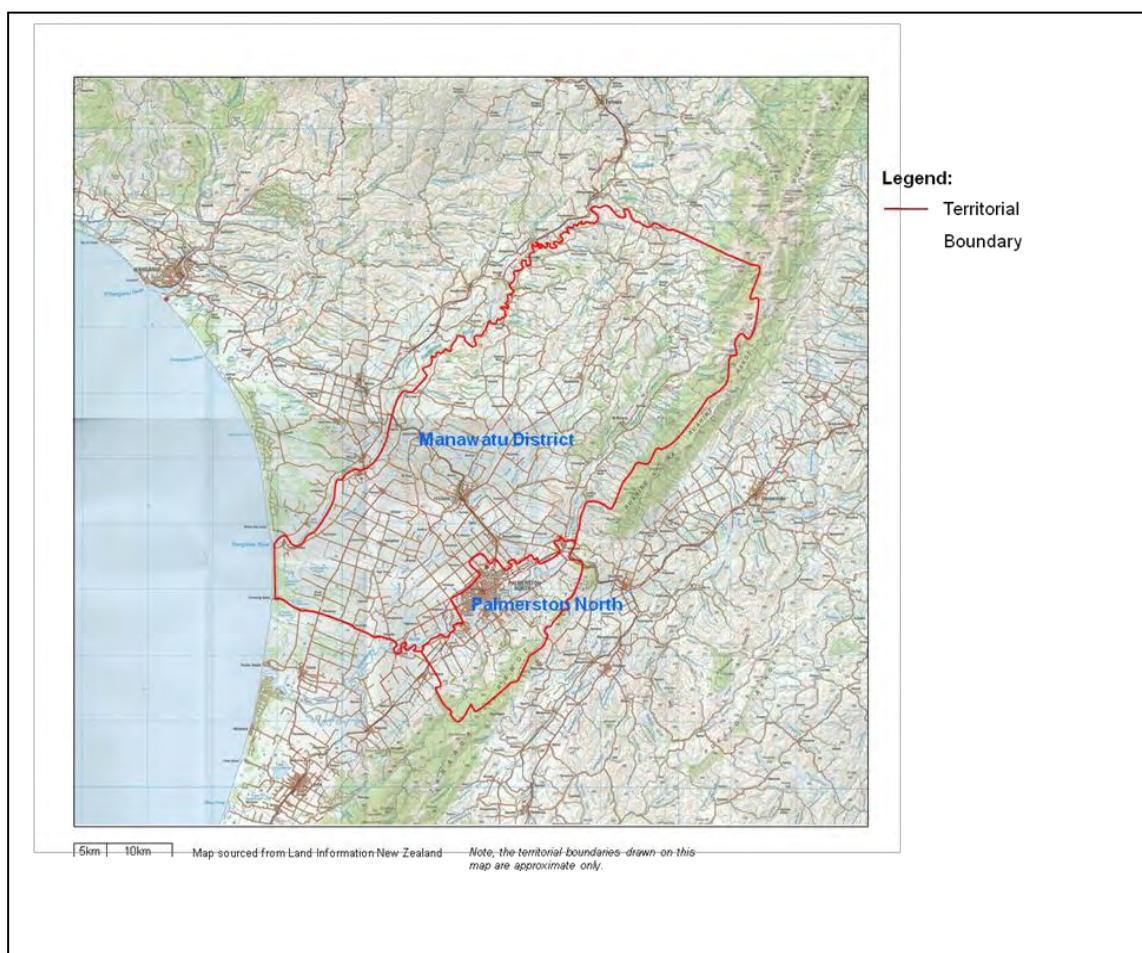
Overview of the City and District

The following section provides an overview of Manawatu District and Palmerston North City as a prelude to a more in-depth discussion of the main elements of communities of interest.

Sub Regional Context

Figure 6-7 shows the current boundaries of Palmerston North City and Manawatu District.

Figure 6-7 Current local authority boundaries



Manawatu District is a mid-sized district council in terms of population, and has a population density that reflects its rural make up. The 2006 census count of resident population was 28,143. The June 2009 population estimate places the population of the district at 29,500, with an annual average growth rate between 2006 and 2009 of 0.5%. The growth of the resident population is a reversal of the pattern between 1996 and 2001, when the district saw a small loss of population.

Palmerston North City is the country's 11th largest city, with a resident population count of 76,772 at the 2006 census. The most recent population estimates places the city's population at 80,300 (June 2009). Annual average population growth for the period 2006 to 2009 is estimated by Statistics New Zealand to be 0.5%.

The city can be considered to be part of the second tier of urban areas in the country, serving a similar role to that of Hamilton, even if it is somewhat smaller in size. It plays an important role as the main centre in the lower part of the central North Island. Located within the city are a major hospital, a University and major retail activities. The city therefore has a number of communities of interest, some of which will extend into neighbouring regions (Wanganui, Wairarapa, and Southern Hawke's Bay).

Table 6-3 Population and land area Palmerston North and Manawatu District

Area	Area km ²	Resident population (2006)	Density (people per km ²)
Palmerston North City	336	76,772	229
Manawatu District	2,624	28,143	11

The combined, the population and land area of the two authorities is not dissimilar to other city-rural districts in the country, as set out in Table 6-4.

Table 6-4 Land area and population of other city/rural districts (2006)

District	Area (km ²)	Population (2006)	Population density (people per km ²)
Combined	2,960	104,915	35
New Plymouth District	2,206	69,729	32
Hastings District	5,217	72,693	14
Rodney District	2,427	90,162	37
Timaru District	2,736	43,290	16

The city and district form part of the wider Manawatu / Wanganui Region which includes Wanganui City and the districts of Rangitikei, Horowhenua, Ruapehu and Tararua. These areas experienced a loss of population between 2001 and 2006. This means that Palmerston North and parts of Manawatu can be said to represent a "sub regional growth node" within a larger area of relative stability.

Manawatu District Overview

Population growth

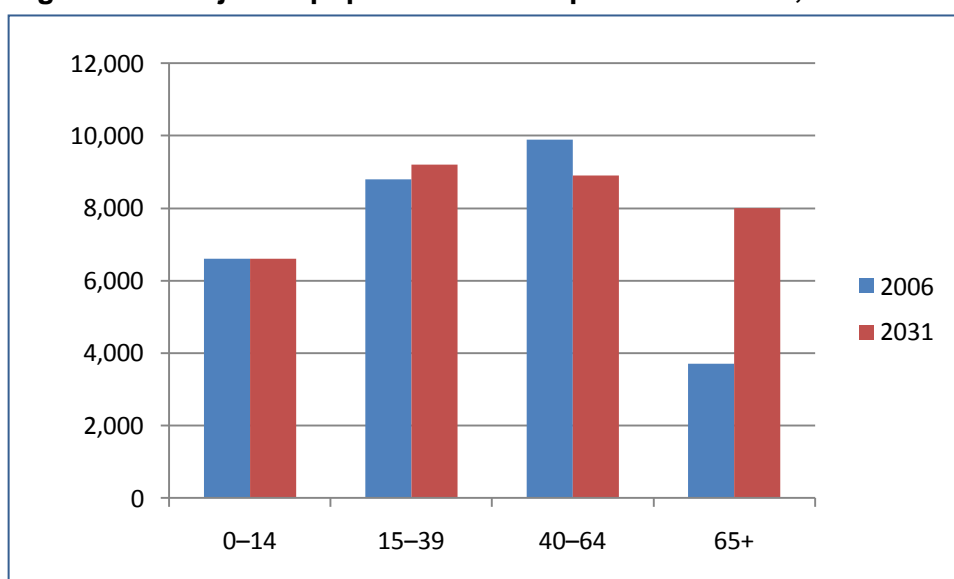
Population growth within the district has been uneven. Generally the northern parts of the district have seen a decline in population, while southern areas closer to Feilding and Palmerston North City have been growing.

Sub-national population projections (2006 base, 2031 update) prepared in February 2010 by Statistics New Zealand indicate a district population of 32,700 by 2031 under a medium growth scenario. This represents an annual growth rate of 0.48%.

This growth comes from marginal natural increase (births slightly outrun deaths), with net migration projected to be zero (that is, the number of people moving into the district equals the number of people leaving). The north/south split in terms of relative decline in the north and increase in population in the south is anticipated to continue.

The modest population growth will see a significant change to the demographic profile of the district, particularly the growth of the 65+ age group, which grows from 13% of the population in 2006 to 24% by 2031. See Figure 6-8.

Figure 6-8 Projected population make up 2006 and 2031, Manawatu District



Geography

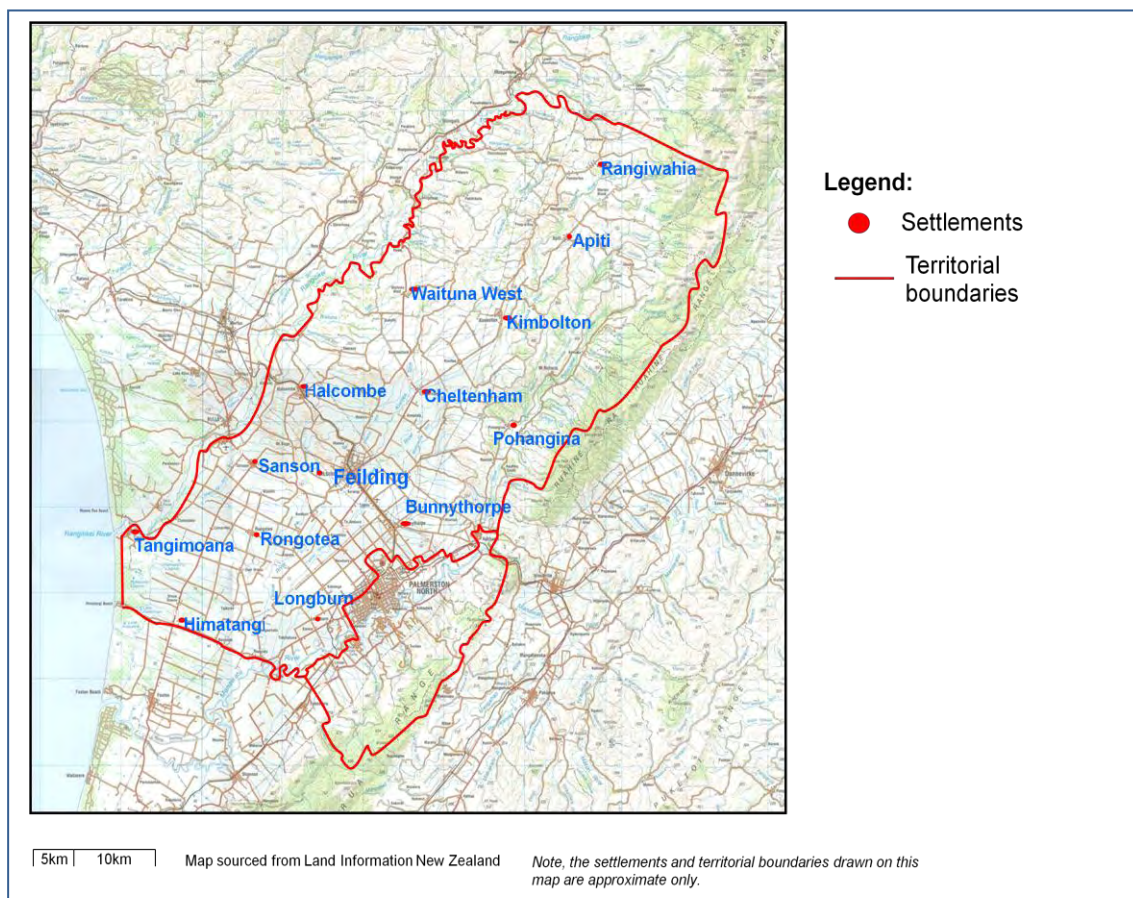
Physically, the district is long and narrow. It extends from Himatangi Beach in the south to beyond Rangiwahia in the north, a distance of 80 kilometres. The district lies generally to the east of State Highway 1, bounded by the Rangitikei River to the west and the Ruahine Ranges to the east. It is around 45km wide. See Figure 6-9.

A distinguishing feature of the district is the number of smaller, rural settlements that reflect the rural/farming basis of the district. However growth trends are seeing changes to this picture:

- Feilding is emerging as a substantial centre in its own right, home to over 14,000 people or around 50% of the district's population
- Significant rural-residential development has been occurring on the fringe of the city
- There is some retirement / holiday home development in the beach settlements of Tangimoana and Himatangi Beach

These trends are seeing a more complex pattern of land uses and communities emerge.

Figure 6-9 Settlements in Manawatu District



The Council's website describes the district as follows:

"Manawatu District has one unique feature - its central location and its position as the gateway to four other regions: Hawke's Bay, Wairarapa, Rangitikei and Horowhenua".

The website notes that this central location gives the region huge economic advantages. With easy access to four seaports, seven airports, a major air force base and two large military bases, it is a highly strategic cargo, transport and business hub for the lower North Island and the country. Manawatu's highly fertile soil has long been

one of the single biggest contributors to the region's economy and in recent years processing and support industries for the agricultural sector have "mushroomed".

The website goes on to note that while many Manawatu District residents work in nearby Palmerston North, high numbers of Palmerston North residents drive in the opposite direction to work in Feilding.

Community Outcomes

Community outcomes for Manawatu (as set out in the District Council's current LTCCP) reflect the makeup of a district containing a range of smaller settlements where there is an emphasis on local-level community interaction. Outcomes include:

A vital community that is cohesive and characterised by community involvement. This includes:

- *Strong leadership: leadership which is accountable and visionary, taking a long-term view*
- *Caring communities: taking care of the more vulnerable members of the community through a range of services*
- *Employment opportunities: attracting high quality professionals and trades people to the district*
- *Youth participation: youth involvement in decision making; employment opportunities for youth; and a greater variety of leisure resources*

A self-sufficient environment that preserves values and develops our natural environment. This includes:

- *Environmental responsibility*
- *Promoting alternative energy and energy efficiency; organisations taking responsibility for their own waste*
- *Preserving the natural assets of the District, in particular district reserves*
- *Promotion of sustainable land-use: managing land effectively to achieve community goals, whilst taking a long-term view of development that takes the needs of future generations into account*
- *Tourism development: taking advantage of the potential for tourism in this district*

Affordability of council-provided services and infrastructure is noted in the District's LTCCP as a key issue for the long term.

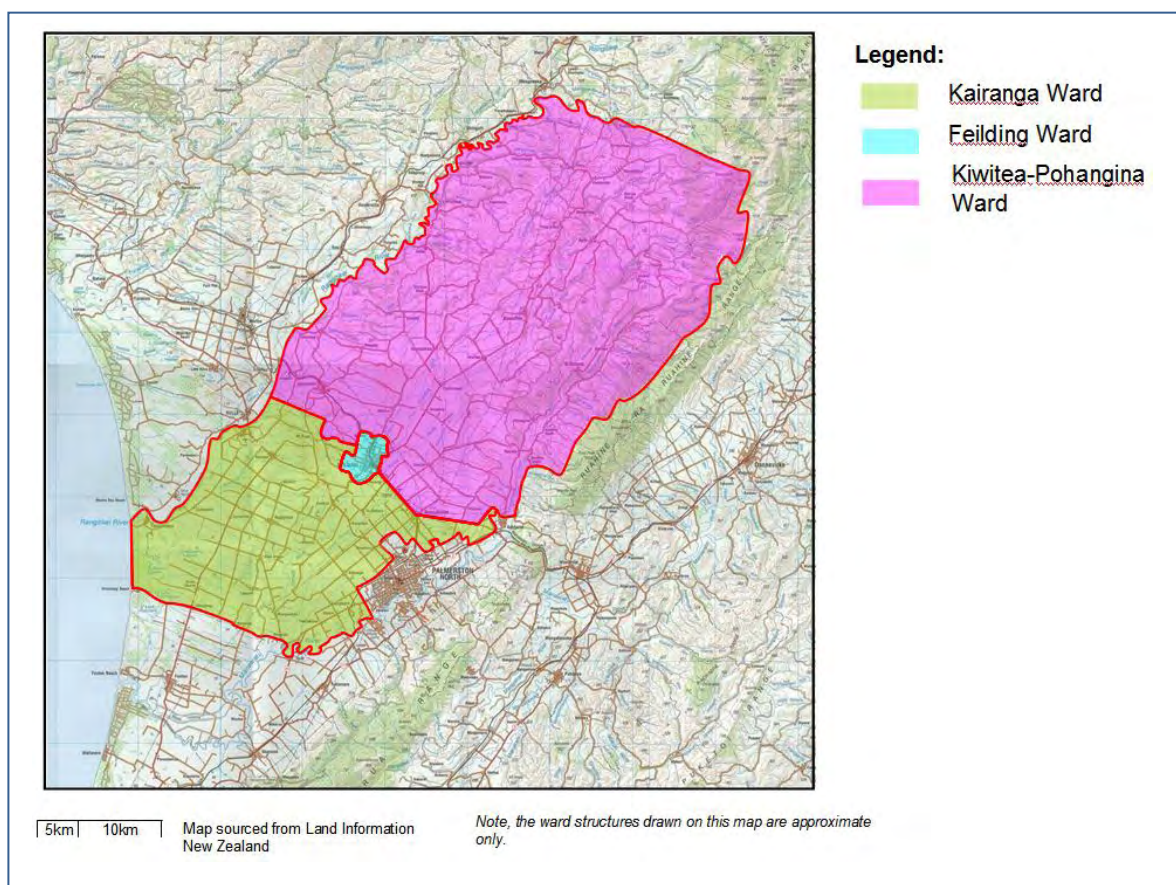
Data collected by Statistics New Zealand shows that in 2008 almost 60% of council expenditure is devoted to physical infrastructure like roading, water and wastewater services. Total operating expenditure has risen from \$17.8m in 1996 to \$30m in 2008. Expenditure roughly equals \$1,000 per resident, per year. Rates have risen by an annual average rate of 7% between 1996 and 2008.

Current representation arrangements

Manawatu District is organised into three wards for electoral purposes:

- Feilding Ward, which is represented by five councillors
- Kairanga Ward, which has three councillors
- Kiwitea-Pohangina Ward which has two councillors.

Figure 6-10 Ward structure in Manawatu District



Feilding is the largest ward, with almost half of the district’s population within this area. The northern ward covers the largest area, and while overall the ward has seen population growth, most of the northern part of this ward would have seen little, if any growth over the period 1996 to 2006. See Table 6-5.

Table 6-5 Population of wards

	1996	2006	Annual average growth rate
Kiwitea-Pohangina Ward	7,626	8,100	0.60%
Kairanga Ward	6,729	6,588	-0.21%
Feilding Ward	13,722	13,566	-0.11%

The ratio of councillors to residents is an average of 1 councillor to 2,800 residents.

Table 6-6 Councillor / population ratio

	2006 resident population	Number of councillors ²¹	Ratio of residents to councillors
Kiwitea-Pohangina Ward	8,100	2	2700
Kairanga Ward	6,588	3	3294
Feilding Ward	13,566	5	2713
Total	28,254	10	2825

Within the district, community committees play an important role in providing a local link and point of contact for council liaison. These committees are elected by their local communities every three years. A councillor is appointed to liaise with them. Community committees are in existence for the following areas:

- Apiti
- Beaconsfield
- Bunnythorpe
- Cheltenham
- Halcombe
- Himatangi Beach
- Hiwinui
- Kimbolton
- Longburn
- Pakihikura
- Pohangina
- Rangiwahia
- Rongotea
- Sanson
- Tangimoana
- Waituna West.

²¹ As at the time of the census in 2006, representation has since changed and there are now 3 elected members for the Kairanga Ward and 2 elected members for the Kiwitea-Pohangina Ward

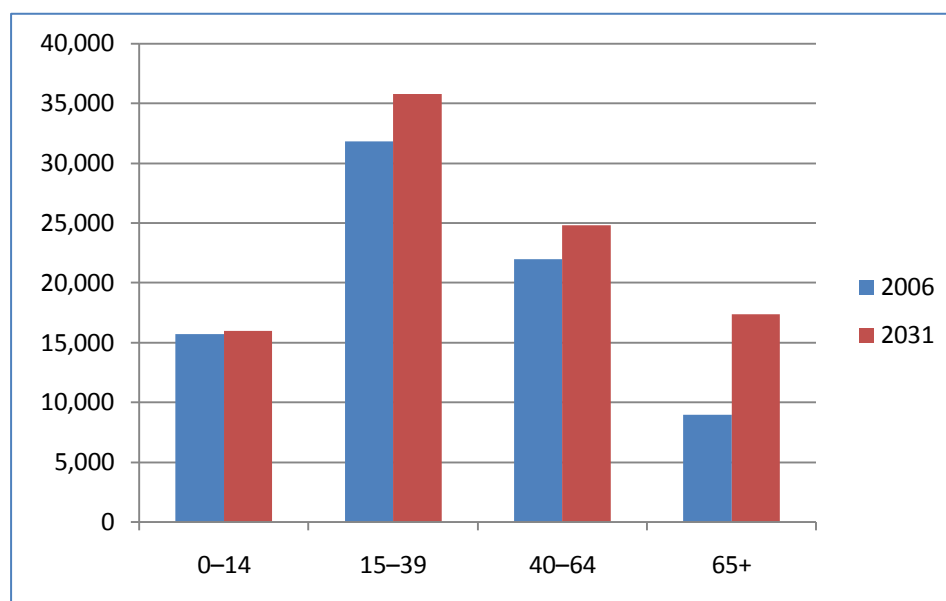
Palmerston North City Overview

Population growth

Palmerston North's population is projected to be 94,000 by 2031, or an annual average growth rate of 0.7% between 2006 and 2031.

The demographic make-up of the city will remain similar over this time, although there is the general trend towards an aging population. See Figure 6-11.

Figure 6-11 Projected population growth 2006 to 2031



In comparison to the district, the city has a younger age profile. The Ministry of Social Development's Annual In-depth Regional report on the labour market in the Manawatu / Wanganui region²² identifies that almost half of Manawatu-Wanganui youth lived in Palmerston North City in 2006. In other words, the concentration of youth in Palmerston North City was high, while in the district, there was a lower than average share of the population in the youth age groups.

Further socio-economic data is set out below in the next section.

The council's website states that Palmerston North is a thriving, vibrant city with a growing population and buoyant economy. It describes the city as having a lifestyle that "is easy and the people have opportunities to enjoy a wide range of activities within a safe, caring community and a sustainable environment". These statements reflect the urban setting of the community.

²² <http://www.dol.govt.nz/PDFs/AIDR-2008-Manawatu.pdf>

Geography

The city is orientated along a north-east / south-west axis, following the alignment of the main north island rail line and key state highways, as well as the route of the Manawatu River.

The area administered by the city includes a large rural area, extending from Ashhurst in the north to near Longburn to the south. To the east, the city's boundaries extend to the Tararua Ranges. A considerable amount of rural-residential development is occurring in this rural area.

Within the city, tree-lined main avenues are a particular feature of the urban environment, while the Square is unique in New Zealand in terms of its size and position as the focal point of the four main routes in and out of the city.

The Manawatu River and the foothills and western flanks of the Ranges form the strongest physical feature; and with the presence of the wind turbines, the view of the Ranges has started to become the "signature" picture of the city, perhaps over taking the Square as the main symbol of the city.

Community outcomes

The vision of the city (as expressed by the council) is that Palmerston North is recognised as a vibrant, caring, creative and sustainable city.

To achieve this vision the council has five key goals. Three of these are about the city and two are about the council. The council's strategies show in more detail how these goals will be achieved. The goals are:

City Goals:

- *Palmerston North is a city where people want to live because of its easy lifestyle and its many social, economic and leisure opportunities.*
- *Palmerston North is a leading city in the quest to become environmentally sustainable*
- *Palmerston North is a city which attracts, fosters and retains businesses because of the creativity and innovation of its education, research and knowledge base*

Organisational Goals:

- *Palmerston North City Council is financially responsible and residents are satisfied that they get value for money from their rates*
- *Palmerston North City Council understands the many views of the City's people and those people understand what the Council is doing and why*

Community outcomes for Palmerston North reflect the urban setting of the community, and the social, economic and recreational benefits that flow from this. The community outcomes of Palmerston North are that:

- *People have lots of fun things to do*

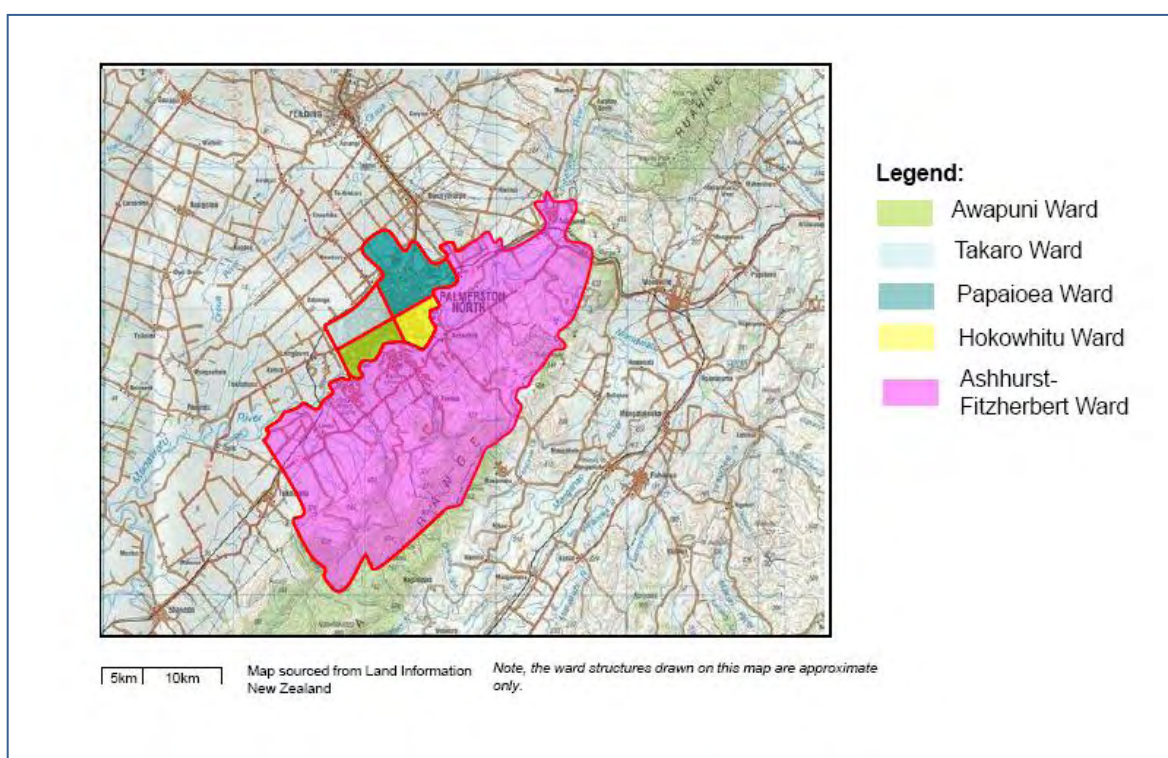
- *People feel safe*
- *Palmerston North is attractive, clean and green*
- *Businesses grow here and people have lots of job opportunities*
- *People have lots of learning opportunities*
- *People can move easily around Palmerston North*
- *Palmerston North's physical infrastructure is reliable*
- *The community is supportive and people and organisations work together*
- *People are well-housed and healthy*

In contrast to the district, council expenditure is more evenly spread between physical infrastructure and community, recreational and social activities. In 2008, cultural, recreation and sport activities accounted for 24% of expenditure, compared to 12% in the district. Expenditure has grown from \$54.4m in 1996 to \$93m in 2008, as recorded by Statistics New Zealand. Expenditure in 2008 accords to \$1,150 per resident, reflecting in part the larger commercial / business base of the city, compared to the district. Rating income has grown at an annual average rate of 4.5% between 1996 and 2008.

Current representation

For local electoral purposes, the city is divided into five wards. The four urban wards (Papaioea, Takaro, Awapuni, Hokowhitu) effectively cover the four quadrants of the city created by State Highway 3 / Fitzherbert Avenue and State Highway 56 (Pioneer Highway) / State Highway 3.

Figure 6-12 Ward structure in Palmerston North City



Population growth has been uneven during the period 1996 to 2006, with the north-eastern Papaioea Ward (which covers the developing Kelvin Grove area) growing, along with the Ashhurst / Fitzherbert Ward which covers the area south of the river, as well as the rural area towards Ashhurst. The established city wards have seen a small loss of people, not un-typical of suburban areas settled in the 60s and 70s.

Table 6-7: Population growth of wards

Ward	1996	2006	Change
Papaioea Ward	19,296	20,955	1,659
Takaro Ward	15,957	15,624	-333
Awapuni Ward	13,524	13,164	-360
Hokowhitu Ward	15,411	15,153	-258
Ashhurst / Fitzherbert Ward	8,907	10,647	1,740

Current representation arrangements see a ratio of 5,000 residents per councillor. Ward based figures are as follows:

Table 6-8: Councillor / population ratio, 2006

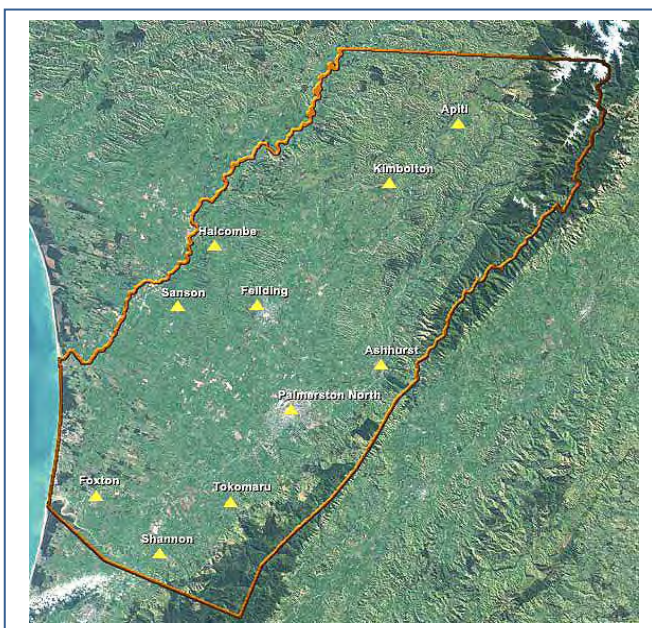
Ward	2006 resident population	Councillors	Residents per councillor
Papaioea Ward	20,955	4	5239
Takaro Ward	15,624	3	5208
Awapuni Ward	13,164	3	4388
Hokowhitu Ward	15,153	3	5051
Ashhurst / Fitzherbert Ward	10,647	2	5324
Total	75,543	15	5036

Iwi

The main iwi within the area covered by Palmerston North City and Manawatu District is Rangitaane o Manawatu. Rangitaane interests cover a wide area from the Rangitikei River to the west and the Ruahine and Tararua Ranges to the east, as well as north and south of the Manawatu Region²³. See Figure 6-13.

²³ http://www.rangitaane.iwi.nz/rohe_map.htm

Figure 6-13 Rangitaane o Manawatu Rohe



In addition to Rangitaane, Ngati Raukawa (Te Runanga o Raukawa) have expressed an interest in developments north of the Mangaone Stream, while issues related to the Manawatu River have involved wider iwi interests.

Rangitaane o Manawatu is in the process of a Treaty of Waitangi settlement, and once complete, it is expected that the iwi will have a much stronger base from which to advance its social, cultural and economic outcomes. The Treaty settlement may also lead to a more holistic iwi management body.

In terms of city council engagement with Iwi, the council consults with the following organisations, as set out in its Iwi consultation guidelines:

- Te Rangimarie Marae Trustees – who assert representation of Rangitaane over all key issues for the iwi and the community
- Tanenuiarangi Manawatu Incorporated – who assert iwi authority status for Rangitaane and a mandate for all key issues for the iwi and the community
- Ngāti Hineaute Hapū Authority – who assert representation of one of the hapū of Rangitaane and seek a voice in issues that affect that hapū which includes many of the broader issues for the iwi

Within the area covered by Manawatu District, the council has a Marae Committee (the Marae Consultative Standing Committee) which meets on a regular basis and acts as a forum for discussion between the council and marae-based groups. This arrangement reflects the more diverse geography of the district, compared to that of the city.

6.4.2 Elements of Communities of Interest

Landscapes / Transport

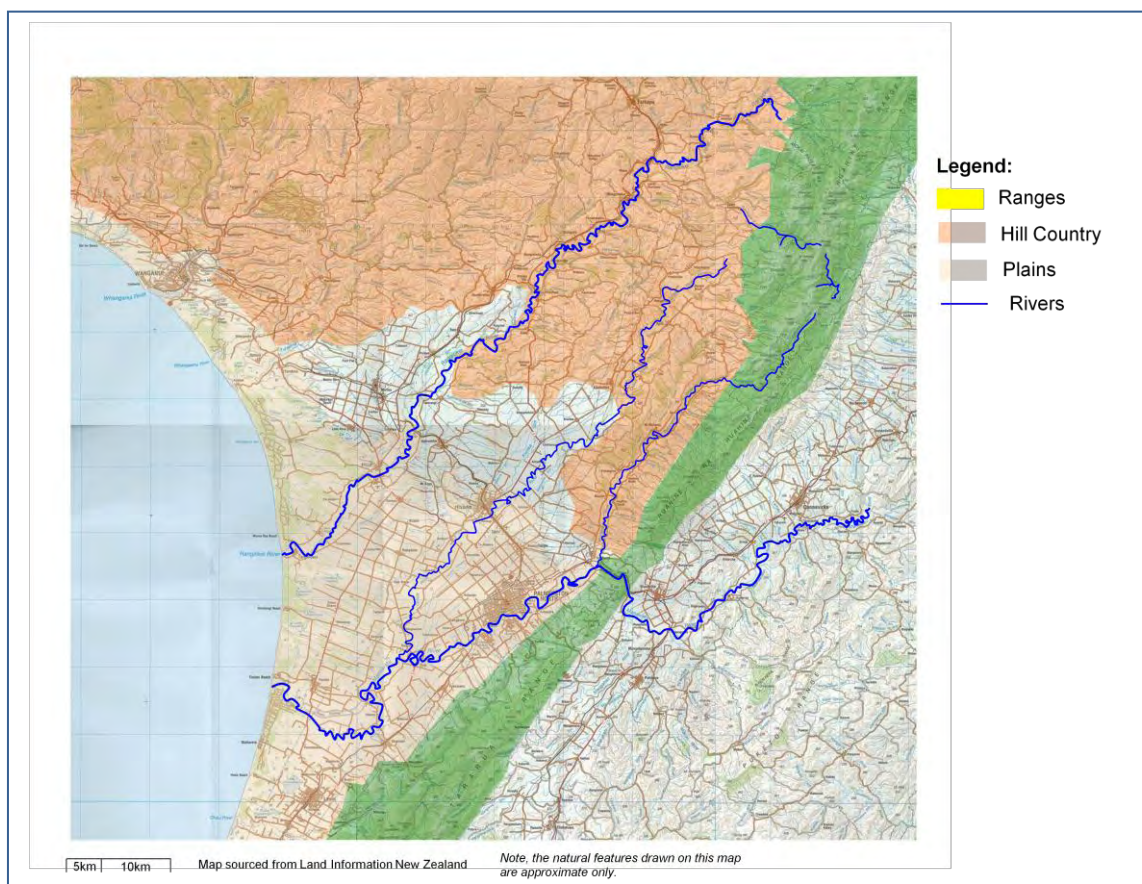
Landscapes

Within the Manawatu Region, the landscape is varied, but there is a marked difference between:

- the hill country to the north
- the flatter land of the Manawatu plain to the south. Important features in this landscape include the State Highway 1, Ohakea Airforce Base and the eastern coastline
- the Tararua and Ruahine Ranges to the east.

Four rivers running roughly north-south dissect the landscape. The western most is the Rangitikei River, the historical boundary between Wanganui and Manawatu. To the east is the Manawatu River and the Pohangina River which follows the foothills of the Ruahine Ranges. In between is the Oroua River, which passes close to Feilding. See Figure 6-14 below.

Figure 6-14 Main landscape elements



While the Tararua / Ruahine Ranges to the east and the Rangitikei River to the west create strong landscape-based boundaries to the wider area, there is little to distinguish the city from the district in terms of natural boundaries:

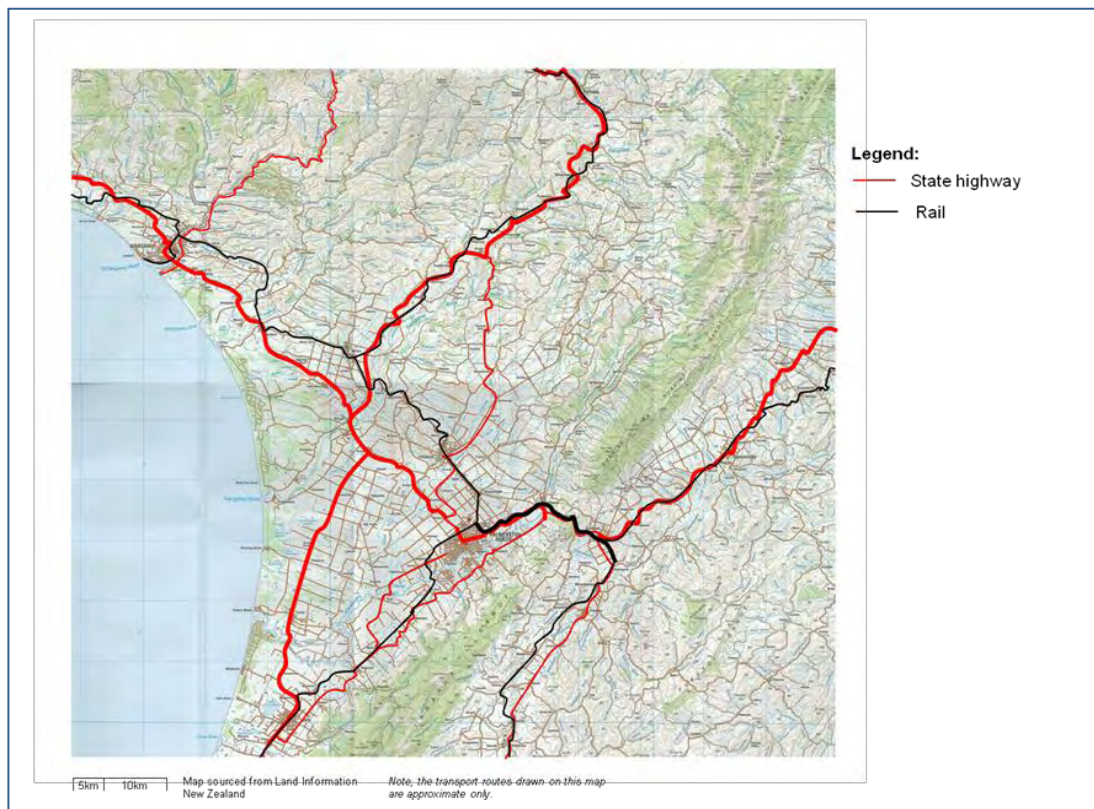
- While Ashhurst is within the city's boundaries, it is a distinct settlement sitting within a landscape that is similar to that of much of the district
- The Oroua River is the most obvious natural feature to the west of the city, but this river runs through the middle of the area currently administered by the district, well away from the current city / district boundary
- To the south of the city, the Longburn area has many ties to the city (in terms of employment and transport), yet it is a distinct settlement. As with land to the west, there is no obvious physical boundary to the south of Longburn, with the rail line immediately to the south of the village being perhaps the strongest feature. Karere Road, about 2.5km to the south of the rail line is the next feature

Feilding is the main urban centre in Manawatu District, and has been growing strongly. It has a distinct character to that of the city, in part because of its smaller size, but also because of its urban structure. In particular, the layout of the town centre forms a very strong focal point for the community, and as is discussed below, the centre has become a much stronger focal point over the past 10 years.

Transport / communications

Transport links common to the two authorities include the North Island Main Trunk railway and State Highway 3 which traverses the two areas in an east-west alignment. The realignment of State Highway 3 between the Manawatu Gorge and Mt Stewart so as to avoid the centre of the city is a project that is currently being investigated by the New Zealand Transport Agency.

Figure 6-15 Main transport links

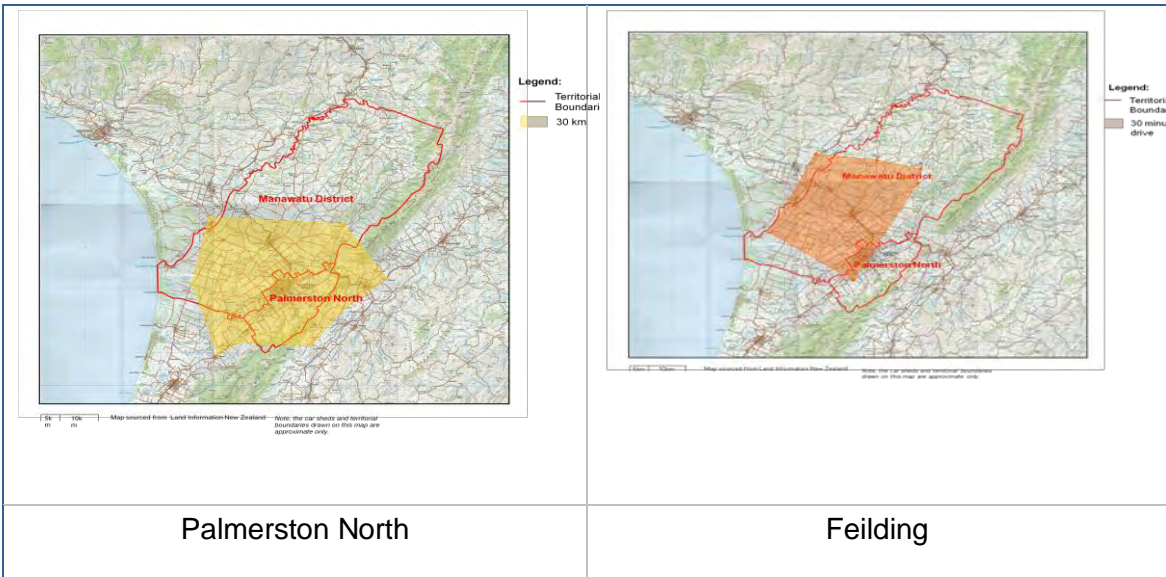


These transport links focus on inter-regional movement and tend to reinforce Palmerston North as a central hub in the lower half of the North Island, a factor increasingly recognised in the economic future of the wider area.

In terms of intra-regional transport links, the north-south alignment of the rivers and the Ruahine and Tararua Ranges tends to see most of the northern part of the district naturally “feed” into Feilding. However to the south (Tangimoana, Himatangi Beach, Tokomaru) accessibility into Palmerston North is likely to be as good as access to Feilding.

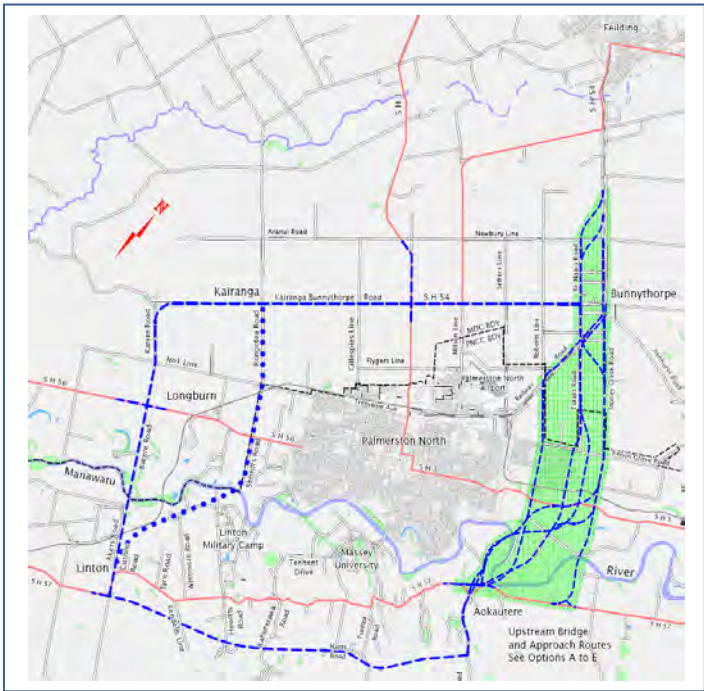
Mapping of a 30 minute commuter shed for the city (that is, a distance of 30km – see Figure 6-16) shows that most of the lower half of the district is within a 30 minute drive of the city. Feilding’s commuter shed extends further north. The northern parts of the district are closer to Taihape.

Figure 6-16 30 minute drive



Proposals for a rural ring road around the north eastern and western sides of the city may help to create a man-made boundary between the district and city. This alignment is shown schematically in Figure 6-17. Should State Highway 3 also be realigned, then this will further alter perceptions as the north-eastern boundary of the city.

Figure 6-17 Ring road concepts



In terms of broadband, levels of internet access to homes in the city and district is similar, with 66% of households in the district and 67% in the city recording internet access in 2006.

Interactions between the two areas

Data from the census on the usual residence of people five years ago shows a degree of interchange between Manawatu District and Palmerston North City with 10% of MDC residents in 2006 formerly living in PNCC in 2001.

Table 6-9 Usual residence five years ago, 2006 census.

Residence in 2006	Residence 5 years ago			
	MDC	PNCC	Lower NI	Other
Manawatu District	17517	2493	1368	4338
Palmerston North	2313	44940	3048	18327

Commuting patterns also highlight a growing inter action between the two areas in terms of economic flows. Table 6-10 sets out data from the 2006 census on journey to work patterns.

Table 6-10 Commuting patterns

		Workplace			
		PNCC		MDC	
		2001	2006	2001	2006
Residence	PNCC	26,982	30,111	1,335	1,563
	MDC	4,140	4,899	6,684	6,870

At least 20% of PNCC workforce commutes into the city from adjacent districts. Commuting from MDC to PNCC has increased from 4,100 people in 2001 to 4,900 people by 2006. Over that time, the number of jobs with the district occupied by Manawatu residents has increased only slightly, while there has been an increase in people living in the city, but working in the district.

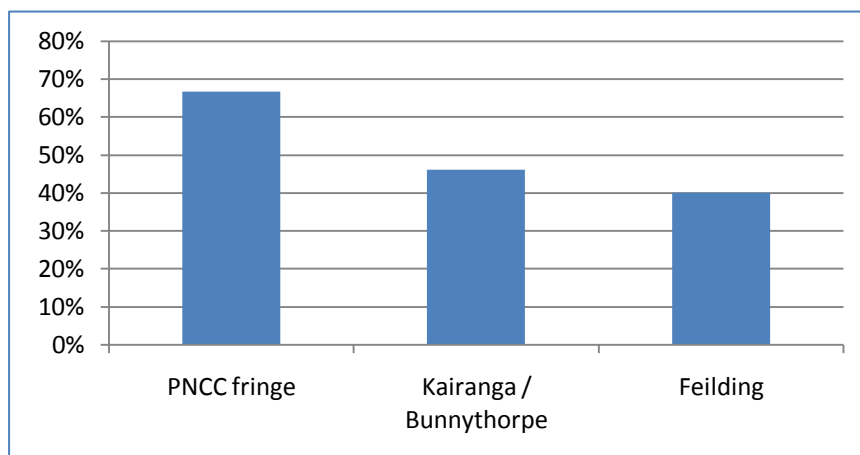
Figure 6-18 shows the location of workplaces for MDC residents.

Figure 6-18 Location of workplaces for MDC residents, 2001 and 2006



The effect of proximity to PNCC can be seen in commuting patterns from MDC, with over 60% of people living within MDC on the fringe of PNCC commuting into the city, with that proportion dropping to 40% for residents of Feilding.

Figure 6-19 Percentage of workforce commuting into PNCC from MDC, 2006



Important destinations for MDC residents within Palmerston North include Palmerston North CBD and the Hospital.

For residents of PNCC, important workplace destinations within the district include Longburn, Ohakea and Feilding West.

Central and Regional Government Services

Central government delivers a range of services to the Manawatu Region, each of which generally has its own catchments.

WINZ

Work and Income New Zealand have service centres in Feilding, as well as Palmerston North Main Street and Terrace End. These three service centres are part of the “Central” region, which includes Marton, Levin, Dannevirke and Masterton.

Figure 6-20 Work and Income NZ Regions



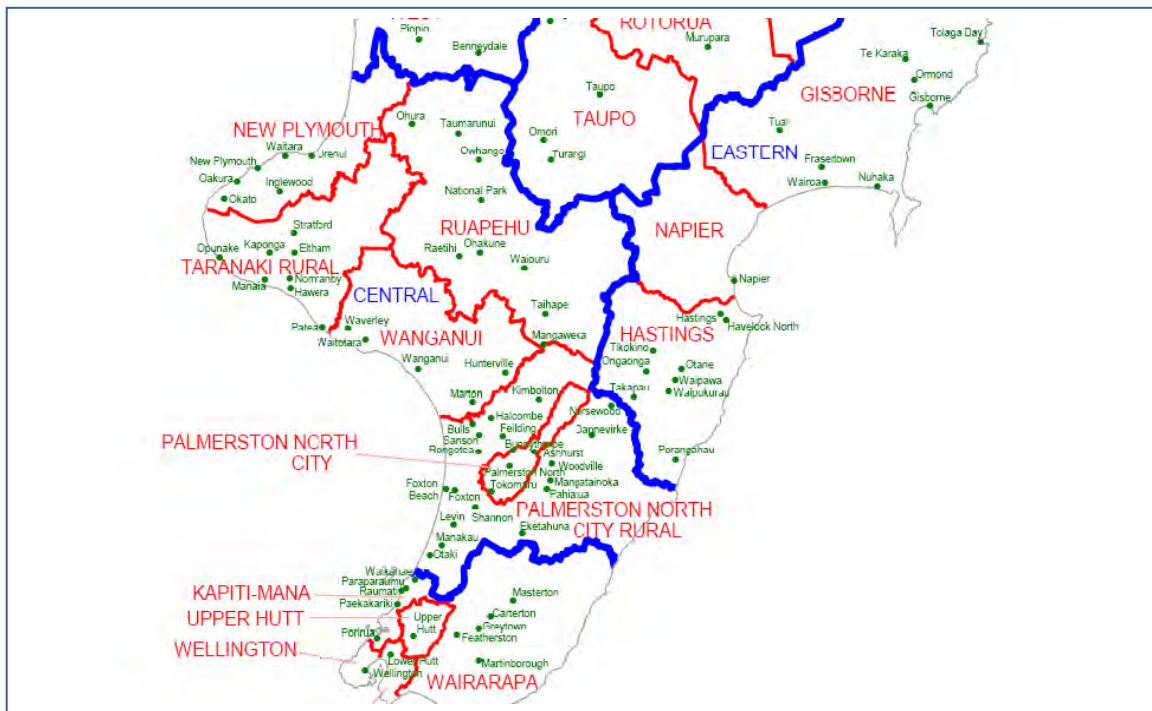
The Ministry of Social Development’s Regional Plan 2009/2010 for the Central Region sets out broad objectives relating to employment, youth, safety and delivery of services. However there is no specific discussion of the differences between Manawatu District and Palmerston North City.

Police

Manawatu and Palmerston North are part of the Central Police District. This district covers an area that stretches from the North Taranaki Bight, across to the Ruapehu District; south to Otaki in the west and across to the Tararua ranges in the east. Local police stations in the Manawatu District include Feilding and Kimbolton.

The District is broken down into a number of Areas. The city and its environs are covered by the Palmerston North City Area, while Manawatu District is within the Palmerston North Rural Area, which includes Otaki to the south and Tararua District to the east.

Figure 6-21 Police Districts and Areas



Recorded crime statistics for the two Areas for 2009 show a similar spread between the different categories of offences, with the only discernable differences being the city area recording a somewhat higher percentage of dishonesty offences, while in the rural area, violent offences make up a bigger proportion of offences.

Table 6-11 Recorded crime statistics, 2009

Type of offence	Palmerston North City Area	Palmerston North Rural Area
Violence	13%	16%
Sexual	1%	1%
Drugs and AntiSocial	14%	13%
Dishonesty	54%	50%
Property Damage	14%	14%
Property Abuse	3%	4%
Administrative	2%	2%
Total Offences	100%	100%

On a per head basis, the rural area recorded 85 offences per 1000 people, with the city area recording 105 offences per 1000 people, in 2009.

Health

Mid-Central District Health Board's area comprises the following territorial local authority districts:

- Horowhenua district
- Manawatu district
- Palmerston North city
- Tararua district
- The Otaki ward of the Kapiti coast district.

The Rangitikei area is within the neighbouring Wanganui Health Board area.

The main hospital-based facilities are located in Palmerston North. Community Hospitals/Health Centres are located in Dannevirke (Dannevirke Community Hospital) and Levin (Horowhenua Health Centre), both of which provide inpatient and maternity beds as well as a variety of outpatient services.

The Primary Healthcare Organisations (PHOs) in Mid-Central's district serve a defined geographical area. These areas align with local authority boundaries. The Manawatu PHO covers both Manawatu District Council and Palmerston North City Council. However, there are moves to combine the four PHOs into one body.

The District Health Board used to run the Clevely Centre in Feilding which provided maternity and older adult services. However this was closed as it was clinically and financially unsustainable.

The DHB is supportive of moves within the Feilding community to establish an Integrated Family Health centre in Feilding. This would centralise primary health care services under one roof, helping to deliver a more sustainable service to the community.

In terms of differing health needs between rural areas and residents of the city, the DHB's Rural Health Strategy notes that:

Manawatu TA shared similarities with the urban Palmerston North TA population, having a lower representation of Maori, higher proportion of under 25 year olds and a lower proportion aged under 65 years compared with the other TA populations. They also have less socially deprived communities and appeared to have a healthier population with less hospitalisations and average mortality levels.

In discussing access to health services, the strategy indicates that as Palmerston North is the main city within the Mid-Central district, then it is not unusual for rural people to incorporate a hospital, specialist or GP visit in Palmerston North with undertaking other errands, business or shopping.

Palmerston North - where the base secondary care hospital and services are - is described as being centrally located within the district, with most of the main towns in

each of the constituent TA regions about an equidistant 30-45 minutes travel on well maintained roads from this centre.

Education

The location of Primary schools within Manawatu District is set out in Figure 6-22. Schools usually play an important role in forming and sustaining local communities of interest. Secondary schools are within Feilding or Palmerston North City.

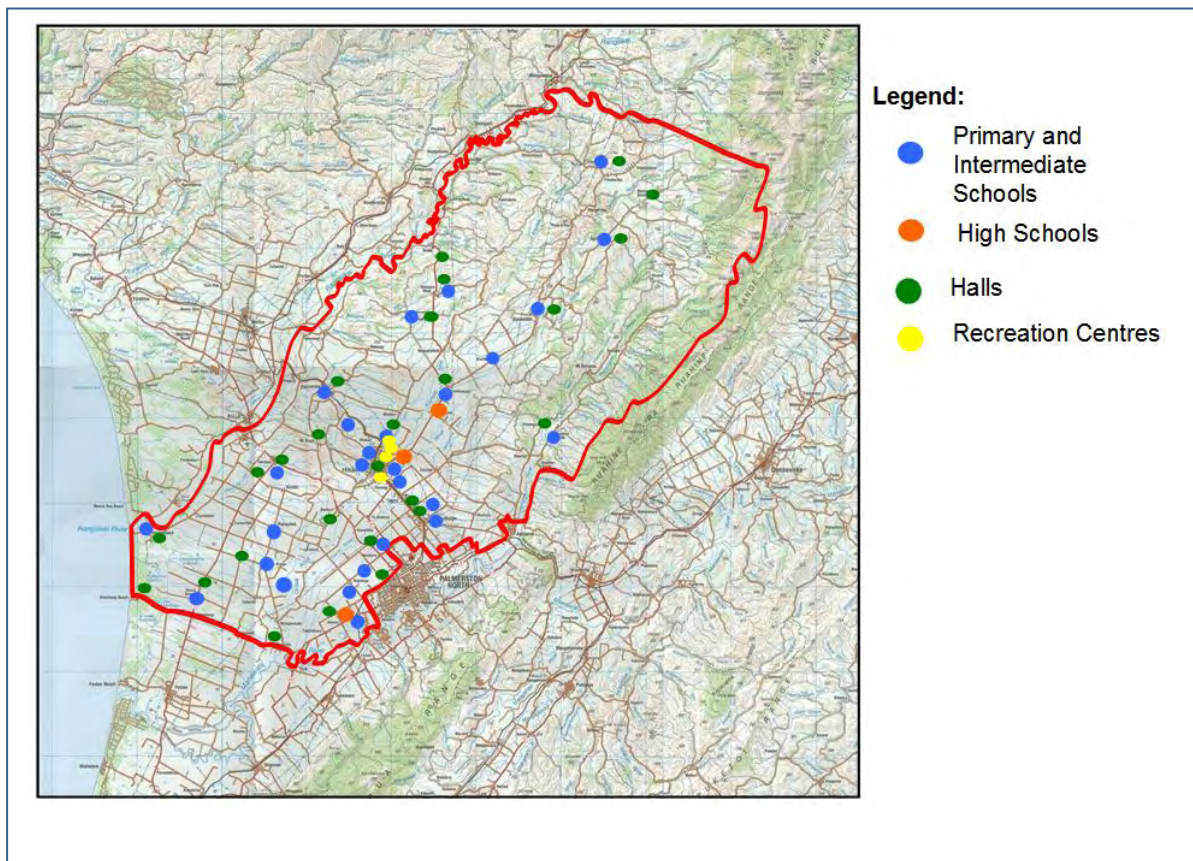
Data from the Ministry of Education website on school roll growth in Manawatu District shows a decrease in the year 1 to 6 roll, but an increase in the Year 10 to 15 roll.

Table 6-12 School roll growth, Manawatu District

	Year 1 to 6	Year 7, 8	Year 10 to 15
2000	2,806	972	921
2009	2,203	927	1,372

The general aging of the population of the district raises the prospect of school closures and amalgamations in the future.

Figure 6-22 Social infrastructure in Manawatu District



Feilding has a cluster of educational facilities. There are three kindergartens, four primary schools, one intermediate and two secondary schools. Feilding High School – FAHS is one of the larger co-educational secondary schools in the central North Island, unique in the fact that it runs its own farm. The High School caters for out-of-town students.

The main difference between the city and district is that Palmerston North is the location of tertiary facilities. The city boasts four tertiary institutions, namely: Massey University, UCOL, International Pacific College and Te Wananga o Aotearoa. A number of English language facilities (to cater for ESOL students) are located within the city.

Recreation

Sport Manawatu covers both Palmerston North City and Manawatu District, as well as Horowhenua and Tararua Districts.

A Regional Sport and Active Recreation Strategy was prepared in 2006. An Active Transport Strategy has been prepared by Palmerston North City and Manawatu District Councils, in 2007.

Many of the recreational issues that the two areas face are similar, including:

- Less interest in club membership, more on individual pursuits
- Greater competition for leisure time
- Lack of resources and reduced funding sources
- General decrease in volunteers.

While pursuing similar policies to address these issues, the city and district do take somewhat different actions reflecting the makeup of their communities.

Palmerston North City's recreational strategy is divided into three main sections, reflecting the main recreational demands of city residents, as follows:

1 Outdoor Recreation:

- *Nature-Based Recreation*
- *Parks and Reserves*
- *Sports Fields and Outdoor Courts*

2 Swimming Pools

3 Urban Recreation

The focus on urban recreation (described as mostly relating to youth-based activities like skateboarding, courts, informal ball games and the like), and outdoor recreation, particularly walking trails, reflects the urban, more youthful make up of the city.

The city could also be said to have a focus on supporting regional recreational facilities, like the Arena Stadium compared to the more local "village-based" recreation facilities within the district.

Manawatu District's Leisure Strategy (2003) sets out issues and objectives for leisure activities in the district. The Strategy highlights a number of actions which reflect the geographic and socio-economic make up of the district, compared to the city.

The Strategy notes that many rural-based people join city-based clubs as these clubs offer larger and more diverse range of teams and activities. On the other side of the coin, in the city, mid-week sports is increasing, while in the rural areas, weekend-based events remain the most popular, reflecting different work patterns.

The Strategy suggests the on-going development of 'District Leisurevilles' in Rongotea, Feilding and Kimbolton, serving a variety of leisure needs. Developing partnerships between the council and community-based groups is a further action, reflecting the more limited resources of the district.

An important aspect of future planning for recreation is the extent to which facilities may be centralised versus a more dispersed, community-level pattern. On the one hand centralised facilities will help to improve the quality of services and help to build stronger, more financially sound clubs and organisations. On the other hand, centralisation may disadvantage more remote communities, and may not be able to appropriately address the more diverse, community-driven needs of these smaller settlements.

Parliamentary electorates

About 70% of Palmerston North City is covered by the Palmerston North electorate (population 53,928 at 2006). The area to the east of the river and Ashhurst is within the geographically much larger Rangitikei electorate, see Figure 6-23. General electoral boundaries are determined by a complex formula that requires electorates of roughly equal size, with the size of electorates determined by the size of the South Island population. Therefore central government electoral boundaries can differ substantially from local authority boundaries.

Figure 6-23 Palmerston North electorate

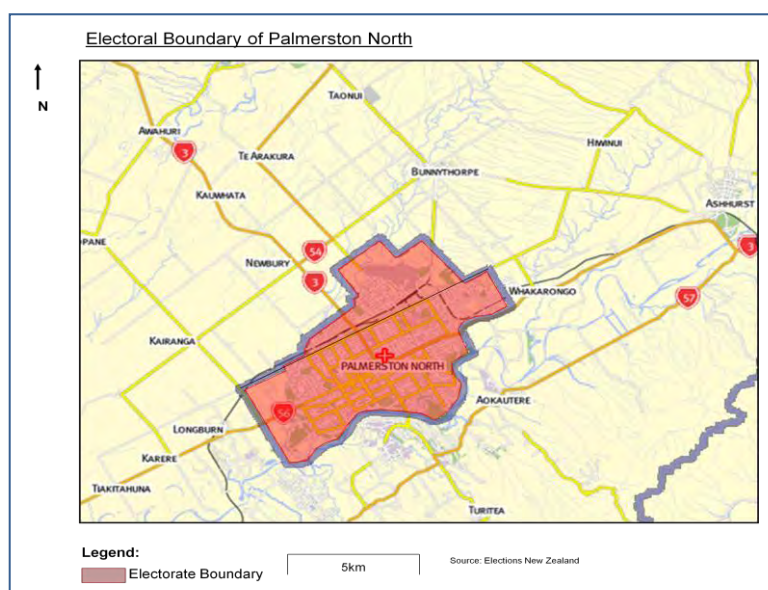
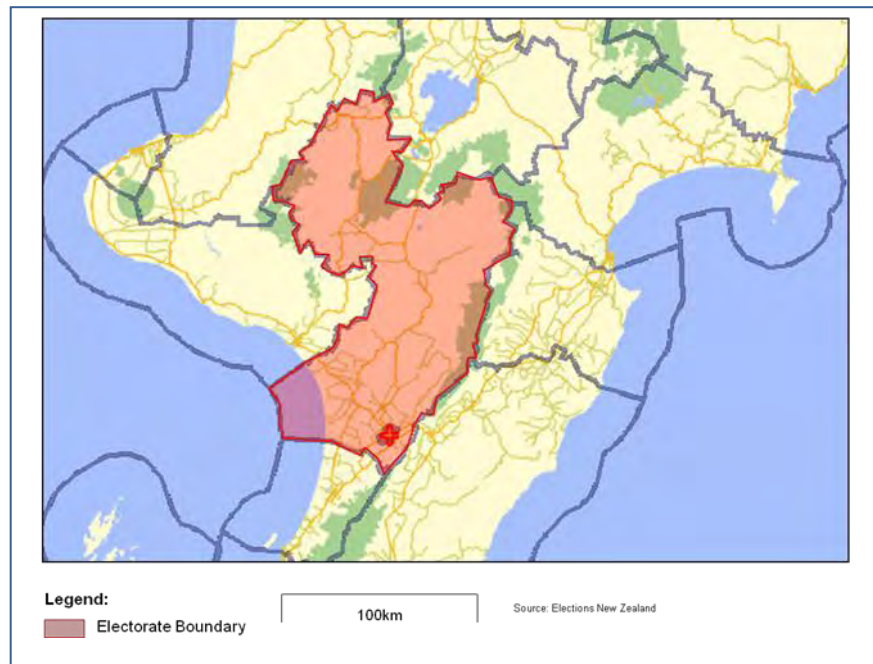


Figure 6-24 Rangitikei electorate boundary



Socio / economic factors

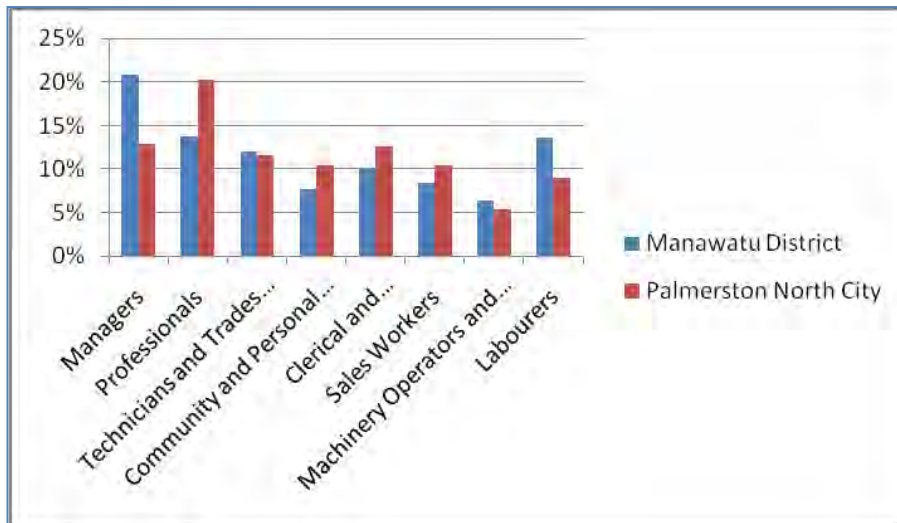
The two districts have some similarities and some differences in terms of social economic profile.

As identified in the introductory sections, the city has a younger age profile than the district. The mean age in PNCC is 31, compared to 37 years in MDC. Comparison of the age profile of the two areas shows a much greater proportion of people in MDC are in the middle age years, while the city has a much greater concentration in the early adult stage. The proportion of older adults in the two populations is similar.

Mean household incomes are the same at the district and city level, although the urban fringe areas within MDC show a much higher income profile, than the average across both areas.

Data on occupation highlights the different economic structure of the city versus the district. Professional, community, clerical and sales workers dominate in the city, while labourers, managers and technicians are relatively more important in the district.

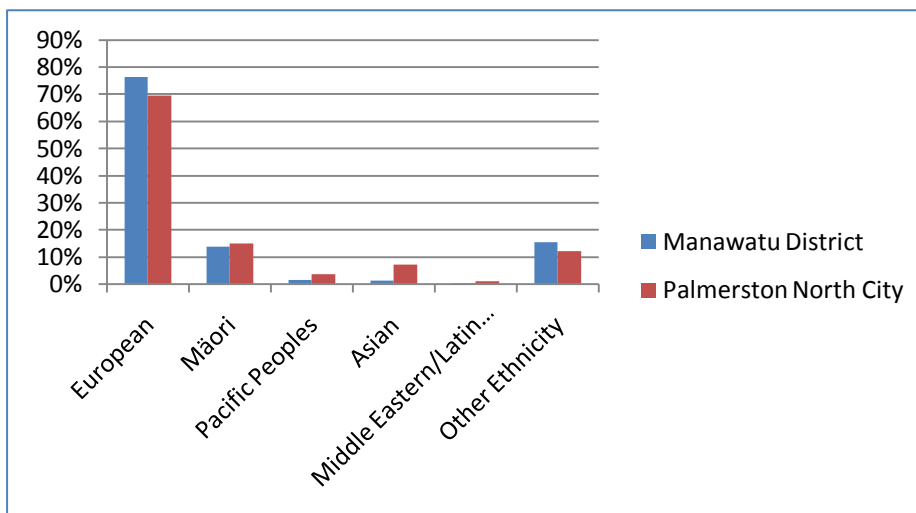
Figure 6-25 Occupation, 2006



Rates of home ownership are higher in MDC than in the city, partly reflecting the older age profile of the district compared to the city.

The city has a more diverse ethnic make-up than the district, with new migrants making up a larger proportion of the city's population. See Figure 6-26.

Figure 6-26 Main ethnic groups, 2006 census



Participation in local affairs

Voter turn out

Voter turnout in local authority elections provides one indication of involvement in local affairs.

Data from 1989 shows a fairly consistent pattern between the two councils, with no stark differences between them. The overall trend mirrors the national trend towards lower turnout.

Table 6-13 Voter turnout

	1989	1992	1995	1998	2001	2004	2007
PNCC	51	48	48	54	50	50	46
MDC	63	61	59	65	52	43	47
NZ				61	57	51	49

Sourced from: <http://www.socialreport.msd.govt.nz/regional/>

Population turn over

Data on the years of usual residence provides a further measure of the degree of change within the respective populations. A more stable population can be co-related to stronger local community networks. While the district and city display broadly similar patterns, there is a noticeable difference with Manawatu District having a higher percentage of its population living the same residence for 15 or more years.

Table 6-14 Years at usual residence

	Under 5 years at usual residence	5 to 15 years	15 years plus
MDC	53%	28%	19%
PNCC	63%	23%	14%

Local groups

Both the city and district have a wide range of community-based groups and organisations that undertake a diverse range of social and community activities. These groups tend to be related to either the city or the district.

As identified, the district has an extensive number of community committees, while a range of informal networks exist. Recently there has been a significant growth in

neighbourhood watch type groups in the district. The actions of Feilding Promotion and the Manawatu Community Trust (discussed below) are likely to mean that the community in the Feilding area feel that they have a significant influence on the future development of the area.

A measure of voluntary engagement in community activities can be gained from the Census. One question asks people whether they participated in unpaid, voluntary work. Both the district and the city record high rates of involvement.

Table 6-15 Residents recording voluntary work, 2006 census

	People helping or undertaking voluntary work for or through any organisation, group or marae	Resident population (2006)	Percentage of the population
Manawatu District	20,040	28,236	71%
Palmerston North City	55,515	75,471	74%

Local identity and belonging

The complex geography of the area makes consideration of communities of interest associated with attachment to a local area a difficult task. In terms of local identity and belonging, the wider Manawatu area could be said to fall into four main groupings, namely:

- Palmerston North City
- Surrounding townships and rural-residential areas
- Feilding
- Wider rural area, including smaller settlements

Palmerston North City

The urban area of the city obviously represents a particular community of interest. A characteristic of the city is the dominance of the CBD in terms of the delivery of retail, social and community facilities. Suburban-based hubs only provide lower order services and activities. This urban form helps to form a consistent identity for the city. In other words, there does not appear to be sub-areas within the city that are strongly parochial.

Added to this city-wide view of community interest is recognition amongst residents that the city plays an important role in the wider region. The informal e-mail survey of residents of Palmerston North City undertaken for this work, highlights that residents see themselves as having a community of interest that extends beyond their boundary. This recognises the regional role of the city in terms of employment, education, transport and medical services. The presence of the Ranges, the Manawatu River and

the dependence of the economy upon rural productive activities further strengthen these ties. However residents in the survey also recognised that there are differences between city and rural residents reflecting different communities of interest. In particular, housing and living environments obviously differ.

Settlements around Palmerston North

For residents of the settlements closer to Palmerston North (such as Longburn, Kairanga, Bunnythorpe), their sense of identity will be shaped by their physical separation from the city. This includes the growing rural-residential population of these areas. Residents of these areas are likely to appreciate their rural setting and wish to maintain this distinctiveness from the city. However they are also likely to be dependent upon city-based services and activities.

Ashhurst lies within the city, but in many ways has a similar location to that of Bunnythorpe to the north-east and Longburn to the south. It was report by the Local Government Commission when considering the boundaries of the City in 1988 that when Ashhurst was first mooted to be included within the city, the initial reaction was of a concern about a loss of identity, but subsequent submissions stated that there was a strong community of interest with Palmerston North City.

Bunnythorpe (population 690) lies midway between Palmerston North and Feilding and residents most likely look towards both centres in terms of workplaces and services. However the separation from the two main centres would likely mean that there is a strong local community of interest in the future viability of the township. The Community Committee is active and has been seeking to develop a new community hall / facility. Local services are well used.

The Longburn area to the south of the city has strong historical ties to the city arising from the presence of the former freezing works and the Fonterra plant. Of the 459 work-based trips to activities in this area, 285 originated from the city and 117 from the district. However the village is separated from the city and therefore has its own identity. As with the other smaller settlements, there is a tension between wishing to see improved local infrastructure and maintenance, while not losing their separate identity.

Feilding

The township is sufficiently separate from the city for it to have developed its own community of interest, and the anecdotal evidence is that this community of interest is growing.

In part this reflects the limited resources available to the district council and the need for it to support partnerships with the community to maintain and extend services. In turn this has lead to a growing array of community-based organisations.

Two examples of this are Feilding Promotion and the Manawatu Community Trust. Feilding Promotion is an incorporated society that works to market and promote Feilding as a business and community hub. Its work has helped to turn around the

fortunes of the centre, and increasingly the society is advancing the wider economic interests of the district.

For example, the 2002 State of the Environment report for Manawatu District ²⁴ noted that an important change has been that many more people now say that their shopping is divided 50/50 between both the city and the district. The percentage of people shopping mainly in Palmerston North has fallen from 60 percent 1997 to 41 percent in 2001.

The town centre's image is pitched as a "market town" with a regular farmers market and events tailored to rural activities and interests, such as country music festivals and stock yard tours. Located in the settlement are a library, aquatic centre and community centre.

The Manawatu Community Trust owns and manages 208 pensioner flats formerly owned by the Council, located in Feilding, Rongotea and Sanson. The Trust is credited with changing tenants and the public's perceptions of the units, having invested in the upgrade of the units and improved their management. The Trust is now advancing plans for an Integrated Family Health centre in Feilding.

While Feilding has a range of social and community facilities, there is still likely to be reliance by Feilding residents on higher order facilities offered in PNCC. A more long term issue is on-going expectations that the range and quality of services in Feilding will increase (for example, as evidenced by the demand for improved medical services).

Wider rural area and townships

Residents of the more remote rural areas are likely to have a more complex view of community of interest. At one level, there is likely to be a community of interest related to their immediate living environment. Particularly important will be the local school, and if present, hall and domain. In the smaller settlements in MDC, funding of maintenance and improvement of local infrastructure, halls and facilities is likely to be an issue, along with improvements to local roads. This is from the point of view of tourism, as well as improvements to the general environment. Two current examples of the issues associated with maintaining and upgrading infrastructure in these settlements are the proposals for a wastewater treatment scheme at Himatangi Beach and a water supply scheme at Rongotea. Both of these proposals have received a negative response in local polls.

At another level, residents of rural areas are likely to see Feilding and Palmerston North on a similar level; as places where a number of activities are located. While Feilding contains an array of agriculture related services and activities, farmers will also visit Palmerston North on a regular basis to access farm equipment and supplies, for example.

²⁴ http://www.mdc.govt.nz/pdf/online_forms/state%20of%20the%20environment/2002_SOE_Section2.pdf

6.4.3 Conclusions

The review of the various elements of communities of interest suggests that there are five discernable communities of interest within the Palmerston North/ Manawatu District area, but these communities of interest are not discrete in that they overlap one another to an extent.

The five communities of interest could be described as:

- Manawatu Region
- Palmerston North City
- Surrounding townships (Ashhurst, Bunnythorpe, Longburn)
- Feilding
- Rural hinterland, including smaller rural townships

The “Manawatu Region” community of interest recognises that the city and district share many common traits and characteristics, with the wider landscape frame of the Ranges to the east and the Rangitikei River to the west forming discernable physical boundaries. Interconnections are further strengthened by the transport routes and the increasing flows between the city and district in terms of workplaces, as well as use of the regional health, education and community activities located within the city.

Palmerston North City has a particular community of interest around “city living”, and the recreational, economic and lifestyle factors that flow from this. Within this overall community of interest, residents appreciate that the city has a sphere of influence that extends beyond its boundaries.

The areas surrounding the city’s boundaries are likely to have a community of interest which is more split between the district and the city. In terms of sense of identity, residents are likely to perceive themselves as not living within the city, but in terms of functional arrangement they are likely to be largely dependent upon city-based workplaces and higher order services, given the limited nature of community activities within their boundaries. At a political level, there is likely to be a demand for improved (city-like) levels of service, partly driven by their proximity to the city, yet these demands are tempered by the more limited rating base of the district.

Feilding is likely to represent the largest, most discrete community of interest within the study area. In terms of the three dimensions of community of interest (sense of identity, functional needs and political involvement), the settlement meets all of these dimensions. The settlement has a strong and active community; it has a different sense of identity to that of the city, while it has a range of community, social and employment-related activities within its boundaries that would meet most day-to-day needs. While obviously there is a growing degree of interaction between residents of Feilding and the city, the size of Feilding and the clustering of social and community facilities and services within the settlement all indicate a separate and strong sense of identity and belonging.

For residents of the wider rural hinterland, they are likely to associate themselves directly with their immediate area in terms of sense of identity, but at a functional level, are likely to see the Manawatu Region as being their community of interest.

In terms of the management options:

- A boundary adjustment option that brought into the city the areas immediately surrounding the city (such as Longburn and Bunnythorpe) would not likely cut across a community of interest, in that the new boundary is unlikely to straddle a well defined community. An expanded rural fringe to the west and south of the city would mirror that which has occurred already with the city boundary taking in Ashhurst and the area east of the river. Having said that, there are a number of factors that are likely to weigh upon whether the community within these areas would see a shift to being within the city a loss of identity. On the one side of the coin, a shift may imply that the city will expand into the area to be incorporated; thereby seeing a loss of rural character, on the other side of the coin, being part of the larger city may open up funding streams that were not available when they are part of the district. A particular issue is where to draw the expanded boundary, given the limited physical features upon which to base a boundary line. The proposed rural ring-road may provide the most visible feature, in the future.
- With regard to amalgamation of the city and district, the main issue is whether the various communities of interest in the district could be effectively represented. None of the communities of interest in the district are so completely at odds with the community of interest associated with the city such that a larger local authority would be unable to provide effective governance of these interests. The communities of interests with the most distinct difference to that of the city would be Feilding (in that the settlement has a different sense of identity and character to that of the city and strong sense of involvement in its future development) and the outer lying rural areas and settlements (in terms of feeling of remoteness from the main centre of activity). These issues would need to be addressed in any representation arrangements, with some sort of local representation of Feilding's interests being important, such as Community Board or similar. Maintaining a council presence in the centre would also be important in terms of local accessibility, but also in terms of the larger rural catchment to the north.



6.5 Representation

6.5.1 Purpose

The purpose of the paper is to identify at a high level the representation issues that would arise in the event of adoption of any of the options of boundary changes 1 or 2 or amalgamation. No attempt has been made to resolve issues arising however possible scenarios have been presented to illustrate the nature of changes that could occur.

The option of cross boundary servicing will not, of itself, impact representation however the effects of increased development over time may be expected to influence future representation reviews in Manawatu.

This paper draws from the Communities of Interest study which is the subject of a separate discussion paper.

6.5.2 Context

Effective representation of communities of interest

The Local Government Commission Guidelines²⁵ state the basis for election of representatives (by ward et al) should be that which best provides for effective representation of communities of interest. Communities of interest are described by the Commission as follows:

The community of interest can often be identified by access to the goods and services needed for ordinary day-to-day living. Boundaries based on prominent physical characteristics of an area (e.g. rivers, principal roads, hill ridge lines) are likely to provide strong visual reminders for the residents of the community of interest and may assist in engendering feelings of belonging and empowerment. Another community of interest factor could be the rohe or takiwā area of tangata whenua.

Local authorities themselves are distinct and identifiable communities of interest. For the purposes of determining appropriate representation arrangements, territorial authorities need to determine firstly the extent to which there are identifiable communities of interest below the district level. Next they need to determine whether these communities of interest are located in identifiable geographical areas or are spread across the district.

The Guidelines go on to note:

In short, a particular community of interest can be defined in terms of the following characteristics:

a sense of community identity and belonging reinforced by:

²⁵ Guidelines to Assist Local Authorities in Undertaking Representation Reviews, Local Government Commission, November 2008

- *similarities in the demographic, socio-economic and/or ethnic characteristics of the residents of a community*
- *similarities in economic or social activities*
- *physical and topographical features*
- *the history of the area*

dependence on shared facilities and services in an area, including:

- *schools, recreational and cultural facilities*
- *retail outlets*
- *transport and communication links*

Decisions relating to the representation of communities of interest (the political aspect) will need to take account of the extent that distinct geographical communities of interest can be identified i.e. a physical boundary is able to be defined below the district or region level for the community of interest.

While effective and fair representation of these communities is a different step from their identification, the criteria that apply to what constitutes effective and fair representation does affect the final boundaries. The Commission notes that:

While what constitutes effective representation will be specific to each local authority area, the following factors should be considered to the extent possible:

- *avoiding arrangements that may create barriers to participation, such as at elections, for example by not recognising residents' familiarity and identity with an area*
- *not splitting recognised communities of interest between electoral subdivisions*
- *not grouping together two or more communities of interest that share few commonalities of interest*
- *accessibility, size and configuration of an area including:*
 - *would the population have reasonable access to its elected members and vice versa?*
 - *would elected members be able to effectively represent the views of their electoral area?*
 - *would elected members be able to attend public meetings throughout the area, and provide reasonable opportunities for face-to-face meetings?*

Electoral system

Representation of local and the wider community may be achieved in a number of ways.

The Act provides:

- *for local authorities and communities to choose between the first past the post (FPP) and the single transferable vote (STV) electoral system for local*

elections (the chosen system also applies in respect of the election of members of any constituent community boards).

- *that Maori wards or constituencies may be established for territorial authorities or regional councils respectively.*

There is also provision for:

- council members elected at large (as applies to mayors) or elected to represent a ward or a mix of these. These choices may be considered in any representation review
- members elected to community boards where these are established to represent the communities of a ward

For the purposes of this paper the continuance of the present FPP and ward representation with no at large members (other than the mayor) is assumed.

Fair representation of electors

The Act²⁶ in s19V(2) requires that the population of each ward divided by the number of members to be elected in that ward must be within +/- 10% of the population of the district divided by the total number of elected members (excluding any elected at large and the mayor). This is referred to as the “+/- 10% rule”. (Note that any members elected at large are excluded for the purposes of applying this rule.)

s19V(3)(a) allows some departure from the above in the event that departure is necessary to achieve effective representation of isolated communities. This would require demonstration that a community of interest is really isolated to the degree that effective representation cannot be achieved using the +/- 10% rule.

Community Boards

Whenever reviewing representation arrangements the Act (s19J) requires consideration of whether there should be communities and community boards in the district and, if so, their nature and structure.

The essential test is whether community boards would be appropriate to provide fair and effective representation for individuals and communities in the district.

6.5.3 Present Structure

Representation

Note that numbers of elected members referred to in this paper exclude the mayor and unless noted otherwise such exclude any members elected at large. Neither Manawatu nor Palmerston North have members elected at large.

²⁶ Local Electoral Act 2001

Elected representation in the two districts currently is:

Table 6-16 Representation in Manawatu District

Ward	Population Census 2006	Population Estimated June 09	Members	Population per member Est
Feilding	13,566	14,050	5	2,810
Kairanga	6,588	9,330	3	3,110
Kiwitea-Pohangina	8,100	6,170	2	3,085
Total three wards	28,254	29,550	10	2,955

Effectively there are two levels of representation existing in Manawatu. While there are no formally established community boards, representation of small rural settlements has been reinforced by the triennial election of 16 Community Committees. These provide through a local ward councillor a stronger link to council on local issues.

Table 6-17 Representation in Palmerston North City

Ward	Population Census 2006	Population Estimated June2009	Members	Population per member Est
Papaioea	20,955	23,200	4	5,800
Hokowhitu	15,153	15,650	3	5,217
Takaro	15,624	14,950	3	4,983
Awapuni	13,164	14,750	3	4,917
Ashhurst-Fitzherbert	10,647	11,700	2	5,850
Total five wards	75,543	80,250	15	5,350

Communities of interest

The Communities of Interest discussion paper suggests that Manawatu District could be broken down into three communities of interest, namely:

- Townships surrounding Palmerston North City and associated rural-residential areas (this includes Longburn, Bunnythorpe and the Kairanga area)
- Feilding

- Wider rural area and smaller settlements

The satellite-type settlements on the fringe of the city have many functional links with the city in terms of workplaces and reliance on retail and other services. At a more local level, the fact that they are close to, but not physically part of the urban area creates a sense of identity for these areas as “non-urban” localities.

There is a strong community of interest within Feilding and its close surrounding areas focused on Feilding as their primary service and social centre. Maintaining and enhancing the distinctive character of the town is seen to be very important.

By contrast, communities in the wider rural areas of the district are likely to have more of a balance of association between their local area and Feilding and Palmerston North City as the main commercial and business hubs. There is the recognition that the City has historically been the primary service centre for the rural areas of the sub-region. It is also noted that the existence of the various community committees in the more remote communities is seen as an indicator of community of interest at the very local level.

In considering each of the options it is necessary to recognise:

- The strong community of interest of Feilding and its surrounds
- The less well defined community of interest (Feilding versus the City) of the rural sector of Manawatu but a need to feel local issues will be adequately addressed
- The fact that the City already contains a large rural area, as well as the separate community of Ashhurst and so a transfer from the District to the City of settlements close to the city fringe does not automatically mean a change in their character

6.5.4 ANALYSIS

The three options are analysed below and the amalgamation option is compared with a number of other districts.

Table 6-18 Boundary Change 1

Issue / factor	Notes	MDC	PNCC			Comments
Ward Population gain / loss		-650 (Longburn) -180 (NE Ind area) from Kairanga Loss of 2.8% of MD population	+220 to Takaro +430 to Awapuni +180 to Papaioea Gain of 1.0% of PNC population			
Communities of interest		Longburn community (also represented by community committee)	As Longburn is so closely located and related to the city the change may not be not material			Little affect as shifted population already has close relationship with the city. Likely to want to continue with its elected community committee.
Isolated communities						N/A
Original representation (pop/member)	District average	2955	5405			
	Ward average	3110	Tak 4983	Awa 4917	Pap 5800	
	+/- 10% rule	+5%	-7%	-8%	+8%	
Reviewed representation (pop/member)	District average	2872	5417			All within 10% rule.
	Ward average	2833	5057	5060	5845	
	+/- 10% rule	-1%	-7%	-7%	+8%	

Representation is well within tolerance in all affected wards.

Table 6-19 Boundary Change 2

Issue / factor	Notes	MDC		PNCC			Comments
Ward Population gain / loss		Approx -2520 from Kairanga -365 from Kiwitea-Pohangina Loss of 9.8% of MD population		Approx +2885 total Assumed allocated to existing wards as +600 to Takaro +430 to Awapuni +1855 to Papaioea Gain of 3.6% of PNC			New ward boundaries can be configured several ways and would require more detailed study to determine final arrangement
Communities of interest		Longburn community Bunnythorpe contributes to the Manawatu district as a tertiary service centre. Both have elected community committees		As Longburn is so closely located and related to the city the change may not be not material. Bunnythorpe may be seen as a local community of interest in a similar manner to Ashurst			Little affect as shifted population already has close relationship with the city. Both are likely to want to continue with their elected community committees.
Isolated communities							N/A
Original representation (pop/member)	District average	2955		5350			
	Ward average	Kai 3110	Kiwi 3085	Tak 4983	Awa 4917	Pap 5800	
	+/- 10% rule	+5%	+4%	-7%	-8%	+8%	
Reviewed representation (pop/member)	District average	2667		5542			Has a significant impact on Kairanga ward representation and would require ward boundary adjustments. The allocation with PNC would need to be examined in more detail with the present example impacting too heavily on the Papaioea ward.
	Ward average	2276	2903	5183	5060	6264	
	+/- 10% rule	-15%	+9%	-6%	-9%	+13 %	

The significant population loss from the two Manawatu wards would require a review of present ward boundaries. In addition it is noted that the loss of population in the

Kairanga ward is of the same order as the ward average suggesting an argument for a reduction in ward representation from 3 to 2.

Within the City there are a number of options for the arrangement of ward boundaries to achieve the required criteria. This is not attempted here but the example serves to give an idea of scale of change.

Within the transferred area the communities of Bunnythorpe and Longburn currently have community committees and may wish to continue to do so.

Amalgamation

Current representation

The two districts current representation is:

Table 6-20 Current representation

Issue/Factor	MDC	PNCC
Population	29,550	80,250
Members	10	15
Pop/member	2,955	5,350

Amalgamated representation – one scenario

In an amalgamated council the overall numbers of elected ward members on council and the consideration of the need for community boards to fairly represent communities of interest must be considered.

Presented in Column 2 below is one scenario. It is intended to illustrate the potential effect of amalgamation on representation of the community. It is not a proposed representation model for the amalgamated councils. In the event amalgamation was a preferred structure for the future a detailed study would be required to arrive at a proposed governance and representation structure.

Columns 3 and 4 illustrate for comparison purposes the resulting representation of the previous districts of Manawatu and Palmerston North.

Table 6-21 Possible representation in an amalgamated council

1 Issue/Factor	2 One scenario for amalgamated PN/M districts	3 Comparative representation of previous MDC	4 Comparative representation of previous PNCC
Population	109,800	29,550	80,250
Members - say	15	4	11
Pop/member	7320	7387	7295
Community boards (new)	3	3	0
Members of community boards	Feilding 5+2 councillors Kairanga 4+1 councillor Kiwitea-Pohangina 3+1 councillor	Feilding 5+2 councillors Kairanga 4+1 councillor Kiwitea-Pohangina 3+1 councillor	NA
Total community board members (non- councillors)	12	12	NA
Pop/CB member	2,463	2,463	NA
Total elected members	27	16	11
Overall pop/total elected members	4,067	1,847	7,295

Benchmarking

Four other district comparisons are made in the table below. Each has a dominant population centre but also a significant rural component mix.

Table 6-22 Benchmarking

	Wanganui	New Plymouth	Hastings	Amalgamated PN/M City	Dunedin
Population	43,400	72,370	74,350	109,800	123,700
Councillors	12 (all elected at large)	14	14	15	14
Pop/Council member	3617	5,169	5,311	7,320	8,836
Population outside community area	38,300	49,800	63,500	80,250	88,000
Population represented by community boards	5,100	22,570	10,800	29,550	35,700
Community Boards	1 rural	4	1 (for four rural areas)	3	6
Community Board Members	7+2 councillors	All are 4	4+2 councillors	5+2 councillors 4+1 councillor 3+1 councillor	All are 6+1 councillor
Total community board members (non-councillors)	7	16	4	12	36
Pop/CB member	729	1,411	2,700	2,463	992
Total elected members	19	30	18	27	50
Overall pop/total elected members	2,284	2,412	4,131	4,067	2,474

6.5.5 Discussion

The analysis serves to highlight the representational issues likely to arise for each of the two boundary adjustment and amalgamation options. These are summarised in the table below. It is emphasised that the analysis is a first cut at high level designed only to illustrate the potential effects of each option.

Boundary Change 1	<p>From a representation perspective the degree of change is not material. The community of interest of Longburn already closely relates to the City. It has been assumed to be incorporated in both the Takaro and Awapuni wards but closer analysis may better place it in one or the other to avoid any division of community of interest. The community may well wish to continue to elect a community committee to represent their local interest through ward councillors.</p>
Boundary Change 2	<p>The degree of change is very significant for MDC with the loss of nearly 10% of its population. This has a marked change on MDC's Kairanga ward and would trigger a representation review. In this ward the population loss could lead to the reduction of ward councillors from 3 to 2.</p> <p>Within the City the new ward boundaries can be configured in several ways however care should be taken to preserve the presently identified communities of interest of Longburn and Bunnythorpe. These two communities may wish to continue to elect a community committee to represent their local interest through ward councillors.</p>
Amalgamation	<p>The effect on representation is significant for both amalgamating districts.</p> <p>The level of representation at council level currently enjoyed in MDC is unlikely to be sustainable under a combined council. In recognition of a strong community of interest centred on Feilding a community board would seem to be justified. In addition, it can be argued that the large areas covered by the two rural wards would not allow a single councillor in each to adequately represent those communities. This suggests a total of three community boards; one for each of the existing MD wards. Similarly representation levels within the PNC are reduced but are still well within reasonable levels for urban communities. Benchmarking against other districts is problematic due to the great variety of situations arising in each district. This illustrates the need for a far more detailed examination of representation in the event the amalgamation option was favoured.</p> <p>It is anticipated that most if not all of the smaller local communities would continue to elect a community committee to represent local interests to ward councillors and community boards.</p>

6.5.6 Conclusions

The impact on representations varies with the options with Boundary Change 1 having a minimal effect that can be addressed through a normal representation review and would not impact number of elected members.

Boundary Change 2 has more impact on the affected wards and would require greater adjustment to ward boundaries and possibly a reduction of one councillor to achieve representation within the guidelines of the LGC.

The Amalgamation option would have a significant effect on the governance structure, ward boundaries and the numbers of elected members. In particular the strong community of interest of Feilding supports a case for a community board for the Feilding ward. Community boards may also need to be considered for the two rural wards of Manawatu given the physical size of the wards and the reduced number of ward councillors to achieve adequate coverage of the electorate. Ward boundaries would need significant adjustment to achieve representation with guidelines and the total number of councillors reduced from the number currently representing the Manawatu and Palmerston North districts.

6.5.7 Reference Material

- a) Guidelines to Assist Local Authorities in Undertaking Representation Reviews, Local Government Commission, November 2008
- b) Local Electoral Act 2001
- c) Statistics New Zealand - subnational-pop-estimate-jun2009-local-government(1).xls
- d) Various council websites
- e) ABC Options, Communities of Interest Discussion Paper

6.6 Policy alignment

6.6.1 Purpose

The purpose of this discussion paper is to compare the community outcomes, vision, goals and strategy of the Manawatu District and Palmerston North City Councils as part of the assessment of options for the structure of local government across the area represented by the two councils.

This is a high level analysis of the main strategic documents and policies of the two councils with the intention of highlighting areas of similarity and difference. In keeping with our instructions we have not sought to align policies but have highlighted those areas which might require some work should amalgamation be the preferred option and/or the two councils seek to more closely align their strategic direction.

6.6.2 Community Outcomes

The community outcomes of the two councils are listed below.

Table 6-23 Community outcomes

MANAWATU DISTRICT COUNCIL	PALMERSTON NORTH CITY COUNCIL
<p>A vital community that is cohesive and characterised by community involvement. Includes:</p> <ul style="list-style-type: none"> • Strong leadership: leadership which is accountable and visionary, taking a long term view • Caring communities: taking care of the more vulnerable members of the community through a range of services • Employment opportunities: attracting high quality professionals and trades people to the district • Youth participation: youth involvement in decision making; employment opportunities for youth; and a great variety of leisure resources 	<p>People have lots of fun things to do</p>

MANAWATU DISTRICT COUNCIL	PALMERSTON NORTH CITY COUNCIL
<p>A community that has access to effective services. Includes:</p> <ul style="list-style-type: none"> • Effective long-term planning of infrastructural services • Easy access to services – both in terms of availability and affordability • Ease of mobility round the district; a well-maintained network of roads, cycleways and walkways 	<p>People feel safe</p>
<p>A self-sufficient environment that preserves values and develops our natural environment. Includes:</p> <ul style="list-style-type: none"> • Environmental responsibility • Promoting alternative energy and energy efficiency; organisations taking responsibility for their own waste • Preserving the natural assets of the District, in particular district reserves • Promotion of sustainable land-use: managing land effectively to achieve community goals, whilst taking a long term view of development that takes the needs of future generations into account • Tourism development: taking advantage of the potential for tourism in this district 	<p>Businesses grow here and people have lots of job opportunities</p>
<p>People are able to go about their business and leisure any time of the day or evening without fear for their safety. Includes:</p> <ul style="list-style-type: none"> • People feel safe as they go about their business • Increased police response times • Communities free of drugs • Better control of ‘boy races’ 	<p>People can move easily around Palmerston North</p>
	<p>Palmerston North’s physical infrastructure is reliable</p>

MANAWATU DISTRICT COUNCIL	PALMERSTON NORTH CITY COUNCIL
	Palmerston North is attractive, clean and green
	The community is supportive and people and organisations work together
	People are well-housed and healthy
	People have lots of learning opportunities

An examination of the two lists reveals the following:

What's common – themes:

- Safety
- Employment opportunities
- Mobility
- Fit for purpose infrastructure
- Quality of environment
- Caring communities

What's different – emphasis:

- MDC – leadership; youth; effective and affordable services; environmental responsibility; sustainability
- PNCC – fun; business growth; attractiveness; health and housing; learning opportunities

What's different – style:

- MDC – more detail; more behavioural orientation
- PNCC – less detail; more result orientation

There are no fundamental conflicts apparent.

6.6.3 Vision

The vision statements of the two councils are shown below.

Table 6-24 Vision

MANAWATU DISTRICT COUNCIL	PALMERSTON NORTH CITY COUNCIL
To ensure that the Manawatu District continues to develop into a community that our people are pleased to call home.	Palmerston North is recognised as a vibrant, caring, creative and sustainable city.

They reveal the following:

What's common – approach:

- Focus on favourable perception

What's different – content:

- MDC – focus on internal perception
- PNCC – encompassing of internal and external perception

What's different – style:

- MDC – more general, evocative
- PNCC – more specific qualities

6.6.4 Goals

The goals of the two councils are shown below.

Table 6-25 Goals

Manawatu District Council (community outcomes effectively serve as MDC's goals)	Palmerston North City Council
A vital community that is cohesive and characterised by community involvement.	Palmerston North is a city where people want to live because of its easy lifestyle and its many social, economic and leisure opportunities.
A community that has access to effective services.	Palmerston North is a leading city in the quest to become environmentally sustainable.
A self-sufficient environment that preserves, values and develops our natural environment.	Palmerston North is a city which attracts, fosters and retains businesses because of the creativity and innovation of its education, research and knowledge base.
People are able to go about their business and leisure any time of the day or evening without fear for their safety.	
	PNCC also has two organisational goals: <ul style="list-style-type: none"> ▪ Council is financially responsible and residents are satisfied that they get value for money from their rates. ▪ Council understands the many views of the City's people and those people understand what the Council is doing and why.

They reveal the following:

What's common – approach:

- Used to strategically link activities in the LTCCP

What's different – content:

- MDC – highlights specific priorities (eg safety and access to services)
- PNCC – broader categories (liveability, sustainability and growing local economy)

What's different – style:

- MDC – had district goals
- PNCC – has city goals and organisational goals

6.6.5 Strategy

The key strategies of the two councils are compared in the table below. Note that this doesn't cover every strategy and policy of the two councils. It focuses on the most significant ones where alignment is most likely to be an issue for the options under consideration.

Table 6-26 Key strategies

MDC	PNCC	Comment
	Manawatu Active Transport Strategy	Joint strategy.
	Regional Sport and Active Recreation Strategy	Joint strategy. Regional delivery entity.
	Regional Tourism: Five goals by 2015	Jointly agreed. Regional delivery entity.
	Tourism and Visitor Strategy	PNCC’s city-focused strategy.
	Regional Economic Development Strategy	Planning for a new RDS is underway. There are two regional delivery entities.
	Economic Development Policy and City Economic Development Strategy (to be replaced by “Economic Wellbeing Strategy”)	PNCC has a city-focused strategy which is also being revised as part of a suite under their Sustainable City Strategy (in progress). It will follow a wider place-based approach to economic development with greater emphasis on the interdependence of economic development with the other wellbeings. The relationship between the new RDS and PNCC’s Economic Wellbeing Strategy is not yet clear.
	Sustainable City Strategy	This is a work in progress. It will be PNCC’s overarching statement of strategic direction, filling a vital gap in their current framework. There will be some interface issues with MDC (and Horizons Manawatu) to address and fundamental questions about the extent to which and how this will reflect an integrated approach to land use across the City and the District.
Urban Growth Strategy	Residential Growth Strategy	This is a work in progress and is a point of connection with the Sustainable City Strategy.
	Urban Design Strategy	In development.

MDC	PNCC	Comment
	District Plan	PNCC is reviewing its District Plan. The Review links to and will be guided by (amongst other things) the Sustainable City Strategy. Implementation of both will use tools such as the retail strategy, parking strategy, urban design strategy, residential review etc. PNCC is seeking to identify synergy between built environment and people and the economy in its strategic planning.
<p>Proposed Regional Roding Hierarchy Palmerston North – Manawatu Joint Strategic Transport Study</p> <p>Strategic Roding Links Study: Feilding – Palmerston North</p> <p>Review of the Regional Land Transport Strategy</p>		There are significant cross-boundary issues involved in these major transport planning processes which are well documented in other parts of the overall assessment.
	Transport Management Plan	Significant elements of this 2002 plan will be overtaken by current work.
Open Space Framework	Greening Strategy	PNCC's Greening Strategy will be replaced with relevant sections of the Sustainable City Strategy (signalling enhanced District Plan and including a stronger emphasis on biodiversity). MDC's Open Space Framework remains and is being considered as part of its wider urban growth strategy work.
	Natural and Built Environment Policy	Will be replaced with relevant sections of the Sustainable City Strategy
Waste Minimisation Plan	Waste Minimisation Plan	MDC's plan is currently in draft

MDC	PNCC	Comment
	Community Development Policy	No issues.
Community Development Funding Policy	Community Funding Policy	These are quite different in scope, approach and strategic intent but not in conflict as such. To bring them into alignment would be a significant exercise.
	Event Strategy	Adopted in 2007, some parts are under revision
	Arts Strategy	Last adopted in 2004. A full review is under way, with a draft about to go to consultation.
Manawatu District's Leisure Plan	Leisure Policy and Recreation Strategy	These are expressed quite differently but a high degree of strategic fit. The communities of both areas benefit when a "whole of catchment" approach is taken to the provision of events, arts, leisure and recreation facilities, with issues such as access and funding being addressed accordingly. A good example of this in practice already is the joint application for the velodrome.
	Social Policy	Will be replaced with relevant sections of the Sustainable City Strategy
	Social Housing Strategy	No issues.

An examination of the key strategies reveals the following:

What's common:

- Once the suite of strategies/revisions currently being worked on are complete, there should be reasonable alignment at the lower level

What's different:

- The major sticking points are land use and transport. Currently the two councils have not aligned their strategic work on sustainable growth although we understand it is intended to do this. There are fundamental questions about the extent to which and how PNCC's Sustainable City Strategy will reflect an integrated approach to land use across the City and the District under the cross boundary servicing and boundary change options. Under the amalgamation option, this would presumably need to be recast as a single strategy altogether.
- Community funding which, while not a fundamental problem, would require a significant exercise to bring into alignment

6.6.6 Conclusions

The comparison of the community outcomes, vision, goals and strategy of the Manawatu District and Palmerston North City Councils shows that there would be substantial work involved if it was decided to bring them into alignment. This would be the case for the core land use, infrastructure and growth strategies under any of the options. Amalgamation would require the most comprehensive alignment exercise. While substantial, it is not apparent that there are any fundamental conflicts in strategic direction as it stands. However, potential areas of significant conflict, particularly in the core strategy areas, have yet to be fully addressed between the two councils.

6.7 Process and Implementation

6.7.1 Purpose

The purpose of this discussion paper is to set out at a high level the process and implementation issues that arise for both councils from the four options considered.

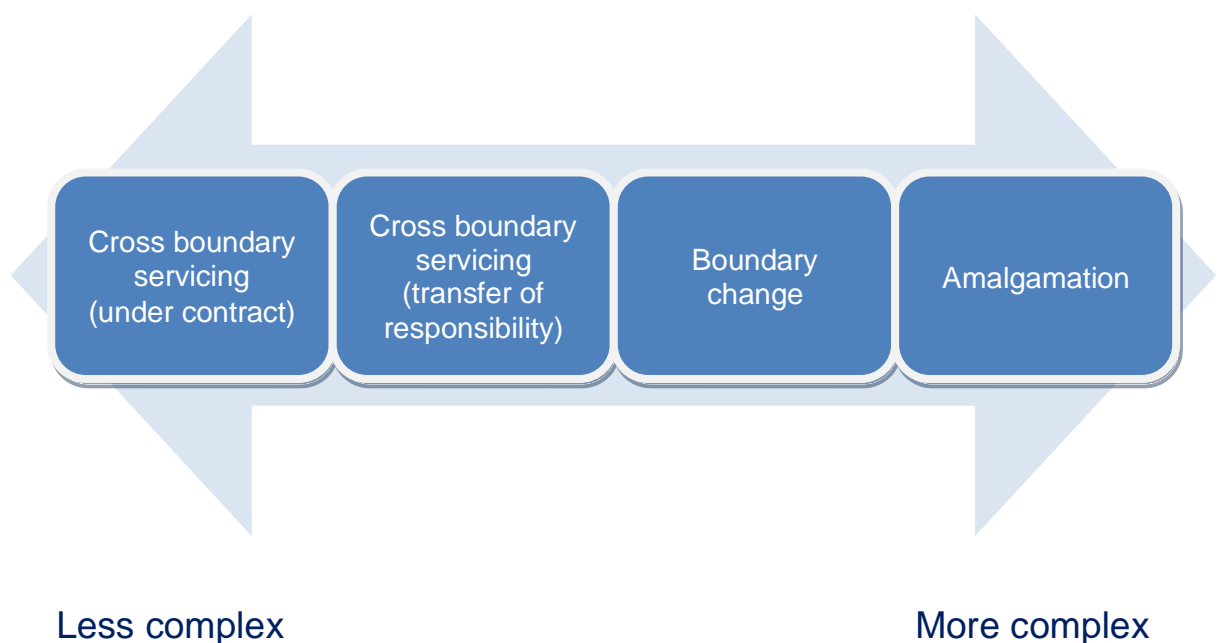
The paper provides some guidance on the issues that are likely to arise with each option and a suggested timetable for implementation. In accordance with our instructions we have not provided specific advice on the resolution of issues and/or detailed analysis beyond noting the likely issues, their impacts and suggestions for possible resolution as appropriate.

6.7.2 Context

This study will provide a foundation for considering possible changes to local government in the Manawatu region. As this discussion paper on process and implementation issues is being prepared prior to any decisions about the future of local government in the region it describes all the possible processes which could result from the study.

Each of the different options (cross boundary servicing, boundary change options 1 and 2 and amalgamation) raise different process and implementation issues which are explained in this report. For the purposes of this discussion paper both boundary change options have been considered together as they offer similar issues with regards to process and implementation.

Generally the complexity of the process and implementation of the different options is as follows.



6.7.3 Issues

This paper deals with two separate areas – process and implementation. The first, process, is a discussion of the statutory process involved in changing the system of local government in the area. We have concentrated on how the two councils and residents contribute to that process, likely timeframes and key steps as these are considered as likely to be of particular interest to the councils.

The second section, implementation, deals with how the councils implement the preferred option (assuming that this option progresses through the LGC stages, if required, successfully). Although these are largely operational issues for each council to deal with, we have set out the key steps for the councils, highlighted the issues which are likely to arise and in some cases provided suggestions for how the issues can be best managed.

Process

At the completion of this study we will report to the Joint Strategic Planning Committee setting out our findings. We understand that the Joint Strategic Planning Committee will then either make a single recommendation as to which option is preferred or more at this stage make a recommendation regarding the process by which the councils will move forward. This is likely to include consultation with residents of both Manawatu and Palmerston North City before the councils reach a final decision about the best way forward for the region and then begin that process of change.

This paper does not deal with how the internal council processes should occur. Instead we concentrate on the external or LGC processes required to progress a proposal for cross boundary servicing, a boundary change or an amalgamation. However, we would recommend that early consideration be given to agreeing the process by which the two councils will together make that final decision and a further single recommendation from the Joint Strategic Planning Committee might continue to be the best approach.

Implementation

For the purposes of this paper we have taken implementation issues to refer to specific issues arising from a change in local government arrangements such as:

- Transitional issues
- Compliance with the Resource Management Act 1991
- Continuation and transfer of functions and responsibilities
- Payment of rates, levies and other monies payable
- Bylaws
- Treatment of assets and liabilities
- Impacts on Long Term Council Community Plans and Annual Plans
- Aligning policies (as required)
- Treatment of development contributions (if required)
- Service delivery
- Managing organisational change
- Communication

- Managing expectations

The LGA 2002 provides guidance and structure for the transfer of responsibilities, assets and liabilities and many of these other issues listed above other areas such as communication and managing the change will be dealt with through internal council processes and policies and we have not commented on these areas in any detail.

6.7.4 Analysis

Process

All of the changes proposed (except cross boundary servicing under contract) require the decision making body to satisfy itself that the proposed change will promote good local government. Although this paper and the analysis within it only deals with the process of the decisions we note that the LGC takes a wide view of what local government means and the LGC is clear that what is proposed must improve, enhance or advance the status quo.

The Local Government Act sets out two separate processes which are discussed in this report²⁷. A process under which a boundary change or cross boundary servicing under a transfer of responsibility is dealt with ('boundary change process') and another process for:

- The union of districts or regions
- The creation of new district or region; and
- The abolition of a district or region

('amalgamation process')

For the purposes of this paper and the simplicity in presenting the two processes we have assumed that neither boundary change option 1 or 2 would result in the abolition of a district or the creation of new district. However if either of the boundary change options meant that the remainder of MDC was not financially viable and this resulted in the abolition of MDC then the boundary change would need to be treated as if it were an amalgamation.

There are two key differences between the processes:

- A boundary change proposal or transfer of responsibility may be considered by a joint committee of the two councils, an appointed local authority or the Local Government Commission whereas an amalgamation proposal must be considered by the LGC; and
- A poll in the district or districts directly affected by the reorganisation scheme is required under the amalgamation process but is not required nor provided for in the boundary change process.

²⁷ If the existing LGA2002 process presents an obstacle to implementing the preferred option (or in addition to the existing process) there is the possibility that a local Act of parliament could be used to amend the boundaries or amalgamate the councils.

Cross boundary servicing under contract

Cross boundary servicing under contract is a commercial arrangement between the two councils and effectively a continuation of the status quo.

The LGA 2002 requires a Council to carry out a consultation process using the special consultative procedures when there is a change in the mode of the delivery of services. A strict reading of this requirement would be that special consultative procedures must be used whenever there is any change which could include minor changes as a change of contractor. In practice there is a materiality test applied to this requirement. MDC would therefore need to consider whether the provision of water, wastewater and storm water to the areas of development is considered a change in the mode of delivery sufficient to trigger the consultation requirements.

Unless the requirement to using special consultative procedures is triggered there is no particular statutory process that must be followed in order for cross boundary servicing under contract to take place. This is essentially a commercial arrangement between the councils and the process would be as agreed between the councils.

In order to provide the level of certainty that the councils seek to stimulate development and growth in the region we would recommend that a formal cross boundary servicing arrangement be put in place rather than ad hoc agreements being put in place as and when development takes place. The agreement might for example obligate PNCC to provide services to developments that gain MDC planning permission or on reaching such other objective criteria as can be agreed.

We do note that the arrangement does expose MDC to some risk and relies on the continued goodwill of the two parties.

- The legal obligation to provide the services would remain with MDC and MDC is liable to its ratepayers for any failure to provide or withdrawal of the services; and
- From a commercial perspective MDC has no option but to continue the relationship regardless of the terms on which any renewal is offered as it would not be easy or practical for MDC to end the relationship and provide the services itself

In our view these risks could largely be managed through a contract with specified levels of service. For example a long term contract with objective criteria for calculating future price rises provides longevity and certainty of service provision and the inclusion of penalty clauses for a breach of provides incentives to ensure performance. However there will always be some risk associated with reliance on PNCC to provide the services which can only be removed by transferring the obligation to provide the services to PNCC.

Boundary change process (including cross boundary servicing where the obligation is transferred)

The LGA process for a boundary change is a rigid one with each step prescribed in the LGA 2002. A flowchart is provided as Figure 6-28 and the process is described below with the relevant section of the LGA 2002 and brief commentary (as appropriate) noted in italics.

A boundary change proposal can be initiated by Palmerston North City Council or Manawatu District Council or jointly (*Clause 1(1) of Schedule 3 of the LGA 2002*).

Upon receiving the proposal the councils are required to notify the LGC and consult with each other for the purposes of deciding whether the proposal should be considered by way of joint committee, appointing one of the local authorities to consider the proposal or by referring the proposal to the LGC (*Clause 10(1) of Schedule 3 of the LGA 2002*).

We have assumed that neither Council would wish to remove itself from the process and use an appointed local authority. We have therefore referred to a joint committee rather than an appointed local authority. The provisions are equally applicable to an appointed local authority.

Councils have 60 days in which to agree to establish a joint committee or the proposal is referred to the LGC by default (*Clause 10(1) (c) of Schedule 3 of the LGA 2002*)

If the proposal is referred to the LGC then the process is as described in the amalgamation section below, except that no poll is carried out (*Clause 10(2) of Schedule 3 of the LGA 2002*)

The joint committee then considers the proposal and issues a draft reorganisation scheme, gives public notice of the draft reorganisation scheme and invites public submissions. A copy of the draft scheme must be sent to a number of specified statutory bodies including the Secretary for the Environment, Te Puni Kokiri and the Auditor General (*Clause 12 of Schedule 3 of the LGA 2002*).

The joint committee must allow at least two months for submissions to be made. Once the date for submissions has closed the joint committee must provide a copy of all the submissions received to the proposer and provide an opportunity for the proposer of the draft reorganisation scheme to withdraw the proposal (*Clause 13 and 15 of Schedule 3 of the LGA 2002*).

The LGC may direct that a proposal not be considered if it is the same or substantially the same as one that has been considered, declined or abandoned within the previous 3 years (*Clause 14 of Schedule 3 of the LGA 2002*).

If no submissions are received and the proposer does not withdraw the proposal then it becomes a reorganisation scheme and must be referred to the Minister for implementation through an Order in Council (*Clause 19 of Schedule 3 of the LGA 2002*).

The Minister has no discretion whether to make the boundary change. He or she is required to issue the Order in Council making the boundary change.

A joint committee must consider all the submissions it receives and may convene meetings or hold discussions to hear from submitters in person, affected Councils, any other person or body that it thinks relevant. However a joint committee is required to give the opportunity for a person who has made a submission to be heard in support of their submission (*Clause 14 and 17(2) of Schedule 3 of the LGA 2002*).

This requirement to provide the opportunity for every person to be heard does put an administrative burden onto a joint committee. There is likely to require a significant time commitment for members of the joint committee.

The joint committee makes a decision as to whether to adopt the draft reorganisation scheme or that it should not proceed. They must notify

- The affected local authorities
- The Secretary of Local Government
- The LGC
- Each person who has made a submission; and
- Proposer or his or her representative

(Clause 18 of Schedule 3 of the LGA 2002)

The joint committee must only adopt a scheme that promotes good local government and satisfies the various statutory requirements such as boundaries and representation.

Any person who was notified of the decision and is dissatisfied with the decision may launch an appeal to the LGC within 1 month *(Clause 20 and 21 of Schedule 3 of the LGA 2002)*.

The wide basis on which an appeal can be made and the large group of people who can launch an appeal make it likely that any decision of the joint committee would be appealed.

If no appeal is filed then the matter becomes a reorganisation scheme and must be referred to the Minister for implementation by Order in Council *(Clause 18(3) of Schedule 3 of the LGA 2002)*.

If an appeal is launched, the LGC may, prior to any hearing, direct the joint committee or appointed local authority generally or specifically to reconsider the draft reorganisation scheme or any part of it *(Clause 29 of Schedule 3 of the LGA 2002)*

A notice of the appeal must be served on everyone who was notified of the original decision and any of these people may give notice to the LGC that they wish to appear and be heard at the appeal *(Clause 22 of Schedule 3 of the LGA 2002)*.

The LGC is required to hear and consider all evidence tendered and representations made at the appeal. After hearing the appeal the LGC may confirm, discharge or vary the decision of the joint committee of appointed local authority *(Clause 28 of Schedule 3 of the LGA 2002)*.

Amalgamation process

A flow chart setting out the amalgamation process is included as

Figure 6-29. This discussion again sets out the process with the relevant section of the LGCA 2002 and brief commentary (as appropriate) noted in italics.

A proposal for the constitution of a new district or the abolition of a district can be initiated by Palmerston North City Council, Manawatu District Council or jointly. An amalgamation proposal initiated by one council must have the support of the other. The proposal must be filed with the Chief Executive of the Local Government Commission for consideration (*Clause 1(2), 1(3) and 34 of Schedule 3 to the LGA 2002*).

An amalgamation proposal cannot be considered by a joint committee or appointed local authority. It must be referred to the LGC.

The LGC may direct that a proposal not be considered if it is the same or substantially the same as one that has been considered, declined or abandoned within the previous 3 years (*Clause 35 of Schedule 3 of the LGA 2002*).

The LGC must publically notify the proposal and invite submissions and must also seek the views of specified statutory bodies including the Secretary for the Environment, Te Puni Kokiri and the Auditor General. The LGC must give 60 days for submissions to be made, must grant opportunity for the affected councils and adjoining councils to meet with the LGC and be heard on the proposal and the LGC may consult and carry out enquiries with whomever it considers relevant (*Clause 37 of Schedule 3 of the LGA 2002*).

While there is no obligation to hear submitters the LGC approach in the past has been to hold hearings at this stage. In any event the two councils must be given an opportunity to meet with the LGC and be heard. The LGC has also in the past used its discretion to make enquiries and has commissioned independent reports to gain further information before deciding whether to issue a draft scheme (Banks Peninsula District/Christchurch City – communities of Interest and operation and financial analysis of Banks Peninsula, Kaikoura District/Hurunui District – financial capacity and service delivery)

Once the date for submissions has closed the LGC must provide a copy of all the submissions received to the proposer and provide an opportunity for the proposer of the draft reorganisation scheme to withdraw the proposal (*Clause 38 of Schedule 3 of the LGA 2002*).

The LGC must then decide whether to issue a draft reorganisation scheme, with or without modification or decide not to proceed with the proposal (*Clause 39 of Schedule 3 of the LGA 2002*).

A draft reorganisation scheme must include an explanatory statement outlining the advantages and disadvantages of the draft reorganisation scheme (*Clause 41 of Schedule 3 of the LGA 2002*).

The LGC must publically notify the draft reorganisation scheme and invite submissions (*Clause 43 of Schedule 3 of the LGA 2002*).

The LGC must allow at least 2 months for submissions to be made and must consider each submission received. While the LGC has to take submissions into account it does not have to give any person(s) an opportunity for to be heard in support of their submissions (*Clause 44 and 45 of Schedule 3 of the LGA 2000*).

The LGG then either issues a reorganisation scheme based on the draft reorganisation scheme, with or without modification or decides not to proceed with the draft reorganisation scheme and gives public notice of the decision. The LGC may not approve a scheme that does not comply with clauses 3 to 7 of Schedule 3 of the LGA 2002 (*Clause 46 of Schedule 3 of the LGA 2002*).

If a reorganisation scheme is issued then the LGC must either confirm the explanatory statement issued with the draft reorganisation scheme or issue a new explanatory statement (*Clause 47 of Schedule 3 of the LGA 2002*).

The LGC may at any time abandon a draft reorganisation scheme that does not comply with clauses 3 to 7 of Schedule 3 of the LGA 2002.

If a reorganisation scheme is issued then a poll must be held in each region directly affected by the scheme at a date to be fixed by the LGC (*Clause 49 and 50 of Schedule 3 of the LGA 2002*).

“Directly affected” is defined by the LGA 2002 and under an amalgamation the Manawatu District will always be considered as directly affected. Whether Palmerston North City is also considered directly affected depends on whether the amalgamation is framed as a union of the councils, the creation of a new council or the inclusion of MDC within the existing PNCC. Palmerston North City would be directly affected under the former examples but not the later. A more detailed discussion of these issues is contained in the next section of this report.

If more than 50% of the valid votes cast in the poll are for the reorganisation scheme then it must be given effect but in every other case the scheme must not proceed (*Clause 52 of Schedule 3 of the LGA 2002*).

If a poll was required in Palmerston North City and Manawatu District then 50% of the voters in each separate poll would have to support the amalgamation. The votes are not aggregated or combined across both districts.

There are statutory limits on the sums that a council can spend on advertising the poll. Before spending any money on advertising the Council must decide the amount that will be spent on advertising that promotes or opposes the implementation of the scheme (*Clause 55 of Schedule 3 of the LGA 2002*).

The limits for expenditure are quite low and the councils should be careful and clear about how the funds are allocated and spent. Based on current population figures the limits would be:

MDC - \$10,000

PNCC - \$20,000

Horizons - \$40,000

Implementation

Cross boundary servicing

The creation of a formal cross boundary servicing agreement with PNCC might be viewed by MDC as a change in the mode of delivery of water services. If that is the case then MDC would be required to consult with the community using the special consultative procedures. Typically this procedure is carried out as part of the Annual Plan or LTCCP consultation process; however, a specific process could be developed for cross boundary servicing. In any event an allowance for the time taken to consult would need to be made.

The contract between MDC and PNCC can be for as long as the two councils should wish to enter an agreement. An agreement between two councils relating to water services is not limited by the usual statutory limit of 15 years.

In order for development contributions to be levied within MDC where the service is provided by PNCC through infrastructure built and operated by PNCC MDC must have an ownership stake in the infrastructure with the assets and projects listed in the 10 year plan and the LTCCP. Provided that other requirements relating to levying development contributions are met such as growth and compliance with the development contributions policy then development contributions can be properly levied against this infrastructure by MDC.

The development contributions could then be used to repay loans taken out to pay for the infrastructure or to PNCC in payment for the ownership stake. A commercial arrangement would need to be put in place between the two councils.

Appropriate changes to the development contributions policy would need to be made to make the development contributions for that area equivalent to what PNCC would charge.

It would be expected that an increase in population on the northern boundary of Palmerston North City would lead to increased demand on community services within the city. Development contributions can also be levied for community infrastructure. Community infrastructure is defined as land or development assets on land owned or controlled by the council to provide public amenities. This would include for example facilities such as libraries, swimming pools and sports grounds. It is not possible for MDC to levy development contribution on PNCC community infrastructure without an ownership stake similar to the arrangement described above for water and wastewater. PNCC cannot levy development contributions on MDC residents.

Cross boundary servicing therefore creates a difficulty with funding the additional demand on services which would need to be resolved as part of the implementation process. PNCC could charge MDC for the use of its services in the same way as the current \$10,000 per annum charge for use of the library exists and MDC could create a targeted rate for the areas on the boundary. However identifying how much demand is caused by the growth on the MDC side of the boundary and apportioning the costs across those areas rather than the wider district could be difficult.

Boundary change and amalgamation

Assets, liabilities, rights, duties and responsibilities

Clause 67 provides that certain things happen automatically by law under a reorganisation proposal:

- All powers, duties and acts of authority transfer, all liabilities and obligations and all actions, suits and proceedings by or against the previous local authority (*Clause 67(a) and (b)*)
- All real and personal property transfers to new Council subject to all existing encumbrances (*Clause 67(c) and (d)*)
- Rates and levies become due and payable to new council (*Clause 67(f)*)
- Under an amalgamation any credit left in MDC accounts after meeting all their liabilities must be expended for the benefit of the residents of the former MDC, conversely if there is an overall deficit then the money must only be raised within the area of the former MDC (*Clause 67(g)*)
- If there is a boundary change then the civil defence emergency group management plan for the MDC area that transfers would be that of PNCC, if there is an amalgamation both plans continue in force for their respective areas until a single plan is prepared and approved (*Clause 67(k) and (l)*)

Bylaws

By-laws would remain in force as bylaws of the new Council and if they cannot be restricted to that particular area must be revoked by the reorganisation scheme (*Clause 67(e)*)

Rating policies

A separate discussion paper has been produced on the rating impacts of the four options, however, in terms of implementation issues a reorganisation scheme may specify that different rating systems apply to all rates, or the kind of rates that are specified in the scheme made or levied in those parts of the new district, or enlarged district or region. This can apply for a maximum of 5 years (*Clause 66(i) of the LGA 2002*).

Under an amalgamation or boundary change this would provide the councils with the flexibility to align the rating systems over time and/or conduct a review of the revenue and financing policy before establishing a single rating system. The reorganisation scheme could provide for an immediate change in the rating system say for boundary changes but a continuation of the status quo for amalgamation.

Resource management Act 1991

A reorganisation scheme may deal with the administration of an existing, proposed, or operative district plan. The transfer of all powers, duties and acts of one authority to another under a reorganisation scheme would include the transfer of any resource consents and planning consents with any attached conditions.

Electoral Act – ward boundaries

Establishing ward boundaries would be carried out as part of the re-organisation scheme and has been largely dealt with in a discussion paper on representation. However clause 59(1)(f) of Schedule 3 of the LGA 2002 allows a reorganisation

scheme to provide for a transitional period of three years where the existing boundaries of MDC and PNCC wards could be kept and the wards exempt from complying with section 19V of the Local Electoral Act 2001 which relates to the ± 10 percent rule.

Alignment of policies

A separate discussion paper has been produced dealing with the substantive issues around alignment of policies.

Service delivery

Amalgamation and to a lesser extent a boundary change is likely to lead to a change in service delivery. All changes arising from a shift to a new council whether that is PNCC under a boundary change or PNCC or a new council in an amalgamation they will be very visible changes.

How the councils manage this change and the expectations of the residents affected by the change is in our experience a significant challenge.

Tax

For the purposes of ACC, Tax and GST the amalgamated council would be deemed to be the same council as the PNCC and MDC.

Communication and consultation

The councils will be aware that consultation and communication with the community and staff is a key part of the both the process and implementation of any of these options and/or a decision not to progress any of the options. We have not provided any specific advice about the method or extent to which this should occur. It is however noted on the timeline in section 5.2 as an ongoing process.

6.7.5 DISCUSSION

Process

Community input into the process

Cross boundary servicing under contract

If cross boundary servicing under contract triggers the requirement for special consultative procedures then consultation must be carried out in accordance with the special consultative procedures set out in section 83 of the Act. Typically this is carried out as part of the Annual Plan or LTCCP consultation but a one off consultation could also be used. However, if it does not trigger the requirement then no particular community involvement in the decision is required.

Boundary change process

Under the boundary change process there are one or possibly two opportunities for the public, the councils and other organisations to comment/make submissions:

- On the draft re-organisation scheme; and
- On any appeal to the LGC

A joint committee or appointed authority must consider all the submissions it receives. Although the LGA 2002 provides that it may convene meetings to hear from submitters in person, affected Councils and any other person or body that it thinks relevant because the joint committee or appointed authority are required to give the opportunity for a person who has made a submission to be heard in support of their submission they are effectively required to hold public hearings or meetings.

The second opportunity to make a submission and be heard in support of that submission is on the appeal to the LGC. Any person who has made a submission must be notified of the decision and then has the right to bring an appeal against the decision and any person notified of the decision has the right to appear and be heard on the appeal.

Amalgamation process

Under the amalgamation process there are two opportunities for the public, the councils and other organisations to comment/make submissions:

- On the proposal; and
- On the draft re-organisation scheme

The LGC only has to allow the affected councils, adjoining councils and the proposer to be heard in support of their submissions at the proposal stage but it is under no obligation to allow anyone to be heard in support of submissions on the draft re-organisation scheme. However we note that in practice the LGC generally holds hearings to allow submitters to speak to their submissions at the proposal stage e.g. Banks Peninsula District/Christchurch City (2005), Kaikoura District/Hurunui District (2009), and Hauraki Gulf Islands/Thames Coromandel (2009).

Joint Committee

The use of a joint committee provides an attractive proposition for dealing with a boundary change as it allows the two Councils to retain control over the process. There are some administrative requirements associated with that but the advantages are likely to outweigh any administration issues.

In particular the requirement to produce the draft re-organisation scheme setting out all the matters that relate to the change in circumstances such as the division of the area into wards, the first election, any transitional matters, determining whether the system of rating and establishing community boards provides the councils with the ability to maintain control and direction over the process.

We note that a joint committee was used by Tauranga City Council/Western Bay of Plenty District Council when considering a proposal to amend part of their common boundary (Pyes Pa West and Tauriko Industrial Area) and is currently being used by Hamilton City Council/Waikato District Council regarding a number of proposed changes to their common boundary.

The LGA 2002 sets the parameters of the joint committee and some of these may be relevant to any decision whether to use a joint committee and who the members of that committee should be:

- Membership must be comprised of even numbers from each authority

- The Chairman has a deliberative but not casting vote
- If the committee cannot reach a decision the matter is referred to the LGC
- The committee must make the decision without referring the proposal back to the councils
- Members of the committee cannot be involved in the preparation of submissions or appeals

The requirement that the committee make the decision without referring the proposal back to the Councils is a marked difference from the arrangement of the councils' Joint Strategic Planning Committee. This joint committee currently has limited decision making power and there may be some issues in delegating the decision on the boundary change to a committee of the two Councils. The current membership of the Joint Strategic Planning Committee may not also be the appropriate membership as the inclusion of the Mayors and Deputy Mayors would mean that they could not be involved in the preparation of submissions to the committee or an appeal to the LGC.

Every person who has made a submission to a joint committee or appointed local authority must be given the opportunity to be heard in support of their submission. This may require the committee to sit for a long period of time but this will also provide for better community input and interaction than it would if this process was occurring through the LGC.

Given the wide scope for an appeal and that any person who makes a submission has standing to make the appeal it is considered likely that any decision of a joint committee would then be appealed to the LGC.

Vote of affected residents

In any amalgamation the LGA 2002 requires that a poll of the region(s) directly affected by the proposal be taken. The proposal cannot be implemented unless a majority of those residents voting approve the proposal.

The way in which directly affected is defined by the Act means that whether a vote is required in one or both of MDC and PNCC is a matter of the way in which an amalgamation proposal is framed.

Under the LGA 2002 a district or region is directly affected by a re-organisation if

- The scheme provides for the abolition of that district or region
- The scheme provides for the union of the whole of that district or region with all or part of another or other district or regions
- The scheme provides for the constitution of a new local authority whose district or region will include the whole of that district or region
- The scheme provides for the constitution of a new local authority whose district or region will include part of that district or region
- The scheme provides for the exclusion of an area from that district or region

Under any amalgamation Manawatu District will be abolished and Manawatu District would therefore be directly affected. Whether Palmerston North City is also directly affected essentially comes down to whether the amalgamation creates a new district out of the 'old' MDC and PNCC or the existing MDC is included within PNCC.

The example of Banks Peninsula and Christchurch City provides some clarity to the issues. In 2000 a proposal for the Union of Banks Peninsula District and Christchurch City to form Christchurch City was put to the vote of residents in Banks Peninsula and Christchurch City and the proposal was voted down. In 2005 a proposal for the abolition of Banks Peninsula District and its inclusion within Christchurch City was put to the vote of residents in Banks Peninsula and approved.

Some of the possible scenarios for the amalgamation of Palmerston North City and Manawatu District and the areas in which a vote would be required are set out in the following table.

Table 6-27 Polling scenarios

Scenario	Poll in Manawatu District	Poll in Palmerston North City
A union of Manawatu District and Palmerston North City to form Palmerston North City	√	√
Abolition of Manawatu District and its inclusion within Palmerston North City	√	
Abolition of Manawatu District and Palmerston North City and the creation of "A New District"	√	√

A poll will also be required if either of the boundary change options resulted in:

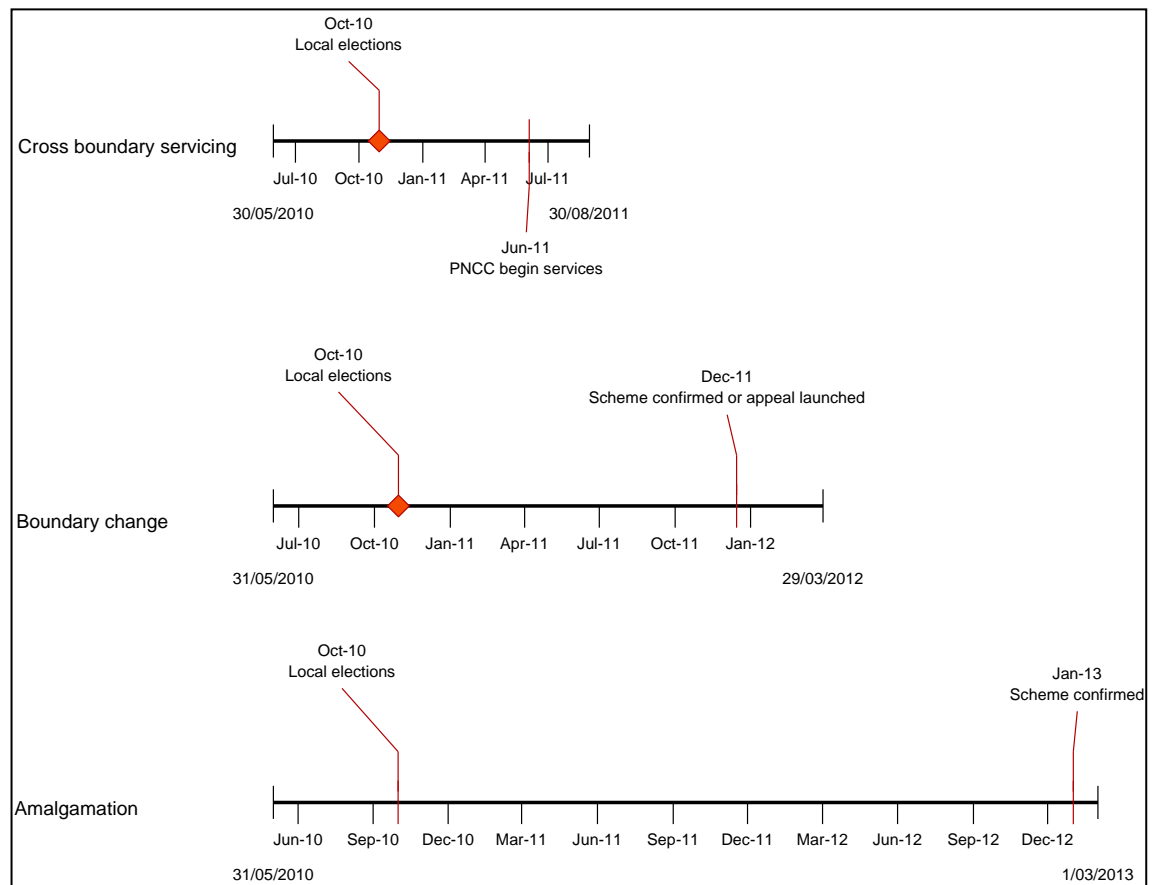
- The constitution of a new district; or
- The abolition of a district

These are all possible outcomes if boundary change option 2 is the preferred option as what happens to the remainder of MDC would need to be resolved and this may include for example its inclusion in a neighbouring district.

Implementation

The timeline set out below provides a comparison of the respective timeframes for the different process. The times are approximate only. A series of more detailed timelines are provided as Figures 6-30, 6-31 and 6-32.

Figure 6-27 Timeline

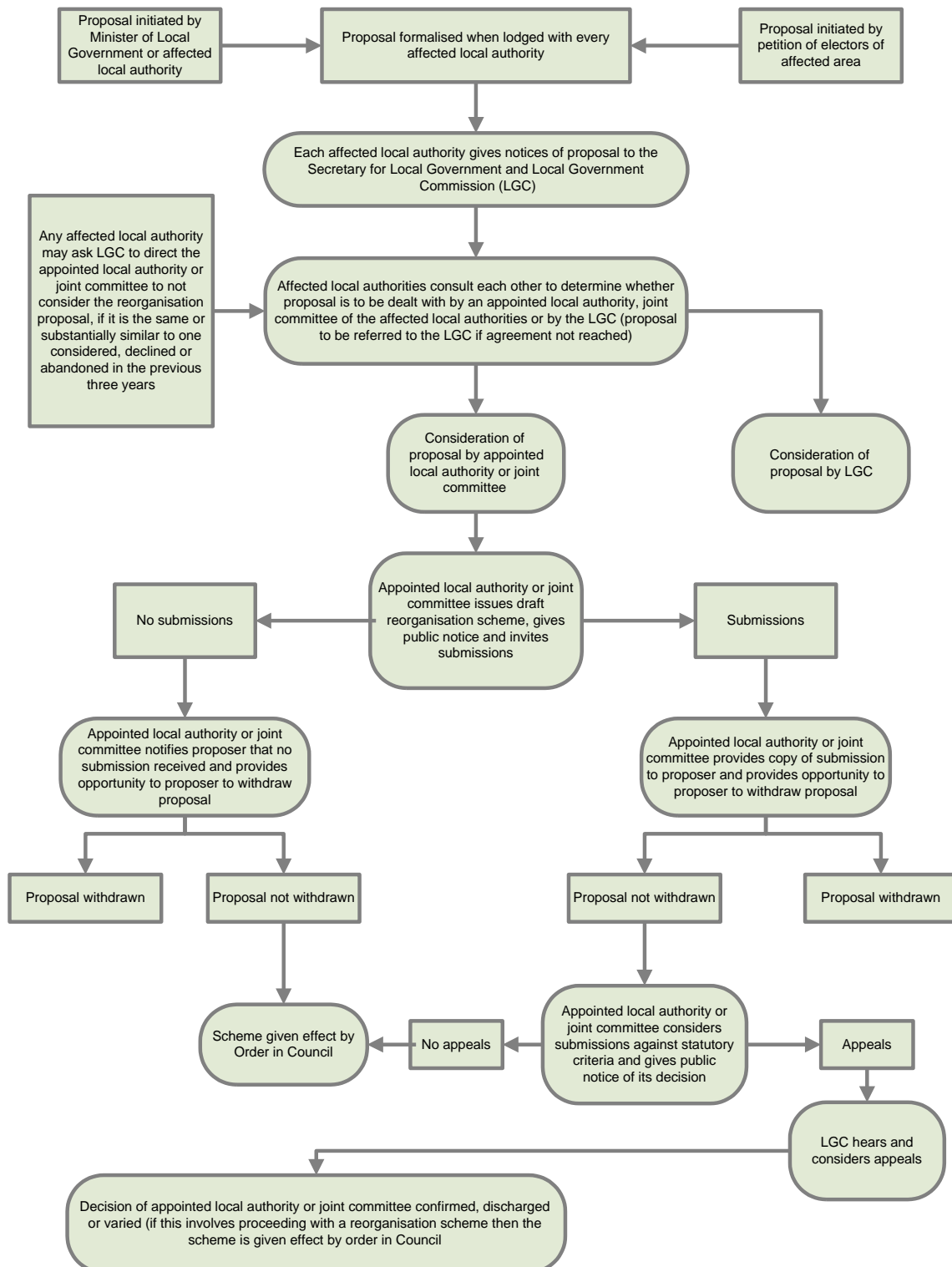


6.7.6 Conclusions

The process for any change under the LGA is a very structured one as demonstrated in this report. The structure provides for a significant amount of input and participation from the community in the decision making process. The rigid timeframes and structure imposed under the LGA provide clarity and will require careful planning and preparation to ensure that the councils comply with the legislation and use the process in an effective manner.

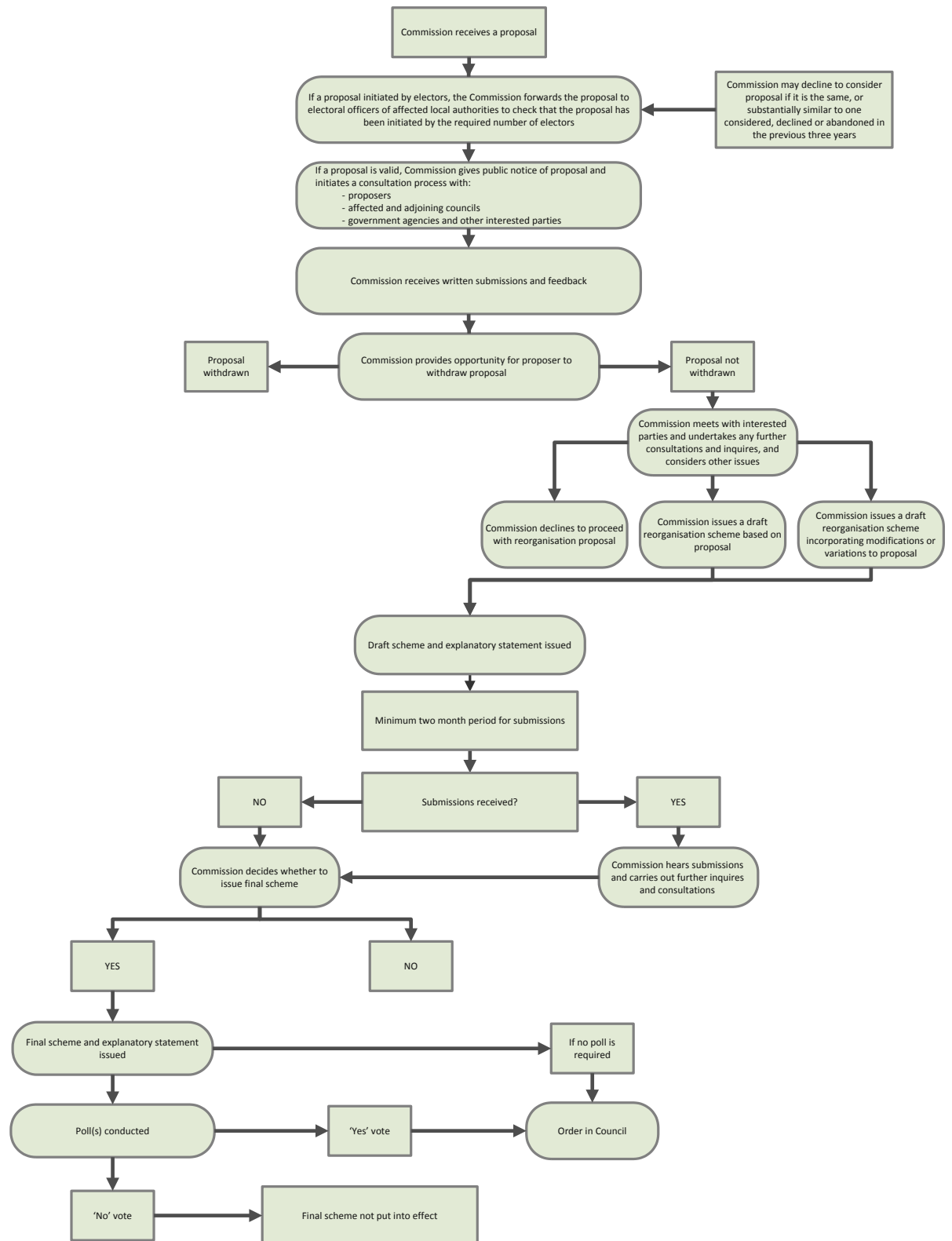
A number of issues will arise for both councils if any of the options recommended under this study are implemented. Both a boundary change and amalgamation are significant changes to the local government arrangements in the region and the changes that will be needed to support cross boundary servicing, particularly around development contributions, also represent significant change. Although this report has considered implementation from a high level the likely issues have been identified and the key will be careful planning and preparation

Figure 6-28 Boundary change process²⁸



²⁸ Local Government Reorganisation – Guidelines to the procedures for reorganisations of local authorities under the Local Government Act 2002 produced by the LGC

Figure 6-29 Amalgamation process²⁹



²⁹ See note 27 above

Figure 6-30 Cross boundary servicing timeline

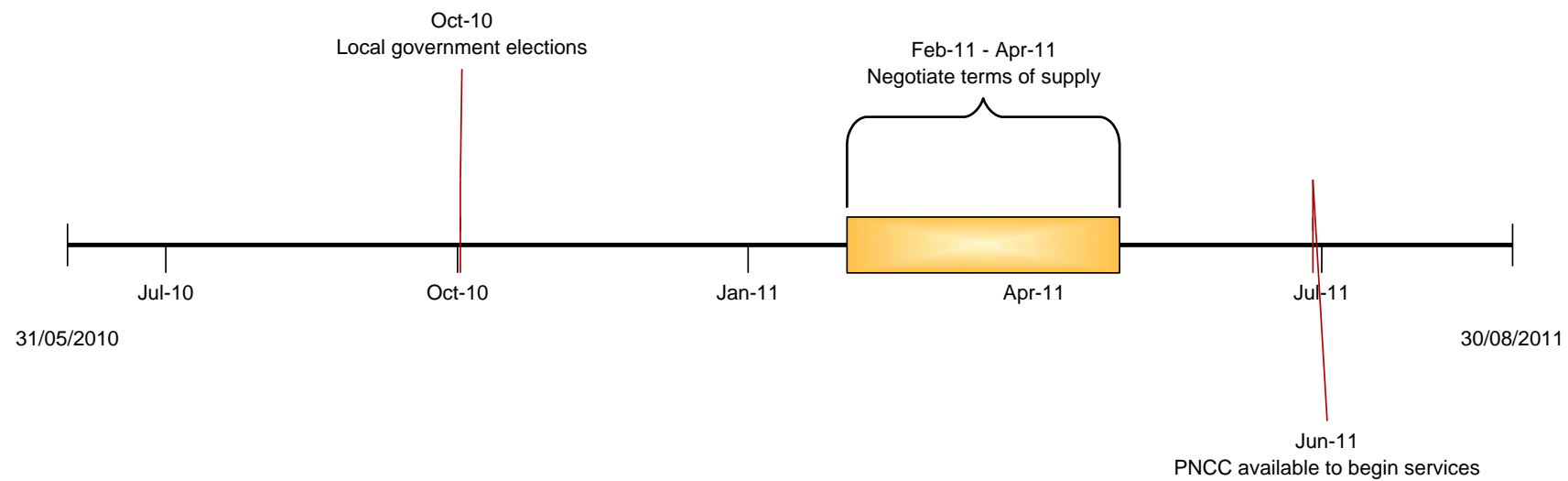


Figure 6-31 Boundary change timeline

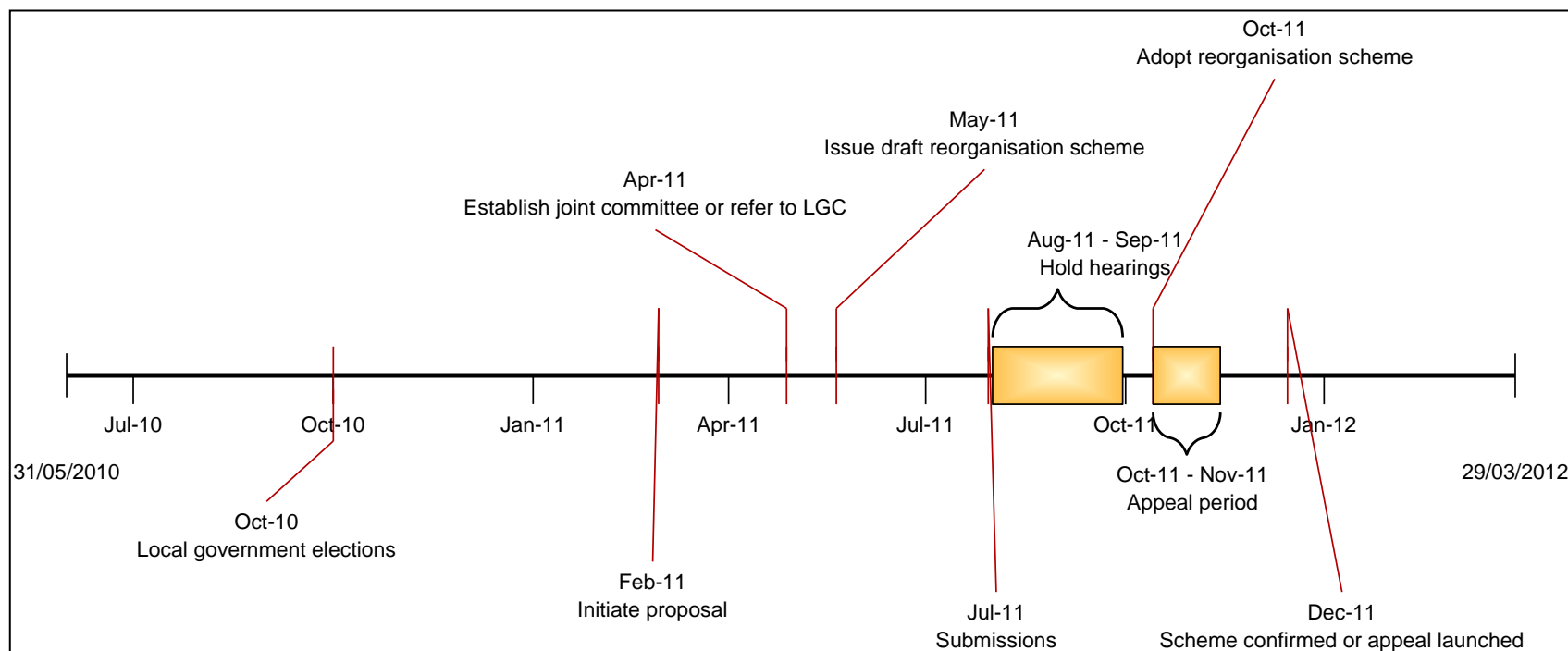
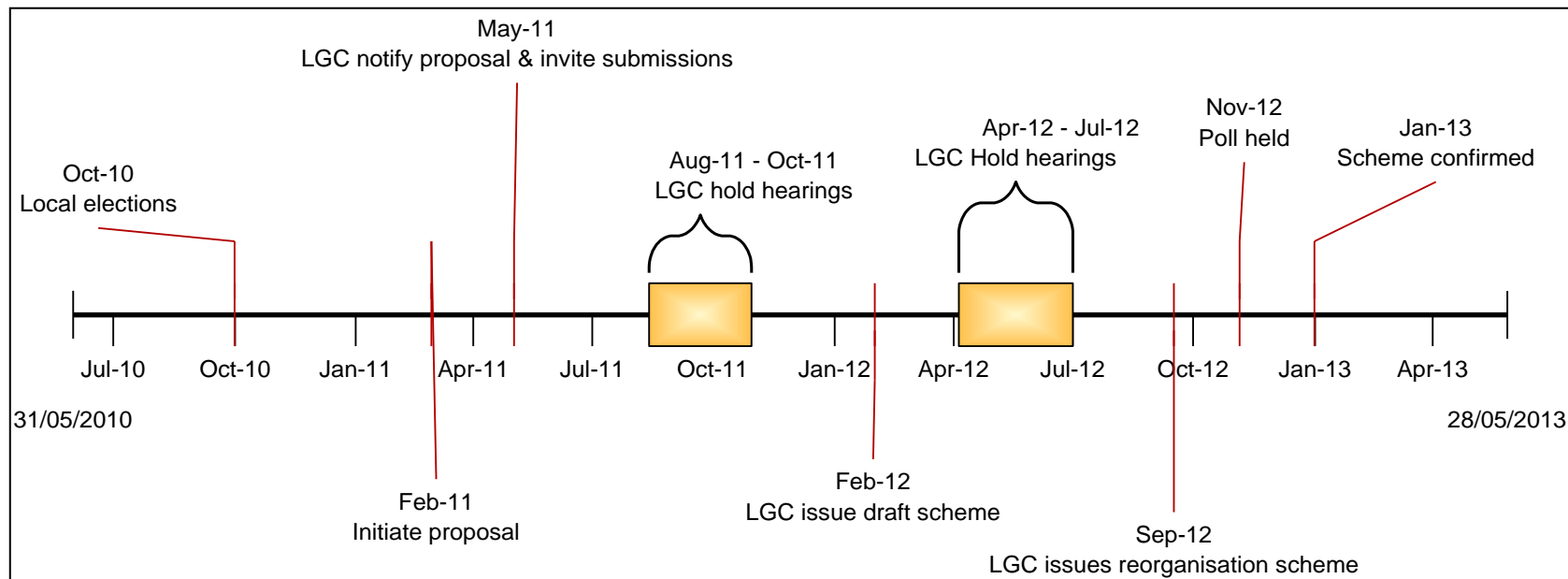


Figure 6-32 Amalgamation timeline



7. ASSESSMENT OF THE OPTIONS

7.1 Cross boundary servicing

Key consideration	Pros	Cons
Economic growth	<ul style="list-style-type: none"> • Cross-boundary servicing may facilitate better cooperation/alignment in land use and transport decision-making than the status quo (albeit at higher transactions costs) if it is also intended to establish a joint planning framework (for land use, transport, other infrastructure and industry development) and there are mechanisms put in place to support this. 	<ul style="list-style-type: none"> • There is a moderate to high risk that this option would constrain growth of the logistics and distribution sector in the region by failing to adequately invest in maintaining attractiveness to the sector relative to other regions, particularly in terms of the transport network.
Environmental planning	<ul style="list-style-type: none"> • Can work within the current framework of plans/policies, provided cross boundary development is confined to industrial/business activities • Opportunity to align District Plans for discrete areas and transfer of responsibility for administering the plan 	<ul style="list-style-type: none"> • Some uncertainty over policy consistency over the longer term (e.g. plan changes) • More resources will need to be put into co-ordination/joint planning • May require greater involvement of Regional Council
Simplicity	<ul style="list-style-type: none"> • Retains existing council structures and boundaries • Servicing under contract is a relatively simple arrangement. • A transfer of responsibility for servicing the growth areas to PNCC would provide certainty and alleviates the risk for MDC in relying on a contractual arrangement for servicing 	<ul style="list-style-type: none"> • Any features put in place to provide certainty in planning, transport and services will require ongoing collaboration and interaction between the councils with transaction costs and a risk that the relationship could break down. • Services provided by PNCC into MDC will create issues with development contributions that will

Key consideration	Pros	Cons
		<p>need to be resolved. It appears possible for MDC to levy development contributions to fund the necessary servicing infrastructure where it is provided by PNCC.</p>
Financial impacts	<ul style="list-style-type: none"> MDC continues to benefit from rates revenue from increasing development 	<ul style="list-style-type: none"> The provision of transport infrastructure (excluding the state highway realignment) would fall significantly on MDC. MDC unable to levy development contributions on the growth areas to support this.
Communities of interest	<ul style="list-style-type: none"> Does not affect existing communities of interest 	<ul style="list-style-type: none"> Longer term, will seem more urban growth in MDC creating a more complex community (urban/village settlements/rural)
Representation	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Not applicable
Process implementation	<p>&</p> <ul style="list-style-type: none"> Servicing under contract could be carried out through a simple arrangement with a short time frame and totally within the control of the councils Servicing by way of a transfer of responsibility to PNCC requires an LGA process but can be done through the use of a joint committee retaining council and community control over the process 	<ul style="list-style-type: none"> If by way of a transfer of responsibility then the decision may be appealed to the LGC which would take it out of the councils control

7.2 Boundary change option 1

Key consideration	Pros	Cons
Economic growth	<ul style="list-style-type: none"> • May facilitate better cooperation/alignment in land use and transport decision-making than the status quo (albeit at higher transactions costs) if it is also intended to establish a joint planning framework (for land use, transport, other infrastructure and industry development) and there are mechanisms put in place to support this development (similar to cross boundary servicing) 	<ul style="list-style-type: none"> • Minimal positive impact on overall ability (across the two council areas) to adequately contribute to development (in other words this option is similar to cross boundary servicing from an economic impact perspective)
Environmental planning	<ul style="list-style-type: none"> • Provides for both business and residential growth, within a medium term period. • Control over the growth areas can be exerted through the PNCC district plan. 	<ul style="list-style-type: none"> • Wider strategic transport issues remain spread across two authorities • Splits the management of the land area in the Mangoane flood plain between two TA's.
Simplicity	<ul style="list-style-type: none"> • Services provided by PNCC within PNCC boundary so no issues with development contributions for funding infrastructure. 	<ul style="list-style-type: none"> • Wider strategic issues would still require the involvement of both councils
Financial impacts	<ul style="list-style-type: none"> • Minor positive financial impact for PNCC • PNCC would benefit from increased rating base that will further develop over time • Minimal impact on NZTA subsidy rates 	<ul style="list-style-type: none"> • Negative impact on MDC • Reduction in revenue from the reduced district size is not offset by a corresponding reduction in costs. • Would result in a 1% rate rise for the remainder of the district and removes the fastest growing part of the district and attendant rating base and MDC would miss out

Key consideration	Pros	Cons
		<p>on rates revenue generated by any development</p> <ul style="list-style-type: none"> • MDC would still need to fund the roading infrastructure necessary to support development that lies in MDC but would not be able to levy development contributions on the growth areas to do so
Communities of interest	<ul style="list-style-type: none"> • No major changes, expect for Longburn which is brought within the city where the community may have more resources to advance local place making initiatives 	<ul style="list-style-type: none"> • Longburn community may feel that they will lose their identity
Representation	<ul style="list-style-type: none"> • Would leave current representation levels the same for both districts and ward boundary adjustments are unlikely. 	
Process & implementation	<ul style="list-style-type: none"> • Boundary changes can be carried out using a joint committee of the two councils 	<ul style="list-style-type: none"> • Decision may be appealed to the LGC which would take it out of the councils control

7.3 Boundary change option 2

Key consideration	Pros	Cons
Economic growth	<ul style="list-style-type: none"> This option puts the critical mass of relevant land use decisions and transport investments in the hands of one, relatively well resourced, authority. 	<ul style="list-style-type: none"> The loss of rural residential ratepayers close to the Palmerston North boundary would make it more difficult for MDC to service the needs of its residents and respond to any increased pressure on district roads from the growth of the logistics sector – albeit that pressure would be less the greater the area to be covered by the City Council. There is also the risk of a negative knock-on effect in terms of the total attractiveness of the wider region, should MDC not be able to invest in improved services and facilities.
Environmental planning	<ul style="list-style-type: none"> Provides a wider range of options for the city in terms of growth planning (timing, location and type of growth on the fringe of the city), both business and residential. 	<ul style="list-style-type: none"> May reduce growth rates in MDC somewhat if city takes larger share of future sub-regional growth
Simplicity	<ul style="list-style-type: none"> Single authority would be responsible for the land use and servicing aspects in the growth areas One authority would be responsible for the vast majority of the strategic roading network needed to support the growth areas Servicing largely takes place within a single authority removing any issues with funding the 	<ul style="list-style-type: none"> Some requirement for coordination across both TA's for transport would be required. Require cross boundary servicing from MDC to Bunnythorpe

Key consideration	Pros	Cons
	<p>necessary infrastructure with development contributions.</p>	
Financial impacts	<ul style="list-style-type: none"> • A greater net benefit to PNCC in terms of increased rating base that will further develop over time • Small increase to PNCC NZTA subsidy to approximately 47% with no impact on MDC rate • Benefit to MDC from reduced requirement for MDC to fund roading infrastructure necessary to support development of growth areas. 	<ul style="list-style-type: none"> • Negative impact on MDC • Reduction in revenue from the reduced district size is not offset by a corresponding reduction in costs. • Would result in a 2% rate rise for the remainder of the district and removes the fastest growing part of the district and attendant rating base. • MDC would miss out on rates revenue generated by any development • MDC would still need to fund some of the roading infrastructure necessary to support development of growth areas but would not be able to levy development contributions on the growth areas to do so
Communities of interest	<ul style="list-style-type: none"> • Brings within the city a number of satellite settlements that have a strong association with the city 	<ul style="list-style-type: none"> • Further increases the reliance of the District on Feilding as the main settlement/population base. • MD loses Bunnythorpe that contributes to the district as a tertiary service centre although it is thought this role will continue
Representation	<ul style="list-style-type: none"> • Representation numbers are unlikely to change in PNCC 	<ul style="list-style-type: none"> • Significant impacts on the Kairanga Ward of MD • Within the city there are a number of options for the arrangement of ward boundaries and these would need to be reviewed.
Process & implementation	<ul style="list-style-type: none"> • Boundary changes can be carried out by joint committee which allows 	<ul style="list-style-type: none"> • Decision may be appealed to the LGC which would take it out of

Key consideration	Pros	Cons
	community and the councils to retain control over the process	<p>the councils control</p> <ul style="list-style-type: none"> • Possible that the larger boundary change could then lead to changes in the remainder of MDC. This would then result in a change of the kind that requires consideration by the LGC

7.4 Amalgamation

Key consideration	Pros	Cons
Economic growth	<ul style="list-style-type: none"> • The amalgamation option internalises the costs and benefits of land use and transport decisions across the two areas and enables a wider set of options to match funding with costs. Both the costs of decision-making and the risks of sub-optimal decision-making are lowest with this option. 	<ul style="list-style-type: none"> • Nil
Environmental planning	<ul style="list-style-type: none"> • Provides the platform for an integrated approach to planning and implementation involving wider transportation and strategic issues 	<ul style="list-style-type: none"> • Will involve a transition period during which a new combined plan is prepared
Simplicity	<ul style="list-style-type: none"> • A single council responsible for the sub-region provides the simplest solution as it does not rely on the continued good relationships and a range of structures to create certainty • Has longevity as well as certainty 	<ul style="list-style-type: none"> • Process of integrating the two councils is likely to take time and in the short term increase costs. • There would be substantial work involved in aligning all the councils policies and strategies however this study is likely to lead to better coordination, integration and collaboration in developing and implementing key strategies regardless of

Key consideration	Pros	Cons
		whether the councils amalgamate
Financial impacts	<ul style="list-style-type: none"> • May provide savings through rationalisation of services and staff but cannot reasonably be quantified at this stage • Improved ability to access capital as a larger financial organisation • Net increase in NZTA subsidy of approximately \$2.3M with rate of 48.5% 	<ul style="list-style-type: none"> • Integration of councils is likely to increase costs in the short term
Communities of interest	<ul style="list-style-type: none"> • Recognises wider shared interest in the sub-region as a whole 	<ul style="list-style-type: none"> • Must ensure that local voices are represented (e.g. Feilding, rural areas)
Representation	<ul style="list-style-type: none"> • Use of community boards may provide effective Feilding and rural representation 	<ul style="list-style-type: none"> • Will require a complete representation review of the new area which is likely to see ward boundaries change. • Indicative representation at council level (say 15 ward councillors and a Mayor) would be significantly reduced for each of the territories of the existing councils (currently 15 and 10 councillors and 2 Mayors) • Strong case for a community boards to represent Feilding and arguably a case for community boards for the rural wards ex MD
Process implementation &		<ul style="list-style-type: none"> • Requires consideration by the LGC which is likely to increase the time and take decisions out of the hands of the council and community • Risk of not being implement through a possible no vote of affected residents • Long time frame

8. CONCLUSIONS

8.1 Options

In our view each of the four options, if progressed, would facilitate the economic growth of the sub-region whereas the continuation of the status quo is likely to constrain the growth of the region.

A continuation of the status quo is likely to see the economic growth of the region hampered by a lack of integration between land use, infrastructure and transport. A planning system that has two different sets of rules administered in different ways for land use precincts that straddle the administrative boundary is cumbersome and inefficient. Servicing developments on the MDC side of the boundary would lack certainty as developments would have to obtain planning permission from MDC and meet any PNCC requirements in order for PNCC to agree to provide services to that development. Continuation of the status quo also means ad hoc responses to growth issues as they arise rather than the coordinated facilitation of growth that can be provided for by the four options considered in this report.

An example of the likely benefits of coordination for the sub-region arises as a result of this study. The councils have agreed that the physical servicing of the growth areas will take place in the same manner regardless of which option is preferred. This pragmatic approach will see the best technical and cost effective solution used. At this stage that is considered to be the laying of a new sewer north of the city in what is currently MDC land for wastewater and a new borehole close to the North East industrial area for water. The physical arrangements for servicing are therefore the same regardless of the options.

In reaching the conclusions set out below we have been cognisant of the experiences of other local authorities in New Zealand, the purposes of this study and the Local Government Act 2002.

Amalgamation

The option that best facilitates the economic growth of the region in the long term is an amalgamation of the two councils. The benefits that would accrue from a single authority for the sub-region setting strategic economic goals, integrating transport and land use to achieve the desired result would outweigh the short term difficulties with integrating two organisations. The simplicity and certainty for developers, the community and the council that would arise with one administration is highly desirable and many of the administrative risks to continued economic growth would be removed. This study has shown that while different communities of interest exist in the sub-region, most notably around Feilding and the various village and rural communities of the sub-region. To be successfully brought together under a larger council there will need to adequate representation of these interests (possibly through community boards). The financial impact on the councils and the flow on affect on ratepayers cannot reasonably be determined at this stage other than to say that there are likely to be costs associated with the amalgamation of the councils and these may or may not be outweighed by possible savings through having a single organisation. Both councils

have a reasonably strong financial position and there is no justification for an amalgamation on purely financial grounds.

We note that all other options are considered to be consistent with a possible future amalgamation. Given the length of time required to carry forward an amalgamation proposal the councils may use cross boundary servicing or a small boundary change to facilitate growth in the meantime.

Boundary change option 2

Boundary change option 2 provides greater flexibility for the city to grow than boundary change 1 and allows development to take place in a simple clear planning framework. With all the growth areas (and more) under the jurisdiction of one authority, servicing and the charging of development contributions to fund the infrastructure could be carried out in the traditional manner. The one exception is the need for Bunnythorpe's wastewater to continue to be treated by MDC as the most economic option. This would need to be addressed through cross boundary servicing but this is not considered to be a significant issue.

The larger tract of land that would transfer to the city is likely to include within it the ring road making the integration of transport with land use around the North East industrial area simpler than when two local authorities are involved. MDC's ability to fund road upgrades that support the growth of the City on roads in MDC will be affected by its reduced financial capacity under this option. There will need to be some continued coordination between the councils on wider transport issues. Boundary change 2 will also reduce the size of MDC's rating base and there is a loss of potential rates revenue from future development in the growth areas.

The MDC communities closest to the City have been shown to identify with the City and there is unlikely to be issues with dividing or negatively impacting communities of interest.

A larger PNCC would better provide for integration of land use and transport in a strategic manner and allow for flexibility in the growth and development of the City over the next 50 years. Overall boundary change option 2 provides the certainty and simplicity of planning required to provide for economic growth, however it is considered that on balance amalgamation is the best option.

Boundary change option 1

Boundary change 1 addresses issues of land supply in the medium term and provides a simple framework for the planning and servicing of growth areas on the city fringe by putting these within a single jurisdiction. However it does not address the important issues of integration of transport and land use. On these issues there is little difference from cross border servicing and both options will require ongoing collaboration by the two councils to manage this. This creates risk around the reliance on the continued good relationship between the councils especially when a 50 year view is taken and this risk is discussed in more detail below.

Provided development took place within the area of land transferred to PNCC then the provision of services and levying of development contributions to fund the infrastructure would be straightforward. If however development arose on the MDC side of the new

boundary or exceeded the space provided for then cross boundary issues would again arise.

MDC must also continue to fund their share of upgrades to the roading network necessary to support the growth of the City. Although this is not a change from the status quo as MDC would remain responsible for an area enclosing much of the strategic roading network their ability to do so would be reduced by a reduced rating base and the potential loss of rates revenue from development in the growth areas.

Overall boundary change option 1 is considered to be less desirable than amalgamation or boundary change option 2.

Cross boundary servicing

Cross boundary servicing requires a higher level of administration and collaboration between the councils to achieve the objectives of the councils. Given the 50 year timeframe set for this study there is a high degree of risk that the current good relationship may not endure over that period and the growth of the region would be affected.

We consider that there are a number of features that successful cross boundary servicing must have in order to provide for the facilitation of economic growth that the councils desire. There must be clarity and simplicity in the planning framework and its administration. The two councils must integrate their planning with the wider strategic transport issues facing the sub-region which will require both councils to work closely together. These arrangements rely heavily on a continued good relationship between the councils. To manage the risk associated with that we recommend that the councils consider using provisions in the Local Government Act and Resource Management Act to provide certainty, simplicity and longevity to the arrangements, such as

- aligning sections of the MDC District Plan to match PNCC District Plan in growth areas
- transferring responsibility for administration of the MDC District Plan for the growth areas to PNCC (to ensure consistency in administration).
- transferring the obligation to provide services to the growth areas to PNCC; and
- opportunities to provide services in the most cost effective and efficient manner

Cross-boundary planning is likely to be difficult to sustain into the long term with the potential for planning frameworks to diverge, even with joint management processes in place. Cross-boundary approaches to the planning and management of residential precincts are also inherently more complex than for more narrowly focused business precincts. In other areas of New Zealand cross boundary arrangements have generally been used as a precursor to boundary changes.

Cross boundary servicing also preserves MDC's rating base and provide the opportunity for the district to benefit from increased rates revenue as development proceeds. It is considered legitimate for development contributions to be levied by MDC for water and wastewater to fund the growth related capital works where the service is provided from within PN district by MDC provided that MDC has a proportional ownership in the relevant infrastructure and the contribution is used for assets servicing development in MD. This is not to say that there are no difficulties and the situation would require ongoing collaboration.

Overall the requirement for an ongoing relationship that requires significant collaboration, cooperation and integration presents a high risk that in the long term the potential growth of the region will not be achieved. Cross boundary servicing is therefore not considered the best long term option. In the short term cross boundary servicing provides a practical option with a short time frame for implementation.

Summary

Taking into account the likelihood of success in delivering sound economic growth through development we have concluded that the options should be ranked:

- | | |
|--------|--------------------------|
| First: | Amalgamation |
| Second | Boundary change 2 |
| Third | Boundary change 1 |
| Fourth | Cross boundary servicing |

8.2 Risks arising and mitigation of these risks

The options cannot only be considered in the isolation of which provides best for the economic growth of the sub-region. There are other factors which the councils will need to consider when deciding which option is best for the sub-region and it's community.

In this section we address some of the risks associated with the options that are highlighted in this report and steps that might be taken to mitigate those risks

Implementation

The amalgamation option carries a significant risk that it may not be implemented. This could be because a vote of the affected residents rejects the amalgamation or an adverse decision of the LGC. In those circumstances the councils could conceivably find themselves in the same position 2 – 3 years down the track having lost the current opportunity to make the changes necessary to facilitate and support economic growth. Options to mitigate this risk could be to use cross boundary servicing or a small boundary change in the short term while pursuing a longer term goal of amalgamation.

Negative financial impacts

There are negative financial impacts associated with both boundary change options and more so for boundary change option 2 which affects MDC the greatest. The loss of the existing rating base and the opportunity for increased rates revenue from future development on their land results in increased rates for residents of the remainder of MDC and may also raise long term issues around funding the infrastructure necessary to support development. Both boundary change options are likely to produce a positive financial impact for PNCC and we would recommend that the councils explore mechanisms to address the negative financial impacts of the boundary change options on MDC.

8.3 Recommendation

That amalgamation be considered as the preferred option to facilitate and support the economic growth of the sub-region.

8.4 Implementation

An amalgamation proposal has to be considered by the LGC. In order to submit a proposal the agreement of both councils is required (or a proposal that has the support of at least 10% of the residents of both districts can be submitted).

The LGC process is a long process and in broad terms the establishment of an amalgamated council could be timed to coincide with the next local authority elections in 2013. Ultimately no amalgamation can proceed without a positive vote from a majority of directly affected residents and this is likely to require a poll in PNCC and a separate one in MDC. Both polls must approve the amalgamation in order for it to proceed.

A more detailed discussion of the process is set out at pages 148 to 150 and a timeline provided at page 162.



9. GLOSSARY

AMP – Asset Management Plan

ANZSIC – Australia New Zealand Standard Industrial Classification

ARTA – Auckland Regional Transport Authority

BERL – Business and Economic Research Limited

CBD – Central Business District

FTE – Full time equivalent

GDP – Gross Domestic Product

LGA 2002 – Local Government Act 2002

LGC – Local Government Commission

LTCCP – Long Term Council Community Plan

MD – Manawatu District

MDC – Manawatu District Council

NZIER – New Zealand Institute of Economic Research

NZTA – New Zealand Transport Agency

OCR – Optimised Replacement Cost

ODCR – Optimised Depreciated Replacement Cost

PN – Palmerston North

PNC – Palmerston North City

PNCC – Palmerston North City Council

RMA 1991 – Resource Management Act 1991

UAGC – Uniform Annual General Charge



APPENDIX A

Due diligence

ITEM	PNCC	MDC	COMMENTS
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FINANCIAL INFORMATION (based on Annual Report 30 June 2009 and Council position not Group position)			
Debt & arrangements	<p>Total debt (30 June 2009) is \$135,361,000. Reduced from 30 June 2008 of \$155,189,000.</p> <p>Gross and Net Debt to Total Assets ratio and the interest as percentage of Operating Revenue ratio are both below the limits of 15% set in the Liability Management Policy.</p> <p>Interest expense at 30 June 2009 \$9.8 million – 11.25% of total revenue is lower than 30 June 2008 of \$10.4 million.</p>	<p>Total debt (30 June 2009) is \$10,816,000. Reduced from 30 June 2008 of \$11,402,000.</p> <p>Interest expense at 30 June 2009 \$955,000 – 2.7% of total revenue. Similar to position at 30 June 2008 and is within the limit set in Liability Management Policy of 10%.</p>	<p>PNCC is a larger council with a larger asset base and significantly higher debt that has been raised to provide funding for infrastructure investment. However the ratio is still within conservative limits set by policy.</p>
Liabilities	<p>Current Liabilities (excluding borrowings and derivative financial instruments) is \$17,484,000 (30 June 2009), Non-Current Liabilities (excluding debt) is \$2,533,000 (30 June 2009).</p> <p>No significant movements between 30 June 2008 and 30 June 2009.</p>	<p>Current Liabilities (excluding borrowings and derivative financial instruments) is \$6,018 (30 June 2009), Non-Current Liabilities (excluding debt) is \$623,000 (30 June 2009).</p> <p>No significant movements between 30 June 2008 and 30 June 2009.</p>	<p>No issues</p>
Assets	<p>Current assets (excluding cash) is \$6,818,000 (30 June 2009).</p> <p>No significant change in financial</p>	<p>Current assets (excluding cash) is \$6,736,000 (30 June 2009).</p> <p>Increase in other current investments of \$1,000,000 since</p>	<p>PNCC have been using investment fund to retire debt, contain debt and interest expense.</p>

ITEM	PNCC	MDC	COMMENTS
	<p>year from 30 June 2008.</p> <p>Total asset base has decreased in past year from \$1.327 billion to \$1.307 billion as the long term investment fund has been wound down.</p>	<p>30 June 2008.</p> <p>Total asset base has increased in past year from \$537.765 million to \$559.700 million mainly due to significant increase in value of Property, Plant and Equipment mainly attributed to the revaluation of the infrastructural assets (\$27 million).</p>	
Investments	<p>Non-current Asset investments as at 30 June 2009 consists of:</p> <ul style="list-style-type: none"> - Investment property \$16.4 billion (same as 30 June 2008) - Securities, stocks, bonds, advances \$42,373,000, (lower than 30 June 2008 \$66,435,000 as investment fund wound down and used to fund Shares in Palmerston North Airport) - Shares in Palmerston North Airport Ltd \$10.832,0000 (new investment in 2008/2009) 	<p>Investments as at 30 June 2009 consists of:</p> <ul style="list-style-type: none"> - Current Financial Assets of Local Authority Stock - \$2.743 million - Community loans - \$4.348 million - Other Investments and Local Authority Stock - \$1.412 <p>Similar level to 30 June 2008</p>	<p>MDC has no real investment assets but correspondingly holds low debt.</p> <p>PNCC has investment assets but correspondingly high external debt</p>

ITEM	PNCC	MDC	COMMENTS
Liability Management & Investment Policy	Policy adopted as part of LTCCP 2009/19 and covers: <ul style="list-style-type: none"> - Objectives - Delegated authorities - Liability Management Policy - Investment Policy - Foreign Exchange Policy - Accounting Treatment of Financial Instruments 	Liability Management Policy – Policy adopted as part of LTCCP and covers: <ul style="list-style-type: none"> - Introduction - General - Borrowing mechanism - Security - Management of risk - Debt repayment - Contingent liabilities - Approval of borrowing - Management and Reporting Separate Investment Policy – Policy adopted as part of LTCCP and covers <ul style="list-style-type: none"> - Introduction - Investment objectives - Investment mix - Management of Risk - Acquisition and Disposal of Investments - Allocation of income - Management and Reporting 	Separate policies provide better clarity. MDC policies more detailed in terms of application of policy and easier to read
Revenue and	Policy adopted as part of LTCCP	Policy adopted as part of LTCCP	Both policies sufficient and clear

ITEM	PNCC	MDC	COMMENTS
Financing Policy	2009/19 and covers: <ul style="list-style-type: none"> - Introduction - Funding Sources for Operating Expenditure - Funding Sources for Capital Expenditure - Analysis of each activity under S103 requirements - Table of range of funding sources %'s for each activity 	2009/19 and covers: <ul style="list-style-type: none"> - Process - Funding Sources for Operating Expenditure - Funding Sources for Capital Expenditure - Funding Public/private split by activity - Analysis of each activity under S103 requirements 	
Development Contributions Policy	Comprehensive and detailed requirements reflect the largely urban nature of the district. Specific provision is made for the NE Industrial Area zone.	District plan reflects the less intensely developed nature of the district. Residential zone is extended to recognise Village Zones reflecting the smaller settlements within the district	Subdivision standards reflect the differing nature of the districts. Alignment is necessary in respect of an extended NE Industrial area to provide certainty and consistency for any of the options. We note that the councils have agreed that "Special Development Areas" should be identified in Manawatu District adjoining Palmerston North City that should be designated for industrial or residential development. The provisions of other zones are less material to the options under consideration and existing provisions could continue to apply. In the event of major boundary change or amalgamation alignment could be progressively undertaken through the review process.

ITEM	PNCC	MDC	COMMENTS
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LIABILITIES			
Leaky homes liability and Building Act claims	As at 30 June 2009 22 claims made to Weathertight Homes Resolution Service, Council has not evaluated the merit of claims or extent of liability. Expected that bulk is covered by Councils insurance policies with maximum exposure of \$1.1M (annual plan)	Three matters identified but have not progressed sufficiently to either quantify or recognise as a liability (annual report).	
Litigation proceeding	As at 30 June 2009 3 claims against Council for total of \$531,000 (annual plan). All 3 are covered by Councils insurance	No liabilities recognised	
Contaminated sites	<p>No liabilities recognised in annual plan</p> <p>Horizons list one former landfill site which may or may not be the Awapuni landfill noted on the PNCC register.</p> <p>PNCC note the Awapuni landfill site but that Council has investigated and no concerns. PNCC register doesn't show ownership details so not clear if other Council owned properties on the register</p>	<p>No liabilities recognised in annual plan</p> <p>Horizons list 5 former landfill sites on their register which don't appear to be on the MDC register.</p> <p>MDC register lists 4 sites owned by MDC. 3 where tanks have been removed and one which was a contractors yard where anecdotal evidence suggests that the tank has been removed, register notes that no soil sampling has been</p>	

ITEM	PNCC	MDC	COMMENTS
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		done.	
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LONG TERM AGREEMENTS & CONTRACTS			
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Internal Service Agreements for O&M of treatment plants and reticulation systems	Operations and Maintenance of water and wastewater treatment plants and water, wastewater and stormwater reticulation systems undertaken via a series of internal Service Level Agreements between the City Networks Unit and the City Enterprises Unit. There are separate Service level Agreements for minor capital works on the reticulation systems, water meter reading and replacing water toby valves. The agreements are re-negotiated annually	Operation and mechanical maintenance of the wastewater treatment plants and operation of the water treatment plants is carried out by an internal MDC team based in Feilding	Not affected by cross boundary servicing or boundary changes. For amalgamation, MDC team could be integrated into the PNCC Enterprise unit and a new Service level Agreement established.
Contracts for O&M of reticulation systems		Contract for the maintenance of water, wastewater and stormwater reticulation systems, including pumping stations. Includes also for the mechanical and electrical maintenance of the water treatment plants and the electrical maintenance of the wastewater treatment plants. Due to expire 30 June 2011.	Not affected by cross boundary servicing or boundary changes. For amalgamation, MDC contract ends in 2011, so could have new contract, or transfer work to Enterprise unit and have new Service Level Agreement
Other i.e. roading,		MDC – Rangitikei	Contract not affected by cross boundary

ITEM	PNCC	MDC	COMMENTS
waste management		<ul style="list-style-type: none"> - Shared services agreement under which MDC provides management, service delivery & project work relating to infrastructure and natural assets (roads, water utilities, solid waste, property, parks & cemeteries) in the Rangitikei - No term of contract expressed but an annual review of the contract each November with changes by mutual agreement <p>PNCC carries out waste collection for 80% of MD under contract for MDC.</p> <p>Cairns Transport operates the transfer stations for MDC under contract</p> <p>PNCC carries out Building Consent Authority functions under contract for MDC (2007 – 2012</p>	<p>servicing or boundary changes. MDC may want to assess capability/desire to continue if boundary change affects capability of MDC to deliver services to Rangitikei.</p> <p>Obligations under the contract could be assigned/novated or transferred to an amalgamated Council.</p> <p>Parties to agreement are PNCC and MDC therefore should be no issue with bringing agreement to an end</p> <p>5 years term of contract up for renewal on 31 August 2011, renewal at councils discretion.</p> <p>Parties to agreement are PNCC and MDC therefore should be no issue with bringing agreement to an end</p> <p>Parties to agreement are PNCC and MDC therefore should be no issue with</p>

ITEM	PNCC	MDC	COMMENTS
		<p>with provision for negotiation of 5 year extension)</p> <p>PNCC carries out Buildings Services functions under contract for MDC (2007 – 2012 with provision for negotiation of 5 year extension)</p> <p>MDC contracts with Horizons for the provision of emergency management services</p>	<p>bringing agreement to an end</p> <p>Parties to agreement are PNCC and MDC therefore should be no issue with bringing agreement to an end</p> <p>Contract can be terminated with 6 months notice and the scope of services is an annual plan agreed by MDC and Horizons each year so this could be amended if the boundary change options reduced any of the scope of the contract.</p>

WASTEWATER			
Value of Assets - Optimised Replacement Cost(OCR) & Optimised Depreciated Replacement Cost (ODCR)	<p>OCR \$177,380K at 1 July 2008</p> <p>ODCR \$106,623K at 1 July 2008</p>	<p>OCR \$40,637K at 1 July 2007</p> <p>ODCR \$24,565k at 1 July 2007</p>	
Identified 20 year O&M expenditure by system	\$31,250K (exc. Depreciation) total for 10 years from 2009/10 from 2008 AMP (\$64,620K for 20 years)	\$26,580K (exc. Depreciation) total for 10 years from 2009/10 from 2008 AMP	
Identified 20 year renewal expenditure	\$7,770K total for 10 years from 2009/10 from 2008 AMP	\$6,191K total for 10 years from 2009/10 from 2008 AMP	



ITEM	PNCC	MDC	COMMENTS
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	(\$16,770K for 20 years)		
Resource consents & expiry dates	Totara Rd treatment plant RC expires 2029. Ashhurst treatment plant expires 2013.	Resource Consent details and expiry dates included in wastewater AMP 2008. Expiry dates as follows Awahuri – 7/2026 Cheltenham – 7/2016 Feilding – 6/2009 (under application) Halcombe – 6/2016 Kimbolton 1/2006 (under application) Longburn – 6/2009 (extended) Rongotea – 11/2017 Sanson – 6/2017	
Identified capital expenditure to meet consent requirements over next 20 years	\$22,500K total over 20 year period for RC compliance	\$5,456K total for 10 years from 2009/10 from 2008 AMP.	PNCC figure includes \$20,000K in 2027/8 and 2028/9 for treatment plant. MDC figure may include for growth – not stated

WATER			
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Value of Assets - Optimised Replacement Cost(OCR) & Optimised Depreciated	OCR \$154,962K at 1 July 2008 ODCR \$98,645K at 1 July 2008	OCR - \$48,380K at 1 July 2005 ODCR - \$26,124K at 1 July 2005	
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ITEM	PNCC	MDC	COMMENTS
Replacement Cost (ODCR)			
Identified 20 year O&M expenditure by system	\$27,829K (exc. Depreciation) total for 10 years from 2009/10 from 2008 AMP (\$56,849K for 20 years)	\$17,101K (exc. Depreciation) for 10 years from 2009/10 from 2008 AMP (note	
Identified 20 yr renewal expenditure	\$25,005K total for 10 years from 2009/10 from 2008 AMP (\$44,605K for 20 years)	\$7,815K for 10 years from 2009/10 from 2008 AMP	
Resource Consents to take water and expiry dates	No information on RCs for bores	Resource Consent details and expiry dates included in water AMP 2008. Expiry dates as follows Bunnythorpe – 7/2011 Feilding surface water – 8/2021 Feilding groundwater – 3/2016, 12/2023 Himatangi beach – 4/2024 Longburn – 8/2012 Sanson – 10/2019 Stanway/Holcombe – 10/2019 Waituna – 8/2012	
Water supply – public health gradings	Palmerston North – Bb Ashhurst - Aa	No information provided in AMP	

ITEM	PNCC	MDC	COMMENTS
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Drinking water standards(2008) – current compliance	Not stated, but is likely	No information supplied.	MDC LTCCP states compliance with 2000 NZDWS. Seems to be no specific program for compliance with 2008 standards in LTCCP
Identified capital expenditure to meet Drinking Water Standards	\$2,500K budgeted in 2015/16 for upgrading	\$3,008K for 10 years from 2009/10, plus \$2,900K for growth from 2008 AMP	

LANDFILLS & CONSENTS

Closed landfills consents	<p>Awapuni Landfill – Closed 2007</p> <p>Consents: All expire 1 Feb 2029 3963 - Discharge groundwater from Landfill to ground soakage 3964 - Discharge stormwater from Landfill to surrounding surface waters 3965 - Discharge leachate from Awapuni to the ground 3966 - Discharge Dust, Gas and Odour from the Awapuni Landfill 3967 - Discharge Refuse (expired) and recirculate leachate to ground at Awapuni</p> <p>Further Consents: Expire 19 Jul 2031</p>	<p>3 x closed landfills</p> <p>Feilding</p> <p>Kimbolton</p> <p>Tangimoana</p>	<p>Awapuni consents have 20 yr remaining life.</p> <p>Ashhurst consent due for renewal in August 2010.</p>
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ITEM	PNCC	MDC	COMMENTS
	103661 - Discharge to air contaminants arising from burning landfill gas (Awapuni Landfill) 103790 - Discharge contaminants to Air (Awapuni Landfill) Ashhurst Landfill – Closed Consent: Expires 25 Aug 2010 6155 – Discharge to water		
Aftercare Consent requirements \$	Aftercare Consent requirements \$	Awapuni Landfill Remedial works estimated to continue until 2013 Consent monitoring costs estimated to continue to 2029 \$1,668,000 landfill provision for closure and aftercare No costs given for Ashhurst landfill.	No aftercare costs given for landfills

STANDARDS

ITEM	PNCC	MDC	COMMENTS
Subdivision standards - requirements	Comprehensive and detailed requirements reflect the largely urban nature of the district. Specific provision is made for the NE Industrial Area zone.	District plan reflects the less intensely developed nature of the district. Residential zone is extended to recognise Village Zones reflecting the smaller settlements within the district	Subdivision standards reflect the differing nature of the districts. Alignment is necessary in respect of an extended NE Industrial area to provide certainty and consistency for any of the options. We note that the councils have agreed that "Special Development Areas" should be identified in Manawatu District adjoining Palmerston North City that should be designated for industrial or residential development. The provisions of other zones are less material to the options under consideration and existing provisions could continue to apply. In the event of major boundary change or amalgamation alignment could be progressively undertaken through the review process.
Dangerous, and insanitary building policy	<p>Will take action based on complaints rather than pro-active inspections</p> <p>Follows procedures laid in Act for inspection and demand for remedial work.</p> <p>Council will seek to ensure that as far as possible work carried out will not diminish the heritage value of buildings</p>	<p>Will take action based on complaints rather than pro-active inspections</p> <p>Follows procedures laid in Act for inspection and demand for remedial work.</p> <p>For work on heritage buildings it is important for Council or landowner</p>	<p>Both taking similarly re-active approach although PNCC undertakes to maintain sufficient capacity to respond to complaints in a timely manner.</p> <p>Similar approach to heritage buildings and maintaining their value/amenity except that PNCC has a goal to have non heritage buildings listed as dangerous or</p>

ITEM	PNCC	MDC	COMMENTS
	<p>Where work is not required urgently then remedial work will be required to be carried out within 6 months</p> <p>Council places priority on having no heritage buildings rated as dangerous or insanitary</p> <p>Council will maintain capacity to respond in a timely manner to complaints related to dangerous and insanitary buildings</p> <p>To be reviewed before June 2012</p>	<p>to take advice from heritage professional on how work may be done with minimum impact.</p> <p>To be reviewed before Jul 2011</p>	<p>insanitary.</p> <p>PNCC has timeframes for completion of work compared to MDC which does not.</p>
<p>Earthquake – prone building policy</p>	<p>Probability of magnitude earthquake 8 at least once every 150 years.</p> <p>PN in a zone of relatively high seismic activity of low to moderate intensity with a variety of buildings reflecting development over 130 years.</p> <p>Identification of earthquake prone buildings:</p> <ul style="list-style-type: none"> - Council will undertake a 	<p>Probability of magnitude earthquake 8 at least once every 150 years.</p> <p>Manawatu in a zone of moderate seismicity with a range of building types reflecting development over 100 years.</p> <p>Almost all older buildings that might be earthquake prone are in central Feilding.</p>	<p>Similar risk identified and type of dwellings, although MDC has concentration of at risk buildings in Feilding.</p> <p>PNCC taking pro-active approach to identification and strengthening including a timetable compared with MDC who are not, looking at buildings as they come up for alteration etc.</p> <p>PNCC requires strengthening to much higher standard 67% of new building</p>

ITEM	PNCC	MDC	COMMENTS
	<p>desktop study, followed by visual inspection and initial evaluation as appropriate.</p> <ul style="list-style-type: none"> - Evaluations triggered by applications under building act for alternations, change of use, extension of life, subdivision or citizen concern. <p>Listed as earthquake prone if strength falls below 1/3 of that required for a similar type new building.</p> <p>Required to be strengthened to at least 67% of current building code</p> <p>Assessment & Priorities: 4 categories (a date by which they will be identified, the time frame for strengthening)</p> <ul style="list-style-type: none"> - Buildings with special post disaster functions (Dec 2008, 15 years) - Buildings that contain people in crowds or high value contents (Dec 2009, 25 years) - Heritage buildings (Dec 2010, 	<p>Previous action: Policy first introduced in 1999. Engineer engaged to do a survey in 1995 which identified 15 high risk and 40 further of concern. 33 of Feildings 42 heritage buildings identified and all 15 high risk were heritage listed.</p> <p>Building safety survey of all these facades and verandas done in 2003 and problems identified have been fixed (bar 1).</p> <p>However re-evaluation required following increased standard in Building Act 2004.</p> <p>Listed as earthquake prone if strength falls below 1/3 of that required for a similar type new building.</p> <p>Must be strengthened to that same standard i.e. not earthquake prone (unable legally to enforce higher standard?)</p> <p>Building consents for alternations,</p>	<p>compared with MDC which suggests can only require strengthening to above earthquake prone standard i.e. 1/3 of new building.</p> <p>Similar approach to requirement to strengthen heritage buildings taking into account their look.</p> <p>Note that MDC provides financial assistance to heritage buildings for strengthening whereas PNCC's approach to supporting strengthening is to provide time to carry out work.</p>

ITEM	PNCC	MDC	COMMENTS
	<p>25 Years)</p> <ul style="list-style-type: none"> - Importance less than level 3 (Dec 2011, 30 years) <p>Once assessed there is a process for review and submissions to Council before final decision made</p> <p>Record earthquake prone buildings on hazard register</p> <p>Record on LIM</p> <p>Important that heritage buildings have a good chance of surviving an earthquake but do not wish to see intrinsic/heritage value adversely affected by structural improvement measures</p> <p>Goals:</p> <ul style="list-style-type: none"> - To ensure that city's building stocks are structurally safe - To ensure that there is balance between the need for buildings to be structurally safe and protection of important heritage assets. 	<p>change of use, extension of life, sub-division requires Council to be satisfied of required structural strength which may trigger need for earthquake strengthening.</p> <p>Record earthquake prone buildings on property file</p> <p>Record on LIM</p> <p>Important that heritage buildings have a good chance of surviving an earthquake but do not wish to see intrinsic/heritage value adversely affected by structural improvement measures</p>	



ITEM	PNCC	MDC	COMMENTS
	<ul style="list-style-type: none"> - To ensure that reducing earthquake risk over time is done in a socially and economically acceptable manner for rate payers. <p>Assistance to residents by way of time allowance for changes to be made to buildings</p> <p>To be reviewed before June 2012</p>	<p>Assistance to residents by way of grants to owners of listed buildings for strengthening (heritage incentive strategy) and low interest loans to strengthen facades of heritage buildings.</p> <p>To be reviewed before July 2011</p>	
<p>Future earthquake strengthening costs associated with Council buildings?</p>	<p>No assessment carried out although Ray Swadel has suggested 7 structures likely to come under scrutiny (one of which is due to be demolished shortly). Note that none of the buildings currently show signs of earthquake damage.</p> <p>Overall Councils building stock is made up of post 1960 relatively modern buildings. Regent Theatre and Central City Library have already undergone seismic strengthening.</p>	<p>No work has been done by the Council to assess any costs associated with strengthening Council buildings.</p>	

ROADING					
Value of Roading	Replacement Cost	\$371,994K	Replacement Cost	\$448,018K	MDC has larger roading network but



ITEM	PNCC	MDC	COMMENTS
assets – pavements, bridges	<p>Depreciated Replacement Cost \$203,375K</p> <p>Annual Depreciation (Straight line) \$6,773K</p> <p>(Refer to Section 7.2 AMP)</p> <p>PNCC assets considered as being in average condition (i.e. well maintained and not deteriorating) Increasing number of road pavement (surface) defects has led to a new preventative maintenance schedule.</p>	<p>Depreciated Replacement Cost \$313,157K</p> <p>Annual Depreciation (Straight line) \$4,907K</p> <p>(Refer to table 2.1.2 LTCCP)</p> <p>MDC assets considered as being in good condition and has recovered well from debilitating flood events. Recent expenditure increases have improved pavement condition to better than the national average. Refer NZTA Technical Review Report March 2008</p>	<p>lower annual depreciation. This reflects the differing characteristics of the networks. It is noted the largest asset group of “Pavement” is not that dissimilar in value for each council (PNCC \$123M and MDC \$111 (RC)) and each is being depreciated at 2.5% pa.</p> <p>Overall depreciation rates are reasonably consistent.</p> <p>All AMP figures in 2008 prices</p>
Identified 20 yr renewal expenditure, pavements, bridges	<p>Renewals 10 yr \$47,253K (LTCCP)</p> <p>Extrapolated for 20 yrs \$98,100K (approx) using AMP projections(Refer to Table 47 AMP) (Note: an annual “inflation” of 1% has been applied to most but not all of this programme)</p>	<p>Renewals 10 yr \$96,182K (LTCCP)</p> <p>Extrapolated for 20 yrs \$190,185K (approx)</p> <p>MDC only lists projects from 2009-19. Assumed renewals expenditure in following 10 yr</p>	

ITEM	PNCC	MDC	COMMENTS																				
	<p>Chips seals and pavement renewals and associated works make up 75% of the programme.</p> <p>Programme includes a one off cost of \$1.55M in 2023/24 for parking meter renewal works</p>	<p>period similar to 2011 to 2019 level given the overall good asset condition.</p> <p>MDC major costs – sealed road resurfacing and pavement rehabilitation (approx 80% total renewal programme)</p>																					
<p>NZTA Financial Assistance Rates</p>	<p>46% (as above 43% NZTA formula applies) Based on net equalised rateable land value and maintenance allocation for year in question. Allocation is assumed constant for the next 10 years.</p> <p>Applying 47.4% to the 10 year programme ex PNCC benefits with additional FA</p> <table border="0"> <tr> <td>Operations</td> <td>\$4.02M</td> </tr> <tr> <td>Renewals</td> <td>\$0.95M</td> </tr> <tr> <td>New Capex</td> <td>\$3.05M</td> </tr> </table>	Operations	\$4.02M	Renewals	\$0.95M	New Capex	\$3.05M	<p>52%</p> <p>Based on net equalised rateable land value and maintenance allocation for year in question. Allocation is assumed constant for the next 10 years.</p> <p>Applying 47.4% to the 10 year programme MDC is disadvantaged with lower FA</p> <table border="0"> <tr> <td>Operations</td> <td>(\$1.67M)</td> </tr> <tr> <td>Renewals</td> <td>(\$3.30M)</td> </tr> <tr> <td>New Capex</td> <td>(\$0.76M)</td> </tr> </table>	Operations	(\$1.67M)	Renewals	(\$3.30M)	New Capex	(\$0.76M)	<p>Initial assessment based on operations programme yields a base FAR of 47.4% for the amalgamated entity (it would be rounded probably upwards). When applied to the renewals and new capex programmes the results favour the PNCC programme and disadvantage the MDC programme. The net overall effect for the amalgamated entity is:</p> <table border="0"> <tr> <td>Operations</td> <td>\$2.35M</td> </tr> <tr> <td>Renewals</td> <td>(\$2.35M)</td> </tr> <tr> <td>New Capex</td> <td>\$2.30M</td> </tr> <tr> <td>Overall</td> <td>\$2.30M better off</td> </tr> </table> <p>The boundary change option will be unlikely to affect the base rate significantly</p>	Operations	\$2.35M	Renewals	(\$2.35M)	New Capex	\$2.30M	Overall	\$2.30M better off
Operations	\$4.02M																						
Renewals	\$0.95M																						
New Capex	\$3.05M																						
Operations	(\$1.67M)																						
Renewals	(\$3.30M)																						
New Capex	(\$0.76M)																						
Operations	\$2.35M																						
Renewals	(\$2.35M)																						
New Capex	\$2.30M																						
Overall	\$2.30M better off																						
	<p>10 yr programme - subsidised</p>	<p>10 yr programme - subsidised</p>	<p>PNCC - Major spending 2013-2016 for</p>																				

ITEM	PNCC	MDC	COMMENTS						
<p>Identified 10 yr programmes attracting subsidy</p> <p>Operations \$ Renewal \$ Capital \$</p>	<p>Operations \$160,883K Renewals \$37,891K Capital \$122,089K</p> <p>10 yr programme - unsubsidised Operations \$13,868K Renewals \$9,362K Capital \$2,418</p> <ul style="list-style-type: none"> • Ref LTCCP • External revenue assumed all NZTA financial assistance 	<table border="0"> <tr> <td>Operations</td> <td>\$47,841K</td> </tr> <tr> <td>Renewals</td> <td>\$94,182K</td> </tr> <tr> <td>Capital</td> <td>\$21,560K</td> </tr> </table> <p>10 yr programme - unsubsidised Operations \$3,400K Renewals \$2,000K Capital \$650K</p> <p>Refer LTCCP Projects</p> <ul style="list-style-type: none"> • Based on Projects table 97.5% of total renewals and new programme is subsidised 	Operations	\$47,841K	Renewals	\$94,182K	Capital	\$21,560K	<p>new Manawatu River Bridge (\$54.73M budgeted)</p>
Operations	\$47,841K								
Renewals	\$94,182K								
Capital	\$21,560K								
<p>Additional Comments</p>	<p>PNCC operates an internal works business unit</p>	<p>MDC contracts out works</p> <p>Shared Services Agreement in place between Rangitikei and Manawatu DC for Infrastructure Management Unit</p>							
<p>Other</p>									
<p>Risk management policy</p>	<p>Adopted by management team August 2008. Establishes a risk management process which includes identification, assessment and treatment of risk</p>	<p>MDC does not have a risk management policy. Some work has been down to identify the major risks and risks will be addressed as part of an updated Business Continuity Plan. This</p>							

ITEM	PNCC	MDC	COMMENTS
	<p>Risk management co-ordinator position.</p> <p>Council risk adverse with respect to risks that could</p> <ul style="list-style-type: none"> - negatively affect the safety of employees - Negatively affect reputation - Lead to breaches of law - Endanger future generations <p>Three types of risk identified with nominated people responsible for managing those risks: Strategic – Chief Exec & Council Operational – Managers & supervisors Project – project managers</p> <p>Managers & supervisors to report regularly that</p> <ul style="list-style-type: none"> - Legislative obligations being understood & complied with - Key business risks identified and managed - Control env is sound & 	<p>work is expected to begin shortly and will draw together the various risk management work that has been done for specific areas. Some risks are identified in the LTCCP.</p>	

ITEM	PNCC	MDC	COMMENTS
	<p>results reliable</p> <ul style="list-style-type: none"> - Any changes of circumstances or anticipated changes which may impact - All significant risks or non-compliance with legislation/policy are reported <p>Snr management review risk management progress on key strategic & operational risk on a ¼ basis</p> <p>Council to be informed on key strategic & operational risk on a 6 monthly basis.</p> <p>Risk impact guide matrix based on risk factors : Operational/Strategic - Legal, Political, Image, Service Delivery, HR, Financial, Community, Information Management, Councillor/ Management time Project – Cost, duration, Scope.</p> <p>Separate criteria for each factor to</p>		



ITEM	PNCC	MDC	COMMENTS
	<p>place risk in one of 5 levels</p> <ul style="list-style-type: none">- Extreme, major, moderate, minor, insignificant. <p>Risk likelihood divided into 5 categories; Almost certain, likely, moderate, unlikely and rare</p>		





APPENDIX B

The brief

