



**Draft Proposal for
Reorganisation of Local
Government in Northland**

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

February 2014



For a better working life

New Zealand Public Service Association

Te Pūkenga Here Tikanga Mahi

Draft Proposal for Reorganisation of Local Government in Northland

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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 Northland 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 Northland 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 Northland area we have members at all affected councils but the single largest group are at the Far North District Council where we have 134 members. We also have a high proportion of members at Kaipara District Council. Our total membership in Northland (not just in local government) is over 2000, 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 affected members via a survey and

discussions with our delegates. 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 Northland proposal

We do not believe that the proposal for a unitary authority in Northland is backed by hard evidence or can demonstrate a clear advantage over the status quo. Our Northland members have grave concerns about the proposal and we agree with the conclusions of the Dollery Report that the economic benefits for Northland 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, and so economies of scale are unlikely to accrue in the case of Northland.

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 Northland 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 Northland into a unitary authority not proceed
- 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 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

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

The challenges of amalgamations

However, 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”¹. 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 situations² 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 have been demonstrated in Queensland where a number of local communities have successfully ‘de-amalgamated’ following the major reorganisations of 2008³.

Our principles for amalgamations

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- 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 Northland members on the proposals

Our members have serious concerns

Our members in Northland have serious concerns about the proposed unitary authority for the province. A survey we conducted of our members in Far North District Council indicated overwhelming opposition.

Impact on rural areas

The main issue is with the impact on the rural areas in Northland, 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 Whangarei at a time of extremely high unemployment, even in the middle of an economic upswing for the region. Since 2008

¹ Local Government New Zealand, *Shared Services for Local Government*, June 2011 p. 41

² Ibid. p.43.

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

unemployment has been persistently high and shows no signs of reducing significantly. This will have potential major impacts in Kaikohe, Kaitaia, Kerikeri and Dargaville. The impact is not just on the jobs lost but to the local economies of these areas as staff either (if they are able to) move to find work or just to retain their position in the new Council or are unable to find meaningful employment if made redundant in the area they reside in. The economic multiplier effect to these local rural service towns of generally around 4000 residents and the areas they serve will be potentially devastating. The social and cultural impact as a consequence of this potential future will worsen and marginalise people even further.

Meeting the needs of diverse communities

The Northland 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 local boards will also be an essential tool to try and deal with this democratic deficit. 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 elected Council executive.

5 Economic justification

Lack of econometric modelling

The report does not make a strong evidence-based case that amalgamation will have positive economic impact on Northland. The Commission has not undertaken a comprehensive econometric modelling exercise to examine the relationship between council population size and council per capita expenditure for the recommended Northland Council; not undertaken specific econometric modelling to investigate the relationships between particular council functions and per capita expenditure for the proposed council; nor does it appear to have examined existing empirical evidence on the costs and savings experienced by groups of amalgamated councils comparable to the Northland councils. Applying these modelling approaches to the Hawkes Bay the 'Dollery Report'⁴ 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.

⁴ 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

- 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 was 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. Because no similar work was conducted by the Local Government Commission in Northland there is no real way of knowing whether economies of scale would eventuate in the province but the similarities (an urban population surrounded by a large rural area) suggests that they may not accrue in the Northland case either.

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 Northland 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 savings⁵.

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. The experience of the 1989 reorganisation of local authorities was negative on those towns in the Far North that lost local government headquarters. This loss of rural jobs will also exacerbate the existing problems of the Far North’s labour market that sees migration to the better of east and south of Northland, as well as to Auckland and Australia in search of work and better paying jobs. There is a risk that the negative impact on the rural districts of Northland could eventually undermine the economy of Whangarei itself as it is ultimately dependent on the economic success of those districts.

Investment required

The real issue is that Northland actually needs major investment in it to make it viable for the people to flourish here. 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 (apart from say the Bay of Islands) will occur more quickly.

⁵ Ibid. p. 91

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 Northland to ensure that there is substantive and meaningful Māori engagement in the democratic structures and in council decision-making.

Deep engagement required

6 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 PSA should be on the transition board

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 should state that a transition board must include an employee representative⁶ 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*⁷' 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*⁸ 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

⁶ 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.

⁷ see <http://www.lge.gov.uk/lge/aio/367491>

⁸ 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

- 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.

*Role of the interim
CE*

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 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

**For further information about this submission contact
Glenn Barclay**

E: glenn.barclay@psa.org.nz

T: 027 2955110

www.psa.org.nz