

Cost impact of central government reforms

NZIER report to Local Government New Zealand

July 2024

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Key points

Local Government New Zealand (LGNZ) commissioned NZIER to assess and, where possible, quantify and develop case studies on four policy areas that have been mandated by central government. The costs and resourcing for the development of policy and implementation have fallen on local government. These are unfunded mandates.

The four policy areas are:

- Implementation of the National Policy Statement for Freshwater Management (NPS-FM) 2020 and subsequent amendments
- National Policy Statement on Urban Development (NPS-UD) and Medium Density Residential Standards (MDRS)
- Sale and Supply of Alcohol Act 2012, specifically Local Alcohol Policies (LAPs)
- Improving recycling and food scrap collections.

What we found

1. The central government policy mandates are not often in the best interest of the local councils and communities. In particular, they:

- Add detail and prescription, especially when they focus on the process of implementation, and this does not necessarily add value
- Do not always align with community desires or needs and have often been unsuccessful in nudging communities to support the desired outcomes:
 - Elected members are unenthusiastic about implementing central government policies that are out of sync with local views
 - Divert or displace (crowds out) activity and budget that is masked by the aggregation of financial information.

2. Uncertainty about mandates creates additional costs for councils

- Central government policy mandates are subject to change. This creates uncertainty relating to the direction of policy and the risk of the expansion of policy and regulation:
 - This can create sunk costs and have significant implications for resourcing capacity, as well as the local commitment to implementation.
- It is not clear whether central government policy takes into account the local government policy processes prescribed by the Local Government Act and the Resource Management Act:
 - As a result, some of these policies may not have achieved the outcomes that were intended
- Central government policy mandates can often create ‘unintended consequences’ or unforeseen outcomes:

- Lack of consensus outside Wellington on central government policies that are being mandated means that they get relitigated through the local government process.
- Cost and time of hearings and appeals

Estimates of the expected costs of implementation for these policy mandates in the ex-ante analyses published by the central government¹ often suggest that the impact on local government budgets is not material. These estimates have not considered the need for rework and the cost of consultation and hearings on policy changes at the local level.

3. It is difficult to attribute the costs of reforms from council financial statements

- There is little or no detail within the published local government financial statements or local authority financial data to allow us to clearly identify expenditure on these mandates or to identify changes in expenditure that might be the result of these mandates. This is an issue across both central and local government and has been called out by other agencies (Office of the Auditor-General 2023; Parliamentary Commissioner for the Environment 2024).
- Central government policy mandates had some overlap with local government business as usual (BAU), so it is difficult to identify additional costs.

4. A lack of availability and consistency in cost information makes it harder to provide robust evidence about cost impacts on local government

From the councils we have spoken to, we have found that there is a lack of availability and consistency in the way the costs are recorded. Table 1 below summarises our estimated costs per annum, a combination of implementation and operational costs, totalled across the councils on which we had more reliable cost information. The councils included in our sample represent a sizeable portion of the local government sector.

¹ Regulatory Impact Statements or ex-ante cost-benefit analyses commissioned by the government departments

Table 1 Estimated cost per annum totalled across the councils we interviewed

Policy reform ¹	Types of councils affected	Estimated cost per annum	Representation of the local government sector (%) ²
NPS-FM	Regional and unitary councils	\$34.3 m to \$35.3 m	71.5%
NPS-UD & MDRS	Territorial authorities (TAs)	\$5.68 m	36.8%
Improving recycling and food scrap collections	TAs	\$1.2m ³	39.3%

Note 1: We could not derive a per annum cost estimated for the LAP due to the lack of reliable cost information.

Note 2: This is measured as the proportion of the New Zealand population covered by the councils whom we interviewed for the policy reform.

Note 3: Note this estimated figure only covers the operating cost when the collection service is in place. There is also considerable funding from the central government via the waste minimisation fund, which is funded through the waste levy and helps to reduce the cost incurred by councils in this work.

Source: NZIER estimates based on information provided by various councils

The cost estimates shown in the table above significantly underrepresent the true costs incurred by those councils in implementing the central government policy reforms. Also, costs for individual councils vary depending on their own geographic, planning and policy context.

The lack of availability and consistency in councils' records of cost information limits the ability to provide more robust evidence that captures the real cost impact to councils. This is an area needing significant improvement in the future.

We are grateful for the contribution of information from the following councils and organisations: Auckland Council, Dunedin City Council, Environment Canterbury, Greater Wellington Regional Council, Hamilton City Council, Hutt City Council, Otago Regional Council, Porirua City Council, Wairoa District Council, Waitaki District Council and Te Uru Kahika.



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1 Introduction

Local Government New Zealand (LGNZ) commissioned NZIER to assess and, where possible, quantify and develop case studies on four policy areas that have been mandated by central government. The costs and resourcing for the development of policy and implementation have fallen on local government. These are unfunded mandates.

The four policy areas LGNZ asked us to look at are:

- Implementation of the National Policy Statement for Freshwater Management (NPS-FM) 2020 and subsequent amendments
- National Policy Statement on Urban Development (NPS-UD) and Medium Density Residential Standards (MDRS)
- Sale and Supply of Alcohol Act 2012, specifically Local Alcohol Policies (LAPs)
- Improving recycling and food scrap collections.

Table 2 Local authorities affected by the four policy reforms

Policy reform	Local authorities affected
NPS-FM	Regional and unitary councils
NPS-UD	Territorial authorities, especially those in Tier-1 and Tier-2 urban environments
MDRS	
LAPs	Territorial authorities
Improving recycling and food scrap collections	Territorial authorities

Source: LGNZ, NZIER

2 Unfunded mandates

Compared with many other countries, the scope of New Zealand's local government responsibilities is relatively narrow. This is centred on regulating land use, choosing and funding a set of local amenities, and investing in essential infrastructure for transport and the three waters. At the same time, New Zealand local authorities have a high degree of autonomy in choosing what activities they undertake and how they undertake them (New Zealand Productivity Commission 2019).

In its 2019 report on Local government funding and financing, the Productivity Commission found that there are funding pressures where councils do not have adequate revenues or will not in the future. These funding pressures arise from:

- Adapting to climate change
- Passing of unfunded mandates from central government to local government
- Meeting the demand for infrastructure in high growth areas; and
- Coping with the growth of tourism (New Zealand Productivity Commission 2019, 6).

Unfunded mandates are areas where the central government determines policy, which is then delegated to local government (or other institutions) to implement, and there is no provision for finance for this implementation, or finance does not follow function. Unfunded mandates are not unique to New Zealand (Rodríguez-Pose and Vidal-Bover 2022, 4–5). Rodríguez-Pose and Vidal-Bover reviewed the impact of unfunded mandates on policy delivery in the context of decentralisation (or localisation). They found that unfunded mandates were probably a more important factor in the capacity of local government to deliver economic outcomes than the degree of political or fiscal decentralisation (Rodríguez-Pose and Vidal-Bover 2022, 4).

The Productivity Commission found that:

The increasing tasks and responsibilities being placed on local government have now reached a point where the cumulative burden is difficult for many local authorities to manage. A risk is that some councils, particularly small ones, may be unable to continue to comply with all the new responsibilities passed to them. This risk could mean that the policy objectives of central government are not achieved. (New Zealand Productivity Commission 2019, 10)

LGNZ completed three surveys on the impact of unfunded mandates on its members in 2000, 2007 and 2011. In 2012, LGNZ made a distinction between *cost shifting*, where costs are shifted to local government, including by reducing central government funding, and policies that *raise the bar* by requiring councils to deliver services at a level greater than local residents support or *regulatory creep*, where the number and complexity of regulations is increasing (Local Government New Zealand 2012, 8).

In this report, we found that the policies we reviewed could be classified as raising the bar and regulatory creep. The expectation in initial assessments was that there would not be significant costs associated with implementing these policies (Denne et al. 2007; Denne 2020; Covec 2013; PwC and Sense Partners 2021; PwC 2020; Castalia 2020). In practice, the processes and procedures that territorial authorities (TAs) have to follow to adopt and implement the mandated policy changes have had greater cost impacts. In particular, the time that is required to work through these changes has added to the costs. Central government policy mandates are having an impact on work programmes and budgets, and this can be at the cost of delivering business as usual.

The central government policy mandates are often based on a single, metropolitan model of delivery that does not take into account the practicalities of implementing this across all locations and whether it fits with local needs. For example, the kerbside recycling model looks like a metropolitan model of provision where there is more likely to be processing capacity for multiple collections. We recognise that the guidelines focus on urban centres first, but there does not appear to be an option to adapt the implementation to rural areas or those areas where there are limited processing options.

3 Changing policy landscape

As we have been preparing this analysis, central government has made changes to the policies that we have been reviewing. At this time, these changes are intended to slow down or stop the implementation of some mandates, but they also signal yet more policy

mandates, which will likely mean significant review and revisions of TAs' policy and planning documents.

Continual changes in central government policy are a major issue. Territorial authorities are carrying high sunk costs when previous policy and plan changes have to be discarded or reworked. In turn, this slows down implementation and the delivery of outcomes. This is more significant when there is a requirement for investment in infrastructure, such as in the case of food and organic waste processing.

4 Methodology

We were asked to find:

- Direct costs to local government (including staff time) of implementing the policy
- Ongoing costs after implementation (above pre-reform business as usual)
- The value of support from central government, if any.

We reviewed Stats NZ data, government websites and council annual reports.

There is little public information on the work that councils are doing on the programmes identified. Policy work is largely absorbed into business as usual (BAU). There is more information on the use of external consultants and legal advice. In some cases, TAs will identify special project work that is considered over and above BAU, and this will be included in planning documents, such as Long-Term Plan (LTP) documents.

We have completed face-to-face interviews with staff of the councils that have contributed to this research, supplemented by high-level financial information and estimates of internal costs. In some cases, we have been able to verify this against other sources.

We have not attributed the information to the sources, in line with the request for confidentiality. We are grateful for the time and contribution from the following councils and organisations:

- Auckland Council
- Dunedin City Council
- Environment Canterbury
- Greater Wellington Regional Council
- Hamilton City Council
- Hutt City Council
- Otago Regional Council
- Porirua City Council
- Wairoa District Council
- Waitaki District Council
- Te Uru Kahika.

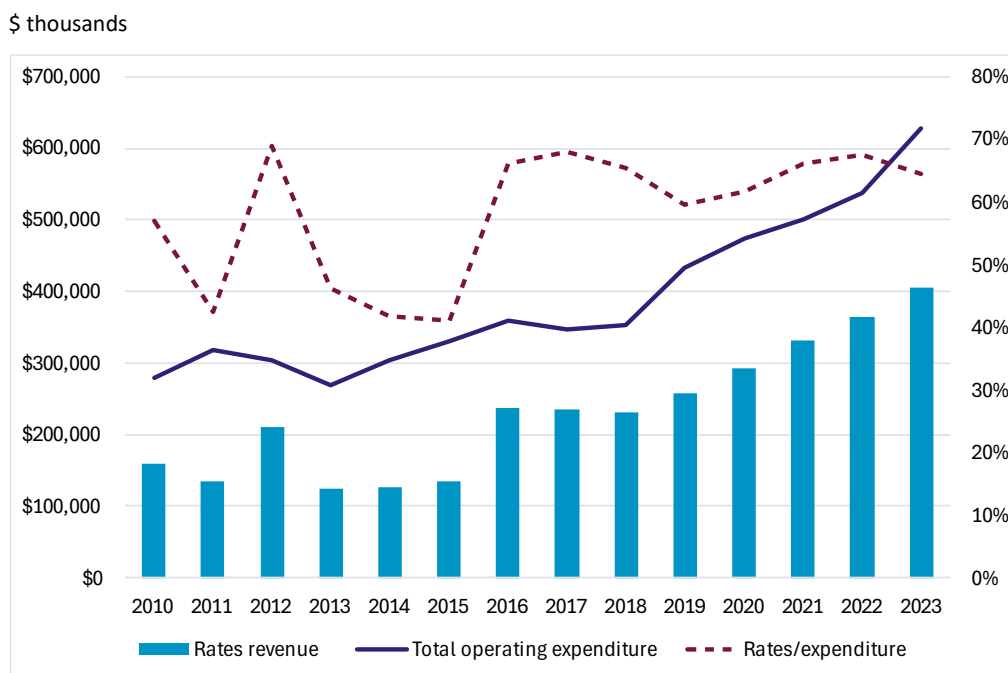


5 Secondary data analysis

Stats NZ releases the ‘Local Authority Financial Statistics’ annually, which are based on survey data supplied by the TAs. The statistics provide financial information by council activity. Stats NZ informed us on querying some of the data that prior to the fiscal year ended June 2019 the data reporting was inconsistent (Stats NZ 2024 (email communication)).

The activity categories are aggregated and do not align directly with the policy areas that we have analysed. We have taken the activity area “planning and regulation” as a proxy for the NPS-UD and MDRS work and activity area “solid waste/refuse” as a proxy for kerbside recycling and food scraps collection. We found some increase in planning and regulation expenditure across the Tier-1 TAs following the introduction of NPS-UD in 2020 – see Figure 5. There has been an increase in expenditure on solid waste/refuse across all TAs since 2019, and the overall trend was increasing before 2019 (see Figure 1).

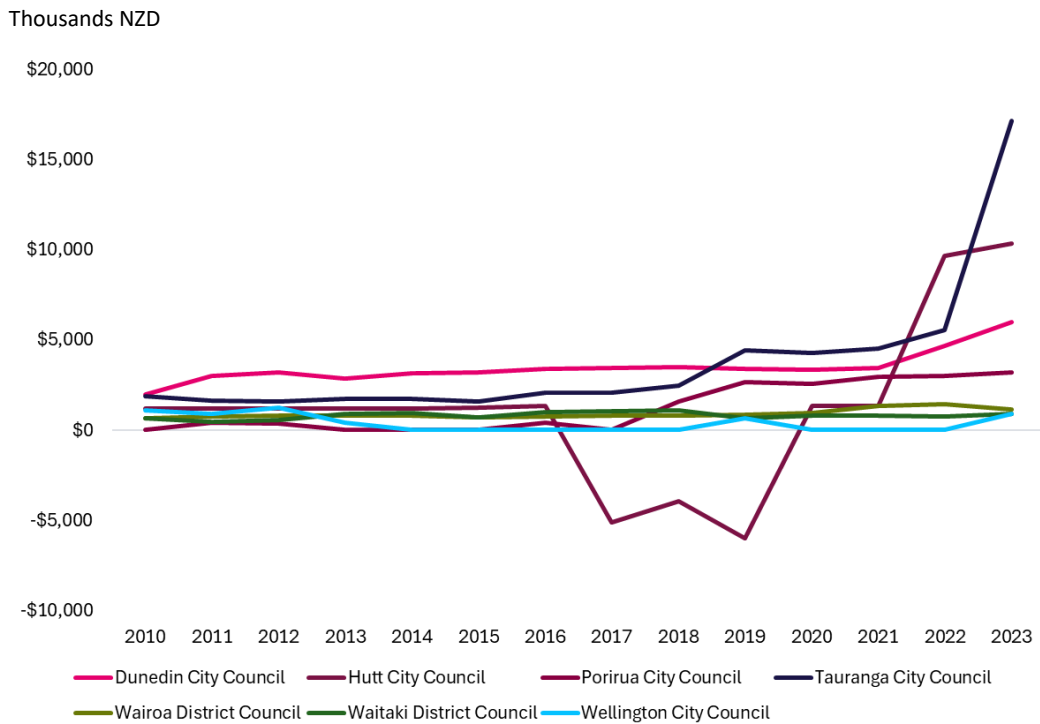
Figure 1 All TAs: solid waste/refuse expenditure against rates revenue



Source: Stats NZ, NZIER

Some TAs have introduced targeted rates for some work programmes. For example, Hamilton City Council has a targeted rate for “government compliance”. We reviewed the Stats NZ data for rates revenue by activity area for planning and regulation and solid waste/refuse. In Figure 1, it appears that the targeted income rate for solid waste/refuse has increased across all TAs. On the other hand, the data is less consistent with respect to specific TAs (Figure 2). The recent data suggests that the targeted rates are increasing, particularly for those TAs that have recently introduced food scrap collections (see section 10).

Figure 2 Rates income for solid waste/refuse by selected TAs



6 National Policy Statement for Freshwater Management 2020

A National Policy Statement (NPS) must be given effect through regional policy statements and regional and district plans, and decision-makers must also have regard to national policy statements when considering consent applications. An NPS should, therefore, help drive national consistency in local planning and decision-making under the Resource Management Act 1991 (RMA). The NPS is overlaid in the regional council processes, requiring planning, consultation, notification and hearings.

We were tasked with assessing the impact of implementing the National Policy Statement for Freshwater Management (NPS-FM) 2020 specifically. Our discussions with regional council staff and the “regional sector” made it clear, however, that implementation of NPS-FM 2020 cannot be separated from the regional councils’ general responsibilities for freshwater resources under the RMA and implementation of the previous versions of the NPS-FM. This was further overlaid by the requirements of the central government’s Essential Freshwater package, which was also introduced in 2020.

6.1 The freshwater management policy framework

Management of freshwater resources is largely the responsibility of regional councils under the RMA. A national policy statement for the management of freshwater was developed for consultation in 2006, and the first National Policy Statement for Freshwater Management was introduced in 2011.



The NPS-FM 2011 was updated and replaced in 2014. This was amended in 2017. NPS-FM 2020 replaced NPS-FM 2014. It was amended in 2023 and again in January 2024.² The current government has announced its intention to begin work on a replacement for the NPS-FM in 2024. In the meantime, it has changed some of the requirements of the NPS-FM 2020 (see Table 3 below).

Table 3 Timeline for NPS-FM

Date	
2006	National policy statement for the management of freshwater developed for consultation
2011	National policy statement on freshwater management 2011 issued
2014	NPS-FM 2014 issued
2017	NPS-FM 2014 amended
2020	NPS-FM 2020 issued and RMA amended to bring in freshwater planning option and 2024 deadline to notify plan change
2023	NPS-FM 2020 amended
Dec 2023	RMA amended - deadline to notify plan changes extended to 2027
Jan 2024	NPS-FM 2020 amended
2024	Work started on replacement NPS-FM

Source: NZIER

The NPS-FM 2020 was one of the measures introduced in the 2020 Essential Freshwater reforms. This package included six inter-related parts, five of which were new requirements under the RMA:

- 1 National Policy Statement for Freshwater Management 2020 (NPS-FM)
- 2 National Environmental Standards for Freshwater 2020 (NES-F)
- 3 a new freshwater planning process (FPP)
- 4 a freshwater farm plan (FW-FP) system
- 5 Resource Management (Stock Exclusion) Regulations 2020
- 6 government funding for freshwater projects (Ministry for the Environment 2023a, 6).

The Freshwater NPS 2020 required regional councils to amend their freshwater policy statements and plans and notify this by the end of 2024 and have the plans operational by 2026. The RMA was amended to bring in a freshwater planning process, which essentially removes the Environment Court processes for freshwater plans. This was intended to reduce the double process of first a council hearing followed by Environment Court hearings. In practice, the process of separating out what is “freshwater” has proven complex and not well addressed in the legislation. This led to Otago Regional Council needing to notify its regional policy statement twice.

The December 2023 repeal of the Natural and Built Environment (NBA) and Spatial Planning Acts gives regional councils an extension of three years to 31 December 2027 to notify

² The latter amendment followed a Court of Appeal decision in December 2023 - *Muaūpoko Tribal Authority Incorporated v Minister for the Environment and Te Rūnanga o Raukawa Incorporated* [2023] NZCA 641 ('National Policy Statement for Freshwater Management 2020 Amended January 2024' 2024).

freshwater plan changes, ostensibly to give councils and communities more time for this work (New Zealand Government 2023). Changes to the consent process under the NPS-FM 2020 are also signalled.

6.2 Findings on implementation of the NPS-FM 2020

Regional and unitary councils have been working on successive National Policy Statements on Freshwater Management for close to 15 years. This has overlapped with broader work that the regional and unitary councils have been doing to establish water management policy and processes over the same period. Some were further along this process than others (Castalia 2020, 8).

The policy has changed every three years, which is significantly faster than regional councils' ability to move through the policy, plan preparation, notification and hearings process on the last change. Not all councils have yet notified a plan change under the previous version of the NPS-FM.³ If a council, such as Waikato Regional Council, did reach the notification stage, the hearings process has stalled the implementation.

Otago Regional Council and Greater Wellington Regional Council have notified Regional Policy Statements to give effect to the NPS-FM 2020, and Greater Wellington has notified regional plans for parts of its region. The successive amendments to the NPS-FM have contributed to a continuously evolving work programme, pushing out the finalisation and implementation of any freshwater management system. Some regional and unitary councils have been unable to finalise their plans before new changes are introduced (Auckland Council).

As a result, it could be argued that the NPS-FM process has not achieved much at all in the past decade, and policies and plans remain at various stages across regional councils. It does appear that the central government has not considered the current state of implementation or how the implementation process plays out at the regional council level when developing and updating the policy requirements.

There are differences in the experience of regional and unitary councils with large rural areas and those with a greater semi-urban population (i.e. ORC & ECAN vs GWC). It appears that the semi-urban regional councils have absorbed the costs of work on the NPS-FM into BAU because they have not had the same legal and external consultant costs.

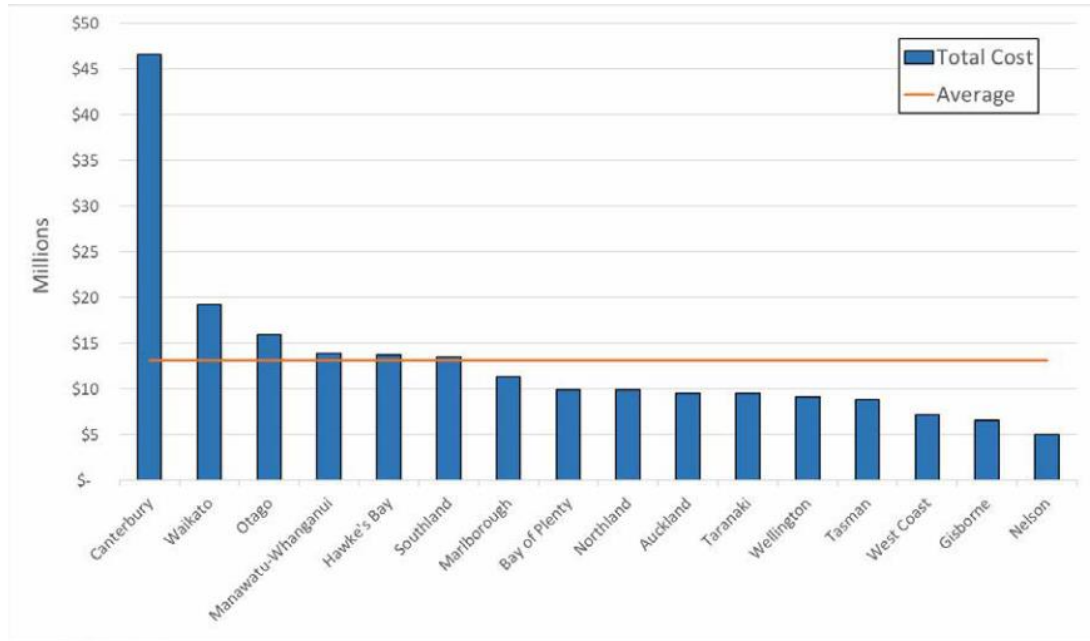
Castalia provided estimates to central government of the cost of implementing the Essential Freshwater package. They estimated that total regional council expenditure on freshwater (or catchment) management in 2018/19 was more than \$310 million per annum (Table 4.1 Castalia 2020, 30). They estimated that the total administrative (fixed and variable) cost of implementing the requirements of the Essential Freshwater package would be about \$210 million per annum, ranging from \$46.5 million at Environment Canterbury to \$5 million at Nelson City Council (see Figure 3). Canterbury has the highest share of consented water takes, about 63 percent of the national total by volume, which meant that it was likely to have the highest variable costs in implementing the requirements of the Essential Freshwater package (Castalia 2020, 25).

According to Castalia, the Essential Freshwater package replicated four requirements from the NPS-FM 2017. Castalia included the costs of implementing these requirements in their

³ Castalia noted that most regional councils had indicated that they would not meet the 2025 deadline for NPS-FM 2017 (Castalia 2020, 33)

estimates of the costs of implementing the 2020 package. This data was not well received by councils at the time.

Figure 3 Annual cost of the Essential Freshwater package requirements by council



Source: Castalia (2020, 24, Figure 3.2)

6.2.1 Direct costs

Regional and unitary councils have spent considerable sums to implement plan changes to give effect to the requirements of the RMA, such as Regional Policy Statements (RPS) and the measures set out in the NPS-FM, as well as the implementation of the Essential Freshwater package.

The direct costs to regional and unitary councils to implement the NPS-FM 2020 are the staff costs to develop policy and plans, consultation with communities and tangata whenua, the procedures around notification and hearings, and the appeals process when the notified plan changes have been challenged through the courts. Over and above staff costs, councils also employ external consultants, including legal advisors.

As noted above, regional councils do not report their expenditure by cost centres or policy areas. Most regional councils have absorbed some costs into BAU⁴ and identified the additional expenditure on external advisors and legal costs. Some regional councils have established internal projects for this work, but this is not reported publicly, and as one council has noted staff do not report their time against such projects on a consistent basis. Costs increase when regional councils enter the consultation, notification and hearings stages of the process, especially if there is a need for external consultants and legal advice.

We have collected data on overall spend over a period of years, but the composition (what is included) of this data is not consistent across the regional councils. The number of full-

⁴ Based on insights from our interviews. In practice, policy and planning work is driven by national direction to some extent, regardless of whether it is the principal Act or secondary legislation. In this respect, councils have the statutory obligation to undertake the work, which would be considered as BAU.

time equivalent (FTE) staff who have worked on NPS-FM implementation appears to be relatively high, but this depends in part on the resources of the particular regional and unitary councils and available funding.

It is not evident that the sums reported to us are over and above what might be classified as “business as usual” expenditure. The data does not indicate a spike in expenditure that is equivalent to the sums indicated. In general, this suggests that expenditure on implementation of the NPS-FM 2020 has been largely absorbed into BAU expenditure, but this also suggests that this work has ‘crowded out’ other work when regional and unitary councils had limited means to increase revenue.

Table 4 Expenditure on Freshwater management implementation by regional council

	Council A	Council B	Council C	Council D	Council E
FTE	13.5				
Estimated staff cost	\$4m				
per annum	\$5-6m ⁵	\$20m (LTP)	\$3m	\$4m	\$2.3m
Total expenditure			\$18m	\$60m	\$28m
			Since 2018	Since 2010	Since 2012

Note: Council sources have been anonymised in this form for discussion. Council A did not provide an estimate of expenditure over time and Council B refers to planned expenditure as set out in the LTP.

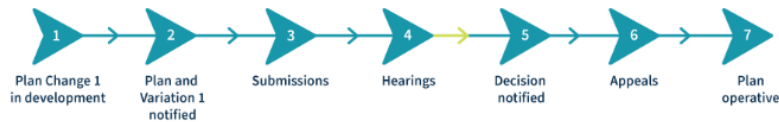
Source: NZIER, based on council employee data

One council that did record its expenditure was the Waikato Regional Council. It indicated that it had spent \$27,015,000 as at May 2023 on its Plan Change 1, which is currently before the Environment Court. This cost includes an estimate of staff, contracted services, overhead costs, and other expenses. Plan Change 1 has been in development since 2012. It has been through a number of variations and notifications (see Figure 4), in part to meet the needs of the NPS-FM, but ultimately it has still not been finalised and made operative. These costs include the cost of Environment Court appeals, a process that has now been replaced in the RMA by the Freshwater Planning process. Waikato Regional Council could not use this process as their plan was already in train in 2020.

⁵ Per annum cost includes additional expenditure of \$1-2 million per annum.

Figure 4 Waikato Regional Plan Change 1 – plan changes and information

1. **Plan Change 1 in development** - 2012 to 2016
2. **Plan Change 1 and Variation 1 notified** - 2016 to 2018
3. **Submissions (Plan Change 1 and Variation 1)** - 2016 to 2018
4. **Hearings** - March to September 2019
5. **Decision notified** - 22 April 2020
6. **Appeals**
7. **Plan operative**



Source: <https://waikatoregion.govt.nz/council/policy-and-plans/healthy-rivers-plan-for-change/>

6.2.2 Implementation costs

We have assumed that with respect to the NPS-FM 2020, implementation refers to the process of “operationalising” or rolling out the planning framework and all the supporting systems and processes for that. There will be differences in how each council goes about executing their planning framework, depending on how they frame their plans and the way that the council or the community bears consents, compliance and monitoring of costs⁶.

No regional councils that we spoke to are at the implementation stage of NPS-FM 2020. Given that the government is going to revise NPS-FM 2020 and some parts of the Essential Freshwater package are also under review, it is difficult to determine what implementation will look like. Hence, they are unwilling to estimate the likely costs. The only conclusion is that there will be continuing staff costs to introduce plan changes to the consenting process and monitor implementation and performance across the regional councils’ jurisdiction.

Castalia noted that regional councils need to build capacity and invest in data and information collection as part of implementation. Early implementation costs included:

- Preparation of an evidence base for new compulsory values
- Increased engagement with Tangata Whenua
- IT systems costs and other fixed costs.

There is a significant tranche of implementation costs that will only be incurred when the package is fully implemented, which relate to monitoring the outcomes and reporting on all the NPS-FM attributes.

6.2.3 Support from central government

There has been some financial support from central government to support local government work to implement the NPS-FM 2020. The Ministry has funded activities through Te Uru Kahika – a collective of regional and unitary councils. There has also been support through the Jobs for Nature Fund through Access to Experts. Councils, iwi/hapu and catchment groups can use Access to Expert funding for expert advice on NPS-FM

⁶ Insight from Environmental Canterbury.



implementation. The Ministry for the Environment (MfE) also has issued a number of guidance notes.

A key issue that was identified in 2019, ahead of the introduction of NPS-FM 2020 and the Essential Freshwater package, was the lack of data to establish the required benchmarks. It was suggested then that there could be a role for central government to coordinate and support the data collection, specifically to ensure consistency across New Zealand (Office of the Auditor-General New Zealand 2023). In other parts of the Essential Freshwater Package, such as the National Environmental Standards/Regulations and Freshwater Farm Plans, the Ministry for the Environment has contributed funding to the development of reporting systems for synthetic nitrogen reporting by dairy farmers and the scoping of a data platform for freshwater farm plan data.

7 National Policy Statement on Urban Development (NPS-UD) and Medium Density Residential Standards (MDRS)

7.1 NPS-UD and MDRS requirements

The National Policy Statement on Urban Development (NPS-UD) 2020 was gazetted by the Ministry of Environment and came into force on 20 August 2020. It replaces the National Policy Statement on Urban Development Capacity (NPS-UDC) 2016. It directs TAs, especially those in Tier-1 high-growth urban areas like Auckland, Hamilton, Tauranga, Wellington and Christchurch, to remove restrictive planning rules and plan for growing up (i.e. intensification) and out. In implementing the NPS-UD, TAs must comply with the specific requirements across multiple timelines, as shown below:

Table 5 Timeframes of NPS-UD 2020 requirements for TAs by tier

Timeframes	Requirement	Tier-1	Tier-2	Tier-3 ⁷
July 2021	Housing assessment is part of the housing and business development capacity assessment (HBA)	Yes	Yes	
February 2022	Minimum parking rates provisions removed	Yes	Yes	Yes
August 2022	Regional policy statements and district plans amended to give effect to the NPS-UD	Yes	Yes	Yes
	Plan changes implementing intensification policies notified	Yes	Yes	
In time for 2024 long-term plans (LTPs)	HBAs completed	Yes	Yes	
	Future Development Strategy (FDS) developed or reviewed	Yes	Yes	
Quarterly	Monitoring housing indicators	Yes	Yes	Yes
	Monitoring development uptake in medium- and high-density zones	Yes		

⁷ Tier-3 is in the NPS-UD as “any area of land that a) is or is intended to be, predominantly urban in character; and b) is, or is intended to be, part of a housing and labour market of at least 10,000 people”. An example of a Tier-3 TA is Waitaki District Council.



Timeframes	Requirement	Tier-1	Tier-2	Tier-3 ⁷
At least annually	Publish results of monitoring	Yes	Yes	Yes
Within 12 months of publishing monitoring report	Evaluate zone roles where update is not meeting development outcomes and notify plan changes if required	Yes		
Every three years	Update HBA to inform FDS, LTP and infrastructure strategies	Yes	Yes	
	Update FDS	Yes	Yes	
Every six years	Prepare new FDS	Yes	Yes	

Note: Please refer to Appendix A

Source: Ministry of Housing and Urban Development, 2020

In light of addressing the severe housing shortages in New Zealand, the Minister for Environment made amendments to the NPS-UD, and these were notified in the New Zealand Gazette on 11 May 2022 as the NPS-UD 2020 Amendment No. 1 (Ministry for the Environment 2022).

The amended NPS-UD has incorporated additional changes enacted under the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021, including:

- The Medium Density Residential Standards (MDRS), which allows developments of up to three dwellings of up to three storeys on each site without needing to apply for resource consent if all other rules and standards have been met
- Introduction of a new planning process, named the Intensification Streamlined Planning Process (ISPP), to adopt density standards and implement the intensification policies of the NPS-UD.

Currently, it is required that Tier-1 TAs, that is, those in greater urban areas of Auckland, Hamilton, Tauranga, Wellington and Christchurch, and the Rotorua Lakes District must implement the MDRS in all ‘relevant residential zones’ unless the area is constrained or a “qualifying matter”.⁸ The MDRS and ISPP have an immediate legal effect on these TAs, and they must publicly notify the rules and policies about MDRS and intensification (the so-called “Intensification Planning Instrument” or IPI) in their district plans by 20 August 2022. The Minister for the Environment, in consultation with the Minister of Housing and the Minister of Crown Māori Relations, can also require a Tier-2 TA to adopt MDRS if housing need is acute.

More recently, the Minister of Housing confirmed that the new Government intends to make the MDRS optional (New Zealand Government 2024).

7.2 The costs of implementing NPS-UD and MDRS

A very limited number of published documents have touched on the costs of implementing the NPS-UD and MDRS to TAs. We have summarised the relevant findings in Table 6. While those documents have only assessed the implementation costs at a very high level, the

⁸ As identified in section 6 of the Resource Management Act 1991, some examples include sites of historic heritage, sites of significance to Mana Whenua, sites of significant ecological areas, outstanding natural character, sites with significant natural hazard risks, etc.



common conclusion they have drawn is that the benefits of intensification policies under the NPS-UD and MDRS more than offset the costs to TAs in implementing them.

Table 6 Published information on implementation costs of the NPS-UD and MDRS

Paper	Areas of relevance	Findings on costs for TAs
PwC (2020)	HBA for the NPS-UD 2020	<ul style="list-style-type: none"> • Range from \$150,000 to \$300,000 for the first reporting year for high-growth TAs – based on costs observed for HBA reporting under the NPS-UDC 2016 • Primarily costs of staff and hiring consultants in meeting the analysis and reporting requirements • It will likely decline slightly for the subsequent iterations
	FDS for the NPS-UD 2020	<ul style="list-style-type: none"> • Costs arise primarily from costs of staff and hiring consultants in meeting stakeholder engagement, strategic assessment and reporting requirement • Costs could range from a few hundred thousand dollars to as high as \$2 million for TAs that have relied extensively on consultants • It will likely decline slightly for the subsequent iterations
PwC and Sense Partners (2021)	MDRS	<ul style="list-style-type: none"> • Difficult to distinguish the impact of the MDRS relative to NPS-UD and other policies in the long run, given the appeals process should be simplified and TAs have standing teams that undertake plan changes to enable development • Assume a \$2 million in total for the implementation costs of the MDRS across all Tier-1 TAs
Ministry of Housing and Urban Development and Ministry for the Environment (2021)	NPS-UD 2020 Amendment No 1	<ul style="list-style-type: none"> • Direct costs of plan changes, including the appointment of an independent hearings panel (IHP) for the plan change process • Size of cost will likely be medium, but incurred in the short term • Offset to by the reduction of future work required to plan for growth if were under standard RMA process, which can involve significant costs of appeals

7.2.1 Direct costs

Stats NZ’s Local Authority Financial Statistics contains information on TAs’ operating expenditure on the broad activity category of planning and regulation. While we cannot directly attribute any changes in the trend to activities involved in implementing the NPS-UD or MDRS requirements, the data may still provide some indication for whether these policy reforms have been an influencing factor to changes in TAs’ planning and regulation expenditure.

Figure 5 shows the employee costs and overall operating expenditure on planning and regulation activities totalled across the Tier-1 TAs plus Queenstown-Lakes District Council for the past 10 years. Both data series point to an upward trend.

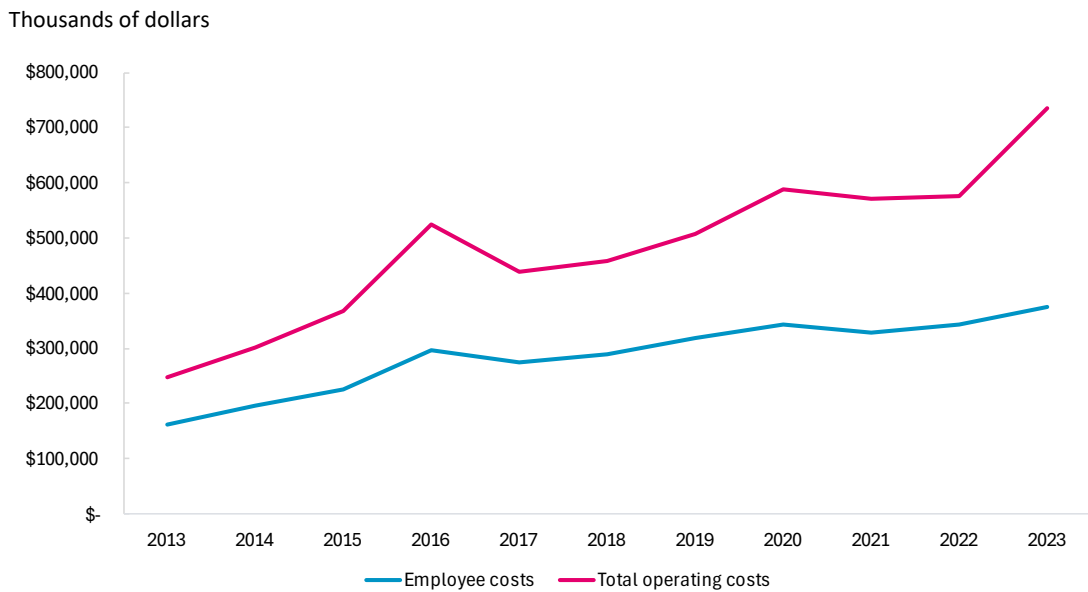
There are two phases in the data series worth highlighting. One is the rapid increase in both employee costs and total operating expenditure for planning and regulating activities



between 2013 and 2016. This coincides with the period when Auckland Council was developing the Auckland Unitary Plan (AUP), which became operative in November 2016.

Another area worth highlighting is the sharp increase of 27.7 percent in total operating expenditure between 2022 and 2023, compared to a rise of 9 percent in employee costs. This could reflect the significant increase in other overheads in addition to internal staffing costs in order to deliver those requirements under the original NPS-UD 2020 (e.g. HBAs, monitoring, FDS) and undergo the plan change process for introducing the IPI in their district plans. These could be related to additional hiring of consultants, outsourcing, legal costs, and costs involved in appointing the Independent Hearings Panel (IHP) to the plan change process.

Figure 5 Total employee costs and operating expenditure on planning and regulation across Tier-1 TAs and Queenstown-Lakes District Council



Source: Stats NZ, NZIER

We have also collected cost information from the Tier-1 TAs we have spoken to. We estimate that the combined average direct costs associated with complying with the NPS-UD and MDRS requirements across those TAs for the five June financial years between 2021 and 2025 could add up to \$5.68 million per year, with costs of internal staff constituting 47 percent of this. Note that because the cost information we were provided with was at different levels of detail, we have attributed those costs in addition to council staff costs as “other costs”, which could include costs of hiring consultants, external legal costs, and costs associated with IHP operations.



Table 7 Estimated average direct costs associated with complying with the NPS-UD and MDRS requirements between FY2021 and FY2025

Combined total, \$ million

Category	Average per year	Percentage of direct costs
Council staff costs	\$2.66	47%
Other costs (consultants, legal, IHP-related, IT, etc.)	\$3.02	53%
Total direct costs	\$5.68	100%

Note: In estimating the staff costs, we have applied the same assumptions on the number of hours per FTE per year and hourly rate across the TAs we have spoken to.

Source: NZIER

It is worth highlighting that this estimated figure captures the direct costs to only a subset of Tier-1 TAs needing to meet all the requirements. Nonetheless, it is substantially higher than the cost implications suggested by those ex-ante analyses, as listed in Table 6 earlier.

One of the key takeaways from our interviews with those Tier-1 TAs is that the size of the implementation costs varies depending on the urban area’s geographic spread, existing built and natural environment and existing district plan. These will have implications on the amount of work and, hence, the additional resourcing requirements for developing intensification plans and policies under the direction of the NPS-UD and MDRS requirements.

For example, for TAs serving a large and diverse urban area (e.g. unitary councils), costs involved in implementing the NPS-UD and MDRS are likely to be significantly higher than for TAs serving more compact urban areas, given the higher tendency of having to address a larger scope of potential qualifying matters (e.g. historic heritage, significant natural character, natural hazards, precincts) in the plan change hearings process. So, even though several TAs’ existing district plans already have intensification policies largely in line with the MDRS, the resourcing requirement involved in the plan change process can still vary significantly across the TAs.⁹

7.2.2 Opportunity costs

We have been informed that most of the costs incurred in implementing the NPS-UD and MDRS tend to be absorbed by the TAs’ existing resourcing for their BAU planning activities. This has diverted some internal staff to assist with meeting the NPS-UD and MDRS requirements while outsourcing some of the TAs’ BAU planning and regulation services to external contractors or consultants.

One example is the diversion of planning and policy staff from the processing of private plan changes and/or notices of requirement to supporting the IHP hearings process. With this diversion of resources, TAs have to outsource planning consultants to process applications of private plan changes with the cost on-charged through to applicants, which would otherwise be apportioned to the hours taken by policy staff in processing the

⁹ Hamilton City Council, which already had intensification policies in place from 2012 following its district plan review. Since then, brownfield developments make up 60 to 70 percent of the developments in its urban area. To them, the MDRS was a rather continuation of their existing planning policy and does not incur significant costs and resource requirement over and above their BAU. In contrast, while Auckland Council’s AUP initially modelled a residential zone which was in line with the MDRS, resourcing implications for the Council have remained high given the MDRS has still triggered the need for qualifying matter justifications and the additional work associated with creation of the Low Density Residential Zone in Auckland Council’s Plan Change 78.



applications and charging the applicants for. This will present a significant opportunity cost (or sunk cost) if the TA continues to divert its planning and policy staff in supporting the plan change process to the point that the plan change may be abandoned should the MDRS become optional as intended by the new Government.

7.2.3 Other issues

There is a shared view that the NPS-UD and MDRS are overly prescriptive. This has unintentionally created additional work for many Tier-1 TAs, crowding out their existing policy work.

Many TAs question whether the policies will result in a real shift change, thus creating unnecessary additional work. For example, Auckland Council has already had its AUP operative since November 2016, which sets out a comprehensive set of upzoning policies promoting intensification (Sorensen and Jones 2024). Hamilton City Council already has a long history of implementing intensification policies. Even in the absence of the NPS-UD and MDRS, they would have been continuing with their monitoring and review of district plans under the statutory obligations in section 35 of the RMA. The additional work for TAs in meeting the new requirements crowds out some of the money and resources that have already been put into their ongoing planning policy work programmes and regulatory service deliveries.

The overly prescriptive nature of the NPS-UD and MDRS means that there is a lack of consideration regarding the differences in the geographic, environmental (natural and built), and planning policy context across the TAs. This can create significant additional work in different areas of their district plans, especially for TAs with geographically diverse and more complex urban environments. For some TAs, the densification in centre zones under Policy 3 of the NPS-UD has been a step change, requiring a more sophisticated policy response and demanding significant additional staff and resource input.

There is also a lack of consideration over the planning process as the TAs still have to follow the usual plan change process under the current RMA provisions. The TAs need to go through the process of notifying the district plan change and go to IHP hearings before the plan change can finally become operative to give effect to the NPS-UD and MDRS. This process is more onerous and resource-intensive for more complex urban environments, which tend to have a larger scope of potential qualifying matters to justify in the plan change process.

Added to this are the tight timeframes for the plan change process facing each Tier-1 TA following their public notifications of their IPIs in August 2022. This further stretches out the TAs' resource capacity, especially given that most of the TAs do not get additional resourcing and financial support over and above their BAU planning activities¹⁰ for meeting the work demands from the NPS-UD and MDRS.

A consequence of this resource drain is that many of the TAs could have been implementing the NPS-UD and MDRS at the sacrifice of other areas of the district plans that needed a more urgent plan change. One recent example illustrating this issue is the extension of Auckland Council's Plan Change 78 (PC78, AUP's IPI), which has pushed out by year to March 2026. One main reason for the Council's request for this extension is the

¹⁰ Hamilton City Council has ringfenced a "Government compliance rate" in its 2021-2031 LTP to specifically fund for work programmes in complying with central government's policy requirements, including the NPS-UD and MDRS.



need for PC78 to take account of matters relating to natural hazards, as alerted by the Auckland flooding in early 2023 (Orsman 2024). The Council would have been attending to addressing the natural hazards matters under its ongoing AUP work programmes anyway.

8 Sale and Supply of Alcohol Act 2012 (Local Alcohol Policies)

In August 2008, the Law Commission started a review of New Zealand’s alcohol laws. Following public consultation, it published its final report in 2010, and the Alcohol Reform Bill was introduced into parliament in November 2010. In December 2012, the Sale and Supply of Alcohol Act was passed.

This Act gave TAs the power to develop Local Alcohol Policies (LAPs), with the purpose of giving communities greater control over the licencing of liquor outlets. The Act does not mandate councils to establish a LAP. Some councils have chosen not to implement a LAP, possibly to avoid litigation. If an authority does not create an LAP, the default provisions of the Act will apply. The Act also established the District Licensing Committee process.

The Act was amended in 2023, following the passage of the Sale and Supply of Alcohol (Community Participation) Amendment Act 2023. This has:

- Removed the ability for people to appeal provisional local alcohol policies (LAPs) to the Alcohol Regulatory and Licensing Authority (ARLA)
- Enabled district licensing committees (DLCs) and ARLA to decline to renew a licence if the licence would be inconsistent with conditions on location or licence density in the relevant LAP
- Allowed any person to object to licence applications, whether as an individual or a representative of a group or an organisation, with narrow exceptions for trade competitors and their surrogates (Ministry of Justice 2023).

Because of the long time horizon for this policy and its implementation, we have looked at three aspects: the policy development process, the district licensing committees mandated by the Act, and the impact on licensing officers in councils.

8.1 Local Alcohol Policies

The Sale and Supply of Alcohol Act 2012 set out the process that authorities had to follow to develop and adopt a LAP. Following the development of a draft LAP, there is a requirement to consult on the draft. Following consultation, a provisional LAP is then publicly notified. The Act included the right of appeal. These were resolved before the Alcohol Regulatory & Licensing Authority (ARLA). Following the resolution of the appeals, the LAP is adopted, publicly notified and brought into force. The 2023 Amendment Act has removed the “rights of appeal” provision.

The LAP policy had the objective of allowing communities to determine their preferences around the sale of alcohol in their localities. The process set out in the 2012 legislation made this difficult to achieve because, until the amendment to the Act in 2023, the process could be stalled by court action. The Supreme Court decision in 2023 against Foodstuffs and Woolworths’ challenge to the 2017 decision by ARLA on Auckland Council’s provisional LAP



has reduced the risk of merits-based legal challenges to other Council's LAP policies (McNamara and Fischer 2023).

Auckland Council started to work on local alcohol policy in 2011 while the legislation was still in parliament and adopted a provisional LAP in 2015. Foodstuffs and Woolworths objected to aspects of the LAP and appealed to ARLA. When ARLA dismissed most aspects of their appeal, they brought judicial review proceedings to challenge ARLA's decision. This has been through the High Court, Court of Appeal and the Supreme Court (McNamara and Fischer 2023).

In 2022 it was reported that Auckland Council had spent over \$1 million on legal costs relating to the appeals process (Jacobson 2022). In the meantime, the LAP has yet to be adopted by the Council.

By comparison, Wairoa District Council resolved to develop an LAP in July 2013 (Wairoa District Council 2020), and the LAP came into force in December 2020 (Our Health Hawke's Bay 2021).

8.1.1 Direct costs

The direct costs to councils of developing a LAP include the initial policy work to create a draft plan, expenditure on consultation and processing that information and any costs related to the appeals process.

Councils have identified that policy work would take the equivalent of one FTE over 12 months, although this may be made up of more than one person over a shorter time frame. Given that most councils did their initial policy work about ten years ago, the average cost will have increased. Using a current average FTE policy cost provides a current cost equivalent at over \$0.3 million.

As noted above, the significant cost to councils has been the legal costs related to the appeals process, and councils also have external consultant and legal advice costs. This will vary across councils, making it difficult to establish a clear additional cost associated with this policy.

8.1.2 Implementation costs

Following the adoption of the final LAP, staff time is required to develop an implementation plan, which may be outsourced to external consultants for their specialised knowledge. One estimate suggests that this would be about three months of work or about \$75,400.

Given the long lead time between the initial policy work and the adoption of an LAP, there is likely some loss of institutional knowledge within councils to support this work. Work on the implementation process cannot be undertaken until the LAP is adopted.

8.1.3 Support from central government

There has been no identified support from central government, up to the passage of the Sale and Supply of Alcohol (Community Participation) Amendment Act 2023. This amendment removed the rights of appeal.



8.2 Supporting the District Licensing Committees

The Sale and Supply of Alcohol Act 2012 also mandated the establishment of district licensing committees (DLCs) with prescribed roles and responsibilities. These committees implement the licensing rules under the Act, regardless of whether a territorial authority implements a LAP. The establishment of the DLCs also has extended the duties of the licensing officers within the TAs. Their responsibilities can change further with the establishment of a LAP.

8.2.1 District Licensing Committees

Every territorial authority must have one or more DLC to make decisions on all licences and managers' certificates. DLCs are responsible for considering:

- all licence applications and renewals, regardless of whether they are contested or uncontested
- all managers' certificate applications and renewals, regardless of whether they are contested or uncontested
- enforcement applications relating to licence suspensions for non-compliance with public health or fire precaution requirements.

A DLC must comprise of:

- a chairperson who is an elected member of the territorial authority or a commissioner appointed to the DLC by the territorial authority
- two committee members. The two committee members are selected from a list of potential DLC members (Ministry of Justice 2020).

The management of the DLCs lies with the territorial authority. The costs in the initial establishment of the DLCs are relatively low, but the territorial authority staff are required to support the ongoing work of the DLCs, which has to be absorbed into the territorial authority's operating costs. The list of potential DLC members is renewed every three to five years,¹¹ for which there are recruitment costs, such as advertising for potential members and interviewing them prior to appointment to the committee. Committee members are paid for each hearing. The number of hearings will differ according to the number of applications opposed. A DLC chair sitting alone is also paid to determine the unopposed applications.

Hearings were previously carried out by a sub-committee of the elected council. There would have been costs associated with supporting that sub-committee, but the requirement to meet was less, and the time costs would have been subsumed into Councillors' stipends.

The establishment of the DLCs means that the hearing of licence applications is independent, and the DLC members develop a specialised understanding of the issues. There is the potential for better quality and consistent decisions. At the same time, there is no national overview or leadership across the authorities, which leads to differing interpretations of the case law.

¹¹ Auckland Council does three-year appointments of DLC members, but other councils may be five years as currently allowed under section 192 of the Sale and Supply of Alcohol Act 2012.



The Amendment Act has set out the requirement for a procedure manual, which has taken up Council staff time, including legal and DLC input.

Regulation 19 of the Sale and Supply of Alcohol (Fees) Regulations 2013 is intended to help TAs recover the costs incurred in administering the alcohol licensing system under the Act through the licensing fees paid (Ministry of Justice 2018). However, we have learnt from our interviews with TAs that the DLC process is not cost-recoverable. The legislation, in fact, sets the fees for the DLC, and the fees payable to DLC members have not been raised since 2013. These have implications for the quality of applicants for the DLC roles.

8.2.2 Licensing inspectors

Councils had licensing inspectors in place before the 2012 Act came into force. Following the establishment of the DLCs, licensing inspectors are now required to prepare submissions to the DLC on every application. Adoption of a LAP also changes the requirements for licensing inspectors reporting to DLCs.

Licensing inspectors are cost-recoverable based on the fees that are set in the legislation. Because these fees have not been increased since 2018, the inspectors are a cost to the authorities. In some cases, authorities have passed bylaws to set fees. As a result, there is now variation in the costs for the same outcomes across the country.

Because the inspectorate existed prior to the legislation the changes have been absorbed into BAU. However, the effective cap on fees set by the legislation means that government is adding cost, where the policy was supposedly going to be cost-neutral.

8.3 Fees

The Sale and Supply of Alcohol Act 2012 aimed to ensure that the alcohol industry and not ratepayers meet the cost of licensing. Licensing fees are set under the Sale and Supply of Alcohol (Fees) Regulations 2013 and the Sale and Supply of Alcohol (Fee-setting Bylaws) Order 2013. The fees have not been adjusted since 2013. The last review was completed in 2022 but the then Minister did not sign off on the recommended increase.

TAs can pass bylaws to set fees under the Act. This requires TA policy teams to develop the bylaw and get it passed, but this may be a reasonable expenditure to ensure that the TA can recover the cost of managing the alcohol licensing regime. This means that over time, the fees will vary across regions as TAs move away from the national framework, and applicants will find that costs vary by region.

In 2019, the Productivity Commission argued that central government should remove legal constraints on cost recovery where fees have been set by statute (New Zealand Productivity Commission 2019, 10). While this would address the issue of cost recovery for local government, it will likely introduce considerable variation in the fees charged across the country. National operators would likely challenge this variation in fees in different locations. In the short term, it would be more effective for the Minister to sign off on the recommended fee increase.



9 Improving recycling and food scrap collections

The Waste Minimisation Act 2008 put responsibility on TAs to promote effective and efficient waste management and minimisation. The Act required TAs to prepare waste management and minimisation plans (WMMPs) by 2012, and the plans have to be reviewed every six years. The Act also established the waste disposal levy and Waste Minimisation Fund, administered by MfE.

Following the Transforming Recycling consultation in 2022, in March 2023, the government announced changes to household recycling and food scrap collections as part of its Waste Strategy. These included:

- standardising recycling across Aotearoa New Zealand, from 1 February 2024, by designating the products that can be recycled
- ensuring kerbside recycling services are provided to households in urban areas (i.e. towns of 1000 people or more) by 1 January 2027
- making food scraps collection services available to households in all urban areas by 1 January 2030 (for councils with an existing organics processing facility nearby, food scraps collection services will need to be available by 1 January 2027).

9.1 Standardising kerbside recycling

From 1 February 2024, district and city councils will only accept glass bottles and jars; paper and cardboard (including pizza boxes); plastic bottles, trays and containers marked with recycling symbols 1, 2, and 5; and aluminium and steel tins and cans. There are also standards for food scraps and garden waste collections that exclude some products.

In most cases, this requirement has not placed additional cost on TAs, with the exception of three councils that are now required to collect glass (Ministry for the Environment 2023b). There may be a small increase in the waste going to landfills because the products that are now excluded are generally low in weight and volume.

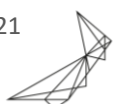
Central government was going to lead the communications on the standardisation of kerbside recycling on a national basis. This did not happen, so local authorities had to pick up the cost of notifying households of the changes. There was a lesser cost in managing feedback from 'grumpy' households who were probably unaware that the change had been mandated by central government.

9.2 Food scraps collection

Goals for food scraps (and organics) collection were introduced in 2023. The goal is to introduce food scrap collection across all urban areas by 2030. For those councils that are within 150 kilometres of a food and green organics processing plant, the goal is 2027.

Some councils introduced food scrap collection, e.g. Tauranga, or were working on starting this process as part of their WMMP, e.g. Auckland and Dunedin, before the new policy was announced in 2023. In general, the process set out in the guidelines is aligned with the approach that these councils have followed (Ministry for the Environment 2023b).

Household and commercial food waste are a significant contributor to the volume of landfills. Councils recognise that there are considerable benefits in diverting food scraps



and other organic waste from landfills. There are a limited number of organic processing plants, and they may not have the capacity to process material from other centres (for example, Timaru has a processing plant, but its capacity may not be sufficient to take in waste from the entire South Canterbury region).

There also is little existing processing capacity for food scraps in New Zealand, so councils need to make a significant financial investment, working with their private sector partners and other councils, to set up these facilities and processes within a sensible distance for the delivery of food scraps and the distribution of the final product.

The councils that have already implemented food scrap collection have been working on the policy and its implementation for some time. The process of procurement and investment has seen some of these projects take about 10 years to complete. As more processing plants are built, this should reduce. In addition, there is a requirement for new kerbside bins and communications.

There does not appear to be any overall plan for the development of processing plants across New Zealand. The plants need to be of sufficient scale to be financially viable. It has been suggested that New Zealand can only support five plants on the volume of food and organic waste, but there has been no coordination on where to invest, leaving TAs to largely go it alone.

In our meetings with council officers, they are generally keen to reduce the volume of waste going to landfills and reduce the capacity required for landfills. New Zealand is running out of sites that can be used for landfills, and the cost of establishing new facilities is increasing.

9.3 Costs

Although the food and organic waste facilities are being built by the private sector, the cost is ultimately passed on to councils and ratepayers, which are the largest group of customers for these facilities. At the same time, councils are keen to minimise costs and rates in the short term. Waste management is widely identified within rates bills as a targeted rate, so the cost is apparent to ratepayers.

9.3.1 Direct costs

The direct costs to councils in implementing the food scrap collection policy are considerable. One region reports that it has been employing 10 FTEs at the senior advisor level for over 18 months to finalise the business case. This group is overseen by a steering group. In addition, there are three project managers and two consultants.



Table 8 Food scraps collection kerbside

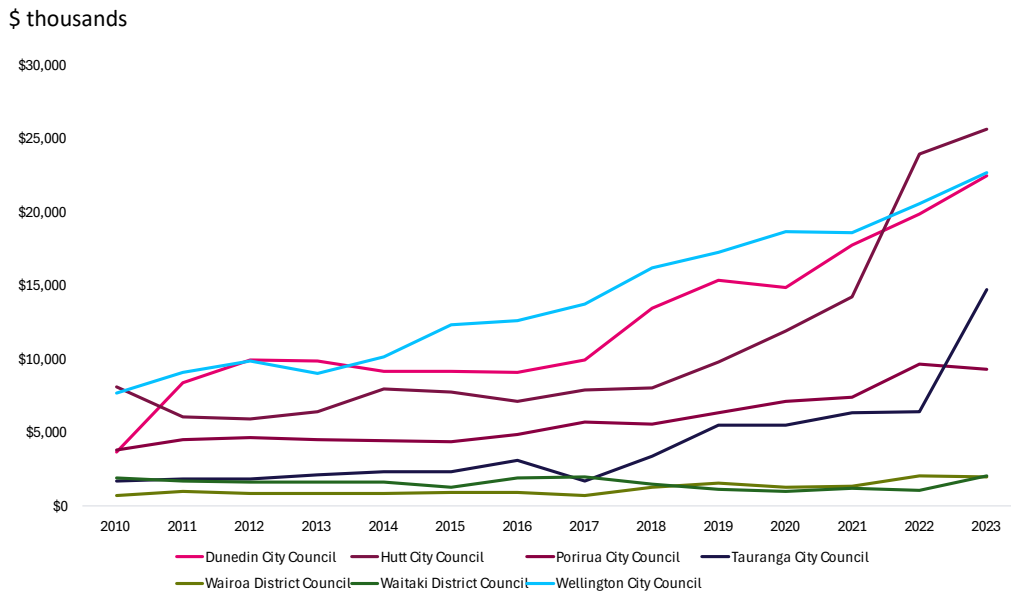
		Council A	Council B	Council C	Council D	Council E
		at decision point to proceed on organic waste		complete, urban only	complete	yet to start
Policy and planning	Timeframe	4 years		6 years (delay for procurement)	started 2012	-
	Staff	10 FTE @\$100k per annum		-	-	-
Plus - consultancy costs, finance and procurement and legal costs						
Implementation	provision of bins to households	\$4.1m	\$2.8m	\$2.7m	\$77.20 per rate payer	-
	Annual operating cost					
	Refuse	\$8 m	-	-	-	-
	Recycling	\$4.5m	\$1.5m	-	-	-
	Green/FOGO	\$5.7m	-	-	-	-
	Total	\$19m		\$15.7m	\$191m	\$1m
	direct cost to ratepayers	previous		\$106.10		
		current estimate	additional \$140 for FOGO	approx. 7.2% increase in rates	\$301.50	total \$405 (avg), of which recycling and food scraps \$185
	Processing plant	Council capex	\$50-70m across three councils. Possible MfE contribution		\$7.1m to date	-
		new collection trucks		\$700k each		

Source: From information provided by various councils

The same region is looking at an investment of \$70 million to build a processing plant for food scraps and organic waste. There is also a requirement for investment in new vehicles for the collection and transport of food and organic waste. Costs will vary by size, with larger councils having higher costs.



Figure 6 Operating expenditure solid waste/refuse for selected councils



Source: Stats NZ, NZIER

9.3.2 Implementation costs

Once the collection service is in place, the operating costs for a small to medium council are estimated at \$1.2 million per annum. This covers collection and fees. Councils also need to maintain the volume of food scraps and organic waste to be processed to maintain the efficiency of the plant.

9.3.3 Support from central government

There has been considerable funding available from MfE to support this work, including investment in processing plants via direct contributions and the waste levy. MfE's direct contributions are made under a number of funds, including the waste minimisation fund, some COVID-19-related funds, etc. There is also specific funding to support the extension of kerbside collections.

The availability of government funding has made much of the policy process and some of the implementation cost-neutral, after the cost of staff. This has allowed most councils to review their current regime and make recommendations. This support does not cover the operating costs, which will be recovered from ratepayers and is reflected in rising targeted rates.

In Budget 2024, the government increased the waste levy and retained the 50/50 split between local government and central government. It has also signalled that the central government's share of the waste levy will be spread more widely so that some of the money allocated to the Waste Minimisation Fund will be reallocated to other environmental objectives such as freshwater.

The kerbside recycling and food scraps collection guidelines have not been mandated, and it is unclear if the current government will do so. For councils that have not started to develop their policy and implementation, this creates uncertainty around what they need to do to meet national targets and how to fit their own processes within this.



Despite the sunk cost of work and time to get to this point, the prospect of a possible change in direction or abandoning the targets will encourage councils to defer decisions, which is also an issue given the long lead times to implement this policy.

9.4 Waste collection in New Zealand

It appears that all councils in New Zealand have contracted their waste and kerbside collection. These contracts are set on a long-term basis, and some contracts cover multiple councils. This means that it will be hard for many councils to implement new reforms related to waste minimisation, given the long-term contracts for waste collection that are already in place.

10 Conclusion

Our analysis highlighted the difficulty in attributing the costs of implementing specific reforms, given that councils rarely separate these costs from their financial accounts. Hence, the aggregate financial information that is available masks the crowding out of other policy work that takes place within councils as a result of having to implement these reforms. We have used information where available and applied some assumptions in order to estimate some of the costs.

Having a clearer idea of how these costs are to be consistently applied and attributable to each reform will allow for a more robust platform for discussion on how these costs may be recovered.



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Appendix A Tier-1 and Tier-2 TAs under the NPS-UD 2020 and MDRS

Table 9 TAs under Tier-1 urban environments

Tier-1 urban environments	Tier-1 local authorities
Auckland	Auckland Council
Hamilton	Hamilton City Council, Waikato District Council, Waipa District Council
Tauranga	Tauranga City Council, Western Bay of Plenty District Council
Wellington	Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council
Christchurch	Christchurch City Council, Selwyn District Council, Waimakariri District Council

Source: Ministry for the Environment, 2022; Ministry of Housing and Urban Development, 2020

Table 10 TAs under Tier-2 urban environments

Tier-2 urban environments	Tier-2 local authorities
Whangarei	Whangarei District Council
Rotorua	Rotorua District Council
New Plymouth	New Plymouth District Council
Napier Hastings	Napier City Council, Hasting District Council
Palmerston North	Palmerston North City Council
Nelson Tasman	Nelson City Council, Tasman District Council
Queenstown	Queenstown Lakes District Council
Dunedin	Dunedin City Council

Source: Ministry for the Environment, 2022; Ministry of Housing and Urban Development, 2020

