



Regulatory Impact Statement – options for improving local government services

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Agency disclosure statement

1. This Regulatory Impact Statement (RIS) has been prepared by the Department of Internal Affairs (the Department). It analyses options for responding to the problem that New Zealand's local authorities need to adapt their governance arrangements and structures to lift performance and respond to emerging challenges, but the current reorganisation process and models are not flexible enough and are not advancing change at the level and pace required.
2. This RIS is to accompany the Cabinet paper *Local Government – better local services reforms*.

Scope of RIS

3. The general scope of the analysis is based on Cabinet direction in October 2015 for further consideration of changes to drive:
 - regional economic growth and to encourage councils to improve their organisation of functions and structures; and
 - more effective and efficient delivery of services and infrastructure [CAB-15-MIN-0177 refers].¹
4. Accordingly, the preferred options in this RIS aim to enable local government to improve the efficiency and effectiveness of local services, including water and transport, and to enable the Local Government Commission (the Commission) to proactively facilitate how communities respond to current and future pressures.
5. It is proposed that this be achieved by making available to local government more integrated models for services, such as jointly-owned council-controlled organisations (CCOs)², and mechanisms and accountability arrangements for implementing the models.
6. The proposals are in response to communities' desire for change, and a growing need for options to improve performance and cost-effectiveness while retaining community representation. The proposals will support and contribute to Government priorities, such as regional economic growth and the provision of resilient infrastructure, by enabling the integration of services through more flexible options and robust processes.

¹ The relevant Cabinet paper is published on the Department of Internal Affairs' website, and can be accessed here: https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Our-Policy-Advice-Areas-Local-Government-Policy?OpenDocument#future.

² CCOs are entities in which one or more councils control 50 per cent or more of the shareholding, or have the right to appoint 50 per cent or more of the directors or trustees of the entity.

7. In line with this purpose, the proposed reforms are not intended to address more fundamental questions relating to any transfer of functions between local government and central government, the sustainability of the resource management and urban planning systems.

Analytical constraints

8. Given the nature of the issues covered in the reform programme and significant constraints on resources and time, quantification of the size of the problems and impacts has not been feasible across all policy options.
9. We cannot know what use councils and the Commission will make of the additional mechanisms proposed to be provided. However, the Commission and councils have indicated an appetite for changes of the nature described in this RIS. The proposals involve providing additional funding to the Commission – there is a correlation between funding levels and the scope, scale and pace of the change that can be achieved.
10. It is difficult to identify the exact impact of many of the preferred options in this paper as the options are enabling and will be given effect to through subsequent local government reorganisations and other change processes. As changes will be tailored to local circumstances, the proposals will affect local government, stakeholders and communities to a varied degree and with a mix of direct and indirect costs and benefits. For this reason, it is not possible for the Department to estimate the costs to local government of implementing the options. However they are designed to be implemented where there is a strong case for doing so.
11. With these limitations, we have focused on the most viable options based on the information available.
12. A key assumption of the analysis is that the proposed changes to different parts of the local government system will reinforce each other. The different parts of the reform package therefore rely on each other to collectively provide the right set of incentives for change to achieve the desired objectives.

Consultation

13. There has not been public consultation on the proposals. A reference group including local government and business representatives was established to test the high level objectives.

Glenn Webber
Director Local Government

/ /

Executive summary

14. New Zealand's local authorities need to adapt their governance arrangements and structures to lift performance and respond to emerging challenges, but the current council reorganisation process and models are not flexible enough and are not advancing change at the level and pace required.
15. Current arrangements limit councils' ability to adequately respond to and provide for regional and sub-regional economic and population dynamics while remaining responsive to local preferences. As a result, some services are provided sub-optimally because of lack of scale, integration, and strategic oversight across local government jurisdictions.
16. In responding and adapting to these challenges, councils need flexibility to coordinate and combine networks and scarce resources across regions and towns, especially for large scale infrastructure.
17. The current legislation only allows for limited shared or integrated services, which are insufficient to enhance scale and capability for water, transport, economic development and other activities. This includes the current legislation governing reorganisations which prescribes a rigid, linear process that can be triggered only by reorganisation applications made to the Commission and is oriented towards large-scale amalgamation. Present arrangements do not allow for a reorganisation that is focussed solely on improving the performance of service delivery or infrastructure provision functions. The diagram on **page 9** explains how the current reorganisation process works.
18. In 2015 three major amalgamation proposals were not implemented for lack of council and community support in Greater Wellington, Northland and Hawkes Bay. These communities demonstrated that they were opposed to large-scale amalgamations, especially if they thought it would lead to reduction of local representation. The public debate centred on perceived loss of representation rather than potential improvements to the governance and delivery of services for the future.
19. In response to the increasingly challenging demographic, technological and economic environment in which councils work, this RIS identifies a preferred package of measures to better enable and equip them, to:
 - (1) better deliver coordinated and cost effective local services;
 - (2) better support regional growth; and
 - (3) remain responsive to local preferences.
20. The preferred package includes:
 - providing more flexible approaches to local government reorganisation;
 - giving the Commission enhanced powers with suitable checks and balances so that it can take a more pro-active, broker role, rather than being limited to reacting to reorganisation proposals;
 - enabling council-led reorganisations for the first time;

- making greater use of joint CCOs for providing services, with improved accountability tools;
 - providing, through a reorganisation, for water CCOs with statutory powers and for two 'pre-approved' models for transport CCOs, plus 'bespoke' transport CCOs subject to the approval of the Minister of Transport;
 - enabling a broader range of functions to be transferred between local authorities as part of a reorganisation; and
 - facilitating joint governance arrangements for areas of common or shared interest.
21. The diagram on **page 24** explains how the proposed reorganisation process will work.
22. This RIS explores the benefits and trade-offs of each of the key options and the expected impacts which are to assist local authorities and the Commission to develop scale and efficiency in local government service delivery arrangements while retaining community representation, voice and choice.

Part 1: Status quo and problem definition

1.1 Overview of part

23. This part of the RIS describes the current situation and the problem.

1.2 Status quo

Overall structure of local government

24. There are 78 local authorities representing all areas of New Zealand. They are made up of regional councils, unitary authorities, district councils and city councils.³ The diverse and localised structure of local government means that decisions, services and regulations can vary significantly from city to city, district to district, and region to region. The organisation of local government reflects its dual roles to provide local public services and enable local democracy.⁴
25. With the exception of the Auckland governance reforms, the structure of local government we see today was established in 1989. In 1989, some 850 local bodies were amalgamated into 86 local authorities, representing distinct geographic communities.

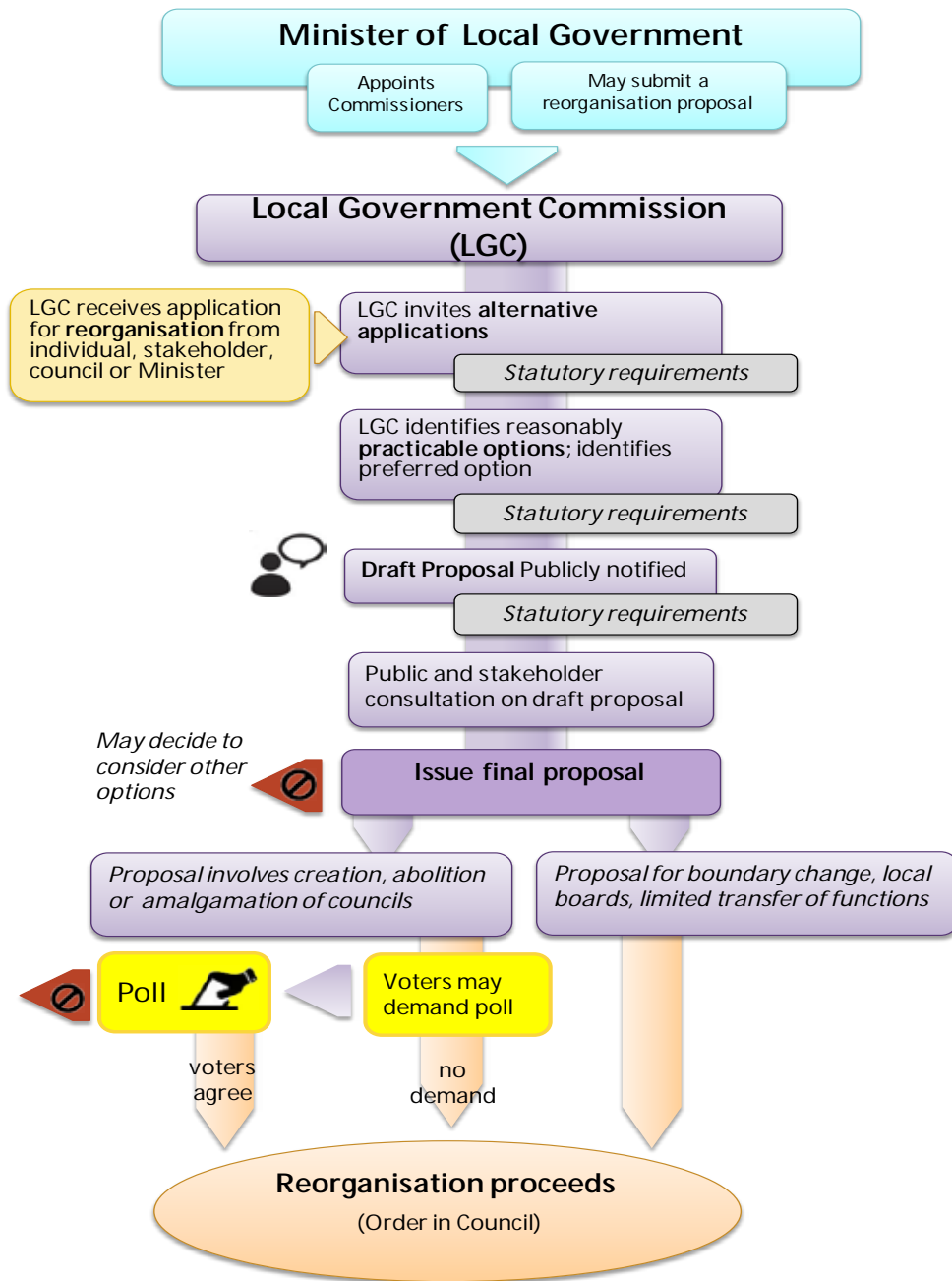
Reorganisation process

26. The Local Government Act 2002 (LGA02) contains a process for determining changes to the structure of local government, recognising that the organisation of local government needs to change over time for local authorities to work more effectively and efficiently. The current process was designed to have a focus principally on major institutional changes including on amalgamation (i.e. merging councils) and the creation or abolition of local authorities.
27. The Commission is an independent body of government appointed Commissioners that oversees local government reorganisation. It considers and makes decisions about proposals for reorganisation (subject to the results of a poll where that is required). The diagram below explains how the current reorganisation process works.

³ A unitary authority combines the functions and powers of a territorial authority and a regional council.

⁴ New Zealand Productivity Commission, *Towards better local regulation*, May 2013.

Diagram 1: current reorganisation process in LGA02



28. The Commission is required to identify the best option amongst all possible outcomes, and the evaluation criteria are weighted in favour of fewer, bigger local authorities. Other 'core' reorganisation options include setting up a new council, local boards⁵, changing council boundaries or transferring statutory obligations between councils.

⁵ A reorganisation proposal to establish a unitary authority may propose establishing local boards to provide for effective democratic governance at a community level, while achieving the benefits associated with larger organisations.

29. Arrangements, such as joint council governance arrangements and CCOs, may only be established by the Commission as part of a reorganisation where a 'core' structural change, such as an amalgamation or boundary change, is also proposed. Electors have an opportunity to demand (by petition) a poll (vote) on amalgamations and other major institutional changes.
30. Despite the existence in statute of a reorganisation process, restructuring has generally only occurred by enacting specific legislation. For example, the Auckland Council was established in 2010 through special legislation (the Local Government (Auckland Council) Act 2009) which merged eight local authorities into one unitary authority.

Services provided by local government

31. Every day New Zealanders are affected in some way by decisions city, district or regional councils make. Councils:
 - provide local governance, meaning they make and implement decisions about activities and funding on behalf of place-based communities;
 - provide local public services, which include roads, drinking water, wastewater, public transport and community facilities and emergency management; and
 - regulate natural resource use, land use and public health and safety, for example by making and enforcing rules in plans under the Resource Management Act 1991 (RMA).⁶
32. Local authorities are significant owners and providers of infrastructure. Collectively local government owns assets valued at \$120 billion⁷, and manages the majority of New Zealand's potable (drinking) water, wastewater and stormwater infrastructure and 88 per cent of the country's roads (National Infrastructure Unit, 2015).⁸ In comparison central government has approximately \$116 billion worth of existing infrastructure assets and \$50 billion of forecast infrastructure spend over the next ten years.⁹

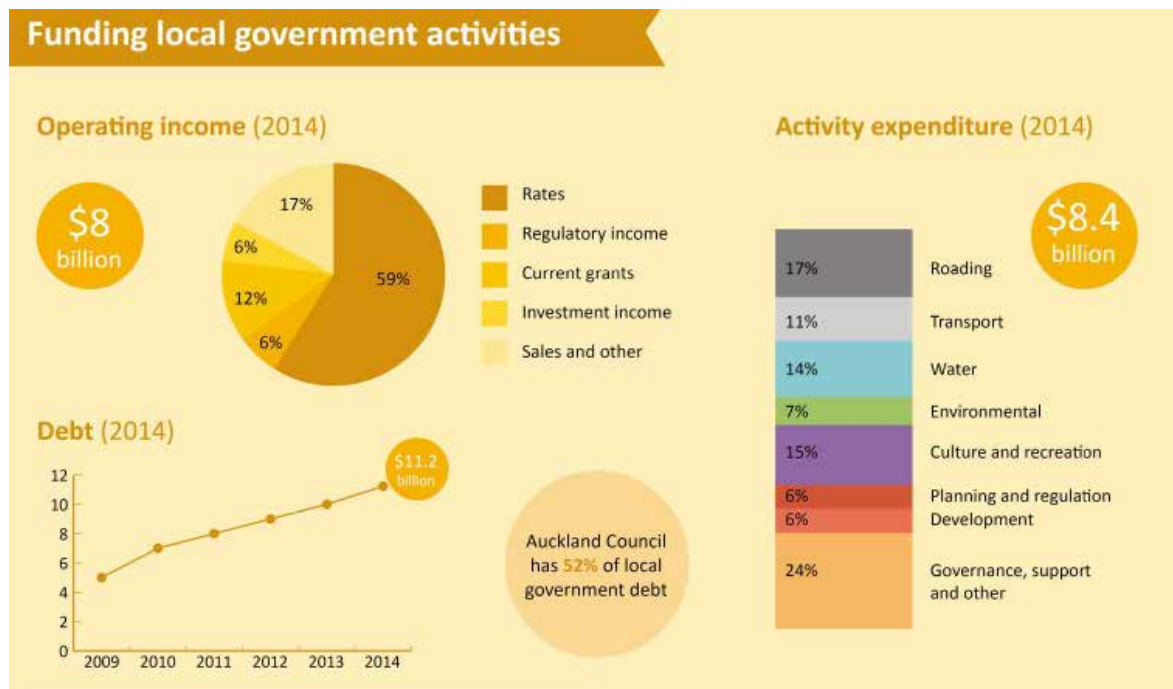
⁶ The role, conduct and powers of local government are set out in over thirty pieces of primary legislation.

⁷ National Infrastructure Unit (2015) The Thirty Year New Zealand Infrastructure Plan.

⁸ National Infrastructure Unit (2015) The Thirty Year New Zealand Infrastructure Plan. Local government drinking-water supplies 85 per cent of population.

⁹ National Infrastructure Unit (2015) The Thirty Year New Zealand Infrastructure Plan.

Diagram 2: local government operating income and activity expenditure (2014)



Source: Information held by Department of Internal Affairs.

Service delivery mechanisms

33. Current mechanisms for the governance, funding, and delivery of infrastructure, services, and regulatory functions include:
- responsibility for governance, funding, and delivery exercised by the local authority (i.e. 'in house' delivery);
 - responsibility for governance and funding exercised by the local authority, and responsibility for delivery exercised by—
 - a CCO of the local authority; or
 - a CCO in which the local authority is one of several shareholders; or
 - another local authority (however responsibility for transport cannot be transferred); or
 - another person or agency (i.e. contracting); or
 - responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed above.
34. The availability of these mechanisms is restricted to specific services and circumstances, impacting their ability to contribute to service delivery improvement. The proposals later in this RIS will help lift these barriers.

Local government structures and services under pressure

35. Councils face a complex range of current and emerging pressures and challenges affecting their structures and services:
- aging infrastructure networks which will need renewing – capital investment has been historically low relative to population and income in recent decades, suggesting a spike in required capital renewals and replacements in coming decades;¹⁰
 - a range of different affordability constraints requiring different policy responses – including population growth (requires investment in new infrastructure and services), population decline (affordability constraints for improving or maintaining service levels), and aging populations (changing needs and reducing average incomes);
 - technology is driving change which provides new opportunities for asset management and service integration – greater collaboration and capability could lead to smarter investment and decision-making; and
 - infrastructure and service delivery needs to be resilient to the impacts of climate change and natural disasters.¹¹
36. One tangible effect of demographic and economic change on local authorities is its impact on regional labour markets. Councils struggle to recruit people they need to deliver high quality services and make good governance decisions. A number of councils, especially rural and provincial councils, have reported they have difficulty recruiting specialist staff.¹²
37. To manage these pressures and a desire for regional economic growth, some councils and communities have in recent years:
- sought new funding tools: however providing additional funding tools is not desirable or feasible in a challenging economic environment (i.e. Local Government New Zealand Funding Review);
 - sought efficiencies by establishing joint CCOs (for example Wellington Water and proposals for jointly-owned CCOs for Wellington Transport, Canterbury Transport, and Waikato Water), but have struggled to develop and implement optimal models;
 - entered into shared service agreements which have seen some cost savings and better integration, but these have been largely for 'back-office' functions; and

¹⁰ Local government finances: A historical perspective, NZIER report to OAG, 10 July 2014

¹¹ National Infrastructure Unit noted " *with sea levels expected to rise by 30 centimetres by 2050, local authorities are noting that the rising water table is hastening the degradation of pipes. Changed rainfall patterns will bring challenges, not only for water storage, but also for flood protection of productive land and urban settlements as well as key transport networks that in our hilly terrain, can be impacted by slips and erosion. Flooding is our most frequent natural disaster with an average annual cost of approximately \$51 million*".

¹² Productivity Commission (2013) *Towards better local regulation*, Wellington, New Zealand.

- applied for reorganisation to the Commission under LGA02 for greater efficiency and scale but the proposals have failed to reach implementation.

1.3 The problem

38. The problem is that New Zealand's local authorities need to adapt their governance arrangements and structures to lift performance and respond to emerging challenges, but the current reorganisation process and models are not flexible enough and are not advancing change at the level and pace required. Current arrangements limit councils' ability to adequately respond to and provide for regional and sub-regional economic and population dynamics, while remaining responsive to local preferences. As a result, some services are provided sub-optimally because of lack of scale, integration, and strategic oversight across local government jurisdictions.

Reorganisations have not been implemented

39. Amendments to the LGA02 in 2012 were designed to create a set of rules for reorganisation that facilitated community-led changes to local governance. In practice the rules have led to an emphasis on full amalgamation and have not facilitated the development of improved service governance and delivery arrangements. The result is that, due to a lack of broad community support, limited large scale change appears possible outside of Auckland and many opportunities to improve effectiveness, efficiency and integration of services will remain unrealised under current settings.

Recent experiences with the reorganisation process

In 2015, amalgamation proposals in Greater Wellington, Northland and Hawke's Bay were not implemented for lack of broad community and council support.

The proposals for each region were to merge existing councils into unitary authorities to support regional growth and achieve efficiencies, economies of scale and greater coordination of services.

The lack of broad community support was due in part to concerns about the perceived weakening of local voice and representation. While most people in the Wellington region opposed the region-wide unitary council about 40 per cent of submissions to the Commission on the proposal advocated smaller scale change. The councils have subsequently been working together with the Commission to explore possibilities for a more integrated transport network. In Hawkes Bay, following a 66 per cent vote against amalgamation, local government leaders immediately pledged closer regional working relationships.

The Commission and communities have expressed concerns that the reorganisation process in the LGA02 is weighted towards amalgamation. The process is out of line with community preference for and acceptance of smaller scale and more targeted change that achieves efficiencies without weakening local representation.

Service delivery mechanisms restricted

40. While there are successful examples of shared service agreements and CCOs, many change opportunities have not been taken. Joint arrangements involve a reduction of direct control by councils without any accompanying reduction in popular accountability or liability. They also require often lengthy negotiations while parties develop frameworks and safeguards for the joint arrangements.
41. The benefits of such arrangements are not readily perceived and accepted by citizens, especially where they involve strategic decisions and investments that may not have immediate tangible benefits. The combination of political disincentives and unwieldy negotiations to achieve solutions makes for slow and uneven progress. The absence of independent oversight and support (that is not answerable to a particular constituency or ward) is also a barrier.
42. Under the current system it is not possible to create water and transport CCOs (outside of Auckland) with statutory powers needed to operate network infrastructure except by legislation. Local authorities that want to make changes have identified significant difficulties in doing so, for example the Waikato water CCO proposal. The current choices are limited and based on an implicit assumption in the statutory requirements for CCOs of a single local authority delivery. **Appendix A** provides more detail about the Waikato Water proposal.
43. Under sections 33 and 80 of the RMA, it is currently possible for councils to establish joint committees to prepare combined resource management plans. However, the Wairarapa Plan is the only example of a combined plan prepared jointly by two or more councils under those provisions.¹³ As noted above, the Commission cannot currently establish joint committees with resource management planning except as part of a reorganisation unless there are also more significant structure changes (e.g. an amalgamation or boundary change).

¹³ *Combined Plan Study – Section 80 of the Resource Management Act 1991*, Ministry for the Environment (27 June 2014).

Canterbury transport

The effective delivery and operation of public transport services is governed by the performance of local authorities discharging responsibilities, duties and powers under: the Land Transport Management Act 2003 (LTMA), the Local Government Act 2002 (LGA02), the Local Government Act 1974 (LGA74), and the Land Transport Act 1998 (LTA).

A review by consultancy McGredy Winder & Co. last year found public transport services and infrastructure in the greater Christchurch area were sub-optimal because the four councils involved were not achieving the level of integration that was necessary. For example having the responsibilities for the bus routes and bus stops split between different councils required a degree of alignment across these crucial areas that was not always achieved.

The review concluded the Canterbury councils needed to move towards more integrated decision-making if they wanted to improve the governance and delivery of public transport, through a joint CCO, and that **legislation was needed to constitute and transfer functions to the CCO.**

Source: McGredy Winder (2015) *Review of governance and delivery arrangements for public transport in greater Christchurch*, November 2015.

Extent and urgency of the problem

44. The problem affects each council and community in different ways. It arises from both the regulatory system and the choices of local authorities, the Commission and communities. There is awareness in local government of the problem and a general willingness to adapt and respond. However councils face the constraints and barriers summarised below:
- It is difficult for councils to provide for regional economic growth, achieve efficiencies and respond to population dynamics while remaining responsive to local preferences.
 - Large scale change requires a level of broad community support that is very difficult to achieve.
 - The reorganisation process in the LGA02 is weighted towards amalgamation rather than smaller scale, more targeted change that achieves efficiencies without weakening local representation.
 - Joint arrangements often involve a reduction of direct control by individual councils to accrue benefits.
 - The benefits of joint arrangements are not readily perceived and accepted by citizens.
 - Joint arrangements often require lengthy negotiations to implement.
 - The absence of independent impartial oversight and support (such as that provided by the Commission in the proposals in this RIS) produces slow and uneven progress.

- It is not possible to create water and transport CCOs (outside of Auckland) with the statutory powers needed to operate network infrastructure except by legislation.
- The Commission cannot establish joint committees with resource management planning functions as part of a reorganisation unless more significant structure change is also proposed.
- Legislation is needed to appropriately constitute, and provide for the delivery of functions by joint CCOs.

45. These constraints have implications for:

- Living standards and prosperity of communities. Council decisions relating to roading, transport, water services and resource management have a particularly high impact on ratepayers, residents and businesses. Local government expenditure accounts for close to four per cent of the country's gross domestic product, and regulates and provides services to major sectors of the economy (for example, tourism, agriculture, construction).
- Regional economies and labour markets, which cross local authority boundaries. It is hard for businesses and central government to work with fragmented and uncoordinated structures.
- Smaller councils, which can struggle to maintain or develop infrastructure. For example, the Ministry of Health reports that many territorial authorities advise that they cannot afford to upgrade their drinking-water supplies and sewage treatment and disposal schemes to meet higher performance requirements.
- Larger councils in high growth areas, which can struggle to expand infrastructure to meet demand.

RIS scope limitations

46. The analysis deliberately does not address broader, more fundamental questions such as the roles of central versus local government and the relationship between the LGA02, the RMA and the Land Transport Management Act. Addressing these questions is beyond the scope of this RIS and what is achievable in the short to medium term.
47. There are longer-term 'first principles' reviews underway to look at these issues, including the Productivity Commission's inquiry into the urban planning system (due to be completed in November 2016)¹⁴ and the cross-agency strategic review of the resource management and planning system being led by the Ministry for the Environment¹⁵. This is likely to be a further step in a longer journey of complementary improvements to the local government system. Changes to the governance and delivery of services in Auckland are outside of the scope of this work because Auckland governance was recently reformed and change is still bedding in.

¹⁴ The Minister of Local Government was one of the commissioning Ministers for this inquiry.

¹⁵ A number of stakeholders, including Local Government New Zealand and the New Zealand Council for Infrastructure Development, are involved in the MfE-led review and doing their own system-level work.

Part 2: Objective

2.1 Overview of part

48. This part states the objectives that the regulatory intervention is seeking to achieve.

2.2 Objective

49. The Government's objective is to better enable and equip local government, in response to the increasingly challenging demographic, technological and economic environment in which it works, to:

- (1) increase coordination and cost effectiveness of local services;
- (2) increase support for regional growth; and
- (3) remain responsive to local preference.

50. Options should be implemented as soon as practical after the October 2016 local authority elections. It is opportune and desirable to provide newly elected councils and the Commission with additional tools early in the 2016 to 2019 local government term in order to affect policy and planning cycles.¹⁶

¹⁶ For example: section 15 of the LGA02 requires all local authorities, after each triennial election, to agree protocols for communication and collaboration over the next triennium; after elections, councils begin to prepare their long term plan which is a document required under the LGA02 that sets out a local authority's priorities over ten years (the next round of plans will be adopted in 2018).

Part 3: Options and impact analysis

3.1 Overview of part

51. This part identifies a range of practical options that may wholly or partly achieve the objectives. The options are not all mutually exclusive and may be used to form a package to address the problem. An options and impact analysis summary table is provided on **page 25**.

3.2 Assessment criteria

52. The objectives, outlined in part 2, illustrate the key attributes sought. These contribute to the selection of preferred options along with feasibility, flexibility, timeliness and cost considerations. The status quo is used as a baseline for analysis. This means that all of the primary options are assessed against the status quo using the objectives.

3.3 Discounted interventions

53. We have considered, but discounted, the following interventions for reasons of poor feasibility, high cost and inability to address the problem in a timely way.
- Legislating for reform region by region following a review process - discounted as this would be effective for a single region, but would be an ad hoc, time consuming, costly approach and risk resulting in a fragmented local government system if done region by region.
 - Nationwide restructuring directed by Government and implemented by the Commission (as with the Elwood Commission and 1989 reforms) - not favoured as the extent of the problems outlined earlier would not warrant fundamental reforms of this nature and it would not provide the same level of community engagement and flexibility to tailor solutions to local circumstances as the preferred options.
 - Commissioning a further NZ-wide review process such as a Royal Commission or a Productivity Commission inquiry, followed by legislation - discarded as it would be too costly and time consuming, although it would have the advantage of encouraging public discussion and debate and building momentum for change.

- Using significant financial incentives for change as overseas jurisdictions have done, e.g. in NSW.¹⁷ - discounted as this would be an expensive option and not guaranteed to be successful. Work with sector partners to develop a new, common performance framework is underway but it will take time to fully realise the potential for driving performance.

3.4 Option 1: status quo

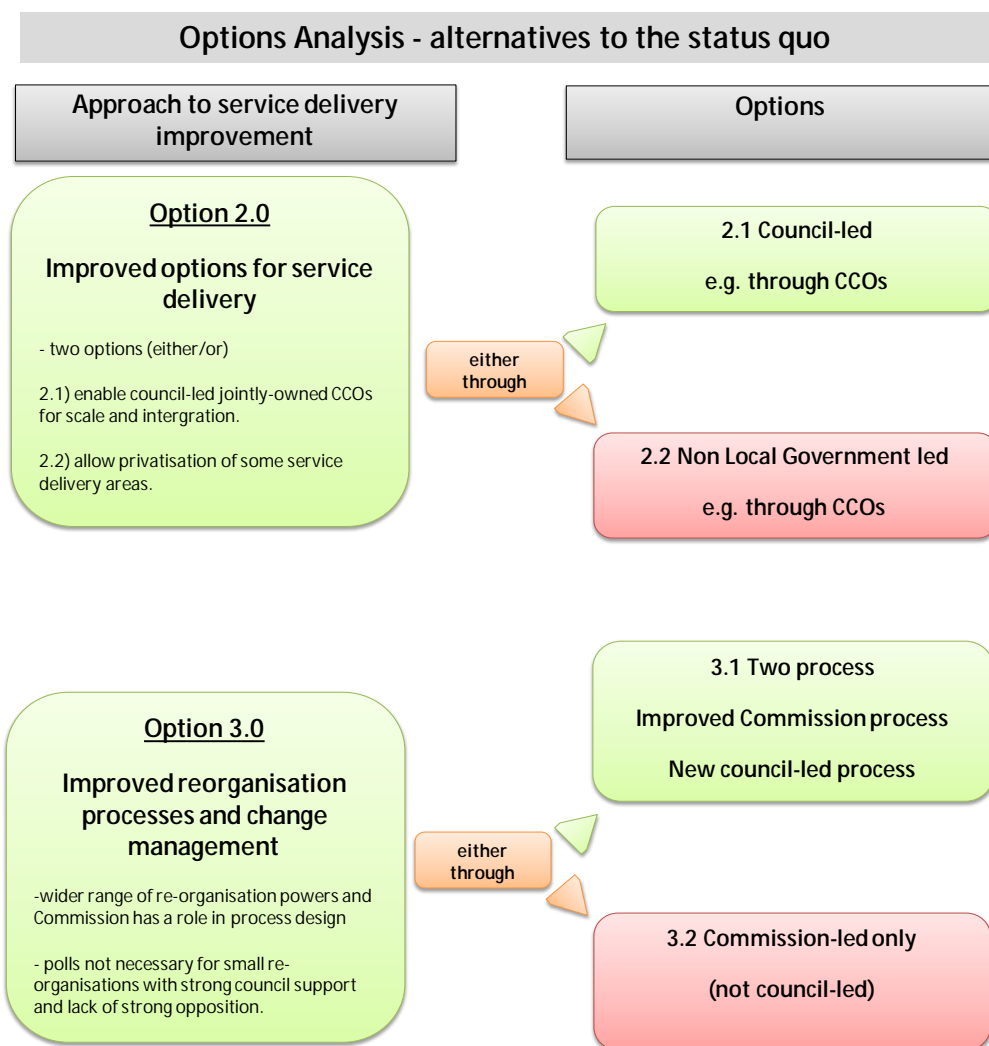
54. Option 1: status quo is the do nothing option. It involves the Government taking no further action in response to the identified problems. The status quo favours the localised provision of services, overseen by elected representatives.
55. The status quo does not preclude Government initiatives already underway that affect local government. For example, efforts are underway to improve council capability and the availability and quality of data, so even with no changes to the LGA02 some improvement in local government service delivery might reasonably be expected.
56. Under the LGA02 councils are required to regularly review their efficiency and effectiveness. Councils' own exploration of options to improve services would continue, including in response to these reviews. However, current options (e.g. to restructure water and transport services) are subject to the regulatory and other constraints described earlier.
57. The Commission would also continue its conversations with councils and communities but, as demonstrated by recent history, its ability to develop reorganisation proposals that are acceptable to communities is constrained.
58. Any improvements under the status quo will not be substantial enough to address the problem a way that achieves the stated objective. The associated costs to councils and communities of inefficient, costly, or unnecessarily fragmented services, including water and transport infrastructure, would continue.
59. A variation on the status quo could involve the provision of additional non-statutory guidance or direction (for example, on a specific reorganisation process or the existing process for establishing CCOs). However this would have very limited benefits over and above the status quo, as the problem is not for the most part a problem with how current legislation is being interpreted and applied. Additional guidance is unlikely to have any material impact without legislative change to remove regulatory barriers.

¹⁷ Employing financial incentives is not guaranteed to be successful. To date the measures to incentivise mergers in New South Wales have not resulted in the State Government's desired level of voluntary amalgamation despite offering a package of up to \$1 billion to councils as part of the "fit for the future" local government reforms.

3.5 Options 2 and 3: alternatives to the status quo

60. There are two broad approaches considered to improve the level of service delivery efficiency compared to the status quo:
- Option 2: enabling additional structures and mechanisms for the provision of local services; and
 - Option 3: providing the Commission and councils respectively with powers to target the integrated delivery of key functions, and to enable the Commission to broker and facilitate change.
61. Within each of these approaches sub-options exist. The following sections detail the analysis of these sub-options. Options 2 and 3 are not mutually exclusive serving as base options and sub-options to form a package for addressing the problem.
62. Diagram 3 below provides an overview of the analysis. The green boxes indicate the preferred regulatory approaches and options. A detailed analysis summary table is provided on page 25.

Diagram 3: Overview of options analysis



Option 2.0: enable additional structures and mechanisms for providing local government services (base option)

63. This option involves amending the LGA02 to enable additional structures and mechanisms for the provision of local services. The option allows for a targeted regulatory response to the problems and provides opportunities for local government performance improvement.
64. Appropriately targeted legislative amendments can be enacted reasonably quickly. The costs and benefits of the option will depend on the extent to which the Commission and councils use the new tools.

Sub-option 2.1: strengthen existing service delivery structures and facilitate multiply-owned CCOs, particularly for the delivery of water and transport services [preferred]

65. Sub-option 2.1 builds on option 2.0, and includes:
- enabling more flexible regional and unitary models (e.g. rationalising functions by enabling a unitary authority also exercising regional council functions to provide services, such as resource consents, in a neighbouring district);
 - facilitating greater use of CCOs, including jointly-owned CCOs, with improved accountability tools to safeguard democratic control (refer to risk mitigations below), for example:
 - providing, through a reorganisation, for water CCOs with statutory powers and for two 'pre-approved' models of transport CCOs, plus enabling 'bespoke' transport CCOs (subject to the approval of the Minister of Transport);
 - enabling transfer of a broader range of powers between local authorities;
 - facilitating joint governance arrangements for areas of common and/or shared interest, while protecting the integrity of council-iwi arrangements established by Treaty settlements or other legislation; and
 - enabling the Minister of Local Government to obtain comparable data on local government asset management and service delivery to support performance improvement and transparency.
66. Better integration of services and networks through CCOs will help address the problems identified in part 1 of this RIS in a way that achieves the objective identified in part 2. Water and transport services require considerable investment and technical capability.

67. As the Auckland local government reforms have demonstrated, it is possible to establish an arm's length service delivery organisation, such as a CCO that can better coordinate and combine networks and resources, while retaining local authority ownership and influence over service delivery. They can also better attract the level of technical capability required to deliver effective services. Better enabling joint CCOs can also provide savings and improve value for money:
- The estimated total savings over 10 years for Waikato water services are estimated at \$107 million and over 28 years, \$468 million.¹⁸
 - Greater financial capacity to make capital investments, e.g. Watercare has spent \$116 million to upgrade the water supply to eight communities in Franklin. This expenditure would have been beyond the financial capability of the former Franklin District Council.
68. We expect these proposals to lead to the establishment of new multiply-owned CCOs, particularly for water and transport services, with likely improvements in the quality and cost-effectiveness of local services. Some CCOs may be established outside the reorganisation process. However, most change is likely to be achieved through reorganisation processes (subject to the changes to the reorganisation process described in Option 3 being made).
69. Appropriate transfers of functions and joint governance arrangements would be alternative ways of achieving economies of scale and improving the integration of services.

Sub-option 2.2: allow separate, non-local government public entities to own and operate services

70. This option is to allow separate, non-local government public entities to own and operate certain services, such as water.
71. Commercialisation or shifting responsibilities to new entities could achieve benefits by bringing commercial disciplines to the relevant services. This is a subject that many people feel passionately about and any reform proposals would be controversial. It would be a major policy shift requiring more substantive longer-term policy work. Commercialisation would, for example, require full economic and price regulation of water services providers (as a monopoly service), and would require consideration of iwi interests in water.

¹⁸ Cranleigh, Mott MacDonald and Martin Jenkins: Business Case for Water Services – Delivery Options, May 2015.

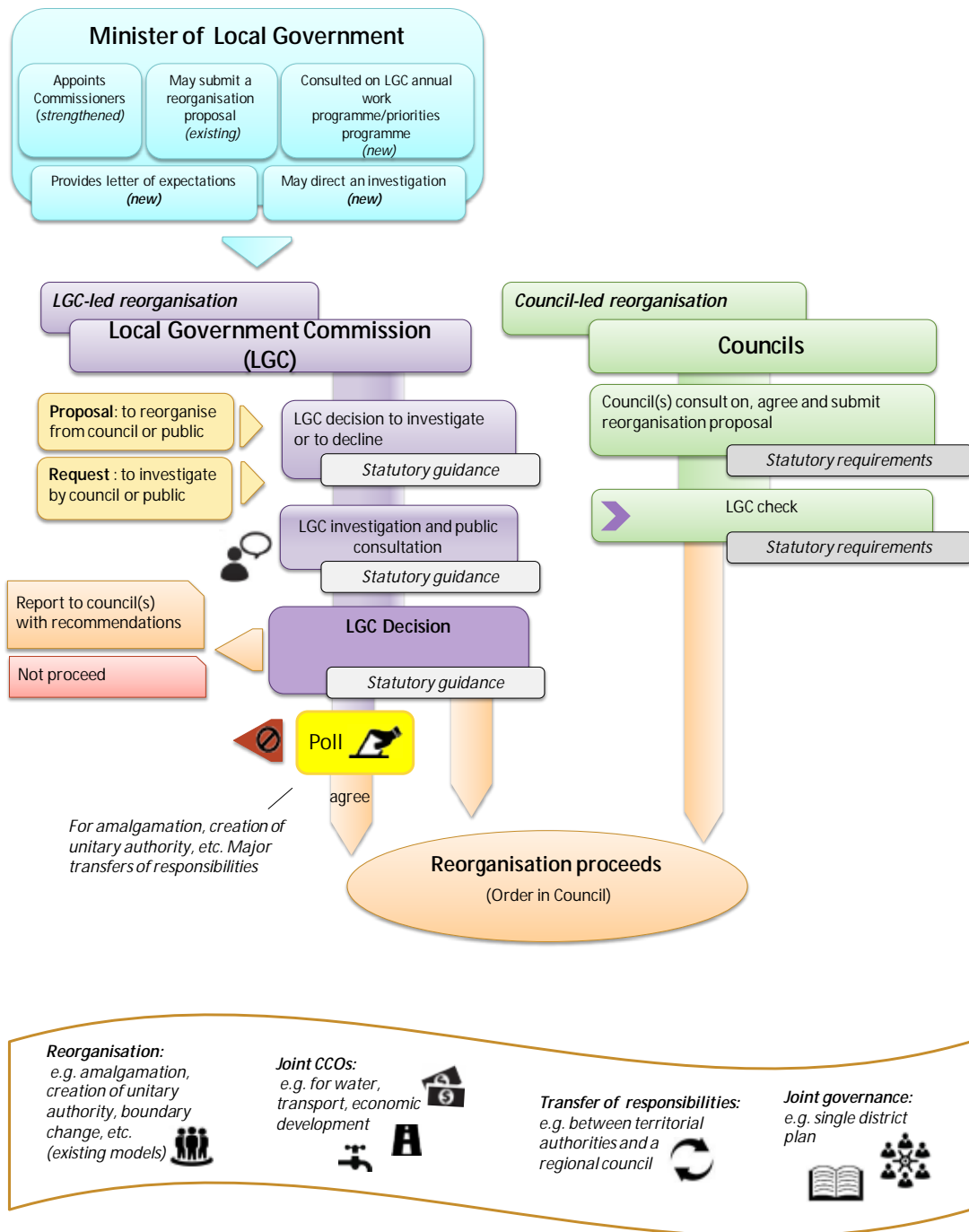
Option 3.0: Reorganisation that gives the Commission and councils powers to target the integrated delivery of key functions (base option)

72. Option 3.0 involves amending the reorganisation process so that it can result in a wider range of reorganisation outcomes that are targeted to local circumstances. Legislative amendments to the local government reorganisation process could be enacted reasonably quickly and need not impose significant direct compliance costs on local government. Together with one of its following sub-options, Option 3.0 complements Option 2.0 above.

Sub-option 3.1: improve the Commission-led reorganisation process and provide a new council-led process [preferred option]

73. Option 3.1 builds on Option 3.0 and involves amending the council reorganisation process in the LGA02 as follows:
- improving the 'Commission-led' process to give the Commission greater discretion and flexibility to decide what proposals and issues it will investigate (either on its own initiative or in response to a request or proposal) and what processes and engagement strategy it will follow;
 - enabling council-led reorganisations for the first time which allow councils to take responsibility for developing, refining and consulting on reorganisation proposals, with the objective of securing the support of all affected councils and communities, and endorsement by the Commission;
 - giving the Commission enhanced powers, with suitable checks and balances, so that it can take a more pro-active, broker role, rather than be restricted to reacting to reorganisation proposals;
 - using polls for high impact reorganisation proposals, but allowing some change (e.g. CCOs and joint governance arrangements) to be established without recourse to a poll.
74. Diagram 4 explains how the proposed reorganisation processes will work, and the possible outcomes.

Diagram 4: Proposed reorganisation process and resulting structural change



Sub-option 3.2: improve the Commission-led reorganisation process

75. Option 3.2 involves amending the reorganisation process as with option 3.1 above, but without the council-led reorganisation process.
76. This option could achieve improved service delivery, but is weaker on providing for local choice, and incentivising councils to develop their own solutions compared with option 3.

77. Table 1 below provides a summary of the options and impact analysis.

Table 1: Options analysis summary table

Option	Assessment against objectives 1 and 2: coordinated and cost effective service/ support regional economic growth	Assessment against objective 3: responsive to local preferences	Benefit	Cost/risk	Net impact
Option 1: Status quo (with or without additional guidance and direction).	Partially meets – some progress through current initiatives, however ability to achieve the benefits of scale are constrained. Potential for marginal improvement through the clearer direction against best practice.	Partially meets – strong on community voice because it favours the localised provision of services, however it doesn't provide adequate choice on ways to deliver services.	N/A	N/A	Opportunity cost. The associated costs to people from sub-optimal service provision and dampened economic activity would continue. Some compliance costs for councils and missed opportunities for efficiency gains.
<i>Additional structures and mechanisms for the provision of local services</i>					
Option 2.0 (Base option): Enable additional structures and mechanisms for providing services.	Meets - broadens the responses available to local government to address the problems. Could realise the benefits of scale and specialist service delivery.	Meets – potential to retain local voice while enabling appropriate service delivery at the most appropriate level.	Enables more efficient and effective service delivery.	Alternative structural options risk weakening the direct accountability relationship with communities.	Strong potential to contribute to achieving the objectives, dependant on local uptake and implementation.

Option	Assessment against objectives 1 and 2: coordinated and cost effective service/ support regional economic growth	Assessment against objective 3: responsive to local preferences	Benefit	Cost/risk	Net impact
<p>Sub-option 2.1: Strengthen existing service delivery structures and facilitate multiply-owned CCOs, particularly for the delivery of water and transport services <u>[preferred]</u>.</p>	<p>Meets - better integration with planning and management of national transport networks.</p>	<p>Meets – substantial proposals would require a poll, however smaller scale reorganisations could be achieved without a poll.</p>	<p>Provides councils with more choices to respond to local circumstances.</p>	<p>Loss of direct control – potential divergence between council directions/plans/strategy and those of the CCO. Risks that creating more CCOs could result in coordination issues, particularly in circumstances where there are multiple shareholder councils with different objectives and there is no effective mechanism for resolving differences. Can diverge from community preferences. Less direct relationship with communities that in-house model.</p>	<p>Significant cost-savings, e.g. better integration with planning and management of national transport networks. Ability to better attract the professional expertise required to manage water and transport services. Able to respond on larger scale, and balance interests of multiple communities. Ability to mitigate risks by providing a framework for such CCOs.</p>
<p>Sub-option 2.2: Allow separate, non-local government public entities to own and operate services.</p>	<p>Partially meets – potential to meet objectives.</p>	<p>Fails to meet – may reduce democratic accountability to citizens.</p>	<p>Potential savings through specialist focus on delivery.</p>	<p>Significant departure from status quo could result in higher implementation costs. Change would not be possible early in the next local government term, as is desirable.</p>	<p>n/a Inadequate scope for analysis of impacts.</p>

Option	Assessment against objectives 1 and 2: coordinated and cost effective service/ support regional economic growth	Assessment against objective 3: responsive to local preferences	Benefit	Cost/risk	Net impact
<i>Options: change management and procedures (i.e. for implementing structures)</i>					
Option 3.0 (Base option): Reorganisation that gives the Commission and councils powers to target the integrated delivery of key functions.	Meets - potential to right-size process according to need. Potential to consider achievability when pursuing change.	Meets – retains local voice whilst enabling new service delivery savings and improvements.	Enables implementation of more efficient service delivery.	Adds process. Less prescriptive process potentially results in wider discretion and more variable outcomes and potential for fragmentation.	Enables more change and greater menu of options available to councils and the Commission.
Sub-option 3.1: Improve the Commission-led reorganisation process and provide a new council-led process [<u>preferred option</u>].	Meets – ability to target reorganisation of services to achieve outcomes.	Meets – reorganisation subject to consultation and polls.		Whilst no proposal would go ahead without net benefits, there could be establishment costs. Opportunity costs from uncertainty for the duration of a reorganisation process. Risks arising from inappropriate exercise of powers.	Increase the likelihood of successful reorganisations by: enabling the Commission to act as a pro-active broker of change; and enabling councils to lead reorganisation proposals. Enable the Commission and councils to adapt the size of a reorganisation process so it is proportionate and appropriate to the level of change being proposed. Ability to mitigate risks through greater accountability.

Note: for brevity sub-option 3.2: improve the Commission-led reorganisation process has been excluded from the table.

3.6 Mitigation of risks arising from preferred options

Risks from preferred options

78. Greater flexibility for the Commission will result in a significant increase in its role, powers and discretion. These include:
- high discretion to determine its own work programme, rather than be required to respond to applications as they arrive. This includes the ability to choose to investigate local government arrangements on the Commission's own initiative;
 - high discretion about the process the Commission will use to progress an investigation/reorganisation; and
 - new powers to implement the reorganisation of local government without recourse to a public poll. This includes the ability to establish CCOs, compel councils to join existing CCOs, expanded powers to transfer functions and powers between councils, and boundary changes.
79. These changes support a strengthening of the accountability arrangements for the Commission to ensure that the Minister of Local Government, Parliament and the local government sector can be confident that the Commission will exercise its increased discretion and powers wisely.¹⁹
80. At the same time, an increase in the level of accountability between the Minister of Local Government and Commissioners also supports ensuring that Commissioners have the ability to carry out their roles and functions for which they are accountable. This has implications in particular for the ability of Commissioners to appoint a Chief Executive to undertake tasks and functions on their behalf.

Risk mitigations

Reorganisation process

81. We have identified four broad checks and balances:
- **Additional accountability arrangements for the Commission** – Accountability arrangements between the Commission and the Minister of Local Government (the Minister) currently reflect an arms-length relationship based on the Commission's historical roles. The mitigation is to build on existing accountability arrangements, by retaining the core provisions and introducing additional accountability measures that draw substantially on the accountability framework applying to Crown entities, including:

¹⁹ The Commission is an independent statutory body (not a Crown Entity or Public Service department). Its formal accountability arrangements are limited compared with other public bodies. There are no requirements for it to produce any kind of annual plan (such as a statement of intent). However, LGA02 requires it to produce a report of its 'proceedings and operations' annually (which typically comprise a brief summary of its activities).

- the provision for the Minister to provide the Commission with an annual Letter of Expectation; and
 - the requirement for the Commission to provide an annual Statement of Intent to the Minister, which takes account of the Minister's Letter of Expectation;
 - the ability for the Minister to direct the Commission to have regard to government policy (as with an Autonomous Crown Entity);
 - the requirement that the Minister must be consulted on formation of the Commission's Annual Work Programme, excluding those aspects that relate to ring-fenced statutorily independent functions;
 - the ability for the Minister to review the operations and performance of the entity (as with a Crown Entity); and
 - the ability for the Minister to direct the Commission to investigate a local government arrangement and treat it as a reorganisation matter without being required to submit that as a reorganisation application.
- **Statutory guidance for reorganisations** – the Commission will need to be guided by criteria about what it investigates, the processes by which it does so (including public engagement) and what it seeks to achieve. Guidance will include cost benefit considerations, community views, effect of options on overall territorial authority viability.
 - **Use of polls** – the retention of polls where the Commission proposes to abolish, constitute or amalgamate local authorities. Polls will be introduced for a major transfer of water and/or transport and/or RMA functions from one local authority to another, except where the Commission is satisfied all affected local authorities agree to the proposal.
 - The current process under which electors can demand a poll via petition could be replaced with an automatic right to vote in a poll (polls are almost inevitable and removing the petition requirement will avoid 3 to 4 month's delay and a divisive impact on communities).
 - **Orders in Council** –Orders in Council to give effect to local authority reorganisations should be recommended by the Minister of Local Government (rather than directly by the Commission) to the Executive Council. This change would bring the process for Orders in Council into line with standard practice. The legislation would require the Minister to recommend an Order in Council unless he or she was satisfied that the Commission had not acted in accordance with its mandate and legislation.

Service delivery options

82. The LGA02 provisions governing CCOs contain the following gaps, which risk undermining the establishment and operation of joint-CCOs:
- (a) no specific powers for the Commission to establish multiply-owned CCOs without a full amalgamation proposal involving a core function;

- (b) no specific provisions facilitating the funding, governance and management of jointly-owned CCOs;
- (c) no processes to integrate strategic council planning with CCO planning and service delivery; and
- (d) particularly in circumstances where there are multiple shareholder councils with different objectives. There is no effective mechanism for resolving differences.

83. The mitigations for these gaps are set out below.

84. **Proposed mitigations (a):**

- The mitigation is providing the following powers to the Commission (subject to statutory guidance) in relation to establishing multiply-owned CCOs:
 - the power to establish a CCO, including a jointly-owned CCO, as part of a reorganisation, even when no other change is proposed;
 - the power, subject to statutory criteria to:
 - change the shareholding of an existing CCO by adding one or more additional local authorities;
 - abolish an existing CCO, and transfer its functions, assets and liabilities to a new or expanded CCO;
 - requiring local authorities to obtain the written agreement of the Commission before undertaking formal consultation on a proposal to establish a jointly-owned CCO for the purposes of delivering water, wastewater, stormwater or transport services (or any combination of these);
 - powers to investigate a proposal to establish a CCO, which may lead to the Commission intervening, for example to develop an alternative or amended proposal as a reorganisation to achieve better outcomes; and
 - a formal dispute resolution role in relation to disputes between local authorities involved in the creation of a jointly-owned CCO.

85. **Proposed mitigations (b, c and d):**

- Integrated CCO and council planning: ensure that where CCOs deliver core services their activities are closely integrated with council planning systems to ensure ratepayers receive efficient quality services²⁰.
- CCO funding: develop requirements for allowing a substantive CCO to manage its funding including the amount that shareholders commit, allocating a funding formula, managing disputes, funding tools and management of borrowing and debt.

²⁰ Changes to require CCOs using capital charges (e.g. Watercare's infrastructure growth charges) to be incorporated into a CCO development contribution policy and become subject to the same objection mechanisms as territorial authorities. This implements a recommendation of the Productivity Commission report *Using land for housing* and provides greater transparency and accountability around CCO charges.

- Restriction on pricing for water CCOs: Watercare Services Limited is prohibited from distributing surpluses to its shareholders; include a similar prohibition in the LGA02 for all water services CCOs.
- Establishing transport CCOs: provide for the establishment by reorganisation of two preferred models of transport council-controlled organisations as follows:
 - regional transport CCOs to undertake all functions currently undertaken by shareholding local authorities in relation to local roads, public transport (including contracting for public transport services), and transport planning;
 - regional roading only CCOs to undertake all functions currently undertaken by shareholding local authorities in relation to local roads including maintenance, control and regulation, and improvements; and
 - ability to develop bespoke models, with the agreement of the Minister of Transport.²¹
- Tax liability: include a set of generic tax provisions that would ensure any reorganisation of local government services and functions is carried out in a tax neutral manner.

²¹ Under either of the proposed models, ownership of local roads would remain with territorial authorities.

Part 4: Consultation

4.1 Overview of part

86. This part of the RIS describes the consultation undertaken on the proposals in this RIS.

4.2 Consultation undertaken

87. The Treasury, the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Ministry of Transport, the New Zealand Transport Agency, the Ministry of Health, Land Information New Zealand, Te Puni Kōkiri, Ministry of Justice, Office of Treaty Settlements, Ministry of Primary Industries, Department of Conservation and Inland Revenue Department have been consulted on the proposals. The Department of the Prime Minister and Cabinet has been informed. The Department has undertaken to reflect the comments of other agencies in this document.
88. In addition, the Local Government Commission has been consulted and has provided information from its sector engagement that has assisted with the problem definition and options analysis.
89. There has been targeted engagement in relation to a number of the proposals in this paper with:
- a specially convened reference group (local government and business leaders) – which contributed to the development of the problem definition and possible options; and
 - Local Government New Zealand.
90. The public and the wider local government sector have not been consulted in detail. This is due to the tight policy development timeframes required to introduce a bill by June 2016, which is necessary to allow local authorities adequate time to make submissions on the bill at select committee before the pre-election period for the 2016 local authority elections begins.

Part 5: Conclusion and recommendations

91. Our system of local government was not designed to support the way New Zealanders live, work and do business within and between jurisdictions, and the changing demographics of communities. It limits councils' ability to adequately respond to and provide for regional and sub-regional economic and population dynamics and remain responsive to local preferences. Some services are provided sub-optimally because of lack of scale, integration, and strategic oversight across local government jurisdictions.
92. In response, the Government has made a public commitment to reform.
93. This RIS has considered possible options for addressing the problem and achieving the following objectives:
 - enable and encourage local government, in response to the increasingly challenging demographic, technological and economic environment in which it works, to:
 - deliver coordinated and cost effective local services;
 - support regional growth; and
 - remain responsive to local preferences.
94. This RIS, has concluded that the following targeted solutions can deliver meaningful change and lift local government performance:
 - provide more flexible approaches to reorganisation;
 - enable council-led reorganisations for the first time;
 - give the Commission enhanced powers, with suitable checks and balances, so that it can take a more pro-active, broker role, rather than just reacting to reorganisation proposals;
 - make greater use of council-controlled CCOs, with improved accountability tools to safeguard democratic control;
 - provide, through a reorganisation, for water CCOs with statutory powers and for two 'pre-approved' models of transport CCOs, plus enabling 'bespoke' transport CCOs subject to the approval of the Minister of Transport;
 - give greater ability to transfer functions between territorial authorities and regional councils; and
 - create joint governance arrangements for areas of common and/or shared interest.
95. These measures will help local authorities to develop scale and efficiency in their service delivery arrangements without communities losing voice and choice.
96. However, appropriate checks and balances will be critical as the package is co-regulatory, the outcomes are contingent on both the Commission and councils implementing the reforms.

97. The cumulative impacts of these reforms entail the Commission and consequentially local government having closer links to government policy and additional power (e.g. to compel councils to join a joint CCO if there is net benefit). The Commission's powers will enable change, but could lessen council independence. This risk is mitigated by the use of polls for significant changes. The changes acknowledge the interdependencies between New Zealand's councils in terms of producing positive economic outcomes and lifting prosperity.
98. The package would provide significant opportunities for local government to make efficiency and effectiveness gains in the areas of water, transport and economic development.
99. A range of Government initiatives is underway to address broader national challenges. The preferred regulatory options outlined in this RIS will complement these Government priorities as follows:
 - Regional economic growth: through greater coordination of best practice services.
 - Improving land supply for housing: through responsive planning and cost effective investment in infrastructure.
 - Implementing the National Infrastructure Plan's vision of resilient and coordinated infrastructure contributing to a strong economy and high living standards: through better integration.
 - The RMA reforms: through proposals to facilitate joint governance arrangements and increase capability (both have shared drivers of facilitating regional economic growth and development, encouraging collaboration between councils and streamlining processes).

Part 6: Implementation plan

6.1 Overview of part

100. This part of the RIS summarises how the preferred options will be implemented (subject to Government policy decisions).

6.2 Implementation plan

101. Timely implementation is important to harness current proposals for change in local government (i.e. Waikato Water CCO, a new regional conversation approach by the Commission), to provide certainty and to grow existing momentum for change.
102. The preferred options would be given effect by amending the LGA02.
103. The Commission would be largely responsible for the direct implementation of local government reorganisation, unless reorganisation proposals are council-led. Councils would not be required to lead reorganisation or transfer responsibilities. However, proposed amendments would provide a necessary legislative base for encouraging and incentivising councils to facilitate reorganisation, with their communities, to deliver services that meet future needs.
104. Where reorganisation is council-led, proposed amendments to the LGA include checks and balances to reorganisation processes, scope and outcomes. These include communities having opportunities to have their say through polls or formal consultation, and the Commission maintaining an appropriate level of oversight of council-led reorganisation.
105. The proposed amendments include a broader range of powers for the Commission to act as a proactive broker of change, with the ability to initiate and consider different levels of reorganisation that work for communities. The proposed amendments also include new accountability measures to balance these powers, with reporting requirements to councils and the Minister.
106. Statutory guidance has been developed by the Minister to assist the Commission in its use of proposed powers, including decision criteria and processes. The criteria would guide its reorganisation decisions to ensure that the reorganisation process is transparent, appropriate to the size of the issue, has regard to costs and benefits, and provides for an appropriate level of community input. In determining the outcomes of a reorganisation, the Commission would ensure new arrangements:
- better achieve the purpose of local government;
 - lead to improved productivity; and
 - achieve efficiencies, cost savings and can be resourced to work effectively.

107. Details on any transitional provisions to implement the changes are dependent on the final detail of the bill. As currently intended, applications for local government reorganisation will not be affected by the proposed amendments, but only those applications that the Commission has made a 'final determination' on, as provided for by the current LGA02, before any amendments are made.
108. The Department, in consultation with the Commission, would be responsible for communications associated with the bill. The Commission and councils would be responsible for any communications associated with any local government reorganisation proposals, implemented under an amended LGA02.

Part 7: Monitoring, evaluation and review

7.1 Overview of part

109. The Department of Internal Affairs will adopt an evaluation approach and track the progress of the preferred regulatory interventions against the objectives.

7.2 Monitoring, evaluation and review

110. Success looks like:

- A system that does not prescribe but allows for adaptation based on local aspirations and local issues and reorganisation proposals processed to implementation.
- Current proposed multiply-owned CCOs (for example, Waikato and Canterbury) are enabled and established without the need for new legislation beyond the proposed legislation.
- Reputation and trust with the Commission processes is high amongst communities and the local government sector. The Commission acts as a catalyst for substantive change.

111. Further analysis of the data and more detailed studies through complimentary initiatives will then be undertaken to determine whether the intent of each proposal in the reform package has been achieved.

112. Most of the other proposals are designed to enable a menu of options for councils to respond to their local issues. The Department will monitor the uptake of new arrangements, such as collaboration and/or transfers of responsibilities between councils.

113. The Department is also in regular communication with Local Government New Zealand, the Society of Local Government Managers, and the Office of the Auditor-General. The Department will seek feedback from these organisations about the effectiveness of the intervention and whether there are any design flaws in the regulations that need correction.

Appendix A: Waikato Water CCO study

In 2014, Hamilton City Council, Waipa District Council and Waikato District Councils agreed to co-fund a study. The Cranleigh study²² was to determine how each council should manage water, wastewater and stormwater services across the sub-region. Three options were considered: the status quo; enhancing shared services; and forming a CCO. The study identified the following reasons for change:

- **Growth** – From the Waikato Water Report “The 2013 census reveals that three councils (Hamilton, Waikato & Waipa) experienced very high growth, about 10 per cent over the last census period. Ninety two per cent of growth in the Region was in these three areas and 63 per cent of the Region’s total population is in these three areas. It is also noted that the Future Proof Strategy forecasts that the Hamilton, Waikato and Waipa population will likely double by 2061.” Already Councils cannot provide water for new water intensive industries which may wish to locate in the sub-region. The population is also ageing (affecting average incomes making affordability of services even more important).
- **Environmental and Regulatory Compliance** – A number of councils have faced compliance issues in terms of drinking water and waste water standards. An important focus of councils’ Long Term Plans (LTP) is making the necessary investments to resolve these issues.
- **Capital Investment** – The three councils are planning substantial capital investment over the next 10 years. This is expected to total \$764m in nominal dollars. The drivers are: expansion for growth; improved long-term management of infrastructure and renewal (replacement of worn out assets). Bringing the three council water businesses together offers the potential to achieve economies of scale. This will be evident in all parts of the business, including procurement and financial management.

Study recommendation	Key benefits identified by study
The three Councils (Waikato, Hamilton and Waipa) should transfer their water and wastewater assets into a jointly owned not-for-profit CCO	<ul style="list-style-type: none"> • Overcomes the inherent limitations of three separate Councils making decisions on critical community infrastructure where there is a high level of interdependency; • Enables the three councils to manage an estimated \$0.5 billion 10 year capital expenditure programme in a coordinated way; • Unlocks significant cost saving potential; • Enables value adds through economies of scale, faster decision making, reduced consenting costs and other efficiencies; • Enables a piped network across the three communities which will improve the security of supply and level of service to each; • Optimises the use of water; • Reduces risk and provides greater financial flexibility; and • Provides a robust platform for the three Councils to address growth challenges.

²² Cranleigh (2015) Business Case For Water Services-Delivery Options, Part B: Detailed Report, page 9.
<http://www.waterstudywaikato.org.nz/uploads/files/Part%20B%20-%20Final.pdf>