



Illustrative National Policy Direction

// Local Government New Zealand's submission

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Ko Tātou LGNZ.

Local Government New Zealand is the national peak body for councils and local democracy. We bring local voices into national policy, influence decisions early, and work with government to deliver practical solutions. Our legitimacy comes from a strong membership base.

Key points

- **The NPD must provide a coherent, durable framework:** The NPD should be a coherent and durable instrument that resolves key tensions nationally, provides long-term certainty, and is subject to rigorous scrutiny when significant amendments are proposed.
- **Planning direction must be aligned with the wider policy and investment settings:** The NPD and national standards should align planning with climate adaptation, emergency management, infrastructure investment, and funding and service delivery. They should be supported by consistent risk information and a national climate resilience framework.
- **National direction must take into account local differences:** Unique local issues or contexts may not always fit into cookie-cutter national direction or standards.
- **Out-of-sequence growth and fast-track developments must be addressed in the new framework:** Direction-enabling growth should reinforce Regional Spatial Plan sequencing and infrastructure priorities, clarify the role of fast-track approvals, apply robust suitability criteria, and avoid transferring unfunded infrastructure and service costs to councils and ratepayers.
- **Strengthened direction is needed across all levels of natural hazard risk:** The NPD should provide a graduated approach across risk levels, consistently address natural hazard risk rather than events, and signal unsuitable areas early through regional spatial planning.
- **Environmental outcomes need equal visibility and clearer protection:** Environmental goals, limits and values should have visibility comparable to development-focused outcomes, with clear direction on resolving conflicts and identifying where adverse effects must be avoided.
- **Nationally directed implementation costs should be fairly funded:** The Government should recognise the direct and indirect costs imposed on councils, including mapping, infrastructure and regulatory-relief obligations, and ensure nationally driven costs and compensation risks do not fall solely on councils and ratepayers.
- **The NPD must clarify roles and use consistent statutory definitions:** The NPD should clearly identify which local authorities each directive applies to, use terminology consistently, and either align definitions with the Acts or expressly explain and resolve any differences.

LGNZ supports a single, integrated national policy direction, but gaps must be addressed

LGNZ welcomes the opportunity to comment on this illustrative National Policy Direction before formal statutory consultation in 2027.

We support the concept of a single NPD as a means of resolving tensions across the Planning Act and Natural Environment Act. A move away from a single integrated Act makes such a mechanism at the top of the funnel more important. An integrated instrument should provide greater clarity than National Direction within the RMA framework, under which councils have often had to reconcile multiple, sometimes contrary, national policy statements developed at different times and using different approaches. By particularising statutory goals in the planning contexts where they apply, the NPD can provide a clearer account of how those goals are intended to operate in practice.

In its current form, however, the illustrative NPD requires further development to provide the coherence, balance and detail needed to perform that role. Currently there are gaps and inconsistencies across the framework in how different themes and system-wide and cross-cutting directives are approached. This risks difficult policy choices being deferred to regional and local processes rather than resolved nationally.

National standards will be the critical link between the NPD and regional spatial plans (RSP), natural environment plans (NEP) and land use plans (LUP). Limited visibility of the proposed standards is therefore a significant gap. Councils cannot fully assess the workability, cost or cumulative effect of the framework until the content, sequencing and legal relationship of the standards are clearer.

The role, structure and durability of the NPD is critical for local government

While the Acts establish the statutory framework, many decisions that will shape land use, development and environmental management are deferred to national policy instruments. This provides flexibility for future governments but it also reduces long-term certainty. If the NPD changes substantially each electoral cycle, councils may face repeated plan changes, delay and significant additional costs for ratepayers and the wider planning system. Experience under the RMA shows that successive amendments to national direction can generate duplicated or wasted effort and leave local government to reconcile inconsistent requirements.

The NPD should therefore be designed as a coherent and durable instrument rather than a collection of current policy priorities. The current structure, which emphasises housing, infrastructure, economic development and primary production, risks obscuring environmental goals and reducing coherence of key outcomes the system is seeking by structuring the NPD around the Government's current priorities. A stable and durable framework is a critical priority for local government and our communities, as it will have significant implications for

implementation costs, system coherence over time, and the certainty and reliability needed to support long-term planning and investment decisions.

Additionally, the shift to a ‘funnel’ approach gives national direction greater weight than decisions made later in the planning process. Amendments made without thorough consideration of their implications could therefore have more significant effects on the ground. By embedding policy choices at the top of the system, such changes may leave councils to manage the consequences of decisions outside of their control.

LGNZ acknowledges that this issue cannot be resolved through the NPD alone and would require amendments to the Planning Act and the Natural Environment Act. The processes in those Acts for making and amending the NPD do not provide a sufficiently rigorous level of scrutiny, given that changes to the NPD may have significant consequential effects on RSPs, NEPs and LUPs, as well as material impacts on communities and investment decisions. Amendments of this significance should therefore be made through primary legislation. Any changes should be required to be considered by Parliament and referred to a select committee, providing an opportunity for public submissions, evidence to be considered and the proposed changes to be scrutinised.

Planning direction must be aligned with the wider policy and investment settings

Many outcomes sought through the NPD will be delivered through mechanisms beyond the planning system. Infrastructure funding, Long-term Plans, asset management programmes, emergency management arrangements, climate adaptation initiatives, government investment decisions and operational service delivery will all determine whether planning outcomes can be realised. If these systems send inconsistent signals, implementation will be less effective and councils will face avoidable uncertainty.

This issue is particularly acute for natural hazards and resilience, which are managed across the Planning and Natural Environment Acts, Building Act, Emergency Management Act, Climate Change Response Act (including signalled amendments), Local Government Act, Land Transport Management Act, Water Services Act, and Soil Conservation and Rivers Control Act. These regimes have different objectives, planning horizons, decision-makers and funding mechanisms. The result can be gaps, overlaps and uncertainty about who is responsible for reducing risk, funding adaptation, maintaining protective infrastructure, supporting relocation and managing residual risk.

At a minimum, the NPD should explain how planning decisions are to integrate with natural hazard management, emergency management, climate adaptation, infrastructure investment and service delivery. The NPD (and, in some cases, National Standards) needs to identify the information and risk assumptions that these systems are expected to share and the points at which decisions must be coordinated.

For example, regional emergency management plans will need to identify and manage hazards and risks, while the NPD indicates that national standards will establish natural hazard

methodologies, including a standardised approach to climate-adjusted risk profiles. These frameworks serve different purposes, but they should draw on consistent risk information, assumptions and assessment methods. Councils operate across the interface of planning and emergency management, and decisions made across that boundary – including decisions about land use, infrastructure investment, preparedness and residual risk – can be critical to community resilience. The NPD and national standards should therefore clearly explain how the two frameworks will align, and should explicitly reference mechanisms such as regional emergency management plans to support coherence across these systems.

More comprehensive integration, however, will require action beyond the NPD. LGNZ continues to advocate for a national climate resilience framework that manages risk consistently across the full risk management cycle rather than falling between separate statutory and operational frameworks. Such a framework should allocate responsibilities across central government, local government, infrastructure providers, communities and property owners, and align those responsibilities with funding tools. Without this wider architecture, important functions may continue to fall between statutory and operational frameworks.

National direction must take into account local differences

LGNZ supports greater national consistency where it improves certainty, efficiency and implementation across the planning system. Common national settings can make requirements easier to understand, reduce avoidable disputes and support more predictable decision-making. However, national direction must also accommodate the differences that communities face in environmental, economic, cultural, growth and infrastructure circumstances. The framework should therefore set clear national outcomes rather than imposing an inflexible prescriptive approach.

National Standards should focus on matters where a shared approach will deliver clear system-wide benefits, while remaining flexible enough to operate effectively in different regional and local contexts. They do not need to anticipate every place or issue. Instead, they should establish common principles, methods or outcomes that promote consistency where it is useful, while preserving scope for councils to respond to local evidence, distinctive conditions and community priorities.

This balance is also important for the durability of the system. National direction and standards can be amended more readily than primary legislation, but changes to them may require councils to revisit plans, evidence and implementation programmes at significant cost. National settings should therefore be stable, carefully tested, and changed only with proper consideration of their local impacts and transition costs.

Out-of-sequence growth and fast-track developments must be addressed in the new framework

The directives for well-functioning urban and rural environments need to be reconciled with provisions enabling urban expansion, and with fast-track consenting pathways. Out-of-sequence development can produce poor outcomes when land is enabled before the transport, water services, community infrastructure and services needed to support it can be funded and delivered. The Housing and Development theme – particularly the urban expansion directive – should therefore give greater weight to growth areas identified through RSPs, the efficient use of existing infrastructure, and the avoidance of unintended costs arising from poorly sequenced growth.

LGNZ has strongly advocated for a review of the Fast-track Approvals Act 2024 to clarify its role within the new planning system. Regional spatial planning provides an important mechanism for aligning land-use decisions, infrastructure investment and long-term growth. That strategic role will be weakened if fast-track approvals or other planning settings enable development that is inconsistent with agreed growth sequencing and infrastructure priorities. Councils may then be required to extend networks and services across dispersed or poorly connected areas, increasing lifecycle costs, reducing infrastructure efficiency and constraining their ability to maintain service levels for existing and new communities.

LGNZ acknowledges the Government's proposal for growth to pay for growth through the development levy reform. However, development levies alone will not address the full costs and risks of out-of-sequence development, particularly where fast-tracked projects sit outside usual planning pathways.

NPD directives that enable development wherever land is considered suitable – including within outstanding natural features and landscapes or other significant areas – should be supported by clear and consistently applied suitability criteria. These should address cumulative environmental effects, infrastructure capacity and lifecycle costs, natural hazard risk, environmental limits, accessibility, connectivity, and the timing and funding of supporting investment. Suitability should be assessed in the context of regional spatial priorities and the long-term functioning of settlements, rather than solely at the scale of an individual proposal.

The framework should also give greater attention to commercial and industrial land and town centres. These areas support employment, services, freight movement, local identity and community wellbeing, and their location directly influences transport demand and infrastructure efficiency. A balanced approach should protect their long-term function, avoid incompatible land uses and reverse sensitivity effects, and integrate decisions about employment land and centres with housing, transport and infrastructure planning.

Stronger direction is needed across all levels of natural hazard risk

The illustrative NPD generally favours managing risk rather than restricting activities solely because they are exposed to hazards. A proportionate, risk-based approach is appropriate, but

the current direction is too limited below the “very high risk” threshold. Without guidance for high- and medium-risk areas, development may be enabled where risks to people, property, infrastructure and future adaptation funding will grow over time, particularly as climate change intensifies flooding, coastal inundation, erosion and other hazards.

Directive SW-2.6 requires natural hazard risks to be managed in proportion to the level of risk, taking into account the cost-effectiveness of mitigation measures. While this provides flexibility, the concept of proportionality can be interpreted differently by decision-makers, creating uncertainty and the potential for inconsistent outcomes. Further guidance is needed on how proportionality should be assessed, including considerations such as risk tolerance, residual risk, long-term consequences and uncertainty. Clearer direction would support more consistent decision-making, reduce costs and litigation risk, and provide greater certainty for councils, infrastructure providers, developers and communities. The NPD should also refer consistently to natural hazard risk rather than natural hazard events. Planning decisions need to consider the likelihood and consequences of harm, the exposure and vulnerability of people and assets, uncertainty in hazard information, the intended life of development, and how risk may change over that period. Event-based language does not provide a sufficient basis for these judgements and may be inconsistent with emergency management and climate adaptation approaches.

The relationship between regional spatial planning and land-use planning also requires clarification. Currently the NPD only requires RSPs to direct housing growth and infrastructure investment to areas where natural hazard risks *can* be avoided or mitigated, rather than areas where new development should be avoided entirely. If areas unsuitable for growth are identified only through later LUPs, regional investment signals may be inconsistent and system users will have to navigate more complexity to understand potential development opportunities. Signalling natural hazard risk at the earliest stage of the planning process will improve awareness, support more informed investment and development decisions, and reduce the likelihood of unsuitable areas being considered for growth.

Environmental outcomes need equal visibility and clearer protection

Environmental outcomes are a key theme across the goals of both the Planning Act and Natural Environment Act. However, the current NPD framework does not adequately reconcile how the respective goals under each Act will be resolved at points of inherent conflict. This has been a longstanding challenge under the RMA, where decision-makers have had to navigate the relative priority of environmental outcomes against the development and use of land and resources. Without clearer and more consistent direction in the NPD, these tensions are likely to persist, creating ongoing uncertainty and implementation challenges across the system.

The current structure gives greater prominence to activity-based outcomes than to natural environment outcomes. Environmental matters are largely addressed under the Public Values theme, which does not provide a sufficiently clear or coherent account of how environmental outcomes, natural resources and environmental limits are to be considered alongside housing, infrastructure, economic development and primary production. Much of the direction to resolve

conflicts between activities and values is deferred to national standards and NEPs and LUPs, limiting the effect of the intended purpose of the NPD being the primary point in the system where tensions are resolved.

This imbalance is particularly evident in the Housing and Development theme, where the goals of the Natural Environment Act are not particularised at all even though urban expansion and intensification will inevitably interact with indigenous biodiversity, ecosystem health, natural character and landscape values. These tensions were a persistent source of uncertainty under the RMA and should be addressed directly rather than carried into the new system.

To give environmental outcomes equivalent visibility and weight within the NPD, LGNZ considers that the natural environment should be established as a distinct theme. Treating matters such as freshwater, ecosystem health and indigenous biodiversity primarily as public values understates their broader importance to the functioning and resilience of natural systems. A dedicated theme would more clearly reflect the goals of the Natural Environment Act and place environmental outcomes alongside housing, infrastructure, economic development and primary production as core components of the new planning system.

The current Public Values theme states that the life-supporting capacity of air, water, soil and ecosystems is to be safeguarded, but the supporting directives provide limited guidance on how this outcome is to be achieved. Instead, much of the substantive direction is deferred to environmental limits and National Standards. Those mechanisms will be important, but limits alone may not address the loss of the extent, connectivity or ecological function of rivers, wetlands and other ecosystems, or provide clear direction where development pressures conflict with environmental outcomes. Environmental limits and National Standards should support, not replace, these core policy choices.

There is also an uneven level of protection across the environmental sub-themes. The direction for outstanding natural features and landscapes and areas of high natural character requires inappropriate development that would cause irreversible loss or significant adverse effects to be avoided. This relatively strong avoidance direction is not provided for environmental health or indigenous biodiversity, despite the potential for similarly serious or irreversible harm. The NPD should set a more consistent level of direction across these matters, including identifying the outcomes that must be protected, the circumstances in which adverse effects are to be avoided, and how competing objectives should be reconciled. This would provide a clearer basis for subsequent National Standards and local planning decisions, while reducing the risk that nationally significant trade-offs are left for councils to resolve locally.

The NPD should provide a clear and coherent pathway for determining when use and development may occur in areas of significant indigenous biodiversity, and the level of protection that applies in each category of area. At present, there appears to be an inconsistency between directives PV-2.1 and PV-2.3. PV-2.1 is framed as a directive for identifying and categorising areas of indigenous biodiversity, yet it also determines the substantive protection applying to those areas by requiring adverse effects in the most significant areas to be avoided unless use or development is enabled subject to stringent management. By contrast, PV-2.3 is the directive intended to govern use and development, but it does not clearly reflect those categories, thresholds or management pathways identified in

PV-2.1, instead deferring their development to National Standards. The identification and categorisation directive should simply set out the categories or tiers of indigenous biodiversity areas, and then the framework for use and development within those tiers should be directed through PV-2.3.

LGNZ is also concerned that the illustrative NPD appears to allow use and development even in the most significant and vulnerable areas of indigenous biodiversity, without clearly defining the limits of that pathway. This is less certain than the approach in the current National Policy Statement for Indigenous Biodiversity, which establishes a clear expectation that the most harmful effects on significant natural areas are avoided and provides more confined pathways for activities that have a genuine need to occur in those locations. If the NPD is to enable development in the highest-value areas, it should be clear that this is exceptional rather than routine, limited to activities of clear public importance where there is a genuine need to locate in the area and no practicable alternative. It should also require strong safeguards so that ecological values are protected and any remaining effects are appropriately addressed. Without clearer direction, the concept of “stringent management” risks being applied inconsistently and may not provide adequate protection for areas that are most vulnerable or irreplaceable.

The costs of implementing national direction will be significant

The NPD establishes a number of directives and requirements for councils to deliver which not only have direct implementation costs but also indirect costs associated with the shift in approach and priorities at a national level. Additionally, there will be significant upfront costs for councils through the plan development process, where councils will face the costs of any legal scrutiny that may result from untested and unclear national direction. On top of this, councils will also need to absorb the wider organisational costs of changing priorities, systems and ways of working.

These demands must be considered alongside the cumulative reform programme already facing local government, including water-services reform, emergency management reforms, local government reorganisation, and continued changes to RMA direction. Delivering multiple reforms while maintaining essential services is placing sustained pressure on council capacity. Smaller councils are particularly affected because they have limited rating bases and access to specialist staff. Reform fatigue and staff turnover further increase delivery risks and pressures.

National consistency should not assume uniform implementation capacity. Transition arrangements, timeframes, funding and central government support should reflect differences in council scale, geography, rating-base capacity and access to expertise. Regional spatial planning, for example, is not simply a replacement for existing planning work. It requires substantial governance involvement, community engagement, technical analysis, investment prioritisation and agreement across agencies.

Some NPD requirements will also create clear and measurable direct costs. The requirement to identify and map terrestrial indigenous biodiversity will create mandatory work and associated

costs for councils and ratepayers. Because these areas will be nationally directed, councils will have limited discretion over the location or extent of the overlays and, consequently, limited control over the scale of regulatory relief that may be required to be provided. This sits uneasily with the rationale underpinning the regulatory relief regime, which expects councils to carefully assess and justify planning restrictions that significantly affect private property rights. Where such restrictions are required by national direction rather than local choice, the resulting compensation risk should not fall solely on councils and ratepayers. For smaller councils such as the West Coast councils even a \$150k- \$200k relief package is equivalent to a 1% rate increase - if rates capping is introduced, having to address regulatory relief will significantly adversely affect small councils' already constrained ability to deliver essential services and infrastructure.

Beyond these direct costs, there are also many indirect costs arising from the direction set through the NPD. As discussed earlier in our submission, directives to enable urban expansion and intensification without sufficient constraints will have significant impacts and increase pressure for councils to fund and deliver supporting infrastructure. These costs will not be fully resolved through proposed development levy reforms. Without additional funding tools or more careful consideration around the parameters of growth councils and ratepayers will continue to bear the brunt of out-of-sequence growth.

The Government should therefore assess the cumulative implementation and funding impacts of the NPD, provide targeted support and appropriate transition periods, and ensure that nationally driven costs, including regulatory-relief and infrastructure consequences, aren't transferred to councils and ratepayers as unfunded mandates.

The NPD should use consistent terminology and definitions

The NPD should use consistent terminology when referencing local government rather than interchangeably referring to 'councils' and 'local authorities'. Additionally, the NPD should specify where a directive applies to territorial authorities, regional councils (and unitary councils) or all local authorities.

The NPD also contains definitions that are different from the Planning and Natural Environment Acts. Of particular note is the definition for 'infrastructure', which takes a broad approach, listing infrastructure types, as opposed to the function-based approach taken in the Acts. It is not clear why different definitions have been used or how differences will be resolved between these instruments. If the intention is to limit the types of infrastructure to which the NPD will apply, then this should be expressly stated, including an explanation for how the definition will apply and how conflicts between definitions should be addressed. It would be preferable to maintain a single definition established under the Acts, with the NPD specifying relevant infrastructure types separately from the definition.

LGNZ invites further engagement in developing next steps

A single NPD has the potential to provide a clearer and more integrated framework than the collection of national direction developed under the RMA. That potential will be realised only if the final instrument transparently addresses all relevant statutory goals, explains how conflicts and trade-offs will be resolved, aligns with climate, emergency management, infrastructure and funding frameworks, and provides balanced direction for development and the natural environment.

LGNZ supports continued development of the NPD and seeks early engagement on the subsequent development of national policy direction and national standards, before formal statutory consultation in 2027. That engagement should include practical testing with a representative range of councils and mana whenua to ensure the framework is understandable, implementable and capable of enduring beyond a single political cycle.