Taituarā

Proposed Groups of Activities Regulations

Submission to the Ministry of Cities, the Environment, Regions and Transport (MCERT)

July 2026

Taituarā – Local Government Professionals Aotearoa thanks the Ministry of Cities, the Environment, Regions, and Transport (MCERT) for the opportunity to respond to the consultation document *Regulations for the groups of activities for councils' planning and reporting* (the CD).

Summary

The CD sets out a proposed classification of local government activities into activities for use in accountability documents such as long-term plans, annual plans, and reports. The intent is to better enable comparisons, especially of financial performance, by standardising a key presentational aspect.

We have seven recommendations that should underpin the overall development of the regulations as well as a significant number of comments that go to the classification of individual activities.

The implementation of the regulations should be deferred to at least 1 July 2029. Other recommendations note that the regulations are still very much a work in progress, and that support guidance needs to be developed. On current timeframes, councils in the Head Start programme are likely to face a second major reworking of reporting and financial systems less than fifteen months after these regulations take effect.

The activities of regional councils are not well captured in the regulations. Some key activities are missing. Others appear fragmented across different groups (some growth councils have identified growth and development as likewise equally fragmented). The Ministry should engage specifically with the regional and unitary sector.

Comparability between councils will be better supported if there is a standard methodology for allocating the support services to activities.

The category currently labelled 'other' is both unhelpfully titled and extremely broad. There is a risk that in some local authorities this could become the largest category reducing the value of the comparisons users might draw. The category needs to be further broken up - we have seen a vast array of suggestions from the sector to this end.

And finally, while accepting some standardisation of groups supports the Government's stated purpose this must not detract from council's ability to present a coherent story to the community. Regulations should empower councils to present <u>additional</u> information at activity level if they wish to do so. Note: this is intended to supplement and not replace information at group level.

The regulations cannot stand alone. A detailed data dictionary and a range of worked examples must he developed to support the regulations and at least get commonality of approach.

What is Taituarā?

Taituarā (Local Government Professionals Aotearoa) is Aotearoa New Zealand's leading membership network for professionals working in, and for, local government. We represent just over 1,020 members across all 78 local authorities, including Chief Executives, managers, and staff. What unites Taituarā members is a shared commitment to professional excellence, collaboration, and care for the wellbeing of our communities.

Taituarā strengthens the local government sector by using our members' insights and experience to contribute to public policy debate. We submit on legislation and regulations to provide perspectives on what works in practice and how policy can be implemented effectively.

Our focus is to help local authorities perform their roles and responsibilities as effectively and efficiently as possible. We have an interest in all aspects of local authority management from advice and regulatory delivery to services, infrastructure, urban development and placemaking, community wellbeing, and climate resilience and mitigation.

The grouping of activities is 'fundamental' to local accountability.

The grouping of activities is a fundamental building block of local authority accountability documents and is therefore central to achieving accountability to the public. Our suite of long-term plan guidance notes that the grouping of activities is a primary determinant of the length and transparency of accountability documents, and the transactional costs of operating the accountability regime.

Taituarā understands the Government's intent to provide for greater transparency in local authority accountability. We are on record as saying that when performance comparisons are approached with honesty of purpose, integrity of method, and as an opportunity for learning they provide useful information to local authorities and ratepayers (not least by helping identify the 'right questions to ask'). A significant number of local authorities undertake some form of comparison voluntarily and with different degrees of formality. The regulations that are the subject of this consultation are intended to provide for integrity of method by standardising the way local authorities categorise their activities for reporting purposes.

While this objective is laudable, a local authority's primary accountability is to its community. Local communities face quite different issues and challenges (for example, Mackenzie District Council faces no need to invest in coastal adaptation, while others debate managed retreat, there are stark differences between the economic situation in different regions etc). Similarly, local government exists in recognition that local communities have different needs and preferences.

There is a balance to be struck between standardising the presentation and information and allowing local authorities the flexibility and freedom to present information in a manner that supports the overall 'story' their accountability documents are telling.

Implementation timelines are challenging to say the least.

We understand that the regulations are likely to be finalised and notified in October 2026, with the intent that these be implemented on and from the 2027/37 long-term plans (LTP).

Councils require significant lead-in time to reconfigure financial management systems (for example, it is hard to see how a council could undertake a reclassification of this nature without a restructure of their general ledger) and the wider enterprise resource planning systems. The CD strongly suggests that some allocation of the costs of support activities may be required – which will require resourcing. Redesign of group and individual activities will also require some thought to reporting structures – performance measures and targets not least. Redesign of activity structures may also have implications for design of revenue and financing policies, and the funding decisions necessary to implement them.

We observe that the usual cadence of the LTP projects sees most local authorities moving to consult on their plans between mid-February (for the earliest) and the first weeks of April (the last). Some local authorities advise us that their initial draft LTP will be prepared as early as September. Many local authorities are therefore starting audit processes from November and will not meet this if the group and activity structures are still changing as late as October. It is not for nothing that the Taituarā suite of LTP guidance strongly advises councils to avoid making significant changes to, or introducing a new, reporting system in the twelve months prior to adoption of an LTP.

The proposed reforms to the structure of local government envisaged in the so-called Head Start/back stop processes will see some amalgamation of councils and/or relocation or redesign of the allocation of activities. This is likely to create a second significant revisiting of group of activity structures in many councils. With the Government's criteria for Head Start stating explicitly that these proposals must be in place by the 2028 local elections, this revisiting will occur fifteen months (at most) after the implementation of the proposals in the CD. The ratepayer will not thank councils or the Government for the cost of two major redevelopments of reporting systems in their local authority.

A delay in implementing the proposals to the year beginning 1 July 2029 appears warranted (and would enable councils to have their reporting systems in place in advance of the adoption of the next LTP).

Some local authorities have raised concerns that adoption mid-way through an LTP cycle would mean councils could not report against the LTP, although those councils implementing Head Start are likely to encounter much the same issues. The Department, Audit Office and Taituarā should consider guidance and if necessary, intervention to assist local authorities to report in the transition.

<u>Recommendation</u>

1. **That any proposed group of activity regulations not take effect until the financial year beginning 1 July 2029 at the earliest.**

The primary function test needs further elaboration.

The primary function test is the 'core' piece of implementation guidance outlined in the CD. It is intended to guide local authorities to resolve the 'lineball' cases as to which activity should be classified into each group. Many council assets are, however, mixed use assets, for e.g. hubs, libraries, other buildings used by community groups or hired out commercially and major capital programmes such as urban regeneration or city delivery projects that deliver transport, public amenities, economic development, and community facilities simultaneously. A wider range of worked examples may achieve this elaboration.

Comparability <u>will</u> require the development of a common methodology for allocating 'support services.'

The CD suggests that local authorities "*bunch the services that support an activity together as much as possible*" and where this is not possible to treat them as part of the governance, planning, and reporting group.

Taituarā submits that both pieces of guidance leave much to the judgement of individual councils, and therefore to different approaches. If left this open, local authorities are likely to (quite understandably) adopt practices that are as consistent with their current practice as possible. Different approaches undermine the desired comparability and mask the reasons for differences between councils e.g. “we don’t spend more on governance, we’ve included a wider range if support activity in this category than others etc.” Differences in council judgements also add to the ongoing cost of the regime, for example in justifying the approach to the auditors.

We observe that the proposed approaches do not sit well with good accounting practice. Corporate costs support all aspects of Council's service delivery and should be allocated to reflect the extent to which those support services are used by the 'output' activities. Good accounting practice is therefore to allocate overheads across all activities as a reflection of the total cost of providing a service. It is this information that is used as the basis for setting rates, especially to ensure that those set as targeted rates reflects the full cost of providing a service.

We therefore submit that the Ministry will need to develop a single consistent methodology for allocating these so-called support costs to the groups, and activities that make up those groups. That methodology would have to be specified in the regulations – though potentially a methodology could be incorporated by reference.

We agree that this is not a small task but is critical to the achievement of the Government’s intended objectives for standardising groups. Development of this methodology will take time and is another reason the commencement of any regulations should be deferred. Taituarā is willing to assist with, and support development of regulations but considers that lead responsibility sits with the Ministry.

Recommendation

2. **That the Ministry develop a single methodology for the allocation of support activities to groups of activities and to individual activities. This methodology should be specified in the regulations.**

Guidance needs further implementation support.

The CD describes the groups of activities and the individual activities within them. We observe that terminology is open to individual interpretation particularly at activity level. We have highlighted some examples in the individual groups. The lower the degree of interpretation, the greater the degree of comparability and transparency. The regulations need a supplementary data dictionary that defines activities and defines what is included and excluded. Definitions of other terms, such as ‘support services’ would also be helpful.

The guide includes a couple of worked examples. These are helpful but are both simple, intuitive, and developed to support the primary function test. The guidance would benefit from some more complex examples such as mixed-use facilities, urban regeneration, cross-cutting capital programmes.

Worked examples of other aspects of the guidance such as the allocation of support services to activities and groups would be beneficial. Taituarā would be happy to assist with developing these examples.

We note that a data dictionary and further worked examples are likely to take time to develop. This points to a need to defer the commencement of the regulations, and ‘do it right.’

<u>Recommendations</u>

3. **That the Ministry develop a data dictionary to supplement the regulations. This dictionary would defining activities and other key terms such as ‘support services.’**

4. **That the guidance incorporates a wider range of worked examples that go beyond the application of the primary function test.**

The classification of those activities currently delivered at regional level needs further development.

A number of significant regional council functions either are not clearly recognised or do not fit naturally within the proposed groups or are fragmented in their approach. We urge the Ministry to engage further and specifically with the regional sector – we understand several have undertaken detailed mapping of their functions to the proposed groups and have much to contribute.

Some regional councils have observed that *“the framework will result in some very small groups for us. For example, applying the guidance literally could require a small component of an integrated activity (such as a single regional reserve) to become its own reporting group with associated financial and performance reporting, while much larger activities remain aggregated. A more proportionate approach would improve comparability without creating unnecessary reporting complexity.”*

It is not clear to us where the (for want of a better term) ‘science-based’ functions of regional councils sit within the proposed framework. Among other this includes state of the environment monitoring; hydrology; groundwater monitoring; coastal monitoring; the maintenance of environmental data. While there is some aspect of supporting planning functions, these activities also provide public good information and support wider service delivery.

Importantly, they are not standalone services, but integrated functions where the same monitoring networks, data, systems, and specialist staff support multiple statutory and operational programmes. It is not clear to us whether these should be treated as ‘regulatory services,’ ‘planning’ or should be treated as ‘other’ (as that group is currently conceived) or whether creating artificial reporting boundaries within an integrated function would improve either transparency or comparability.

This area more than any other is where a data dictionary and explanation of the rationale for the make-up of the groups is critical to the integration of regional functions into the framework. For example, the rationale for the provision of biosecurity revolves around the protection of human health and the economy (especially agriculture). Yet the actual service delivered extends well beyond regulatory functions and integrates direct pest management and eradication and containment programmes, education, partnerships, incentives, and the use of statutory powers through Regional Pest Management Plans. Similarly, the biodiversity function may not sit intuitively with the public understanding of regulatory services as it integrates planning, site-led programmes, education, partners, and community grants to protect our natural landscapes. Mandatory group headings should therefore reflect the full scope of these activities. Otherwise, the Long-term Plan risks presenting an incomplete picture of the services councils deliver, reducing rather than improving transparency for communities.

More broadly, we encourage the Ministry to apply a consistent approach to integrated regional council activities. The guidance already recognises that planning, regulatory and non-regulatory functions should remain together in some activities, (including how it treats biosecurity and biodiversity). However, in other areas, including resource management and infrastructure, planning is treated as a separate activity, while the guidance is silent on planning within integrated functions such as regional transport and maritime. A more consistent application of this principle would better reflect regional council operating models and improve the transparency and understandability of Long-term Plans.

<u>Recommendations</u>

5. That the Ministry undertake specific and detailed engagement with the regional and unitary councils before finalising the regulations.

Activities supporting growth and development are fragmented across several groups.

The current guidance separates what many councils manage as an integrated city development/growth function. District/regional plans, urban planning, and resource management planning are reported under Governance, Planning and Reporting, while resource consents, planning compliance and building control sit under Public Regulatory Services, and economic development is classified as Other. Although each classification is logical when viewed in isolation, together they fragment development and growth activities, making it difficult to present a coherent picture of council investment and performance in enabling growth and development.

The category labelled 'other' is both broad and unhelpfully labelled.

The 'other' category is particularly broad, especially for metropolitan local authorities. Some report that as currently defined, 'other' could become the catch-all for the largest bucket of activities and funding for councils and make any comparison meaningless as these activities would have different purposes, funding models, and expenditure profiles.

We understand the Government's intent that the reporting provides a basis to draw conclusions on, for example, the amount of expenditure on the activities in the proposed new section 11A of the Local Government, and those on activities not elsewhere listed. But the use of the term 'other' signals that these activities are of lesser importance, despite their being captured in the purpose of local government.

More than a few of the activities listed have a 'people' focus, such as social housing, community development, and grants. The Ministry should consider whether categorising these functions as 'other' aids public acceptance of this reporting. The Ministry should consider whether there might be merit in further separating the group currently labelled as 'other.'

One top of head suggestion is that a separate 'People services' group might be established including: community development, community safety, grants, social housing and similar. Anything else might be classified together into a genuine 'other' group.

The broadness of this category, and potentially some others, might obscure transparency by 'hiding' key issues and expenditures within wider group structures. We understand that the desire for transparency makes reporting against a common group of activities essential. But it is unclear whether local authorities retain the current discretion to report additional information at the level of an individual activity. This would better support local authorities in telling their overall strategic stories to the community e.g. a council that is investing heavily in economic development might choose to report on that activity within the overall group. If course, this would need to be tempered with a need to report using the DIA classification of activities.[1]

Recommendations

6. That the category currently labelled as 'other' be further divided into at least two categories.

7. That the guidance clarifies that while local authorities must report against the groups, that they may also report additional information against individual activities.

Emergency debris disposal is not routine waste disposal.

The CD specifically asked, *"should costs associated with the disposal of debris during emergency recovery be recorded against the 'adaptation and emergency management' category or as part of 'waste management'?"*

Emergency debris disposal is a recovery activity arising from an emergency event. Consistent with the CDEM Act 2002 and the Guide to the National CDEM Plan, it would be appropriate to record these event-specific costs under "adaptation and emergency management" rather than routine waste management for the disposal of debris during emergency recovery only.

We have specific comments about the proposed allocation of activities among the groups.

[1] We suspect that this might acheive the same effect as that the Department envisages in the paragrag under the heading "councils are permitted to set additional grouos of activities". As currently worded that paragraph seems to suggest that local authorities could set up multiple regimes of groups of activity e.g. that which is regulated, and one of their own.

We provide specific comments and recommendations about individual groups below.

Group Two: Community and Recreational Facilities

We observe that cemeteries are managed alongside other parks and reserves and may therefore sit better in group four (parks and reserves). Those activities in group two have a common rationale that revolves around the provision of recreational and cultural opportunities. This is different from cemeteries and crematoria, where the rationale is around the safe and respectful commemoration of those who have passed on. Crematoria are more commonly privately owned and operated; we would not separate them from cemeteries.

Group Three: Governance, Planning and Reporting

The infrastructure strategy, financial strategy and revenue and financing policy are prepared as part of an LTP than separate activities. Each of these can be deleted from the guidance.

It is unclear to us why water services strategies are being treated as an activity. Where services are being delivered by CCO, the strategy will be prepared by the CCO, and the local authority's role is more of a representative/advocacy one. Where an in-house business unit delivers services – expenditure revenues etc must all be ringfenced.

Group Five: Public Regulatory Services

The purpose of LGOIMA is primarily about access to information and the conduct of meetings. Both functions appear to sit more appropriately in the "governance, planning and reporting" group than in a group more about the management of negative effects. (A LIM is a device for drawing together all the info held on a property, and to that extent also relate to access to information, rather than serving a regulatory purpose.).

Group Six: Roading and Transport

The group is missing any reference to active transport modes e.g the provision of walking and cycling infrastructure (other than mountain bike tracks which are treated as a community facility).

The appendix to the guide notes that airports should be classified into this group. We agree, though we note that more commonly airports are in CCOs. We suggest that the public-facing release of information might add airports into the material in the body of the guidance to emphasise that this group is not just about 'roads.

We could find no reference to aerodromes in the body of the guidance or the appendix. Possibly these were treated as airports, though they are far more common. An airport's primary purpose is to support the transport system. Our observation is that aerodromes have two purposes – supporting economic activity (for example, crop-dusting) and providing a recreational opportunity. This puts aerodromes more in group two: community and recreational facilities.

Harbours and navigation should be included in this group.

Abandoned vehicles should be treated as part of the regulatory group. The removal of abandoned vehicles is more about the management of a nuisance and/or an environmental effect of road use, than the provision of roads.

Similarly, parking enforcement belongs in the regulatory functions. Only the provision of the infrastructure should sit here.

Group Seven: Waste management

Transfer stations have been excluded from this group. Some local authorities no longer have landfills but do operate transfer stations that send waste to a landfill out of district.

Group Eight: 'Other'

We refer to our earlier comments about the broad nature of this group and its title. We are unclear what the Department means by "sustainability" - all the expenditures local authorities incur are in the service of promoting the sustainable development of the district.

It is not clear what the 'marketing' activity refers to, especially as it is distinct from communications. As far as we are aware, marketing activity is undertaken to promote development opportunities in the community (which prima facie sit within economic development) or to attract visitors to the district (which could be viewed as either economic development or tourism).

Missing/Unclear

Customer service centres/call centres etc do not appear to be covered, the suspicion is these are considered a 'support service,' We are unclear why activities undertaken on reserves are treated separately from the same activity on non-reserve land (for example playgrounds and public toilets). This is an example where the proposed regulations appear too granular.

Iwi liaison is mentioned in several different contexts. Governance, planning, and reporting includes iwi liaison. The allocation guidance suggests iwi liaison should be attributed to the activities it supports where possible. Public regulatory services also include partnerships with iwi Māori for land management decisions.

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