

# The Changing World of Local Government



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Local Government is facing an extended period of reform that will challenge the sector in a way that hasn't been seen since 1989. Three Waters and Resource Management Act reforms are going to change the face of local government. Unfortunately, most Councils and territorial local authorities are already under serious workload pressure and struggling to find the capacity to look to the future and meaningfully consider how to respond.

A perfect storm of problems is facing these authorities, across four key areas:

## 1. People turnover and the competition for talent

Most Councils, like many employers are experiencing annual turnover in the range of 15% – 20% per annum – well above the numbers we are used to seeing. Salaries are moving up very quickly, and falling out of step can see a team stripped of key resources very quickly and resulting in carrying “permanent vacancies” or recruiting staff with less experience and then supporting them to grow into the roles. If my own experience as a Chief Executive is anything to go by, the vacancy numbers tend to understate the overall loss of skill and experience in the sector.

In addition, this is stretching capacity that is used to help with the work not in the Annual Plan not to mention the response to Cyclone Gabrielle (eg. reviewing/improving business processes, organisational reviews/restructuring, preparing funding applications, submitting on proposed legislation, etc). At the moment, most Councils are getting by on the commitment and good will of their staff, as well as relying on seconded staff from consulting firms.

## 2. The nature of the work

The work is getting harder. The stress of Covid lockdowns and vaccine passport requirements seems to have used up a portion of the social licence held by government (including local government). Goodwill has diminished and is only slowly being rebuilt. People are more inclined to complain and are much more willing to turn it personal and criticise staff if they don't get the answer they want.

## 3. The economy

Ongoing supply chain problems and high inflation as a result of the Covid pandemic are issues that many staff have never had to face before in their working careers. This is also related to staff retention with many people, particularly in the regions, struggling with the rising cost of living and relatively lower rates of pay.

## 4. Climate change impacts

Climate change is taking its toll. Over the last couple of years, many Councils have responded to “unprecedented rainfall” and now have a significant portion of their workforce committed to repair and recovery operations. Resources intended to maintain or renew critical infrastructure are being repurposed to repair storm damage, and this was before the recovery from Cyclone Gabrielle is accounted for - how much longer can Councils continue to manage response/recovery within a business-as-usual structure?

So now having managed a pandemic response, and facing unprecedented weather events, local government is facing reforms that will challenge the industry in a way that hasn't been seen in over thirty years.

## Three Waters Reform

On 1 July 2024, Councils will hand over their three water assets to a Water Supply Entity (WSE) and many of their staff will transfer across at the same time. Initially the proposal was that staff that spend more than 80% of their time directly on Three Waters would automatically transfer across. There was no guarantee provided for more senior staff. That position has changed in the last few months.

Now staff that spend more than 50% of their time on Three Waters will automatically transfer across to the WSE and more senior staff will be given preference for any advertised position they apply for. The criteria have also been widened to include staff who spend more than 50% of their time supporting Three Waters activities.

While this change reduces uncertainty for affected staff, it will see a much greater number of skilled and experienced people moving from Councils to help deliver what will be a very demanding workload.

This will specifically impact through:

- These staff are very likely to have been the source of advice and assistance to other parts of the organisation.
- Some staff having to transfer (or partially transfer) across before 1 July 2024. It is unclear how workloads will be managed during this transition period.
- Transport and Solid Waste teams will be the only engineering infrastructure personnel left in the Council. These staff could feel isolated, out on a limb and will be wondering what sorts of reforms are being developed for their workspace.
- As the WSEs establish their priorities and carry out consultation on their proposed work programs Councils will want to act as a 'smart purchaser' on behalf of their communities. They will want to ensure that levels of service, renewals, upgrades, and growth aspirations are all adequately provided for. This will be a challenge as most of their Three Waters experience will have left and engineering consultancies will be pursuing the major opportunities that will present themselves as the WSEs start rolling out expanded work programs.

Everyone will also need to remember that arrangements could change throughout 2023 and be ready to adapt - again.

## Resource Management Act (RMA) Reforms

If the Spatial Planning Bill and the Natural & Built Environment Bill are passed substantially unchanged, then a Regional Spatial Strategy (RSS) and a Natural & Built Environment Plan (NBE Plan) will be required for each region. The plans will be prepared by Regional Planning Committees (RPCs) and will replace all district-based planning documents.

Depending on where Councils are in their planning timetable, the direction the RPC chooses and the resources it commits, this whole process could take 5 – 10 years; with significant potential effects on Councils as these Plans are developed and adopted.

Once a host Council has been confirmed for a region, the newly appointed Director of the Secretariat of the RPC will be responsible for providing technical advice and administration support to the Committee. Planners from Councils across the region will need to be assigned in some way to support the RPC, or dedicated resources recruited.

Councils will have to keep up with their own RMA planning demands (as well as managing any demands from the RPC) until the NBE Plan is first notified. For Councils who employ staff across the range of RMA functions, juggling these demands could diminish standards of service delivery. Once the NBE Plan is notified, most local authority policy planners in a region are likely to be working under the direction of the RPC Directorate.

Once there is one set of planning rules for a region there will be less justification for each Council to run

their own consents and compliance function. Consistency in terms of consenting and monitoring will be readily scrutinised. A possible option is a regional consenting and/or compliance hub with one set of

operating procedures. This was favoured in the Randerson Report. WSEs are likely to push for such a solution very early on to reduce the number of points of contact with respect to resource consents, subdivision proposals, plan changes, etc. Other parties that work across local government boundaries could have similar expectations.

This does not mean that all staff would be headquartered in one office. To provide quality customer service and the occasional tailor-made solution, there would still be a need for experienced staff to be based in each district.

If consenting and compliance is regionalised, then why not regionalise building consent work as well? Every Council is enforcing building standards that are consistent across the country.

Recruitment and retention in both the resource consent and building consent spaces is a challenge. A larger organisation with more resources and better promotion pathways will be a more attractive employer.

From time to time, most Councils in the country experience peaks in the consenting workload that need to be contracted out. A bigger organisation would be better placed to smooth out and cope with those peaks.

If consenting/compliance hubs were established as described above (including Health Act responsibilities) staff numbers employed by territorial local authorities could reduce by a further 20%. Twice the impact of Three Waters reforms.

### Future for Local Government (FFLG) Review

The scope of the review includes the following aspects of local government:

- Roles, functions, and partnerships,
- Representation and governance,
- Funding and financing.

In October 2022, the draft final report was released.

As the Review Panel's thinking is still evolving the report takes the form of a discussion document – posing ideas and asking questions that once answered will help shape the final report. The final report is due in June 2023.

Five key shifts were identified by the Panel prior to the final draft being released:

- Strengthened local democracy,
- Stronger focus on wellbeing,
- Authentic relationship with Hapū/Iwi/Māori,
- Genuine partnership between central government and local government,
- More equitable funding.

This draft of the report adds two more key issues – **system design** and system stewardship (my emphasis). Section 9 (The current structure of local government won't be sufficient to meet future challenges) is worth reading again:

*"...To ensure better value spend, minimise duplication, and get the best use of people and resources, more effective collaboration, innovation and shared services are required..."*

The Panel indicates a well-considered and well-resourced reform program will be required to achieve real change. Will the next government be keen to embark on such a challenging task? It's unlikely we will see any substantive response before mid-2024.

### What next?

I wish there was more clarity that could act as a direction finder for local government over the coming years. Sadly, that is not the case – there is still too much uncertainty.

Three Waters reforms will see staff numbers dropping within the next sixteen months. The challenge will be

to continue as a smart purchaser of Three Waters services for at least a further five years and to not lose more staff.

RMA reform legislation has now been put before Parliament. Final decisions are still to be made but we have a good idea of what is coming. It is possible that there will be some limited effects within the next two years, with the full effects being 5 - 10 years away. The concept of consenting/compliance hubs is going to be raised and Councils will need an answer.

Approximately 20% of staff could be affected in the longer term.

Changes from the FFLG review may not become apparent until mid-2024. It is likely that the Panel will be advocating for more effective collaboration, innovation and shared services. Councils will need to be ready for this.

There is still a reasonable amount of crystal ball gazing in this thinking. The critical thing is to make sure decisions aren't made that could be unnecessarily challenging to undo in the future.

### About the Author



Pat has worked in local government for over 36 years. He started out in engineering roles before moving into general management and for the last 15 years has been a Chief Executive. He has a very good understanding of local government, the work it undertakes, and the reform challenges it faces in the coming years.