



**Draft Proposal for  
Reorganisation of Local  
Government in Hawke's Bay**

**Submission to the  
Local Government Commission  
Mana Kāwanatanga ā Rohe**

*March 2014*



**For a better working life**

New Zealand Public Service Association  
Te Pūkenga Here Tikanga Mahi



# Draft Proposal for Reorganisation of Local Government in Hawke's Bay

## Submission to the Local Government Commission Mana Kāwanatanga ā Rohe

### Introduction

#### *Who we are*

The New Zealand Public Service Association: Te Pūkenga Here Tikanga Mahi (the PSA) is the principal union representing local government workers and welcomes this opportunity to put forward Hawkes Bay members' views on the draft reorganisation proposal. We believe that the staff of a local authority, through their union representatives, comprises a significant 'community of interest' in reorganisation proposals.

The PSA has two principal interests in making this submission: firstly we represent members employed in Hawkes Bay councils, whose jobs will be affected by the proposed merger; and secondly, we represent members in the region who work in other parts of the public sector, and have an interest as citizens and ratepayers in the governance of their region.

PSA members include: librarians, library assistants, call centre workers, administrators, recreation services workers, planners, engineers, policy analysts, economic development advisors, parking wardens, dog control officers, parks workers, managers, team leaders, community workers, gallery and museum workers, building inspectors, civil defence and emergency workers – the full range of occupations in local government.

They are the professionals who know - because it is their job - what local government does, how it interacts with its communities, how it delivers its services, and how it implements its regulatory and statutory functions. They are the 'face and voice' of Council, they support and advise elected members in their governance work, and last but not least, they are members of their own communities of interest.

In the Hawkes Bay we have members at all affected councils with the largest groups being at Hastings and Wairoa District Councils. Our total membership in Hawke's Bay (not just in local government) is over 1450, all of whom have an interest in the outcome of this review as residents and ratepayers.

#### *In developing this submission we sought the views of*

We have based this submission on PSA policy developed through our democratic structures, and following feedback from our delegates in the Hawkes Bay councils.

The PSA would like to appear before the Local Government Commission to present this submission.

## Executive Summary

### *Need for evidence based approach*

The PSA is the principal union representing local government workers in New Zealand and has members at all councils affected by this proposal. We have substantial experience of restructurings in both the state and local government sectors. While not opposed to change we believe that any proposal for local government amalgamation must be supported by hard evidence and demonstrated clear advantages over the status quo.

### *Our principles for amalgamations*

Looking at the lessons from Auckland, and internationally, PSA members use the following principles to test whether they can support any amalgamation proposal:

- Any reorganisation must maintain/improve the terms and conditions for union members
- The democratic process should be safeguarded, and community engagement strengthened
- There should be public and democratic ownership and control of public assets and public services; and
- Reorganisation must maintain the ability of workers to deliver high quality services; and to have decent work.

### *Evidence is lacking in the Hawkes Bay proposal*

We do not believe that the proposal for a unitary authority in Hawkes Bay is backed by hard evidence or can demonstrate a clear advantage over the status quo. Our members in the Hawkes Bay councils have grave concerns about the proposal and we agree with the conclusions of the Dollery Report that the economic benefits for Hawkes Bay have not been demonstrated. Further, evidence from Australia indicates that it is risky (and costly) to impose amalgamations on unwilling communities and that population density, rather than population size represents the dominant component in council cost structure. Given the irregular spread of population in the Hawkes Bay we believe that economies of scale are unlikely to accrue.

### *A Māori Advisory Board is probably insufficient*

The reorganisation proposal includes provision for a Māori board, but its role is advisory and we question whether this is enough, particularly in a region that has such a high proportion of Māori residents. The PSA believes that there needs to be a deep and constructive engagement with iwi in Hawkes Bay to ensure that there is

substantive and meaningful Māori engagement in the democratic structures and in council decision-making.

*We need to be centrally involved in any transition*

If the Commission decides to proceed with a unitary authority it will be essential that the PSA is actively involved in the transition: the transition board must have a union representative and there should be some type of formal agreement, such as a Memorandum of Understanding between the transition body (or board) and the union. The Commission's final decision should be clear that it expects the interim chief executive to use her/his ability to issue offers of employment in the new authority and to enter into negotiations to support a smooth transition.

*We recommend...*

We recommend:

- That the proposal for amalgamation of local authorities in Hawkes Bay into a unitary authority not proceed
- That if it does proceed the new council should be supported by local boards, rather than community boards
- That if it does proceed we support the proposal for Council services to continue to be provided for at least five years at service centres in existing council locations
- That if it does proceed there should be a That if it does proceed the transition board must have a union representative and there should be some type of formal agreement, such as a Memorandum of Understanding between the transition body (or board) and the union
- That if it does proceed the Commission's should make it clear that it expects the interim chief executive to use her/his ability to issue offers of employment in the new authority and to enter into negotiations to support a smooth transition.

### **3 General comments on amalgamations**

*We do not oppose change...*

PSA members are not opposed to change, recognising that the external environment is dynamic; they want to work in local government that provides them with high-quality jobs within high-performing workplaces and delivers high quality, value-for-money services to ratepayers and citizens. But this is not unconditional support: change needs to be based on hard evidence and there needs to be a clear justification; if reorganisation goes ahead, PSA members need assurance that jobs will be maintained; and they need to know that any new structures will support their ability to do their jobs well. They want their voice to be part of the transition process. They want the best possible governance structures in place that will support forms of, and processes within, local government that work well for both workers and citizens. If reorganisation is to be successful then it will require the involvement, co-operation and support of local government workers.

*But it needs to be based on hard evidence*

We have concerns about the framework for local government reorganisations in the Local Government Act that was introduced in 2012. We believe that the emphasis

is on facilitating amalgamations, potentially at the cost of local democracy. For example, the period of 8 weeks for the collection of signatures for a petition is too short and will privilege the ability of large scale interest groups to access their supporters quickly, while making it too hard for small community organisations and individuals to meet the time limit.

### *The challenges of amalgamations*

This means that the Local Government Commission has to be particularly careful in its decision-making and consultation processes. Although we are not opposed to change, there are major challenges in bringing councils closer together, whether it be through amalgamations or shared services arrangements. The Local Government NZ report on shared services published in 2011 suggests that while there has been some success in shared service arrangements delivering savings internationally, these tended to be in areas such as procurement where cost savings can be easily demonstrated through contestable processes and historical information. However, “demonstrating significant cost benefits for back office and technology projects can be more difficult”<sup>1</sup>. The reports lists a series of constraints on effective shared services arrangements such as protecting local political autonomy, conflicting objectives between the parties, and the complexity of the processes often involved. They also point out the risk, demonstrated in the UK, of creating oligopolies or monopoly situations<sup>2</sup> in which councils may be vulnerable to increases in costs for services delivered by a single private provider.

### *We question the economies of scale*

There is also considerable debate about whether amalgamations can produce clearer economies of scale and whether they should be imposed on communities. The risks of the latter have been demonstrated in Queensland where a number of local communities have successfully ‘de-amalgamated’ following the major reorganisations of 2008<sup>3</sup>. A 2011 report looking at local authority consolidation in Australia and New Zealand had some extremely useful points to make, particularly on the tendency of those promoting mergers to overstate the financial benefits. They note that change is a feature of local government, that consolidation generally does not deliver economies of scale, but can deliver economies of scope. And efficiency gains and savings do not result in lower rates or expenditure because of other demands<sup>4</sup>.

### *Our principles for amalgamations*

Looking at the lessons from Auckland, and internationally, PSA members use the following principles to test whether they can support any amalgamation proposal:

- Any reorganisation must maintain/improve the terms and conditions for union members

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<sup>1</sup> Local Government New Zealand, *Shared Services for Local Government*, June 2011 p. 41

<sup>2</sup> Ibid. p.43.

<sup>3</sup> <http://www.governmentnews.com.au/2013/09/divorced-queensland-councils-set-election-date/>

<sup>4</sup> Chris Aulich, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Sansom, *Consolidation in Local Government: a fresh look*, Australian Centre of Excellence for Local Government, 2011 p. 7

- The democratic process should be safeguarded, and community engagement strengthened
- There should be public and democratic ownership and control of public assets and public services; and
- Reorganisation must maintain the ability of workers to deliver high quality services; and to have decent work.

#### 4 Views of Hawkes Bay members on the proposals

*Our members have serious concerns* Our members in Hawkes’s Bay have serious concerns about the proposed unitary authority for the province.

*Impact on rural areas* The main issue is with the impact on the rural areas in Hawke’s Bay, particularly with the potential threat to regional service centres. This is not only about the potential loss or downgrading of services to the regions but also the loss of jobs. This will accelerate further rural decline as well paid jobs, by rural standards, are lost or centralised over time into Hastings or Napier at a time of high unemployment.

Members report that after the amalgamation of Havelock North Borough Council, Hawke’s Bay County Council and Hastings City Council in 1989 there were service centres set up in Havelock North and Flaxmere and either Haumoana or Te Awanga. However these soon disappeared as they were deemed to be not cost effective. They can see the same thing happening in Wairoa and Central Hawke’s Bay with their current council headquarters being downgraded to a service centre initially and then after a few years have passed even the service centres are closed. The proposals for Council services to continue to be provided for at least five years at service centres in existing council locations in Wairoa, Napier, Hastings, Waipawa and Waipukurau is supported, if the amalgamation goes ahead. However, we are concerned about what might happen after that.

*Meeting the needs of diverse communities* The Hawkes Bay Council would cover a diverse range of communities and there is a real risk that they would lose their connection to the new Council. Members feel that the proposed wards will be too large to overcome this problem and there will be too few councillors. If it is decided to move to a unitary authority then local boards will be an essential tool to try and deal with this democratic deficit.

#### 5 Economic justification

The report does not make a strong evidence-based case that amalgamation will have positive economic impact on Hawkes Bay. There has been no comprehensive

*Lack of  
econometric  
modelling*

econometric modelling exercise to examine the relationship between council population size and council per capita expenditure for the recommended Hawke's Bay Council carried out; no specific econometric modelling to investigate the relationships between particular council functions and per capita expenditure for the proposed council has been undertaken; nor does there appear to have been any existing empirical evidence examined on the costs and savings experienced by groups of amalgamated councils comparable to the Hawke's Bay councils. Applying these modelling approaches to the Hawkes Bay the 'Dollery Report'<sup>5</sup> concluded that:

- There is no statistically significant relationship between population size and the log of per capita expenditure for the councils of Central Hawkes Bay, Hastings, Napier, and Wairoa.
- There is no statistically significant relationship between population size and the log of per capita income for the councils of Central Hawkes Bay, Hastings, Napier, and Wairoa.
- There is no statistically significant relationship between population size and the log of per capita rates for the councils of Central Hawkes Bay, Hastings, Napier, and Wairoa.
- There is no statistically significant relationship between population size and the log of per capita employee costs for the councils of Central Hawkes Bay, Hastings, Napier, and Wairoa.

*Economies of scale  
unlikely to be  
realised*

All of this demonstrates that there is no evidence for the presence of scale economies within the Hawkes Bay local authorities affected and that there was therefore no reason to believe that significant cost savings would result from their merger.

*Population density  
drives savings*

The 2006 Allan Report from New South Wales, which looked at the financial viability of local government found that population density – and not population size – represented the dominant component in council cost structures. Given the diverse range of communities, the distances and the sometimes difficult terrain in Hawke's Bay this suggests that it will be a challenge to not only maintain effective democratic representation for those communities but to do so in a way that also delivers savings<sup>6</sup>.

*Loss of rural jobs*

As our members have pointed out, we believe that the likely loss of local authority jobs in the rural areas will have economic consequences both for those areas and potentially the region as a whole. As pointed out earlier, the experience of the 1989 reorganisation of local authorities was negative on those towns in the Hawke's Bay that lost local government headquarters. The Draft Proposal makes the argument

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<sup>5</sup> Dollery, Brian *Bigger is Not Always Better: An evaluation of "Future Prosperity of the Hawkes Bay Region" and "Potential Costs and Savings of Local Government Reform in the Hawkes Bay Region, Napier City Council, 3 Dec 2013* pp. 93-110

<sup>6</sup> *Ibid.* p. 91

that the growing concentration of population and economic activity in Napier City and Hastings District means that Wairoa District Council and Central Hawke's Bay District Council will find it increasingly difficult to fund core local government services to required standards and expectations, yet the loss of rural jobs because of the merger will ultimately exacerbate both the loss of population and economic activity.

*Investment required*

There is also an argument that these districts need investment and that ultimately the infrastructure issues are issues of funding, rather than economies of scale, and the government needs to address this. A unitary authority will not change this position, the infrastructure deficit will still be a major problem as will the region's connections with the rest of the country and the world. The political focus will be a city one and economic decline elsewhere will occur more quickly.

## 5 Maori/Iwi representation

*The Treaty*

The Local Government Act contains Treaty of Waitangi principles, and this gives a clear signal about expectations of the relationship with Māori. Iwi representation and engagement varies across the region, and is made more complex by the fact that council boundaries and iwi boundaries mostly do not align. In our view there is a continuum for the relationship, ranging from co-governance at one end through to consultation at the other end, and the challenge is to find the right place on the continuum that will serve the needs and expectations of Māori and the new Council.

*A Māori Advisory Board is probably insufficient*

Looking across the country a few councils have designated Māori seats, and the Auckland Council has a Māori independent statutory board, which aims to ensure that council includes a Māori perspective in its decision-making. The reorganisation proposal includes provision for a Māori board, but its role is advisory and we question whether this is enough, particularly in a region that has such a high proportion of Māori residents. The PSA believes that there needs to be a deep and constructive engagement with iwi in the Hawke's Bay to ensure that there is substantive and meaningful Māori engagement in the democratic structures and in council decision-making.

*Deep engagement required*

## 6 Local Boards

*We support local boards*

The Local Government Commission is seeking views on a possible modification to the proposal to provide for local boards rather than community boards. There are significant differences between these two types of second tier representation and decision-making structures. We are of the view that in a unitary authority local boards are a better option because they give stronger powers to localities than community boards. However, this is also only half a solution because they will not

have the power to raise a rate to carry out developmental work for their communities, and can be over-ruled by the governing Council.

*However they carry costs*

While we favour the local board option, we note the assessment in the Dollery Report that, based on the experience of Auckland there will be considerable costs to having second-tier representation, whether community or local boards, and that these costs have not been properly acknowledged in the publications issued in support of the amalgamation.

## 7 Transition best practice

*Our experience in restructurings*

The PSA has arguably the most extensive – and longest – experience of organisational restructuring of any agency. Recent major restructures, where the PSA has been deeply engaged on behalf of members, are the Auckland local government amalgamations of 2010; the merger of the National Library and Archives New Zealand into the Department of Internal Affairs in 2010; and the 2012 merger of the Departments of Labour and Building & Housing, and the Ministries of Science & Innovation and Economic Development into the new Ministry of Business, Innovation and Employment. As well as these large-scale mergers, we are constantly engaged in smaller scale reorganisations and restructurings within enterprises and between enterprises. This gives us a vast amount of knowledge about what works well, and what does not, and our views on local government transition benefit from our experience across our wider membership, should the merger proceed.

*The obligations on the Commission to ensure good change processes*

The Local Government Act (Schedule 3, clauses 34 to 40) requires the Commission to state the roles and composition of the transition body, and to include a transition board, if they wish. The Act is clear in its intention that the Commission should be specific and prescriptive about both the composition and membership, and the roles and functions, of a transition body and a transition board. We consider that this gives the Commission considerable scope – and arguably, an obligation – to put forward arrangements that will support good change process, if the reorganisation eventually goes ahead.

How the transition board, transition body and the implementation team approach reorganisation will be crucial to its success and clear direction from the Commission in its decision will establish expectations about process early on.

We have a number of specific suggestions to make to support workforce transition:

The transition board membership is appointed by the Commission, and can include persons (as non-voting members) to provide particular expertise that elected members do not have or are unlikely to have. **We believe that the Commission**

*The PSA should be on the transition board*

**should state that a transition board must include an employee representative<sup>7</sup> on the transition board, with employment relations and change management process expertise.**

*An MOU is required*

The Commission also appoints the transition body, which is required to provide advice to the Commission and affected local authorities, as appropriate, on practical matters relating to the reorganisation scheme. We consider that the Commission should give strong direction to the transition body and its implementation team on the approach to workforce transition. **We believe that there should be some type of formal agreement, such as a Memorandum of Understanding between the transition body (or board) and the union or other group representing staff.**

*Good overseas examples*

There are two useful overseas examples of detailed guidance. Firstly, the UK government in 2008 issued *'Local Government Restructuring: Guidance on Staffing Issues'*<sup>8</sup> which has a chapter on good practice in engagement with trade unions representing staff. Secondly, we also commend the example of Queensland, where the 2008 amalgamations were supported by a union-employer jointly agreed *Workforce Transition Code of Practice*<sup>9</sup> as set out in the Australian legislation (see Appendix 2 for the relevant section of the Act). The Code's principles were to:

- maximise employment security for local government staff
- maximise the retention of local government staff
- minimise the impact on local government staff
- maximise staff involvement in the changes
- contracts of employment will be honoured
- maximise support to staff throughout the transition process
- treat staff fairly and with respect
- merit and equity in all appointments
- prompt and sensitive dispute resolution
- no overall loss of employment across the local government sector
- no overall reduction in working conditions
- no overall disadvantage to workers
- no forced relocations for 12 months
- applies in conjunction with existing industrial agreements
- enable unions' right of access to workplaces.

The transition board is empowered to appoint an interim chief executive who may appoint staff and enter into contracts, and will lead the implementation team. The post is expected to have the skills and experience to provide effective leadership of

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<sup>7</sup> The Local Government Amendment Act 1989 in section 6 enabled the NZ Council of Trade Unions to appoint members to transition committees, so there is precedent.

<sup>8</sup> see <http://www.lge.gov.uk/lge/aio/367491>

<sup>9</sup> the full Code can be found at: [http://www.gladstone.qld.gov.au/c/document\\_library/get\\_file?uuid=94a8984f-b861-4c12-97f2-8025d5a93d11&groupId=1570002](http://www.gladstone.qld.gov.au/c/document_library/get_file?uuid=94a8984f-b861-4c12-97f2-8025d5a93d11&groupId=1570002)

*Role of the interim  
CE*

the staff and management of systems and resources of the local authority in the early years of its existence. Our reading of the Act is that the interim chief executive has the ability to issue offers of employment in the new authority and to enter into negotiations. The Commission's final decision should be clear that it expects these powers to be used to support a smooth transition.

*Good employment  
practices will  
include...*

Good employment relations practice in reorganisation will include matters such as:

- Commitment to minimising job losses, through reassignment and redeployment mechanisms and no involuntary redundancies for a fixed period
- Maintaining terms and conditions
- Fair redundancy provisions and entitlements where there are job losses, and support for job search
- Fair procedures for staff whose jobs are transferred to another organisation or contracted out
- Support for training to acquire skills, either for a job within the local authority or outside its employment
- Facilitating the work of the union in representing its members

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