



# New Zealand Infrastructure Commission's Strategy Consultation

Local Government New Zealand's submission on the Infrastructure  
Commission's Consultation Document setting out a proposed direction for a  
Infrastructure Strategy to Government

May 2021

## We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and promote the good governance of councils and communities. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities. Our purpose is to deliver our Vision: “Local democracy powering community and national success.”

## Introduction

Local Government New Zealand (LGNZ) thanks the Infrastructure Commission (the Commission) for the opportunity to submit on its 2021 *Infrastructure for a Better Future* Consultation Document (the Consultation Document) that sets out a proposed direction for developing an Infrastructure Strategy for Aotearoa New Zealand (the Strategy). We welcome that the consultation document seeks feedback to ensure the Commission gets its 2050 vision right and that the Strategy will be effective in enabling us to plan, build, operate and pay for the infrastructure we need to get the best results for all New Zealanders now and into the future.

As New Zealand's local government peak body, LGNZ has prepared high-level sector input for the Commission's consideration. We agree with the Commission that New Zealand's infrastructure challenges are significant and that responding to these is foundational to meeting some of the greatest challenges of our time, including housing affordability and climate change. We also agree that bold action is required.

The local government sector is aware of the foundational role of infrastructure. This motivated the sector to invite Government to undertake a jointly led Three Waters reform programme in March 2020 during the Central Local Government Form. A year later, in March 2021, the sector called on Government to exercise its stewardship obligations to ensure system settings and central government participation enable sufficient and responsive investment in infrastructure to deliver more housing.

Our sector remains concerned that the current institutional settings, funding and financing framework and available toolkit of council related to infrastructure do not sufficiently serve our current and future challenges. Creating another fund – for example, the Housing Acceleration Fund (HAF) – while a welcome short-term reprieve is not enough on its own, nor a sustainable solution, to our infrastructure funding challenges. A step change in our system is needed.

The Government is currently progressing major reform programmes in three waters service delivery (drinking, waste and storm water) and resource management that propose to significantly reshape the landscape of New Zealand's institutional settings and structures for provision of infrastructure. An overarching infrastructure strategy is much needed.

Since Government is not strategically coordinating cross-cutting reform efforts – many of which circle around longstanding issues about how we plan, fund and deliver infrastructure – it is timely that the Commission identifies a lack of system stewardship in the infrastructure space. In particular, there is no one institution with sufficient powers to look across the large number of organisations involved in not only planning, building and operating infrastructure, but also

shaping the institutional settings and structures. LGNZ welcomes the Commission's intent to fill this void.

We acknowledge the need for a range of reforms to improve infrastructure provision, including three waters service delivery, environmental protection, the legislative architecture governing our planning system and local government's funding and financing framework. The Commission's Consultation Document appropriately raises some questions about New Zealand's institutional settings and structures, including local government functions related to infrastructure. Our submission engages with this area of inquiry.

Overall our view is that the Commission's approach is not bold enough. It presents a missed opportunity to lead with much more innovative problem solving. After all, a step change is needed. Government is currently progressing large scale and fundamental reforms, their successes of which are contingent upon getting the Strategy right and aligned across government. It is not just about institutional structures and planning, but also about how our funding and financing framework – and the underpinning institutional settings – can drive investment in ways more responsive to local needs as well as national interests.

Our key response to the Consultation Document is that it raises good questions but still lacks strategic direction. A strategy would outline not only a future state but most importantly a pathway to getting there. Ideally, the approach would support cohesive action by all of government to work towards Government's overarching policy objectives for the housing market. Reducing the price of land, the cost of infrastructure investment, and the price of housing will free up much needed resources to better protect our environment and respond to climate change challenges.

Our submission is broken into comments on proposed outcomes and principles followed by comments on key themes and areas of inquiry. We recommend that the Commission take our views in concert with specific councils' and council groups' comments. This will ensure their comments on how the proposed approach affects their particular localities and areas of oversight are reflected alongside our high level input. We also request that our comments be considered alongside those with more technical expertise's submissions. Finally, where we are silent on a question, this should be taken as deferral to those with more insight, rather than acquiescence.

## Comments on proposed outcomes and principles

LGNZ submits that infrastructure should be framed as an input in service of community values (for example, housing affordability) rather than as an outcome in and of itself. Read in this light, we agree with the Commission's fundamental principle that infrastructure should support oranga tangata / the wellbeing of people.

LGNZ broadly supports the outcomes and principles the Commission has listed to guide decision-making about infrastructure. At the same time, we strongly recommend the inclusion of others: one outcome (responsive) and one principle (time-consistent). These principles guide much of our submission.

## Outcomes

The Commission proposes that infrastructure investment decisions be guided by outcomes that are efficient, equitable and affordable.

LGNZ recommends to add that infrastructure is **responsive** to local demand and preferences, which means that infrastructure planning, funding and decision-making enables a responsive planning system that allows demand to be met in a flexible way. A responsive planning system is the government's overarching objective (CAB-21-MIN-0045) and according to the Treasury's advice requires a credible supply response, underpinned by flexible infrastructure provision.<sup>1</sup>

## Principles

The Commission proposes that outcomes be supported by the following decision-making principles: that decisions be future-focused; transparent; focused on options; integrated; and evidence-based.

We consider decision-making focused on the future and options to be particularly pertinent due to the lack of consideration of alternative options in the Government's policy work underpinning resource management and planning reforms, and a lack of emphasis on how to operationalise these two principles in the proposed Strategic Planning Act (SPA). We consider a long-term (30-100 year) focus on protecting options for future investment and development essential to achieving efficient and affordable outcomes, including climate resilient communities and a responsive planning system.

LGNZ recommends to add the principle that decision-making be **time-consistent**. This is focussed on two benefits for infrastructure decisions. First, in relation to long-life assets (e.g., Three Waters) decision makers have a clear eye on the longer term and sustainability instead of maximising the return on capital or performance in the short term. Second, infrastructure decisions are supported by institutional designs and structures that enable councils to "keep their promises" (credibly commit to not taking on risks associated with financing and constructing infrastructure projects). This latter point will enable off-balance sheet, long-term project financing where debt raised for infrastructure projects is paid back by the cash-flow generated by projects. We discuss why this is so important further below.

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<sup>1</sup> The Treasury (April 2021), "Outline of measures to moderate house price growth," The Treasury (ed.) *Tax, Housing and RBNZ Information Release* (T2020/3529, pp. 1-21): p. 2. Accessed 31 March 2021, <https://www.treasury.govt.nz/publications/information-release/tax-and-housing>.

## Comments on key themes and areas of inquiry

In reviewing the Commission's consultation document, we focus on the following key themes and areas of inquiry:

1. The lack of alignment across government reforms on infrastructure;
2. That the Commission should not look to the *Future of Local Government Review* to provide first-principle advice on institutional settings and structures related to infrastructure;
3. The need for central government to come to the table to help fund infrastructure and land acquisition that provides national-level benefits;
4. The Infrastructure Strategy will need to outline a pathway towards infrastructure provision that enables a responsive planning system;
5. The proposed approach makes no contribution to much needed alternative and bespoke mechanisms for financing infrastructure; and
6. The Government needs to address how future governance arrangements concerning infrastructure and resource management include iwi/Māori in partnership, and how existing unique relationships between council, iwi and hapū can assist in doing so.

### Lack of alignment across government reforms on infrastructure

The Commission correctly identifies that New Zealand has a lot of organisations involved in infrastructure, but there is no one institution that looks across them all. LGNZ's engagement with the Government's cross-cutting reforms, including our regular engagement with central government departments inputting into these reforms (including Three Waters and resource management reforms), reveals that the Government's work programmes are not integrated or aligned on policy objectives. This is especially the case in relation to infrastructure. The Resource Management Act reform (RM reform) lacks a coherent strategy and work programme concerning infrastructure. This creates risks that the new planning system may fail to deliver the benefits the reforms intend to realise.

LGNZ notes that Cabinet has recently agreed on all of government overarching policy objectives for the housing market, which includes "creating a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners..." (CAB-21-MIN-0045). However, government policy programmes have yet to be integrated and aligned.

The Government, Commission and the local government sector's narratives on housing all identify that infrastructure is a key constraint to providing more development options and increasing housing supply, thereby improving affordability. There is consequently a strong consensus that infrastructure is key to realising shared and overarching objectives in housing. Notably, this consensus also has implications for policy surrounding climate change.

The success of current reforms depend on getting the infrastructure strategy right and aligned on the Government's overarching objectives. LGNZ submits that the Commission should call

for an overarching and integrated approach to infrastructure policy across the Government's multiple reform efforts. We also recommend the Commission provide leadership to ensure infrastructure is elevated as a policy priority, especially in RM reform.

Looking across the reform efforts, LGNZ considers the following areas need to be urgently integrated and aligned, to ensure that policy work contributes towards realising the overarching objectives, rather than working across purposes:

1. Central government departments need to agree on the role that planning and funding of infrastructure plays in operationalising the "making room for growth paradigm". Existing spatial planning partnerships between central government and high growth councils, and our engagement with the RM reform, have revealed that government departments are not integrated or aligned. For example, councils involved in spatial planning partnerships have observed that it can be difficult to get departments aligned on what the objectives are and to agree on what the key task of spatial planning is and how this should be put into practice. LGNZ has also observed that government departments at a national level have to date been unable to resolve fundamental disagreements on what the objectives and policies in relation to resource management reform should be;
2. Infrastructure issues are not being sufficiently addressed across work programmes within the resource management reform, especially in relation to lead infrastructure and real options planning in the SPA and funding and financing of "structural" and "follower" infrastructure relevant to the planning system, which needs to be coherently addressed by the Natural and Built Environment Act (NBEA) and adjacent statutes (e.g., LTMA, LGA, IFFA and UDA); and
3. The interface between new three waters service delivery entities (water entities) and the newly emerging planning system needs to be clarified, including the link that the Commission has identified between the funding tools of water entities and the alternative funding mechanisms recently enabled by the Infrastructure, Funding and Financing Act (2020) and the Urban Development Act (2020). This is important since the interaction between economic regulation and water entities could make accommodating growth difficult. The likely imposition of hard budget constraints may force a list of projects to be defined at the outset of a regulatory period and so hardwire priorities into the system, making it difficult for water entities to flexibly respond to the aspirations of local communities, councils and developers. In this way, water entities could act as an institutional constraint on responsiveness to growth.

### Kicking the can (again) on local government functions related to infrastructure

Local government plays an essential role for New Zealand in planning, funding and enabling the provision of infrastructure. The sector has a long-standing concern that the current institutional settings, funding and financing framework and available toolkit of council related to infrastructure insufficiently serve our current and future challenges.

Since local government is a key player in enabling delivery of infrastructure, the Commission should not kick the can to the Future of Local Government Review (the Review) to engage with

hard questions about how we ought to best conceive functions related to infrastructure. We note that the Review will deliver a proposed direction of inquiry in September 2021. This means that any advice following this initial direction of travel will come too late to influence current reforms. As the Commission has itself pointed out, the Review can only consider the role and function of local government retroactively, following the outcome of the reforms already underway.<sup>2</sup>

Even if input into the Review were to lead to desirable recommendations on legislative and institutional settings related to infrastructure, the process of the Review relies on the government of the day (and circumstance) to adopt the recommendations, and this is a real political risk. Since this Review will not proceed with any certainty, recourse to this Review process amounts, in our view, to the can kicking on behalf of the Commission. Our advice is to work within the mandate you have to affect system change.

LGNZ submits that any consideration of institutional settings and structures, including the functions of local government related to infrastructure, needs to be guided by a framework to the allocation of roles and responsibilities for the provision of public services, and suitably enabled by funding mechanisms. The Commission should take on a leadership role by providing timely first-principles advice to influence infrastructure policy across current reforms. The advice should be grounded in a sound framework that balances allocative efficiency (benefits from responding effectively to local needs and preferences) with productive efficiency (benefits from most efficient use of resources). This is necessary because only the Commission has the expertise and needed focus in the infrastructure space, and this is unlike the mandate of the Review, which is too broad to deliver on such specific issues.

However, an approach that balances benefits (or minimises costs) in determining the supply of public services, in particular infrastructure, cannot be readily applied to land use regulation because the social costs and benefits associated with land use are different. In our view, any institutional reform, as a consequence of re-envisioning the planning system, must preserve local government's roles in regulation of land use and place-making to ensure the integrity of local voice and democracy is retained, and communities are empowered to shape their own destinies – as long as the balance between self-determination and national-level interests are net-beneficial and not at the cost of intergenerational wellbeing.

Maintaining the integrity of local government's key roles is necessary for the long-term viability of institutional arrangements. The reasons for this include the aforementioned point that infrastructure is an input to an outcome and not an outcome in itself, and should serve the outcomes of communities. Another reason is that there will continue to be many cases where values-based decision making is required in the absence of clear technical or scientific evidence, and democratic processes are best suited to deal with these. Finally, a system of infrastructure service provision can only be sustainable if it is transparent and accountable to those paying for these services. We have observed that policymakers frequently focus exclusively on efficiency gains, but this narrow attention can be detrimental if the reforms required to achieve those efficiencies cannot achieve long-term stability of the system.

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<sup>2</sup> We note that this issue is also canvassed in Hamilton City Council's comment on the Commission's Strategy, at 3.2-3.4 of its submission.

## Central government is missing in action: system stewardship and infrastructure provision

We note that it is the government's objective to create a responsive planning system and climate resilient communities. At the same time, central government has wrapped key players, especially local government's function related to infrastructure, in institutional settings that have left councils as the principal bearers of general residual risk and with limited funding tools. Joint and several liability is just one example of this.

As a result, councils have a strong incentive to manage risk, debt and cost minimisation in relation to infrastructure provision in response to these incentives, even if the costs that accrue at a national level exceed the local benefits. To date, central government as the system's steward has not addressed these adverse settings and disincentives. To the contrary, government has continually pushed costs and risks down to local government without providing commensurate funding, regulatory and public powers.

The current operating environment of councils has affected the provision of "lead" infrastructure (city shaping almost exclusively in the transport domain), "structural" infrastructure (higher order or trunk facilities and networks that provide the skeletal framework for the urban area) and "follower" infrastructure (localised services and facilities that connect development sites to the urban area).

Specifically, our engagement with the sector has revealed that the adverse institutional settings have made councils averse to investing too boldly (e.g. too many fronts at the same time or providing lead infrastructure through several greenfield land parcels) in growth infrastructure, because their investment could be stranded for several years (or longer) before it starts getting taken up. The debt and lack of growth take up can come at great cost to communities and potentially stop councils investing in other capital. Ultimately, those who authorised these costs are accountable at the ballot box, and that explains the preference of short-term considerations over long-term and collective net benefits (such as housing affordability).

As such, councils lower cost and risk by supplying lead infrastructure only where needed (e.g., headworks and pump stations) and then rely on an incremental approach to growth infrastructure after that point – especially for network extensions through new greenfield areas. In these situations, councils may only upsize or develop infrastructure as individual developments on individual land parcels proceed. This approach lowers councils' cost and risk and is easier to implement legally – but critically, relies on sequential development of individual land parcels in an orderly fashion to work (i.e., domino development).

In the sector's experience, this limits development opportunities (and competition) and is difficult to anticipate. The difference in approach can generate hugely different outcomes for how much land is available and how much competition there is in the market. Consequently, in order to achieve a step change that supports the government's overarching objective to create a responsive planning system, the "making room for growth approach" must be reconciled with these adverse institutional settings. LGNZ submits that it is incumbent upon the Government, as the prime steward of the system, to address these barriers, and doing so is critical to ensure reform success.

We disagree with the Commission that simply merging regional and district plans into



combined plans (resulting in 14 combined plans reduced from about 100 council plans) is a solution for four reasons:

1. It is unclear how the logic outlined by the RM review panel in the Randerson report represents a step change in our planning system. On the one hand, it is not obvious to our sector how consenting practice will materially change in the absence of clear incentives to change (or the removal of disincentives). On the other hand, it is not clear what legwork combined plans are meant to do to provide additional benefits on top of what regional spatial strategies will already deliver. It appears that the heavy lifting will actually be done by the proposed National Planning Framework (NPF) and the development of nationally standardised planning rules.
2. Lifting decision making related to planning and land use to a regional level (through combined plans) without also addressing the adverse institutional settings and disincentives in relation to infrastructure investment is haphazard and potentially counterproductive.
3. The proposed combined plans undermine democratic legitimacy and raise constitutional issues. If implementation plans and combined plans are to be consistent with regional spatial strategies, then this represents strong direction on infrastructure funding (LGA and LTMA functions) that has significant implications on the constitutional and taxing powers of councils. The spatial planning and combined planning processes may be ultimately beyond the control of local authorities while also determining location and scale of capital expenditure funded substantially by local taxes (rates). This breaks the principle of congruence (“no taxation without representation”).<sup>3</sup>
4. Randerson’s proposal to combine plans neither reduces complexity in the system where it matters (indeed it is very likely to increase complexity), nor does it resolve how territorial authorities manage to fund infrastructure within their own district versus neighbouring districts. While combined plans are intended to assist with resolving priorities of development, the funding issues remain. For example, funding revenue for projects will remain local (paid at a district level) even when the infrastructure investment is required in neighbouring districts to service growth.<sup>4</sup>

In the above respects, LGNZ considers the Commission’s approach in the consultation document a missed opportunity to more carefully examine counterproductive system settings and disincentives that act as hidden determinants of decision-makers’ behaviour in relation to the planning and funding of growth infrastructure. LGNZ submits that combined plans as proposed by Randerson are not a solution to complexity and adverse institutional settings.

On the other hand, the Commission has correctly identified a partial solution to the above risks, costs, coordination challenges and transaction costs, which is planning for lead infrastructure – specifically protecting future options (land and corridors) ahead of new housing developments. LGNZ recommends that Government adopt a “making room for growth paradigm” in the new

<sup>3</sup> Simpson Grierson (November, 2020), Opinion: Implications of the recommendations in the Randerson Report on the future role and functions of local government, p. 6-7.

<sup>4</sup> Ibid., 7.

SPA that is based on a sound analytic economic framework that meets three key objectives:

1. Advances housing affordability (thereby freeing up resources to also meet climate change challenges), underpinned by affordable land, by providing the necessary conditions for abundant choice in urban land and housing markets;
2. Synthesises best practice models for the New Zealand context; and
3. Allocates roles and responsibilities based on a principled framework, ensuring the combined roles of central and local government to maximise efficiency (productive, dynamic and allocative).

LGNZ recommends the SPA focus on the specific task of strategic planning (**Annex A** provides a more in-depth summary of such an approach), which is:<sup>5</sup>

- To identify and preserve land for future public infrastructure development well in advance of demand;
- To protect public space, either for social infrastructure or areas of special value (“no-go” areas due to environmental and cultural considerations);
- Not concerned with the precise shape of future infrastructure or its funding (as this is uncertain), but ensures the option to put in place public infrastructure networks in future is protected;
- Not involved in district level details, land use regulations, projects or funding; and
- Empowered by a dedicated funding stream (supported by central government) to map out and protect the skeleton for growth (for example, transport network corridors and public space).

We agree with the Commission that a dedicated fund needs to be established to resource strategic planning activity, including to plan, reserve and acquire land to protect lead and structural infrastructure corridors. We recommend the Commission consider:

- The appropriate governance and delivery arrangements for early corridor-protection activities, including the appropriate fit of democratic and technocratic processes in the approval and delivery of strategic planning activity;
- The potential need for a special purpose agency with a narrowly specified purpose to ensure the key task of strategic planning to protect future development options is adequately resourced with suitable capability, can be held to account in respect to the exercise of its powers, and can discharge its duties in a time-consistent manner; and
- Whether a funder-provider split is warranted to improve accountability, performance and incentives.

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<sup>5</sup> Sense Partners (April, 2021), *Done right: spatial planning can help improve housing affordability*. Accessed 02 June 2021, <https://www.lgnz.co.nz/assets/Uploads/Sense-Partners-2021-Done-Right-Spatial-Planning-Can-Improve-Housing-Affordability-Commissioned-by-LGNZ.pdf>

In our view, the key task of strategic planning is narrow and technical, and focused on options rather than obligations. We consider making trade-offs in relation to priority and sequence of projects and development opportunities the prerogative of local government's place-making role, and not a function of strategic planning. The local democratic foundations of planning for place-making must be preserved. **Annex A** spells out in greater detail the distinction between spatial and district planning (place-making) and strategic planning (protecting future options).

LGNZ submits that if central government is committed to achieving its overarching objectives, then it must once and for all come to the table and provide national funding to resource strategic planning activity (in particular corridor-protection activities). This is because it is primarily a national public good – it concerns national-level benefits, including housing affordability, quality of life and business, labour mobility within and between urban centres and overall productivity.

### A responsive planning system: Supplying both “lead” and “follower” infrastructure

LGNZ applauds the Commission's efforts and focus on how to better plan for lead infrastructure. We broadly support the Commission's proposals, as discussed above, especially the proposals to:

- Develop a national policy framework for infrastructure corridor protection;
- Develop evaluation guidance based on real option valuation techniques; and
- Establish a dedicated corridor reservation fund, underpinned by national funding.

LGNZ submits that strategic planning for lead infrastructure is likely the singularly most important thing to get right in current resource management reforms, because it promises to have the most significant impact on reducing future costs of infrastructure investment as well as provide some of the necessary enabling conditions for a more responsive planning system.<sup>6</sup> Strategic planning done right can take away a lot of the risks, costs (including transaction costs) and coordination challenges involved in making room for growth in advance of development, which councils can take advantage of in their place-making capacities.

While we commend the Commission's work to conceive better ways to plan for lead infrastructure, the infrastructure strategy needs to go a step further – it also needs to outline a pathway towards “structural” and “follower” infrastructure being provided in a way that enables a more responsive planning system to local demand and developers.<sup>7</sup>

Structural infrastructure covers higher-order “trunk” facilities and networks that provide the skeletal framework of an urban area the primary purpose of which is to service and connect catchment areas rather than individuals. The trunk infrastructure we are most concerned about is a combination of physical (high-capacity roads and below ground three waters infrastructure) and social infrastructure (hospitals and university campuses, etc.) relevant to

<sup>6</sup> Infrastructure Australia (July, 2020), Corridor protection: Planning and investing for the long term, pp. 36-37.

<sup>7</sup> We note that this issue is also canvassed in Hamilton City Council's comment on the Commission's Strategy, at 6.10-6.13 of its submission.

driving urban and economic development.<sup>8</sup>

However, infrastructure issues of this kind are not being sufficiently addressed across work programmes within the resource management reform, including the coordination and funding and financing of “structural” and “follower” infrastructure to support the responsive planning policies of the national direction on housing and urban development (NPS-UD), which directs councils to respond to unanticipated or out-of-sequence development proposals. We understand government intends to retain policies of the NPS-UD but integrate them into the national planning framework through RM reform.

The NPS-UD requires that councils provide sufficient plan enabled development capacity that is also infrastructure ready in the short term (0-3 years). This direction requires flexible provision of “structural” and “follower” infrastructure; however, providing abundant development opportunities at once and planning to respond to unanticipated and out-of-sequence development proposals undermines councils’ efforts to manage the adverse institutional settings central government has wrapped them in (as discussed above). Implementation of the NPS-UD has also shown that existing funding and finance tools are insufficient to flexibly supply infrastructure to support the responsiveness policies of national direction.

LGNZ considers it an omission that the proposed direction for an Infrastructure Strategy focuses on lead infrastructure but does not signal any substantive engagement with how to enable a responsive planning system through flexible provision of structural and follower infrastructure. LGNZ submits that this area too is important to making a step change in our planning system, and that it needs to be coherently addressed by the NBEA and adjacent statutes (e.g., LTMA, LGA, IFFA and UDA) through the resource management reforms. In our view, it is incumbent upon the Commission to take on a leadership role in this space and help integrate and align the government’s cross-cutting reforms on infrastructure policy.

### Infrastructure funding and financing

While strategic planning promises to reduce future costs of infrastructure investment and provide some of the necessary enabling conditions for a more responsive planning system, novel solutions to the hard-budget constraints of existing funding and financing arrangements of local government (and central government) are key. These will encourage councils to invest more boldly in lead infrastructure on many fronts at the same time, and to flexibly supply structural and follower infrastructure in response to unanticipated demand and out-of-sequence development proposals.

LGNZ agrees with the Commission that a long-term infrastructure strategy must build on public acceptance of increased investment in infrastructure through not only the wider use of funding and finance tools (including new value-capture mechanisms and demand management of road use by way of congestion charging) but also, and most importantly, the use of alternative funding and financing mechanisms that provide access to more capital, such as private capital, which can bypass the hard-budget constraints of our current public finance system. Our local government funding and financing framework relies too much on general obligations finance,

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<sup>8</sup> SGS Economics & Planning (February, 2014), *Review of Auckland urban planning and infrastructure*, pp. 15-19.

which is based on debt raised by public bodies with repayments guaranteed by the total revenue generated (general rates) by the relevant government entity.<sup>9</sup>

We disagree with the Commission that current funding and financing arrangements are suitable for ongoing and “business-as-usual” infrastructure.

Implementation of the NPS-UD has shown that the revised definition of “sufficient” requires councils to provide development capacity that is both plan enabled and infrastructure ready in the short term (0-3 years). The development capacity to be enabled is substantial and requires solutions to significant investment in infrastructure.

However, our existing funding tools, such as targeted rates and development contributions, rely on council balance sheet headroom, that is, debt raised and guaranteed by general rates.<sup>10</sup> Development contributions are particularly problematic in relation to council debt headroom because future developer payments are not counted toward revenue raised (due to uncertainty) and so have an adverse impact on councils’ debt-to-revenue ratios. Development contributions are also accompanied by substantial risks to councils.

As discussed above (in the section “Central government is missing in action: system stewardship and infrastructure provision”), central government has wrapped the guaranteed repayments (from general rates) associated with the debt that councils raise in adverse institutional settings that have left councils the principal bearers of general residual risk. Councils have had to appropriately manage this risk, resulting in a more considered but much less responsive planning system. If it is the government’s overarching policy objective to create a responsive planning system, then the funding and financing tools available are not fit for purpose; they are neither suitable for business-as-usual infrastructure investment nor suitable for large-scale projects.

We appreciate that the Commission’s view of the local government funding system may rest on the Productivity Commission’s review of local government funding arrangements. We strongly caution against this. In our view, the terms of reference of the review were so too narrow for any conclusions about the suitability of the current rates-based funding system to pay for growth to be reliable. LGNZ continues to observe cognitive dissonance in central government policymakers who accept the conclusion that the rates system is “fit for purpose” while also expressing frustration about the inability to fund and finance major infrastructure projects under this system.

To make the funding and financing framework of local government fit for purpose, alternative mechanisms for financing infrastructure are needed that can translate value created into dedicated revenue streams, by using a type of debt that is not repayment guaranteed from councils’ general rates and consequently off councils’ balance sheets. However, getting debt

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<sup>9</sup> LGNZ notes that the new aggregated water entities to be established through the Three Waters reform will likely be similarly constrained through a hard-budget limit imposed by economic regulation (discussed in the above section “Lack of alignment across government reforms on infrastructure”). Consequently, the interface between water entities and the newly emerging planning system needs to be clarified and how the funding and financing powers of the water entities will interact with other alternative finance tools, such as the Infrastructure Levy Model enabled by the Infrastructure Funding and Financing Act 2020, to respond to local demand and accommodate growth.

<sup>10</sup> Chapman Tripp (2018), *What next for infrastructure?* Accessed 02 June 2021, <https://chapmantripp.com/media/5fspa44k/whats-next-for-infrastructure-2018.pdf>.

off councils' balance sheets requires dealing with the adverse institutional settings that disallow councils to be time consistent.

Being time consistent means that councils can credibly commit to not taking on risks associated with the financing and constructing of infrastructure projects, including not underwriting or bailing out projects by recourse to the councils' general rates. If councils cannot do this, then rating agencies' assessment of how risk will be managed results in debt being consolidated onto councils' balance sheets, and being subject to the constraints on council borrowing. This reflects that councils cannot escape the burden of the adverse institutional settings foisted on them.

LGNZ submits that creating suitable alternative mechanisms for financing infrastructure is critical to achieving a step change and this requires bold action. It requires rethinking how we manage risk and in doing so goes counter to how central government has to date passed on risks and costs to councils. But reconsidering the institutional settings is necessary to creating time consistent institutions that can provide an alternative to the hard-budget constraints of our current public finance system. Since time consistency is so critical, we have recommended the Commission include time consistency into its principles for infrastructure investment decisions.

The Commission's consultation document sporadically mentions that new mechanisms for financing infrastructure might be needed. It also poses the question whether existing infrastructure funding and financing arrangements are suitable for responding to infrastructure provision challenges. At the same time, the Consultation Document sets out the direction for developing the Infrastructure Strategy without signalling any steps to developing new tools or inquiring into the necessary institutional settings to enable them.

In our view, the proposed approach includes a list of reasonable steps on funding and financing. But it is not bold enough. The approach makes no meaningful contribution to much needed alternative and bespoke mechanisms for financing infrastructure that do not rely on general obligations finance. LGNZ submits that such are needed if a step change towards a more responsive planning system is the sought for outcome.

LGNZ submits the following avenues as potential options for further inquiry:

| Option                                                                                              | Discussion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Evolving the Infrastructure Levy Model enabled by the Infrastructure Funding and Financing Act 2020 | <p>The Infrastructure Levy Model has been designed to raise finance deconsolidated from Councils' balance sheets and funded through a dedicated revenue stream (the Levy) approved by Cabinet. However, it has features that make it difficult to use, such as:</p> <ul style="list-style-type: none"> <li>Only a portion of developments (the growth aspect) can be funded through the Infrastructure Levy, resulting in substantial funding required from Council general rates, which burdens debt headroom. Greenfield projects do not</li> </ul> |

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|                                                                  | <p>completely get around this issue</p> <ul style="list-style-type: none"> <li>• Projects need to be at or above \$50m to make establishment and administration costs of special purpose vehicles economically justifiable/feasible</li> <li>• At least 30% of project development costs must be met upfront before a Levy can be struck, posing challenges and requiring either CG or LG financial contribution to get projects off the ground (need for bulk upfront investment and willingness to hold risk)</li> <li>• The Levy cannot be readily applied to brownfield projects (likely needs initial greenfield test cases and further evolution before applied to brownfields)</li> </ul> <p>Central and local government could explore ways to evolve the Infrastructure Levy Model to make it more readily usable in a variety of contexts, especially in brownfield situations, such as:</p> <ul style="list-style-type: none"> <li>• Including mechanisms to protect levy payers by consent (e.g., voting)</li> <li>• Including market mechanisms to discover value (price discovery through willingness to pay)</li> <li>• Avoiding development risk being pushed onto levy payers</li> <li>• Developing alternative approval mechanisms so that the application of the Model is not politicised or rationed by Ministers</li> </ul> |
| Establishing the Local Government Ratepayer Funding Scheme (RFS) | <p>Central and local government could jointly support the new Ratepayer Funding Scheme conceived by LGNZ in consultation with Cameron Partners. It synthesises the conceptual basis of the IFF (is “off-balance sheet”/“off-credit” for local authorities) with the principles and insight from the LGFA (optimises the terms of any financing) to coordinate funding and financing and provide payment flexibility and competitive financing to ratepayers in relation to local authority payments and policies more broadly. This scheme can support a broader range of local government/public benefit purposes, including finance for infrastructure. It is not</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



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|                                                                                                                    | <p>restricted to a minimum scale like the Infrastructure Levy Model (where projects need to be larger than \$50 million).</p> <p>Central and local government could also explore utilising the RFS to help with infrastructure investment to implement NPS-UD policies:</p> <ul style="list-style-type: none"> <li>• Development Contributions – the scheme could potentially keep councils whole until developer payments are made. Councils may no longer need to be concerned with the timing of developer payments because delayed payments would not create pressure on council debt headroom</li> <li>• Infrastructure Levy Model – the scheme could provide finance for up-front investment requirements of IFF projects (through upfront payments to councils to ensure they are “kept whole”). The main challenge with the Infrastructure Levy Model administered by special purpose vehicles (SPVs) is that over 30% of the cost for a project is incurred before the order in council is made to authorise a levy. The risk and cost burden will have to be picked up by councils, similar to development contributions. This scheme could help raise finance for this, without further burdening council debt headroom</li> </ul> |
| Developing dedicated project finance schemes powered by project communities and supported by governance structures | <p>Central and local government could explore a financing model that is more agile and not gated by central government (e.g., requiring Cabinet approval), but legitimised by a project community subject to meeting regulatory requirements. This approach would enable finance mechanisms that:</p> <ul style="list-style-type: none"> <li>• empower communities to setup dedicated revenue streams deconsolidated from councils’ balance sheets (general funds) to collectively pay for specific purposes/benefits (= ringfenced)</li> <li>• are flexible in degree of complexity to administer over time and so adaptable to the size and nature of the project/services at hand (e.g., may or may not require governance structures with administrator at the centre, depending on</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                            |



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|  | <p>whether the given project/service involves complete or incomplete contracts and so may or may not require decisions/management over time)<sup>11</sup></p> <ul style="list-style-type: none"> <li>• are democratically legitimised (involve a mechanism of consent by the relevant community) and transparent.</li> </ul> |
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## Governance arrangements, Māori partnerships and infrastructure and resource management

LGNZ welcomes the Commission's recognition that it needs to partner with Māori in setting its Strategy. The Commission correctly identifies that Māori are adversely affected by poor infrastructure, which is also exacerbated by current inequities. To genuinely reflect the Te Tiriti o Waitangi principles as articulated by the Courts and the Waitangi Tribunal, all changes brought about by the Strategy will require the Crown and Māori to work in partnership in governance. At the same time, the extent to which representation and partnership needs to be imbedded throughout all the various levels of the system is a challenging question that needs careful attention and does not have obvious answers.

A good starting point in determining how the Strategy can achieve this requires the Commission to have recourse to the He Ara Waiora framework.<sup>12</sup> This will ensure it understands wellbeing from a Te Ao Māori a mātauranga Māori perspective while safeguarding that infrastructure governance arrangements include iwi/Māori in partnership. The Commission would be wise to consider how existing unique relationships between council, iwi and hapū can assist in facilitating these changes.

We provide a few general comments below on how the Commission can accomplish a genuine partnership in forming its Strategy from a local government perspective. However, we would emphasise that we defer to more culturally appropriate organisations on matters of tikanga and mātauranga Māori.

On the points canvassed on page 67-68, we note that the Commission clearly has a strong understanding of the national issues faced by Māori. However, the local issues faced by iwi/hapū are diverse and so we recommend the Commission should further analyse what is happening at the grassroots level. On this point, it would likely be useful for the Commission to consider how it could work with Maori representative organisations, for instance the Iwi Chairs Forum, to (a) understand and (b) determine how it can genuinely and constructively partner with iwi and hapū.

<sup>11</sup> Lewis Evans, Graeme Guthrie and Neil Quigley (May, 2012), New Zealand Treasury working paper 12/01, *Contemporary microeconomic foundations for the structure and management of the public sector*, pp. ii-iii; 9-14; 39-45.

<sup>12</sup> For further information, see <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora>.

We submit that, if appropriate, the Commission expressly include these organisations in its Strategy to ensure governance structures feature and emphasise the learned experiences of on-the-ground Māori perspectives.

In addition, given how local government is placed to best channel to their constituents, we strongly submit that it would be useful for the Strategy to elaborate how the Commission will work with local government to engage particular communities, particularly iwi and hapū, on infrastructure matters that affect them. This would leverage a key strength of councils, namely their proximity to communities across the country, a reach that central government agencies cannot match. If the Commission considers this an avenue worth pursuing and seeks to expand the role that local government plays to act as a channel, the Strategy will need to specifically recognise local government's need for appropriate funding to (a) partner with and (b) engage meaningfully with Māori throughout New Zealand.

The Commission also correctly identifies that Māori, particularly rural Māori, face challenges in accessing healthcare – which creates health inequities. We recommend that the Strategy accounts for ongoing efforts in the health reforms that specifically aims to make healthcare accessible for all New Zealanders. Notably, the Government recently announced the formation of a Māori Health Authority guided by tino rangatiratanga that will have the power to commission health services, monitor the state of Māori health, and develop policy. It is LGNZ's view that the Commission's Strategy to improve health outcomes for Māori should explicitly contemplate working with this agency in future.

On the Commission's comments surrounding water, and the need for stronger partnership, in particular to embed Te Tiriti o Waitangi to enable Māori to have decision making powers, we recommend that the Commission considers the governance arrangements brought about through the Water Services Bill when forming their Structure. LGNZ canvassed a number of points regarding governance structures in our submission on the Water Services Bill. In LGNZ's submission we noted that the Bill aims to build and maintain capacity in the water services sector – and this extends to the position of Māori involved in governance. However, our submission noted it is unclear how the Government intends to build and monitor this capacity.<sup>13</sup> Given the alignment of this legislation with the Strategy's aims, we submit that the Commission ensures its voice is heard in this reform. We emphasise that effective governance arrangements in water and other infrastructure will rest on adequately resourcing those involved so that they have enduring capacity to carry out their roles.

This above point is increasingly salient within local government and is frequently raised by LGNZ's Te Maruata Roopu Whakahaere sub-committee, in regards to other ongoing reform. The Roopu Whakahaere represent the interests of Māori elected members. At several recent hui it was motioned that Māori engaged in policy design by central government should be remunerated at the same rate as other experts retained. We submit that the Commission contemplates this when determining the baseline figures underpinning the Commission's Strategy formation and implementation.

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<sup>13</sup> We have submitted on this legislation and expand on this point. You can read our submission here <https://www.lgnz.co.nz/assets/Uploads/LGNZ-submission-Water-Services-Bill-2-March-2021.pdf>.

On a slightly related, but separate point, we note that the Commission touches on the current issues as to Māori engagement within the infrastructure sector. The document notes in particular that engagement is low and the current resource management scheme is not working for Māori due to lack of meaningful involvement on both sides. We recommend that the Commission begins by having recourse to the processes outlined in Schedule 1 of the Resource Management Act and builds on these. After doing so, we recommend closely monitoring signals for how these engagement processes could be improved as per proposed RM reforms, specifically those concerned with implementing the NBEA.

It is important to note that the RM reforms propose to aggregate engagement up to the regional level. We anticipate that this could present challenges where it comes to partnering with Māori, as mana whenua representation occurs at the sub-regional level and can be both narrow and diverse. We submit that, when forming its Strategy, the Commission should consider how to address this potential tension as it looks to form genuine partnerships with Māori.

The Commission can likely inform this point by working closely with the Ministry for the Environment (MfE) as it has specifically flagged proper recognition to the principles of Te Tiriti of Waitangi and providing greater recognition of te ao Māori including mātauranga Māori as one of the main objectives of RM reform.<sup>14</sup> Towards this end, over 2021 the Minister for the Environment proposed engaging with a Collective of Māori organisations (including the National Iwi Chairs Forum and New Zealand Māori Council, to name a few) to refine policy options to improve partnerships and engagement. LGNZ anticipates that the outcome of this engagement will be directly relevant to how the Commission's Strategy contemplates engagement and will present it with a good opportunity to learn from wider reform processes.

We hope that this response is useful in your deliberations. LGNZ staff are happy to continue to work with the Commission in relation to the Consultation Document. If you would like to engage further, please contact [REDACTED], Principal Policy Advisor at [REDACTED]. If you want to engage us on governance arrangements and Māori partnerships in relation to infrastructure specifically, please contact and [REDACTED], Senior Policy Advisor at [REDACTED].

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<sup>14</sup> <https://environment.govt.nz/what-government-is-doing/areas-of-work/rma/resource-management-system-reform/>

## **Annex A: Local Government New Zealand (LGNZ): Spatial Planning Can Improve Housing Affordability and Protect Our Environment**

# Local Government New Zealand (LGNZ): Spatial Planning Can Improve Housing Affordability and Protect Our Environment

*Sense Partners (March, 2021)*

*Done Right – Spatial Planning Can Help Improve Housing Affordability*

## Background

House prices are increasing at a rapid pace and both local and central government are struggling to enable sufficient supply to achieve housing affordability (where the overall price levels in the market are concerned). Many towns and cities in New Zealand are also grappling with how to provide more affordable housing (dwellings that are affordable to buy or rent for households on low to median incomes). The housing crisis is no longer a metro problem, but a national problem, affecting cities and provincial and rural areas alike.

In response to these challenges, LGNZ passed a housing affordability remit in August 2020 that calls on central government to give councils more tools to respond to housing needs.

LGNZ has identified spatial planning as a vital and necessary tool to advance housing affordability objectives, but it needs to be coupled with a strategic planning strategy to be truly effective. Done right, spatial and strategic planning can reduce the cost of infrastructure investment needed to accommodate future growth as well as improve how land markets operate, thereby creating downward pressure on house prices. Spatial and strategic planning in combination can also better protect the environment and public spaces of special cultural value, while being cognisant of constraints such as future climate change adaptation challenges. LGNZ's view is that with the right spatial and strategic planning framework in place we can simultaneously make housing affordable and protect the environment *at the same time*.

## Promoting Reform Success

The Government's Resource Management (RM) Reform programme focuses on spatial planning. To support this work and clarify the options available, LGNZ has commissioned Sense Partners to develop an approach to spatial planning that is based on a sound analytic economic framework that meets three key objectives:

- advances housing affordability, underpinned by affordable land, by providing the necessary conditions for abundant choice in urban land and housing markets;
- synthesises best practice models for the New Zealand context; and
- allocates roles and responsibilities based on a principled framework, ensuring the combined roles of central and local government to maximise efficiency (productive, dynamic and allocative).

The attached paper from Sense Partners entitled *Done Right – Spatial and Strategic Planning Can Help Improve Housing Affordability* sets out a spatial planning framework that focuses on a different way of doing long term planning – a way that can be more efficient and effective in advancing our multiple objectives than common practice.

## Spatial Planning Comes in Different Flavours

Investigation into best practice models and consultation with the Treasury, the Ministry of Housing and Urban Development, the Infrastructure Commission and the Ministry for the Environment shows that the term spatial planning is a broad concept that covers well-defined plans, and narrowly defined plans, as defined below:

1. Well defined plans (spatial plans) – which set out where and how cities should grow and develop in great detail; and
2. Narrowly defined plans (strategic plans) – which set out a strategy focused on securing cost effective options for future infrastructure development.

### Well defined Spatial Plans

This first approach spells out in great detail where and how cities should grow and develop. The detail is captured in part through elements such as:

- district plan level detail, including land use regulations that prescribe the vision laid out for the city/urban area;
- precise specifications of infrastructure requirements, including type of infrastructure; and
- specific projects enabled through the above provisions and how they are to be sequenced.

Well-defined spatial plans commit to a single growth scenario in detail. A growth scenario articulates the settlement pattern of the future that accommodates a specific amount of population growth and how that growth should be spatially distributed. Development opportunities are unlocked step-by-step to realise this specified growth scenario, in part motivated by the necessity of local authorities to ration their limited ability to fund the needed infrastructure connecting sites. No go areas ensure the environment and areas of special value are protected. Choice is overall fairly constrained.

**Figure 1. Sequenced Release of Development Opportunities Limit Choice**

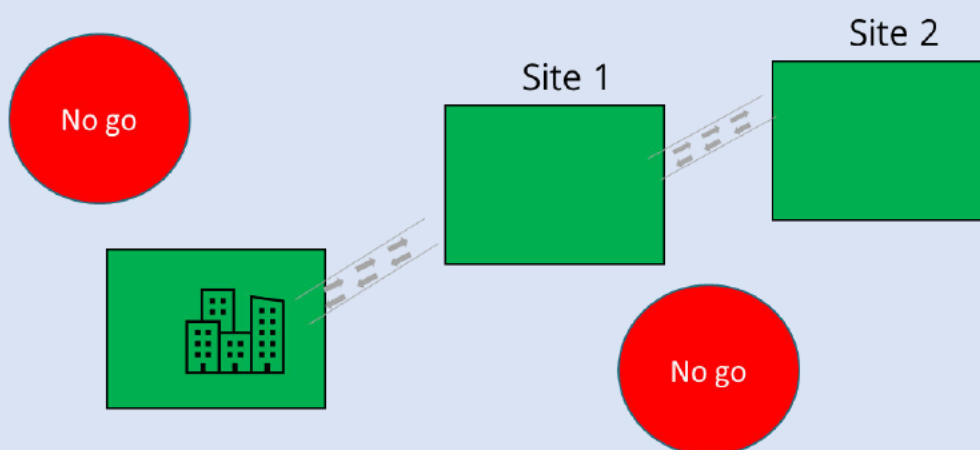


Figure 1 illustrates urban development under the auspices of well-defined spatial plans. The urban periphery expands in a sequential and timed fashion from the periphery to Site 1 and then Site 2.

Urban centres that are debt constrained project how much finance can be raised and serviced through rates in their long-term plans (LTPs), which presents the maximum allowance to service sites with infrastructure. This severely limits the amount of sites that can be developed at any one time. The amount of room enabled for growth corresponds to what infrastructure projects can be committed to. The projects are then phased to ensure serviceability. In this way, spatial plans that are well defined (detailed at project level) link to LTP processes and limit future options and choice.

The downside of detailed, well-defined spatial plans is that they by necessity limit choice and signal a sufficiently predictable pattern to the market. The sequential unlocking provides land owners with certainty and the real option to:

- delay development,
- land bank; and
- speculate on future value uplifts through re-zoning.

Limited availability of land (potential sites) in the market increases the price of the land that is made available and increases the cost of future investment in infrastructure, because just-in-time provision of the infrastructure goes hand in hand with acquiring the relevant land at a high price. The high cost of land and infrastructure provision is then reflected in higher prices for homes.

### **Narrowly defined Strategic Plans**

Narrowly defined plans are more permissive because they are concerned with a limited set of general parameters for future infrastructure development.

Under this framework, the specific task of narrowly defined, strategic planning is:

- to identify and preserve land for future public infrastructure development well in advance of demand;
- to protect public space, either for social infrastructure or areas of special value (“no-go” areas due to environmental and cultural considerations);
- not concerned with the precise shape of future infrastructure or its funding (as this is uncertain), but ensures the option to put in place public infrastructure networks in future is protected;
- not involved in district level details, land use regulations, projects or funding; and
- empowered by a dedicated funding stream (supported by central government) to map out and protect the skeleton for growth (for example, transport network corridors and public space).

A strategic approach moves away from any commitment to a single growth scenario (i.e., a settlement pattern defined by a singular estimate of population growth with specific spatial configuration). Instead, it focuses on identifying and protecting land for future infrastructure and public spaces, which are needed to future proof a wider range of possible future growth scenarios. No go areas ensure the environment and areas of special value are protected while not significantly restricting how growth may spatially distribute over time.



**Figure 2. Simultaneous Release of Development Opportunities Increase Choice**

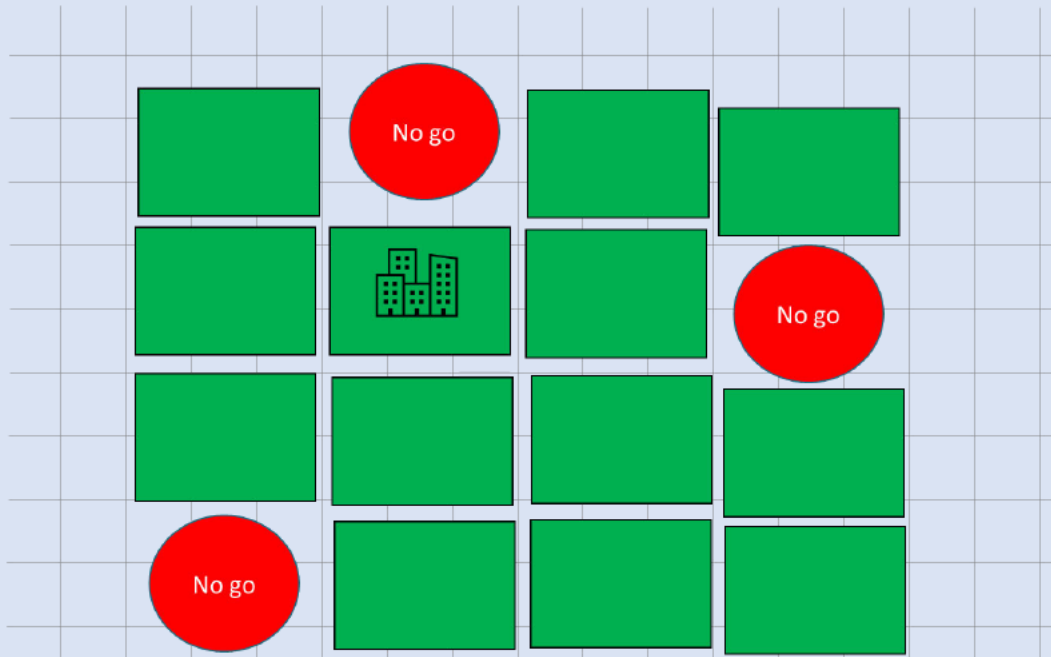


Figure 2 illustrates urban development under the auspices of narrowly defined strategic plans. The public space needed for future infrastructure investment (see grey lines) is protected well in advance of potential opportunities being taken up for development, as are “no-go areas”.

While there is a cost of land acquisition for infrastructure in advance of demand, it is highly likely to be much smaller when compared to the cost of purchasing land “just in time”, as is currently the case. Importantly, planning to protect future options for development does not require decisions on funding and finance for specific projects to unlock sites.

In short, the amount of room enabled for growth is not constrained by what specific infrastructure projects can be committed to. Rather, public space for open areas (“no-go”) and public utility corridors can be secured ahead of time, and potential options realised through other planning processes (e.g., “combined plans”). In this way, narrowly defined plans are more strategic (i.e. protect future options) and do not link to LTP-like processes, thereby increasing future choice.

The upside of narrow, bare bone strategies is that they increase choice and do not predetermine sequence or a specific growth scenario. Councils, households and businesses are empowered to choose where locate, making uptake less predictable while also signalling where to provide infrastructure

The preservation of land for public space well in advance of demand reduces the cost of infrastructure when it is time to invest, and provides an abundance of choices that in turn reduces the incentive to delay development. Instead, land owners are incentivised to pre-emptively develop to avoid other land owners from capturing the benefits. This dynamism in land markets creates downward pressure on prices.

## Decision-making Arrangements Matter

The Resource Management Review Panel has recommended a decision-making panel comprising unelected officials from local government and representative officials of government and iwi groups. LGNZ acknowledges that spatial planning relates to the functional labour market that often transcends the political boundaries of local authorities, and that central government has legitimate interests due to the impact that well-functioning and productive labour markets have on the nationwide economy.

At the same time, LGNZ considers delegating key decision making powers to unelected officials a misguided strategy for three reasons:

1. Unelected officials are not well-placed to make values-based calls on difficult planning matters, particularly where costs and benefits are intangible;
2. advice-making (officials) needs to be separated from decision-making (elected officials); and
3. delegating decision making powers to a group of local councils and Ministers better reflects the underlying political realities.

The attached paper from Sense Partners explores these institutional questions in greater detail by applying the Productivity Commission's framework to identifying where decision rights should stand between local and central government. This work highlights that the RM Reform should provide greater cost-benefit analysis of alternative governance structures, including models of decision making.

## LGNZ's position: We need spatial and strategic planning

LGNZ's position builds on the Sense Partners framework by arguing for the development of discreet but interlinked strategic and spatial planning domains within the overall planning framework. There does not need to be an either/or choice when it comes to narrowly defined (strategic) and well defined (spatial) planning.

There are considerable advantages to undertaking well-defined spatial planning in New Zealand. It is a principle means of city shaping: Deciding where to enable growth as well as what infrastructure projects will be needed, including project funding, to practically realise development capacity. This planning can be supported by key national guidance (e.g., climate change mitigation and adaptation, coastal policy statements, freshwater and urban development, etc.).

There are further advantages to better enabling well-defined spatial planning through strategic planning with a more narrowly defined purpose: To provide for a variety of future growth options well in advance of demand by identifying, protecting, and securing land needed for infrastructure (e.g., public utility corridors) and other public purposes (e.g., open spaces). The key benefits are lower cost of future infrastructure investment, minimising social disruption, and the ability to proceed with best practice urban development because a wider set of practically realisable options is then available, which avoids being forced to proceed with second best options due to high costs and difficult to reverse decisions linked to path-dependent urban development.

Because strategic planning is not engaged in the provision of infrastructure or funding for specific projects, but merely securing future options for spatial planning to undertake its city shaping activities, strategic planning should be free to do with a minimum of national guidance other than natural hazard and climate change adaptation considerations.

LGNZ advocates for a new decision-making body comprised of representatives of each local council in the area spanned by the spatial plan, and supported by an independent expert working group whose recommendations are to be agreed (or otherwise) between councils and Ministers.

In relation to strategic planning, it is the role of officials to develop the strategic plan, which should be approved by the new decision-making body to ensure that the specified protections and no-go areas have been consulted on and agreed by the public.

### Key Recommendations

To ensure spatial planning gets the system working better and enables development, while protecting the environment, LGNZ recommends that the legislation needs to:

- Clarify the objective of strategic planning and distinguish objectives from constraints to ensure relevant trade-offs can be made;
- Define the scale of strategic and spatial plans at a regional order of magnitude consistent with functional labour markets that determine opportunities and capture welfare;
- Ensure that the planning framework contains both the strategic and spatial planning domains.
- Ensure the strategic planning framework adopts a narrowly defined planning approach – those functions are focused on identifying and preserving the land for future infrastructure development (not limited to a single growth scenario or settlement pattern);
- Support strategic planning functions (narrowly conceived) with a dedicated land acquisition fund – funded by central government because national interests are at stake;
- Ensure detailed planning and infrastructure funding decisions take place at the spatial level and that this activity is discreet and does not constrain the strategic planning functions;
- Allocate roles and responsibilities on the basis of a sound framework (and cost-benefit analysis) for assigning decision making powers between local & central government; and
- Separate advice making from decision making to reflect the underlying political realities.