

Productivity Commission inquiry into local government regulatory performance

Response of Waikato Regional Council

13 September 2012

Executive summary

Waikato Regional Council (WRC) supports the Commission's inquiry into opportunities to improve local government regulatory performance. WRC considers that good regulation provides benefits to business and the community, and improved regulatory performance will yield further benefits.

Local government regulatory functions are conferred on councils by central government. Most functions are accompanied by central government mandated limitations on scope and process. Central government therefore heavily influences the outcomes. In judging local government regulatory performance, it is important to take into account the degree of autonomy that local authorities have in exercising each function.

Regional councils and territorial authorities have different regulatory roles, issues and opportunities. It is important that the Productivity Commission is clear about whether matters to be addressed relate to regional councils, territorial authorities or both, so that solutions are appropriately targeted.

There needs to be much clearer delineation of roles of regional councils and territorial authorities, particularly around land use, transport and hazards planning. We advocate a change to legislation to provide that:

- regional councils have responsibility for land use, transport, infrastructure and hazards planning, and
- territorial authorities have responsibility for community based planning activities such as amenity features and town plans.

Regional councils should undertake regional strategic planning. WRC considers that territorial and regional planning, whether under the Resource Management Act, Local Government Act or Land Transport Management Act, needs to have a strategic basis that provides high level guidance on what the various planning activities are aiming to achieve.

Local authority (especially RMA) planning is far too complex, inefficient and expensive with unnecessary repetition and lack of integration. RMA planning could be improved by:

- reducing the number of plans, through combined plans
- increasing co-operation between councils, without combined plans
- introducing alternative plan making processes to save time and cost
- standardising plan presentation (e.g. common zoning definitions)
- increasing the number of national environmental standards.

We support an audit approach to monitoring regulatory performance rather than an approach based on simple indicators.

A. Introduction

1. The Waikato Regional Council (WRC) thanks the Productivity Commission for the opportunity to provide comment on the inquiry into local government regulatory performance. This submission responds to the Commission's terms of reference and to the issues paper published by the Commission in July 2012.
2. WRC supports the intention to improve regulatory performance of local government. We consider that good regulation provides benefits to business and the community, such as by enabling particular activities, supporting community outcomes, providing transparent and efficient processes to manage conflicts between the needs of people and business, providing certainty for business with respect to resource use activities and encouraging market based instruments. WRC considers that improvements to regulatory performance will improve these benefits and has various suggestions to make.
3. This submission is divided into these sections:
 - A. Introduction
 - B. Central government influence
 - C. Regional council role
 - D. Strategic planning
 - E. RMA Planning
 - F. Answers to selected questions in Issues Paper
 - G. Case studies
 - H. Conclusion
 - I. References and links
 - Attachment 1: Changing needs of local government in Waikato

B. Central government influence

4. Local government regulatory functions are conferred on councils by central government. Regulatory scope and process are often prescribed in detail by legislation (for example, RMA plan making processes). These cannot be avoided or modified by local authorities. Regulatory functions can be subject to multiple Acts administered by different agencies, with inter-relating influences. This can lead to complex requirements which can work against good regulation. Complex institutional arrangements and their effects are illustrated in Case Study 1 – Effect of discount regulations on water allocation. Other legislation has given functions to local authorities without any financial assistance to carry out the function, thereby limiting council performance (Case Study 5 provides an example of this.).
5. Regulatory difficulties can result from unnecessarily complex legislative requirements rather than from poor local government performance. In judging local government regulatory performance, it is important to take into account how central government policy and legislation can create performance issues.

C. Regional council role

6. The main regulatory functions of WRC are as follows (Section F gives more detail):
 - a) Waikato Regional Policy Statement (integrating regional and district plans)
 - b) Regional plans (including regional coastal plan)
 - c) RMA enforcement
 - d) Regional Land Transport Strategy

- e) Regional pest management
 - f) Building control for dams
 - g) Civil defence emergency management
 - h) Hazardous substance control
 - i) Navigational Safety
 - j) Oil spill response
 - k) Regional Public Transport
 - l) Miscellaneous soil conservation, river control, land drainage regulatory functions
7. Regional councils have quite different regulatory roles, responsibilities and opportunities to territorial authorities. This fact, together with the large geographic scale of most regional councils, means that regional councils are different in their focus, concerns, world view, and relationship with communities and stakeholders, compared to territorial authorities. These differences are reflected in legislation, which often gives regional councils and territorial authorities different regulatory roles, for example under sections 30 and 31 of the RMA.
8. It is important therefore that the debate about local government regulatory performance is very clear about whether it is referring to regional councils, territorial authorities or both. Discussions about local government reform are sometimes misleading in that while they refer to issues with “local government”, the issue may not apply equally to territorial authorities and regional councils. For example, discussions about the financial positions of some local authorities, cost blow outs on projects and the numbers of planning documents are almost exclusively about territorial authorities rather than regional councils. It is important that solutions to such problems do not catch regional councils in the cross-fire, with perverse outcomes.
9. WRC requests that the Productivity Commission, in its report to government, is clear about the nature and particular roles of regional councils (including their integrative role), as distinct from territorial authorities, and that discussions about the issues and solutions clearly distinguish how they relate to the different levels of local government.
10. Differences between the regulatory roles of regional councils and territorial authorities are briefly acknowledged in the Issues Paper where it states,
- “Regional councils have responsibility for the physical environment and cross boundary functions that require an integrated approach, which includes regional land transport, biosecurity, civil defence and some resource management.” (p8)*
11. Although this is an overly paraphrased description of functions, it does point out the integrative nature of much of the regional council’s regulatory functions. The different regulatory roles mean that regional councils face quite different challenges to territorial authorities in carrying out their roles. For example, for regional councils to effectively achieve integrated management of natural and physical resources, there needs to be a high level of support from, and agreement with, territorial authorities. This is often difficult, given the different responsibilities and concerns of regional councils and territorial authorities.
12. Recent interviews with firms in selected sectors provided some feedback about the implementation of regulation. This included observations that there is weak regulatory coordination between and within regional and territorial authorities;

duplication of roles between regional and territorial authorities; and weak understanding of industry-specific technical issues. Interviewees understood the need for regional variances when the land and environment is different, but wanted consistent processes and standards. This occurs both within the Waikato, and nationally. (MartinJenkins 2012).

13. WRC would like to see a clearer and simplified division of regulatory roles for regional and territorial authorities. At present there is considerable overlap between regional and local regulatory roles, particularly with respect to land use, transport and natural hazard management. For example, territorial authorities, through their district plans, are responsible for establishing land use zones and granting subdivision and land use consents. The regional council is responsible for the integration of land use and infrastructure, and for the control of the use of land for purposes such as water quality management and natural hazard management. Regional councils also have important transport management responsibilities, and there is a strong relationship between transport and land use management.
14. Regulation of land use would be clarified significantly if regional councils were given sole responsibility for strategic, integrated land use management, transport, infrastructure and natural hazards planning. This would remove current overlaps, and also allow the bigger picture and regional strategy to be considered. The value of regional strategic planning is expanded on in section D below.
15. In regard to natural hazard planning (floods, earthquakes, tsunami etc) at present regional councils and territorial authorities share the planning responsibility under RMA. Shared responsibility leads to overlaps and gaps. For example, WRC holds flooding information for the region in the form of maps and supporting data. Two district councils have stated that they do not want WRC to pass on this information to them as they would then be obliged to act on the information, notifying the public and including the information on LIMs. It would be better if one level of local government dealt with the whole issue.

Integration of CDEM

16. The Issues Paper (p8) notes that regional councils have an integrating role in regard to various activities including civil defence emergency management (CDEM). Table 2 (p11) lists the various regulatory activities undertaken by local government but does not mention CDEM. CDEM should be highlighted as an area where integration across local authorities is essential, given the group structure that is put in place by the CDEM Act. This requires territorial authorities and the regional council to work together to achieve a common goal (i.e. the group plan). Without the integrating role of regional councils, there is potential for individual local authorities to adopt individual positions on issues that might be contrary to their collective responsibilities under the CDEM Act or the collective position of the CDEM group.
17. Local government often relies on mechanisms under one Act to achieve the requirements of another Act (for example, land use management through the RMA and building control through the Building Act contribute to the risk reduction that is sought by the CDEM Act). It would be sensible to align and strengthen the connections between the planning processes that occur under these different pieces of legislation (e.g. the Regional Policy Statement and the CDEM Group Plan). Without this alignment, there is potential for different approaches to undermine each other. There is also potential for duplication in the various processes that run parallel to each other.

18. The Minister for the Environment's RMA Principles Technical Advisory Group (TAG Report 2012, p13) recommended, in relation to natural hazards:

- Amend [RMA] provisions specifying matters to be considered in preparing RPS and plans to specifically refer to CDEM Group management plans as a matter which must be considered.
- Regional councils should have the lead function of managing all the effects of natural hazards. Territorial authorities are to retain their current function in regard to natural hazards.
- There should be one combined regional and district natural hazards plan.

WRC supports these recommendations as they would improve the integration of these local authority regulatory functions.

D. Strategic planning

19. WRC considers that territorial and regional planning, whether under the RMA, Local Government Act (LGA) or Land Transport Management Act (LTMA), needs to have a strategic basis that provides high level guidance on what the various planning activities are aiming to achieve. The Auckland Plan provides this role in Auckland, under special legislation, but there is currently no easy process for this to occur in other regions. Regional councils should undertake regional strategic planning.

20. A "regional strategic plan" could combine many elements of the current Regional Policy Statement and the Regional Land Transport Strategy, with a new function of spatial planning, as provided for in Auckland. The advantages of a regional strategic plan include providing:

- clear strategic direction, which would help to resolve the problem of lower level plans having disparate and unaligned objectives within the region
- for scarce resources to be managed to best economic advantage for the region and New Zealand
- best return on infrastructure investment, such as by avoiding: (a) duplication of sunk infrastructure cost, from servicing too much industrial land; and (b) ribbon development clogging state highways (see case studies 7 and 8.)
- high level policy guidance so that high level issues do not need to be repeatedly re-litigated across the region through lower level planning processes
- better alignment of actions to achieve environmental, economic, social and cultural objectives.

21. Strategic planning could advance economic objectives of the region in a number of ways, including the efficient use of infrastructure as mentioned above. Examples of the practical problems raised by the current lack of strategic planning are given in Case Study 7 – Industrial land oversupply in upper North Island, and Case Study 8 – Tokoroa ribbon development and SH1 bypass.

E. RMA Planning

22. This section discusses opportunities for improving the regulatory performance of councils under the RMA especially through increased coordination and consolidation. RMA planning is worthy of special consideration because it creates the largest regulatory function for WRC and most other councils, measured in terms of affects on the environment and economy, and by number of persons employed and budgeted expenditure.
23. The Australian Productivity Commission (2012) reported that –
- Coordination and consolidation of local government regulatory functions has the potential to address the burdens that business face, particularly where there is:*
- i. regulatory duplication or inconsistency across local government areas*
 - ii. inadequate capacity within individual local governments to deliver good regulatory outcomes. (Section 5)*
24. There are a number of ways to co-ordinate and consolidate RMA functions, to address the issues of regulatory duplication, inconsistency and lack of capacity with existing councils. Various options are proposed in this section. These do not include council amalgamation, as this is not part of the Productivity Commission's inquiry.
25. WRC has five suggestions for new approaches that could improve current performance of RMA functions:
- reduce the number of plans, through combined plans
 - increase co-operation between councils, without combined plans
 - introduce alternative plan making processes to save time and cost
 - standardise plan presentation
 - increase the number of national environmental standards.
26. Every council has a district or regional plan, in some cases multiple plans, resulting in a multiplicity of planning controls around New Zealand. Apart from the identifiable costs of plan making to councils and submitters, the large number of plans creates on-going costs to the economy: these costs include the time required for developers and other plan users to identify and understand relevant development controls and responses, which may be presented in unique ways.
27. The number of RMA planning documents and the unnecessary variations in their content should be reduced. Fewer plans would reduce plan making costs and ongoing compliance costs for business. The cost of 11 territorial authorities in Waikato region individually producing and reviewing their own district plans, along with the planning tasks of the regional council, is hugely expensive to the regional economy. Each council engages in duplicative plan drafting, consultation, submission and hearing processes, followed by Environment Court appeals. These processes invariably produce different responses to the same issues.
28. The cost of making regional policy statements and plans is significant. For example the Waikato Regional Plan Variation 5 (to protect the water quality of Lake Taupo) took seven years to complete from the time the Variation was notified. Five of these

years were taken to resolve appeals to the Environment Court. Variation 5 cost in the order of \$7.5 million. Variation 6 (to improve the way water is allocated in the region) took six years (three years resolving appeals) and cost more than \$3.7 million. These are just WRC costs. Total costs for the regional economy would have been significantly more (perhaps as much again).

29. A reduction in the number of plans could be brought about by existing councils making combined plans, which is already encouraged under s80 RMA. Few combined plans have been made to date. This issue was explored in a questionnaire circulated by the Waikato Local Government Forum in June 2012. Councils in Waikato region were asked,

In your opinion, is it desirable to consider combined district or district/regional plans in future?

Eight of the 11 responding councils agreed that combined plans were desirable, mainly because it would produce a co-ordinated approach to planning issues. Only 2 respondents considered that there would be cost savings with a combined plan.

30. Despite the acknowledged merits of combined plans, councils are resistant to making combined plans. The main barrier to combined plans is the fear that multiple negotiators will increase the costs, slow decisions on plan content, and entail compromises that fail to address specific local issues. Councils may also feel that a combined plan would represent a loss of sovereignty or self determination. Legislative change may be necessary to increase the number of combined plans.
31. Some councils lack the capacity to do full justice to the RMA plan making functions and processes, because of constraints on funding or expertise. If these councils combined to make plans they could carry out a better resourced policy making process, which would improve long run environmental and economic outcomes.
32. The ultimate combined plan is a unitary plan (combined regional and district plan) for a region, as is currently being prepared by Auckland Council. WRC supports one unitary style plan being prepared in every region, complemented by “community” plans that provide for local place shaping. While this could largely be done voluntarily now under the RMA, it is unlikely without new legislation or incentives.
33. Without making combined plans, councils can still improve plan making performance by sharing information and expertise. WRC has demonstrated this by working with Bay of Plenty Regional Council (BOPRC) to achieve consistent management of geothermal activities. Plans have not been combined, but the councils have co-operated to address a number of policy and administrative issues together. (See Case Study 2 – Joint Regional Geothermal Resource Management.)
34. Another example of cooperative actions between councils to improve regulatory performance is in the development of administrative software, which has the potential to significantly improve efficiency. The Integrated Regional Information System (IRIS) being developed by WRC with other regional councils is an example of this. (See Case Study 3 – IRIS.)
35. WRC has previously supported finding ways to reduce the cost of plan preparation under RMA Schedule 1 through an alternative plan making process. This work (Dormer and Payne, 2012) was summarised in the TAG Report (2012, pp111-112) and commended by the TAG for further consideration.

36. Standardised plan presentation is another option for reducing costs. This would produce savings for councils, residents and businesses. Councils could use a ready-made template when creating new plans, rather than having to draft plans from scratch. Residents could more easily understand plans that follow a commonly used format. Businesses could spend less time and money deciphering a bewildering variety of different local zones and definitions, when developing their businesses.
37. A system for standardised plans has been introduced in New South Wales (NSW 2006; NSW 2008.) It sets up a template so that all local plans look similar, with similar content in similar places. It provides standard descriptions for planning zones (such as industrial zones or rural zones) and standard definitions for common planning terms. Some standard provisions must be included in every plan, but local variation is allowed to address issues such as local hazard overlays, objectives for neighbourhood character and objectives to reflect outcomes of local strategic planning. WRC considers that this would be a useful model to adopt for RMA plans in New Zealand.
38. Regional and territorial authority plans could be simplified if Government made greater use of National Environmental Standards (NES). Over the 21 years the provisions have been available, only five NES have been made by Government, on air quality, drinking water, telecommunications facilities, electricity transmission, and soil contamination. Three other NES are under consideration, on ecological water flows and levels, sea-level rise and plantation forestry.
39. The economic advantages of NES include the certainty that comes from a nationally uniform set of controls. To take one example, it is clearly inefficient for future sea-level rises to be forecasted and litigated individually by councils, who have no expertise in the topic. The science is contestable, and a national standard has the potential to arbitrate the issue and create certainty where none might otherwise be found.
40. The telecommunications and electricity transmission NES were strongly supported by their respective industries when they were made, and there may be other sectors of the economy that could similarly benefit. WRC has been working with forestry interests to advance the draft plantation forestry NES to determine if benefits can be obtained in the forestry sector.
41. There are other topics that could benefit from the production of NES. These include topics that have been repeatedly re-litigated in district plans throughout New Zealand over the past 20 years, notably protection of indigenous vegetation, natural features and landscapes. Activities regulated by regional plans, which could be dealt with nationally through NES, include stream crossings and stock effluent disposal.
42. The influence of central government policy on local government regulatory performance can again be noted. Production of more NES depends on central government action and is not within the control of local government.
43. Consideration of the options discussed in this section has already begun in the Waikato. The Waikato Local Government Forum recently began a collaborative project to identify other opportunities to improve RMA regulatory performance in the region. A working group of council representatives is investigating how planning can be better integrated and streamlined. It is too early to report the conclusions from this.

F. Answers to selected questions in Issues Paper

44. This section addresses selected questions posed in the Productivity Commission's Issues Paper. WRC has only answered those questions where considers it has a specific regional viewpoint.

45. Question 1:

Q1: What is the relative importance of the range of regulatory activities local government undertakes? Where should the Commission's focus be?

Answer: The RMA creates the largest regulatory function for most councils, including WRC, measured in terms of affects on the environment and economy, and by number of persons employed and budgeted expenditure. However, there are many other functions that can impact significantly on business costs of specific sectors (e.g. biosecurity), or on the wellbeing of the community, (e.g. CDEM, Building Act, oil spill response under Maritime Transport Act). The Biosecurity Act is another area where the potential for combined or joint planning should be explored.

46. Question 2:

Q2: "What are the main economic, social, demographic, technological and environmental trends that are likely to affect the local government regulatory functions in the future?"

Answer: We attach as Attachment 1 a recent WRC report, "Changing needs of local government in the Waikato region" (report to Policy Committee, July 2012.)

47. Questions 3 and 4:

Q3 Has the Commission accurately captured the roles and responsibilities of local government under the statutes in Table 2?

Q4 Are there other statutes that confer significant regulatory responsibilities on local government? What, if any, regulatory roles of local government are missing from Table 2?

Answer: Q3 No; Q4 Yes. Table 2 omits some relevant regional council functions. Waikato Regional Council has these regulatory functions:

Table F1: Waikato Regional Council regulatory functions

Act	Instrument	Summary
Biosecurity Act 1993	Regional Pest Management Strategy	Strategy states objectives, the pests to be managed or eradicated and the methods of management.
Building Act 2004	Building control and consents for dams	Regional councils are building consent authorities for dams, because dams usually require resource consent regional plan as well as building consent. There are economies of scope in combining these functions.
Civil Defence Emergency Management Act 2002	CDEM Group Plan; Emergency Declaration	Regional council administers CDEM Groups, in partnership with territorial authorities. Group plan is mainly about organisational arrangements. During an emergency, CDEM has significant "command and control" powers.

Act	Instrument	Summary
Hazardous Substances and New Organisms Act 1996	Act or transfer of powers	Regional councils have enforcement role under s97(2) of Act.
Land Transport Management Act 2003	Regional Land Transport Strategy	Strategy mainly about allocation of resources. Act provides for taxes and tolls to fund land transport, and enforcement provisions in relation to these.
Local Government Act 2002	Act and bylaws	The Local Government Act confers various generic regulatory powers on councils, including powers of entry on to private property and seizure of property. These form a minor part of regional council regulatory functions, used mainly to support functions exercised under specialist Acts. Waikato Regional Council currently has no bylaws under the Local Government Act.
Local Government Act 1974	Part 39A Navigation	Harbourmaster appointed by regional council may regulate ship movements, mooring positions, manner of discharging cargo. Regional council can maintain navigation aids, and do harbour works. (There are no large commercial ports in Waikato region, controls are necessary for existing water traffic.)
	Section 684B - Navigational Safety Bylaw	Deals with boating safety in harbours and waterways.
Maritime Transport Act 1994	Enforcement	Investigation and enforcement (through prosecution) of acts endangering safety.
	Waikato Regional Marine Oil Spill Contingency Plan	Provides for responding to medium scale oil spills, to mitigate the effects and restore the environment.
Public Transport Management Act 2008	Regional Public Transport Plan	Confers powers on regional councils to set standards for commercial public transport services; regulate commercial public transport services; and require public transport services to be provided under contract. (Has regard to the desirability of a competitive and efficient market for public transport services.)
Resource Management Act	Waikato Regional Policy Statement	Control content of district plans made by territorial authorities
	Regional plans (including regional coastal plan)	Controls use of water, geothermal, air, coastal areas, soil resources, discharges of contaminants etc.
	RMA Monitoring, compliance and enforcement	Monitoring of consent conditions and permitted activity rules, compliance strategies including prosecutions for non-compliance with RMA
Soil Conservation and Rivers Control Act 1941, Land Drainage Act 1908, and River Boards Act 1908.	Miscellaneous provisions	Regional councils administer these Acts. For WRC, river control is the second largest budget item. It confers significant economic benefits on the farming sector. Most of the expenditure is on service delivery, but the regulatory aspect (protecting assets) is an important adjunct to the service delivery. The TAG report (2012) said these Acts contain outdated enforcement provisions.
Evidence Act 2006 Criminal Disclosure Act 2008 Search and	Miscellaneous provisions	When a council engages in any investigation or subsequent prosecution they have numerous regulatory and statutory obligations under a number of generic Acts.

Act	Instrument	Summary
Surveillance Act 2012 NZ Bill of Rights Act 1990 Summary Proceedings Act 1957 Privacy Act 1993		The Local Government Official Information and Meetings Act also affects regulatory practice.

Table F1 differs from the Issues Paper Table 2 in that it adds items for Civil Defence Emergency Management Act, Land Transport Management Act, Local Government Acts, Public Transport Management Act, Resource Management Act, Soil Conservation and Rivers Control Act, Land Drainage Act, and River Boards Act. Under the Maritime Transport Act, reference has been added to the regional marine oil spill contingency plan. All these items include regulatory functions within the wide definition given in the Issues Paper. Miscellaneous Acts affecting administration of regulatory functions are also listed here. The comments made in Table F1 about the HSNO Act differ from the comments made under the Issues Paper Table 2, in that regional councils have a regulatory role conferred by section 97(2) of HSNO Act.

48. Question 6

Q6 Do the different characteristics and priorities of local authorities explain most of the difference in regulatory practice across local government?

Answer: No. The differences in regulatory practice are often due to communities making decisions in isolation and without understanding the wider regional or national context. Statutory processes can reinforce geographic myopia.

Differences in regulatory practice also often reflect differences in funding available for implementation of regulatory functions. Funding affects the expertise of relevant staff, ability to monitor and collect data, and ability to obtain legal or other specialist advice as required. Some regulatory functions are accompanied by user-pays funding mechanisms, e.g. building consent administration is largely covered by application fees. Other functions may be partly self-funded: in the case of prosecutions, the courts may award councils court costs, and a proportion of fines imposed, however these are unreliable sources of revenue and may not cover actual expenses. Most local authorities rely heavily on rates to fund regulatory functions. Funding constraints can be a factor in regulatory performance, especially for smaller councils.

49. Question17

Q17 Can you provide examples of regulatory innovation by local government?

50. Answer: Yes. Innovations by WRC include encouraging market based instruments such as tradable nitrogen rights around Lake Taupo and transferable water-take permits (Waikato Regional Plan, 3.4.4.3 and 3.10.5.1.)

The Tokoroa Dairy Factory development is another example: early engagement, upfront issue identification and agreed resolution between parties resulted in a quick uncomplicated consent process for a new dairy factory that might otherwise have resulted in a more costly drawn out process. (See Case Study 4 – Tokoroa Dairy Factory.)

51. Question 23

Q23 Which other factors might be important for considering whether a regulatory function should be undertaken locally or centrally?

Answer: Distinctions need to be made between central, local and regional functions. Tasks allocated to regional councils under RMA s30 have a common element of managing the resources of the commons, such as air, water and coastal space: these issues do not fit existing territorial authorities because the functions are catchment based. Central government could theoretically do these functions, but it would need to recognise and accommodate regional differences; meaning that in practice central government assumption of regional RMA functions might not differ much from the current model. Central government would also have to accept the transfer of significant costs, which are currently paid by regional ratepayers.

One factor for considering where a function should be undertaken is where the expertise in a particular issue lies, whether locally, regionally or nationally. New Zealand has limited human resources in some fields and these should be applied to best effect. A maritime oil spill such as the *Rena* case carries special technical and legal challenges that necessitate the involvement of central government.

The Commission's list of factors (Table 4) refers to governance. WRC suggests that governance may have dimensions that are not mentioned in the Issues Paper. The example given above (para 15) of district councils that do not want WRC to pass natural hazard information to them can be described as a governance failure. A district council might consider it is acting rationally to avoid costs, when set against the perennial optimism that major damage from a natural hazard event will never happen in their district. A different perspective of natural hazard risks would be taken if there was regional governance. From a regional perspective, hazard events are likely to occur regularly somewhere in a region, and a broader view of the risk, and risk spreading, would be taken.

An additional factor would be the contribution that the function makes to the local, regional or national economy and environment. In some cases, this is aligned with the different regulatory tools available to central and local government, central government often having a "greater number of tools in the toolbox." Case Study 9 about Aquaculture regulation illustrates this.

Finally, the resources available to carry out the function need to be considered. Regulatory functions and funding need to go hand in hand; so that the regulatory authority can use a range of policy tools to achieve the desired outcomes.

52. Question 25

Q25 In the New Zealand context, are there regulatory functions that need reconsideration of who (central, local, community) carries them out?

Answer: Yes. Waikato Regional Council considers several functions might be reconsidered, including regional strategic planning, land use planning, protection of biodiversity, and navigational safety.

As discussed above, regulation of land use would be clarified significantly if regional councils had explicit responsibility for strategic, integrated land use management and transport and infrastructure planning. Case studies 7 and 8 illustrate the need for decisions about transport infrastructure and land use to be made together.

Similarly, there is a need for decisions about water quality and land use to be made together. Water quality issues are associated with the effects of land use (e.g. dairy farming) and there is increasing recognition of the need to control land uses in order to manage non-point discharges of contaminants. In the past, the two have been managed separately – regional councils managed water quality with low attention to land use, managed by territorial authorities. Responsibility for land use planning that affects water quality should be transferred to regional councils to improve effectiveness and accountability for water quality management. Transferring these matters to regional councils would leave territorial authorities with responsibility for community based planning issues, such as amenity features and town plans.

Protection of indigenous biodiversity is a national policy objective under the RMA. However, the approach to biodiversity is piecemeal and inconsistent because there are no national standards or regulations. District and regional councils approach biodiversity in widely divergent ways and degrees. National progress on this issue therefore becomes extremely difficult.

Some regulatory functions are currently split between different tiers of government. Sometimes this works well, and sometimes not. The split responsibility for natural hazards between regional councils and territorial authorities was identified as a problem by the TAG Report (2012), which recommended combined plans for natural hazards, although both tiers of local government would remain involved.

A split function that works well is the oil spill response function, which allocates responsibility according to a 3 tier classification of an oil spill. The scale of a particular incident dictates who should respond. For example Tier 1 is a small event, such as a barrel falling off a truck, to be responded to by industry; Tier 2 is a medium scale event, (a road tanker crash) which is within the capacity of a regional council, and Tier 3 is a large event dealt with the Crown (the *Rena* grounding). The current split responsibility for this function is supported by WRC, and should not be allocated exclusively.

Navigational safety is currently a split function that could benefit from a thorough review. Control of navigation on lakes, rivers and harbours is a regional council function under the Local Government Act 1974 (soon to be placed under the Maritime Transport Act by the current Marine Legislation Bill.) This function overlaps with other agencies' responsibilities. In Waikato region, the Crown takes responsibility for the Taharoa iron sand facility (through Maritime NZ) and for Lake Taupo (Department of Internal Affairs). Territorial authorities have responsibility under RMA to control the effects of activities on the surface of rivers and lakes, and some territorial authorities provide navigational aids for marine and freshwater locations. In other regions, port companies manage navigation in commercial ports.

This shared responsibility produces inconsistent results around New Zealand. Apart from the different agencies involved, there are differences in the approaches of regional councils. Regional navigation safety bylaws differ in content and in the implementation effort. WRC spends just under \$2 million annually on navigation safety, funded from general rates. Most other regional councils have less capacity than WRC and spend less.

There is clearly a role for local government in relation to navigation safety, but the current mix needs to be reviewed. The Waikato Navigation Safety Bylaw controls aspects of recreational boating, including speed limits and placement of moorings, with variations appropriate to particular harbours, beaches, lakes and rivers. Local decision making is necessary to allocate space for different activities, for example at

Lake Karapiro for the international rowing course, and temporary event permits. These kinds of controls need to reflect local preferences, gathered through community consultation. To this extent, navigation safety is appropriately a local government function. However, there are other aspects of navigational safety that need a national policy approach, which is currently absent. For example, national boat driver licensing is not practical to implement on a regional basis. There are also inconsistent bylaws through the country specifically around lifejackets. Navigational safety functions could benefit from a thorough review of the roles of the agencies involved.

53. Question 28

Q28 Do you have examples of regulatory responsibilities being conferred on local authorities with significant funding implications?

Answer: Yes. Treaty settlement legislation for the Waikato River conferred a number of new functions on the WRC and on territorial authorities along the river. This was not accompanied by any new funding for council expenses, which are significant. In the current financial year, the increased WRC spending due to the legislation is estimated as \$300,000, equivalent to a 0.5% general rates increase. Costs to WRC are expected to be higher in future years as implementation of the legislation progresses. (See Case Study 5, Waikato River Treaty Settlement Legislation.)

54. Question 33

Q33 To what extent is the effective implementation of regulations delegated to local government hampered by capability issues in local authorities? Do capability issues vary between areas of regulation?

Answer: Capability hampers performance to a considerable extent, especially for RMA functions. This is true of both plan making and for plan implementation. There is wide variation between councils in staff capacity and funding. There is often a low level of staff training, which reflects low resourcing. Costs are often pushed onto developers as a result.

An illustration of this is a recent example of a Waikato farmer who wished to create a wetland, and needed resource consent for the earthworks from both WRC and the relevant district council. The regional consent cost the farmer \$1800 as it was processed by officers with expertise. The district council consent cost him \$20,000 for additional consultants reports as the district council officers did not have the requisite expertise. There was no added value from the district council consent as it did not add meaningful conditions to those already received from the regional council. (As well as capability, this example illustrates a common overlap between regional and district plans in the control of earthworks.)

55. Question 34

Q34 Can you provide examples of regulatory cooperation and coordination between local authorities or between central and local government, and describe successes and failures?

Answer: Yes. Examples of successful cooperation between councils are given in case studies 2 and 3 in this submission about the IRIS system and geothermal co-operation of WRC with the Bay of Plenty Regional Council (BOPRC.) Control of

dams under the Building Act is another example where WRC and BOPRC have co-operated successfully.

Another example is the Future Proof sub-regional growth strategy, which is a partnership between WRC, Hamilton City, and Waikato and Waipa district councils (Future Proof 2009). Future Proof sets the pattern of development for Hamilton and environs for the next 50 years. It identifies growth areas and infrastructure. As a voluntary agreement between councils, Future Proof has been partially successful, but individual councils have not always implemented the agreement to the extent originally envisaged. This experience illustrates that there are practical limits to what voluntary cooperation and coordination can achieve. A stronger model would be for regional councils to have sole responsibility for regional strategic planning.

The statutory mechanism for integrating planning and resource management across regions is the regional policy statement. The Proposed Waikato Regional Policy Statement notified by WRC in 2010 was preceded by an extensive series of workshops and technical working groups involving territorial authorities. Despite this, territorial authorities made many submissions against the RPS, and indeed were the largest sector group in opposition (17% of submissions received). This has added substantially to the cost and time to develop the RPS through the Schedule 1 process – another indication of the limits to voluntary cooperation and coordination between councils.

In regard to co-operation between central and local government, there are many overlapping functions and concerns. Co-operation between agencies occurs readily at officer level. More formal ties between agencies mainly occur when there is an incentive, for example where NZTA directed that growth strategies be developed to precede roading projects. This was a major incentive for the development of the Future Proof sub-regional growth strategy (Future Proof 2009, see Case study 8 – Tokoroa Bypass.)

Central government strategies and policies help to coordinate the functions of local authorities and other stakeholders with central government agencies. National environmental standards (NES) and national policy statements are examples, but there are others, such as the National Civil Defence Emergency Management Strategy, New Zealand Marine Oil Spill Response Strategy, and National Pest Management Strategy.

A notable central government programme is the Compliance Common Capability Project (DIA 2012). This is an all-of-government project aimed at developing a nationally recognised, transferable qualification for all staff involved in compliance roles across central and local government. Local government representatives have been heavily involved in the development of this project alongside representatives from central government agencies assuring a true all-of-government value product.

56. Question 38

Q38 What are the main barriers to regulatory coordination?

Answer: The main barrier to regulatory coordination is the transaction costs of negotiating agreements and making compromises between councils. Difficult judgement calls often have to be made on policy matters, and these become more difficult with increasing numbers of negotiators. In Waikato region, this is made more complex by the existence of 11 territorial authorities in addition to the regional council. On matters important to regional strategic land use management, natural

hazards, transport and infrastructure planning, the solution is to move the function to the regional council, to simplify the policy making process. Locality-specific issues that necessitate varied regulatory responses are only a minor barrier to regulatory co-ordination.

57. Question 42

Q42 Are there particular examples where local government approaches to regulatory responsibilities are especially effective at minimising unnecessary compliance costs for individuals and businesses?

Answer: Yes. WRC has had some success with pre-application meetings prior to resource consent applications being lodged. These serve to focus applicants' attention on matters that WRC sees as key issues, and saves significant time later, by reducing further information requests. While WRC often offers to meet in this way, the offer is not consistently taken up by applicants.

58. Question 46

Q46 To what extent are councillors involved in the administration and enforcement of regulation? Has this raised issues in regard to the quality of regulatory decision-making and outcomes?

Answer: WRC councillors are not now involved making prosecution decisions. This change from earlier practice has removed possible perceptions of political interference in the enforcement process, although there is no evidence that injustices arose from the earlier practice. There is no perceived change to the quality of regulatory decision making. See Case Study 6 – Councillors deciding on prosecutions.

59. Question 48

Q48 Are the current processes for reviewing existing regulation adequate? Could they be improved?

Answer: The processes under the RMA for plan review require provisions to be reviewed every 10 years. The slow plan making processes under RMA Schedule 1 mean that plan provisions often get much older than 10 years. Much of the Waikato Regional Plan is now 15 years old, and replacement provisions are still some years away. A speedier system is needed.

The RMA plan review processes are much more stringent and detailed than most review processes carried out by central government. These include obligations for plan monitoring, and formal consultation and evaluation of draft plan provisions, as noted in the Issues Paper (p52.) A common view in local authorities is that this close control of process reflects a long-standing central government mistrust of local authorities. The Productivity Commission might consider whether the costs of such a detailed process prescription outweigh the benefits.

The renewal of fixed term resource consents is also relevant under this question. As illustrated in Case Study 1 – Affect of discount regulations, a WRC proposal to set a common expiry date for water take permits in catchments was abandoned due to the effects of the Resource Management (Discount on Administrative Charges) Regulations 2010. WRC assessed the impact of the regulations on processing applications at the common expiry date and concluded that it was not possible to process a large number of applications within the statutory timeframes and avoid

costs imposed by the regulations (approximately \$140,000 for 55 consents in just one (Piako) catchment). WRC was not prepared to burden its ratepayers with these costs and the proposal was abandoned. The council's regulatory performance (judged in terms of best environmental outcomes) was thus compromised by financial considerations and the required statutory processes.

60. Question 51

Q51 Is there a sufficient range of mechanisms for resolving disputes and reviewing regulatory decisions of local authorities?

Answer: Dispute resolution processes vary between regulatory functions. There are sufficient dispute resolution processes available under RMA, although they are not necessarily cheap. A large proportion of RMA appeals result in out-of-court settlements. Court appointed mediation can involve long drawn out processes, including lawyers and planning consultants and attendant costs.

For many regulatory functions, cost recovery processes could be improved, especially in cases where non-complying development has been undertaken by individuals who disappear or do not rectify matters. In these cases the WRC can be left to do the work at regional ratepayers expense, and greater recovery mechanisms would be valuable.

61. Question 55

Q55 Is the current monitoring system effective in providing a feedback loop through which improvements in the regulatory regime can be identified and rectified? What examples are there of successful improvements to a regulatory regime?

Answer: The Issues Paper indicates that the Commission would like to recommend methods for reporting on regulatory performance. The paper notes the performance measures used in Long Term Plans. While we understand the need for improving monitoring of regulatory performance, simple indicators may not be a useful way of doing this. Often they measure things that can be measured rather than things that give useful information about the matter they are intended to measure. It is common for example to attempt to measure regulatory performance based on the time and cost of consent processes. Such measures ignore more important issues such as the quality of the consent process and appropriateness of the decision. They can also lead to unintended consequences. For example, as already noted, the RMA requirement for statutory consent timeframes prevented WRC from developing water allocation rules based on catchment wide allocation procedures which would have resulted in better outcomes than the current 'first in first served' procedure.

A better way of reporting on regulatory performance than simple indicators could be an audit process, perhaps similar to that used in schools. Auditors could regularly assess the quality of plans, bylaws and consent processes, and whether they adequately address the most significant environmental issues (by regulatory or non-regulatory methods.) Each council could be audited on say a 5 yearly basis with follow up support for those councils that do not meet standards. Such qualitative audits would give a better picture of regulatory performance than numeric performance indicators. This process would also allow better focus on those councils having particular difficulties with their regulatory performance.

It is also useful to note that WRC collects very good indicator information on the state of the regional environment. While this can be used to give a broad indication of the effectiveness of regulation in general, it is difficult to account for the success or otherwise of particular regulatory methods without detailed and expensive analysis of changing land use trends and pressures. Economic drivers, such as the price of land and carbon, and employment matters, can influence the state of the environment more than rules in plans, so a decline in monitoring indicators is not necessarily a reflection on regulatory performance.

The IRIS system described in Case Study 3 includes investment by WRC to improve the capture and retrieval of monitoring data.

G. Case studies

62. These case studies are intended to illustrate some points about local government regulatory performance, and help to answer questions posed by the Productivity Commission. The case studies are also intended to ensure that regulatory performance is seen in its practical context, to balance the more theoretical approach that can sometimes dominate discussion.

Case study 1 – Effect of discount regulations on water allocation

Most regional water take consents are issued for fixed time periods, often 15 years from the date they are granted. This means that at any time within a particular catchment, there are water take consents at various stages of their lifecycle, and they are reviewed and renewed as they expire. There can be resource management value in setting a common expiry date, which would allow water allocation within a whole catchment to be reconsidered in a fundamental way.

A common expiry date was proposed recently in Variation 6 to the Waikato Regional Plan, to improve the efficiency of water allocation. However, the common expiry date was abandoned due to the promulgation of the Resource Management (Discount on Administrative Charges) Regulations 2010. WRC assessed the impact of the regulations on processing applications at the common expiry date and concluded that it was not possible to process a large number of applications within the statutory timeframes and avoid costs imposed by the regulations (e.g. approximately \$140,000 for 55 consents in the Piako catchment.) WRC was not prepared to burden its ratepayers with the risks associated with the common expiry date approach and it was therefore abandoned.

The council's regulatory performance (judged in terms of best environmental outcomes) was thus compromised by financial considerations and the required statutory processes.

Conclusions that might be drawn by the Productivity Commission:

- 1) Local government regulatory and operational performance is subject to detailed central government controls; and
- 2) Central government controls can affect environmental outcomes.

Case study 2 – Joint Regional Geothermal Resource Management

WRC and Bay of Plenty Regional Council (BOPRC) as neighbouring regional councils regularly consult and co-operate on common issues. WRC and BOPRC agreed in 2010 to collaborate on geothermal resource management. The drivers for the collaboration were –

- the Taupo Volcanic Zone, containing most of New Zealand's high temperature geothermal resource, is divided between the Waikato and Bay of Plenty regions
- the Waikite-Waiotapu-Waimangu geothermal system is shared by both regions
- Iwi and developers are active across the regional boundary
- there is one zone; one mandate (the RMA)
- major stakeholders support alignment of management of the geothermal resource with consistency between regions
- only two regional councils are involved, simplifying joint management
- expert staff can be shared between regional councils rather than doubling up or having gaps in expertise.

A memorandum of understanding signed in 2010 between the councils identified three short term goals: to secure access to scientific expertise; determine cost principles for geothermal development applications; and develop data compatibility. Longer term goals were to develop compatible geothermal resource management systems.

Many of the intended short term collaborative actions have been undertaken and achieved. These were mainly in the science and technical areas. In addition, the councils have achieved alignment of the geothermal objectives and policies of their respective regional policy statements (both now in deliberations). Staff meet regularly to discuss geothermal issues.

Discussions will be held between the councils later this year to consider how to implement the longer term goals. Topics for discussion will include formal staff sharing between councils, and combined RMA policy statements or plans, or alternatively fully aligned (but separate) regional plans.

Conclusions that might be drawn by the Productivity Commission:

1. Councils are willing to collaborate to undertake regulatory functions, where there is mutual advantage in addressing common issues together;
2. There are a range of levels at which councils can combine on regulatory functions including RMA functions;
3. Efficiency gains are available without councils making combined policy statements and plans, where there is a common purpose.

Case study 3 – IRIS (Integrated Regional Information System)

IRIS (Integrated Regional Information System) is a software system being developed to manage information for regional council regulatory processes. IRIS is a joint venture between six regional councils: Waikato, Northland, Taranaki, Horizons, West Coast and Southland regional councils. All six councils have been through their consultation processes and approved their participation in IRIS. A council-controlled organisation (CCO) has been formed to manage the investment, and to contract with the provider of the system, Datacom. Capital expenditure on initial development of IRIS will be \$5 million, shared between the 6 councils.

IRIS will be used to manage consents, compliance and environmental monitoring, biosecurity, biodiversity, land management, contacts, request for service (enquiries, complaints, incidents), environmental results, applications and registers, and LGA and RMA plan submissions. Objectives of the project are to improve:

- customer service
- decision-making through improved information capture, consistent and effective processes and integration
- compliance with statutory timeframes
- business process management through transparent, demonstrable processes and accountability
- ability to measure, monitor, report what we are doing
- efficiency of business processes.

Conclusions that might be drawn by the Productivity Commission:

1. Councils are collaborating and investing to lift their regulatory performance; and
2. Administration of regulatory functions is complex and expensive.

Case study 4 – Tokoroa Dairy Factory

Dairyland Products Ltd applied in 2011 to Waikato Regional Council for an air discharge permit for a new dairy factory to be built in an industrial zone at Tokoroa. The dairy factory air discharge would include fine particulates (PM₁₀) from the milk driers and heating boilers. The Tokoroa air-shed is a non-complying airshed under the National Environmental Standard for Air Quality. It has the highest levels of particulates in the Waikato region, mainly discharged from domestic fires. (Between May to August 2012, there have been 15 days when air quality in Tokoroa failed to comply with national standards.)

Dairyland's preferred method to mitigate the particulate discharge from the factory was to arrange for the removal of 34 domestic wood burners from houses in Tokoroa, and replace them with heat pumps. This was to be negotiated with willing house owners.

Waikato Regional Council saw this as a positive way of managing the effects of the new factory and local air quality, and worked with the applicant to develop a consent that would accommodate the approach. Resource consent for the factory discharge was granted in August 2011, with a condition requiring the decommissioning of the wood burners and fitting of heat-pumps.

This consent was innovative, in that it was the first time this kind of approach to offset adverse effects had been taken in the Waikato region. The consent predated the National Environmental Standard for Air Quality 2011 amendments, which will require similar offsets for substantial new discharges after 1 September 2012. The dairy factory has not yet been built. The consent allows 5 years for the development.

Conclusions that might be drawn by the Productivity Commission:

1. Councils are prepared to be innovative and flexible;
2. Councils will work with developers to secure satisfactory environmental outcomes using the developer's preferred methods; and
3. The RMA provides scope for innovation.

Case Study 5 – Waikato River Treaty of Waitangi Settlement Legislation

Three Acts of Parliament implement settlements agreed between the Crown and the respective iwi, in relation to Treaty of Waitangi claims concerning the Waikato River, including its tributaries:

- Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010
- Ngati Tuwharetoa, Raukawa and Te Arawa River Iwi Waikato River Act 2010
- Nga Wai o Maniapoto (Waipa River) Act 2012

Among other things, these Acts require WRC to undertake new regulatory functions in relation to co-governance and co-management of the river. Briefly, these require WRC to: include a “Vision and Strategy” for the river in the regional policy statement; work with stakeholders to change the regional plan to implement the Vision and Strategy; set up special processes for hearing resource consent applications affecting the river; and work with iwi and other parties to develop up to 5 new integrated river management plans. The Acts also require the WRC and other councils to make and implement joint management agreements with river iwi.

In carrying out these new functions, WRC is incurring significant additional costs. The Crown has provided WRC with no additional funding to meet this expenditure. It is difficult to quantify the costs, because the details of the integrated river plan and other arrangements required under the legislation are not fully known yet, and some of the arrangements overlap with existing council functions. In the current financial year, the increased WRC spending due to the legislation is estimated as \$300,000, equivalent to a 0.5% general rates increase. Costs to WRC are expected to be higher in future years as implementation of the legislation progresses.

Negotiations are underway between the Crown and the Hauraki Collective that are likely to result in further, though different, co-governance arrangements for WRC in relation to the Waihou-Piako Catchments and the Coromandel.

Conclusions that might be drawn by the Productivity Commission:

1. Central government has given WRC and other Waikato councils substantial new regulatory functions without any corresponding additional funding; and
2. Despite the funding issues, WRC and other Waikato councils are working positively with iwi and other stakeholders to implement the legislation.

Case study 6 – Councillors deciding on prosecutions – OAG report

The Productivity Commission’s issues paper (p47) refers to the Auditor-General’s 2011 report, “*Managing Freshwater: Challenges for regional councils*” which expressed concern about elected officials being involved in deciding which cases would or would not be enforced or prosecuted. The Auditor-General named Waikato Regional Council as a council where this occurred, and this was repeated by the Productivity Commission (Box 18.)

WRC changed its practice after the Auditor-General’s report. WRC adopted a new Investigation and Enforcement Guideline in 2012, which ensures that enforcement decisions are made independently by council staff, avoiding any appearance of possible political influence. Where a prosecution is involved, a panel of managers makes the decision, led by an executive (second level) manager. A vital phase of the prosecution decision making process is an independent legal review.

Conclusions that might be drawn by the Productivity Commission:

1. Councils are responsive to criticism; and
2. Removing councillor involvement in prosecution decisions has not changed the nature or number of prosecutions taken (which implies that the concerns about councillor involvement are mainly theoretical.)

Case study 7 – Industrial land over-supply – council sunk infrastructure cost and NZTA / KiwiRail priorities

An Upper North Island Freight Story is currently being developed between councils of the Upper North Island Strategic Alliance (UNISA), Auckland Transport, KiwiRail and NZTA. One of the key emerging issues is the significant quantum of industrial land either zoned, consented or under development in the upper North Island.

Currently there is more than 1500ha of existing and planned industrial land in Northland and more than 4000ha in the Waikato. Much of this is currently vacant in both regions. The Bay of Plenty region also has over 700ha of new industrial land planned. Despite this, the Auckland Plan states that Auckland will need at least 1400ha of additional business zoned land (in new greenfields) to meet expected employment growth over the next 30 years (Auckland Development Strategy map, p54 of the Auckland Plan).

The question arises whether this quantum is affordable and sustainable from an industry or infrastructure providers' perspective. In some places there is significant sunk investment already in and on the ground on land which is vacant and is therefore not being optimised. It is wasteful to provide for significantly more industrial land before this investment is realised. In addition, councils, KiwiRail and NZTA need to make prioritised investment decisions about servicing new areas. Without an ability to address this issue strategically, it is impossible to optimise this investment and determine if some investment may actually be redundant.

Conclusions that might be drawn by the Productivity Commission:

1. There would be value in greater co-ordination of strategic investments both within regions and between regions; and
2. Territorial authority regulatory performance in this regard (i.e. decisions on land zoning) is driven by local perspectives resulting in inefficient allocation of investment.

Case study 8 - Tokoroa ribbon development and SH1 bypass

The lack of a strategic approach to land use and transport infrastructure is resulting in local decisions being made that undermine the significant investment in the state highway network by NZTA. This is particularly in evidence where district councils approve subdivision and land uses that generate traffic movements on the other side of state highways to a town centre. The state highway is then used by local traffic and has multiple entry and exit points, preventing the efficient movement of freight and people on the state highway network.

A Waikato example of this has occurred in Tokoroa where NZTA built a new section of State Highway 1 to bypass the town centre. Subsequently, fast food outlets and petrol stations have been granted approval by the district council to be built alongside SH1. NZTA is now indicating that a further new section of SH1 further away from the town will be required to bypass the bypass.

These kinds of situation have led to NZTA demanding that towns have growth strategies in place before it will commit funding to new sections of state highways and the Waikato Expressway. The Future Proof growth strategy in the Waikato and SmartGrowth (BOP) are

products of NZTA's approach and demonstrate the benefits of taking a strategic approach to land use and infrastructure investment.

Conclusions that might be drawn by the Productivity Commission:

1. Territorial authority regulatory performance in this regard (i.e. decisions on land zoning) is driven by local perspectives resulting in inefficient allocation of investment.

Case Study 9 – Firth of Thames aquaculture deregulation

In 2009, WRC prepared a draft plan change to the regional coastal plan to provide for the introduction of fish farming to 90 hectares of an existing marine farming zone in the Firth of Thames. This followed two years of consultation and the commissioning of seven scientific reports on the environmental impacts of fish farming. To October 2009, WRC spent \$285,000 on this process. It was estimated that it would take a further three to five years and \$400,000 to complete the plan change and appeals process. As the introduction of fish farming was a government priority to enable economic development, the Aquaculture Unit of the Ministry of Primary Industries adopted the draft plan change for inclusion in the Aquaculture Reform legislation passed in 2011, allowing fish farming to occur in existing farms in less than two years.

In addition the reform legislation established a new zone of 300 hectares for fish farming, something that had not been proposed by the draft plan change because of the extra costs and delays involved. As a result this additional space was created in October 2011 at minimal cost to WRC, compared to an estimated \$500,000 and five years for WRC to create such a zone through the Schedule 1 process of the RMA.

Conclusions that might be drawn by the Productivity Commission:

1. Central government has more regulatory tools at its disposal than regional councils or territorial authorities.
2. Central government regulatory action is not subject to the public participation processes (and therefore costs) that apply to local authority initiatives under RMA.

H. Conclusion

The Productivity Commission's inquiry is important, as improving regulatory performance has the potential to provide further benefits to business and the community. In this document, WRC has identified key themes, provided some practical examples of what these issues mean on the ground, and answered some of the questions raised in the Commission's Issues Paper. WRC is happy to provide further information as necessary.



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For R F Laing
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References and links

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http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Services-Information-We-Provide-Compliance-Common-Capability-Programme
- Future Proof (2009)** – Future Proof Sub-regional Growth Strategy for the Hamilton, Waipa and Waikato sub-region.
<http://www.futureproof.org.nz/page/5-Home>
- NSW 2006** – NSW Government Department of Planning, Planning Circular PS 06–008 (Provides an overview of LEP template; standard plan format.)
http://www.planning.nsw.gov.au/planningsystem/pdf/circulars/ps06_008_standardlep.pdf
- NSW 2008** – NSW Government Department of Planning, Fact Sheet – Benefits of the LEP template
<http://www.planning.nsw.gov.au/planningsystem/pdf/08%20Fact%20sheet.pdf>
- MartinJenkins (2012)** – WRC commissioned MartinJenkins to interview 35 firms in several industry sectors to identify their opportunities and barriers to growth through innovation and internationalisation. This was a follow-up to the regional economic profile, because WRC found that there was limited information available about firms’ experiences of various issues.
- TAG Report (2012)** – Report of the Minister for the Environment’s Resource Management Act 1991 Principles Technical Advisory Group
<http://www.mfe.govt.nz/publications/rma/tag-rma-section6-7/index.html>

Attachment 1: Changing needs of local government in Waikato

Report to Policy Committee July 2012 – To be received

File No: 20 00 02
Date: 2 July 2012
To: Chief Executive Officer
From: Group Manager – Policy and Transport
Subject: Changing needs of local government in the Waikato region
Section: **B (For recommendation to Council)**

1. Purpose

To commence a conversation within Waikato Regional about what good local government for the Waikato region may look like into the future.

Recommendations:

1. That the report Changing needs of local government in the Waikato region (Doc # 2201742 dated 2 July 2012) be received for information
2. That this report be shared with key partners and stakeholders to facilitate conversation about what good local government for the Waikato region may look like in to the future
3. That this report be circulated to the Local Government Commission, Waikato Region Territorial Local Authority Mayors and Chief Executives, local Members of Parliament, the Select Committee for the Local Government 2002 Amendment Bill 2012 and other relevant Government Ministers

2. Introduction

Central government is seeking to reform the way local government operates in New Zealand. The reforms will result in changes to the purpose and practice of local government in the region. Government is also intending to simplify processes for changing local authorities. This is likely to result in applications to the Local Government Commission to form new local government structures, such as by combining certain territorial authorities and perhaps forming unitary councils (with the functions of regional and district councils). In this way, it is likely that the reforms will result in changes to the form and function of local authorities in the region. The Waikato region needs to start a discussion about the future of local government in the region, so that people are well informed and able to make good decisions about local government change.

This report seeks to encourage this discussion. It provides a brief description of the role local government. It describes central government's concerns with local government and the changes that government is seeking. The report then describes a number of important social, economic, environmental and cultural trends and changes that the region will experience over the next 20 to 30 years. The implications for communities in the Waikato region are then discussed. Finally, observations are made about how local government needs to change in order to serve communities successfully into the future.

3. The role of local government

Local government is how people and communities organise themselves to make decisions on behalf of the community. Through local government structures and processes, people shape the places they live in. They make decisions about how to provide for their well-being, including through provision of public services and infrastructure. They provide plans and

strategies to achieve community aims, including through rules to control activities for the wider benefit of the community.

Local government in New Zealand occurs at two levels: regional and district/city. The roles of regional councils and territorial authorities (district councils and city councils) are determined by central government through statutes such as the Local Government Act and the Resource Management Act. Table 1 lists some key roles of regional councils and territorial authorities.

Table 1: Some key roles of regional councils and territorial authorities

Regional councils	Territorial authorities
<ul style="list-style-type: none"> • Setting environmental management policies for the region • Regional planning including for managing the quality of water, land and air • Allocating natural resources such as water • Flood control • Natural hazard response • Soil conservation • Pest control • Public transport • Strategic management of road transport • Regional economic development • Strategic integration of land use and infrastructure 	<ul style="list-style-type: none"> • Local regulation • Local road management • Public water supply and wastewater treatment • Urban stormwater infrastructure • Refuse collection • Libraries, parks, recreational facilities • Community development and local economic development • District planning • Urban design • Building consents

Central government has responsibility for many activities such as policing, health, education and social welfare. However, it often looks to local government to do certain things in order to achieve its aims for New Zealand. Many of the legislated requirements of local government are to achieve local as well as national objectives. For example, local authorities all have roles to help achieve safety on roads, to reduce risk from natural hazards and to prevent health risks from sewerage discharges. Recently, government has been encouraging local authorities to support the economic growth agenda.

There are many other groups that also want certain things from local government, including iwi groups, business sector groups, infrastructure providers and special interest groups. Juggling the needs and expectations of these groups, central government, local communities, future generations and individuals is a difficult task for local government, and one which results in a range of conflicts of interest that need to be worked through.

4. Central Government’s reform agenda for local government

Local government reform has been a regular item on central government’s agenda for many years. Recent major reforms include the 1989 restructure of local government, which resulted in the current arrangement of regional councils and territorial authorities, and the 2002 change to the LGA. These two reforms both simplified the structure of local government and broadened its purpose. The Fifth National Government was elected in 2008. Their policy on local government at the time did not signal intentions to reform local government across the board. At that time the emphasis was on the Auckland amalgamation.

Rodney Hide was made Minister of Local Government as part of the Act party’s confidence and supply agreement with National. Rodney Hide had for some time been concerned about the cost of local government and in 2006 had introduced a private member’s Bill to cap local government rates. In October 2009, a press release from Rodney Hide announced his intention to reform local government. The release stated that “The reforms are about local

government focussing on core functions, managing within a defined budget, and adopting transparent and accountable decision-making processes". Since this time, two government reports have been released which provide important perspectives on this: Rodney Hide's "Smarter Government, Stronger Communities", released in February 2011, and Dr Nick Smith's "Better Local Government" released in March 2012.

The local government issues raised in Rodney Hide's paper include the following:

1. Concern that some districts, due to small size and limited revenues, and with aging infrastructure and large areas to serve, can struggle to maintain capability and capacity to efficiently carry out their responsibilities and provide appropriate services. Their small size can make them vulnerable to shocks such as natural disasters.
2. Questions about local government's perceived relevance to New Zealanders, based on generally poor voter turnout.
3. Questions about the need for the many different local government arrangements in New Zealand, including unitary authorities, regional councils, local authorities, community boards and local committees.
4. Concern about the difficulty of changing districts and regions – changing economic, demographic and social circumstances may make changes necessary at times and the difficulty of the process is an impediment to useful change.
5. Local government's operating environment is becoming more difficult, uncertain and dynamic – there are questions about whether current local government arrangements, which were developed in more stable times, remain appropriate to deal with the new challenges.
6. Maori organisations have increasing aspirations for involvement in local government and resource management and are often frustrated by their current level of involvement in decision making.
7. Local government increasingly needs to respond to "challenges which are intractable, long-term and trans-jurisdictional" including demographic changes (such as population growth and aging, increasing proportion of Maori, Pacific Island and Asian peoples, urbanisation and rural depopulation), increasing infrastructure demands and shocks such as the Canterbury earthquake, oil price spikes and the global economic crisis.
8. There is a tension between the need for local authorities to be accountable to local communities and to central government. While the LGA takes a decentralised approach, empowering local communities to decide what their local authorities should do, the RMA, Building Act, Health Act, Land Transport Management Act and others require local authorities to do certain things. At an overarching level, there is no clear description of the relationship between central government and local government. This can cause confusion and lack of integration between government levels, such as during policy development by central government which will affect local government activities.
9. The heightened influence of the Auckland Council could change the dynamic of the relationship between central and local government. It should be noted that Government appears to believe the Auckland amalgamation is largely a success. The Better Local Government report states "The experience of the reforms in Auckland

has been a reduction of 2000 staff with no drop in service standards or levels of infrastructure investment, and savings of \$140 million in its first year”.

Note that the Rodney Hide paper had a clear description of intended consequences or outcomes of the review (refer Appendix 1). These are useful to note as they indicate the desired relationship between central government and local government, and the way that local government should operate.

The other important paper for understanding central government's expectations for the local government reform process is Dr Nick Smith's "Better Local Government", released in March 2012. The Background section to this paper begins by expressing concern about apparent increasing cost of local government, resulting in an increasing rate burden and greater local government debt. The Foreword to the document states that reform will provide "better clarity about councils' roles, stronger governance, improved efficiency and more responsible fiscal management".

The focus of the reform, based on Dr Smith's paper, seems to have shifted from one intended to address a range of concerns of local government (the Hide paper) to one which focuses on the cost of local government to people and businesses. This perhaps reflects government's increasing emphasis on the economic growth agenda, and on channelling more of the New Zealand dollar into the productive (export) sector. It also reflects government's own belt tightening, seeking a similar direction for local government. Although the Hide paper is now superseded by Dr Smith's paper, the former still provides a helpful statement of some of the current issues for local government.

Dr Smith's 'Better Local Government' report summarises the reform agenda as follows:

1. Refocus the purpose of local government
2. Introduce fiscal responsibility requirements
3. Strengthen council governance provisions
4. Streamline council reorganisation procedures
5. Establish a local government efficiency taskforce
6. Develop a framework for central/local government regulatory roles
7. Investigate the efficiency of local government infrastructure provision
8. Review the use of development contributions

The Local Government Act 2002 Amendment Bill has now been tabled in Parliament. This is the subject of a separate report to the Policy & Strategy Committee. The Bill addresses the first four points above.

An eight member Local Government Efficiency Taskforce (point 5 above) has now been appointed. It will focus on seeking improvements to local government consultation, planning and financial reporting requirements and practices.

The Productivity Commission will review the functions given to local government and ways to improve regulatory performance of local government (point 6 above). This work is to be completed by April 2013.

An expert advisory group will be set up to address point 7 above. This group will investigate whether provision of infrastructure services such as water, waste water, storm water, roads, footpaths and cycle ways by local government can be done more efficiently. The group will report back by early 2013.

With respect to point 8 above, the Auditor-General will be reviewing the use of development contributions as part of the review of local government Long Term Plans later this year. This work will inform government's review of development contributions.

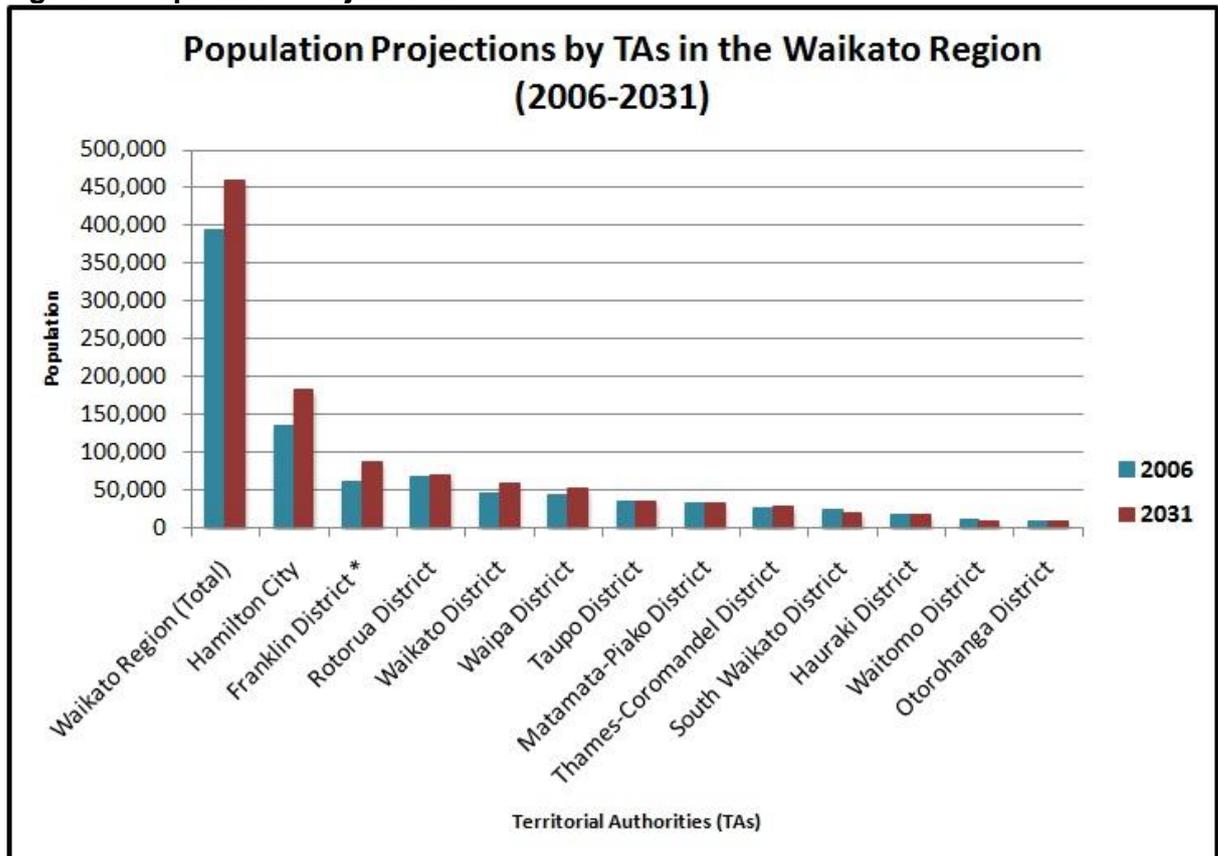
A second Local Government Reform Bill is expected to be tabled in 2013, to address these points 5-8.

5. What changes will affect the needs of local government over the next 20-30 years?

The Waikato region is changing and local government in the region will need to change too if it is to remain relevant, effective and appropriate. This section identifies the key changes that are occurring in the Waikato region, which will affect how local government needs to operate into the future. It seems that local government undergoes major review every 20 to 30 years in New Zealand. What ever is set in place now needs to be appropriate over this timeframe. In thinking about these changes therefore, staff have taken a 20 to 30 year view.

- 1. Growing population** – New Zealand's population is increasing and may reach 5 million by the late 2020s. The Waikato region could increase its population by 73,000 by 2031 (or by 139,000 using the high projection). Most of this population increase will be in and around Hamilton with perhaps close to 95% of this increase being in Hamilton city, Waipa district and Waikato district. Population increases will increase demands for a range of services and infrastructure, particularly transport systems and public services. Increasing population, along with the fact that much infrastructure such as water and wastewater pipelines is nearing the end of its 'use by' date, means that there will need to be an increasing spend on infrastructure and services.
- 2. Aging population** – by 2020 there could be over one million over 65 year olds in New Zealand. In the Waikato region, the population of over 65 year olds could increase from 57,000 to 102,000 in the next 20 years. This will increase the need for services for the elderly. This may, for example, increase the need for health care facilities, and for more dispersed shops and other facilities in urban areas. It will likely change trends for educational and recreational facilities, entertainment and dining, and change needs in terms of transport infrastructure and services. It also means that there will be a smaller proportion of the population earning money and therefore able to pay for local government services. It will result in shortages in the workforce, of numbers of people with certain key skills and abilities.
- 3. Increasing urbanisation and rural depopulation** is likely to continue. The Statistics New Zealand medium projections show that the populations of Hauraki, Otorohanga, South Waikato and Waitomo districts are now in decline, and that Matamata-Piako, Taupo and Thames-Coromandel districts are not expected to increase significantly. Figure 1 shows population projections between 2006 and 2031 for the Waikato region local authorities. Resource use pressures will continue to increase in and around Hamilton, and to a lesser extent other urban areas (increasing pressure on water supplies, high class soils, air quality, wastewater and waste management infrastructure is likely). It will be increasingly difficult to provide adequate infrastructure and services for rural towns and communities at an affordable cost to the ratepayers. Cheaper houses and land in depopulating areas is already attracting a more economically deprived population. The combined effect of this, as well as aging and depopulation, will increase needs as well as the difficulty of providing for these needs, in the southern part of the Waikato Region and other rural areas.

Figure 1: Population Projections



* Franklin District Council has now been absorbed by Auckland Council and Waikato District Council

4. **Communities will increasingly become more multicultural and diverse.** In the Waikato region, the European, Maori, Asian and Pacific populations are increasing by 0.5%, 1.3%, 3.9% and 3.1% respectively per year. The Middle Eastern/Latin American/African population is also increasing, and was introduced as a new category for measurement by Statistics New Zealand in the 2006 census. Increasing ethnic diversity will need to be recognised by practices within local government. For example, it may increase the need for new ways to communicate with and involve local groups. An increasing immigrant population will bring a range of benefits, but it may also bring an increasing range of social problems, needs and expectations that local government will need to respond to.

5. **Climate change, energy demand, increasing oil price** – over time these trends will increase costs of local government, such as by increasing the need for coastal erosion defences or relocation of some existing dwellings, higher design requirements for infrastructure, higher costs of constructing and maintaining buildings and infrastructure, higher fuel prices, increasing damage from intensifying storms, increasing need for public transport to counter the increasing cost of private transport and to achieve maximum efficiency of energy use. Already the rising oil price is increasing the cost of road sealing, resulting in some councils considering the option of reverting sealed roads to unsealed roads in some places. Changes in temperature and rainfall will, over the medium to long term, result in changing land use which may result in new land use effects that local government may need to respond to. It is difficult to know if climate change might also affect settlement patterns (such as due to difficulty of maintaining roads in some areas, water supply implications and changing patterns of holiday destinations).

6. **Treaty settlements and growing aspirations and influence of Maori** – Iwi groups are playing an increasing role in local and regional economies (Figure 2 shows the main iwi groups in the Waikato region). Some iwi groups are becoming very influential due to their growing financial and constitutional power and there is a shift towards more inclusive decision making processes involving iwi. The arguments for transferring some legislated powers to iwi are increasing. Increasing iwi/Maori influence in local government may result in increasingly complex political arrangements and different expectations about where local government money is spent (such as the type of services it is spent on). There may be potential for iwi to take a more active part in providing some services and infrastructure, where there is particular benefit to their rohe.
7. **Community expectations of local government are likely to continue to increase.** Already there is pressure for better drinking water, reduced congestion on roads, new services such as recycling, broadband and wifi and so on. Such pressure is unlikely to reduce and may increase due to improved information systems which allow the public to be better informed. In some cases this may also result in increasing demands for being involved in decision making. This is likely to be particularly the case at the territorial authority level as people wish to become more involved in local 'place shaping'.
8. **Information and communications technology will continue to evolve.** This has great potential to further improve efficiency in the delivery of some services, such as by using online information and registration services. However, councils will need to keep up with advances in technology and this will come at a cost. Ultra-fast broadband may have consequences for remote working, residential and commuter patterns, social relations and so on. These are matters that local authorities will need to track and respond to where appropriate, such as through management of land use patterns, public transport and infrastructure provision. New technologies will have a range of consequences for the way councils communicate with the public and with the public and private sector. Improving information and communications technology may result in greater demand for provision of relevant, up-to-date information to the public on a range of matters. It will open up new options for involving the community in decision making and new opportunities and perhaps responsibilities for working with the international community. It will expose councils to a much wider national and international audience.
9. There is likely to be **increasing pressure on the environment** as government seeks to open up access to mineral resources, resource users continue to try to increase productivity (such as intensification of agriculture and forest conversions), as populations and traffic increase, and as the need to develop new energy sources increases. At the same time, to sustain our resource based economy, greater efforts will be needed to support green growth and improved environmental outcomes. This will increasingly be required by our key markets and local communities. In fact there are already signs that countries like China are interested in New Zealand as a source of clean, green and safe products. There will therefore continue to be a need for strong leadership and management of the environment. Environmental regulation will remain important, but local government may also have a role to play in enabling and promoting green growth.

10. **The world may become increasingly troubled and unstable** due to increasing inequality, competition for resources, food shortages, security threats, energy demands, climate change effects and so on. Such issues could affect New Zealand in a variety of ways, such as increasing pressure to accept refugees, unstable prices for exports and imports (increasing procurement costs in some cases), changing demands on New Zealand resources and increasing pressure for foreign ownership of New Zealand resources. It will be important that local government tracks such issues where they may result in local or regional effects, and is ready to respond as appropriate.
11. **The world is becoming smaller and competition is increasing.** The scale of an activity is increasingly important to enable that activity to compete successfully (whether as a city, a mine, a farm, an industry or a shop) due to the efficiencies, capacities, capabilities and ability to influence. Scale for local government may be increasingly important for similar reasons. There is increasing emphasis internationally on large cities as the key to economic success. In New Zealand the current emphasis is on Auckland. There is a belief in some quarters that there is more economic benefit from a dollar of infrastructure spend in Auckland than in any other part of New Zealand. This puts increased pressure on other areas to attract national funding for important infrastructure and services.
12. **It is likely that current economic pressures will continue** for some time to come. At the Auckland Green Growth workshop on 17th May 2012, Bernard Hickey, the editor of Interest.co.nz stated that New Zealand will see low economic growth (and low interest rates) for the next 10 to 20 years. This will continue to restrict councils' ability to borrow at a time when the need to replace aging pipe systems and other infrastructure is high and increasing for most councils. It will also restrict the ability of communities to pay for services and infrastructure. It will particularly be a problem for councils with high debt levels.

6. Implications for communities in the Waikato region

People will continue to want or need a range of services and infrastructure to support their wellbeing. This is particularly the case for the aged, economically deprived, and people with disabilities but is also generally true for the population as a whole. There will always be a range of services that can only efficiently be provided communally. To maintain quality of life, communities need to maintain public services and infrastructure such as public transport, public water supply, wastewater treatment, parks and gardens, libraries and public swimming pools. Quality urban areas and public spaces will remain important for continued vitality and success of towns and cities. Strong environmental management is needed so that the environment can continue to support life and wellbeing. **Communities will need to continue to organise themselves** to manage these matters, to ensure they can make decisions for their future good and that they have people to go to, who can respond to their communal needs.

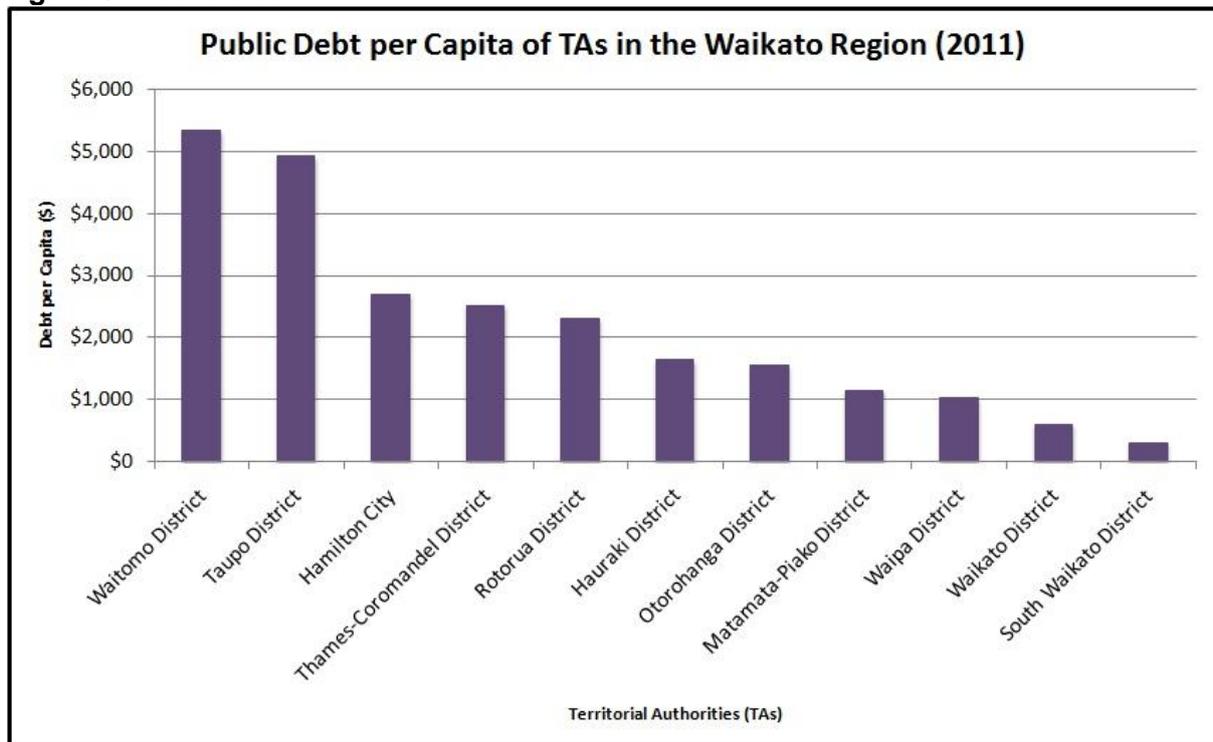
During the next 10 to 20 years it is likely that there will be a **growing number of people who will be dependent on others** for various needs. Population aging, the continually growing gap between rich and poor, high unemployment due to an ongoing sluggish economy and possibly greater numbers of refugees are likely to create greater demands for services such as public transport, public housing, social support and public health care. Many of these people may feel isolated and increasingly threatened by the changing world.

Local communities will **need to develop new ways of supporting the more marginalised populations.**

In relation to the **need for public transport**, it is important to note that as well as the social trends mentioned above, there will be a range of other drivers such as increasing price of petrol, increasingly strict carbon emission standards for vehicles, increasing need for vehicles powered by alternative fuels, and increasing congestion and difficulty of paying for new road infrastructure. These trends will make ownership of private motor vehicles increasingly difficult for many people.

It is clear from the above that the region's communities will find it **increasingly difficult to provide and pay for services and infrastructure** such as roads, water supply and flood hazard infrastructure. In many parts of the region, there will be fewer people to pay for these, and the people may be less able to pay for them due to population aging and ongoing problems with the world economy, which may reduce some of our markets and create higher rates of unemployment. To add to the problem, there are a number of districts in the region where local authority public debt per head of population is already very high. Figure 3 shows that these debt levels ranged from about \$250 to around \$5000 per head of population based on the 2011 figures from 'Better Local Government'. Local authority debt as a percentage of assets ranges from about 1.4% to 13% (based on 2009 figures from 'Smarter Government, Stronger Communities'). It is clear that **some communities are in much stronger financial positions than others and that financial pressures on all communities will continue to rise.** It is very clear that at the very least communities need to find more cost effective ways to provide for their needs.

Figure 3: Public debt



* Franklin District Council has now been absorbed by Auckland Council and Waikato District Council

Problems experienced by communities are becoming more complex and the pace of change is increasing. Issues such as climate change, social inequality, the global economic crisis, the need to increase production while reducing environmental effects, biodiversity decline and the increasing price of oil are all proving extremely difficult to address. Not only are problems increasing in technical difficulty and uncertainty, increasing

social diversity is increasing the difficulty of achieving consensus on solutions. Communities will need to find new, non-business-as-usual responses to these complex problems, both in terms of reducing these problems and adapting to them. Communities will need to become better informed, more innovative, more resourceful and more capable of coping with the increasing demands of the future. Communities will require **strong leadership** to deal with these problems. Difficult decisions need to be made in the interests of the wider community and common resources, and sometimes these decisions may upset certain groups and individuals.

Because of the increasing financial pressures on communities, and the increasing complexity of problems they need to address, communities need to be able to plan better for the future and to become more strategic in how they provide for their future wellbeing. Greater efficiencies need to be found in the way that services and infrastructure are provided. There needs to be greater coordination and integration with respect to key decision makers in the private and public sector. This is to ensure wheels aren't reinvented, that one party's actions don't undo the good work of another party, and that maximum benefits are made of the services and infrastructure communities already have. Communities need to be able to plan effectively over the long term to ensure scarce funds are spent on the right things, in the right place, at the right time. **Strategic planning will be the key to efficient and effective servicing of local communities into the future.**

Communities need to be well informed if they are to make good decisions about their futures. They need to have independent experts that can provide them with information and advice on the range of issues facing them. Communities need to be informed by credible experts on such matters as natural hazards, climate change, environmental quality, water management, urban design, information technology, health and safety and so on. Some of this can be provided at the national level, but information relevant to local situations and issues also need to be available to communities. Some can be provided by the private sector, but there will continue to be a strong role for public authorities to provide information. Communities need good access to people with this expert knowledge.

In general, **the next 10-20 years is not going to be easy for businesses.** Rising transport costs, increasing carbon restrictions, increasing competition and uncertainty of markets will continue to put pressure on company profits. While our traditional primary industries are likely to continue to remain viable, new export opportunities will be needed to sustain growth. The main potential for the Waikato may be in higher levels of processing for our primary produce, high value niche industries, information technology based industries and industries that can make use of the growing demand for 'green' products. There are some signs that high unemployment in some countries, as a result of the Global Economic Crisis is encouraging some people to develop small home based businesses. This may increase in New Zealand as well. Communities rely on business for well being. It may be important, in this difficult economic climate, for communities to find ways of supporting business development, both small and large scale.

There will be increased demand and competition for natural resources in the Waikato region, including fresh water, high class soil, energy resources and perhaps for coastal space and minerals. The **complex inter-relationships between the economy and the environment will need to be well managed**, including through appropriate regulation. Access to resources needs to be managed in a way which does not unnecessarily prevent use of resources, but which also ensures that resources are sustainably managed.

Many groups within society will have aspirations and needs that will affect communities. As stated above, iwi are wanting to be more involved in resource management and they are becoming more important players in the economy. Different economic sectors are seeking more from the resources they use. There are groups with growing concerns for the state of

the environment. There may be increasing groups with concerns about growing social issues. The potential for conflict between these groups is likely to grow in over the next 10-20 years. Communities will **need to have robust and constructive ways of resolving conflicts** and of seeking win-win solutions.

Communities and groups within the community need to be able to **work together to provide for their needs and aspirations**. Partnerships will increasingly need to be established between central government agencies, industry, infrastructure providers, iwi groups, local community groups and investors in order that solutions, finance, skills, knowledge, resources and initiative are found to support the needs and desires of both central government and local communities.

7. What does this mean for local government in the Waikato Region?

Strong local government which is responsive to the needs of local communities, yet has the vision, capacity and capability to provide intelligent, well informed leadership, is crucial for the future success of local government. Difficult decisions will need to be made about what services are provided. Local authorities will need to find innovative ways to provide for community needs in an efficient and effective way; to provide more with less.

It is clear that for local government to function well into the future, it **needs to become more responsive, relevant and better connected to local communities**. Local authorities need to be able to connect well at the individual level, to understand people's changing needs and wishes. As the diversity of communities increases, as the range of needs and expectations expands, there needs to be better ways to communicate with people, to understand their needs and expectations and to involve them appropriately in decision making. Local government, to be effective, needs to be able to harness the good will and contributions of local people. There needs to be local people available to deal with local issues, and local leadership to help communities move forward cohesively.

At the same time, **local authorities need to relate well to central government, industry, iwi and other key stakeholders** and partners. Partnerships between these parties need to be established. Local government cannot provide for the needs of communities without the support of other parties. Successful relationships at all levels will be an important key to the future of local government. This will require a certain form of leadership, one which understands the big picture, which is able to bring people together, which builds understanding within the community, which motivates and inspires, and which encourages communities to make courageous decisions for their greater long term good.

Central government is increasingly relying on local government to help achieve its agenda at the local and regional level. Central government is also trying to reduce its own costs, and this 'downsizing' of central government may push further functions onto local government. For central and local government to work better together, there needs to be improved linkages, and better communication and understanding, between local and central government. Local government and central government need to be able to provide clear messages to each other about key issues, needs and expectations. There needs to be an ability for one to one communication and relationship building between key figures in local and central government.

The National Government's 2011 election manifesto focused on economic growth. One of the three Local Government New Zealand Strategic Directions in 2010 was "promoting local government as part of the solution", in recognition that **Local Government can have an important role in Government's economic growth agenda**. Local government's management of land use and infrastructure is very important to the economic success of New Zealand. Local government has considerable potential to support economic

development such as by bringing key parties together to develop economic development strategies. Although territorial authorities have supported Economic Development Agencies to encourage economic development in some local areas, the efforts are generally not well coordinated beyond district boundaries and many resulting economic development strategies compete across district boundaries. Local Authorities need to develop a more coordinated, integrated approach than this.

Local government will need to become more strategic in order to plan better for the future, to provide efficient services and cost effective infrastructure, and to work more effectively with stakeholders and communities. Efficiencies cannot be gained by short term thinking. Long term planning, which sits within a flexible framework that allows responsiveness to change, is necessary. Strategic planning is needed to ensure integration of the activities and policies of the range of public and private resource managers. It is needed to ensure that public investment priorities are clearly aligned with long term community needs.

Policy and plan making processes need to become faster and cheaper, without losing technical or legal rigor. Plans need to be more consistent across the region. The Waikato region currently has two regional plans and 15 district plans (operative and proposed), each developed at different times through individual, long and expensive RMA processes. This is a luxury the regional community can no longer afford. Having such a range of different plans can also make it very difficult for major resource users to operate across the region. This is particularly so for large infrastructure projects such as Transpower's new Whakamaru to Auckland 400kV overhead transmission line and the roll out of high speed broadband. RMA planning needs to be simpler, more agile, cost efficient and more consistent across the region.

As social networking increases, and information technology develops, as stated earlier, communities may want to have greater involvement in the decisions that affect them. Peter McKinlay, the Director of the Local Government Centre at the Auckland University of Technology, has stated that "the opportunity to have a say on what affects your neighbourhood or community may now be more important than the right to vote". Local authorities **need good systems to link into and utilise the internet as a key communication tool**. This will include providing information and seeking feedback from individuals and stakeholders. Increasingly this will need to be a process which actively encourages interaction and community feedback, as opposed to the more traditional forms of passive internet information provision.

Local government will need to **operate in a more commercial manner, demonstrating reasonable returns on public investment**. As competition for scarce public funds increases, and particularly given government's current focus on Auckland and Christchurch, there will be an increasing need for more rigorous and transparent financial planning. Central government and the public will increasingly require comprehensive business cases and due diligence processes before new spending is authorised.

There is a lot of potential in the Waikato region for **more efficient and cost effective service delivery and procurement**. Given the likely increasing demand for services into the future, and the likely ongoing pressure on local government finances, there is a need for greater centralisation of back office functions and infrastructure provision and maintenance (such as water supply, waste treatment and roading). More centralised procurement by local authorities can help to achieve economies of scale which could result in cost savings.

There will need to be consideration and use of a **greater range of models for service and infrastructure delivery** including public-private partnerships, shared local government services, council controlled organisations and support from the volunteer sector. There may

need to be greater discussion about which services are provided by local government and which are left to the private sector or volunteer sector to provide. Different service provision models will require different models to ensure accountability of service providers to the community.

Alternative fund raising processes may be needed to provide services and infrastructure in some cases. Rating may need to be used for absolutely necessary services such as transport systems, water supply and waste treatment, while other funding sources are used for more discretionary services which may not be affordable or important for people with more restricted incomes or those with different cultural needs. Some services currently funded by rates may need to be provided on a user pays basis.

Although local government needs to work better at the local level, it also **needs to operate at scale** in order to:

- Successfully represent the needs of local communities to central government;
- Compete with Auckland and Christchurch for attention and national funding, and effectively manage the pressures of Auckland growth on neighbouring regions;
- Play a part in New Zealand Inc, working with government and key stakeholders for the wider New Zealand benefit;
- Maintain the necessary political capacity and capability and technical skills and knowledge (including capability of buying in legal and technical expertise when required);
- Keep up with technological changes, such as in terms of monitoring, and information and communications technology;
- Be accessible to major stakeholders including central government;
- Achieve efficiencies in procurement, service and infrastructure provision, and plan and policy development;
- Have the ability to withstand shocks such as major hazard events and changing economic conditions;
- Withstand the pressures from strong lobby groups and individuals to make decisions that may not be in the long term public interest; and
- Enable effective strategic planning and management for development, infrastructure provision, resource management, civil defence and hazard management, river management and flood control.

It is important that there is an element of local government which operates at the catchment level. This is in recognition of the fact that water bodies cannot be effectively managed unless there is consistent, coordinated and integrated management of the activities in the catchment that can affect water availability, quality and aquatic habitats. In the Waikato, the catchment based boundary of WRC has been crucial to the successful flood management of the region and will be increasingly important for managing diffuse discharges to rivers from agricultural activities. Aligning regional boundaries to ensure integrated catchment management recognises the difficulties in many parts of the world where different jurisdictional boundaries cross catchments resulting in decisions in the upper catchment that have significant adverse effects for the lower catchment. A classic example is the Murray-Darling Basin in Australia which cuts across parts of Victoria, South Australia and Queensland. In New Zealand, integrated catchment management has been a fundamental philosophy for management of water bodies since the 1940s when catchment boards were established to address soil conservation and flood control issues. This philosophy is just as valid today and will continue to be so.

Catchment based boundaries are very important to enable iwi to use local authority processes to manage whole river systems. This is in recognition of the deep connections

that iwi have to their rivers, which are recognised as ancestors and taonga. In the case of the Waikato River, the Vision and Strategy, developed through Waikato Tainui's treaty settlement process, is now the defining management document for the river. As a minimum in the Waikato region, there at least needs to be a local authority which spans the full extent of the Waikato River catchment with the range of responsibilities that will allow it to ensure the Vision and Strategy is achieved. Figure 4 shows the main catchment areas in the Waikato Region.

Whatever the future form of local government, it needs to be easily understood by communities and stakeholders. Such an understanding is important for people to engage effectively with local government. If there are different layers of local government, it must be very clear what the role of each layer is. In many ways this is not the case at present. In many respects regional councils and territorial authorities have overlapping functions, such as with respect to management of roads, biodiversity and natural hazards. Drainage schemes are sometimes managed by the Waikato Regional Council and sometimes by district councils. Regional councils and territorial authorities have the same purpose under the Local Government Act (currently to enable local democratic decision making and promoting the social, economic, environmental and cultural well being of communities). There are overlapping functions with the New Zealand Transport Agency with respect to transport planning. While territorial authorities make decisions on what land use occurs where, regional councils are responsible for the integration of land use with infrastructure. It is not surprising that many people do not understand the difference between a regional council and a territorial authority. Functions should therefore be clarified between agencies.

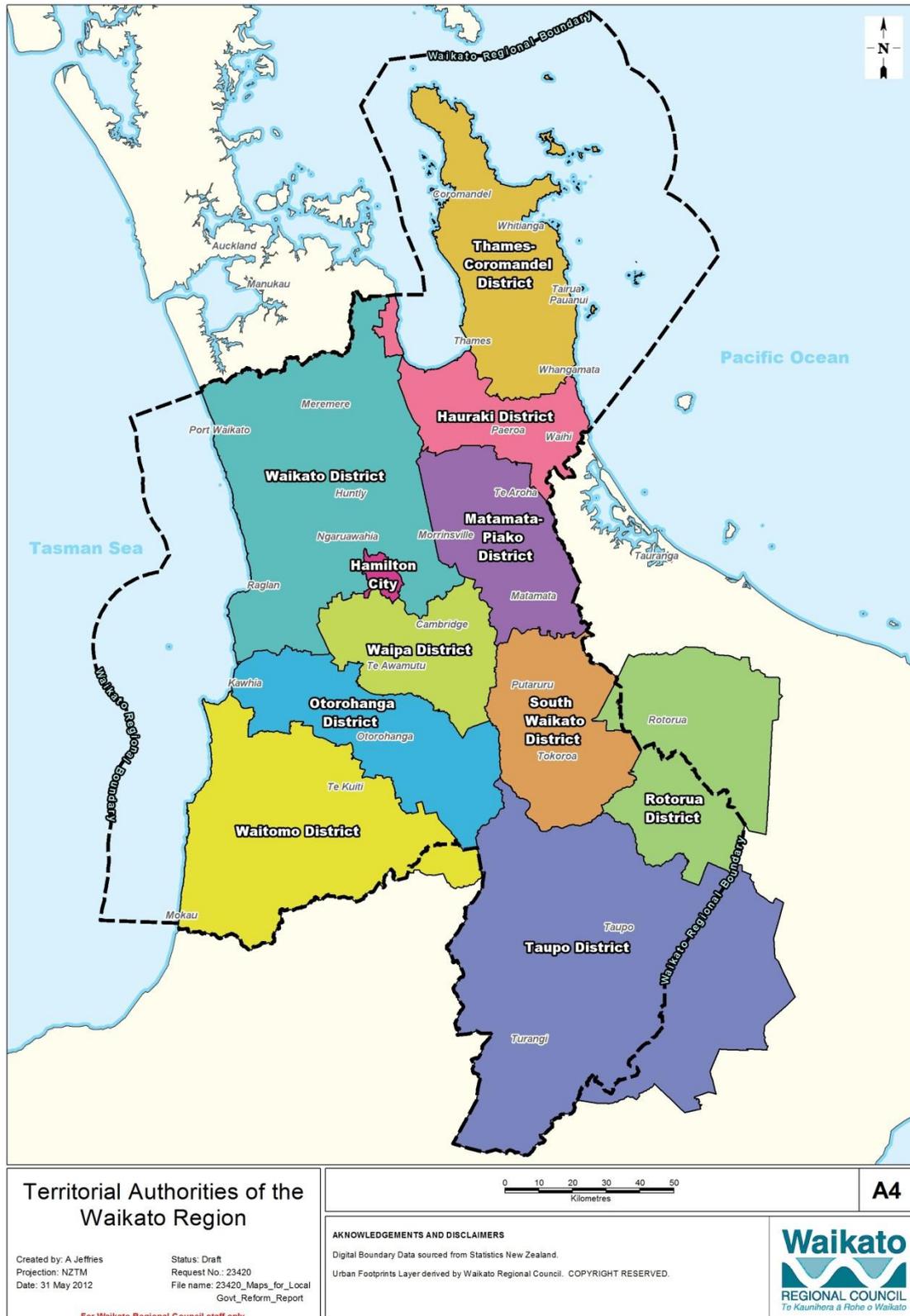
As stated earlier, the Rodney Hide paper claims that at an overarching level, there is no clear description of the relationship between central government and local government. The same can be said about the relationship between regional councils and local authorities. The roles and responsibilities of regional councils and territorial authorities are at times overlapping and unclear. This sometimes leads to **lack of agreement by the territorial authorities and the regional council about who is responsible for what decisions** (Figure 5 shows territorial authorities in the Waikato region). This can make some processes unnecessarily time consuming and expensive as the regional council and territorial authorities try to resolve conflicts and reach agreements. For example, the Waikato Regional Council made huge efforts to try to get agreement with territorial authorities when reviewing the Regional Policy Statement (RPS). Despite this, some territorial authorities made substantial submissions against the RPS (overall, about 13 percent of submission points were from territorial authorities). The lack of a clear division of roles and responsibilities between the regional council and territorial authorities also is making it very difficult for the Waikato Regional Council to undertake a regional economic development strategy. The Council would also like to undertake strategic planning within the region (such as a spatial plan similar to the Auckland Plan), but again reaching agreement with territorial authorities for such a plan would be very difficult. Although collaboration and consultation is important, if good strategic planning and policy is prevented (or made hugely expensive to the community) because of disagreements between councils, this represents a failure of local government. This problem could be resolved by much clearer responsibilities and roles, and greater delineation of roles for each level of local government.

The current arrangement of local government has many strengths and any reform of local government in the Waikato region should seek to maintain these strengths. The key strengths of the Waikato Regional Council relate to its scale, sound financial position, legislated mandate, sound scientific basis, reputation, and capable staff and governance. The strength of territorial authorities would generally relate to such matters as their ability to relate to local communities, intimate knowledge of local community characteristics and needs, and ability to make decisions about local servicing, land use change and local character and amenity. There are a range of other more particular strengths that are exhibited by particular territorial authorities.

There are however also weaknesses in the current system of local government in the Waikato region. These include:

- Increasing costs of local government
- Difficulty of strategic integrated planning across the region
- Multiple planning documents and inconsistent policy approaches across the region
- Common conflicts and disagreements between various local authorities in the region
- Varying financial challenges, capacities, capabilities and effectiveness of territorial authorities across the region
- Impediments to making quick, clear, effective decisions about important matters
- Service delivery which is not well integrated across the region

Figure 5: Local Authorities in the Waikato Region



- Iwi and industry have a lot of local authorities to deal with, which can be costly and time consuming

- There is a general lack of understanding of the two layers of local government and this is not helped by overlapping responsibilities
- Some local councils have difficulty communicating successfully with Wellington
- Lack of a single Waikato voice on important issues

If local government in the Waikato region is to be successful into the future these matters need to be addressed.

8. Conclusion

Central government has begun a process of local government reform. This report has described government's reasons for seeking reform. It has identified changes that the Waikato region is expected to experience over the next 20 to 30 years, which will influence the success of local government in the region. The report then identifies how these changes will influence the needs of communities and the way that local government needs to operate in order to be successful.

It is clear that local government in the Waikato region will need to respond to increasing environmental, economic, social and cultural pressures over the next 20 to 30 years. Problems are likely to increase and the resources to deal with them will become increasingly stretched. There are already a number of cracks in the local government system in the region. Local government in the Waikato region does need to change to address these issues. It is important that the regional community is well informed about these issues and that it begins a discussion on how best to address them.



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Appendix 1: Excerpt from 'Smarter Government, Stronger Communities: Towards better local governance and public services'

The intended consequences of Rodney Hide's reform agenda were as follows:

Paragraph 57

Central government

- a) Central government has a clear overarching approach and practical mechanism for working with local government.
- b) Its approach to local government is consistent and coordinated across portfolios.
- c) This approach is underpinned by an effective whole of government process.
- d) It is supported by a sound understanding of local government perspectives and the impacts on local government of central government decision-making.

Local government

- e) The emergence of a local government system that:
 - will serve New Zealanders well into the future;
 - is fit for purpose, cost-efficient, financially viable and has adequate and appropriate funding tools to support its activities;
 - can be utilised by diverse communities to serve their own needs and aspirations and enable effective decision-making;
 - is well-placed to contribute to New Zealand's economic, environmental, social and cultural well-being significantly;
 - is based on a clear framework which delineates local government's responsibilities, powers and status vis-a-vis central government, and that guides and allows for change when necessary; and
 - evolves to accommodate changing circumstances, including unexpected and high impact events.

Appendix 2: Map of Local authorities in Waikato Region



Territorial Authorities of the Waikato Region

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Appendix 3: Map of Iwi in Waikato Region

