

10 June 2019

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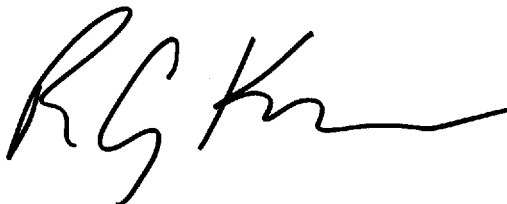
Dear Donald

Golden Bay Local Board Proposal

Tasman District Council thanks the Local Government Commission for the opportunity to submit an alternative proposal to the Golden Bay Local Board application. Council has decided not to put in an alternative proposal. However, Council wishes to highlight to the Commission some key matters it is important for the Commission to consider during its assessment of the 'Working Group for a Golden Bay local board' application and any alternative governance arrangements for Tasman District. To come to this view, and to inform us of the implications of a local board within the Tasman governance arrangements, we have invested time and thought in working with Auckland Council to see the opportunities and challenges that we would face should you decide to advance the local board proposal.

We have attached a submission outlining the key matters Council thinks are essential for the Commission to consider when assessing the range of governance options for the Tasman District. We would be happy to provide the Commission with any further information you may require in relation to these matters.

Yours sincerely

Mayor Kempthorne
Mayor, Tasman DistrictJanine Dowding
Chief Executive Officer, Tasman District Council

P:\Leadership Team\Letter to LGC on Key matters to consider for Local Board proposal

Tasman District Council submission on the Golden Bay Local Board Proposal

1. Tasman District Council (Council) thanks the Local Government Commission for the opportunity to submit an alternative proposal to the Golden Bay Local Board application submitted by the 'Working Group for a Golden Bay local board'.
2. Council has decided not to put in an alternative proposal. However, Council wishes to highlight to the Commission some key matters it is important that the Commission considers during its assessment of the application and any alternative governance arrangements for Tasman District. To come to this view, and to inform us of the implications of a local board within the Tasman governance arrangements, we have invested time and thought in working with Auckland Council to see the opportunities and challenges that we would face should you decide to advance the local board proposal.
3. Council makes this submission on behalf of itself and the community of Tasman District that it represents comprising over 52,100 residents (based on Statistics NZ population estimates as at June 2018).

Tasman District Council is a high rates and high debt Council supported by a low wage economy

4. Given that Tasman is a relatively high rates and high debt Council, and that our ratepayers have the lowest mean annual earnings of any region in New Zealand, we request that the Commission gives strong consideration to the financial impact of any proposal for local boards on our residents and ratepayers. The figures in the table below are from the Taxpayers Union website (ratepayers and average rates) and the published 2018 annual reports (average debt). Please note that we have amended our Council's figures to align with the figures in our Annual Report 2018.

Council	Ratepayers	Average Rates per Ratepayer \$	Average Debt per Ratepayer \$
Gisborne	22,214	3,096	1,981
Marlborough	26,154	2,224	2,883
NCC	21,511	2,883	4,137
TDC	24,052	2,968	5,821

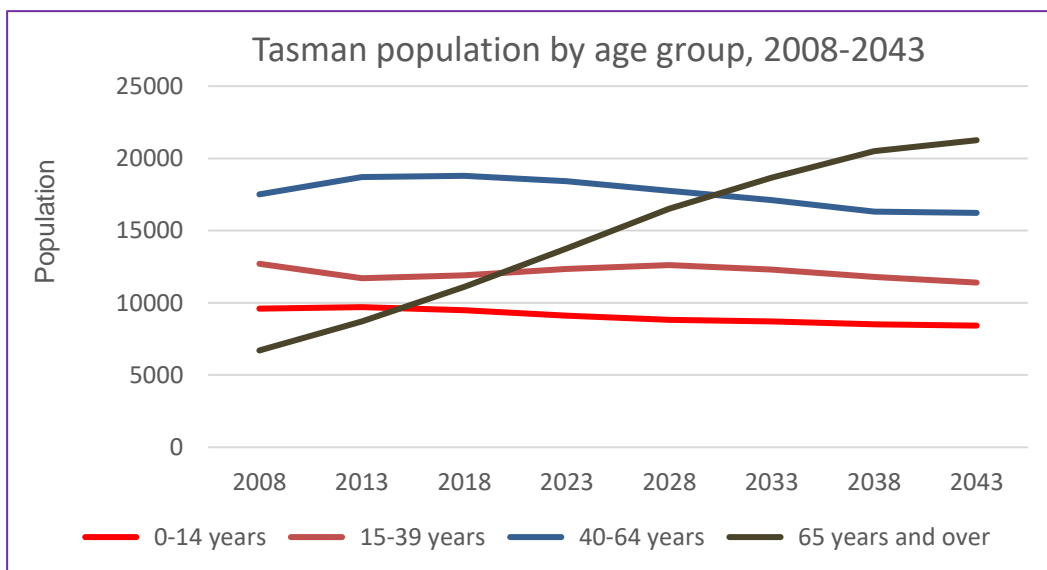
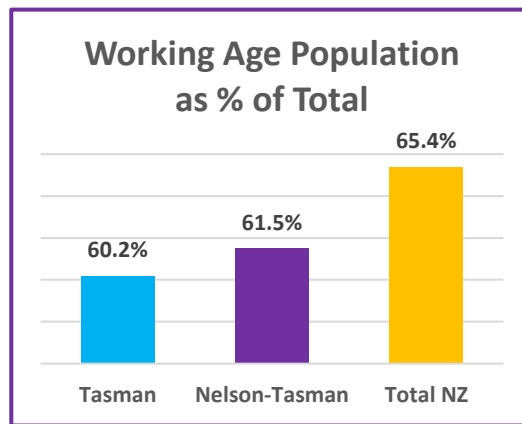
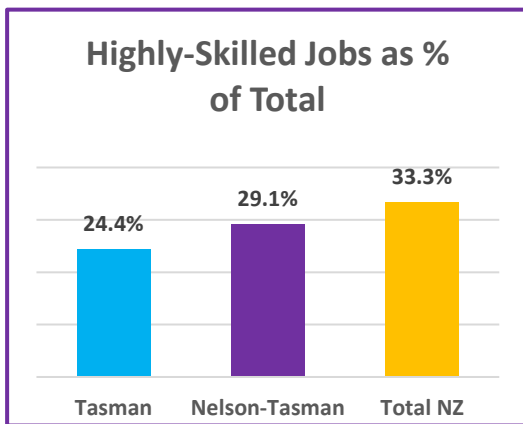
5. Tasman's lower-than average wages remain a key challenge for the region. The average annual earnings in Tasman District of \$50,768¹ is 17% lower than the national average of \$60,891.

Region	Mean Annual Earnings
Wellington	\$ 67,580
Auckland	\$ 66,205
Taranaki	\$ 59,783
Canterbury	\$ 58,487
Waikato	\$ 56,944
Bay of Plenty	\$ 54,573
Otago	\$ 54,490
Northland	\$ 54,110

¹ Source: Infometrics Regional Economic Profile, as at March 2018.
<https://www.nelsontasman.nz/do-business/insights/>

West Coast	\$ 53,967
Nelson	\$ 53,965
Marlborough	\$ 53,897
Southland	\$ 53,278
Manawatu-Wanganui	\$ 53,020
Hawkes Bay	\$ 52,825
Gisborne	\$ 51,251
Tasman	\$ 50,768

- Tasman has a relatively low proportion of highly-skilled jobs which contributes to our low wage earnings.
- Moreover, Tasman's ageing population means the proportion of 'working-age' population is notably lower than the New Zealand average, and is projected to decrease at an accelerated level over the next decade. Please refer to the graphs below, which provide further information on these matters.



Impact of a local board and changes to rating and financial policies on the Council’s District-wide “Club” approach for utility and community infrastructure

8. Tasman District Council operates a ‘Club’ approach for the provision of utility and community infrastructure across the District.
9. With respect to utility infrastructure, Council has three clubs – one for each of the water supply, wastewater and stormwater activities. How the clubs operate is that most of the urban areas where Council provides specific water supply, wastewater and stormwater services all pay the same amount of rates per household or business for those services. Clubs only apply to the urban areas which receive these services. The rural areas, which do not get these services, do not pay.
10. Over time, Council spends money maintaining, renewing and upgrading the three waters services in each urban area and the funding for this work comes out of the Club funding pool. By taking this approach, it reduces the fluctuations in rates incurred by ratepayers due to lumpy infrastructure demands. It also tends to mean that the smaller communities are provided with infrastructure that they may not otherwise be able to afford without some cross-subsidisation from the larger urban communities. A local board proposal in Golden Bay, or in other areas of the District, has the potential to unwind the Club approach, reinforce “user-pays”, and therefore make it harder for smaller communities across the District to:
 - a. upgrade their water supplies to meet the ongoing increase in the Government’s drinking water standards;
 - b. meet increasing environmental standards for wastewater treatment; and
 - c. meet the increasing need for stormwater management due to climate change and other factors.
11. With respect to community infrastructure, Council has taken a Club approach to the provision of new multi-purpose community facilities. Council recently constructed a new \$4.2 million community recreation facility in Takaka for the Golden Bay community. Over \$1 million of this funding was raised by community fundraising, but the balance came from funding spread across the District. Smaller communities in our District may not be able to afford such facilities without District-wide funding through the Club approach.
12. District-wide funding through the Club approach enables Council to deliver similar levels of service to all the urban areas within our District, with everyone paying the same amount of rates for that service no matter where they live. The question arises as to how funding one local board might impact on this arrangement, or how it can be ring fenced to ensure it doesn’t.

Potential implications on Golden Bay representation around the Council chamber if a local board was to result in a reduction in Councillors

13. As you will be aware, the Commission has treated the Golden Bay Ward as an isolated community and allowed it to depart from complying with section 19V(2) of the Local Electoral Act 2001.
14. The population (using population estimates from Statistics NZ as at 30 June 2017, based on the 2013 census) that each member will represent is as follows:

Ward	Population	Number of Councillors	Population per Councillor	% deviation from District average population per Councillor
Golden Bay	5,320	2	2,660	-32.44*

Motueka	12,300	3	4,100	4.14
Moutere/Waimea	13,500	3	4,500	14.30*
Lakes/Murchison	3,660	1	3,660	-7.03
Richmond	16,400	4	4,100	4.14
	51,180	13	3,937	

**Non-compliance with s.19V(2) Local Electoral Act 2001 (LEA) (+/- 10% rule)*

15. If Golden Bay was to get a local board, it will receive a higher level of governance service than other areas of the District. Therefore, it would be difficult to justify a second Councillor for Golden Bay on the Council. As many matters of importance to Golden Bay (along with the rest of the Tasman District) will still be considered by the Council, it may disadvantage the Golden Bay community if their representation on Council was reduced to one Councillor.

The administrative complexity of the options, for example if Council has a local board in Golden Bay, a community board in Motueka and no boards in other wards

16. There will be increased complexity for Council and staff if it has a local board in Golden Bay, a community board in Motueka, no boards in other wards, and a governing body. Any local board(s) will have functions allocated to it and other functions delegated to it. A community board(s) will have a range of delegated functions, which may or may not be similar to the allocated and delegated functions given to a local board.
17. There is a cost to Council of having a variety of governance arrangements across the District, and a greater cost to having local or community boards across the entire District.

Fairness and equity in who pays for local boards – targeted rate on Golden Bay v general rate for a higher level of governance service

18. As a general principle, Tasman District Council's rating policies support an approach of ratepayers paying for higher levels of service through targeted rates. Our ratepayers have been consulted on the development and implementation of this rating principle through our Long Term Plan processes.
19. We are not aware of any proposals for local boards in wards or areas in the District outside of Golden Bay.
20. Therefore, if Golden Bay (and any other ward in the District) was to receive a higher level of governance service than other areas, Council would favour that increased level of service being paid for by a targeted rate, rather than being paid for by all of Tasman District's ratepayers.
21. Also, Golden Bay currently has lower population growth than many other areas in our District. Therefore, over time the proportion Golden Bay ratepayers contribute to the general rate take in the District will be has been decreasing. In 2015/16 14.5% of the general rates were collected in Golden Bay by 2018/19 this had dropped to 12.7%. In the latest district wide valuation the movement in regards to the residential sector was that average Capital value changes for the Golden Bay ward (residential) were up 18.3%, well below the bulk of the District such as Richmond, Wakefield, and Tapawera that were all up at least 30%. Governance costs (excluding some community board direct costs, which are target rated) are met from general rates. If a decision was that the increased local board costs should be met from general rates that would see an increasing rates burden on the rest of the District. Note that both the Golden Bay and Motueka Wards currently have a targeted rate in place that offset only some of the community boards' costs and also allow for some modest spending on local projects.

Additional costs of local boards (e.g. servicing, staff reporting and policy/plan preparation, impact on accommodating additional staff needed, additional governance costs etc)

- 22. A local board will inevitably lead to additional costs on the community. These costs will come in the form of servicing the local board, and preparing local board plans, local board funding policies, local board agreements, additional staff reporting to local boards, etc. Council will require additional staff to undertake this extra work. These additional costs will have an impact on rates, and as noted earlier, we are already a high rates and debt Council.
- 23. All the Council's service centres in Richmond, Motueka and Takaka are already nearing capacity in terms of staff numbers. As a growing Region we will need additional office space. In the absence of a local board, we would not have prioritised Golden Bay. Additional staff to support a Golden Bay local board would either be based in Takaka, creating challenges around management and accommodation, or based in Richmond resulting in significant downtime for travel.

Would having a local board model make the relationship between the Golden Bay community and Council any better than a community board model?

- 24. The applicants for the Golden Bay local board note that there is a difficult relationship between Tasman District Council and the Golden Bay community, due in part to the distinctness and isolation of Golden Bay. This situation appears to be driving some dissatisfaction with the current governance of Golden Bay and a desire for more local decision making.
- 25. Council is aware of the relationship difficulties it has with the Golden Bay community and has researched causes for this dissatisfaction. In late 2017, we had an independent consultant prepare a report on the reasons for the current state of the relationship between the Council and the Golden Bay community. We have been bearing in mind the outcomes of this report in our ongoing engagement with the Golden Bay community. We are happy to make a copy of the report available to the Commission, should you wish to review it.
- 26. We invest a substantial amount of time and resources into managing projects and activities within Golden Bay and working with local people on these projects.
- 27. In the current environment, we consider that a local board could well face similar challenges and may not bring the benefits the applicants envisage.
- 28. While local boards prepare their local board plans, the prioritising of the funding for implementing them is undertaken by the governing body. Therefore, it is still likely that there will be tensions between any local board(s) and the Council, and in the Golden Bay case, the community is likely to continue to believe that it is not receiving its fair share of the funding it generates.
- 29. Finance staff have prepared information on the make-up of rates in the Golden Bay Ward.

2018/19 Rates Strike	2018/19 \$000s
General rate including UAGC	5,748
Wastewater	1,192
Hamama Rural Water Supply	24
Waimea Community Dam	47
Takaka firefighting	143
Mapua rehabilitation	21

Museums facilities	201
District facilities	164
Facilities operations	177
GB Community Board	63
Urban Water Supply- Service Charge	94
Refuse-Recycling	298
Regional Rivers Works	380
Stormwater	468
Shared facilities	233
Warm Tasman	3
Water supply- rural water extensions	1
Total Rates Charged	\$9,259

30. Finance staff have also prepared the table below illustrating Council expenditure in Golden Bay over the past five years. These figures are estimates and provide an “in the order of” estimate of expenditure across Council activities. Council does not account for income or costs on a ward by ward basis. Such an approach would incur significant additional administration costs along with the need to allocate all costs including overheads across the District. For instance costs incurred in Environment and Planning are often expended on a district wide basis and population may not be the most applicable proxy for cost allocation. Expenditure on the likes of the Takaka Freshwater and Land Advisory Group process or Outstanding Natural Landscapes has been high in recent years beyond what an apportionment on population would deliver but for most activities costs will fluctuate over time.

Expenditure by Activity	Estimated Actual 2014 \$000s	Estimated Actual 2015 \$000s	Estimated Actual 2016 \$000s	Estimated Actual 2017 \$000s	Estimated Actual 2018 \$000s
Access and Transport	2,244	1,625	1,553	1,768	4,084*
Coastal Structures	33	54	8	38	48
Community Facilities & Parks	1,240	1,254	1,182	1,252	1,392
Governance	345	302	232	251	248
Council Enterprises	389	509	679	849	970
Environmental Management	627	633	836	600	682
Overheads	2,769	3,188	3,228	3,492	3,962
Public Health & Safety	309	332	387	418	461
Rivers & Flood Protection	363	306	246	407	908
Solid Waste	748	790	797	791	1,109
Stormwater	164	63	116	109	135
Wastewater	666	604	1,235	1,279	1,062
Water Supply	195	218	331	317	370
Grand Total	\$10,092	\$9,880	\$10,831	\$11,570	\$15,432

*The reason 2017/2018 is particularly high is because of the impacts of cyclone Gita/Fehi.

31. In order to allocate the expenditure finance staff (in consultation with activity managers) have used 11 different factors for cost allocations based on ‘best fit’ with the activity type. The method and a brief description are provided below.

Basis	Factor
Population	Based on Population
Road	Based on Kilometer of Road
Direct	All costs attributable to GB e.g. GB RFC
Exclude	No costs attributable to GB e.g. Richmond RFC
Waste	Asset value
Parks	Nelmac Contract
Water	Asset value
Rivers	Asset value
Refuse	Asset value
Coastal	Asset value
Overhead	Based on Direct Costs in Golden Bay as a % of Total

32. The reason we have provided this information is to give the Commission some context of activity level and income collected in Golden Bay.
33. The cost of the current community boards is partly met from the community boards' rate. We do not recover the full cost of supporting the boards. This results in a level of cross subsidy from wards without community boards.
34. If the Commission decides to proceed with any local boards in the District, Council notes that it will be critical for the Commission, in its decision making, to ensure that any community to be covered by a local board clearly understands what that local board will and will not deliver. If it is not clear to the community what a local board will and will not deliver, it is possible that tensions between Council and the local boards and their communities will increase.

Effectiveness and efficiency of decision making e.g. decisions delegated to staff should remain

35. Council has made a number of delegations to staff to enable efficient processing of activities and services. If the Commission was to allocate to any local board(s) the delegations currently held by staff, it is likely to lead to additional costs and time delays. The efficiency and effectiveness of the current delegations are likely to be negatively affected. Therefore, should the Commission decide to implement a local board we recommend that the Commission does not allocate any functions to the board that are currently undertaken by staff. We understand regulatory delegations are already out of scope despite the fact that the applicants have talked about building and other development consents, regulatory bylaws, and other issues that have local expressions but which are district wide in nature (e.g. freedom camping).

Whether there are sufficient local assets in Golden Bay to make decision making and the additional costs of a local board meaningful

36. An important consideration for the Commission will be whether Golden Bay or any other area within Tasman District proposed for a local board, has the critical mass of assets and people to justify a local board structure.
37. Local boards will add an additional layer of governance costs on the communities they cover, to the current community boards and Council governance structure. We ask that the Commission gives due consideration to the value for money associated with any changes to the governance structure, particularly given the low wage economy in Tasman District.

Extra workloads for staff across Council and the extra costs associated with meeting that workload

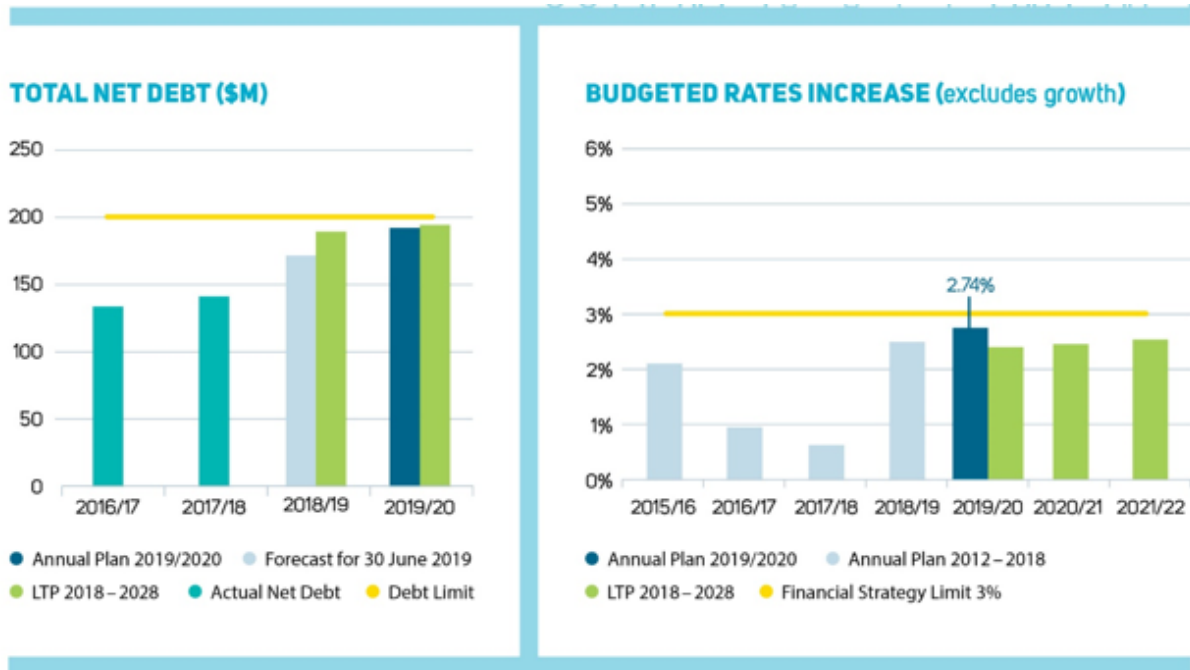
38. We estimate that at a minimum the following additional staff will be required to help service each local board and that these staff would be located in the local board area:
- a. a local board meeting support team leader;
 - b. a customer support officer;
 - c. a senior advisor;
 - d. a part-time advisor (to also carry out engagement work with the community); and
 - e. a PA/community liaison officer.
39. If the Commission's decision is that there will be several local boards across the District, Council will also need a local board relationship manager and an assistant to help manage the local board relationship and interaction.
40. In addition to the above roles, Council is likely to need to provide organisational support to undertake the following additional work:
- a. finance support to develop budgets, and input into the Long Term Plans and Annual Plans;
 - b. communications support for consultation and informing the public of local activities being undertaken by the local board(s);
 - c. support from the activity groups in Council which have functions allocated or delegated to the local boards, preparing reports to enable local decisions and preparing annual work programmes;
 - d. support from policy staff on input into regional policies and strategies, to help prepare local board plans and the agreements between the board and Council;
 - e. support from commercial staff and advisors if the commercial portfolio is disaggregated; and
 - f. manage demands for local decision-making support through budgeted work programmes,.
41. The Council currently does not have sufficient capacity to add this extra work onto our already busy workload. We would need to employ extra staff and accommodate them. Our current service centres and our main Richmond Offices are largely at capacity, so additional space would be required.
42. The extra staff and the accommodation of them will add additional costs, which as noted above, our ratepayers will struggle to afford given our low wage economy and current rates and debt levels.

Implications on Council's rating and debt limits and Council's Revenue and Financing Policy

43. Our Council has made a concerted effort over recent years to keep rates increases to a minimum to help affordability for our communities. We have kept our rates increases below 3% per annum for several years now and are planning to continue keeping rates increases below this level for the remaining eight years of our Long Term Plan 2018-2028. Our Long Term Plan rates increase limit is 3%. As noted above, we are the lowest wage economy of any region in New Zealand, so keeping our rates affordable is important for the well-being of our communities.

44. We are also working hard to keep our debt within our \$200 million net debt limit in our Long Term Plan. We are a high growth Council which means we are under pressure to deliver services and infrastructure in our growth communities to meet the demands of our population increases. The Government's National Policy Statement on Urban Development Capacity places requirements on us to ensure there are sufficient areas of serviced land available for development.

45. Please refer to the following graphs on our debt and rates.



46. We ask the Commission to consider Council's financial position and its strategy to keep within its rates and debt limits when it makes its decision on the governance structure for the Tasman District.

Any governance arrangements should enable alignment with District wide regional priorities and plans

47. Currently community boards are already engaged and invited to be involved in district wide plans and strategies, especially as they may impact on local communities. Future involvement depends very much on the allocation and delegation of functions to a local board and whether the transaction costs are kept separate.

Consideration should be given as to whether additional delegations to the Community Board are a more effective and efficient way of delivering decisions and activities and services

48. Council would like the Commission to consider whether increasing the delegations to the existing community boards in Motueka and Golden Bay is a more effective and efficient way of enabling increased local decision making in order to deliver local activities and services. Council is happy to work with the Commission on ways to enhance the current delegations to the two community boards, should the Commission decide that this is the preferred option for governance of the Tasman District.

49. The Council has recently increased the delegations to the Motueka and Golden Bay community boards. As a result of having reviewed the Auckland local boards allocations and delegations, Council is aware that there are further opportunities to increase the delegations to the existing community boards.

50. The Golden Bay community has expressed concerns about the risk of Council having the ability to remove delegations, whereas allocation of functions to a local board are more difficult to change. Council has a history of adding delegations to the community boards and never removing any delegations. That said, we acknowledge that a future Council could decide to remove delegations to the community boards, if it so wished.

Any decision will need to take account of iwi relationships and the associated workload

51. Over the last year, Council has been working to improve its relationship with Te Tau Ihu iwi. The Council has recently decided to employ a Kaihautū to further assist our ongoing relationships with iwi.

52. We ask the Commission to consider the impact on iwi of establishing local boards and the need for iwi to engage with those boards, as well as with Council. We understand that the Commission is consulting with iwi over the governance options for the Tasman District and are pleased that the consultation is occurring. Some Golden Bay iwi work through Manawhenua ki Mohua based at Onetahua Marae and we recommend that you speak with them in addition to the parent iwi bodies.

Should the Commission decide on a local board, it is recommended that the allocations and delegations are specific and clear as to what functions are delegated and the implications for the governing body (similar to Auckland Council, but in a Tasman District Council context)

53. As noted earlier in this submission, it is critical that any allocations and delegations to local boards are very specific and clear, and that the role of the local board and the governing body (the Council) are explicit. This clarity will be important to ensure that there is a common understanding of roles, particularly within the Golden Bay community and any other communities with local boards.

54. Without this clarity, there is a risk that tensions between the local boards, the community and Council will increase across all ratepayers.

When making allocation decisions to a local board, the Commission gives consideration to the impact of disaggregating the commercial portfolio managed by Council

55. Council manages a range of commercial and semi-commercial assets within one portfolio. This portfolio includes Port Tarahoke, the Takaka aerodrome, and the Collingwood and Pohara camping grounds in Golden Bay, along with a range of other assets across the Tasman District. Council manages the portfolio as a whole to provide a return to ratepayers across the Tasman District. The commercial assets help off-set the need for Council to increase rates.

56. Council asks that the Commission gives consideration to the impact on the District's ratepayers of separating any assets from the Council's commercial portfolio if it was to propose this.

Should the Commission decide on a local board, Tasman District Council's least preferred option is five local boards across the District due to increased cost, increased inconsistency of policy and service levels across the community, and cuts across communities of interest

57. Tasman District Council has not yet decided what governance structure it considers is in the best interest of the Tasman ratepayers. Council awaits further information on the options prior to forming a view.

58. Council does, however, have a view that local boards across the whole District are not in the best interests of the wider District due to the cost of them, concerns about inconsistency of policy and service levels across our communities, and that local boards may cut across local communities of interest.

Any preferred option released for consultation should include the mechanism by which it will be funded

59. It is our view that the preference for a local board in Golden Bay is strongly linked to a perception that they do not receive their proportionate value from the rates spend. Our assessment indicates quite the opposite where Golden Bay ward benefits significantly from the district wide funding of many services (as do other smaller communities). We also believe it to be highly likely that the community would object to any increase in rates specifically to fund a local board. It is therefore important that any option outlines the funding mechanism so that the Golden Bay community can consider the trade-offs if it is a targeted rate to them, or the wider community can consider the impact on them of a general rate.

Conclusion

60. Tasman District Council does not currently have a preference for the governance structure for the wider District. We are interested in hearing community views expressed during the Commission's consultation and on hearing the outcomes of the Commission's research prior to forming a view.

61. The purpose of this submission is to outline some key matters which Council considers the Commission should consider as part of its investigations and decision-making processes on the governance structure for the Tasman District.

62. We hope that the information provided in this submission is helpful to the Commission. We are happy to provide you with further information on any of the matters contained in this submission, should the Commission require it.

63. Thank you for taking the time to consider this submission.