



Integrated Reform Planning

Palmerston North City Council

August 2022

Wellbeing challenges provide the context for the programme of reforms

Environmental

- **Climate change** – disrupted climate, high emissions and a closing window on limiting global warming
- **Natural hazards** – exacerbated by climate change but also experiencing a seismically active period
- **Environmental degradation** – loss of habitats and species, diminished water quality, rising waste volumes

Cultural

- **Inequality** – persistent Māori disparities
- **Governance** – resolving post-settlement governance arrangements across all spheres
- **Cultural Diversity and Inclusion** – embracing multiculturalism within a bi-cultural heritage

Social

- **Housing** – declining affordability and home ownership and increasing waiting lists and homelessness
- **Health** – increasing health challenges and access issues
- **Mental wellbeing** – rising mental distress, significantly so among the young
- **Demographic transition** – to an older, more dependant population taking a larger share of income support

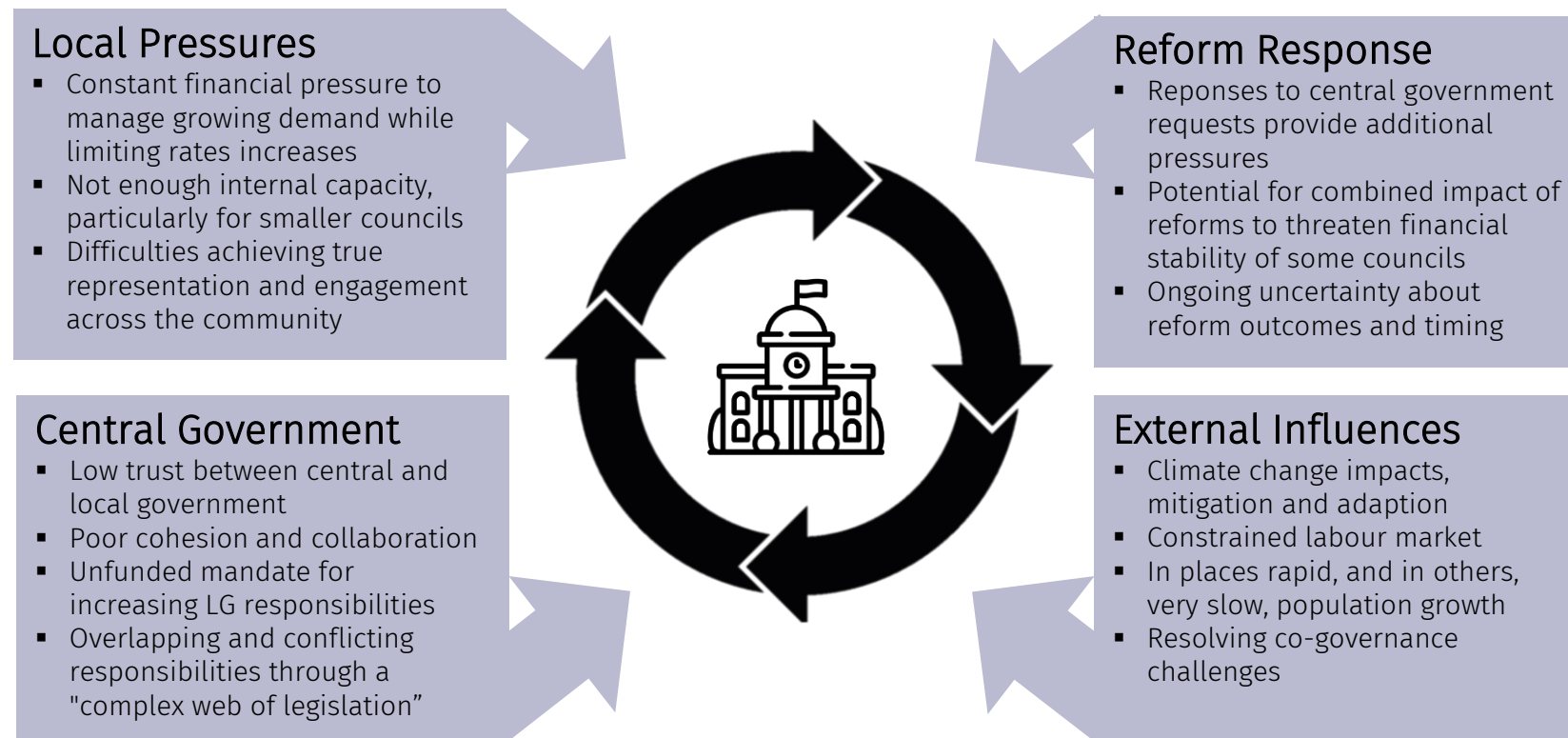
Economic

- **Economic performance** – relatively low incomes and growing regional disparities; a generation of COVID debt
- **Digital disruption** – potential for great benefits but also increased inequities and disparities
- **Poverty** – increasing absolute deprivation

What is PNCC's role and contribution to addressing these challenges in an increasingly complex and uncertain operating environment?

Some challenges facing LG are being addressed by the reform programme

However, councils are also dealing with many other pressures within the ecosystem



There is considerable diversity in the range of activities that councils provide, reflecting the different circumstances across each city, town and community.

This means that a one-size-fits-all legislative approach will not meet the needs of all communities and local interpretation and optimisation is required

Reforms and Reviews Update at August 2022 (1)

Reform / Review Area	What is Proposed?	Timing	Impacts Overview
Three Waters <ul style="list-style-type: none"> New Regulator, Taumata Arowai Service Delivery Reform 	<p>New standards and rules for water suppliers; Monitoring oversight of WW and SW services.</p> <p>WSE Bill No. 1: 4 new entities; WSE Bill No. 2: operating details and further regulation; 'LEEs' establishment; transition period to 1 Jul. 2024.</p>	<p>Effective 1 July 2022; From Oct. 2023.</p> <p>Bill No. 1 to be reported back 11 Nov; passed by end Dec. 2022; Bill No. 2 to Parliament last Qtr. 2022; to be passed mid-2023.</p>	<p>Among other things, determines supply chlorination status from Nov. 2022.</p> <p>Pace and scale of transition requirements gathering; major longer term impacts.</p>
Resource Management <ul style="list-style-type: none"> Enabling Housing Supply & other matters Amendment Act RMA replacement legislation, with extended scope re: climate change. "Enabling local voice and accountability in the future RM system" RMA National Direction – A single National Planning Framework (NPF) 	<p>Affecting mainly metro councils by requiring provision for higher density development.</p> <p>Three proposed new acts: Natural & Built Environment Act; Strategic Planning Act; Climate Adaptation Act.</p> <p>Recent RM Steering Group paper proposed mechanisms for enabling local voice.</p> <p>Replacement of ad-hoc sequence of National Policy Statements with more integrated NPF.</p>	<p>Mandatory District Plan changes by August 2022.</p> <p>N&BE Bill and SP Bill to be introduced Q3 2022 and passed by July-Sept 2022; CA Bill to be introduced 2023 for passing in 2024.</p> <p>RM SG recommendations, incl. Councils and Iwi/hapū to prepare 'outcomes statements'.</p> <p>Provision for/broad scope of NPF to be confirmed through N&BE Act.</p>	<p>Increased development capacity; potential to accelerate growth relative to other places.</p> <p>Among many impacts, regionalised plan-making processes; phased multi-year process of integrating existing plans lasting into 2020s.</p> <p>Intent is to enable and promote local input to regionalised plan making processes.</p> <p>Sets environmental outcomes and limits for plan making. NPS's 'in progress' proceeding.</p>
Future for Local Government <ul style="list-style-type: none"> Independent Panel led Inquiry 	<p>'Whole of system' Review with wide scope/long term viewpoint.</p>	<p>Draft Report Oct. 2022; Final Report June 2023.</p>	<p>Govt decisions on extent/nature of uptake; potentially most significant change initiative.</p>

Reforms and Reviews Update at August 2022 (2)

Reform/Review Area	What is Proposed?	Timing	Impacts Overview
Climate Change <ul style="list-style-type: none"> Climate Adaptation Act (cf. above) National Emissions Reduction Plan (ERP) National Adaptation Plan (NAP) Changes to Land Information Memorandum (LIM) system 	<p>Guide adaptation and managed retreat.</p> <p>Plan responding to Climate Change Commission's proposals now confirmed.</p> <p>National direction in advance of new CA Act.</p> <p>LGOI&M Act amendment to mandate incl. climate change impacts & legal liabilities.</p>	<p>Bill to be introduced 2023 for passing in 2024.</p> <p>Linked with Budget 22; circa \$6Billion appropriation; wide suite of actions.</p> <p>NAP now confirmed ; many actions involve LG.</p> <p>Cabinet approvals for policy development 2021; 2+ yrs. process of change.</p>	<p>Much needed clarity over roles, rights and responsibilities, and possibly funding.</p> <p>Significant emission reduction targets; influence on land transport funding?</p> <p>May strengthen existing/provide for new Council policies/initiatives.</p> <p>National consistency of LIMs disclosures at reduced risk of challenge.</p>
Emergency Management <ul style="list-style-type: none"> Modernising the EM Framework ('Trifecta' programme) 	<p>EM Bill to replace CDEM Act 2002; Review Nat. CDEM Plan & Nat. Disaster Resilience Strategy.</p>	<p>Early 2022 consultation; New Bill by end 2022.</p>	<p>Modernised framework; clearer role and responsibilities.</p>
Waste Management <ul style="list-style-type: none"> Waste Minimisation Strategy & new Act Transforming Recycling: Three Proposals 	<p>National Strategy & Act to replace the Waste Minimisation Act 2008 and the Litter Act 1979.</p> <p>Container return scheme; standardised kerbside collection; more waste separation.</p>	<p>New strategy/long term waste infrastructure plan later in 2022; new Act by October 2023.</p> <p>Early 2022 consultation; implementation details related to above proposed new Act.</p>	<p>New initiatives and regulation of waste mgmt.. roles, and of products and materials.</p> <p>Implications for Councils' kerbside collection and other waste management resp. tbd.</p>
Health and Disability Reforms <ul style="list-style-type: none"> Pae Ora Act 2022 	<p>Transformation of NZ health system; almost all existing agencies abolished, including DHBs.</p>	<p>Act operative from 1 July 2022.</p>	<p>Significant advocacy/influencing opportunities for LG in 'locality planning'</p>

Reforms and Reviews Update at August 2022 (3)

Other reforms and reviews impacting on local government

- Government Policy Statement on Housing and Urban Development (2021);
- Review of the Sale and Supply of Alcohol (Fees) Regulation;
- Amendment to the Environmental Reporting Act;
- Freedom camping reforms;
- Gambling (Harm Prevention and Minimisation) Regulations 2004;
- Education reform;
- Local Government (Pecuniary Interests Register) Amendment Bill;
- Amendments to NPS FW (2020) and NES –Wetlands;
- New NPS Highly Productive Land later in 2022;
- Building Act Reforms - Review of the building consents system;
- Review of the Cemeteries and Cremations Act 1964;
- Flood Reinsurance Scheme;
- Biosecurity Act review;
- Conservation law reform;
- National action plan against racism;
- Māori Electoral Options;
- LG (Rating of Whenua Māori) Amendment Act 2021 implementation;
- Natural Hazards Bill;
- GNS-led review of the National Seismic Hazard Model.

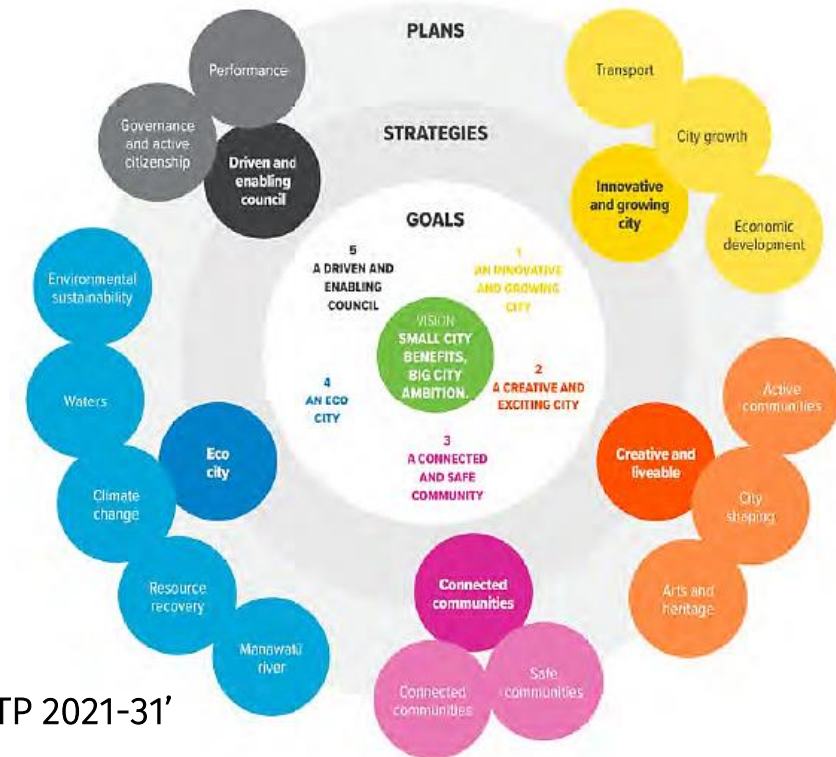
Others to watch

- Land Transport Revenue Review:
 - begun in 2021...issues include a heavy reliance on road users as a source of revenue - potential for increased scope to include road controlling arrangements.
- Regional economic development and tourism promotion entities/funding:
 - a complex 'system' of DTOs, RTOs, EDAs, to a significant extent competing against each other for 'footloose activity'.
- Review of Parliamentary Electoral Law:
 - Independent Panel to report back in 2023; TOR incl. length of parliamentary term - term length could arise through FfLG Inquiry Report discussion.
- Infrastructure Commission's 'New Zealand Infrastructure Strategy':
 - tabled in Parliament May 2022, Govt. to respond later in 2022. Likely to be influential with wide-ranging recommendations to address NZ's infrastructure deficits.

Strategically, Three Waters and RMA reforms will impact the delivery of Council's Strategic Direction

- How will the switch to another entity of a significant part of the organisation impact on the ability to deliver on the Strategic Direction?
- How will loss of direct control over statutory plan-making function impact the ability to deliver on place making?
- Will a fundamental change to the business model/organisational design, or more significant structural change, be required?

Strategic direction



Source: 'PNCC LTP 2021-31'

Three Waters Reform is relatively clearly defined, with significant transitional workload over the next two years

In the **next six months**, Councils need to:

- Prepare applications for Tranche 1 (25%) of 'Better Off' funding by 30 September; and Tranche 1 of 'Transition Support' funding
- Consider how to respond to the Second (October?) Water Services Entities (WSE) Bill
- Manage initial data requests by NTU and implications of LEE establishment creation, ensuring recording system in place for claimable costs;
- Scoping of flow-on effect on Council across all NTU workstreams

In the medium term (**following 18 months**), Councils need to address:

- Scope and scale of financial, strategic capability and logistical implications; and optimising balance sheet separation, looking out to LTP 24-34;
- 'Rightsizing' in response to stranded overhead and 'surplus' capacity, including collaborative and more structural partnering opportunities;
- Determine best application of Tranche 2 'Better Off' funding, Tranche 2 of Transition Support funding in 2023/24, as well as proposals for 'No Worse Off' funding in 2024;
- Transition management to ensure continuity of Three Waters service delivery until separation in 2024;
- Changes to Council – Local Entity planning and consenting relationships under RMA reform/WSE enactments may begin to take effect from late-2023 and certainly by 1 July 2024;
- Implications for Council's remaining environmental programme activities, beyond the network-based services that would transfer
- Plans will require sufficient flexibility to respond to unanticipated changes to the Government proposal and / or as a result of the 2022 Local Government Elections and, consider implications of 2023 General Elections

Proposed RMA Reforms are arguably even more significant...

From:

- 100+ District Plans, Regional Policy Statements & Plans prepared individually by Councils
- National Guidance provided through periodic National Policy Statements (NPSs)
- Key reference points in terms of outcomes in the 700+ pages RM Act being 'matters of national importance' and 'other matters'
- 'Take into account' the principles of the Treaty of Waitangi (Te Tiriti o Waitangi)

To:

- 14 'regionalised' 'Natural and Built Environment Plans and 14 'Regional Spatial Strategies' currently based on Regional Council boundaries
- Plan-making governed by regionally based Committees of reps from Councils, Iwi and Government
- NPSs brought together and extended through a 'National Planning Framework'
- More specific and directive stated environmental outcomes and environmental limits
- Give effect to Te Tiriti and inclusion in overarching purpose reference to 'Te Oranga o Te Taiao'

RMA reform is still being developed and the future delivery model for regionalised plan-making has not been resolved

In the **next six months**, Councils need to:

- Track progress of and possibly respond to any further engagement (maybe exposure draft of, or Bills as introduced); and assess impacts of/familiarise incoming Council on the Bills.
- Start considering options for delivery arrangements for forward planning services impacted by the new legislation, possibly in association with other Councils
- Identify implications on overall regulatory operating model.
- Start considering resource implications /requirements for locally focused planning functions; e.g. local area plans

In the medium term (**following 18 months**), Councils need to address:

- Continue into early 2023, as the two Bills progress, current/future state assessment of consequences in relation to more centralised and directive resource management policy and plan development frameworks;
- Consider adjusting to regionalised plan-making systems and processes; including whether aggregation of resources into regional structures could be beneficial;
- Impacts on resource consenting processes; also including whether aggregation of resources into regional structures could be beneficial;
- Developing the Council's partnering relationship with mana whenua and other entities within reform parameters, considering Three Waters and also Conservation Reforms
- Consider resourcing and policy interrelationships for the rate/nature of progression of other Council strategies including local place-making, emissions reduction and climate change adaptation in response to ERP and NAP documents recently confirmed by Government
- Develop a planning and budgeting approach for planning and regulatory services to input to the draft 2024-34 Long Term Plan

Outcomes from the Future For Local Government Review are the least certain but could have the most significant long term impact on Council

In the **next six months**, Councils need to:

- Consider any engagement with neighbour/regional councils and other entities in relation to the direction of travel of the FfLG Inquiry;
- Prepare to respond to the FfLG panel Draft Report and recommendations due mid-October;
- Progress consideration of what Three Waters and RMA reforms, and recommendations of the FfLG Panel, may in combination mean.

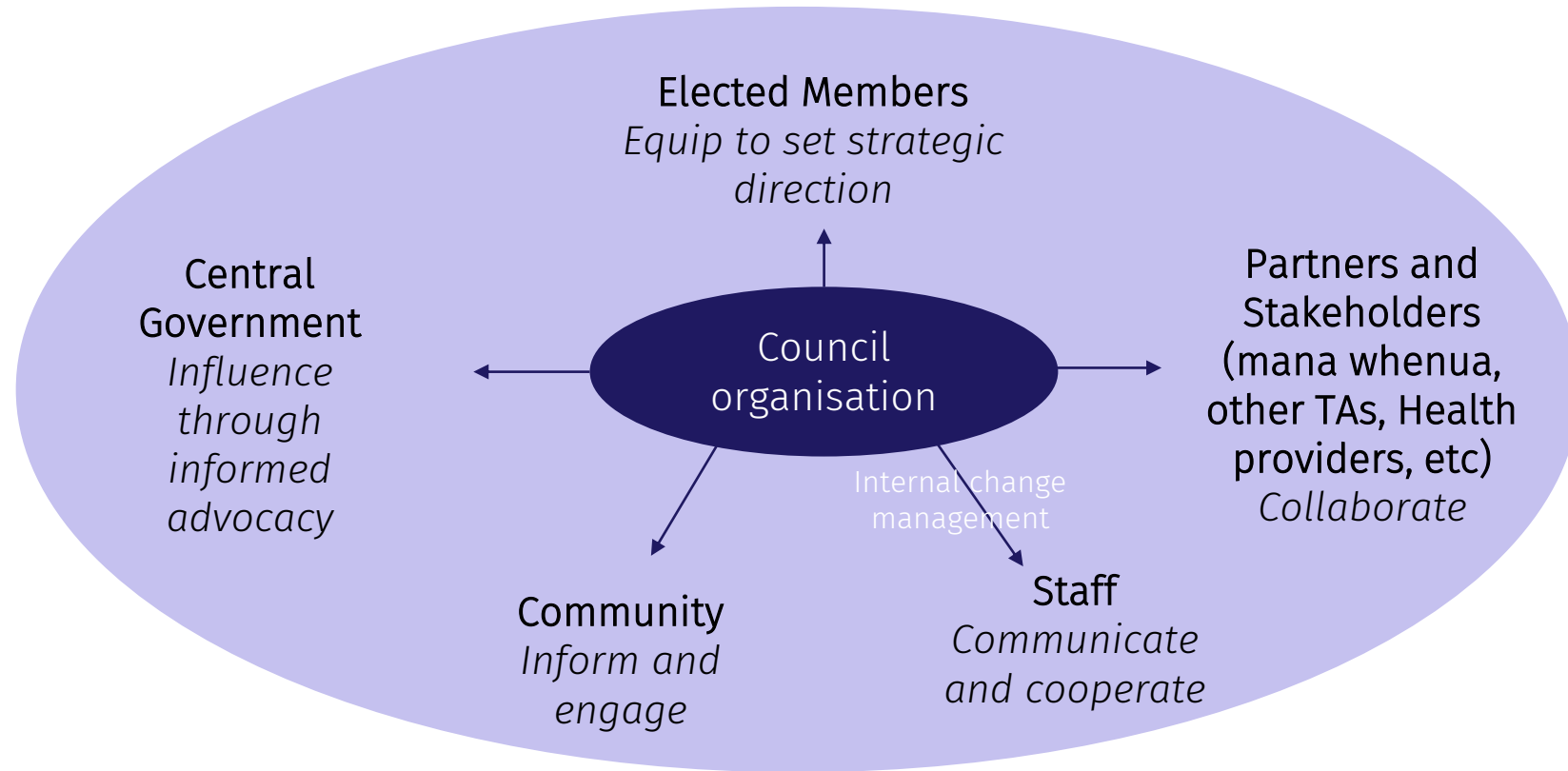
In the medium term, (**following 18 months**) Councils need to address:

- Relevant recommendations by the FfLG Panel in its draft and final reports;
- Potential for additional delegated/devolved centrally provided services or functions;
- Organisation development/culture change as result of Council mandates moving away from a 'services to property' driven mandate towards advocacy, facilitation, partnerships, 'funding of others', in order to advance community wellbeing;
- Cumulative consequences of reforms such that local government structural change becomes an option for consideration;
- 'Reimagining local government' – making a difference through a more proactive approach to 'local governance' for the future, especially in the area of co-governance.

Reforms and Reviews – Possible Impacts

- The scale and cascading nature of the reforms underway could bring into contention significant sector restructuring;
- Views on ‘Amalgamation’, ‘Unitary Councils’ etc., may be more evident in public discussion in 2023;
- Concerns evident about the cumulative impacts of multiple and in some senses contrasting reforms on LG sector capacity and capability to successfully transition to a ‘reimagined’ local government;
- The adage ‘ideas are easy...implementation is everything’ is relevant here. Funding issues so far in the FfLG work in particular less developed; every LG Review has tinkered with it but actually grappling with funding sustainability is proving really hard;
- Crucial will be addressing the CG:LG relationship – feedback to the FfLG Panel suggests a major reset is needed in how ‘all of government’ agencies relate to each other;
- There is likely a need also to grapple with structure...aka ‘form’ of LG...many challenges to retaining sufficient strategic capability and affordable capacity in light of reforms that are underway/foreshadowed are evident, as well as the multiple ‘four wellbeings’ challenges faced;
- Attracting significant service devolution/agent interest from central government to local government is a ‘work in progress’.

The PNCC reform response must also consider 5 key affected groups



Collaboration with other TAs has wider community benefits, but is more effective if PNCC already has its own response plan and effective governance structure in place

Community communications in response to mandated change from Central Government will also need careful consideration as these could leave Council as the messenger of Central Government changes, with less opportunity for true engagement than the community is used to receiving and has come to expect

Overview of Government funding packages

'Better Off' Funding

- \$2 billion of funding to 'invest in the future of local government and community well-being'
- First 25% (\$500M) available from 1 July 2022 – PNCC share \$8.16M
- Applications for 'Tranche 1 by 30 Sept. '22; balance (Tranche 2) available from 1 July 2024 \$24.47M
- Criteria are climate change/natural hazards, housing and placemaking/wellbeings focused

'No Worse Off' Funding

- \$500M funding 'to ensure that no local authority is financially worse off as a direct result of the reform'
- Available from 1 July 2024; fund is segmented to reflect variations about the per capita rate in relation to 'reasonable and unavoidable stranded costs'; PNCC share likely to be several \$Ms

'Transition Support Funding'

- Recently announced drawdown from a Budget 2021 contingency sum of \$296M for transition support
- Tranche 1 is \$44M for 2022/23 year and a further Tranche 2 of \$41M in 2023/24
- There to support 'reasonable costs' associated with engagement with 'NTU' and 'LEEs'
- PNCC share of Tranche 1 is \$0.825M by quarterly payment subject Agreement execution

Dealing with the Reforms

- **Pro-active, Systematic and Outcome Driven**
 - The reform programme is already well underway, it comes at a time when Councils are busier than ever with BAU; clear and meaningful outcomes which describe the 'new normal' need to be developed.
- **Meaningful Stakeholder Involvement**
 - Local Government touches everybody in many and different ways; plans and strategies need to be developed to engage with many and varied people and groups, both to keep people informed, and, to gather ideas and opinions as things progress.
- **Manawhenua play a pivotal role as partners**
- **Gear up, think differently and take advantage of transition funding**
 - Staff already have day jobs, so innovative thinking and extra resources are likely to be required.

What is already underway

- **Integrated Reform Plan**
 - ELT are developing an operational plan which takes a holistic view of all the reforms and breaks down the required work in response into manageable chunks, while ensuring a cross-organisational view.
- **What gets measured gets managed**
 - Timebound deliverables are being developed to provide clear expectations to staff and overall clarity, and ensure nothing 'falls between the cracks'
- **Organisational impacts**
 - Although reforms identify specific areas, they will have flow on impacts across the whole organisation – work is commencing to quantify this.

Post election priorities

- **Comprehensive Briefing on the Reform Programme**
 - Ensure that the new Council are well briefed on the state of play and all Councillors have a common understanding of what's ahead
- **Develop Outcomes**
 - The Council of the future may look different – work with ELT to develop desired outcomes for the community and the organisation
- **Governance and Reporting**
 - Develop a governance and reporting framework to ensure Council is kept up to speed and has a mechanism in place to make the governance decisions which will be needed