



INTEGRATED GOVERNANCE PLANNING AND DELIVERY

A PROPOSAL FOR LOCAL GOVERNMENT AND
PLANNING LAW REFORM IN NEW ZEALAND

AUGUST 2015



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As a small nation
we could lead the
world in integrated
governance,
planning and
delivery...

”

Stephen Selwood,
Chief Executive, NZCID

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Executive Summary

The effectiveness of New Zealand's local government system, planning and environmental laws have a profound role to play in enabling national prosperity.

Local government is fundamental to the success of all of New Zealand. It provides essential infrastructure services, enables local democracy, supports social and cultural events and administers the regulatory system that underpins resource management and sustainable development.

Currently the effectiveness of New Zealand's local government system is seriously impeded by fragmented and unnecessarily complex governance structures. The planning and statutory framework in which local government operates is disintegrated, difficult to navigate and inhibits integrated planning, funding and delivery.

Councils face intense political scrutiny to keep rates increases to a minimum. The principal local government laws – the Resource Management Act, the Local Government Act and the Land Transport Management Act require them to conform to a maze of statutory processes. Consequently local government attention is much less focussed on delivering strong local economies and building vibrant communities but more on administration, managing negative effects, balancing the budget, and dealing with the costs rather than the opportunities of growth.

From a local democracy perspective, formal consultation processes have become a barrier rather than an enabler of meaningful community engagement. Councils and councillors are bogged down with complex legal process instead of meaningful participation.

From a commercial viewpoint, inconsistent rules, the sheer number of councils involved and complex planning and decision making processes make it unnecessarily difficult to do business. Similarly, fragmentation and complexity hinders collaboration between central and local government and the business community.

Despite decades of continued amendment, land use planning and resource management decisions under the Resource Management Act remain disconnected from investment decisions made under the Local Government and Land Transport Management Acts. Consequently there is weak integration between planning and investment and urban growth and infrastructure.

While the RMA is New Zealand's pre-eminent environmental law, and has contributed significantly to reducing point source pollution since its enactment, overall environmental outcomes have been disappointing. The cumulative effects of land use activities permitted under the RMA have over the course of the Act led to a slow but significant deterioration in the quality of monitored streams, rivers and lakes. And, despite the imperative to protect biodiversity under the Act, leading environmentalists describe New Zealand as being at the point of a biodiversity crisis.

Although the RMA was amended in 2004 to address climate change issues, reforms have failed to have any significant impact to date.

While many suggest that development of National Policy Statements (NPS) and National Environmental Standards (NES) are the answer, this is an extremely difficult task and in the end, does not address the overarching systemic issues at play.



Looking into the future, local government, especially small rural councils, face immense challenges in managing demographic change, advances in technology, rising consumer expectations and the need to respond to climate change. Affordability challenges today will become a serious problem in the future.

Taken together, the combination of fragmented local government structures, complex planning laws and weak environmental legislation is contributing to poor outcomes for New Zealand. Continuous improvement at the margin will help, but will not be transformational.

To respond to these problems and meet future challenges, the New Zealand Council for Infrastructure Development (NZCID) considers that reform of the planning framework and the purpose, structure and funding of local government in New Zealand provides an opportunity to place local government at the centre of regional development in partnership with communities, iwi, business and central government.

NZCID takes the view that if we really want to realise New Zealand's full potential we must bring focus to the sustainable development of our regions including the infrastructure that will underpin social and economic development.

Lifting regional prosperity requires, focussed leadership, and aligning organisational structures and laws around that common goal.

In proposing change, NZCID is seeking to develop an integrated planning, governance, funding, regulation, delivery, and resource management system that will drive regional social and economic development, improve environmental outcomes and strengthen local democracy and community engagement.

NZCID considers that this will require:

- Strengthening local government capacity through consolidation of the number of authorities from 78 to a number between 10 and 20 councils. Each would be tasked to work partnership with communities, iwi, business and central government to promote sustainable regional growth and development and support vibrant communities.
- Strengthening local participation and engagement through the establishment of empowered Local Boards each with their own ability to set targeted rates to support local initiatives, where mandated by community support.
- Development of local government funding mechanisms that incentivise growth.

- Reform of the national planning framework from “effects based” to a fully integrated national, regional and local spatial planning framework.
- Enactment of a dedicated Environment Act including provision of national environmental policies and standards and development of the Environmental Protection Authority into a national regulator with regional offices to assume environmental regulation from Regional Councils.
- Enactment of an integrated Planning, Infrastructure and Local Government Act which would combine the planning functions of the RMA with the investment functions of the LGA and LTMA.
- Establishment of council controlled not for profit regional utilities for delivery of water and transport services.
- Establishment of a National Infrastructure Commission to provide strengthened oversight, review and audit of infrastructure needs and monitor effectiveness of delivery across local and central government agencies.
- Development of a specialist procurement agency to provide support to central and local government agencies.

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In proposing change NZCID is seeking to develop a fully integrated planning, governance, funding, regulation, delivery, and resource management system that will drive regional social and economic development, improve environmental outcomes and strengthen local democracy and community engagement.

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The way forward...

Having consulted extensively, NZCID knows there are many New Zealanders who agree there is need for change and are supportive of proposals for first principles local government and planning law reform as proposed in this report.

On the other hand, some consider that existing structures are broadly satisfactory. Their view is that with improvements to the statutory framework, and given the introduction of the LGNZ performance improvement programme, many, if not all, of the issues raised in this report can be addressed.

Others recognise the need for change but are unsure of the best way forward, especially in the light of strong opposition and the emotive political debates that surround proposals for local government amalgamation. Understandably, they are reluctant to support significant change without thorough review of alternative options. They seek objective evidence based analysis of potential benefits and dis-benefits of substantive change.

For all of these reasons, and because change of this nature is almost impossible in today's political environment, NZCID recommends that an independent Royal Commission inquiry into local government and planning law reform in New Zealand is needed.

The commission would be required to undertake a first principles consultative review of the planning framework and the purpose, structure and funding of local government in New Zealand. It would report back to Parliament in early 2018, following the 2017 general election, and provide recommendations to the incoming government on a preferred option to either enhance existing arrangements or advance proposals for reform.

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A Royal Commission into local government and planning law reform provides the opportunity to undertake a comprehensive and evidenced based inquiry into options to strengthen local democracy, participation and interaction, improve environmental outcomes, streamline decision making, align planning and delivery between central and local government and the private sector and enhance the provision of local government services...

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Introduction

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The New Zealand economy is the sum of its individual geographic parts. The ability of regions around the country to provide economic opportunities and jobs for people that live in each region add up to the ability of the country as a whole to do the same.

”

Hon Steven Joyce,
Minister for Economic Development,
2013

New Zealand's prosperity is built on the productive capacity of the nation's local economies and the sustainable use of natural resources and human and financial capital.

Around three quarters of the nation's exports by value depend on production of raw inputs from regional New Zealand and manufacturing, technical, financial and commercial inputs from our cities.

Infrastructure underpins the productive capacity of regions. Without efficient and effective transport, energy and telecommunication networks providing the conduit through which rural areas connect with urban centres, New Zealand could not earn a living.

Without the schools, universities, hospitals, libraries, galleries, stadia, theatres and public institutions in towns and cities, the cultural needs of New Zealand's productive heartland cannot be met.

This essential infrastructure is provided by central and local government and the private sector.

Lifting regional productivity therefore requires strong central and local government focus and partnership with the private sector, iwi and local communities. It requires leaders committed to long term vision and planning, having unity of purpose, the ability to fund necessary investment and it requires effective regulation and the expertise to implement strategy.

Regional and territorial local authorities have a critical role in facilitating this partnership, providing essential infrastructure services and regulating the use of resources.

The New Zealand Council for Infrastructure Development takes the view that if we really want to realise New Zealand's full potential we must bring focus to the sustainable development of our regions including the infrastructure that will underpin social and economic development.

Lifting regional prosperity requires, focussed leadership, and aligning organisational structures and laws around that common goal.

This discussion paper presses the case for a first principles review of New Zealand's local government structures and planning and environmental laws.

Parts one and two set out the importance of local government and the reasons why current governance and planning systems hold back efficient and effective infrastructure planning funding and delivery.

Parts three and four demonstrate problems that arise from the fragmented and complex local government structures that exist, discusses current and future challenges, reviews performance gaps and sets out principals for enhancing local government structures.

Part five highlights the complex legal structures in which local government operates and sets out a case for

fundamental reform of the planning and environmental law framework to support structural change, improve planning coordination and enhance environmental outcomes.

Parts six and seven discuss options for reform of New Zealand's local government structure designed to improve regional leadership, strategic capacity and governance at the same time as proving the means to strengthen local government representation and democracy at the community level.

Part eight sets out a template for planning and environmental law reform to enable aligned national and regional spatial planning and enhance

local participation in decision making and governance.

Finally part nine proposes a pathway forward to enable a first principles consultative review of the planning framework and the purpose, structure and funding of local government and build consensus for substantive change.

In proposing change, NZCID is seeking to foster strong partnership between local government, central government and the private sector to lift the productive capacity of the regions and enhance prosperity for all New Zealanders. We hope that this paper stimulates positive action towards a better outcome.



Part 1: The Importance of Local Government and its Role in Resource Management

Local government performs a critical role in the New Zealand social, economic and environmental system. New Zealand's local councils own community assets worth more than \$120 billion. These include 90% of New Zealand's road network, the bulk of the country's water and waste water networks, and libraries, recreation and community facilities. Council expenditure is approximately \$8.5 billion per annum, representing approximately 4% of Gross Domestic Product and 11% of all public expenditure. Projections for capital expenditure by local government over the next decade exceed \$47 billion.

In addition to direct services, councils allocate and regulate natural resources including land and water. The house you live in, your place of work, even the Crown assets you are dependent upon, are all subject to local body consent. Under the New Zealand system, without council approval, nothing gets built and nothing gets done.

The stronger councils' capability to deliver these core services, the stronger will be the nation's ability to capitalise on its human, physical and capital resources.

Disjointed Local Government Structures and Complex Legal Framework

Yet, despite the critical role that local government plays in the allocation and use of resources, New Zealand's local government structures, and the planning laws that support them, are complex and disjointed.

Most of the planning, regulation and delivery of the essential infrastructure that supports our economy is undertaken by 11 regional councils and 67 sub-regional city and district councils. The majority of local councils are small. Many face challenges of declining and increasingly aging populations.

Despite the best efforts of dedicated staff and councillors, smaller councils either do not possess or struggle to provide the technical, commercial and financial capability needed to meet existing and future demands let alone positively contribute to regional economic growth and development.

To compound these issues further, New Zealand's principal planning laws, the Resource Management Act, the Local Government Act and the Land Transport Management Act are complex, contradictory and disintegrated.¹

Each Act, is subject to different legal purposes, processes and criteria, and operate over different time frames. While there are legal links between plans and decision-making processes to help alignment, the three planning Acts were never designed to work together as a complete planning system.

When combined with the numbers of councils involved the legislative processes demand excessive time and resourcing from all parties involved and result in duplication of effort, lack of clarity and complexity.

¹ For detailed discussion of these issues see Ministry for the Environment, Building competitive cities: Reform of the urban and infrastructure planning system (2010), pp. 9-15. See also RMA Principles Technical Advisory Group, Report of the Minister for the Environment's Resource Management Act 1991 Principles Technical Advisory Group (February 2012); Ministry for the Environment RMA Review Team, Report to the Technical Advisory Group (2008); Report of the Local Government Infrastructure Efficiency Expert Advisory Group (March 2013); Ministry for the Environment, Briefing for Incoming Minister for the Environment and Minister for Climate Change Issues, November 2011

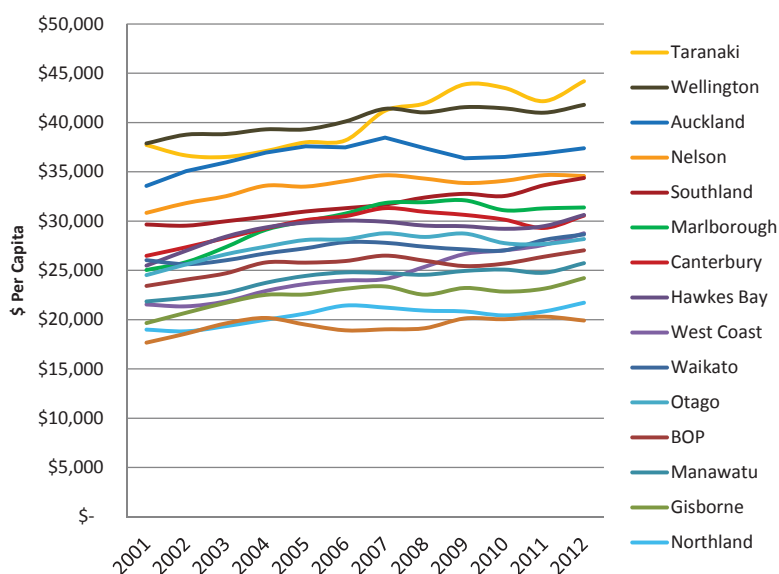
Consequently, there is often poor alignment between strategies, funding, regulation and decision-making to integrate land use and infrastructure development, set spending priorities and manage growth.

In these circumstances it is hardly surprising that economic growth across most regions has been modest (see Figure 1).

The challenge before us is to develop the best planning, governance, funding, regulation, delivery, and resource management systems to drive and support regional social and economic development and realise the full potential of all regions across the country.

FIGURE 1

Gross Regional Product per Capita 2001 - 2012



SOURCE: NZCID USING STATISTICS NZ DATA

Part 2: The Case for Change

Fragmented Local Governance

For nation of 4.5 million people, the New Zealand's current local government arrangements are complicated.

Community infrastructure (including potable water, storm and waste water, roads, public transport, footpaths, and street lighting) and most of the planning approvals for national and regionally significant infrastructure come under the responsibility of one or more of 78 local authorities. These comprise: 11 regional councils; 61 territorial authorities including cities within cities; 6 unitary councils (territorial authorities with regional council responsibilities), 116 community boards and 21 local boards.

While averaging 65,000 residents, populations per council range between 1.5 million residents in Auckland to just 650 in the Chatham Islands. The numbers of councils within a range of population bands is set out in Table 1. Of the 67 territorial authorities, 13 councils have a population of less than 10,000 people, a third with less than 20,000 and just 10%, seven councils including Auckland, have over 100,000 population.

When viewed within the context of the communities and geographic areas represented, local government structures are highly inconsistent and lacking coherent rationale.

TABLE 1: COUNCIL POPULATION BANDS

Population	Number of Councils	Cumulative Number of Councils	Cumulative Percentage of Councils
Less than 10,000	13	13	19%
10,000 to 20,000	12	25	37%
20,000 to 30,000	7	32	48%
30,000 to 40,000	7	39	58%
40,000 to 50,000	11	50	75%
50,000 to 60,000	4	54	81%
60,000 to 70,000	2	56	84%
70,000 to 80,000	2	58	88%
80,000 to 90,000	2	60	90%
90,000 to 100,000	0	60	90%
100,000 plus	7	67	100%

Excluding Auckland, regional populations in New Zealand range in size from West Coast's 33,000 to its neighbour Canterbury's 560,000. Canterbury also contains the country's most and one of its least populous territorial authorities, with around 370,000 residents in Christchurch City and just 4000 in Mackenzie District. Mackenzie's 4000 residents oversee an area substantially larger than the Auckland region, but are outnumbered by a factor of two by Auckland Council employees alone.

In fact, Auckland's Howick Local Board area contains a population 30 times that of Mackenzie and is larger than Tauranga, but carries no independent representation other than its Local Board, which receives all its funding through the Auckland Council.

The Auckland region covers less than 2 per cent of New Zealand's total land area, but with 1.5 million inhabitants, Auckland's unitary authority governs a third of the population.

Marlborough, also governed by a unitary authority, is well over twice the geographic size of Auckland but contains less than one-thirtieth of the population.

Another unitary council, Gisborne, is smaller than its nearby district council neighbour, Hastings, which in turn is larger than its city council neighbour Napier.

Wellington, meanwhile, is governed by one regional and eight territorial authorities, even though the vast majority of its 500,000 residents live within one continuous metropolitan conurbation.

Mismatch of form and function

Fragmentation is significant because local authorities by and large perform the same functions. Many of these functions respond well to scale. The overwhelming majority of council taxes and charges are collected to fund long term capital intensive services. In fact, roads and water typically comprise three-quarters or more of rates spending across New Zealand territorial authorities.

All else being equal, capital intensive services are more efficiently provided by larger organisations. Scale enables strategic, technical and managerial capacity to be maintained and nurtured. It also facilitates the pooling and more effective prioritisation of resources.

Not all functions of councils demonstrate efficiencies from scale. There is no evidence, for example, that community engagement and local representation, both fundamental activities of local government, are more (or less) efficiently delivered by larger organisations.

However, current arrangements which, for example, divide the Wellington city area into four separately governed 'cities' while Christchurch remains under the jurisdiction of one city council and Auckland region under one unitary authority, will deliver different outcomes. Areas with more effective institutional arrangements will prosper and starve other areas of the same economic system of capital, skills and growth.

Small councils can enhance community participation and local democracy by enabling connection between politicians and the communities that they serve. But, in terms of planning, funding and delivery of infrastructure, a core service of local government, small councils face significant disadvantages over larger councils. These include:

- small rate payer base constrains their ability to fund investment in infrastructure² high fixed costs per rate payer
- reduced purchasing power
- insufficient scale to warrant specialist staff

² In its 2012 report *Matters arising from the 2012-22 local authority long term plans*, 2012, page 84 the Office of the Auditor General points out a correlation between the size of councils and incomes of individual residents. Average incomes of the two smallest rural groups were 7% lower than those of the three middle-sized groups and 21% lower than the large metropolitan councils. This trend appears to persist despite the higher cost of living in cities and may be due to a number of factors, though the report does not list any possible reasons. Furthermore, the report noted that "on average the person in smaller councils pays higher rates, so an even higher proportion of their personal income is needed to pay rates." It might be the case that small, rural councils generally lack the substantial base of commercial ratepayers enjoyed by metropolitan areas.

- difficulty in attracting and remunerating the levels of expertise required³
- lack of in-house expertise and dependence on contracted services
- reduced capacity to cope with complex change and keep pace with emerging trends

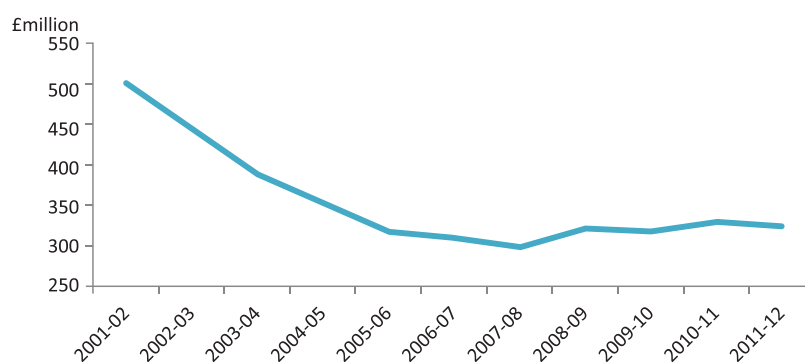
Rather than reflecting the most efficient, effective or logical demarcations for service delivery and community representation, current boundaries, including the 1989 reforms, are the product of a century of political compromise (see History of Local Government Reform in New Zealand).

In this context a substantive first principles review of council boundaries is overdue.

Scale Matters in Infrastructure

In 1975 nine Scottish Regional Councils were set up to control public water supply and sewage disposal. In 1996, three new Scottish water authorities were created – East, West and North of Scotland Water. They took over water and waste water services from the former Scottish Regional Councils. In 2002 the three regional water authorities were then merged into Scottish Water – the single public provider of water and sewerage services in Scotland and a public corporation. Since consolidation Scottish Water has successfully reduced operating expenditure by 35%. Smart technology solutions manage over 30,000 reactive and routine work order tasks undertaken every month across Scotland. Scottish Water has significantly reduced leakage, improved drinking water quality, reduced sewer flooding incidents, improved customer service, improved wastewater treatment compliance, reduced pollution incidents and carried out sustained levels of capital investment in order to enhance levels of service and to meet legal compliance. At the same time Scottish Water positioned itself in a sound financial position in terms of credit ratios. The independent regulator the Water Industry Commission for Scotland reports that average household bills are today around £110 a year lower than they would otherwise have been.

Scottish Water Operating Expenditure
(2011-12 prices)



SOURCE: WATER INDUSTRY COMMISSION PRESENTATION TO EUROPEAN WATER REGULATORS MEETING APRIL 2014

³ For example, in their submission to the Local Government and Environment Select Committee dated July 2012, Local Government New Zealand note that shortages of key skills in local government – especially civil engineers, experienced planners, and building inspectors have caused some bidding up of salaries for recruitment and retention.

History of Local Government Reform in New Zealand

The first signs of a domestic governance system beyond the Treaty of Waitangi emerged in the very early years of New Zealand's colonial history. Arriving settlers from Britain, quickly introduced community-led initiatives to levy rates for the delivery of roads, water and other services.

In 1852 the Constitution Act established a system of representative government for New Zealand. Six (eventually 10) provinces were created, with elected superintendents and councils. These were abolished in 1876 when the structure was seen to be "clumsy, inconsistent and an impediment to national development".

In 1876 the Municipal Corporations Act provided a single nationwide local governance system and saw the establishment of mayors, three year cycles and the extension of voting rights to both male and female property owners. Hundreds of local bodies soon came into being. Together with the Counties Act 1876, which sought to unite the growing number of district roads boards with county governance in general, these two Acts laid the foundation for local government that is still broadly in place today.

In spite of efforts to achieve a degree of consolidation, an estimated 4000 territorial and ad hoc local bodies, including counties, roads boards, electrical boards, harbour boards, licensing trusts and others, existed in the early part of the 20th century across a population of just 1 million.

From 1853 to 1876 New Zealand was divided into provinces, whose governments controlled their own education, health, roading and other services.



SOURCE: MARK DERBY, 'LOCAL AND REGIONAL GOVERNMENT - EARLY FORMS OF LOCAL GOVERNMENT', TE ARA - THE ENCYCLOPEDIA OF NEW ZEALAND, UPDATED 16-NOV-12 URL: [HTTP://WWW.TEARA.GOV.T.NZ/EN/INTERACTIVE/35367/PROVINCIAL-BOUNDARIES-1876](http://www.teara.govt.nz/en/interactive/35367/provincial-boundaries-1876)

Despite several attempts to restore some coherence to the increasingly confusing network of organic local authorities, including the establishment of the Local Government Commission in 1946, little progress was made in the face of strong local opposition.

In 1963 Parliament voted to create the Auckland Regional Authority from the region's 32 municipalities. Services provided by the Authority included bulk water supply and sewerage treatment, passenger transport and planning. Provisions

for the remainder of the country were made through the Local Government Act 1974, the first comprehensive legislation setting out the structures and purpose of local government nationwide.

Finally, in 1989, 850 single and multi-purpose local bodies were amalgamated into 86 multi-purpose regional, district and city councils. This remains the structure in place today with the major exception of Auckland where consolidation of eight Councils into a single unitary council was implemented in 2010.

Complexity

Under current governance structures, local councils interact by means of complex relationships with regional councils, council controlled organisations, central government ministries, governmental agencies and other public and private sector agencies.

Figure 3 illustrates the complexity of organisational relationships and structures within the Bay of Plenty (BoP) Region – a region that is often commended for its preparedness to collaborate and its initiatives in shared service arrangements. The level of complexity depicted in the illustration is typical of most regions across New Zealand.

As is clearly demonstrated by the BoP example there is significant duplication of function across Regional, City and District Council jurisdictions. These include:

- Democracy and associated support costs
- Governance activities (in addition to the democratic role)
- Strategic planning, policy, research, and economic development
- District and Long Term Plan processes
- Policy, planning and delivery of services
- Contract management of devolved activities and projects
- Corporate overheads and accommodation
- Corporate support functions such as HR, IT, finance, insurance, risk and audit

While existing structures provide for local representation, from an infrastructure planning funding and delivery perspective sub-regional governance creates many issues.

These generally include:

Inadequate Funding

Councils are funded by a combination of rates and central government funding (primarily in the form of local roading and public transport subsidies). However, local authorities are facing difficulties funding increasing infrastructure needs on a limited rate payer funding base. Many local authorities are very small scale entities. Local funding mechanisms lack economies of scale.

Within the transport sector Central government funding is skewed by subsidy rates that favour state highway solutions (funded at 100%) over local roads (which require 50% local funding). Failure to meet local share requirements reduces funding for local roads in favour of state highways.

The net result is insufficient money to do the job. New, more effective funding mechanisms are required.

Complexity - Central and Local Government Structures in the Bay of Plenty Region

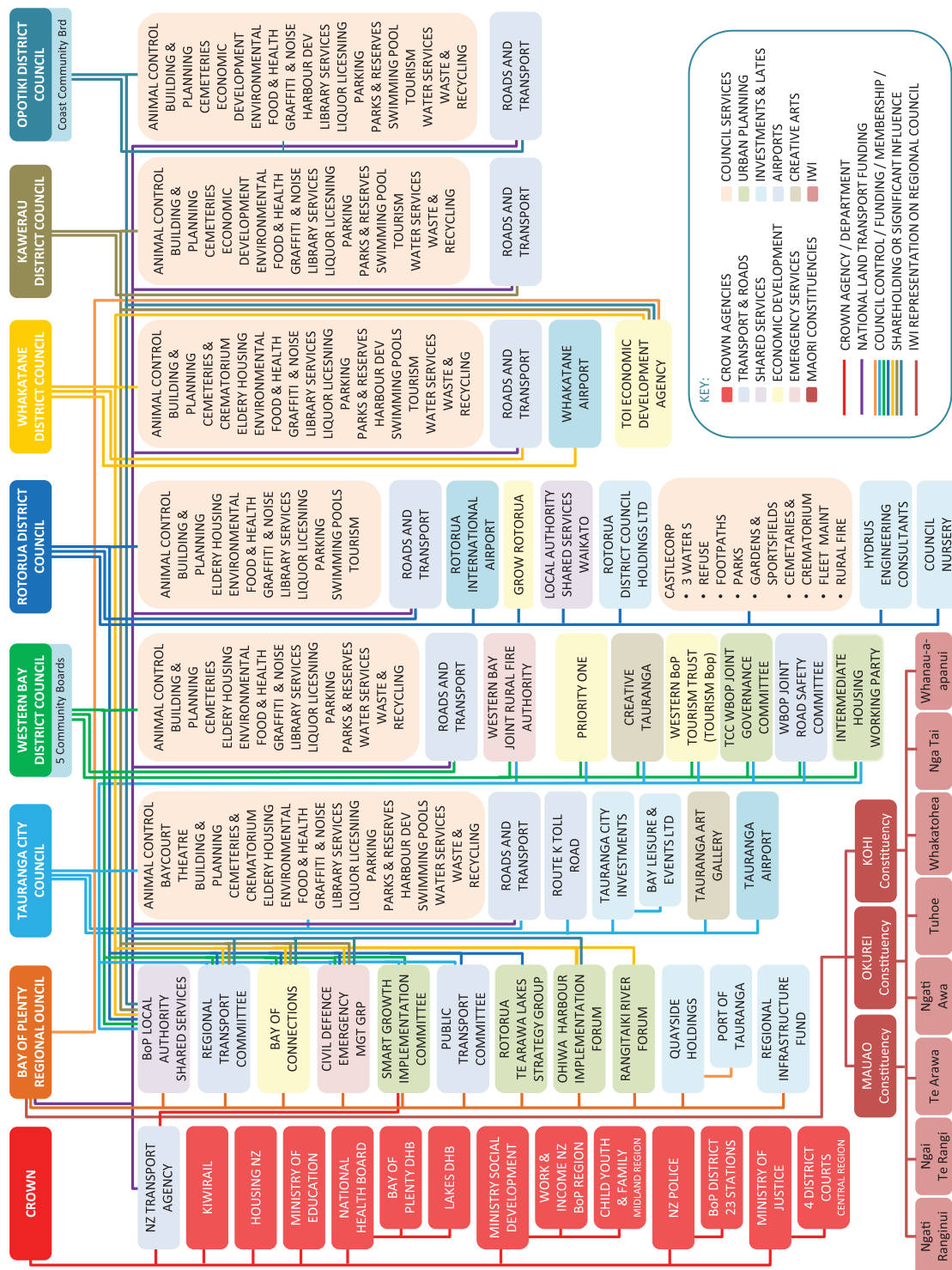


FIGURE 3

National and Regional needs subordinated to local interests

Regional Councils responsibilities include regional planning, environmental management, flood protection, provision of regional parks, planning and funding of public transport. However, Regional Councils have limited funding mechanisms available to them. City and District Councils possess the bulk of local funding and control land use planning and the key infrastructure assets, albeit within policies set by Regional Councils.

Within that context, decisions are made by locally elected lay people whose political accountability is local rather than regional or national. This creates an environment where leaders may compete politically at the local level rather than contribute to regional or national good.

Regional and rural urban divide

The number of council boundaries create division rather than unity. While cities can be seen as the educational, social, cultural, manufacturing and logistical centres of regional economies, existing boundaries often exacerbate the divide between rural and urban New Zealand.

Dilution of Expertise

High quality political and staff resources can be wasted in duplicated functions across the 78 regional and local authorities. Similarly, a considerable amount of skilled management time is taken in transactions and consultation among and between parallel organizations.

Councillors are elected each triennium to represent local interests. However this does not necessarily equip them to understand implications of decisions in a complex environment or that they are able to think and plan strategically, or be discerning of good advice. This can result in consequential lack of scrutiny of activities of officials.

A greater concentration of qualified staff in fewer councils would provide opportunity to improve the level of professional support to elected lay people on Councils.

Complex decision making processes and weakened accountability

Planning, decision making, funding and implementation processes are complex with consequential lack of responsibility and accountability. Vague national level policy frameworks means local body politicians may not be held to account for decisions that affect regional or national outcomes. Locally elected members can and do divert funding away from needed infrastructure into favourite pet projects or postpone hard decisions. Lack of comparative data across local councils results in weak accountability to rate payers.

Complexity for business and communities

Current governance structures create a level of complexity that makes doing business in New Zealand much more difficult and costly than it needs to be. Businesses and communities across the nation operate in a regulatory environment which includes 78 sets of strategies, rating systems, plans and by laws, building authorities, water network operators, roading and public transport agencies and finance, information technology and human resource systems.



For example, in 2008 the Government was forced to develop a National Policy Statement for Electricity Transmission to resolve the inconsistencies and problems resulting from the highly variable provision for transmission activities in first-generation RMA plans and policy statements. Despite the fact that the national grid is largely the same from one end of the country to the other, all district plans deal with the national grid differently, and there are considerable variations in policy frameworks. Similar issues exist with businesses and infrastructure service providers with national or regional networks.

New Zealand's small scale is both a challenge and an opportunity. On the one hand our small size makes it difficult to compete at scale with larger nations to attract and retain talent, resources and investment. On the other hand smallness should enable us to be nimble, adaptive to change and responsive to niche global market opportunities. But the more we create complexity within and across our laws, administration and governance structures, the more we weaken New Zealand's competitive advantage.

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For businesses to succeed they need to be able to make the most of their local resources, both physical and human. They need public institutions that make sound infrastructure investment decisions, administer fit-for-purpose regulation and provide services that improve local circumstances.

Nothing creates jobs and boosts incomes better than business growth. For New Zealand to build a more productive and competitive economy, we need all of our regions to achieve to their potential.

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Hon Steven Joyce

Part 3: The Case for Change

Current and future challenges for Local Government in NZ

The preceding discussion sets out a theoretical case for change in organisation arrangements but does not set out clear evidence that the current system is failing to deliver.

In one sense this is a difficult undertaking. Since the local council boundaries are defined more by historic communities of interest as they were perceived to be twenty five years ago in 1989, when the last organisational arrangements were put in place, there is no logical basis for performance comparisons.

Moreover the sector is characterised by volumes of planning documents and annual and ten year plans but the absence standard report formats, performance metrics and aggregated data seriously constrains meaningful comparison of service outcomes either among or between councils or against agreed key performance indicators.

Finally, because of vast differences in the size scale and sophistication of councils, the sector is characterised by significantly different capacity and capability.

Several councils are indeed leading best practice across most spheres of their operations and providing excellent standards of service to their communities.

The majority of councils provide generally good levels of service but are not operating at best practice. As discussed above, these councils are often inhibited by inadequate funding. This in turn limits their capital investment programme and their ability to afford or attract high calibre specialist staff. They are also constrained by the complex legal and political environment in which they operate.

Lastly, there are several councils that truly struggle to meet existing and rising standards and expectations for levels of service. They are characterised by declining or ageing populations which continues to undermine their ability to fund the necessary investments in infrastructure, staff and services. As a function of circumstance, these councils are operating far from best practice in providing service to their communities.

Within this context, overall provision of local government services to communities is satisfactory, led by some very good performing councils. But there is an increasing volume of data available to show that significant improvements are needed.

Need for improved asset management performance

Successive reports by the Office of the Auditor General have noted the need for improvement in asset management across councils.

The audit of the 2012 – 2022 council Long Term Plans (LTPs) is summarised in Figure 4. It noted overall mixed performance including significant improvement with some councils but reversion amongst others. Key weaknesses identified were data quality and Council resourcing and the auditor noted that the “science of asset management may be outpacing the capability of councils to implement it.”⁴

In the November 2014 water and roads report⁵ the Auditor highlighted that, between 2007 and 2013, local authorities consistently spent less than they had forecast to spend on capital works, including asset renewals. The OAG estimated that if actual spending trends continue to match those forecast, the gap between asset renewals expenditure and depreciation for the local government sector could be between \$6 billion and \$7 billion by 2022. These spending trends raise questions about local government asset planning, depreciation practices, and capital expenditure management.

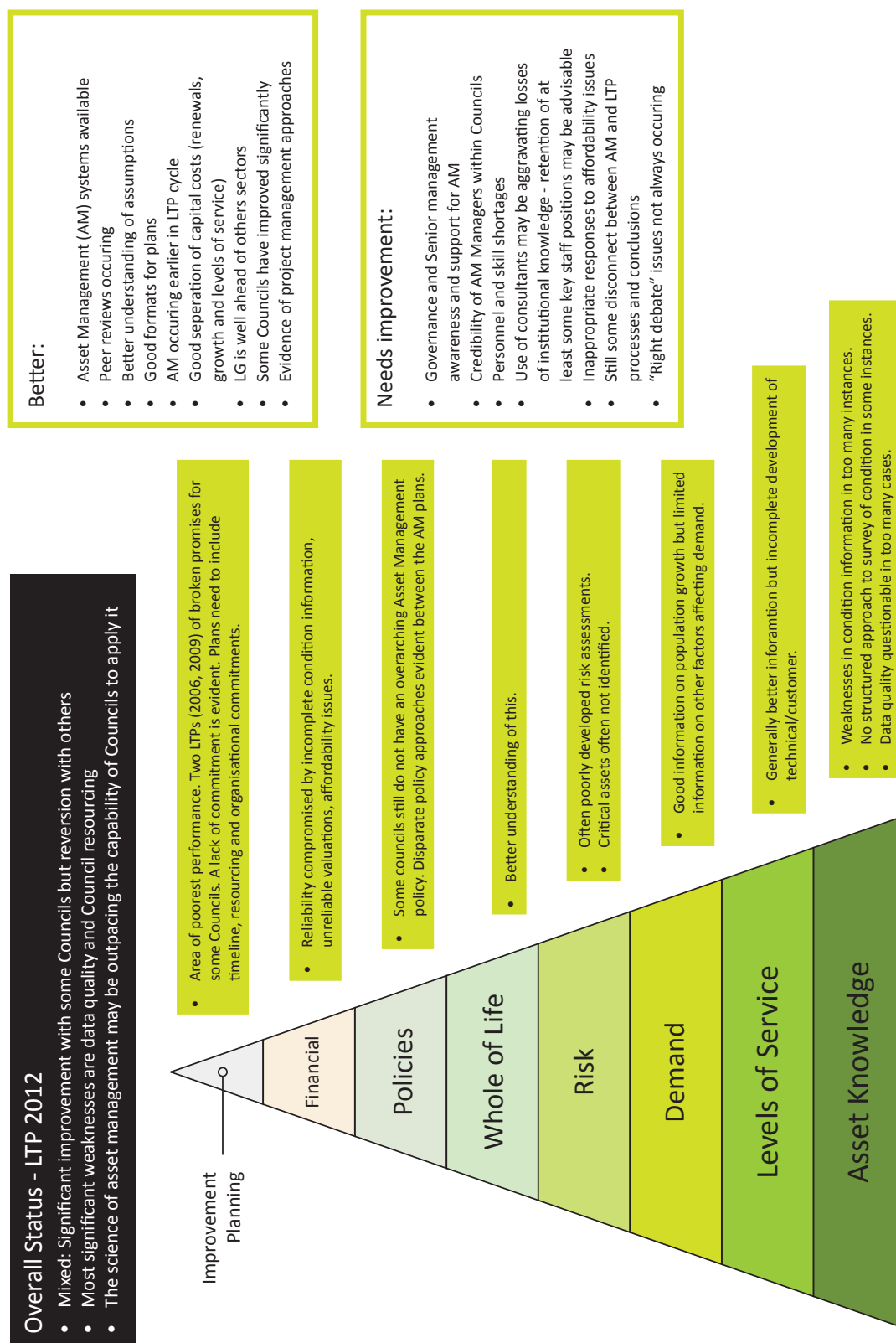
⁴ Matters arising from the 2012-22 local authority long term plans, Office of the Auditor General Dec 2012

ISBN 978-0-478-38394-2 [online]

⁵ Water and roads: Funding and management challenges, Office of the Auditor General, Nov 2014 ISBN 978-0-478-44202-1 [online]

Audit New Zealand Local Government Asset Management Pyramid

FIGURE 4



The February 2015 report - Local Government: Results of the 2013/14 Audits - noted that decisions about significant infrastructure investments are mounting for many local authorities, as are pressures to “manage-down” increasing operational costs and rates demands. The report highlighted that, while most local authorities’ planning and decision-making about infrastructure is adequate for short-term to

medium-term planning, more work is needed to ensure that long-term planning decisions are sound. This is largely because local authorities do not make the best use of data to support their decisions and need to give greater consideration to potential changes in the local economy over time.

The Auditor observed that decisions that elected members make about

assets are critical but that in their experience, this is something that local authorities do not always do well. She observed that local authorities would need to “step up” in managing their infrastructure assets and went on the express concern that some local authorities might not have the capacity for the increasing sophistication of information needed to keep delivering essential everyday services to communities affordably.

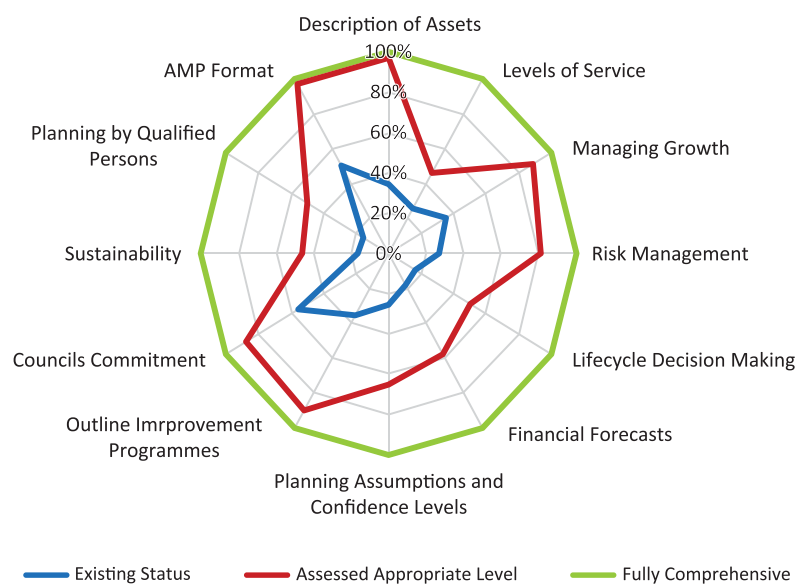


Figure 5⁶ provides insights on the level of quality in the quality of asset management planning for a representative group of six small councils with populations between 7000 and 25,000. The assessment compares how well the practice of asset management planning (AMP) in the six councils compares against appropriate standards and fully comprehensive standards under the International Infrastructure Management Manual.

The “existing status” line is influenced by how well the AMP and council practice align and whether fits with underlying analysis - and/or the absence of any such thinking or analysis. The assessment provides an opportunity to not only consider how well the AMP provides an effective link between strategy and delivery, but also helps to identify possible areas where gaps in analysis or thinking might exist. To the extent that this is truly representative of performance across councils, the analysis shows there are significant improvements to be made to AMPs. As noted by the Government appointed Infrastructure Expert Advisory Group who reviewed overall performance of infrastructure delivery by Councils in 2013... “the quality of decision-making needs to be improved at all levels”.⁷

FIGURE 5

Assessment of the level of quality in the practice of asset management plans of a representative group of six councils



⁶ Figure from Waugh Infrastructure Management Limited quoted in the Report of the Local Government Infrastructure Efficiency Expert Advisory Group. 2013 ISBN 978-0-478-35571-0 (Online)

⁷ Report of the Local Government Infrastructure Efficiency Expert Advisory Group. 2013 p105 ISBN 978-0-478-35571-0 (Online)

Health Impacts

A 2010 LECG study which examined the benefits and costs of raising the quality of networked drinking water estimated that each year in New Zealand there are approximately 35,000 cases [100 a day] of acute gastrointestinal illness (AGI) contracted from networked drinking water due to non-compliance with the Standards. Of the estimated 35,000 cases per year, around 19,600 are estimated to be due to protozoal disease (cryptosporidiosis and giardiasis) and 15,400 due to bacterial or viral disease (campylobacteriosis, salmonellosis, shigellosis, yersiniosis, STEC, and norovirus).

While the vast majority of people with AGI recover at home, LECG estimated around 21% of cases would require a visit to a GP. Death from AGI is rare, but does occur. LRCG estimated that one person every four years may die from AGI contracted from networked drinking water that does not meet the Standards.

LECG: COST BENEFIT ANALYSIS OF RAISING THE QUALITY OF NEW ZEALAND NETWORKED DRINKING WATER, DAVID MOORE, MELLENY BLACK, YASMIN VALJI, RICHARD TOOTH, JUNE 2010

Three Waters Delivery Challenges

Consistent with the findings of the Auditor General, a national survey of water service provision commissioned by Local Government NZ between February and July 2014 identified that while issues vary by council, three core challenges need to be addressed:

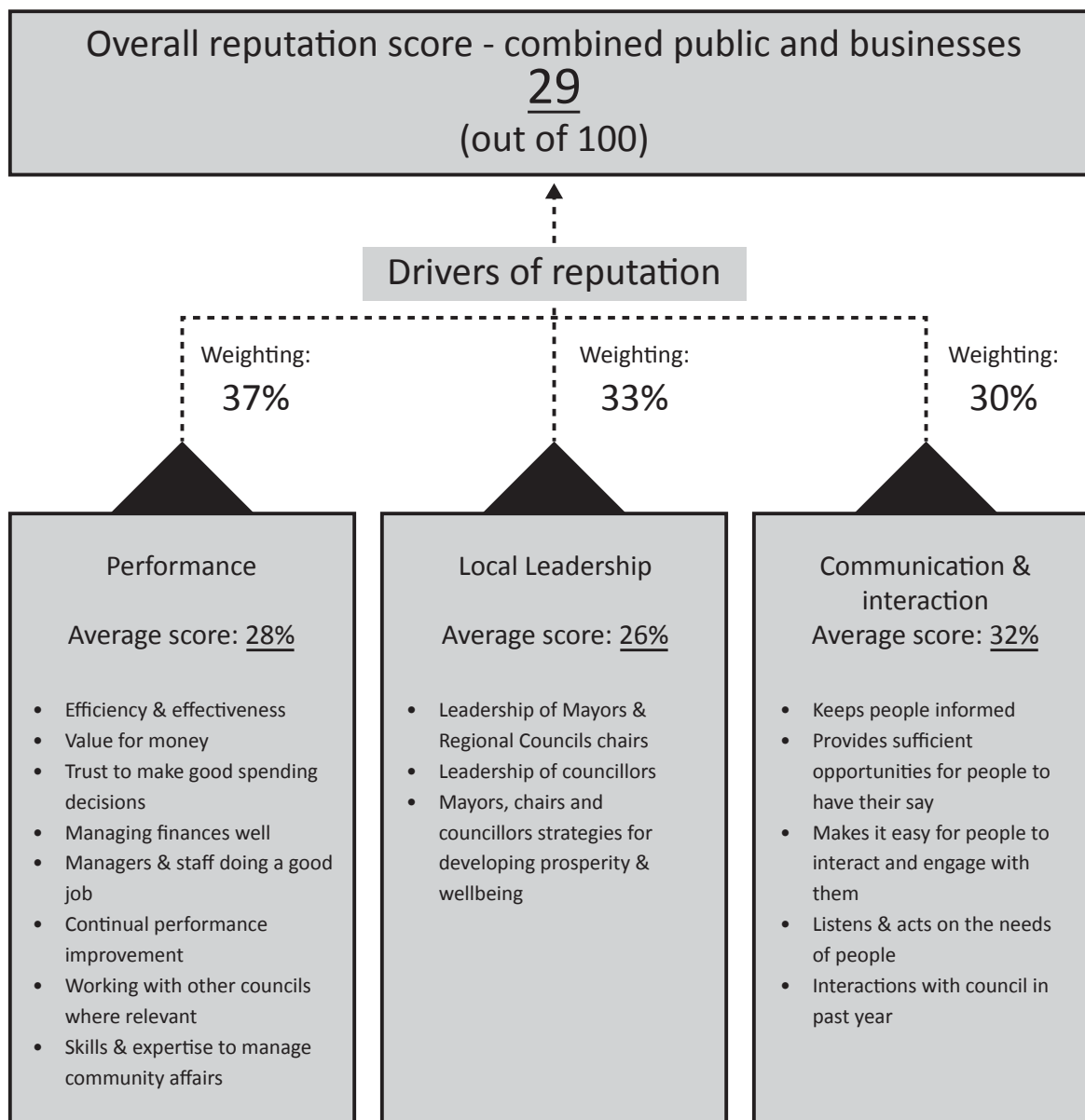
1. Funding investment programmes will be challenging for councils. A number of councils do not have a renewal profile or, where renewal profiles have been prepared, they are not fully funded.
2. Current drinking water standards and wastewater resource consents are not always met. Rising consumer expectations and higher national standards will be a significant challenge for many councils – especially smaller rural councils.
3. Only a small group of councils have implemented pricing or other alternatives to manage demand, even though these would be particularly beneficial to councils with increased demand, limited knowledge of network performance, scare water supply or high treatment costs.

Key issues identified in the survey included:

- One quarter of three waters assets are more than 50 years old
- Up to 20% of the graded network of assets require renewal or is unserviceable (graded 4 or 5)
- 19 out of 24 rural councils (80%) were unable or did not report the grading of their potable and wastewater assets
- While 82% of metro councils are generally always compliant with NZ drinking water standards only 46% of provincial councils and 38% of rural councils were either non-compliant or unable to report compliance
- Less than half of provincial and rural councils always meet resource consent conditions for waste water discharges

FIGURE 6

NZ Local Government Survey Results 2015



SOURCE: LOCAL GOVERNMENT NEW ZEALAND

Overall Perceptions of Local Government Performance

In 2014, LGNZ commissioned Colmar Brunton to conduct a comprehensive and independent survey of 3,000 people and businesses to provide a clear national picture of how communities of interest view what councils do, what they do well, and what needs improving.

Of significant concern, the overall reputation score for councils for public and businesses combined was 29 out of 100. Respondents rated councils just 32% for communication and interaction, 28% for performance and 26% for leadership.

The survey found that the majority of the public and businesses consider that local government is important to New Zealand. However there is low awareness of the wide range of services local government provides and the services tend to be under-valued.

Local government is seen to play an important role in developing the prosperity and wellbeing of New Zealand, although there is a sense that local government can achieve more than it does.

Local government performance factors such as financial management and community leadership are viewed as current weaknesses, although local engagement is generally working. Local government does not have a strong reputation with business and the public.

LGNZ note that overall ratings are not dissimilar to equivalent surveys internationally, including Australia and the United Kingdom.

However, such a low ratings for communications and interaction are of serious concern, especially given the emphasis of the local government sector in supporting local democracy and participation in decision making.

The results of this survey demonstrate the need for councils to dramatically up their game and suggest a need for transformational change to meet current and future challenges across the local government sector.

Proactive Response by Local Government New Zealand

In response to this unsatisfactory result, Local Government New Zealand (LGNZ) and its membership councils have embarked on a significant performance improvement programme targeting the core functions of local government including governance, leadership and strategy; financial decision-making and transparency; asset management and infrastructure; engaging with business; communicating and engaging with public; and building a stronger relationship with central government.

While this is a very positive initiative one aspect LGNZ has not identified is whether the current size and number of councils is appropriate to address the issues and future challenges. Local government has a potentially significant role to play in leading the social, economic and environmental development of New Zealand's regions, but in order to perform this role adequately it requires fit for purpose structures, resourcing capability and the confidence of its constituents.

Part 4: Principles for Enhancing Local Government Structures

New Zealand needs to keep pace with globalisation

Two decades may not seem a long time in the context of domestic affairs. New Zealand has only seen two complete changes of Government in that time and once the Waterview Connection is complete, two decades will be half the time taken to complete one stretch of roadway in our largest city, the Western Ring Route in Auckland.

But in the wider global political economy, the last two decades have seen remarkable change. The Soviet Union has collapsed and its largest member Russia has both witnessed near economic collapse, and enjoyed energy-fuelled resurgence and nearly collapsed a second time. Japan in the same timeframe has moved from the global exemplar for economic efficiency to a poster child for economic stagnation, deflation and population decline while its then impoverished neighbour has become the second largest economy in the world and a burgeoning superpower.

At the same time, global connectivity through the internet has transformed knowledge transfer across borders, cultures and political jurisdictions.

The actions today of a banker on Wall St, a technocrat in Brussels or a party official in Beijing are just as likely as any emanating from the offices of local mayors and members of parliament to materially impact the daily lives of New Zealand residents. And yet many of the rules, institutions and activities characteristic of the New Zealand we know in 2013 are indistinguishable from those in 1993.

When residents of a town or suburb lose their job or demand something different, they no longer look to the next town or city, but to Australia or elsewhere. Instead of striving to improve their community, those with transferable education, skills and expertise increasingly abandon that community and search the globe for one that meets their need.

Localism and community governance

Empowering communities is central to emerging concepts of 'localism' and 'community governance'. In the UK, the term 'localism' has been applied to a package of initiatives aimed ostensibly at reducing central government controls, granting local government a power of general competence and much more discretion in the way they deliver services, and increasing the accountability of councils to their local communities. This approach can be seen as part of a trend to community governance. There are several strands to this concept: intensifying community engagement in decision-making about local planning, the type and level of services required, and budgeting; empowering and assisting community organisations to prepare their own neighbourhood plans and undertake local projects and service delivery; forging partnerships between councils, business and community organisations.

The ideas challenge councils to re-think and re-balance their role; to become enablers of community-based action and to cede some of their functions and authority to community organisations and other partners.

Like the UK, a growing number of councils across Australia are already moving in that direction, in part because resources are becoming increasingly scarce relative to needs and forging partnerships can unlock additional energy, skills and funds.

In New Zealand there remains a strong desire to protect and enhance local democracy and community engagement. This must be a fundamental feature of any proposed reforms.

When businesses look to expand and entrepreneurs to invest, return on investment must take precedence over historical ties or competitiveness will be lost and the venture will fail. The ubiquity of English and free movement of capital has made the greater part of the planet one single economy and all actions by Governments and businesses which fail to attract skills and money increasingly damaging.

Domestic pressures are equally challenging

Over and above the pressures of globalization changes in population, ageing demographics, rising consumer expectations, climate change and the need for improved resilience of infrastructure are adding to the challenges faced by local government.

Population

Analysis by Professor Natalie Jackson shows the impact of demographic trends on local authority areas in recent years and the projected future impact. Aging baby-boomer population⁸ and low reproductive rates are driving significant changes to population structure. This is compounded by outwards migration of young adults contributing to absolute population decline across many regions.⁹

The significance of population change is clearly depicted in Figure 7, developed by Professor Jackson. By 2016, more than 30% of territorial authorities are anticipated to have more elderly than children, by 2021 above 50% and by 2031 fully 90%.

The Auditor General confirms predictions of decline over the next 10 years in its two smallest categories of council – comprising 23 out of 65 territorial authorities, all of them rural and each with populations under 20,000.¹⁰

Implications arising from these population changes include:

- More elderly people will be on fixed incomes and therefore be less able to afford rises in charges related to maintaining or building infrastructure.
- Numerical population decline in many locations will mean that there are fewer ratepayers to support the cost of infrastructure.

- As younger people move to metropolitan locations, attracted by markets that compete for their comparatively scarce labour, the population structure of rural and provincial areas will change - they will have significantly higher proportions of elderly. This effect may be exacerbated in some locations that could attract older populations for lifestyle reasons. As a result of this, the demand for different types of community infrastructure will change. For instance, there may be less demand for some types of sporting facilities in locations with declining numbers of young people. Conversely, there may be increasing demand for council housing for the elderly (in local authorities that provide such a service) and demand for other types of council social or recreational infrastructure.

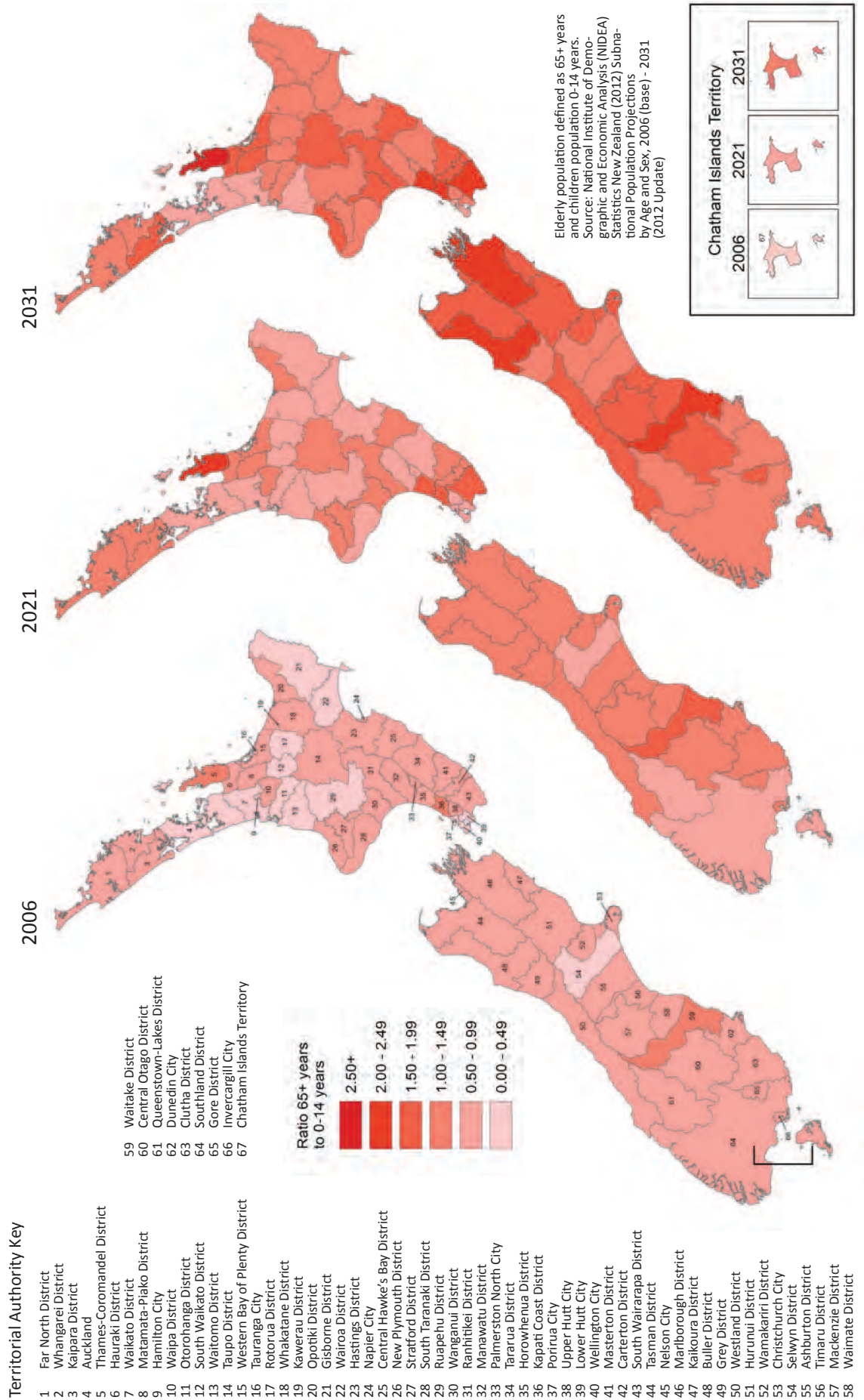
⁸ Born 1946 – 1965.

⁹ Jackson, Natalie, *The demographic forces shaping New Zealand's future. What population ageing [really] means*, May 2011, page 20.

¹⁰ OAG, *Matters arising from the 2012-22 local authority long term plans*, 2012, paragraph 5.99.

FIGURE 7

Increase in the Ratio of Elderly to Children by Territorial Authority for 2006, 2021 and 2031



Rising Expectations

Adding to funding pressures caused by population change, consumer expectations are continually increasing. Global transfer of information drives increased expectations about levels of service, public health and environmental outcomes that the public expects.

In 21st century New Zealand, most people expect that they will have a continuous supply of potable drinking water and that their roads will be pothole free and meet improving safety standards. There are expectations around new infrastructure (such as in a new subdivision), but also around upgrades to existing facilities. For instance, a community may want an existing playing field to be upgraded over time to offer a high quality all-weather playing surface and be floodlit at night to allow extended use. Rising expectations will add to significantly to challenges and, if not matched, will further encourage young people to relocate to regions that provide improved services and amenities.

Climate Change and Resilience

All infrastructure operators are increasingly aware of the logistical and financial ramifications of the impacts of climate change. For councils a growing concern will be storm water system and roads being affected by a combination of increased weather events, sea level rise and storm surge.

Resilience-driven upgrade of infrastructure to cope with either long term trends or one-off events clearly has huge cost implications for the infrastructure providers and for their customers.

In combination, globalization, population and demographic change, increasing consumer expectations and climate change will place council's finances under ever increasing pressure.

To respond to these challenges systems of planning, governance, funding, regulation and infrastructure delivery will need to be as effective and efficient as they can be.

Form should follow function

As the previous discussion argues, current governance structures enable democratic local decision making, in theory at least, but have substantial weaknesses in other areas. The LGNZ survey of perceptions of local government clearly demonstrates a need to significantly improve performance, local leadership and participation and interaction. New governance structures will need to significantly improve local interaction, better value for money in infrastructure delivery and ensure that national and regional opportunities are integrated so that New Zealand can keep pace on a global stage.

A better understanding of regional systems would be advantageous, including of resources (energy, water, and materials), people (migration, travel to work patterns), investment, and governance.

There are significant opportunities to improve service outcomes through economies of scale, centres of excellence and regional cross subsidy, recognizing the interdependencies between cities and rural New Zealand.

Equally however it is critical to protect and enhance local democracy and strengthen engagement within and across communities which are key to providing a sense of well-being, participation and inclusion and to providing controls on more centralized decision making and service delivery.

While some decisions are better made at a national or regional level other decisions must be made locally where community engagement is strongest. Connections between decision-making made at different levels need to be acknowledged and provided.

NZCID contends that any change in local government structures should satisfy a set of fundamental guiding principles including:

- (a) enabling democratic local decision-making and action by, and on behalf of, communities at a level where people feel they can influence decisions that impact on their lives,
- (b) encouraging more active citizenship with more people taking responsibility to their communities
- (c) leading regional growth and development ensuring alignment between national regional and local strategies and effective mechanisms for central government-local consultation, joint planning, policy development and operational partnerships
- (d) having the resources and 'strategic capacity' to govern effectively, attract the level of expertise needed, attract private capital and invest and deliver at scale as and when needed
- (e) being effective and cost efficient and providing for clear accountability to the public for outcomes, use of public funds and stewardship of public assets
- (f) being resilient and responsive into the future, and be able to deal with increasing uncertainty, complexity, diversity and change.



Part 5: The Case for Change



In regard to infrastructure, one of the biggest issues undermining coordination is the lack of an integrated planning framework. Without a common set of demand forecasting assumptions, planning horizons and the use of consistent language and terminology it is impossible to make the comparisons need to make good investment decisions.



Local Government New Zealand,
Submission to the Ministry for
the Environment on the Building
Competitive Cities

Fragmented and excessively complex planning laws

The Resource Management Act, 1991 (RMA), the Local Government Act 2002 (LGA) and the Land Transport Management Act 2003 (LTMA) comprise the principal infrastructure planning laws in New Zealand. The purpose and processes involved in each Act are summarised in Fig 8.¹¹

The RMA comprises 828 pages; the LGA 555 pages and the LTMA 165 pages, a total of 1,548 pages of planning law and regulation. All three statutes have undergone extensive amendment since their enactment.¹² The RMA (or its processes or implementation) have drawn significant criticism from both environmentalists, the development sector and the business community alike, albeit from opposite perspectives. Since its enactment in 1991 the RMA has been amended nineteen times and further reforms are in the pipeline.

There remain, however, strong indications that New Zealand's wider resource management system is not functioning efficiently, with several key indicators suggesting serious underlying issues with the way resources are employed:

Water

The negative effects of land use activities permitted under the RMA have over the course of the Act led to a slow but significant deterioration in the quality of monitored streams, rivers and lakes.

While New Zealand's water quality is still good by international standards, the health of lowland streams, wetlands and several lakes is under pressure from declining water quality. For instance, 44 per cent of monitored freshwater bathing sites are reported as 'poor' or 'very poor'. Over the past 20 years environmental gains in terms of reduced 'point' pollution of waters has been overshadowed by increasing 'diffuse' pollution. Between 1989 and 2007, there have been strong increasing trends in phosphorus and nitrogen, particularly in catchments predominantly in pasture.¹³

At the same time, irrigation projects which carry vast economic and social benefits for rural communities but also are characterised by immediate localised environmental impacts have been impeded by complex and challenging approval and consenting processes.

¹¹ See Ministry for the Environment. 2010. Building competitive cities: Reform of the urban and infrastructure planning system. A discussion document pp 74 – 78 for a useful summary of each of these Acts.

¹² The RMA has been subject to nineteen amendment acts since it was first enacted in 1991 (2013, two in 2011, 2009, 2008, 2007, 2005, five in 2004, 2003, 2002, 1997, 1996, 1994, 1993) The LTMA has been amended three times since enactment in 2003. The LGA has been amended seven times since enactment in 2004.

¹³ Water quality trends at NRWQN sites for the period 1989-2007 NIWA Client Report: HAM2009-026 1st edition March 2009, 2nd edition, August 2010.

The result has been that in freshwater management economic, social and environmental outcomes have all failed to achieve societal standards. Despite the improvements resulting from the Land and Water Forum process significant challenges over the allocation and use of water remain and are likely to take decades to resolve.

Housing Affordability

New Zealand has very expensive housing by international standards, with increases beyond income growth since the 1990s and especially over the 2000s. Land value has increased out of proportion to capital values over the past decade, particularly in Auckland which has seen the land component of an average home's value shift from 40 to 60 per cent. This is occurring when other regions are in decline despite having access to significant natural resources.

Climate Change and Carbon Emissions

The Resource Management Act 1991 was designed and implemented before the magnitude of the climate change problem was fully apparent. In 2004 the RMA was amended by the addition of provisions expressly addressing climate change. To avoid having Regional Councils arriving at different standards around New Zealand the amendments required consents and conditions to follow any national environmental standard to control the effects of climate change of the discharge into the air of greenhouse gases but no such standard has ever been promulgated. New Zealand's per capita carbon emissions are some of the highest in the world. Furthermore, they show no signs of abating, despite aspirational commitments to reducing them by 40 per cent by 2020.

Other ongoing issues, which the existing framework seems incapable of addressing include:

- Central and local government disagreement over the prioritisation of major projects in Auckland and Christchurch
- Deficit between local government planning and resourcing capacity
- Long term deficit between transport projects nationally and ability to fund them
- Population decline and aging in rural communities

An assessment of New Zealand's land use and infrastructure planning framework suggests several obstacles to greater integration:¹⁴

- the RMA 'effects-based' regime
- the detailed and complex land use and transport planning framework
- failure to implement strategy and inability to fund the level of investment required
- the limited geographic scope and capacity of local authorities
- the absence of central government

These issues are discussed below.

¹⁴ See National Infrastructure Unit, National Infrastructure Plan (2011); Ward, M., Dixon, J., Sadler, B., and Wilson, J. 2007. Integrating land use and transport planning. Land Transport New Zealand Research Report 333.

A brief History of Planning Law in New Zealand

New Zealand's first national planning legislation came into force in 1926, with the first Town and Country Planning Act. Depression and war were at least partly responsible for its failure to gain traction within New Zealand provinces, though they may also have contributed to its longer lifespan than any of its successors. It was not replaced until 1953 with the second Town and Country Planning Act. It, in turn, was replaced 24 years later by the 1977 version, following a review committee finding that the many amendments to the Act had compromised its effectiveness.

The 1977 version lasted less than a decade before a major review of its provisions was launched by the Fourth Labour Government - the gestation for the enactment of the RMA by a National government in 1991.

The RMA itself was in its infancy when major issues began to be identified. As early as 1996, the Reserve Bank commissioned a report on unprecedented house price increases. That same year one of the Act's principal authors lamented that the Act had created the perception that the environment was a cost on, not an asset to, business and that it was by then viewed so negatively that turning perceptions around would be difficult. Continued revisions to the Act have followed almost annually since that time, yet there has to date been little enthusiasm outside the Ministry for the Environment for a complete overhaul.

Legislation overseeing local government has fared little better. After a stumbling start which saw local bodies first empowered to levy rates for infrastructure in 1842, legislative revisions followed in 1845, 1852 and 1876. A further attempt at structural change failed in 1912 with the first Local Government Bill. Not until the 1974 Local Government Act was there a full legislative revision and harmonisation of local government nationwide and that Act remained in place until 2002, though a major restructure of councils took place in 1989.

Whilst the 1989 amalgamations were generally seen as beneficial across most parts of the country by the mid-1990s it was clear significant obstacles were hampering efforts to govern the Auckland region effectively. In 1996, the region's leaders formed their own initiative, the Regional Growth Forum and developed their own, non-statutory plan, the Regional Growth Strategy 1999. Efforts to implement this and other plans were not successful, culminating in the Royal Commission's recommendation to amalgamate the eight local authorities.

New Zealand has thus today been left with a highly fragmented legislative framework born out of piecemeal revisions to historic legislation. The one opportunity in New Zealand's history to rethink in totality the resource management system – through the development of the RMA and 1989 local government reforms – encountered fierce opposition to centralised planning, consistent with free-market reforms of the time.



The RMA 'effects-based' regime lacks strategy

The land use and infrastructure planning framework established by the RMA was intended to be permissive. This reflects its design in the late 1980s when the prevailing practice opposed planning/ regulation and promoted market based solutions. Thus section five "enables people and communities to provide for their social, economic, and cultural well-being... while avoiding, remedying, or mitigating any adverse effects of activities on the environment."

The Act sets out processes for development of national standards, regional policies and district plans. However the balance of the RMA is primarily concerned with the adverse impacts of development. Apart from proposed amendments which are hotly contested, almost no recognition is given to the positive outcomes derived from good urban planning and development or investment in infrastructure. Objectives designed to balance social, economic, environmental and cultural consequences of infrastructure and land use development create significant conflicts for those developing plans.

The LGA and LTMA, conversely, remain oriented towards future action. Consequently, consenting and other regulatory issues may only arise through the implementation

phase of activity planning, rather than through the development of plans. This increases uncertainty, adds significant cost and slows the delivery of essential services.

The RMA's focus on local effects frequently means a long-term perspective is under-emphasised, despite this being a feature of sustainable management. While the political climate has gradually changed, the 1980s legacy of market led planning continues, often contributing to poor land use and infrastructure planning outcomes.

The detailed and complex land use and transport planning framework

The existing planning framework (the LTMA, LGA and RMA), requires separate plans without strong linkages between them. Where linkages do exist, these have different weightings and are often inconsistent between the statutes.

Figure 8 illustrates the complex maze of approvals to approve a transport infrastructure project.

For example, a Regional Land Transport Plan (RLTP) is required to be 'consistent with' the Government Policy Statement on Land Transport (GPS), but only has to have 'taken account' any relevant national policy statements and any relevant regional policy statements or plans under the RMA.

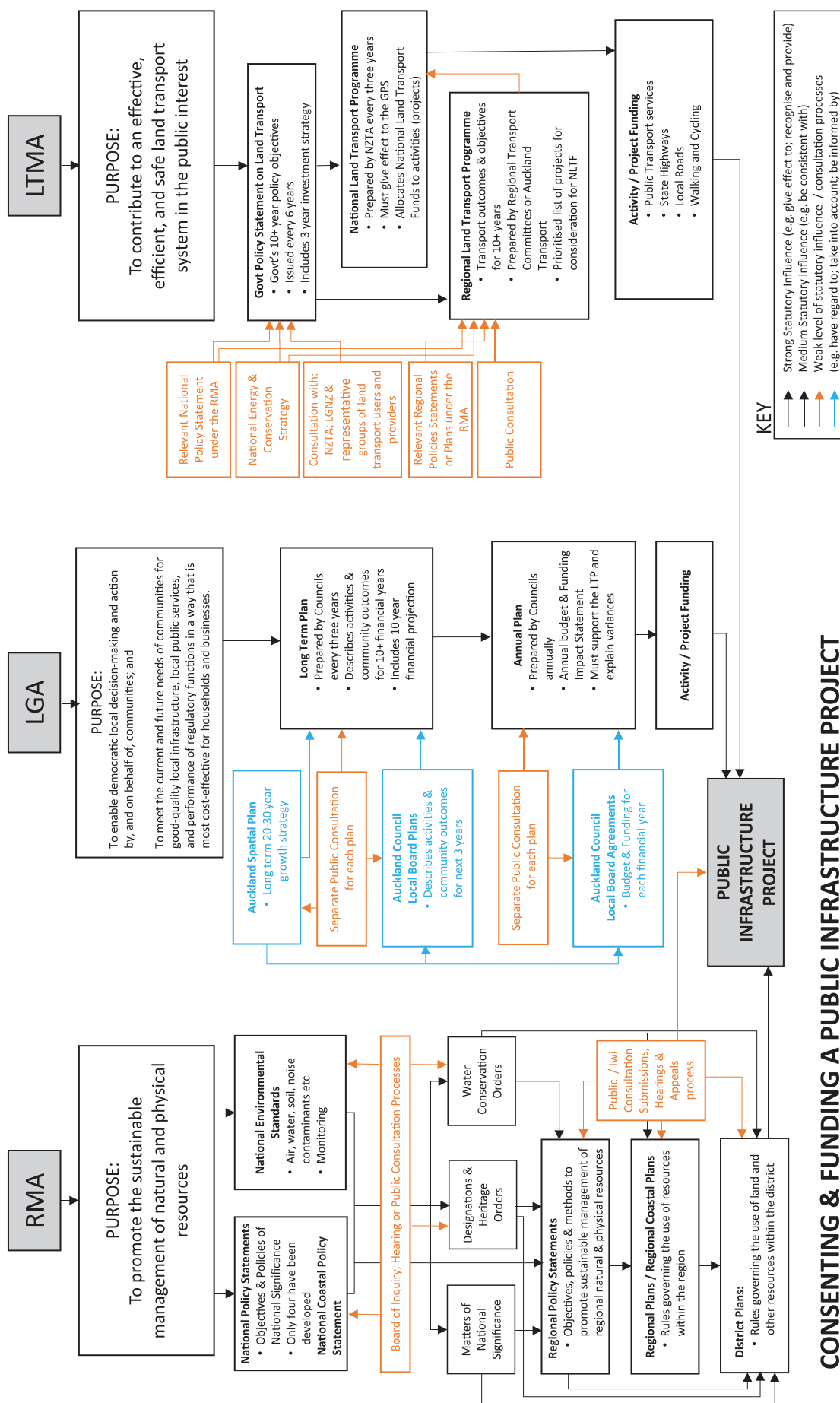
A nationally significant project may be a priority in the Auckland Spatial Plan but have no recognition under the RMA or the GPS on land transport. Similarly, a regionally significant project may have priority in a RLTP but not be funded in the local councils Long Term Plan (LTP).

There is a lack of common purposes and goals across the planning framework and the hierarchy between the RMA, LTMA and LGA plans is unclear.

Key issues highlighted are the inconsistent hierarchy of weightings across the three Acts which make them difficult to navigate. Because of the multiple plans required, complexity, fragmentation and confusion are the result.

Also hampering coordination efforts is a lack of consistency of timeframes required by the various plans and the time-phases in which the plans must be developed. For example, district plan processes can take years and in many cases up to a decade or more to complete. Meanwhile council annual and ten year plans run separately from three yearly National Land Transport Programme planning cycles. All of this adds to complexity and duplication of process and misalignment of investment decisions with land use planning decisions.

The Infrastructure Planning Framework



CONSENTING & FUNDING A PUBLIC INFRASTRUCTURE PROJECT

Ineffective and Duplicative Consultation Processes

Adding to complexity are rigid, overlapping and time consuming consultative requirements. The public have a critical role to play in defining the future of land use and infrastructure provision. But typically engagement models are based on the rigid statutorily defined special consultative procedure, which, instead of encouraging proactive solutions to contentious issues, engenders antagonism and division.

Despite exhaustive, yet limited proactive engagement processes – formal public consultation, under the RMA, LGA and LTMA is intimidating for respondents, replicated across multiple plans, strategies and discussion documents and frequently not implemented.

Consequently, consultation rarely succeeds in capturing the interest and input of residents until the implementation phase when affected communities begin to understand the impacts.

Added to this are the range of different views held about how to manage development and the multiple stake-holders involved (including central and local government, developers, the public and the courts).

Quality land use development requires effective decision-making

Special Consultative Procedure

The special consultative procedure is a situation in which a local authority has a pre-existing view on which it is seeking community comment. It involves releasing a proposal (which may be a draft plan or policy or a specific proposal) to the community for comment.

Making a written submission gives submitters a right to be heard orally, and the council must consider all submissions before it makes its final decision on the proposal.

Perceived problems with the process include:

- **Formality** – the process includes written submissions and formal hearing processes
- **Perceptions that consultation is a sham** because the local authority seems unwilling to listen; there is too little time for presenting submissions; there is lack of feedback about the final decision; council and its officers are seen to have a vested position; and because expectations are different.
- **Undue Pressure Group Influence** - Both local authorities and the public have expressed concern that public consultation processes can be dominated or captured by particular interest groups.
- **Costs** – the costs of publishing and distribution of material, keeping in touch; and public meetings can be significant.

across local and central government agencies, infrastructure providers and the private sector. It also requires effective interaction and engagement with key participants affected by development, including iwi/Māori, communities and non-government organisations. The length of time projects take to go through the planning and consenting processes, the complexity of the processes, the range of legislative criteria involved,

and the costs of consequent delays is therefore a major concern.

In summary, no effective single mechanism exists to facilitate engagement, provide the full range of relevant information needed to inform robust decision-making, promote innovation or secure agreement between participants and create certainty for investment.

Case Study: Explaining the collapse in construction industry productivity

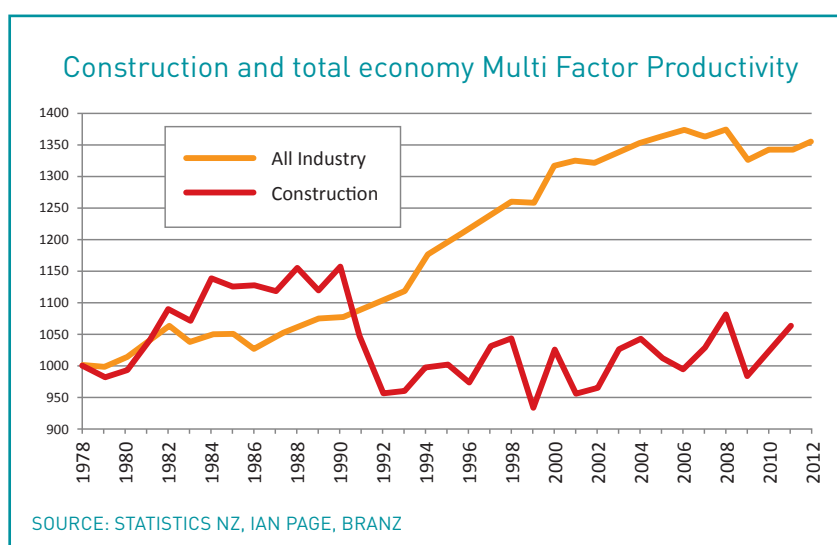
For some reason (or reasons unknown) multi factor productivity of the construction industry collapsed in 1991/92, as compared with productivity across the entire economy (shown below). The significance of the fall suggests a dramatic change in circumstance occurred in that year. This could possibly include change in regulation that occurred on or around 1991 including the introduction of the RMA in that year, the Employments Contracts Act 1991, or local government reform in 1989, among others. Or it could reflect a combination of factors outside changes in law. However, the coincidence of this event in the same year as substantive legislative change was enacted suggests a causative link.

Other causes are not immediately apparent. In an attempt to find possible explanations for the near-zero growth in construction industry productivity measures since 1991 Branz have identified a series of possible contributory factors including:

- Failure to pass on price increases: Prices the industry charges for its outputs have risen more slowly than what it is charged for its inputs.

- What we build: The New Zealand construction industry is based on residential construction, which is subject to large fluctuations in demand, and has lower labour productivity than other sub-sectors.
- How the industry responds to demand: Construction businesses hoard workers during downturns, leading to sharp declines in productivity, with the opposite true in upturns. Small businesses, which often don't benefit from the productivity improvements that come with scale and are less resilient to economic hardship, tend to proliferate during boom years and fail in bust years.
- Uncertainty over workloads: The industry has lacked the certainty of workload to invest in people, plant and technology.
- Labour quality: Hourly productivity has remained flat in construction although capital use has increased, suggesting no improvement in skill levels.
- Measurement challenges: Accurately excluding changes in quality from estimates of construction industry price increases is extremely challenging.

However, all of these factors are likely to have existed prior to 1991 and none provide a satisfactory explanation for the dramatic reduction in industry production which occurred in that year.



Failure to implement strategy

Many local authorities have recognised the need to strategically manage land use and infrastructure planning. While several informal LGA strategic or spatial planning documents exist, such as the Auckland Plan or the Tauranga Smart Growth Strategy, or the former Canterbury Regional Growth Strategy these strategies are not statutory documents under the RMA and have limited authority. Because of their limited legal status, and lack of funding support through LGA and LTMA processes, non-statutory strategic plans face significant challenges in their implementation.

Planning is often held hostage to funding availability. Limited mechanisms to fund services results in policy designed to deploy available resources to best effect, rather than identify the best value for money and resource it accordingly.

Alternative funding sources beyond taxes and rates remain elusive. Because there is no direct link between planning and funding, the complex planning system fails to provide a clear linkage between policy-making, funding and development.

Limited geographic scope and capacity of local authorities

Land use and infrastructure decisions are typically taken by district or city councils - the lowest level of local government.

In many cases agencies charged with planning responsibilities are too fragmented or too reliant upon central funding to deliver plans. Dependency on outside resources and cooperation limits the efficacy of planning agencies and causes delays to implementation.

Regionally, planning can be undermined by fragmented local authority structures as well as political and professional frictions, giving rise to compromise or indecision.

This is particularly problematic for network infrastructure providers such as telecommunications, power and transport who have to navigate a complex maze of district and regional planning processes.

New Zealand's planning system (namely the RMA, LGA and LTMA) is disintegrated. There is little alignment between strategies, funding, regulation and decision-making to integrate land use and infrastructure development, set spending priorities and manage growth. There is both a duplication and fragmentation of powers and processes and a lack of alignment between the RMA and other legislation. The three planning statutes are not working together as a complete planning system, although some connections are present. Each statute, its plans and decision-making are all subject to different legal processes and criteria, and operate over different time frames. There is insufficient alignment, connection and flexibility within and across planning functions, statutes and layers of governance and decision-making. This results in duplication, fragmentation and lack of clarity, and demands considerable time and resourcing from all parties involved.

MINISTRY FOR THE ENVIRONMENT,
BUILDING COMPETITIVE CITIES: REFORM
OF THE URBAN AND INFRASTRUCTURE
PLANNING SYSTEM (2010), PP. 9-15

The absence of central government

When compared to other countries, New Zealand's land use decision-making is highly decentralised, even though transport infrastructure spending decisions are largely centralised. This introduces a governance barrier between two intricately related activities with profound effects on communities and businesses.

As central government has generally not been explicit about what it wants to achieve in terms of land use management or how it wants to 'shape' places, a separation of planning from implementation has arisen, leading to ad hoc and inconsistent decision making.

Although they are now beginning to evolve, the absence of critical national policies under the RMA and LTMA has given rise to inconsistency and differing approaches between regional and local plans.

"Given its significant role as a funder of transport investment central government needs to either be more involved in place-shaping decisions – or devolve transport infrastructure investment decision-making to those agencies who make place-shaping decisions (i.e. local government)".¹⁵

Cross-sectoral issues such as growth are addressed compartmentally – there is no "bigger picture" approach to meeting multi-faceted challenges so that an underlying issue impacting transport, land use and safety, for example, is likely to be managed separately. Three or more agencies may subsequently respond with either misaligned or misdiagnosed policy, leaving the root problem intact.

"... the problem [of the lack of alignment between central and local government] manifests itself in the provision of uncoordinated infrastructures. Tinkering with the RMA alone will not solve this problem. Instead, you need to investigate the wider systems, structures, funding arrangements and responsibilities of both parties. You need to ask where the lines of communication are breaking down and why they are leading to the delivery of less effective services."¹⁶

However, central government capacity to undertake major policy reform is limited. When reform is proposed, it tends to be led by government departments in silos focused on individual statutes rather than addressing the underlying or

integrating problems between the statutes. Auckland reforms have evolved in response to unique growth challenges in New Zealand's largest city; local government reforms have been driven by rapid rates increases; RMA reforms have resulted from specific concerns regarding consenting and the Land and Water Forum is a response to freshwater management issues.

Yet, each of these initiatives are related. The underlying cause of issues across all these apparently disparate sectors is a fundamentally flawed domestic governance system and disjointed planning framework.

Without addressing the structures, responsibilities, tools and incentives supporting domestic governance and resource management, piecemeal changes will help to improve processes within a disjointed governance and planning framework but are unlikely to materialise as a substantive improvement in economic, social and environmental well-being of New Zealanders.

The larger question about how best to provide a planning framework for overall resource allocation, land use, transport and infrastructure planning isn't being addressed.

¹⁵ Local Government New Zealand, Submission to the Ministry for the Environment on the Building Competitive Cities Reform of the Urban and Infrastructure Planning System Discussion Document (December 2010), p. 4

¹⁶ Ministry for the Environment, Building competitive cities: Reform of the urban and infrastructure planning system (2010), p. 13

Incremental Reforms are Not Working

Over the last half decade the Government has progressed a series of initiatives to reform the institutions and legislation traversing local government, the planning framework and resource allocation. The changes come in response to a wide variety of observable issues which have been impacting New Zealand's economic performance, environment and communities. The principal elements of this reform programme are:

- Auckland governance restructure
- Land Transport Management Act amendments
- Resource Management Act reform
- Freshwater management reform
- Better Local Government programme

While these reforms have generally been welcomed by business and the infrastructure development community they have been subject to strong opposition from local government and environmental groups.

Recent change to purpose of the Local Government Act - replacing the four well beings: environmental; social; economic and cultural wellbeing – with a more narrow focus on providing local infrastructure planning and regulation was strongly opposed by local government sector.

Proposed reforms to the RMA in 2014 were hotly contested by environmental groups, particularly the proposal to merge sections 6 and 7 of the Act into one list of matters of national importance to be considered by decision makers. The Environmental Defence Society and others¹⁷ maintain that proposals to rationalise sections 6 and 7 and adding new matters relating to the built environment, development and infrastructure will considerably weaken the environmental purpose of the Act.

Yet while these proposals are hotly debated, and are remain subject to change, the current reforms do not significantly address the lack of alignment and connection between the three key planning statutes.

These issues are outlined and discussed below.

LGA Reforms

In 2012 the purpose of the LGA was amended to focus local government on meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.¹⁸ In addition, councils are required to have particular regard to the contribution that core services, such as network infrastructure (e.g. roads) and public transport services, make to their communities.¹⁹ The amendment also made changes to council governance arrangements, enabled financial prudence requirements to be set by regulation, and changed the procedures for local government reorganisations.

A further amendment was introduced in November 2013 which, among other things, sought to encourage collaboration and shared services between local authorities; enable more efficient and focused consultation on long-term plans and annual plans; remove duplication between annual plans and long-term plans; introduce new requirements for infrastructure strategies and asset management planning; and require disclosure of risk management arrangements for physical assets in annual reports.

¹⁷ For a detailed critique of the proposed reforms see *Protecting New Zealand's Environment: An Analysis of the Government's Proposed Freshwater Management and Resource Management Act 1991 Reforms*: Sir Geoffrey Palmer QC, September 2013 and EDS media statement, legal advice and policy paper available at http://www.eds.org.nz/eresources/media.cfm?content_id=120831

¹⁸ See Local Government Act 2002 Amendment Act 2012 (amending sections 3 and 10 of the Local Government Act 2002)

¹⁹ See section 11A, Local Government Act 2002

The amendment also included provisions to enable the Local Government Commission to establish local boards in unitary authorities (similar to those in Auckland) and create council-controlled organisations and joint committees as part of a reorganisation scheme.

The Government's non-legislative work programme includes exploring options for a local government performance improvement and monitoring framework, and pursuing initiatives arising from the Productivity Commission's inquiry into local regulation.

To the extent that focus, transparency and accountability of councils is improved, planning and consultation processes are streamlined, best practice in planning and asset management is advanced and collaboration and potential amalgamation of councils is encouraged, these reforms address some of the issues discussed in the preceding section.

Particularly positive developments are initiatives being led by Local Government New Zealand and underway among and between some Councils to benchmark performance, agree shared service arrangements, joint ventures, clustering arrangements and the like. The proactive leadership being taken by Local Government New Zealand in the development of Centres of Excellence to develop and share best practice across Councils also provides an

opportunity to share best practice, raise competency in governance, asset management, procurement and service delivery.

Also strongly supported is the requirement for Councils to develop of a thirty year infrastructure strategy and the link to asset management planning to be undertaken as part of a council's prudent stewardship of resources. Such long term planning helps break the 10 year focus forced onto councils by the current LTP process.

There is also potential to achieve efficiencies and deliver better whole of life service outcomes through consolidation of contracts across council boundaries and joint publicly owned Council Controlled Organisations or joint ventures with the private sector.

However key issues relating to fragmentation of local government, diseconomies of scale, inability to fund, complexity of relationships, duplication of function; and paucity of regional leadership and implementation capacity are not significantly addressed by these reforms.

While the amendments make council amalgamations easier, the process is primarily dependent on local initiative to develop proposals for reorganisation for consideration by the Local Government Commission (LGC). The LGC response is then potentially subject to local

referendum. Consequently, the power to promote, accept or reject proposals for amalgamation is a local decision.

A significant weakness with this approach is that local communities are given the authority to thwart an outcome which may be in the regional or national interest. For example, council areas such as those in Wellington's Hutt Valley or Auckland's North Shore lie adjacent to major metropolitan centres, allowing them to reap the benefits of proximity to regional services. At the same time, these communities are 'built out', meaning they do not incur an equivalent cost of location near to a large, growing city. It is rational and to be expected that such communities oppose reform which is likely to result in a more appropriate apportionment of costs with benefits across a region, even if such reform is efficient, fair and necessary from a national and regional perspective.

There are also major questions as to whether the pace of change is sufficient or that the goodwill and political commitment that is so critical to the success of this strategy will be sustained over time.

Under current arrangements it may take significant failure by councils before change is forced upon them. At the very least it is likely that amalgamations will take some years and possibly decades to evolve.

In the meantime there remains a major risk that regional development

and growth will continue to be constrained by divided leadership and vision, disintegrated planning, and the inability to fund and deliver the key investment required (in partnership with government and the private sector).

LTMA Reform and Transport Agency Improvement Initiatives

In June 2013 the long list of economic, social, cultural and environmental objectives of the LTMA were changed into a more simplified purpose to “contribute to an effective, efficient and safe land transport system in the public interest”. The amendment also consolidated five former national and regional transport planning documents into three main documents. At a national level the Government Policy Statement on Land Transport set out central government’s outcomes, objectives and impacts for the land transport sector for at least 10 years.

The Statement is issued by the Minister of Transport at least once every six years. It contains the Crown’s Land Transport Investment Strategy, which is reviewed at least once every three years. At a regional level the Regional Land Transport Plan sets objectives, policies and interventions for at least 10 years. Regional plans are issued every six years, and reviewed every three years.

These arrangements were intended to better integrate higher-level strategic planning with lower-level tactical planning, and reduce the amount of time regions spend in consultation over minor activities. Consultation requirements were also made less prescriptive allowing regions to tailor the engagement process to better reflect their needs.

In October 2012 a joint NZTA, local government and industry task force review and a separate state highway management and operation review led by NZTA concluded there were important opportunities to improve asset management, risk management and procurement methods across the road management system. Principal opportunities for improvement identified were taking a ‘one network’ approach; collaboration between local authorities and in some cases joint management of the network; utilising more advanced contracting methods to incentivise contractor cost management; consolidation of contracts; improving prioritisation of spending based on road classification and development of a national asset management framework.

NZTA have undertaken a review of local authority funding assistance rates. This was designed to determine the overall split of costs between direct land transport system users and local communities. In determining which councils get higher funding assistance rates, NZTA determined that they will take into account differences in local

authorities’ ability to raise the local share of the costs of achieving land transport outcomes. It is interesting to note that councils’ ability to fund local share is bears little relationship with transport demand which is the primary driver for investment. This decision favours councils with higher deprivation per capita and smaller populations per kilometre of road, regardless of traffic volumes, and disadvantage councils with greater population and traffic density per kilometre of road. Most importantly, the review only looked at how existing funds are allocated between users and councils. It did not increase the total quantum of funding that is available.

The LTMA reforms when combined with the operational efficiencies identified through the various NZTA led operational reviews should lead to better integration of transport planning, operation and management. However the reforms and operational improvements to the LTMA do little to address the disjoint between land use planning and funding processes which operate under the LTMA, RMA and LGA that were discussed earlier. Most importantly, the reforms do not change the total quantum of funding that is available which is, by far, the most significant challenge across the transport system.

RMA Reforms

In 2009 the Government began a substantive RMA reform programme. The Resource Management (Simplifying and Streamlining) Amendment Act 2009 sharpened requirements around how councils process resource consents and set up the “call in” process to allow nationally significant consent applications to be referred directly to a Board of Inquiry or to the Environment Court.

Reforms in 2013 provided a streamlined process for Auckland’s first unitary plan; a six-month time limit for processing consents for medium-sized projects; easier direct referral to the Environment Court for major regional projects and stronger requirements for councils to base their planning decisions on cost-benefit analysis.

In addition to the resource management amendments of September 2013, the Government set out further proposals on improving New Zealand’s resource management system.²⁰

Key elements of the proposals included:

- Merging sections 6 and 7 of the Act into one list of matters of national importance to be considered by decision makers. This included deleting some existing matters and adding new matters including the effective functioning of the built environment, the availability of land for urban development, management of risks of natural hazards and the efficient provision of infrastructure
- Creation of a new section 7 to require concise, efficient, cost effective, timely and collaborative planning processes which do not unreasonably restrict use of private land.
- Specific direction about when and how National Policy Statements (NPS) and National Environmental Standards (NES) are to be developed and implemented
- Allowing joint planning processes including single, local resource management plans for districts or regions based on a national planning template
- Streamlining, fast tracking and improving certainty of process for resource consents for minor or less complex projects
- Increasing councils self-monitoring of performance and increasing ministerial powers to intervene on process, plan content, or when asked by a council
- Providing for more collaborative plan development processes and for Māori interests and values to be considered earlier in resource management planning processes with solutions developed upfront
- Requiring comprehensive management of natural hazards in planning and consenting
- Requiring councils to give explicit attention to housing affordability to reduce costs and improve timeliness of planning and consenting.

As with changes to the LGA and the LTMA, proposed reforms to the RMA primarily address key issues specific to the Act, rather than addressing the inconsistencies across the three statutes.

Streamlined consent processes, giving specific recognition to the effective functioning of the built environment, the availability of land for urban development, management of risks of natural hazards and the efficient provision of infrastructure is generally welcomed by the infrastructure community. But proposed reform of sections 6 and 7 are strongly opposed by environmental agencies who see the

²⁰ Ministry for the Environment. 2013. Improving our resource management system. A discussion document. Wellington: Ministry for the Environment

changes as a fundamental attack on the essence of the RMA as an environmental protection law.

Promoting more effective collaborative and joint planning processes among councils may go some way to addressing duplication and complexity in the development of separate District Plans. However this option will be dependent on good will across councils to collaborate and develop joint plans. These councils are often in competition for resources and investment under current organisational arrangements. Based on experience with shared service arrangements across councils, which have almost always turned out to be good in theory but almost impossible in practice, progress on joint planning can be expected to be piecemeal and slow.

Need for Local Government and Planning Law Reform

Fundamentally, the problem with reforms to date is that they have avoided the difficult, publicly contentious structural issues at the heart of domestic governance and resource management. With the exception of the reform of Auckland governance, none of these, nor any other, responses address underlying structural anomalies in the overall domestic governance and planning system.

From closer analysis of these structures NZCID concludes that much more fundamental change is

required to overcome existing issues and modernise governance activities to progress future outcomes.

As observed through the development of local government institutions and responsibilities, there has never been a coordinated, first principles review of the purpose of local government within the overall administration of New Zealand; its role in this process; and the legal framework supporting these activities. Ad hoc revisions of 19th century British legislation have led to piecemeal reforms and an incoherent framework for domestic decision making and policy implementation.

Until the structures supporting this framework receive a fresh appraisal in light of the wider New Zealand governance situation in the 21st century, band aid policy responses will only achieve short term solutions to superficial problems.

The priority over the coming term should be to shift from piecemeal incremental improvement to a system-wide approach that provides:

1. A fully integrated and aligned resource management and planning framework
2. Rational allocation of planning functions between national, regional and local institutions
3. Enhancing regional capability to plan deliver and fund sustainable regional social and economic

development whilst fostering community and engagement and participation

4. Agreement of common goals, policies, plans and linkages nationally, regionally and locally to guide infrastructure and land use planning outcomes
5. Coordination of processes for planning, consulting and decision-making
6. Funding and assessment processes that support land use and infrastructure integration

The following section sets out a possible pathway forward that is designed to achieve these outcomes.

Over the past few decades, the resource management system has evolved through new legislation, institutions, and multiple amendments to address new and emerging issues. However, when the system is viewed as a 'whole', this evolution has resulted in inconsistencies and misalignment between core legislative frameworks. The priority over the coming term should be to redirect piecemeal changes to the system towards a system-wide approach that results in better integration and alignment.

MINISTRY FOR THE ENVIRONMENT,
BRIEFING FOR INCOMING MINISTER FOR
THE ENVIRONMENT AND MINISTER FOR
CLIMATE CHANGE ISSUES,
NOVEMBER 2011, P. 5.

Part 6: Achieving the Balance

Delivering strategic capacity and capability whilst strengthening local democracy

Extensive analysis has been undertaken in recent years on opportunities to improve service delivery by councils and to enhance

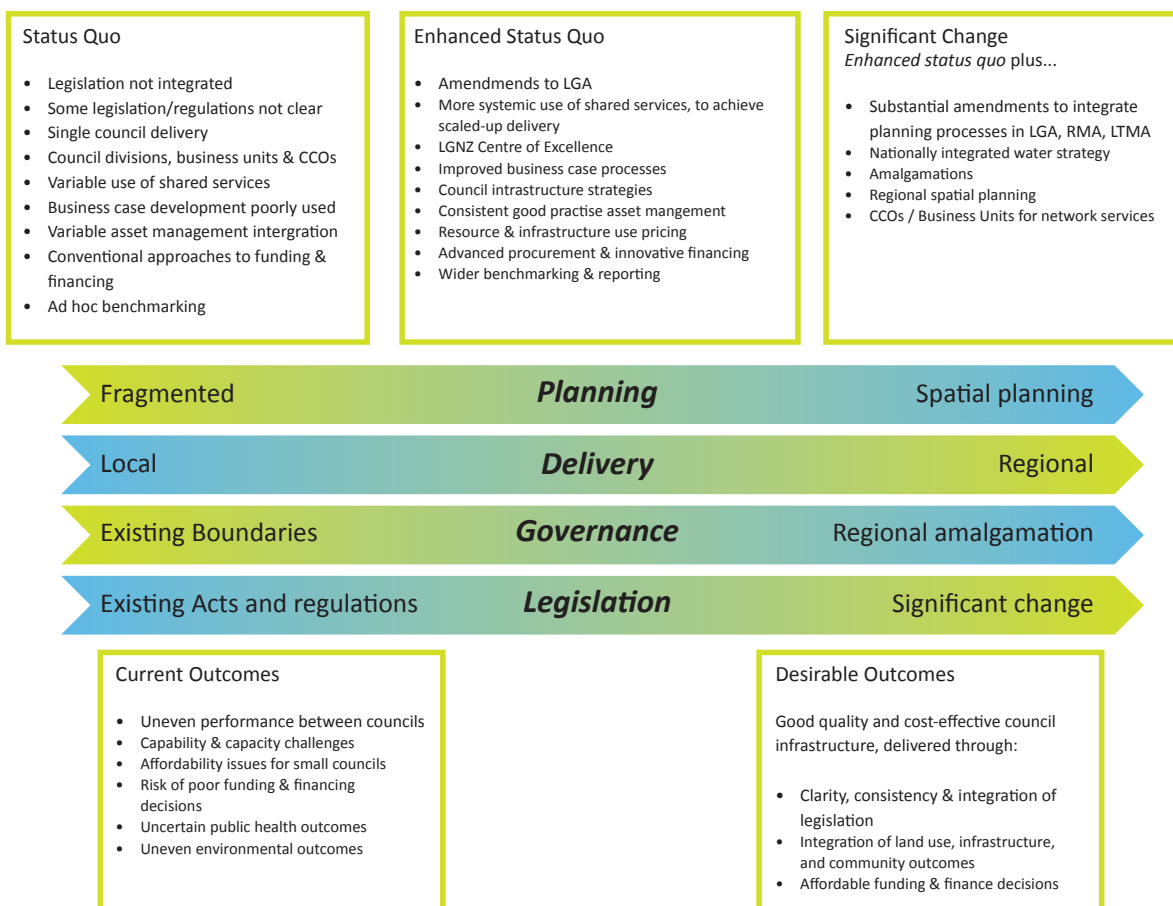
planning laws in New Zealand.²¹ This analysis has informed the Government's Better Local Government reform programme. In the interests of brevity detailed analysis is not repeated here since the information is readily available.²²

All of the reports have identified deficiencies in the, strategic planning;

asset management planning, planning funding and delivery of infrastructure; the interface between central, regional local government, the structure scale and scope of local government and disintegration between the key planning laws.

FIGURE 9

Summary of Infrastructure Expert Advisory Group Recommendations



²¹ See for example: Report of the Local Government Efficiency Taskforce, November 2012; Report of the Local Government Infrastructure Efficiency Expert Advisory Group, March 2013; Towards better local regulation, Productivity Commission, May 2013; Report of the Minister for the Environment's Resource Management Act 1991 Principles Technical Advisory Group, July 2012; Urban Planning Technical Advisory Group report, July 2010; Infrastructure Technical Advisory Group report, August 2010

²² see MfE website: www.mfe.govt.nz/rma/reform/phase-two/background-documents.html and Department of Internal Affairs: www.dia.govt.nz/better-local-government

The Local Government Infrastructure Efficiency Expert Advisory Group (IEAG) report, was most specific in its recommendations.

In addition to a whole series of best practice recommendations on effective strategy, asset management procurement and delivery, the IEAG set out a strong case for significant change out including:

- substantial legislative reform to integrate planning processes in the LGA, RMA and LTMA;
- nationally integrated water strategy;
- council amalgamations into regions of at least 100,000 population;
- regional spatial planning and
- CCOs or business units for network services including water and transport.

Research on the Benefits of Local Government Consolidation

There has been extensive international research on the benefits of consolidation, much it contradictory. In 2011 Australian Centre of Excellence for Local Government (ACELG) undertook a comprehensive review of available local and international literature and case studies and interviewed

key opinion-makers who had recent experience in consolidation.

The project was undertaken as a collaborative research venture between ACELG, Local Government Association of South Australia (LGASA), and Local Government New Zealand (LGNZ). The key findings from their report “Consolidation in Local Government: A Fresh Look” are summarised in Figure 10.

FIGURE 10

Australian Centre of Excellence for Local Government: Summary of Attributes of Different Forms of Consolidation

	Amalgamation	Boundary Change	Shared Services	Regional Collaboration
Efficiency and Economies of Scale	Strong link	Potentially strong link subject to size/ disposition of re-shaped councils	Strong link	Weak link
Strategic Capacity	Strong link	As above – benefits will flow to larger “new” council/s	Potential medium-strong link subject to organisation structure and governance	Weak link
Service Improvement and Innovation	Strong link	As above	Strong link (but limited to those services that are effectively shared)	Potential link subject to nature and scope of collaboration
Potential Diminution of Local Democracy	Distinct risk, but can be managed	Some risk depending on nature of “new” councils – can be managed	Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage	Little or no risk

The research found that boundary changes, shared services and regional collaboration all showed potential benefits, but amalgamation showed the strongest linkages to efficiency and economies of scale, to the opportunity to enhance strategic capacity and to service improvement and innovation. Potential diminution of local democracy was found to be a “distinct risk, but could be managed”.

The research shows that benefits can accrue when councils adopt mechanisms to collaborate or consolidate with other local authorities but also cautions that council amalgamation will not automatically yield substantial economies of scale.

Potential benefits are reduced or lost when the process is flawed due to inadequate planning and consultation or a failure to consider all the options available and precisely what each could achieve. While efficiency gains can be achieved through various forms of consolidation, they are unlikely to produce reductions in local rates and charges due to other expenditure needs. Rather benefits tend to accrue in improved service delivery and provision of new services and service standards that were previously not possible or affordable.

The report also shows that various forms of consolidation have the capacity to yield economies of scope or enhanced strategic capacity and that this effect may well be strongest in the case of amalgamation into

relatively large units. New services and/or innovative approaches to service delivery have been promoted through various forms of consolidation.

Concerns for any diminution of local democracy were muted, suggesting that councils may be managing this issue well and/or that it is often not a major, ongoing factor in the eyes of the community.

The Politics of Structural Reform

Discussion of structural reform in local government is invariably dominated by opposing views about the merits of amalgamations.

Some councils are strongly – often vehemently – opposed and campaigns are launched to stave off any perceived threat. More regional cooperation and shared services are usually advanced as the alternative. The result tends to be a stand-off without any in-depth consideration of all the issues and options involved.

The principal arguments used against amalgamations are that there is no direct, general relationship between council size and the efficiency of service delivery; that mergers will fail to produce worthwhile cost savings; that local identity and representation will suffer; and that regional cooperation and shared services can deliver the desired outcome.

However, those arguments miss several crucial points:

- The evidence shows that for core local government functions, notably infrastructure and ‘back-office’ services, increased scale can and does bring efficiencies and cost savings, if well managed.
- Local government does much more than just deliver services and needs greater ‘strategic capacity’ (as outlined previously) to plan effectively for the future of localities, to advocate and negotiate on behalf of communities, and to play a stronger role in the wider system of government
- Mechanisms such as Local Boards and new approaches to place management, community engagement and customer service make it possible to strengthen local representation and identity within larger council areas
- To date, regional cooperation has been mostly voluntary, and its performance in delivering shared services has been patchy and variable over time

The central challenge in structural reform of local government is the need to balance two seemingly opposed agendas: capitalising on opportunities for improved strategic capacity and increased scale and

capacity that will enable councils to remain sustainable, provide adequate services, and be valued partners in the system of government and, on the other hand, “keeping the local in local government” so that community identity and local democracy are maintained.

There are several structures that could achieve this outcome. Options include:

1. Regionalisation through council amalgamations. This could be based on the unitary council / local board structure similar to governance arrangements in Auckland and the Local Government Commission proposals for Northland and Hawkes Bay
2. Regional collaboration supported by shared service agreements across district council boundaries. Alternative approaches include provision by a lead-council; contracted outsourcing, Public-Private Partnerships etc. Current initiatives in the Bay of Plenty and Waikato regions are examples of this approach.
3. Council owned entities similar to Watercare or Wellington Water to provide water, transport and other services across multiple local council areas.
4. Full outsourcing of services through privatisation of services.

There are pros and cons for each approach.

Councils amalgamations have, to date, proved unsuccessful. As a consequence the Minister for Local Government Hon Paula Bennett has decided not to legislate for large amalgamations of councils. Instead she has made it clear that councils, with the support of the Local Government Commission, must now focus on solutions and options that will deliver sustainable growth, better services, modern infrastructure, strong leadership, resilient communities – and sustained, locked-in change.

The range of possibilities could include different business structures or CCOs, binding shared service arrangements, recalibrating roles and functions between regional councils and territorial authorities, and, where local communities support them, some amalgamations. In some cases, changes may mean regional councils are no longer required while in other cases regional councils may take on more or fewer responsibilities.

This approach builds on initiatives underway among and between some Councils to benchmark performance, agree shared service arrangements, joint ventures, and potential clustering arrangements.

Similarly there is enormous potential to achieve efficiencies and deliver better whole of life service outcomes through consolidation of contracts

across council boundaries and joint publicly owned Council Controlled Organisations or joint ventures with the private sector.

Local Government New Zealand is showing strong industry leadership in the development of Centres of Excellence to develop and share best practice across Councils. These are all very positive developments.

But there is a significant risk in this strategy that it will result in piecemeal solutions that will consequently fail to address the systemic issues discussed in previous sections of this report.

Moreover the pace of change is tortuously slow and the impact not as significant as it could be.

In Waikato, for example, three of the nine local authorities in the region are planning to consult their communities on a proposal to form a joint CCO to manage water service delivery across the areas that they are responsible for. This followed a Cranleigh report into the potential benefit of the three councils consolidating water services identified close to half a billion dollars of savings over the next thirty years and \$107 million over the next decade, or around 14 per cent of operational expenditure.²³

²³ Cranleigh, *Business Case for Water Services – Delivery Options*, 2015.



While this is a very positive initiative, it is incredibly disappointing that it includes just three councils and one of those councils, Waipa District, appear to be wavering in their decision to proceed.

It also begs the question what might have been possible if all nine councils across the Waikato region participated. For example, and in contrast, significant scale efficiencies have been realised by Watercare since amalgamation, including annual operating savings of \$104 million and substantial new capital investment in Franklin and Rodney districts that both Councils simply could not afford before amalgamation.

Considerable risk remains that the goodwill and political commitment that is fundamental to the success of the current strategy will not be sustained over time. The number of entities involved and the complexity of governance arrangements that are required multiplies this risk considerably. Moreover, retaining separate planning entities does nothing to streamline the interface between central, regional and local government and the private sector. The more control that district councils cede to share service contracts and regional planning, the less relevance each council will have for continued existence.

For these reasons, NZCID favours structural amalgamations using the two tier unitary council model, similar to that used in Auckland as a template for governance reform across the nation.

In so doing, the Auckland model would require significant changes to better reflect rural New Zealand. In particular, it would be essential to provide greater delegation of power to Local Boards including, for example, the ability to set local targeted rates to fund local amenities that are not provided or relevant regionally. This is particularly important for rural New Zealand where physical separation between towns and provincial cities is a significant factor and where communities of interest are more distinctive than in metropolitan Auckland.

Part 7: Proposed Template for Regionalisation

NZCID proposes that consolidation of existing 11 regional councils and 67 city and district councils into regional unitary authorities should be evaluated. The number of authorities will need to be carefully assessed. NZCID's view is that a rational range of possibilities extends from about five regions to up twenty. To provide a basis for evaluation, a proposed organisational template is explained in some detail below and variations of potential regional boundaries are also illustrated.

Proposed Unitary Council Structure

Under a unitary council model regional councils and district councils within an agreed area will be consolidated into one unitary council. The new council would be led by a Mayor elected at large from the region. The Council would be elected from ward areas determined by the Local Government Commission to provide balanced representation across the region, urban and rural, and having consulted extensively to determine appropriate communities of interest. Local Boards would be established to represent identified communities of interest. They would be elected to oversee the provision of local amenities and community services within the local board area. Council controlled organisations will be established with independent professional governance and would provide region wide infrastructure services including transport, water

services and to lead regional economic development and urban development in partnership with the business community.

Community Engagement and Direct Representation

Community engagement, participation and authority will be strengthened by the establishment of Local Boards and an Independent Maori Statutory Board made up of representatives nominated by local iwi. The Maori Statutory Board would have equivalent powers to that of the Maori Statutory Board in Auckland.

Local Boards are an essential part of the proposed co-governance model. Each Local Board area will be identified by the Local Government Commission based on existing town centres or suburbs with a view to representing appropriate communities of interest. Elected members will select their Chairperson who will be the local dignitary on all matters within the community. The Board will be supported locally by the provision of a staffed Local Board office.

The primary role of the Local Board will be to develop a 5 year Community Plan and to allocate funding (provided by the region or raised locally) in accordance with the plan. Each Local Board will be allocated a local budget to enable implementation of the plan once approved by the Council and will be authorised to levy local

or targeted rates for the provision of local amenities and services. The Local Board will have to consult with their communities and demonstrate support within the local board area for any additional rates or charges.

The Community Plan will determine the community's priorities encompassing such things as: main street programmes, streetscapes, support for community arts, culture and events, neighbourhood and community support, playgrounds, local parks & reserves, recreation centres, and development of sport and recreation.

The Community Plan must be consistent with and give effect to the Regional Strategic Plans developed by the Council. Local Board Plans will be the primary mechanism for interaction on local issues and will enable community involvement and influence at the most appropriate local level - where people feel they can influence decisions that impact on their lives and the amenity of their local community.

Organisational Template for Unitary Councils



A high standard of core service provision from street maintenance, to parks and reserves to rubbish collection will be provided across the region by the Council. The role of Local Boards is to act as the eyes, ears and voice of the communities they serve to ensure the service standards meet community expectation. Importantly, they will also have powers to set rates or local charges to support local amenities, subject to the support from the local community for the provision of such services.

Working within the long term plan for the region, Local Boards would be the point of reference for all regional initiatives that affect a local community. Whether it is a road upgrade, a water project or a major regional initiative, the relevant regional agency would be required to have consulted with the Local Board(s) concerned.

While the ultimate authority to approve a regional project would lie with the Council, or by delegated authority its CCOs, any relevant regional agency would be required to demonstrate that they have taken into account the views of the affected community, have acted on their requests in so far as practicable, and undertaken any mitigation measures appropriate to the size and scale of the project, prior to a decision being taken to proceed.

This is designed to give true meaning to the requirement to engage.

The approach enables people to be both consulted and involved in decision making about the services delivered, informed about the quality of the services in their area and enabled to call elected representatives to account if services fail to meet their needs.

The role of the Local Board would be to:

- Develop a 5 year Community Plan
- Set local rates or charges to provide local amenities and services
- Allocate funding in accordance with the Community Plan
- Be consulted and have the right for input on all regional decisions that have a direct effect on the local community
- Represent the interests of the community at the regional level
- Maintain oversight and provide feedback to the Council on services provided within the community - i.e. to be the “eyes, ears and voice of the community,” including:
 - Developing submissions on regional consents and plans
 - Being consulted by regional agencies where plans affect local communities

- Become the point of liaison with community organisations, business, and special interest groups in the community
- Build a rapport and an ongoing relationship with the local member of Parliament and the representative Council member(s)
- Provide a development path for regional leaders
- Undertake any other responsibilities delegated by the Council.

Role of the Council

The Council would comprise the Mayor, as chair, and councillors elected from wards (based on the Local Board areas). The Council will undertake the following functions:

- Approve the regional vision and strategic direction included in a 30 year Regional Spatial Plan (see Figure 12)
- Set regional policy and regulations
- Approve the regional Infrastructure Strategy
- Set and monitor the performance of CCOs in the provision of regional services
- Approve the long term regional prioritised investment plans prepared by Council Controlled Organisations (CCOs)
- Approve the annual budget and 10 year long-term plans (LTP)
- Approve the Local Board Community Plans
- Monitor the organisational progress in implementing Council's plans

FIGURE 12



- Appoint standing committee members
 - The form, composition and delegated authority to be developed and established by Council
 - Each with a Chair appointed by Mayor
 - To support the decision making process of Council through delegated power
- Be responsible for understanding local area needs and connecting them to the broader regional picture as part of the Council
- Receive deputations and submissions from citizens and stakeholders

Council members would have the right and would be encouraged to attend Local Board meetings, but would not have voting rights. Like the Local Boards themselves, they would necessarily need to foster a positive working relationship with the local Member of Parliament, who would also represent a similar constituency.

The Mayor

The Mayor would be elected at large from the greater regional area. As leadership skills are a critical success factor for this role, the ability to win popular support by standing for election at large is an important test of capability for the role. The Mayoral position would carry the following responsibilities:

- Chair Council meetings
- Have both a deliberative and casting vote on Council
- Appoint the Chief Executive
- Appoint boards of council controlled organisations
- Appoint a deputy mayor
- Appoint any council committee chairs
- Chair an Executive Management Board comprising the chairs and chief executives of each of the council controlled organisations
- Be the primary point of contact for Prime Minister and Ministers
- Preside over informal and ceremonial occasions

Divisions of Council

The Council would have two key operating divisions encompassing community culture and recreation and sustainable development. These could either operate as departments of Council or components of service delivery could be set up under a CCO model, or outsourced.

Community Culture and Recreation

This division would be tasked with the responsibility to support community development, encourage and promote cultural and regional identity, and promote and encourage the arts, sports and recreation. The division would oversee management of regional facilities from parks to museums, theatres and galleries and regional amenities. Some of these services might operate as trusts, CCOs or business units of Council.

It will also be the key point of contact for the many private organisations and trusts providing services to the communities across the region, from social agencies, to sports trusts, to emergency services.

Sustainable Development

The sustainable development division will assume responsibility for regional planning, and all regulatory and planning responsibilities under the law. It will also include oversight of waste management, civil defence and animal policy. This division will have responsibility for the oversight

of the process for consents for projects administered by the relevant council controlled agencies. Where a potential conflict of interest arises, such as when the Council is required consider its own project approvals the practise will be to appoint independent commissioners to consider such matters.

Council Controlled Organisations

Communities want to see transparency and accountability in the delivery of local government services. But as monopoly owners, councils face inherent tensions in being at the same time, suppliers, the customers' representatives, price setters and regulators of many of these services. Putting these services into arms-length standalone structures, with professional governance one step removed from day-to-day political control helps overcome this tension.

The use of CCOs to deliver local government services dates back to the reforms of 1989. As noted by the Royal Commission on Auckland Governance reform: "For the Auckland council to plan and deliver the infrastructure and services to meet its requirements, it will need access to the best commercial and engineering expertise and resources. CCO structures and boards of directors can bring these required skills and expertise."

The benefits of placing activities in CCOs include:

- a) Improved commercial focus, that is, operating a company with a professional board of directors with the objectives of achieving a greater operating efficiency;
- b) Ring-fencing financial risk using an incorporated structure to insulate a council from financial liability for an activity or venture involving other parties such as a joint venture;
- c) Empowering local communities, that is, creating a trust with a set budget funded by a council but managed by a community for a specific purpose such as maintaining a community centre;
- d) Tax effectiveness, that is, obtaining dividend imputation credits on the tax that councils pay on dividend income;

- e) Achieving economies of scale by aggregating similar activities of various local authorities into one regional CCO;
- f) The ability to streamline bureaucracy;
- g) An enhanced ability to recruit and retain highly skilled professional staff where the structures and culture of a council are seen as less attractive than those of a CCO.

CCOs enable use of commercial disciplines and specialist expertise that may not be available within the council itself. Using these skills, CCO boards would be able to add value to CCOs and help them better achieve their objectives, which will be set by the Council.

That said, the CCOs exist under the democratic process and the ultimate accountability of the elected council is to ratepayers and electors. It is the Council, in conjunction with the community, which will set the objectives and account to the ratepayers and electors for the performance of the CCOs. This model relies on strong, effective accountability mechanisms between the council and the CCO.

Transport CCO

A new transport CCO would be established to deliver transport services for the region under delegated authority from the relevant national agencies.

This recognises the fundamental principle that the transport network is a system. Its overall success is dependent on each of its component parts. It needs to be managed on a holistic basis, that is, one transport agency for the region fully accountable for the effective operation of the transport network as a whole. The transport authority would be joint venture between central government and Council established by statute with the following corporate structure and responsibilities:

- Controlling Partners to be the Crown and the Council
- Responsible under an agreed statement of corporate intent: to deliver an integrated, multimodal transport network which meets the mobility needs of the region both now and into the future in accordance with the objectives of the NZ Transport Strategy and consistent with the Government Policy Statement for Transport

- Statutorily responsible to ensure maintenance of national state highway standards which would continue to be set at the national level by the relevant crown agencies
- Required to consult, develop and implement the Regional Transport Strategy to be consistent with the requirements of the regional spatial plan.
- Assume responsibility as a road controlling authority for the operation and management of the regional state highway and regional arterial road network and its integration with the local road network and integration with alternative transport modes
- The Board would be appointed jointly by an Electoral College comprising appointees of the Crown, and the Council (Electoral College representation could reflect the relative funding contributions made by each of the joint venture parties)
- Board appointees would be selected on the basis of their expertise in governance and delivery of an integrated transport entity

Water Services

An integrated waters services CCO would be established to ensure the delivery of three waters, regional scale efficiencies and the best public health and environmental outcomes. The key benefits of an integrated water CCO include:

- Wider regional asset management planning with a single regional investment plan
- Elimination of conflicts and duplication in planning
- Less duplication and investment with access to all assets for regional use
- Improved readiness for security of supply and climate change challenges
- Seamless management of the network from source to discharge to bring efficiencies and improved environmental outcomes
- Demand management of water as a shared regional resource;

The priorities of the CCO would be to:

- Optimise all the region's wastewater storage and treatment capacity
- Strengthen the security of supply of water to accommodate growth

- Ensure management of the complete water cycle to achieve efficient and environmentally sustainable use of water
- Institute demand management measures to defer or avoid unnecessary new investment
- Introduce equitable and fair regional charges (or prices) uniformly to all customers

Proposed organisational structure

Under the proposed structure, there would be an express statutory prohibition on the privatisation of the water company. It would remain illegal for the CCO to make a profit and dividend payments would be prohibited. The statutory objective which applies to Watercare in Auckland would apply to the water CCO, i.e. to...“manage its business efficiently with a view to maintaining prices for water services at the minimum levels consistent with the effective conduct of that business and the maintenance of the long-term integrity of its assets”.

The Board of directors would remain independent and be accountable for performance against clear non conflicting objectives. No member or an employee of a local authority would be eligible to hold office. Any surpluses would be returned to customers including householders by way of a rebate on water and wastewater prices or improved services. All users would be levied

equitable charges or prices for water and wastewater across the region. An annual statement of corporate intent would be agreed with the Council. A regional asset management and funding plan will be approved by the Council.

Regulation

There is a risk that a single (monopoly) point of accountability may abuse its enhanced commercial power because it is: too removed from the marketplace; not service oriented; susceptible to inefficiency; and/or “gold-plating” investment.

Regulation is required in order to guard against abuse of this potential commercial power. This could be achieved through an independent regulator being appointed at a national level to benchmark monitor and report to Councils on the performance of regional CCOs.

To assist this process there will need to be greater specificity around the quality standards. The cost of service is critically dependent on the level of quality a community can afford.

Economic regulation may be needed to assure communities that services are being provided at minimum cost and with pricing sufficient to sustain future investment needs.

The Asset Management Plans will form the basis of the disclosure regime. It will make explicit the trade-offs between operational and capital expenditure. Regulation

would recommend incentive-based pricing (CPI-x efficiency gain plus y for investment) to encourage the distribution of efficiency gains to consumers via price rebates. The key component is to ensure future contingencies are provided for in the pricing structure. Every three years the regulator would report on CCO efficiency and indicative price path. The cost of capital on allowable assets would be recognised to encourage appropriate new investment. Councils would use this information to assist them to manage the performance of their water CCOs.

Economic Development

An Economic development CCO would oversee economic development across the region. It might include relevant operating units that will either be divisions of the CCO or separately structured CCOs in their own right. These could include an urban development agency to oversee major new urban development projects and a tourism development agency. In addition a regional assets holding company would assume responsibility for the regionally owned companies and shareholdings in trading entities. A major projects division and relevant special purpose vehicles could be established to oversee specific project initiatives such as the development of regional facilities.

Council Management Structure

The development of the management structure would be determined on a case by case basis; however an indicative management structure is depicted below.

A key issue for determination is whether the economic development agency should be a separate council controlled organisation with its own board, or whether it should operate as an arm of the Council but with a number of sub agencies looking after regional holdings, tourism and major projects. The structure as illustrated in Fig 2 provides for the three operating units to be run as CCOs with their own Boards; however a single overarching board structure could be a viable alternative approach. This is an issue that would need expert analysis and consideration based on experience.

The model assumes a shared service platform for delivery of information technology, finance, human resources and corporate services.

The Mayor would be responsible for appointment of the Chief Executive and lead the appointment of the Chairs and the Boards of each of the council controlled organisations. The Mayor would also Chair an Executive Management Board comprising the board chairs and CEOs of each of the council controlled organisations. This is proposed to ensure alignment of the respective organisations to the overall strategic direction approved by the Council.

Executive Management Board

An Executive Management Board ('EMB') would be established to secure and maintain unity across the overall Council structure and oversight of regional service delivery.

The EMB would be chaired by the Mayor and comprise the Chief Executive of the Council and the CEOs and Chairs of the CCOs. The Board would be responsible for ensuring collaboration and alignment of the respective organisations (particularly in the implementation of the Spatial Plan).

Critical to the successful performance of the EMB would be its adoption of shared corporate values, culture and code of conduct. The EMB would be instrumental in ensuring full and transparent information flow between the CCOs and the Council administration (headed by the Council Chief Executive) and accountability by peers across the organisation.

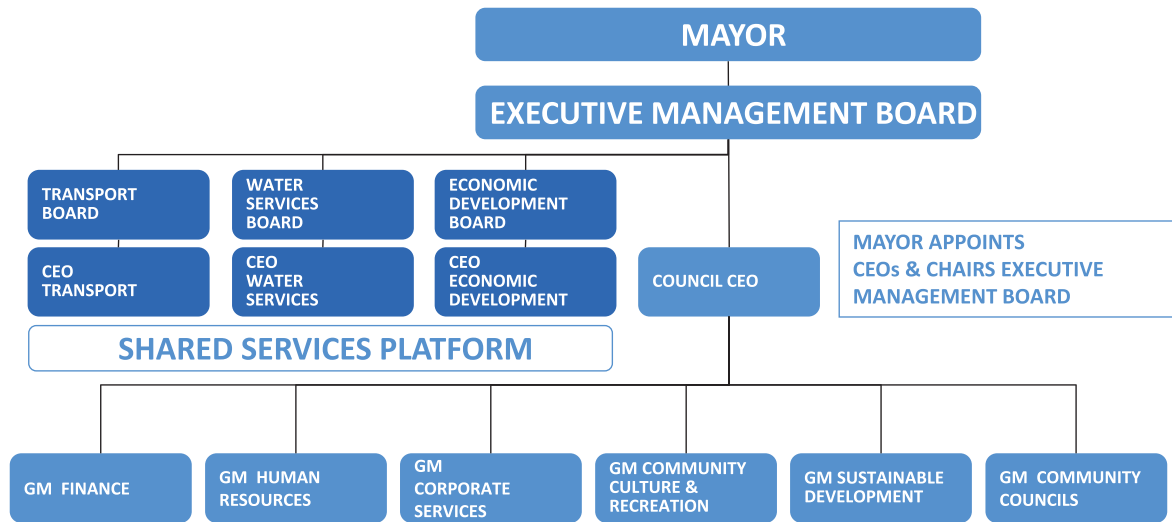
As large organisations by New Zealand standards, there is a risk that regional Councils and subsidiary CCOs could adopt a silo mentality and potentially act at cross purposes to the Council vision and/or various council policies. To avoid this, the development of the Council's operating structure needs to proceed on the basis that the incoming mayor and councillors will set the guiding vision and principles which will need to be communicated clearly to constituent organisations - who

will be expected to deliver services aligned to this vision and strategic direction. The EMB would have a critical role to play to establish and maintain the Council's sense of unity and alignment to achieving the shared objective.

The model is designed to balance the traditions of New Zealand democratic processes to ensure oversight the policy and strategic direction of the region, whilst ensuring a highly focussed, well aligned management and organisational structure to help lead policy development (for eventual approval by the Council) and to get on with the task of implementation.

FIGURE 13

Indicative Council Management Structure



A shared services platform would enable common IT, Finance, Human Resources, and Corporate Services

Rates and Charges

The proposed unitary council structure provides the opportunity for a rationalisation of the rating systems that currently exist across the nation. Determination of the mix of rates and direct user charges as between business and individual ratepayers will need to be decided early newly established Councils. This will require extensive consultation.

The regional rate will simply comprise one account with three component parts:

- The regional general rate – levied across all ratepayers within the region
- Any targeted regional rate or charges – for regional amenities, major capital investment projects and the like
- Local Board targeted rates or charges

In addition, there will be a need to investigate and implement, over time, new methods to broaden the funding base to reduce the reliance on property rates as the primary source of funds. Increased use of user charges are seen as the most

effective mechanism of achieving equity in funding.

Allocation of funds to Local Boards

It is proposed that Local Boards would each be allocated a proportionate amount of the regional rates which will be the primary source of funding for Local Board plans.

Option for Local Board or Targeted Rates

While the primary provision of services across the region would rest with the regional delivery agencies, and the allocation of regional funding

would be fully sufficient to provide a high standard of urban amenity, Local Boards would also have the right to levy a Local Board rate or charges. This revenue source would be used to fund specific initiatives within Local Board areas that have popular community support. Any such right would need to be within certain regionally agreed parameters, such as the need for widespread community support, and would likely be capped as a proportion of overall Local Board funding to ensure overall equity across Local Boards in the provision of community services. However the provision of such an option provides boards' additional

flexibility to meet the aspirations of their local communities for things that cannot be fully funded from the regional allocation.



Evaluation of the Proposed Unitary Structure

NZCID considers the proposal has the potential to create a new operating framework to drive the future success of regions across New Zealand. However it is critical to note that structure is only part of the solution. The ultimate success of the proposal will be determined by a number of factors such as:

- Ensuring that there are realistic expectations in place with respect to how and over what timeframe change will occur (recognising the need to maintain business as usual in the meantime).
- Attracting and retaining quality personnel at both the political and administrative levels within the regions. While the proposal sets out a series of issues around roles, responsibilities and functions, experience would suggest that the quality of the people involved in its operation will be a key determinant of its overall success.
- The full and active engagement of central government. If the Government lends its full support to the new arrangements then the likelihood of their success will be maximised.

- The commitment of all parties to making sure change is significant enough to create the basis for regional leadership, innovation and adaptability for the future.

Governance is more than just the authority of local government to impose its statutory power over others; it's about the effectiveness of the interrelationships between all the people and groups of people within the regional community and its external partners. The legitimacy of the governance structure will derive from an accepted balance between regional and local responsibility and accountability. The level of acceptance or otherwise will depend on the responsiveness of the governance structures to the needs of the people, business and social communities and all of the wider communities of interest. Good organisational structure can help make things better by facilitating the interaction of the people, but in the end, it's the people themselves that need to make it work.

An evaluation of this proposed governance structure has been undertaken against the reasons identified for strengthening regional governance; perceived problems in the existing operating framework; and the principles to be used to assess the recommendation. The results of this evaluation are set out in Table 2 below.

Assessment against each of these criteria confirms that the proposal successfully addresses the key elements required to deliver an effective governance model for local government and in doing so provides the necessary platform for the future development of regions across New Zealand.

TABLE 2: EVALUATION OF THE UNITARY COUNCIL STRUCTURE

REASONS FOR REFORM	COMMENT ON PROPOSAL
Producing one vision for the future, unified leadership and one voice with central government on social, economic, environmental and cultural regional issues.	The structure is designed to produce one vision for the future and unify local authority, central government and non-governmental leadership within regions. Unitary councils will have mandate, economies of scale and supporting revenue to engage with central government on regional issues.
Delivering on decisions once they are made, including providing more certainty about funding and service delivery.	Unitary Councils will consolidate the combined funding capacity of the existing district councils and will be supported by highly focussed operational delivery agencies controlled by the unitary council to deliver on the regional goals.
Delivering greater value for money for through improving service standards, greater consistency and reduced cost.	Consolidation of services will achieve improved economies of scale and a considerable reduction in administrative overhead.
Making decisions about interrelated issues in a more integrated way, more quickly and without re-litigation but without diluting community engagement.	This is a fundamental reason that drives the formation of unitary councils. Councils' broader responsibilities will require fully integrated decision-making. The Local Board structure enhances the "local in local" government.
Facilitating local democracy and diversity and helping to address emerging local social problems.	The proposal enhances the relatively weak community board structure that exists in many districts and truly empowers Local Boards to address emerging community challenges and opportunities. Direct representation by communities on the unitary council provides a mechanism to significantly improve regional representation and delivery on local issues.

PERCEIVED PROBLEMS	COMMENT ON PROPOSAL
Where there is adequate strategy this is not integrated, resourced or aligned fully into an overall direction that delivers on regions' priorities.	The Council Controlled Organisations and the Executive Management Board would be jointly accountable to the unitary council for implementation of regional strategies.
Regions fail to deliver on strategy because of fragmented powers and accountabilities for funding and service delivery and commitment to fund.	Power will be consolidated at regional level with direct funding capacity. Decision making and funding processes will be integrated. Regional agencies will have clear responsibilities and accountability for service delivery.
Some decisions appear to be "mis-located" (undertaken at the national or local sphere of government when the impacts are mostly regional).	Decisions will be clearly allocated to Government, Council and Local Board level as appropriate. The Local Board structure will enable community involvement and influence at the most appropriate local level i.e. at a level where people feel they can influence decisions that impact on their lives and provide a communication vehicle through to the region.
There is heavy reliance on voluntary and statutory joint decision-making fora but these are not able to 'bind' or influence expenditure and other decisions of sovereign organisations. Non-funders also have significant influence on decision making particularly in the area of transport.	No such fora will be necessary.
The result is a lack of certainty (especially in funding), clarity, understanding, mandate, leadership and single voice for regions with central government.	Strong leadership and certainty of direction and commitment to it is a key benefit of the proposed structure.
There is insufficient revenue at the regional level.	The proposal is designed to address this by means of consolidation of all revenues across the region which will enable it to deliver on its commitments.
There are inefficiencies and inconsistent standards and financial impacts due to duplication and transaction costs.	There will be no duplication of function. The certainty and stability achieved from having consistency of strategic direction and more integrated decisions will create value. The proposal also rationalizes administrative systems resulting in direct savings.

PRINCIPLE	COMMENT ON PROPOSAL
Give effect to the purpose of local government to enable democratic local decision-making and action by, and on behalf of, communities; and promote the efficient provision of infrastructure and local services and regulation in the present and for the future.	The proposal improves this at the regional level by providing full responsibility for coordinating decisions at the regional level and expressing these in a long term spatial plan. The Local Board structure ensures the mechanism for community interaction on local issues.
Better enable the achievement of a unified vision and plan for regions to increase international competitiveness and long term sustainability.	The structure is specifically designed to address this by providing a single unified regional structure with aligned funding and delivery capabilities.
Ensure that decisions are made at the sphere of governance closest to the impacts of decisions and where decision-makers are best placed to act and deal with the consequences of those decisions.	Decisions will be clearly allocated to Government, Council and Local Board level as appropriate.
Provide for clear accountability to the public for outcomes, use of public funds and stewardship of public assets – no taxation without representation.	The proposal achieves this principle.
Be cost efficient and effective.	As a result of the improvement in the certainty of direction, alignment of various strategies and the involvement of Central Government the quality of decision making will be improved. Improved alignment together with consolidation of administrative functions will save costs and provide new opportunities for staff development and growth.
Deliver equitable impacts across the region.	The creation of a strong regional entity will create a framework whereby more equitable impacts can be achieved.
Provide for the effective representation of regions' rural and urban communities in decision-making to reflect distinct needs of rural and urban areas.	The proposal provides for this through the establishment of empowered Local Boards and by means of direct representation on the Council.
Be resilient into the future, and be able to deal with increasing uncertainty, complexity, diversity and change.	The proposal is a logical structure that will provide long term resilience to change over time.



Options for Regional Boundaries

How large each region should be and where boundaries might fall would require extensive consultation and evaluation. In each case there are many variables that need to be considered.

Some options are set out in the following pages.

For the purposes of illustration, existing district council boundaries have been used, however these boundaries will also warrant reconsideration.

Each of the options shown have advantages and disadvantages and some of the pros and cons are set out alongside each illustrative example. In each case there are opportunities to mix and match alignment of district boundaries to reflect local circumstance.

Five Regions

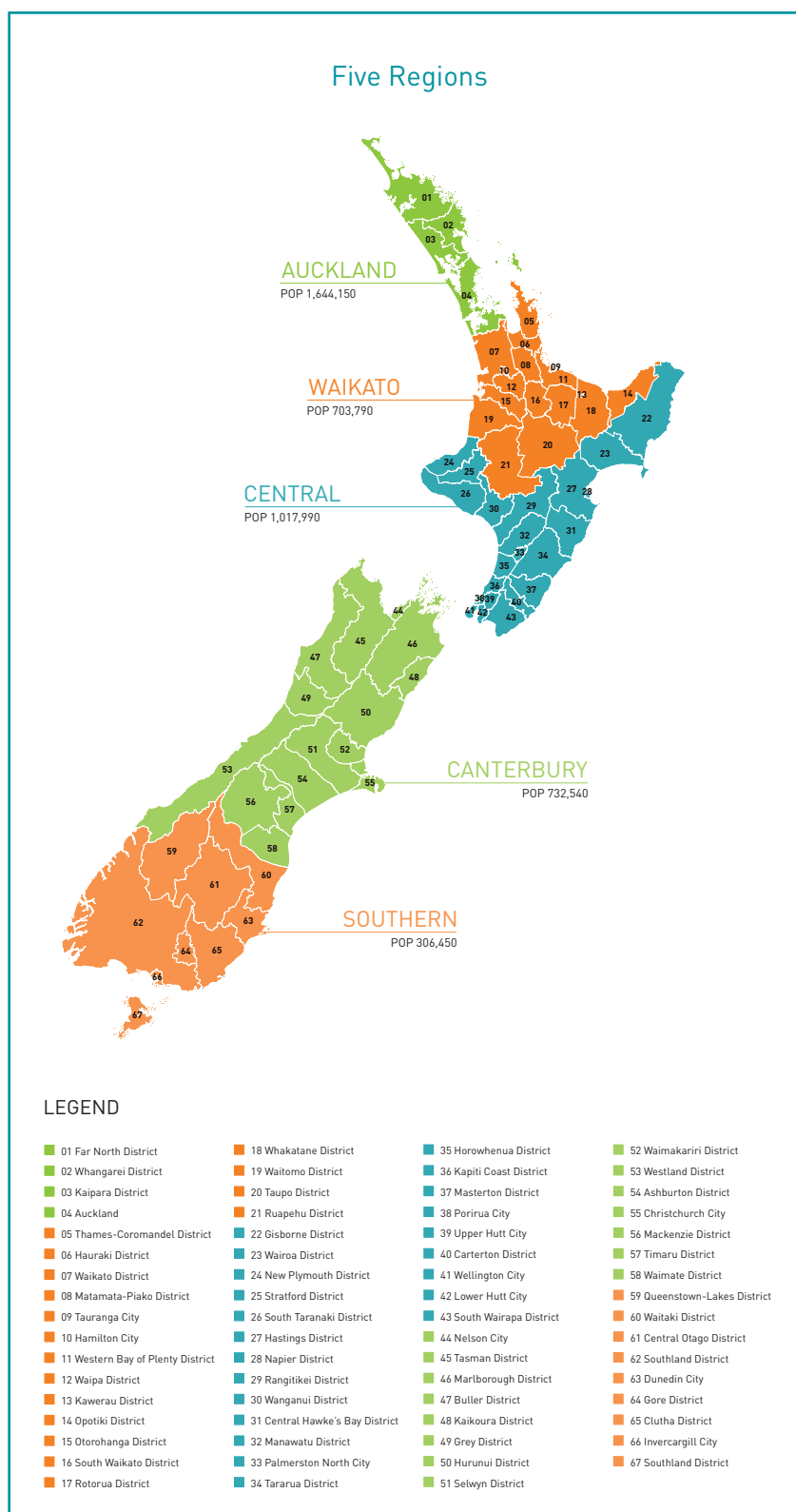
Consolidation into five regions is one option that might be considered. The boundaries could reflect current Super 15 rugby franchise areas on the basis that this is reflective of some regional affiliation. A five region model would require substantial delegated authority to Local Boards to allay community concerns of a loss of democracy.

Pros

- Economies of scale and delivery capacity, especially for capital intensive infrastructure service delivery
- Potential for significant inter-regional benchmarking
- Potential for strong regional interface with central government

Cons

- Diseconomies of scale for labour intensive service provision
- Vast distance across regions
- Risk of disconnect between large regional council and local boards
- Mixed social and economic geographies



Ten Regions

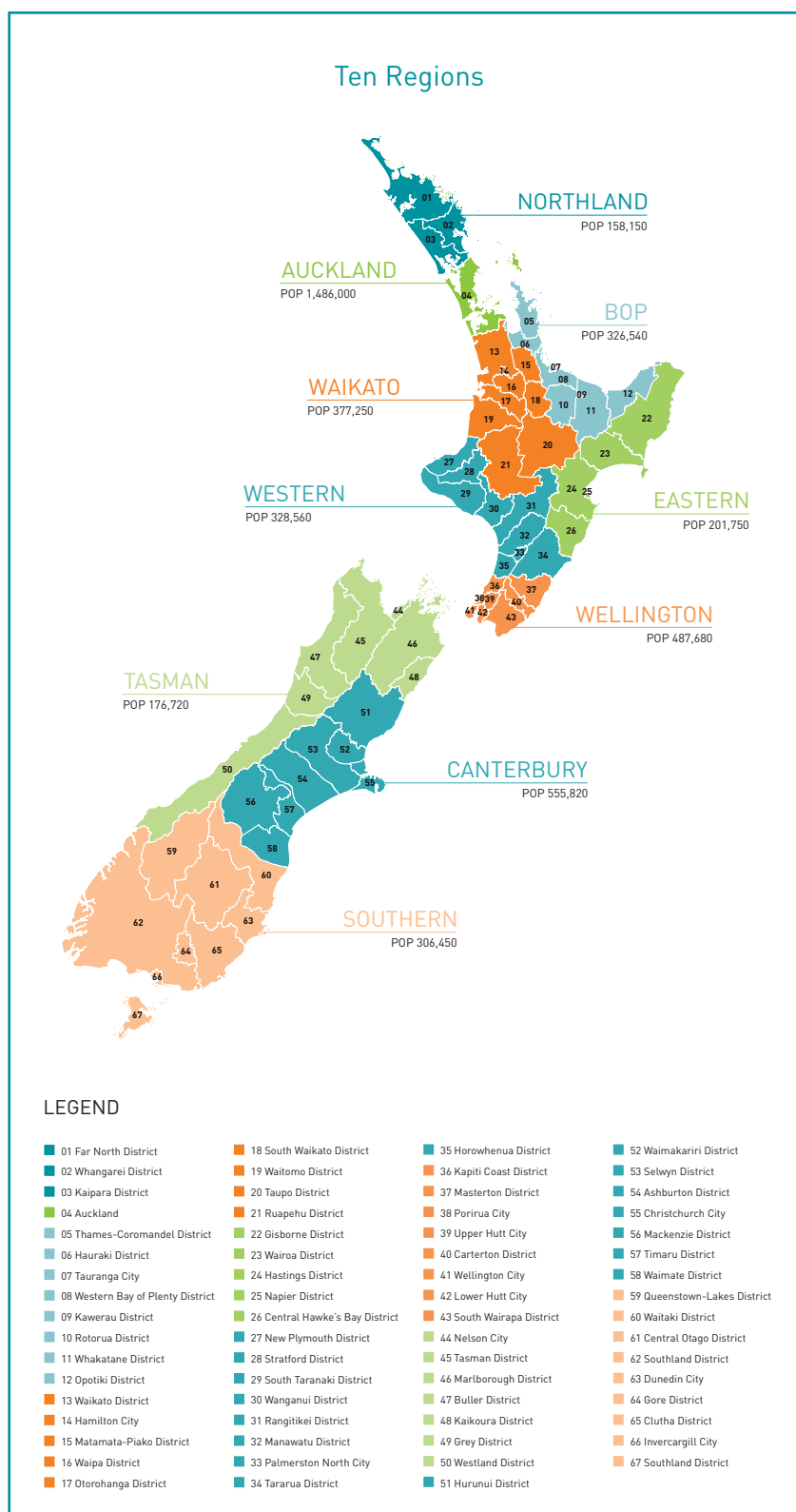
Ten regions would be more reflective of existing regional council boundaries. In this illustration Thames Coromandel is included in the Bay of Plenty region and Gisborne with Hawkes Bay in an "Eastern Region". Whether Taranaki District should be part of an Eastern Region or is more aligned with the Manawatu or whether the Wairarapa might also be part of an Eastern Region are examples of many potential boundary issues that would need to be resolved through a consultative process.

Pros

- Economies of scale and delivery capacity, especially for capital intensive infrastructure service delivery
- Potential for significant inter-regional benchmarking
- Potential for strong regional interface with central government
- Better aligned social and economic geography

Cons

- Some regions may have diseconomies of scale for labour intensive service provision
- Significant distance across regions
- Risk of disconnection between large regional council and local boards remains



Fourteen Regions

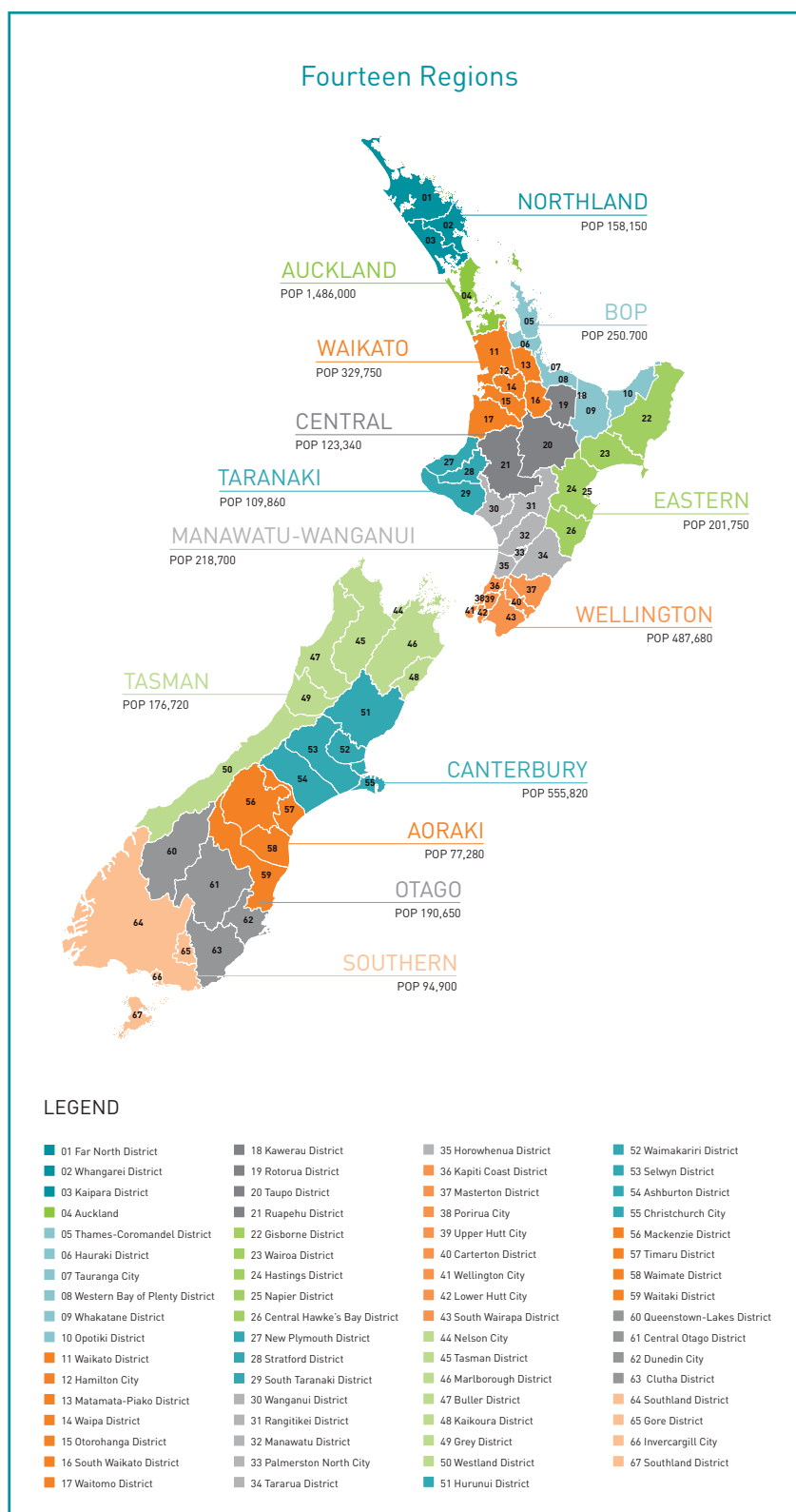
Fourteen regions would be reflective of existing regional council boundaries but potentially allows improved economic and social geography through the establishment of a Central North Island region (centred on tourism and forestry); a Taranaki Region (on farming and energy); an Aoraki region (farming, tourism); and separate Southland, Otago, Manawatu/Whanganui regions (reflecting traditional provincial boundaries).

Pros

- Economies of scale for labour intensive services
- Potential for strong regional interface with central government
- Aligned social and economic geography
- Improved regional identity based on existing provincial allegiances

Cons

- Populations of some regions, such as Aoraki and Southern are comparatively small weakening their financial base and resulting in loss of capacity and specialisation
- Diseconomies of scale for capital intensive infrastructure services



Nineteen Regions

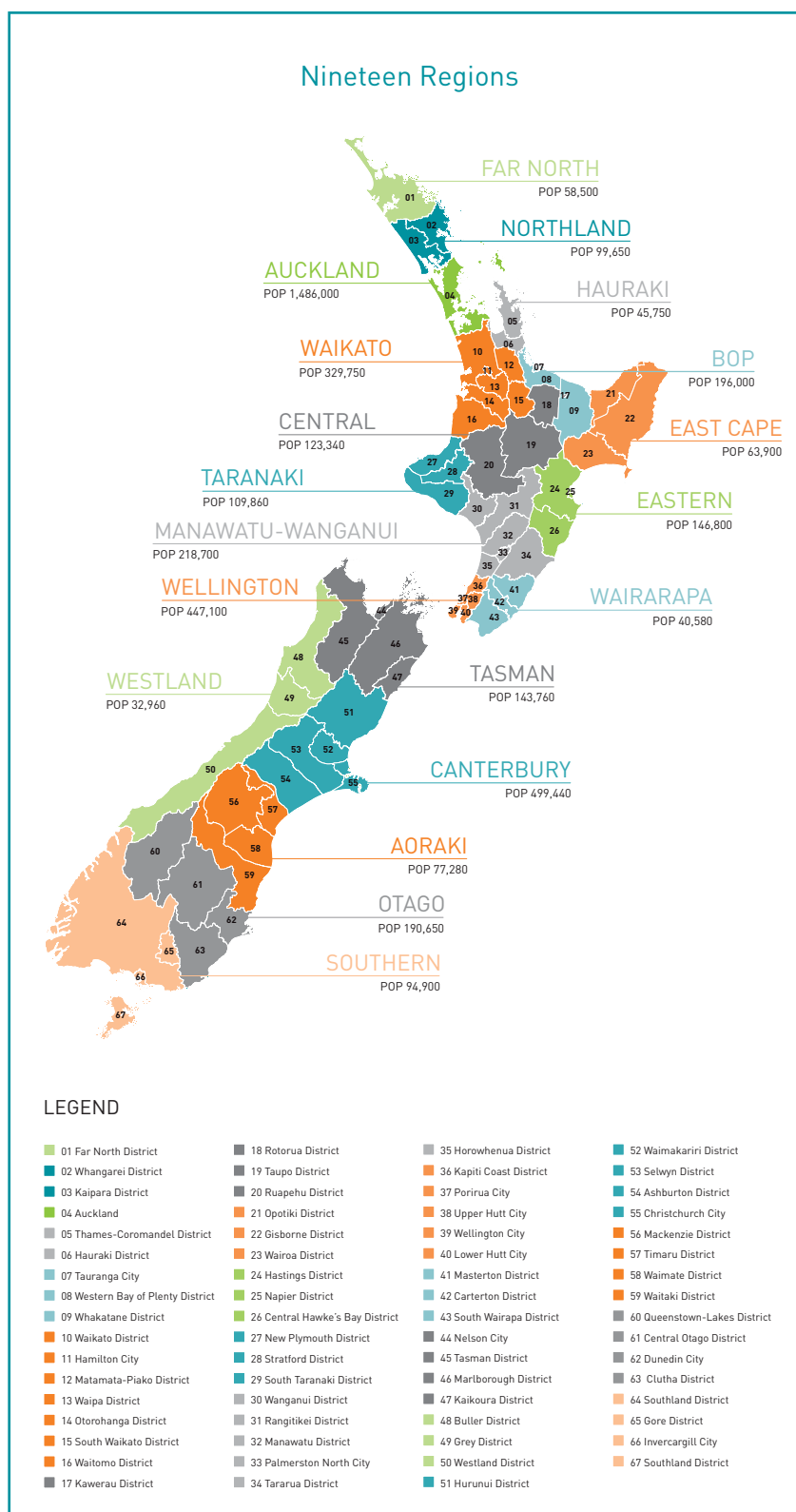
Nineteen regions is a “halfway house” between existing regional and district boundaries. It is closest to the status quo and arguably more politically acceptable. On the other hand, there would be large differences in populations between large and small regions and economies of scale would be weakened significantly, especially in areas of declining and ageing populations.

Pros

- Economies of scale for labour intensive services
- Aligned social geography
- Improved regional identity based on existing provincial allegiances

Cons

- Populations of several regions below 100,000 in areas with declining and ageing demographics significantly weakening their financial base in comparison to large regions) and resulting in loss of capacity and specialisation
- Significant diseconomies of scale for capital intensive infrastructure services for small regions
- Mixed economic geographies



Part 8: Proposed Template for Planning and Environmental Law Reform

Planning and environmental law reform is also proposed to complement the establishment of regional unitary authorities and institutionalise aligned national and regional spatial planning. NZCID proposes replacing the Resource Management Act, the Local Government Act and the Land Transport Management Act with two new laws:

The Planning, Infrastructure and Local Government Act and the Environment Act. Both laws would recognise the principles of the Treaty of Waitangi. The following section outlines how this new statutory framework would operate.

Planning and Local Government Act

The Planning, Infrastructure and Local Government Act would set out the purpose and functions local government and the NZ Transport Agency and would establish a national, regional and local planning framework.

The Act would establish the number of unitary authorities and set out their functions and powers. It would also provide for the establishment Local Boards within each Unitary Authority area and set out their functions and powers. The structure powers and functions of Unitary Authorities and Local Boards would be as described in the previous sections of this paper.

The Act would also establish the following national agencies:

- A National Infrastructure Commission (NIC)
- Infrastructure NZ (INZ)
- A Planning and Environment Commission (PEC)
- The NZ Transport Agency (NZTA)

The functions and responsibilities of the NZ Transport Agency would be largely unchanged from today except that there would be statutory requirement for NZTA to develop a 30 year state highway strategy as a component of the National Infrastructure Plan.

The NIC, INZ and PEC are the principal institutions which support the National Planning Framework. Their purpose and functions are explained further in the following section. The objective of the National Planning Framework is to provide an integrated national planning framework in a hierarchy of National, Regional and Local Plans.

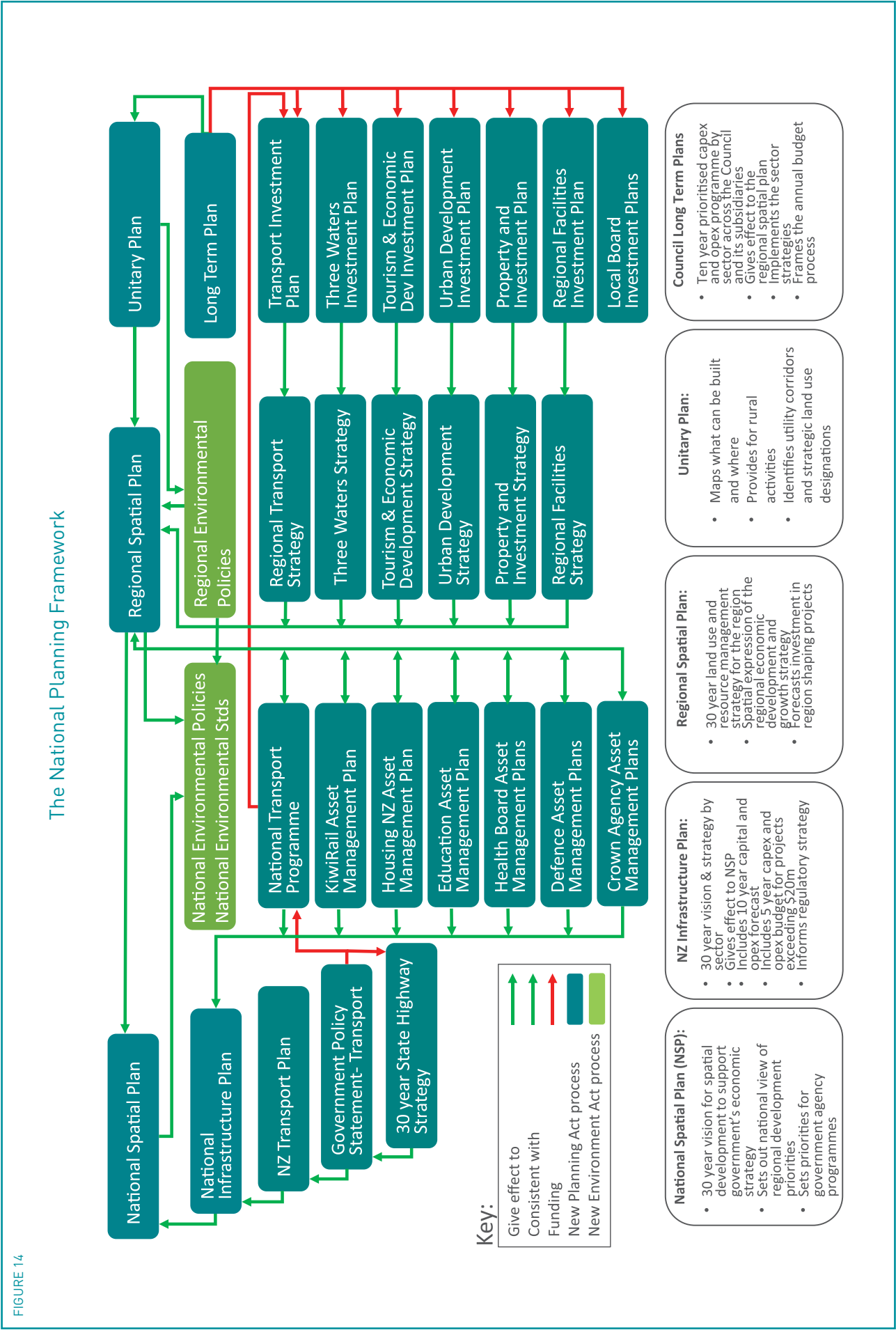
The National Planning Framework

The proposed National Planning framework is illustrated in Figure 14.

At its pinnacle the National Spatial Plan (NSP) would set out a 30 year vision and strategy for spatial development in New Zealand. The NSP would consolidate and ensure alignment between Regional Spatial Plans and the National Infrastructure Plan. The National Spatial Plan and supporting Regional Spatial Plans would be approved by Parliament upon recommendation of the Government. In effect the National Spatial Plan would be the spatial expression of the government's long term social and economic development strategy. It would set out a nationwide view of national and regional development priorities.

The NSP would be developed through top down and bottom up integration of infrastructure investment plans of national agencies (consolidated into the National Infrastructure Plan) and Regional Spatial Plans.

As with the NSP the National Infrastructure Plan would be approved by Parliament and would give effect to the National Spatial Plan. Its purpose is to set out a 30 year vision and strategy by sector. The NIP would include a forecast of investment in regionally significant infrastructure in the form of a 30 year strategy, 20 year forecast, 10 year plan and three year budget for projects exceeding \$20m for each agency of government.



As a component of the NIP, the Ministry of Transport would be required to develop a 30 year Transport Plan. Within the context of the Transport Plan, the government would set out its policies for funding through the Government Policy Statement for Transport as is currently the case. The National Land Transport Programme would be developed on a three year cycle to give effect to the GPS.

To guide the long term investment strategy and to give effect to the NSP the NZTA would be required to develop a 30 year National State Highway Strategy.

All national agencies would be required to ensure that their plans are consistent with Regional Spatial Plans thereby enabling strong integration between regional planning and national infrastructure investment programmes.

Regional Spatial Planning Framework

Regional Spatial Plans (RSP) would give effect to all National Environmental Policies and Standards under the Environment Act and to the National Spatial Plan. The purpose of the RSP is set out the 30 year vision and strategy for spatial development for each region. It would comprise the 30 year land use and resource management strategy for the region together with 30 year strategies for transport; water; tourism and economic development; urban development; property and investment and regional facilities. Each sector would include a forecast of investment in regionally significant infrastructure in the form of a 30 year strategy, 20 year forecast, 10 year plan and three year budget. The Executive Management Board of each council, as described in the preceding section, would ensure alignment across each sectorial CCO.

The Unitary Plan (UP) will give effect to the RSP and to Regional Environmental Policies under the Environment Act. The plan would map what can be built and where. The Unitary Plan would identify critical regional infrastructure, utility corridors and set out and protect strategic land use designations such as transport and utility corridors or locations of nationally or regionally significant infrastructure.

The RSP and UP would be supported by ten year prioritised Long Term Plan in the form of a capex and opex programme by sector across the Council and its subsidiaries. The Long Term Plan would give effect to the regional spatial plan, implement the sector strategies and frame the triennial and annual budget process.

National Infrastructure Commission

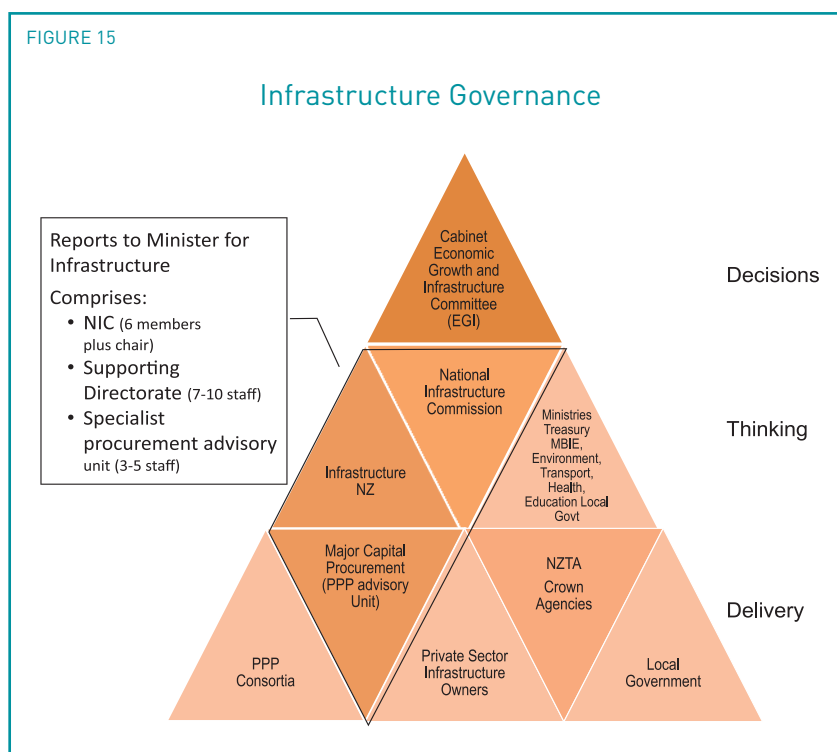
The National Infrastructure Commission would be appointed by Parliament for a four year term (with the first appointees appointed for two three and four years to provide for ongoing rotation of members). Members would be selected on the basis of their expertise and experience in infrastructure strategy and governance. The commission would have statutory independence and act as an independent body to provide advice to Parliament on the state of national and regional infrastructure.

Every four years the NIC would undertake an evidence-based assessment of New Zealand's infrastructure needs over a thirty year horizon in consultation with all relevant stakeholders across the sector. Upon completion it would report its findings to Parliament which would consider and approve the assessment. Within 12 months of Parliamentary approval of the NIC assessment government departments would develop sector plans to meet identified needs covering:

- The strategy to address identified needs
- The outcomes to be achieved
- The investment plan and programme
- Funding plan
- Implementation plan

The sector plans would comprise the draft NIP and would be laid before Parliament for debate and approval. Since the government would hold a majority in the House it would effectively lead and approve the development of the NIP, but the process would be ensure rigorous scrutiny by opposition parties. Once approved, the NIC would then monitor and report bi-annually to Parliament on implementation of the NIP.

FIGURE 15



Infrastructure New Zealand

Infrastructure New Zealand (INZ) would operate as a division of Treasury with its chief executive having seniority equivalent to a Deputy Secretary within the management structure. In addition to providing secretarial and functional support to the NIC, INZ would provide operational oversight of the capital programmes and procurement processes of government ministries and agencies and provide independent advice to the Minister for Infrastructure, the Infrastructure Cabinet, local governments, investors in infrastructure and owners of infrastructure on:

- Current and future needs and priorities relating to nationally significant infrastructure
- Optimal and efficient utilisation of national infrastructure networks
- Approval of capital projects with whole of life value exceeding \$20m
- Productivity of the construction and infrastructure sector. Policy options and reforms, including regulatory reforms, to improve delivery and utilisation of national and regional infrastructure
- Performance of infrastructure in meeting needs of users

- Mechanisms for financing investment in infrastructure
- Capital procurement support to agencies and Local Government

It is envisaged that staff in INZ would be market facing and include staff rotating into and from the private sector to ensure currency with market conditions.

Minister for Infrastructure and Economic Growth and Infrastructure Committee

The position of Minister for Infrastructure would be re-instated to provide strategic leadership across the whole of government on infrastructure policy. The Economic Growth and Infrastructure Committee (EGI) of Cabinet would oversee and approve the work of Infrastructure NZ. As now, the EGI would consider policy issues relating to economic growth, trade, infrastructure, natural resources, local government, Auckland issues, and Canterbury earthquake recovery issues.

Planning and Environment Commission

The Act would provide for the appointment of national and regional planning commissioners to approve designations, planning approvals and consents under the Planning and Local Government Act and the Environment, Conservation and Historic Places Act.

While low level consents would still be administered by councils, as they are now, independent commissioners would be appointed to hear projects of regional or national significance and determine appeals on decisions of local councils.

Commissioners would be selected on the basis of having high levels of competence and experience within the planning industry. Tasked with conducting fair and open examinations, commissioners would also be chosen for their knowledge of public engagement and inclusion as well as their technical and professional skills. Commissioners would consider the evidence and act independently when making their decisions on individual applications. Commissioners would be accountable to the courts; work to a strict code of ethics and be free of political interference. Applications would be examined either by a panel of Commissioners or by a single Commissioner, depending on the size and nature of the project.

The appointment of the Planning and Environment Commission and its processes would be informed by the review of the EPA currently being undertaken by MfE. In particular this should consider how costs of the existing Board of Inquiry process for considering projects of national significance might be reduced.

In an effort to reduce costs, reduce case load and improve outcomes, it would be desirable for the process to increase the level of up front consultation, discussion and reconciliation of differences prior to applications being submitted. Extensive pre-application consultation with affected communities, local government and relevant authorities will enable communities and stakeholders to flag key issues that will need to be addressed in project conceptualisation and planning. Such processes should be designed to ensure that the environmental, social and cultural outcomes required by the project are identified in advance and the project design can be developed to incentivize innovation to meet or exceed the expectations of the community.

The process would require appraisal of community impact and environmental effects, both positive and negative, via a Local Impact Statement prepared by the relevant council and or an Assessment of Environmental Effects (AEE) undertaken by the EPA in advance of an application being made. Both processes would be open to public comment. Acceptance of applications for assessment would be conditional upon an AEE and consultation process having been undertaken.

Decisions of the Planning and Environment Commission would be final and would only be open for appeal on points of law.

Project Consents

The Act would also provide for more strategic project consenting processes to incentivise innovation in project design and delivery and enable efficient and environmentally sound infrastructure development in New Zealand.

A 'Project Consent' would be available for all regionally and nationally significant infrastructure that satisfy the significance test.

A 'Project Consent' would be an all-encompassing consent that prescribes the 'envelope of effects' for the proposed development. In place of the multiple consents and approvals that are currently required under a number of statutes, the 'Project Consent' would be a single and comprehensive authorization to conduct the development.

The 'envelope of effects' approach would carefully prescribe the permissible footprint of the development, allowing for greater innovation and flexibility of project delivery method within parameters that meet the statutory environmental, social and cultural imperatives.

'Project Consents' would be administered by the EPA, and involve two key stages;

- (1) concept design approval through a PEC process that determines the permissible envelope of effects; and
- (2) design approval through the EPA to rigorously evaluate whether the detailed design falls within the envelope of effects.

Both stages would allow for participation and strict evaluation according to the statutory imperatives and criteria. This streamlined process would replace the multiple decision makers under the current model with one decision maker.

The process for obtaining the consent is set out in Figure 16 which incorporates both statutory and non-statutory components of the process.

FIGURE 16

Project Consent Process

Pre-statutory Process:

- Applicant prepares scheme options, identifies affected parties and all statutory approvals that will be required
- Applicant consults on scheme options with public, lwi authorities and relevant statutory authorities (EPA, HPT, DOC, Fish and Game, Local Govt etc)
- Applicant refines the preferred concept design



Statutory Process - Project Consent Approval:

Project Consent Path Approved

EPA conducts significance test and makes recommendation to Minister;

Minister approves or declines project consent pathway.



Consultation on AEE

Scope of AEE discussed with EPA;

Detailed AEE completed at expense of applicant;

Public, lwi authorities and relevant statutory authorities engaged in AEE



Application Lodged and Notified

EPA conducts pre-application assessment to ensure application is complete;

Public notification by EPA



Decision and Project Specification

BOI approves/declines project consent

If approved, consent specifies project envelope standards including; dimensions, air/water/noise standards, visual/amenity services etc



Submissions and Hearing

BOI receives reports from statutory, local government and lwi authorities on consultation, AEE, and recommendations whether to approve/decline;

Hearing conducted on application



Transmitted to Board of Inquiry for Hearing and Decision



Non-statutory Design Process:

- Applicant chooses procurement method;
- Design and construction method is focussed on optimal delivery of consent specifications;
- Provider determined through competitive or collaborative bid process;
- Detailed design finalised



Statutory Process - Design Approval:

Design Lodged & Notified

Detailed Design lodged with EPA;

Public notification by EPA



Detailed Design Assessed

EPA reviews design for compliance with project consent
Statutory and lwi authorities present submissions/reports on compliance



Decision

EPA or other decision maker approves/declines application on basis compliance with project consent

Environment, Conservation and Historic Places Act

The existing Environment Act 1986 would be amended to provide a dedicated law for the protection of the environment, heritage and natural resources – . The Environment, Conservation and Historic Places Act.

In addition to its existing functions to enable the establishment of the Parliamentary Commissioner and the Ministry for the Environment it is proposed that key aspects of the environmental provisions of the RMA would transfer into the new Act.

The Act would provide for the protection of air, land, water, flora and fauna and heritage places including the requirement to obtain consents for the sustainable management of natural and physical resources. This would include the process for the development and operation of National Policy Statements and National Environmental Standards and Coastal Policy Statements.

The Act would require the development of NPS and NES for air, land, water and flora and fauna and heritage within 6 years of enactment. National Spatial Plan, Regional Spatial Plan and Unitary Plans would be required to give effect to NPS and NES.

The Act would also consolidate provisions of the Historic Places Act and the Conservation Act to ensure consistency of process.

Environment Protection Authority

The Act would provide for the continuation of the Environmental Protection Agency to administer applications for major infrastructure projects of national significance; regulate new organisms (plants, animals, GM organisms) and hazardous substances and chemicals; administer the Emissions Trading Scheme and New Zealand Emission Unit Register; and manage the environmental impact of specified activities in the Exclusive Economic Zone, including prospecting for petroleum and minerals, seismic surveying and scientific research.

In addition the EPA would:

- Provide support to the Parliamentary Commissioner to the Environment in monitoring and reporting on the state of the environment
- Regulate compliance with NPS and NES and consent processes
- Administer Assessment of Environmental Effects processes

With the disestablishment of Regional Councils, the EPA would assume environmental regulation currently undertaken by regional Councils.

Part 9: The Way Forward: A Royal Commission of Inquiry

The preceding sections of this report set out a case for change to existing local government structures and New Zealand's planning law framework and detail NZCID's proposals for reform.

Having consulted extensively on our views over several years, NZCID knows there are many New Zealanders who support the need for change and are supportive of proposals for first principles local government and planning law reform.

On the other hand, some hold the view that existing structures are satisfactory and with improvements to the existing statutory framework and continuous improvement across council governance, shared services and other arrangements many, if not all, of the issues raised in this report can be addressed.

Others recognise the need for change but are unsure of what is the best way forward, especially in the light of the very strong opposition to reforms that arise from emotive and political debates that surround local government amalgamation proposals. Understandably, they are reluctant to support significant reform without thorough and substantive review of the whole gamut of possibilities and objective evidence based understanding of potential benefits and dis-benefits.

For all of these reasons, NZCID recommends that the time is right to put in place a Royal Commission inquiry into local government and planning law reform in New Zealand.

The commission would be established in early 2016 and would be required to undertake a first principles consultative review of the planning framework and the purpose, structure and funding of local government in New Zealand. It would report back to Parliament in early 2018, following the 2017 general election, with recommendations to the incoming government on a preferred option to either retain the status quo, potentially with enhancements, or to advance a reform proposal.

Although not discussed in detail in this report, we have included local government funding within the Royal Commission's proposed terms of reference. This is in recognition of the work of LGNZ on alternative funding options which seek to incentivise and reward local government initiatives to stimulate economic growth through taxation sharing agreements with central government.²⁴

Under current funding systems central government enjoys increased tax revenue from regional growth initiatives while local government apportions the costs of growth among ratepayers according to property or land values but gains no financial advantage from growth. Other than satisfying altruistic desire to support jobs and employment for their communities, local government and communities are faced with funding investment needed to enable growth but gain little in return.

On the other hand NZCID notes the powerful incentive that sharing central government tax gains can have in locations such as Manchester in the United Kingdom. Under the "Earn Back" agreement with the UK government, if Manchester is successful in driving economic growth through investment, the region will share in increased tax revenues that result from the investment that would otherwise have been a windfall gain to central government.

For these reasons, the Royal Commission inquiry should include new way of incentivising and funding local councils to go for growth.

²⁴ Local Government Funding Review, A Discussion Paper, Feb 2105

Conclusion

For New Zealand to realise its full potential, all regions across New Zealand need to prosper and develop.

Best practice regional development requires visionary leadership and governance, long term planning horizons, committed funding, effective regulation, and alignment between public agencies, iwi and the private sector and good infrastructure.

Comprehensive analysis of New Zealand's planning laws and local government structures show that New Zealand's planning and governance frameworks are dysfunctional. Provision of infrastructure is managed in silos, remains ad hoc and is poorly aligned to economic, social and environmental development policy. The investment pipeline is uncertain, private capital is poorly leveraged; land use and resource management decisions under the RMA are disconnected from funding decisions which are made under other statutes (LTMA and LGA). Local government agencies lack scale and expertise required to address future challenges in changing demographics, rising expectations and climate change. Procurement capability across public agencies is weak and there is poor collaboration between central and local government and the private sector parties.

The failure of the Local Government Commission council amalgamation processes and the RMA reform programme, prompts the need for an alternative approach to planning law and local government reform.

Unless action is taken NZ will continue to make slow progress with suboptimal urban and regional development and infrastructure delivery. A Royal Commission into local government and planning law reform provides the opportunity to undertake a comprehensive and evidenced based inquiry into options to strengthen local democracy, participation and interaction and to streamline decision making align planning and delivery between central and local government and the private sector and enhance the provision of local government services.

NZCID seeks a system where infrastructure planning, funding and delivery is integrated and supports national, regional and local development, decision making processes are efficient, effective, fair and transparent, funding is directly linked to strategy, public agencies demonstrate advanced procurement and delivery capability; private capital is fully leveraged and there is clarity about the investment pipeline to provide confidence to investors and suppliers.

We see this including:

- Reform of the national planning framework from "effects based" to integrated national, regional and local spatial planning framework.
- A dedicated Environment Act and a dedicated Planning Infrastructure and Local Government Act

- Rationalisation of the number of local authorities from 78 currently to somewhere between 10 and 20 councils who would form partnership with business and central government to develop regional growth strategies and spatial plans.
- Establishment of publicly owned regional utilities for delivery of water and transport services
- Development of the Environmental Protection Authority into a national environmental regulator with regional offices to take over environmental regulation from Regional Councils.
- Establishment of a National Infrastructure Commission to provide strengthened oversight, review and audit of infrastructure needs and effectiveness of delivery.
- Development of a specialist procurement agency to provide support to central and local government agencies.

A Royal Commission Inquiry would enable NZCID's ideas and alternative views from the widest possible range of stakeholders to be challenged and tested so that evidence based recommendations can be placed before a newly elected government in 2018.

“

Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort.

”

Paul J. Meyer, founder of the Success Motivation Institute
and Leadership Management Institute

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