

Summary of Initial Impact Analysis

Ministry for the Environment

June 2021

*This document provides a summary of the impacts identified at this early stage of RM reform, noting further work is needed and underway on assessing the impacts which will feed into the full analysis later in the process. **It is not a RIS and is not designed to meet Regulatory Impact Assessment requirements.** A separate interim RIS is available and will be provided to Cabinet when considering whether to release the exposure draft. The interim RIS will be proactively released and this summary document references applicable sections of the interim RIS in which to find further information.*

Context

The Resource Management Act 1991 (RMA) is New Zealand's primary environmental and planning law, covering environmental protection, natural resource management and urban planning. The purpose of the RMA is to promote the sustainable management of New Zealand's natural and physical resources. To achieve this purpose, the RMA gives different roles and responsibilities to central and local government, requiring authorities and the Minister for the Environment.

At its core, the RMA regulates trade-offs arising from the use of resources that have effects on the environment and consequentially on the wellbeing of all New Zealanders. These decisions around resource use are important to Māori, affecting the exercise of rangatiratanga and kaitiakitanga throughout the motu and within the rohe/takiwā of iwi and hapū.

The resource management (RM) system¹ imposes costs on certain groups according to how roles and responsibilities are assigned. Under the current system users incur the majority of process costs, reflecting the reliance of the system on consenting.

For further information see section 1.1 of the interim RIS.

The problem and opportunity

The RM system is not delivering the outcomes New Zealand needs.

- **It has not protected the natural environment:** Many indicators of natural environmental outcomes are getting worse. In cases where they are already poor, little to no progress is being made to improve or restore them.
- **Critical urban outcomes are poor – especially housing:** New Zealand's population is growing, increasing pressures on our major urban areas and affecting some urban outcomes. This is most evident in the decline in housing affordability which has a range of negative effects, including increasing inequality, reduced intensification benefits and increased congestion.

¹ For the purposes of the interim RIS the term 'RM system' refers to the RMA, and its interactions with the Local Government Act 2002 (LGA), the Land Transport Management Act 2003 (LTMA) and the Climate Change Response Act 2002 (CCRA).

- **There is inadequate recognition, participation, resourcing and engagement for Māori in the RM system:** The RM system has largely not delivered positive outcomes for Māori, both in terms of whether it is consistent with the principles of Te Tiriti and how it has been implemented in practice.
- **Increasing risks, especially from climate change, are affecting the resilience and wellbeing of communities:** Per person greenhouse gas emissions are high and the impacts of climate change are already being felt across New Zealand. There is also a consensus among experts that the current system does not deal well with climate impacts or natural hazards, neither in supporting emission reductions nor adaptation to climate change.
- **The RMA places a high regulatory burden on many users and has resulted in inefficient allocation of resources:** The time involved in completing RMA plan making and approval processes reduces the RM system's ability to respond to changing needs. Users express frustration with regulatory requirements such as consents that must be obtained for activities with minor impacts, especially where these regulatory requirements are perceived as burdensome and users do not see clear benefits. There are inefficiencies and opportunity costs arising from how resources are currently allocated under the RMA.

The underlying causes of these problems include a focus on effects instead of positive outcomes, suboptimal natural resource allocation, inadequate integration and strategic planning, regulatory complexity and poor implementation of the current system.

There is consensus around these poor outcomes and their causes within the RM system. A reformed RM system will improve these outcomes, but there are limitations as many other factors affect the outcomes delivered by the system. For example, other regulatory systems, social and cultural values or norms, global environmental pressures and domestic and international markets.

Despite recent improvements to how the current system is being implemented, the problems identified above are likely to continue under the status quo. The RM system needs to adapt to face the challenges of climate change and New Zealand's post-COVID economic recovery. A long history of incremental change – while poor outcomes persist – has shown that the problems with the RM system are interrelated and of such a scale that comprehensive reform should now be considered.

For further information see section 1.2 of the interim RIS.

Objectives for responding to the policy problem and opportunity

Cabinet has set five reform objectives – that apply to the RM reform programme as a whole – to address these problems to ensure the RM system delivers the outcomes New Zealand needs [CAB-20-MIN-0522 refers].

- **Natural environment:** Protect and where necessary restore the natural environment, including its capacity to provide for the wellbeing of present and future generations
- **Development:** Better enable development within environmental biophysical limits including a significant improvement in housing supply, affordability and choice, and timely provision of appropriate infrastructure, including social infrastructure
- **Te Tiriti:** Give effect to the principles of Te Tiriti o Waitangi and provide greater recognition of te ao Māori, including mātauranga Māori

- **Climate and risk:** Better prepare for adapting to climate change and risks from natural hazards, and better mitigate emissions contributing to climate change
- **System performance:** Improve system efficiency and effectiveness, and reduce complexity, while retaining appropriate local democratic input

In most cases the objectives are mutually reinforcing. However, there are inherent tensions within a system that regulates the protection of the environment whilst also enabling development.

For further information see section 1.3 of the interim RIS.

Assessment scope

The interim RIS provides advice on how to implement the Resource Management Review Panel's (the Panel) proposals in a way that best achieves the reform objectives. In July 2019, the Panel was appointed to comprehensively review the RM system [CAB-19-MIN-0585.01 refers]. The Panel completed its work in June 2020, and provided recommendations intended to address key issues within the current system to ensure it can deliver better outcomes for New Zealanders.

- The below analysis has been limited to considering options consistent with Ministers' decisions about the content of reform and the process and timeframe for progressing it.
- The interim RIS provides advice on how best to design a new system based on the Panel's proposals, meaning the interim RIS only considers additional detail to, and amendments of the Panel's recommendations.

On 14 December 2020, Cabinet agreed to proceed with RM reform [CAB-20-MIN-0522 refers]. This involves introducing three new Acts:

- a Natural and Built Environments Act (NBA) to replace the RMA
- a Strategic Planning Act (SPA) to provide a framework for regional spatial planning throughout New Zealand
- a Climate Adaptation Act (CAA) to address powers and funding for managed retreat.

The scope of the interim RIS is limited to providing a description of overall options for reform and more detailed analysis of four specific policy areas relating to the NBA indicated in **bold** in Figure 1. Cabinet also agreed [CAB-20-MIN-0522] that an exposure draft of key sections the NBA bill and supporting consultation material be referred to a select committee for the purpose of an inquiry, following Cabinet decisions in mid-2021.

A final RIS for the NBA will be prepared prior to the complete Bill being introduced, with updated analysis incorporating the results of further consultation and providing an assessment of the remaining policy areas. Separate RISs will be prepared for the SPA and for the CAA. Interdependencies between the proposals will be discussed within each final RIS.

Figure 1: Scope of the interim impact assessment

Reforming the resource management system		
1. Legislative architecture		
Natural and Built Environments Act	Strategic Planning Act	Climate Adaptation Act
2. Purpose and principles	Spatial Planning	Powers and funding for managed retreat
3. National direction		
4. Regulatory plans	Details on the content and timing of this are still to be confirmed	This policy work is being progressed by the Minister of Climate Change
5. Consents, designations, orders and economic instruments		
6. System oversight and compliance, monitoring and enforcement		
7. Te Tiriti o Waitangi me te ao Māori*		
8. Institutional roles*		
*These are discussed within this interim RIS but do not have dedicated sections.		

For further information see section 2.1 of the interim RIS.

Options considered

The current RM system emphasises effects-based planning², with conflict resolution at a site level through local plans and consents primarily decided on by New Zealand’s 78 local authorities, using a multi-layered set of tools with bespoke content. The interim RIS describes two overall options for system reform which differ from the current system.

Option A: Adopt the Panel’s recommendations. The Panel recommended moving to positive planning for outcomes, resolving conflicts at a strategic level through national direction and spatial strategies, with joint committees and independent hearings panels sharing the responsibility for preparing 14 combined regional plans.

Option B: Adopt the Panel’s recommendations with refinements (“Panel Plus”). This option provides further detail and alternatives designed to add value to the legislative reforms recommended by the Panel. **It is MfE’s preferred option.**

Figure 2 summarises the two options and shows the main differences between them.

² Effects based planning focuses on managing the effects of an activity (ie. on the environment) as opposed to managing the activity itself.

Figure 2: Summary of options within the scope of the interim RIS

Summary of options within the scope of the interim RIS			
Overall option		<p>Option A. Panel’s approach</p> <p><i>The Panel recommended moving to planning for positive outcomes, resolving conflicts at a strategic level in national direction and spatial strategies, with joint committees and independent hearings panels sharing the responsibility for preparing 14 combined region-wide plans.</i></p>	<p>Option B. Panel Plus</p> <p><i>Officials have further developed the Panel’s approach recommending that it focus more on enabling development within limits, central government direction is more integrated and more flexibility is provided to ensure processes are proportionate and robust.</i></p>
NBA exposure draft	<p>Policy area 1. Legislative architecture</p>	<p>Option 1A: Replace the RMA with the NBA and create new legislation for regional spatial planning and managed retreat.</p>	<p>Adopt the Panel’s approach (Option 1A).</p>
	<p>Policy area 2. NBA Purpose and supporting provisions</p>	<p>Option 2A: A statutory purpose to enhance the quality of the environment, supported by directive frameworks for limits and outcomes. It would also incorporate stronger Te Tiriti provisions and the concept of Te Mana o te Taiao.</p>	<p>Option 2B: A statutory purpose of enabling use and development provided it is within natural environment limits. The Panel’s proposed system of limits would be adopted with some refinements. The outcomes would be streamlined and it would also incorporate stronger Te Tiriti provisions and the concept of Te Oranga o te Taiao³.</p>
	<p>Policy area 3. NBA National Planning Framework</p>	<p>Option 3A: National direction is still released as separate statutory documents, though there would be a more robust development process through a board of inquiry and greater mandatory national direction.</p>	<p>Option 3B: Establish a National Planning Framework which explicitly incorporates strategic direction, is delivered through one statutory document, and provides flexibility to design a robust process.</p>
	<p>Policy area 4. NBA Plans</p>	<p>Option 4A: The regional policy statement and all the resource management plans of a region would be combined into one single plan, for land, freshwater and the coastal marine area. These plans would be outcomes focused and give effect to the principles of Te Tiriti.</p>	<p>Adopt the Panel’s approach (Option 4A).</p>

Within the scope of the interim RIS, there are several shifts that both options seek to deliver compared to the current system:

- Introducing a mandatory suite of natural environment limits to protect the natural environment’s life supporting capacity

³ Te Oranga o te Taiao is an alternative that builds upon the intent of the Panel’s proposed inclusion of Te Mana o te Taiao in order to better reflect matauranga Māori in the system. Officials have worked alongside the Freshwater Iwi Leaders Group and Te Wai Māori Trust technicians to refine their proposal for Te Oranga o te Taiao in a manner that is consistent with previous MOG decisions whilst also upholding the integrity of their original proposal. This has resulted in the Te Oranga o te Taiao proposal reflected in the exposure draft. The policy intent of Te Oranga o te Taiao is to “encapsulate the intergenerational importance of the health and wellbeing of the natural environment”.

- A stronger Te Tiriti clause and better recognition of te ao Māori and mātauranga Māori within the legislation
- An increased focus on planning for positive outcomes, in addition to managing effects
- More mandatory direction from central government to assist local government to fulfil its functions including to represent the interests of communities
- Moving to region-wide combined plans

There are also several differences:

- The Panel's approach (Option A) focuses on enhancing the quality of the environment (this includes the natural and built environments) while the Panel Plus approach (Option B) focuses on enabling use and development within natural environment limits
- The Panel's approach (Option A) requires mandatory targets to be released through central government direction
- The Panel's approach (Option A) relies on individual statutory documents for central government to provide direction, while the Panel Plus approach (Option B) introduces a National Planning Framework (NPF) where central government direction is delivered through a single statutory document
- The Panel's approach (Option A) relies on a board of inquiry process for developing central government direction, while the Panel Plus approach (Option B) provides flexibility to design robust and proportionate processes to develop the NPF

Some overall options for system reform have not been considered where they have been effectively ruled out of scope by Government decisions about content and timeframes. These include:

- retaining the RMA and all the current features of the planning system with a large increase in funding to implement it. This option is ruled out of scope because Ministers have already decided to replace the RMA and introduce new legislation with a new purpose and supporting provisions, a new system for central government direction and a requirement for combined plans
- major reforms of other legislation – for example, reforming the structure, purpose and functions of local authorities in the Local Government Act could affect how they implement the RMA.⁴
- alternative non-legislative reform, such as to infrastructure funding and financing arrangements.

The last two options were effectively ruled out of scope in the terms of reference for the Panel's review of the RM system. The Government could still pursue these options, but this would be in a separate, and complementary reform programme rather than as an alternative to RM reform.

For further information see section 2.2 of the interim RIS.

⁴ Noting that the 'Review into the Future for Local Government' was announced in April 2021 with a final report due in 2023.

Initial findings

The interim RIS includes a high-level overall assessment of the marginal costs and benefits of moving from the status quo to a system broadly similar to Option B: Panel Plus. Additional policy work will inform a more detailed assessment for the final RIS. **The costs are initial estimates for the entire reform programme, including the NBA and SPA.** They are largely based on the recommendations in the Panel's report except where officials have progressed further policy work.

Overall assessment of the impact of the preferred option

The interim RIS indicates that the benefits of moving to the preferred option (Panel Plus) are likely to be large and outweigh the costs of the proposed reform. However, this is subject to significant uncertainty given policy design for important components of the system is yet to be finalised, and work to develop an evidence base for the wider costs and benefits of the proposals has not been completed.

The costs and benefits fall into two broad categories:

1. The direct costs from establishing the new system (establishment costs) and then operating it (net process cost savings).

The interim assessment identifies net process cost savings of \$85m a year ongoing, and establishment cost increases of \$65m a year over ten years, delivering net savings post-establishment. This is before considering any wider economic or environmental benefits. This includes an assumption that 14 NBA plans will eventually deliver efficiency savings to councils and users, when compared to over 100 plans in the current system. These efficiencies will be further investigated for the final RIS.

2. The wider benefits of reform which can be assessed in two ways (**Figure 3** provides a summary of the different categories of wider benefits).
 - assessing the actual impact of the specific proposed changes. This is difficult to do at this early stage as the proposals are still being developed.
 - estimating the benefits if the proposals were successful to varying degrees; eg,
 - Benefits from more intensive land use have been estimated to increase GDP by \$100 million per year, for Auckland alone.
 - A 1 per cent improvement in land-based ecosystem services would have a total economic value of \$620 million, using the most conservative valuation available. Including marine based ecosystem services would increase this to \$5.2 billion.

Areas where no data is available at present but we will investigate further for the final RIS include:

- impacts from achieving more competitive urban land markets.
- cost savings over the long term if infrastructure of all types (for example, roads, schools, hospitals) is delivered in a coordinated and sequenced way that anticipates growth. No estimates of this are available yet but this will be further investigated, drawing on recent examples of the costs of retrofitting infrastructure.

The proposals would require increased investment from central and local government, which is expected to reduce costs for users and result in a less-costly RM system overall

The proposed RM system will have one-off establishment process costs of around \$65 million per year over a ten year period. Most of the establishment costs result from the new combined plans and regional spatial strategies. These costs are mainly incurred by central government, at around \$26 million per year over ten years, and local government, at around \$37 million per year over ten years. There are some additional costs to RM system users of submitting on new plans.

The proposals are likely to reduce ongoing process costs⁵ for users and increase ongoing process costs for central and local government.

- Process costs for users would decrease by around \$149 million per year (19% decrease). This cost saving is driven by assumptions about faster, fewer consents due to an increased focus on strategic planning.
- For central government, process costs would increase by around \$19 million per year (112% increase), largely due to its expanded role in the system through the NPF and additional functions under the SPA.
- For local government, process costs would increase by around \$43 million per year (11% increase), largely due to the greater focus on strategic planning (through the NPF and SPA) which must be incorporated by local government into NBA plans.

If the proposals deliver these cost-savings then the process costs of the whole system could reduce by around \$85 million per year (7% decrease), effectively shifting ‘who pays’ for the RM system from private users towards the public sector. There is further work underway on system efficiency and how process cost savings will be realised.

Costs to Māori

The RM system has particular costs to Māori, for example where iwi or hapū groups input into planning and resource consent processes. There is likely to be costs for Māori to participate in the design of new combined plans. While the Panel indicated resourcing would be needed to support the expanded role for Māori in the proposed system, the degree to which these costs would be funded has yet not been determined.

Our initial assessment is that there would also be significant wider benefits from RM reform – further work is being progressed to inform this assessment in the final RIS

Due to timing, the work to date has focused on process costs which are more direct and straight forward to estimate, so the assessment of wider benefits within the interim RIS is high-level and indicative. To progress final NBA and SPA RISs, additional analysis is being undertaken on the benefits of RM reform to housing supply, affordability and choice, the natural environment, benefits for Māori and the wider benefits of strategic spatial planning.

Increased land supply through spatial planning can better enable the market to respond to housing demand. More effective spatial planning through the SPA and NBA could deliver efficient, sequenced development which reduces infrastructure costs, through more coordinated supply of new infrastructure. This would lower average infrastructure costs per household, reducing both new housing costs and the rates and taxation imposed on all households. There is also potential for cost savings for central and local government and other infrastructure providers by avoiding infrastructure investment in inappropriate locations (eg, areas vulnerable to coastal

⁵ Note: process costs are direct costs incurred by central government, local government and users when administering and complying with the RM system. These exclude wider costs and benefits such as improvements in environmental quality.

inundation or natural hazards). Spatial planning that increases land use intensification would have direct economic productivity benefits. Benefits from more intensive land use have been estimated to increase GDP by \$100 million per year, for Auckland alone.

The introduction of environmental limits and a positive-outcomes based approach is likely to improve environment quality over time versus the status quo. The natural environment has a high total economic value. The overall value range for New Zealand’s marine and land-based ecosystems is between \$520 billion (\$458 billion for marine and \$62 billion for land based) and \$1.8 trillion NZD (\$NZD 2020). Taking the conservative value of \$520 billion, this represents around 1.6 times New Zealand’s gross domestic profit (\$308 billion in June 2020). Therefore, even a small marginal improvement in the quality of the environment would deliver large economic benefits. For example, a 1 per cent improvement in land-based ecosystem services would have a total economic value of \$620 million, using the most conservative valuation available. Including marine based ecosystem services would increase this to \$5.2 billion.

Figure 3 provides a summary of the different categories of wider benefits.

The success of the proposals, such as whether the estimated cost savings and wider benefits are realised, will depend on how effectively the new system is implemented

Establishment costs are largely shared between central and local government, meaning cooperation would be critical for successful implementation. Māori are likely to play a greater role in the system so it will be important that they have the capacity and capability to engage effectively with the new system.

Limitations and constraints in our interim analysis

There were to several significant limitations and constraints due to previous decisions and timeframes to deliver the exposure draft.

- The interim RIS is constrained to considering additional detail to, and amendments of, the Panel’s recommendations rather than alternatives for system reform.
- The interim RIS only covers some components of the proposed new system – these components have significant interdependencies with other parts of the RM system which limits the analysis.
- The decisions within the scope of the interim RIS are not final – the associated Cabinet paper signals the Government’s intention to consider the findings of the select committee, including any public submissions, and amend these proposals if necessary.
- The success or effectiveness of the options discussed within the interim RIS will be largely determined by how they are implemented – MfE is undertaking work on how to manage this transition to a new system. However, this process will only become clearer once the broader package of reforms is progressed.

Summary of costs and benefits of preferred option

The costs and benefits of the preferred option (Option B: Panel Plus) are summarised in **Figure 3**. This will be refined in the final RIS, once additional policy design and impact assessment has been undertaken.

The assessment of additional process costs for the proposed system has a present value (PV) of \$2,971 million over 30 years, or around \$185 million per year. Process cost savings have a higher PV of \$4,167 million, or \$270 million per year. This has an overall Net Present Value (NPV) of **\$1,196 million in net savings** over the 30-year assessment period. Our overall assessment is therefore that the proposed system would cost around \$1.2 billion

less over the 30-year assessment period (NPV) to operate than the current system. When establishment costs⁶ are included, this net saving is around \$490 million.

Figure 3 Summary of costs and benefits of preferred option

Affected parties	Comment	Impact(\$million) ^[2]	Evidence certainty ⁷
Expected benefits of proposed approach compared to taking no action			
Monetised benefits			
Regulated parties: RM system users	Ongoing reduction in process costs: average annual benefit over 30 years, and Present value (PV)	Average annual benefit \$210m PV \$3,235m	Medium
Regulators: central government	Ongoing reduction in process costs: average annual benefit over 30 years, and Present value (PV)	Average annual benefit \$2m PV \$28m	High
Regulators: local government	Ongoing reduction in process costs: average annual benefit over 30 years, and Present value (PV)	Average annual benefit \$59m PV \$904m	Medium
Total monetised benefit	Ongoing reduction in process costs: average annual benefit over 30 years, and Present value (PV)	Average annual benefit \$270m PV \$4,167m	Medium
Non-monetised benefits			
Natural environment (accruing to all New Zealanders, including future generations)	The introduction of environmental limits and a positive, outcomes-based approach is likely to improve environment quality over time versus the status quo.	High	Low
Households, in particular those who are not currently homeowners	Increased land supply through spatial planning can better enable the market to respond to housing demand. Spatial planning at a regional level is likely to provide more efficient, contiguous development, reducing development costs at the margin. Early identification of areas for development and infrastructure needs and less site-by-site decision-making through consents would provide improved housing supply and affordability.	Medium	Low
System partners: Māori	Iwi/Māori would have increased control over resource use decision-making and greater recognition and provision for iwi/Māori outcomes relating to their role as kaitiaki, their development aspirations and their access to resources.	Medium	Low
	There is potential for iwi/Māori participation in the RM system to be resourced.	Medium	Medium
Total Non-monetised benefits		Medium	High

⁶ Including costs to Māori, which have a low level of certainty and will be refined with further work.

⁷ “Evidence certainty” refers to our assessment of the evidence base for the magnitude of each impact category. The certainty rating is expected to improve from low to medium in the final NBA and SPA RIS once additional analysis on the benefits to the natural environment, housing supply, affordability and choice, benefits to Māori and the wider benefits of strategic planning is complete.

Affected parties	Comment	Impact(\$million) ^[1]	Evidence certainty
Additional costs of proposed approach compared to taking no action			
Regulated parties: RM system users	Establishment costs: one-off cost over 10 years	\$2.2m (average per year over 10 years)	Medium
	Ongoing additional process costs: average annual cost over 30 years, and Present value (PV)	Average annual cost \$61m PV \$1,005m	Medium
Regulators: central government	Establishment costs: one-off cost over 10 years	\$26.2m (average per year over 10 years)	High
	Ongoing additional process costs: average annual cost over 30 years, and Present value (PV)	Average annual cost \$21m PV \$330m	Medium
Regulators: local government	Establishment costs: one-off cost over 10 years	\$36.8m (average per year over 10 years)	Medium
	Ongoing additional process costs: average annual cost over 30 years, and Present value (PV)	Average annual cost \$102m PV \$1,635m	Medium
System partners: Māori	Establishment costs: one-off cost over 10 years	\$5.7m (average per year over 10 years)	Low
Total monetised cost	Establishment costs: one-off cost over 10 years (PV)	\$65.2m excluding cost to iwi/Māori (due to low certainty of costs to Māori) (average per year over 10 years)	Medium
		\$70.9m including cost to iwi/Māori (one-off) (average per year over 10 years)	
	Ongoing additional process costs: average annual cost over 30 years, and Present value (PV)	Average annual cost \$185m PV \$2,971m	Medium
	Total monetised cost (establishment and ongoing)	PV \$3,680m	Medium
Non-monetised costs	We have not identified major un-monetised costs, which are marginal to the status quo. These may be identified when additional work in undertaken for the final RIS.		

These costs and benefits will be updated following further policy development, consultation, engagement and evidence gathering

The interim RIS assumes that the RM reform package is implemented as recommended by the Panel, with some refinement. Full implementation would include all three proposed Acts being passed into law, and sufficient investment in the establishment, transition and ongoing operation of the proposed system.

Precise assessment of the costs and benefits of the RM system is difficult due to: the scope and complexity of the RM system; difficulties in monetising environmental, social and cultural values, and the impact activities have on the environment; and the principles-based and high-level nature of the Panel’s recommendations and absence of detailed regulatory design, which is currently under development. To progress a final RIS, additional analysis will be undertaken on the benefits of RM reform to the natural environment, housing supply, affordability and choice, benefits to Māori and the wider benefits of strategic planning. The final RIS will also look at the distribution of these impacts on different regions and communities, including specific analysis for rural communities.

For further information see section 2.3 of the interim RIS.

Engagement and consultation

Decisions on the use, development, and protection of natural and physical resources affect all the Crown's Treaty Partners, numerous stakeholder groups and the wider public. Through its consultation, the Panel found that submitters generally agreed with the problems and causes it had identified in the RM system. However, submitters expressed significantly different views on the proposed solutions to these problems, especially whether the environment and development should have more or less weight in decision making.

The policy process has not progressed far enough to accurately reflect Māori, local government and stakeholder support for the RM reform proposals within the interim RIS. Cabinet has recommended [CAB-20-MIN-0522] that the select committee processes be the primary methods of engagement for stakeholders and the public in the next stage of the reform. This will be supplemented by MfE's ongoing engagement with iwi/Māori groups and system partners. More detailed stakeholder and Māori views will inform the final NBA RIS.

For further information see section 2.4 and Appendix C of the interim RIS.

Interim analysis of individual policy areas

Components of the overall options, described as 'policy areas', have been assessed (see section 2b of the interim RIS). Analysis of each policy area includes:

- **an impact certainty assessment:** Options are evaluated against how likely impacts are to occur based on several factors, including the quality of the available evidence, timeframes, the likelihood of implementing the option and interdependencies.
- **a cost-benefit summary:** Each policy area sets out how it affects the overall process costs that have already been identified, as well as the potential wider costs and benefits, noting that detailed analysis of the wider costs and benefits is yet to be completed.
- **an assessment against the reform objectives:** Options are evaluated for their ability to achieve the reform objectives compared to the status quo.

This analysis may be updated within the final RIS following a select committee inquiry on the exposure draft. This may change the preferred option or lead to the development of new options to reflect feedback from Māori, local government and stakeholders.

Overview of policy area 1: Legislative architecture

This policy area covers the high-level choices for how the legislation should be packaged. The existing RMA contains a broad range of functions and powers, including those relating to how land can be used, how we protect the environment, and how we respond to climate change.

The interim RIS looks at several options including removing integrated management, which would separate the management of the natural and built environments, and whether spatial planning and managed retreat should be addressed through the NBA or in separate legislation.

It concludes that the Panel's approach to legislative architecture has advantages when compared to the status quo or moving away from integrated management. However, the impacts are uncertain as legislative design has an indirect effect on outcomes. The preferred option will potentially increase legislative clarity, encourage integration across Acts, and increase certainty for regulated parties.

Overview of policy area 2: NBA purpose and supporting provisions

This policy area covers the purpose and supporting provisions, which is where the legislation sets out why the legislation exists, what the system should be achieving and, at a high level, how this should be done. It also provides the basis for how Te Tiriti is recognised within the system and is the first instance of where the concept of Te Oranga o te Taiao is expressed.

Two packages of options for changing the purpose and supporting provisions are assessed against the status quo.

- **The status quo. RMA approach:** The purpose of the current system is to promote sustainable management, which is primarily delivered through managing effects. The current Te Tiriti clause has limited statutory weight.⁸ The RMA enables limits and outcomes as regulatory tools but does not provide direction on their use. It does set out matters of national importance and other matters to guide decision-making.⁹
- **Option 2A. Panel's approach:** Adopt the Panel's approach which includes a statutory purpose to enhance the quality of the environment, supported by directive frameworks for limits and positive outcomes. It would also incorporate stronger Te Tiriti provisions (ie. give effect to) than under the status quo.
- **Option 2B. Panel Plus approach:** Adopt an alternative purpose to the Panel's approach, focusing on enabling use and development, provided it is within natural environment limits and promotes beneficial outcomes which contribute to wellbeing. The Panel's proposed system of limits, outcomes and targets would largely be adopted with some refinements. The system of outcomes would be streamlined and made more flexible. It would also incorporate stronger Te Tiriti provisions than under the status quo.

The preferred option based on the interim analysis is Option 2B because it:

- would align better with the reform objectives than both the status quo and the Panel's approach
- would likely contribute to a net decrease in process costs compared to the status quo
- could result in more urban development benefits than under the status quo or under the Panel's approach, noting this is subject to significant uncertainty until further economic analysis is completed
- could result in more environmental benefits than under the status quo, though potentially less than under the Panel's approach, noting this is subject to significant uncertainty until further economic analysis is completed
- would be more workable to implement than the Panel's approach, though it could still result in some conflicts, or confusion of priorities until the NPF is fully implemented (as the outcomes have equal weighting)
- addresses several of the issues raised by local government and stakeholders with the Panel's approach
- is likely to be seen by Māori as an improvement upon the status quo, but potentially as not going far enough (for example in terms of Te Tiriti clause).

⁸ Section 8 of the RMA requires those exercising functions and powers under the RMA to 'take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi)'

⁹ Section 6 sets out matters of national importance that decision-makers should recognise and provide for. Section 7 sets out other matters that they should have particular regard to.

Overview of policy area 3: NBA National Planning Framework

This policy area covers the NPF. The NPF will be the tool under the NBA for **central government direction** (often referred to as **national direction**) to be provided on the use, protection and management of the natural and built environments in the interests of all New Zealanders.

The interim RIS assesses two packages of options for changing national direction against the status quo:

- **The status quo. RMA approach:** The status quo is comprised of national direction, which is released as separate statutory instruments which are largely ad hoc and discretionary (except for the New Zealand Coastal Policy Statement), and where instruments are generally prepared without a board of inquiry.
- **Option 3A. Panel’s approach:** Adopt the Panel’s approach to national direction where national direction is still released as separate statutory documents, though there would be a more robust development process through a board of inquiry and greater mandatory national direction.
- **Option 3B. Panel Plus approach:** Adopt an alternative to the Panel’s approach and establish a NPF which explicitly incorporates strategic direction, is delivered through one statutory document, and provides flexibility to design a robust process.

The preferred option based on the interim analysis is Option 3B because it:

- would align better with the reform objectives than both the status quo and the Panel’s approach
- would likely contribute to a net decrease in process costs from the status quo
- would likely have greater upfront costs for transition and developing the first combined document than the Panel’s approach but the benefits will be greater over time as integrated management is more likely to be achieved
- is likely to be generally supported by stakeholders, though this support will depend on more detailed design. The support of Māori for this approach will be dependent upon more detailed policy design on the decision making and development process of the NPF.

Overview of policy area 4: NBA Plans

This policy area covers high level decisions on whether there should be one regulatory plan per region. Regulatory plans (or ‘NBA Plans’ in the context of the NBA) publicly establish the policy and planning framework by which the allocation and use of resources are managed locally and regionally.

The interim RIS assesses one option for changing regulatory plans against the status quo.

- **The status quo. RMA approach:** The current RMA provides for both local and regional planning through a suite of planning documents (Regional Policy Statements, Regional Plans and District Plans). Local authorities may voluntarily combine their planning documents.
- **Option 4A. Panel’s approach:** The regional policy statement and all the resource management plans of a region would be combined into one single plan per region, for land, freshwater and the coastal marine area. These plans would be outcomes-focused and give effect to the principles of Te Tiriti. The details of how this would be achieved in practice is out of scope of the interim impacts assessment and will be considered by Ministers at a later date. This option aligns with the previous decisions made by Cabinet and the Panel’s approach (ie, officials are not currently recommending any refinements or alternatives at this high level).

The preferred option based on the interim analysis is Option 4A because it:

- would align better with the reform objectives than the status quo
- would likely contribute to a net decrease in ongoing process costs than the status quo, once the large establishment costs have been met
- is likely to be generally supported by users (noting that support would ultimately depend on more detailed design).

However, Option 4A could be difficult to implement in practice as it is a significant shift from the status quo. Consultation and engagement so far shows that support for this option from local government and Māori will depend on more detailed design of the governance and decision-making processes.

The exposure draft also contains content on plan governance. However, MfE has not provided advice on preferred governance arrangements at this stage of the policy process. The governance model presented in the exposure draft will be accompanied by explanatory material that provides further detail of the proposed model. This is to support consideration of the governance provisions and possible alternatives by submitters. NBA plan governance will be addressed in the final RIS.

Implementing and monitoring the proposals

Implementing the preferred option

Implementation timeframes will become clearer as policy work for the SPA, the CAA, and the remainder of the NBA is completed. However, system reform will take considerable time to implement, with the Panel anticipating that the overall transition to a new system would be completed within 10 years. The reason for these timeframes is primarily due to sequencing and developing the new arrangements.

To provide a clear implementation pathway, we must understand what the whole package of RM reform will look like. As analysis in the interim impact assessment is constrained by what is addressed in the NBA exposure draft, a full and detailed implementation strategy is not able to be produced at this time. However, the interim RIS does discuss implementation and related risks based on what we know about the package of reforms at this stage. Key risks identified so far are:

Capacity/funding

- **Implementation risk:** The most significant risk with system reform is that central government, local authorities and Māori may lack the capacity and necessary funding to establish and operate the new system. The analysis of process costs has indicated that these reforms have large financial implications, especially for local government.
- **Potential mitigation:** Central government can partially mitigate this risk by providing clear direction, including limits and methodologies, through the NPF and initiatives such as model plans and non-statutory guidance to minimise the burden of interpreting and implementing the new legislation. However, this will not address the ongoing increased costs to local authorities to operate the new system.

Implementation timeframes

- **Implementation risk:** Implementation of a new and quite different system may take considerable time. There is a risk that the longer it takes for the system to be implemented, the longer it will be before the benefits from a fully operational reformed system are realised.
- **Potential mitigation:** There are several non-regulatory measures that government can take to speed up the implementation process. For example, MfE is considering how phasing of the preparation of new

plans in some regions could be done with central government support to create a model NBA Plan which could reduce timeframes overall.

Capability/culture

- **Implementation risk:** There is a risk that current norms are hard to change away from existing institutional culture, and that the capability to develop the new NPF and regionalised strategies and plans does not develop quickly enough for transformational change to occur.
- **Potential mitigation:** MfE can support a change in culture to align with the reformed system by working closely with local government to develop skills and training in the areas needed to ensure the policy intent of reform is reflected in spatial strategies and regulatory plans.

Interactions with other regulatory systems or policy work

- **Implementation risk:** The RM system is one of many systems and initiatives that affect the outcomes sought. The effectiveness of system reform will be greatly affected by these interrelated decisions and programmes. There is a risk that if these initiatives do not line up and coherently address issues, this may further complicate the system and reduce its effectiveness.
- **Potential mitigation:** Continued central government coordination and attention to finding complementary ways for achieving a fair and reasonable regulatory system across all sectors.

Monitoring, Evaluation, and Review

A complete framework for monitoring, evaluation, and review of implementation of the proposed reforms is unable to be provided at this stage of the policy development. We need to have a clear understanding of the full system before designing the appropriate monitoring tools to ensure its successful implementation and ongoing effectiveness.

A final RIS will set out how the new arrangements will be reviewed along with an approach to monitoring the performance of the reformed system to ensure it meets its purpose. These new arrangements, once confirmed, will be integrated into MfE's regulatory stewardship obligations.

Before preparing a final RIS, MfE will investigate whether an adaptive management approach would be appropriate for implementing the reforms. Adaptive management is the approach of being flexible, working iteratively and collaboratively to ensure outcomes are achieved in the most effective and efficient ways possible. This requires feedback loops so that the implementation approach can be adjusted where problems arise.

For further information see section 3 of the interim RIS.