

2. BANKS PENINSULA DISTRICT COUNCIL ADMINISTRATIVE REVIEW

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The purpose of this report is to update Councillors on the current status of the Banks Peninsula District Council integration and to present alternative options. This report contains a summary of action over the past year and presents for consideration the internal unit-based cost estimates required for integration. Included also is a summary of the Subcommittee discussion of the wider social and cultural benefits to be achieved from a closer relationship between the two authorities.

EXECUTIVE SUMMARY OF PROJECT HISTORY

In January 2002, the Banks Peninsula District Council (BPDC) approached the Christchurch City Council (CCC) to consider looking at the opportunity to integrate the administrative services of the two councils. At its February 2002 meeting this Council resolved:

“That the City Manager work with the Banks Peninsula District Council to investigate ways of improving efficiency of administration and service delivery through closer collaboration and/or combined administration and service delivery arrangements, and report back to the Council’s Strategy and Finance Committee.”

This resolution was matched by a similar resolution of the Banks Peninsula District Council.

Over the past year, Council staff have been involved in a detailed evaluation of combining administrative services of both authorities. Based on a purely cost-based economic evaluation and viewing the issue from a City Council institutional perspective, it has become clear that the project costing is not as favourable as had been hoped. From that limited perspective, officers prepared a report for the Subcommittee (the Mayor and Councillors James and Wright) recommending the termination of further investigation.

However, when the Subcommittee met in early March 2003, they quickly identified the need for a broader perspective. They recommended that perhaps a further look at full amalgamation was worthy of consideration, and suggested that financial conclusions and alternatives be discussed with all committee chairs to gain a wider understanding of Council opinion. This meeting was held in mid-March and again, committee chairs were broadly supportive of looking beyond the narrow financial perspective. Committee chairs agreed that the data presented clearly identified a potential for significant risk to Christchurch but, viewed alone, that financial risk did not identify nor represent the true merits to be gained through further collaboration between the two authorities.

The committee chairs’ primary discussion centred around what method of collaboration would best serve the interests of residents in both localities. A discussion of potential amalgamation ensued with positive support voiced, including some who had initially been opposed to amalgamation in 2000 when the issue was publicly considered. The meeting concluded with general agreement that integration presented significant financial risks, but that a true amalgamation offered much more opportunity for benefit to the residents within the resultant single authority.

VARIABLE POLITICAL STATUS

During the past year, as support has varied for the proposed integration, there have been several “go, no-go” decision points. At each occasion, it was determined that we should proceed with investigation. Between October and December 2002, a detailed financial analysis was undertaken by CCC business units in concert with their BPDC counterparts that resulted in a better understanding of the scope of integration. In particular, it was noted that on several fronts, differing levels of service were provided by the two authorities. The analysis concentrated on a number of key issues:

- The form of contractual relationship
- Level of service issues
- Implementation issues
- Refinement of financials

On 27 March 2003, the Banks Peninsula District Council held a special meeting to consider their position regarding integration. They voted 5-3 against proceeding with further integration investigation, and then voted 6-2 against stopping the investigation of integration. On the basis of that confusion, the BPDC General Manager has determined that he has little choice except to cease further investigation and, to restore continuity to his operational stability, is seeking to replace staff who have left BPDC employ as a result of an uncertain future.¹

This special District Council meeting and subsequent actions by BPDC officers have essentially brought the process of integration to an end. Accordingly, of the above listed bullet points, items one and four are no longer of significant consideration. However, as further discussion ensues regarding potential amalgamation, item two, level of service, and three, implementation, remain important.

LEVELS OF SERVICE

The integration analysis surfaced disparate levels of service in the two authorities. In some cases the analysis identified opportunities to improve levels of service in Banks Peninsula at no additional cost while in other cases it has demonstrated the need for the BPDC (or the newly amalgamated authority) to provide additional funding if services were to be equalised and integrated properly.

While determination of levels of service is essentially a political matter for the elected Council, were amalgamation to become a reality (and had administrative integration proceeded), there are some areas where statutory requirements and the current level of Christchurch service delivery would mandate an increase in service to the residents of the peninsula.

IMPLEMENTATION ISSUES

Under integration or amalgamation, implementation and transition would prove difficult (though not insurmountable) especially with the transfer of existing database information. Currently, both authorities use different software systems to collect, retain, collate, and utilise data.

Human resource transfer issues presented a more significant problem under a potential integration than they would in a true amalgamation. These two issues are summarised below:

- *Data Conversion.* Transferring the key property, persons, financial and asset based data is a key process for implementation. Without this data the CCC administration cannot provide LIMS and PIMS, process resource consents, bill for rates, manage budgets or monitor asset condition, all of which are core tasks. The BPDC data sets are held in different systems and at different data quality and accuracy standards. The process of transferring and improving data will require a substantial input of time from key CCC staff. This will mean that less time is available for other CCC projects during the implementation phase. It is estimated that the cost of transferring all the data we would need to operate the integrated administration efficiently is in the range of \$1.2-\$1.8m. This is the single largest one-off cost.
- *Human Resources.* As mentioned above, amalgamation presents much less of a human resource problem than integration. Absorption of staff, assumption of existing long service leave and other HR considerations would enable discussion with the union to progress much more smoothly within an amalgamation process.

CHRISTCHURCH FINANCIALS

CCC business unit managers have been asked, as part of the integration analysis, to estimate the additional resources they would need to administer the requirements of BPDC Annual Plan. The results of this analysis are set out below. These requirements would continue under an amalgamation plan and are presented in this report to demonstrate the level of financial requirement attendant to increased service delivery.

¹ For several months, Christchurch has assisted BPDC with the secondment of officers who serve in critical positions.

Business Unit	Yr 0 FTE's	Yr 0 Annual Cost	Yr 2 FTE's	Yr 2 Annual Cost	Contribution to O/hds	Contract Value
ESU	7	\$507,780	6	\$413,509	\$82,702	\$496,211
Leisure	2	\$94,497	2	\$94,497	\$18,899	\$113,396
FSU	2	\$117,800	2	\$118,800	\$23,760	\$142,560
IM&T	1	\$65,400	1	\$74,400	\$14,880	\$89,280
Parks	1.3	\$133,000	1	\$75,000	\$15,000	\$90,000
Libraries	4	\$186,200	4	\$186,200	\$37,240	\$223,440
City Streets	2.5	\$147,800	2	\$122,800	\$24,560	\$147,360
Property	0.8	\$71,400	1	\$75,000	\$15,000	\$90,000
Customer Services	2	\$102,000	2	\$102,000	\$20,400	\$122,400
Water and Waste	2	\$124,800	2	\$124,800	\$24,960	\$149,760
Total	24.6	\$1,550,677	23	\$1,387,006	\$277,401	\$1,664,407

CORRELATION OF DATA AS IT RELATES TO INTEGRATION AND/OR AMALGAMATION REQUIREMENTS

It is concluded that:

- An integration of administrative services, based on a fixed annual fee, is not in the best interest of the CCC due to increased financial risks inherent in service delivery, the scope of which would be determined by a separate governing body with variable annual requirements.
- Significant merit exists in the concept of a true amalgamation to warrant further investigation and update of the 1999 review data², combined with the financial analysis from the recent integration study.
- Cost factors (unit based operational costs) are similar for either integration or amalgamation.
- Transitional costs would be carried by the combined government entity (CCC) with MIS data conversion costs in the range of \$1.2m-\$1.8m and estimated total one-off transitional costs of approximately \$2.4m-2.6m.

OPTIONS

With the recent decision by the BPDC to not proceed with integration investigation, this Council is essentially faced with two remaining options:

- Discontinue further investigation or analysis of jointly administered service delivery for the two authorities.
- Broaden the analysis data to include an update of the previously determined political, geographical and financial implications of a full political amalgamation of the two authorities.

BASIS FOR PROCEEDING BEYOND INTEGRATION

Integration has been determined to be less than financially attractive. Both authorities have rendered an opinion on this perspective; Banks Peninsula in formal Council, Christchurch in Subcommittee discussions.

On a less quantifiable basis, but intrinsic to the overall discussion, the contribution to social and environmental objectives which could be met by integrating services or amalgamating governments are discernible primarily from the perspective of community leaders who see the future in terms of larger objectives. Banks Peninsula has strong functional links with Christchurch, standards of facilities on the peninsula need to reflect the demand generated by 320,000 people living "next door" and at the same time the pressures generated by visitors to the peninsula must not erode its essential values and character. From the historical perspective it seems certain that a political division of neighbouring entities as geographically intertwined as Christchurch City and Banks Peninsula would not have occurred had rate base, service delivery and equal benefit to residents been a prime consideration initially.

This symbiotic relationship was identified in 2000 when the residents of Banks Peninsula voted in favour of an amalgamation with their larger neighbour. In the recent BPDC Council meeting, even though integration was not favoured, five of the Councillors and the Mayor each expressed their opinion that amalgamation was inevitable at some point. And it should not be forgotten that nearly 20% (+/- 1400 of 7500) ratepayers of Banks Peninsula are actually residents of Christchurch City. With additional support from this Council, it seems highly probable that Christchurch residents will also see the collective benefit to be derived from this merger.

² In 1999 a separately commissioned study was performed by Commissioners mandated to ascertain the appropriate configuration of Wards and Community Boards. This was entitled: Community Areas and Wards – A report on future options to Christchurch City Council. Within that report was a discussion of amalgamation with Banks Peninsula.

As voiced by Christchurch Councillors present during the Strategy and Finance Subcommittee meeting and the subsequent committee chairs briefing, (*and from the perspective of a determined, but minority segment of the Banks Peninsula Council*) there remains a powerful case for collaboration. Notwithstanding the evolution of the current separate status, even at this present day, amalgamation offers the opportunity to remedy the distribution of unequally shared costs amongst those who use the respective amenities within the city and along the peninsula.

Recommendation: That the Chief Executive be directed to:

1. Conduct a review and update of the amalgamation data contained within the 1999 "Community Areas and Wards" study and correlate those findings with data available from the current integration study.
2. Report back to the Council with a recommendation on the merits of amalgamation including a legal opinion of its permissibility and process as referenced within the Local Government Act 2002.