



MANAGING FOR THE BIG ISSUES

Briefing for Hon. Simon Watts

January 2025

Congratulations on your appointment as Minister for Local Government. This is an important and varied portfolio that touches the lives of communities everywhere, every day.

Who we are

Taituarā —Local Government Professionals Aotearoa 'Taituarā' is Aotearoa New Zealand's leading membership network for professionals working in and for local government. Our thriving membership base consists of just over 1,000 members, drawn from chief executives, managers, and staff across all 78 local authorities.

What unites Taituarā members is our commitment to being our own professional best, supporting local government excellence through connection, collaboration, and care for the well-being of our communities.

Taituarā supports its members to be the very best they can be. We strengthen, develop, and connect our members by providing opportunities for current and future leaders to learn from each other, from the wider public sector, and from international perspectives.

Taituarā strengthens the local government sector as a whole by using our members' insight and experience to influence the public policy debate. We encourage thought leadership by enabling our members to step back from the day-to-day agenda, sharing wisdom, creating value, and building knowledge.

Taituarā is one of the agencies that provides sector stewardship. We support the effective relationship between governance and management within local authorities. Taituarā is the leading agency for delivering the sector's evolving capability and capacity needs.

Alongside our partners, we focus on improvement in the local government sector because we believe excellent public services support thriving communities.

We're here to help

A relationship with Taituarā will result in better-quality policy advice and the successful implementation of Government initiatives.

Even the most well-designed policy fails if it does not work 'on the ground'.

As an independent, apolitical organisation, Taituarā works proactively on the professional, technical, and practical aspects of policy, legislative, and regulatory change. Active, genuine, and early engagement with Taituarā ensures the Government gets the best advice to make its policies work effectively and ultimately results in quality policy, legislation, and implementation.

Central and local governments need to work together in partnership for the future

Local communities and the local government sector face era-scale change. The big challenges our communities face – responding to climate change, cost of living, housing, infrastructure, inequality and social inclusion – require transformative change to happen now. They require central and local governments to work in partnership, which we define as cooperatively, respectfully and with a shared purpose.

To achieve this vision, councils of the future need to function within a system of local decision-making and accountability that:

- is inclusive, values diversity, strengthens social cohesion, and unleashes the inherent power and strength of communities
- enables place-based decision-making and action
- gives effect to Te Tiriti o Waitangi and partners with Māori
- is innovative, self-improving, and adaptive, building and sustaining trust and confidence in government
- ensures central and local government:
 - a. think and act as one system for the benefit of the nation
 - b. have funding approaches that support fair allocation and equitable distribution of resources across the system and enable decision-makers to make the best use of limited resources.

Taituarā would like to work with the Government to design this system. We consider that the shift in accountability, funding, and the relationship between central and local government aligns well with the city and regional deals as a means of delivering both central and local priorities. Local authorities would generally welcome a joined-up commitment to plan for the future of our communities and a recognition that

bespoke solutions will be required, and a commitment to resources for the long term.

There is no magic number of local authorities, governance configuration, or allocation of functional responsibilities. Future structures need to be locally designed with communities in partnership with Māori, and the process to reorganise the sector needs to be simpler and more effective. The process must also build trust and confidence in local government, meet local needs and aspirations for intergenerational wellbeing, and enable local government and central government to meet the challenges of tomorrow. This may entail different 'solutions' around the country to get the better outcomes we seek.

Greater alignment and cooperation between central and local government extends to co-investment in New Zealand's future. We see this recognition in the Government pursuing city and regional deals and social investment. It will be critical that the assessment of the first set of deals is based on clear and transparent criteria in a publicly demonstrable way.

The local government portfolio comes with 'hands-on' responsibility for what we refer to as the system legislation: Local Government Act, Local Electoral Act and Rating Act and some functional legislation such as the Dog Control Act. Other Ministers have responsibilities for legislation of equal importance to the sector. For example, the Hon. Chris Bishop is the Minister of RMA Reform and Infrastructure, and the Hon. Chris Penk is the Minister of Building and Construction (which includes consenting reform.)

The joined-up relationships we envisage call for a total system-wide view of local government and its role in New Zealand's governance. All reform processes must be approached in a unified way and with a lens on the total cumulative cost and compliance of all sectors, including local government. Your role as Minister includes some role in identifying these impacts for your colleagues in the policy process.

The broken funding and financing model needs significant change. The existing pressure on rates, affordability challenges for ratepayers, and current levels of debt, interest, and inflation mean the current system is unsustainable. Water reforms are not the sole solution to the funding challenge. Mechanisms that incentivise investment in infrastructure that supports economic and population growth would meet both objectives. There is merit in the coalition agreement's proposals to share a portion of GST revenues on new builds signalled in coalition agreements. Targeted

funding solutions such as tourist taxes also have merit that extends beyond the regional deal process.

The local government system, and local authorities in general must strengthen an enduring and authentic relationship with Māori that supports the values and intent of Te Tiriti. Local authorities do have obligations to Māori under Te Tiriti. Local authorities are public entities that make decisions that impact lands, waters and taonga. Article Two recognises both shared authority over resources and taonga and the rights of Māori to contribute to council decisions, including representation in the governance process. This is one of the major pathways through which local authorities have responsibilities to Māori to give effect to Te Tiriti.

Together, the existing Treaty principles form a robust foundation for building effective relationships with Māori. These relationships provide local authorities with longer-term, holistic, and richer insights into the needs of our local communities that make better outcomes for the entire community.

The Principles of the Treaty of Waitangi Bill and the upcoming Bill that reviews principles clauses 'Act by Act' will strain the relationship between local government and Māori at the local level.

An authentic relationship between local authorities and Māori will look and feel different from community to community. Legislation should support and empower both parties to explore whatever option or options work best in local circumstances. Recent examples from our Excellence Awards show that local government and Māori are readily able to design bespoke solutions for the benefit of all.

The respective roles of the central and local government workforces are fundamental to the long-term success of the relationship. Better aligning the two will better enable the design of local solutions, with a better outcome for all. Aspects of the public service reform, such as the establishment of regional leads within central government and the establishment of regional economic partnerships, represent the first green shoots in this relationship. As Minister for Local Government, you could act as a champion for an aligned public service amongst your Cabinet colleagues.

For its part, the sector recognises it needs to demonstrate consistently high performance in a transparent manner, and to demonstrate continuous self-improvement.

Performance improvement is more than collecting and reporting a set of numbers, particularly a set of numbers that represent only a fraction of what local authorities actually do. That is to incentivise 'teaching to the test'. The Government must be wary that the proposed performance reporting does not work against the very innovation, cross-sector learning and cooperation these approaches claim to promote. The requirements to report are now a fait accompli, what we are open to is the next stage – performance improvement methodologies.

We support an approach to water reforms that supports the sustainable and transparent delivery of water services in a flexible and accountable way

The sector generally accepts that there was a need to strengthen the regulation of water services, and that this would come at a significant cost. While there is much dispute about the likely cost, even the lower bounds of the estimates we have seen are well in excess of what had been allocated in long-term plans.

The Local Government (Water Services) Bill (the Bill) builds on last year's legislation requiring local authorities to identify the cost of meeting these standards and other water services needs, as well as the proposed service delivery options for meeting those needs. The Bill does this by providing access to financially separate delivery models (for those local authorities that wish to pursue them), making the sector subject to economic regulation, and bringing a greater consideration of cost and benefit to regulatory standards.

We support the Bill and the preceding legislation in their aims. Indeed, we provided your predecessor with a proposal on how economic regulation should operate to support service delivery plans.¹

The legislation is complex, but much of this complexity is a result of the offering of multiple service delivery options, and of the water organisation's operating with balance sheet separation. There are opportunities to remove some of the complexity and cost, we are preparing a substantive submission on the Bill and will share this with you once lodged.

We are unconvinced of the need for local authorities to prepare separate water services strategies and financials (water organisations must as a prerequisite to

¹ This proposal *A Practical Approach to the Economic Regulation of Water Services* is available [here](#).

financial separation). We agree with the financial principles the government has set, including that water revenues should be spent on water services, but local authorities can demonstrate this within the existing accountability framework.

The Ministerial papers that have been publicly released show little evidence of the diversion of water revenues to fund other priorities, though we consider that the concerns as to whether water revenue has been set at a sufficient level have validity. In any case, the legislation adds an economic regulator with a role in enforcing the financial principles.

Local authorities have until early September to submit their service delivery plans for the Secretary's approval. But the Bill overrides and substitutes more onerous analytical and consultation requirements on local authorities establishing joint arrangements as local authorities are undertaking service delivery plans that might end with these options. If a council's preferred delivery model has not been implemented by the time the Bill becomes law, the more onerous requirements in the Bill will then apply, including potential requirements to consult on a decision that has already been made.

Resource management reform is necessary, and there are opportunities for improvement

Like all major political parties, local government has long shared the view that the Resource Management Act 1991 (RMA) and accompanying regulations no longer serve our communities.

Taituarā is supportive of the Government's objective to amend the RMA and progress their priorities:

- making it easier to consent new infrastructure, including renewable energy, building houses, and enhancing the primary sector
- cutting red tape to unleash the investment in renewable energy for New Zealand to meet its emissions reduction targets
- making the medium-density residential standards (the MDRS) optional for councils, with the need for councils to ratify any use of the MDRS, including in existing zones
- implementing the Going for Housing Growth policy to unlock land for housing, build infrastructure, and allow communities to share the benefits of growth

- facilitating the development and efficiency of ports, and strengthening international supply networks
- simplifying the planning system.

The repeal of the new Resource Management (RM) legislation provided an opportunity to design a new RM system that is more fit for purpose. We would welcome the opportunity to discuss options for reducing complexity, inefficiency, and cost – objectives that have not been achieved to date.

The amendments to the RM system to date have come through the Fast-track Approvals Act 2024, Resource Management (Freshwater and Other Matters) Amendment Act 2024, and currently, submissions are open for the Resource Management (Consenting and other System Changes) Amendment Bill. These amendments to the RMA come prior to the release of national direction instruments and the major overhaul of the system, which is anticipated to take place later in 2025.

Local government needs to be a critical partner in developing the plan to implement all the amendments, while continuing to meet current RMA system requirements. They also have an integral role in transition planning, to enable the move from the previous requirements under the RMA to the new requirements, including the national direction instruments that are yet to be released.

Central government should not underestimate the time and funding that will be required to transition and implement the amendments successfully. The pace and sequencing should be critically examined with local government, to ensure as smooth a transition as possible.

Additionally, it is important to acknowledge that redesigning and implementing a new RM system will add to the already significant levels of cost and uncertainty that councils, the private sector, iwi/Māori, and other users of the system currently face.

Taituarā and our members are here to help develop these critical building blocks and ensure that a practical implementation plan is developed.

There is much that the local government sector can lead and assist with and models of central and local government working together on implementation that we can draw from. Not doing this will inevitably create huge inefficiencies and unnecessary costs for local government and those parties who use the system.

Taituarā supports the clear communication of national priorities and how these fit together across the RM system. We welcome the release of the revised and new

national direction instruments that are due out shortly and are hopeful that they retain an integrated national direction approach.

A genuinely consolidated and integrated national direction would help reduce the cost and complexity of councils and system users. It would also improve overall certainty. It presents an opportunity to rationalise inconsistencies and resolve conflict between existing national directions, which will drive greater efficiencies and cost reductions. There is a real opportunity to get the national direction right, and we are here to help the Government achieve this.

While recognising that the Spatial Planning Act 2023 has been repealed, Taituara is supportive of a future system that includes spatial planning. There is merit in developing regional – or potentially sub-regional – spatial strategies and plans. Spatial planning brings local and central governments together to identify priorities for investment in infrastructure alongside environment, urban development, economic development and other objectives. It can simplify processes and lower costs by providing more long-term certainty, which can help to facilitate private sector investment and is a significant opportunity to enhance climate resilience. It could also support city and regional deals along with the Going for Housing Growth policy.

So, in redesigning the RM system, a codesign approach with those that will need to implement it and where central and local governments share the costs of transition and implementation is integral to its success.

A climate adaptation framework and funding are urgently needed

In 2023, New Zealand experienced three of the most damaging weather events in its history². Events of this nature cause large-scale economic and social disruption, and there are considerable long-term health and well-being implications for individuals and entire communities. These extreme weather events will become increasingly frequent and severe.

Two-thirds of our population live in areas prone to flooding and rising sea levels. River flooding will increase with climate change. As sea level rises, the frequency of coastal overtopping and inundation due to storm surge and wave run-up will

² Cyclone Hale, the Auckland Anniversary weekend flooding events, and Cyclone Gabrielle.

increase, alongside and compounding more frequent and extreme coastal flooding. With these increases the costs of recovery will rise and the costs won't just be in dollars.

Councils are on the front line of climate adaptation decision-making and action. With a paucity of tools available to support climate adaptation, we need to quantify the size of the adaptation challenge. There needs to be a clear national framework and legislation that enables communities to adapt to the impacts of climate change, including retreat and relocation. It needs to address all hazards, have long-term planning horizons, take a well-being approach, and create the social licence, tools, and funding arrangements for a nationally consistent and affordable approach to climate adaptation, one that improves equity and enables a just transition.

While the cost of climate adaptation has not been fully identified – what research has been done suggests it is likely to be the single largest cost for local authorities in the future. Councils cannot meet the costs of adaptation alone – we encourage increased support from central government to fund a range of adaptation activities. We need to stop being crisis led and reactive as a nation and take a more proactive approach.

Councils need a clear formula to calculate the share of costs in relation to a managed retreat that each system actor will be expected to pay. This formula should be able to account for the varied levels of support communities will need and encourage proactive retreats. New revenue-raising tools may be needed. A Climate Adaptation Fund needs to be established urgently, and a shared platform for investment in local and national priorities must be agreed upon, whether that be spatial strategy investment plans or regional and city deals.

Adaptation must be supported with a clear right to withdraw services and the legal means to extinguish title in areas subject to relocation. Liability should be limited, and appeal rights should be curtailed.

As we write this briefing, the sector and other actors await the Government's response to the Finance Committee's report on climate adaptation. The time for planning is running out. Effective adaptation to climate change must be enduring and certain; it should be a non-partisan issue. We have no clear sense of when a legislative response will be forthcoming – our sense is that resource management reform is the priority. We would welcome the opportunity to discuss this with you.

New Zealand must both rethink and invest in its approach to democracy – especially at the local level

Zealand should encourage people to be actively involved in communities and understand the value of community and participation for the common good. A civically engaged citizen not only votes but also takes the time to consider and participate in debates about community issues, engage in plans and policies, and get involved in community groups (as a volunteer).

Enhanced participation in local democracy will come from a combination of education, better engagement practice, opportunities to be involved in decisions that matter to communities, a refocus of the accountability regime onto what matters, better information about processes and candidates, and the removal of barriers to participation (especially in elections).

It is a sad but true fact that the level of public conversation and debate and participation in democracy has declined in recent years. Examples specific to the local government sector workforce include the assault of a chief executive in their own workplace, correspondence "directing" chief executives to place themselves under home detention for the "crime" of collecting rates that had been lawfully set, and many front-line regulatory staff needing to wear body cameras.

As Minister of Local Government, you are in the position to champion with your cabinet colleagues (particularly the Ministers of Justice and of Education) for a greater level of investment into democratic participation and education, especially on local governance.

Regarding voting, the ongoing decline of the postal system is making it increasingly difficult to deliver elections. Central and local governments need to take a fresh look at the potential of introducing online voting as an ongoing method in addition to postal voting. There is the potential to learn from the successful introduction of advance voting in central elections, including a fresh approach to booth voting. Alongside this, a robust evaluation of the centralised delivery of some or all local electoral functions is also merited. We see an enhanced role for the Electoral Commission.

Genuine accountability to communities is a democratic expectation, but the existing accountability framework no longer fits the purpose. For example, the present Water Bill suggests that the audit of a water organisation's service strategy is not a

certainty, yet the LTP audit would remain for local authorities. External commentators, such as the Auditor-General, have highlighted the repetition and lack of utility in some disclosures. Linkages to other reform processes, such as the spatial plan, must also be addressed.



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