Response to Brian Sharplin (revised after further comment)

Brian Sharplin has produced a well-researched examining the potential consequences of establishing a Kaipara–North Rodney Unitary Authority.

While the conclusion he reaches is that the proposal is unlikely to be beneficial, the paper raises a number of useful implementation issues.

However these do not really affect the proposition as to whether the long term structure would be better than the status quo.

Benchmarking the Status Quo

A difficulty with the analysis is that it implicitly treats the current Auckland Council structure and cost base as the appropriate benchmark for judging any alternative arrangement. Yet the central argument made by NAG and many Rodney ratepayers over a long period is precisely that this structure has not worked well for Rodney. If the present system produces weak accountability, poor transparency, and infrastructure outcomes that many ratepayers regard as unsatisfactory, then using that system as the benchmark for judging alternatives risks circular reasoning. The relevant question is not whether a new authority would replicate Auckland's structures and costs, but whether a different governance model could deliver services and infrastructure more efficiently and with clearer accountability to local communities.

Use of Status Quo Cost Assumptions

This issue is not theoretical. A similar issue arose in the earlier North Rodney Unitary Authority proposal considered by the Local Government Commission, where modelling prepared by Morrison Low largely used Auckland Council's cost structure as the baseline. That illustrates the risk that structural alternatives are assessed against the current system rather than against alternative governance models.

The strong points of the paper are:

1) The lack of reliable financial data (which we agree with and have argued persistently with Auckland Council for better information);

2) Water infrastructure costs is a central issue (because this is often the largest financial risk for small councils);

    [In Auckland Watercare is now independent of AC for funding and operates on a full cost-recovery basis. While AC owns the assets, it has no liability for Watercare debt. Watercare's pricing is now much more targeted. Brian's argument is that unit water costs across AC are lower because AC has a large population. Rodney's separate rural settlement systems are different from AC's interconnected unban systems (and less complex). There is no evidence that Rodney water users are now being subsidised or that the new UA would necessarily have higher unit costs. Half the properties in both Kaipara and North Rodney are on rainwater and septic systems so they are unaffected by the cost of reticulated systems. Treating water costs as a district wide rates burden is therefore misleading].

Brian is right though to point out that the special legislation for Watercare means the new UA is not possible without legislation to address any change in Water Service provider.

3) That Asset and Debt allocation will be complex (which we agree with and it will probably come down to a matter of policy and politics about who bears the costs). Getting water network reticulation debt off a council's books requires special legislation. Arguments will persist about whether AC deliberately underfunded Rodney's roading network and took Rodney rates to fund roading elsewhere in AC – so that AC in fairness owes Rodney more than it spent – will persist;

4) That the transition disruption could be substantial and take longer than anticipated (as seems to be common in large public sector organisations); and

5) That Kaipara's financial position - which is stronger than Auckland's with relatively low debt and full funding of depreciation) needs to be protected in any new structure.

These are **legitimate implementation questions**. However they do not show that a merger would be economically worse for ratepayers. Brian believes they they do, but that is why we need it properly analysed.

His comments support that a rigorous financial feasibility study would be required before any proposal could proceed. That is only sensible and this is what the Northern Action Group and Kaipara Council have been asking for.

Both Brian and NAG agree that there is a lot which Auckland Council could do to improve the situation for Rodney ratepayers; a real lack of accountability; and a strong unwillingness to provide information that can help ratepayers see where their money goes.

The weak points are:

1) The claim that rates "will have to be higher" is not demonstrated and he provides no financial model to support that conclusion.

Examples:

- Executive summary: rates and charges “will have to be higher” (p.5).
- Later he repeats that it can’t be known **how much**, but they **will** be higher (pp.31–32).

This is just an assumption he makes not an empirical conclusion. He admits that the required data does not exist (Schedule 1). Yet he still concludes the result. That is logically inconsistent.

2) The “U-shaped” cost curve of local government is not recognised

The paper assumes larger authorities are necessarily more efficient. International literature and NZ experience suggest the opposite once councils become very large. Medium sized Unitary Authorities (~50 to 150 K) operate efficiently and have the lowest costs. Small councils lack **scale** and large Councils have increased **overhead** and **bureaucracy**. Auckland council is an excellent case in point.

Brian acknowledges that and accepts that smaller councils can have efficiencies. His argument is that the scale economies a Council like AC can achieve across its services and administration (especially in water systems) will outweigh any cost savings or efficiencies of an efficient Unitary Authority. We disagree and say that the performance of many smaller NZ Councils shows that is not necessarily the case.

3) Transition costs are treated as permanent structural costs.

The paper heavily emphasises:

- headquarters building
- IT system
- record transfer
- staff relocation
- asset separation

These are **one-off transition costs**.

In reality, these costs are **normal in any government reorganisation** and should be evaluated against **long-term operating costs**, which he does not model. But Brian views these as costs which will lead to asset acquisition and annual costs that will be part of the new council structure.

[The fact of subjectivity in any modelling is acknowledged by NAG. The Local Government Commission’s (LGC) modelling by Morrison Low suggested a North Rodney Unitary Authority of 24,000 population would need to have higher rates to meet its obligations. NAG’s modelling (by APR Consultants) showed that did not have to be the case.

Brian might like to note that we assess that rates in the Wellsford and Warkworth subdivisions (proxy for North Rodney) have now risen in real terms by more than the LGC said was needed to be viable. On average they are now higher than in Kaipara]

Brian has fair criticisms of NAG's earlier modelling and says his conclusions were formed taking these factors into account.

4) The paper assumes that the Auckland service levels must be maintained.

   With different service levels, different delivery models, different contracting arrangements and without the large central administrative structure required by AC's metropolitan governance model, that cost benchmark is inappropriate. He also does not allow for the fact that a merged Unitary Authority might adopt different policies for rating, user, access or service charges to those of Auckland Council - or the current Kaipara Council.

   Brian takes the view that he has commented on and assessed these possibilities but still concludes that rates in the new UA will be higher (on average).

5) It assumes that water costs are subsidised by ratepayers and that water costs would rise sharply.

   That assumes that cross subsidy exists and must end and all infrastructure debt must transfer. These are **negotiation questions** not **economic inevitability**. As mentioned above he ignores that water costs might be fully borne by water users and that an efficient water services provider might even manage lower costs. In short any conclusion about water costs is **asserted** not **demonstrated**.

   Brian's approach to this is that higher unit costs are a "fact" with less users or ratepayers, whether or not services are provided more efficiently.

6) The "community of interest" argument is weak. He claims there is **little community of interest** between areas (p.7).

   But the evidence used is:
   - distances between towns
   - commuting patterns
   - historical planning reports

   This ignores:
   - shared coastal/rural character
   - Kaipara Harbour catchment
   - agricultural economy
   - similar infrastructure issues
   - similar settlement patterns

   Community-of-interest arguments normally rely on:

   - economic linkages
   - environmental systems
   - infrastructure networks

The Rodney Local Board area has successfully implemented a new subdivision structure for its Local Board representation that recognises that the interests of rural ratepayers (in terms of services provided) are different from those in urban centres. The new system provides representation in a way that recognises **functional** not just **place**- based communities of interest (as provided for in the LGC guidelines). This balances interests across the District, including the different interests in the North and the South West. None of these are examined in this paper.

Brian's comments about the 2017 LGC study are valid, but the analysis is now dated (Kaipara wastewater issues were fresh in peoples' minds) and the LGC focus was on communities in Rodney and relative to Auckland – not communities across Kaipara/North Rodney.

7) The roading argument assumes other Aucklanders subsidise Rodney roading funding

He argues the new council would struggle to seal roads because Auckland currently funds sealing programmes. He thinks that ratepayers in a new UA would not be able to get roads sealed unless someone else pays for them.

But

- Those programmes are **political allocations**, not structural funding advantages.
- They assume an **Auckland-wide cross-subsidy**, which is not shown and may not favour Rodney.
- The paper simultaneously argues Rodney infrastructure has been underprovided under Auckland Council while also suggesting Rodney depends on Auckland funding for infrastructure. These two claims are speculative and not demonstrated without further evidence.

The paper does not examine:

- NZTA subsidy shares
- road maintenance funding formulas
- network corridor maintenance and improvement management (which NAG argues has been wasteful as not well implemented or integrated).
- targeted rural roading rates
- asset management strategies

8) The staff numbers argument is illustrative, not adding or subtracting from the question of overall costs.

The paper never asks:

- how many Auckland staff currently serve North Rodney
- how many would transfer
- how many functions would be contracted

So the staffing conclusion is incomplete but his numbers add to the picture of what other Councils have..

9) Many sections describe **complexity**, not **impossibility**

He uses "impossible" a lot. (4 times in terms of what might happen and 5 times in terms of know what to say) e.g.

- "maintenance and management contracts.. [may be].. impossible to break up"

Those are **feasibility issues**. Brian says his assertions of fact are not arguments against the proposal just discussion of advantages and disadvantages.

But that is a bit disingenuous when he uses the "facts" to say rates will be higher in the new UA.

10) The conclusion contradicts the papers' own evidence

He acknowledges benefits such as:

- better accountability
- stronger representation
- improved transparency
- more local engagement

Yet he dismisses them without evaluating their economic value. The analysis therefore focuses **almost entirely on cost risk**, or unit cost issues that will drive higher rates.

He does not ignore the **governance benefits** for ratepayers but does not weigh them against his own conclusions about costs.

11) The governance philosophy is implicit.

His approach to the idea assumes:

- district-wide pooling of revenue
- uniform charges
- higher unit costs with a lower rating population
- central prioritisation of spending

This reflects a **traditional centralised council model**, not a **polycentric or community-driven governance model**.

NAG's proposal relies more on **local fiscal responsibility and decision-making**, which he does not analyse.

Brian's view is that the basics of local government are such that 80% of what councils do is the same, however decision-making is structured. So he does not accept that the efficiencies of more community based decision-making (about how to spend their own rates) can offset what he sees as the higher costs of the UA's operation.

Conclusion

Brian Sharplin's paper is helpful and useful because it identifies practical transition issues that must be addressed as consequences of the proposal and advances the discussion about the idea.

But analytically it has three major weaknesses:

1. Costs are asserted rather than empirically demonstrated or modelled.
2. Alternative governance and funding models are not evaluated (or accepted as having any potential to lower unwanted spending).
3. The assumption that what councils do and how they do it is historically decided and any alternative basis for cost assessment is not accepted (we agree it has not been modelled or analysed and should be!).

So the paper highlights implementation risks, but it does not demonstrate that the merged authority would be economically inferior or that rates must necessarily be higher (or lower). The appropriate next step is an independent feasibility study rather than speculation about costs.

Acknowledgement:

Brian has taken a lot of time to research and provide his comments and also given us some additional comments about material on our website.

While our position that Rodney should never have been part of Auckland Council and that AC's structure is not fit-for-purpose has not changed, we maintain our original submission and our revised submission on our website as part of the historical record. However circumstances have changed since then and our policies for a best North Rodney then are naturally different from what we see as best for a merged Kaipara/North Rodney UA now.

We acknowledge that the context of material on our website needs to be reviewed.

We are grateful to Brian for giving it his attention and discussion he has contributed to that we believe the idea deserves.

Bill Foster
Chair Northern Action Group Inc
17 March 2026