

## 1. EXECUTIVE SUMMARY

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

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

The combined area of Manawatu District Council and Palmerston North City contributes \$4 billion annually to New Zealand's GDP and together would have a combined workforce which would be the 8<sup>th</sup> largest of all local authorities in New Zealand. The economic growth of this area matters and local government has an important role to play in facilitating the continued growth of the area through its capacity to plan and make strategic investments on an integrated, region wide basis, and the ability to solve the larger and longer term challenges effectively<sup>1</sup>.

The four options considered;

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

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

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

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

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<sup>1</sup> Royal Commission on Auckland Governance, Volume 1, pg 3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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