

// SUBMISSION



STRENGTHENING THE RESILIENCE OF AOTEAROA NEW ZEALAND'S CRITICAL INFRASTRUCTURE SYSTEM

// Local Government New Zealand's submission

// AUGUST 2023





Ko Tātou LGNZ.

Local Government New Zealand (LGNZ) provides the vision and voice for local democracy in Aotearoa, in pursuit of the most active and inclusive local democracy in the world. We support and advocate for our member councils across New Zealand, ensuring the needs and priorities of their communities are heard at the highest levels of central government. We also promote the good governance of councils and communities, as well as providing business support, advice, and training to our members.

Our submission

Local Government New Zealand (LGNZ) welcomes the opportunity to submit on the draft proposal for 'Strengthening the resilience of Aotearoa New Zealand's critical infrastructure system'.

Local government has a keen interest in the resilience of our critical infrastructure. Councils have responsibilities under the Civil Defence Emergency Management Act 2002 and the proposed Emergency Management Bill to respond to adverse events, and they are heavily involved in recovery in the wake of disaster. Emergency events – and how councils and communities respond to and recover from them – have significant implications for the resilience of Aotearoa New Zealand's infrastructure. Councils are also responsible for consenting and planning functions, as well as being providers of critical infrastructure themselves.

In 2019, it was estimated that \$14 billion of council assets were exposed to sea level rise.¹ These ranged from roads to buildings and facilities and water infrastructure. Although this data is now dated, it provides a sense of the scale of investment required to ensure our assets and critical infrastructure are resilient to hazards and threats. The level of investment required to ensure resilience will now be even greater. The recent Auckland Anniversary Floods and Cyclone Gabrielle further highlighted the urgent need to uplift the resilience of our critical infrastructure to maintain communities' wellbeing and ensure they remain connected to the rest of Aotearoa.

We invite DPMC to work with LGNZ during the second consultation period to ensure that any additional requirements, including minimum standards for critical infrastructure, are practical, integrate with existing systems and achievable.

¹ Local Government New Zealand (2019) *Vulnerable: the quantum of local government infrastructure exposed to sea level rise*.

Key points

- // Aotearoa New Zealand needs a clear and consistent approach to ensuring critical infrastructure is resilient. This must be underpinned by a focus on communities' wellbeing as well as supporting sustainable and inclusive growth.
- // LGNZ encourages DPMC to undertake further work to fully understand the hazards and risks facing Aotearoa New Zealand's critical infrastructure. These include deteriorating social cohesion and the interdependencies and compounding effects of the megatrends identified in the consultation document.
- // LGNZ agrees that a consistent and simplified process for identifying hazards and risks is needed. This should be supported by a communication platform that integrates with existing natural hazards and infrastructure digital platforms.
- // LGNZ suggests that the additional requirements proposed under this strategy be rationalised against the minimum standards and requirements set out in Emergency Management Bill to avoid duplication. Assessment criteria should be developed in collaboration with local government and critical infrastructure providers.
- // LGNZ encourages DMPC to work with LGNZ and the Department of Internal Affairs to ensure that councils can fund improvements to critical infrastructure and meet any new requirements introduced under this strategy.
- // DPMC must work with LGNZ and other government agencies to ensure this strategy complements existing performance measures and compliance and enforcement mechanisms already in place as well as integrating with the Emergency Management, Affordable Water, and Resource Management Reforms.

Introduction

Ensuring the wellbeing of communities and supporting sustainable and inclusive growth through improved critical infrastructure is good objective for the Government – and one that LGNZ supports. “Investing in critical infrastructure not only protects Aotearoa New Zealand against risks and hazards, but also allows businesses and communities to grow and flourish.”² In the long-term, investments to improve the resilience of our critical infrastructure will also be cost effective as the cost of rebuilding and the impacts on community wellbeing and productivity after a severe event will be reduced.

Aotearoa New Zealand has a significant amount of work to do to ensure that our critical infrastructure is resilient to the increasing number of stresses and shocks we are experiencing. LGNZ

² Benedetti, P., Iny, A., Zhu, L., Leonedas, A., Srivastava, A., Taaffe, P., & Theeuwes, N. (2022, October 7). *Navigating future uncertainty in New Zealand with megatrends*. Boston Consulting Group Global. <https://www.bcg.com/publications/2022/navigating-uncertainty-megatrends-in-new-zealand>

agrees with the need to improve the resilience of critical infrastructure to ensure that when shocks occur, communities remain connected. How we respond to critical infrastructure failures needs improvement. A clear and consistent approach to emergency response and recovery is required to protect the wellbeing of communities and avoid the need for bespoke urgent legislation in the wake of an event.

Aotearoa New Zealand needs a clear and consistent approach to ensuring that critical infrastructure is resilient. This must be underpinned by a focus on ensuring the wellbeing of communities and supporting sustainable and inclusive growth.

A new regulatory approach is required

We agree that climate change, a more complex geopolitical and national security environment, economic fragmentation, and the advent and rapid uptake of new technologies pose significant threats to New Zealand's infrastructure resilience. These megatrends are increasingly likely to cascade, which will compound the effects felt by communities. For example, in Cyclone Gabrielle the destruction of key transport links resulted in a failure of fuel supply lines. This impacted many communities' ability to restore telecommunications, which in turn affected their ability to pay for food and fuel.

We encourage DMPC to undertake a comprehensive stocktake of the hazards and threats New Zealand faces and the interdependencies between them. This will help inform the assessment of the hazards and risks New Zealand faces and provide better understanding of the cascading effects of critical infrastructure failure. In addition to this, DPMC should also fully investigate the complex emerging risks associated with cloud-based technology, social cohesion and food security.

Deteriorating social cohesion is a key megatrend.

We believe the discussion document has omitted a key megatrend that will have significant impact on our resilience to increasing stresses and shocks: social cohesion. Individualistic empowerment and political polarisation have led to a decline of social cohesion and an increased number of radicalised individuals³. Misinformation spread across social media is exacerbating the decline of social cohesion. This is of grave concern as social cohesion is important for the maintenance of community wellbeing and safety, especially in the aftermath of a shock or severe weather event. We encourage DPMC to include social cohesion as a megatrend and assess the risks associated with its decline.

Recommendations:

³ Deloitte (2017) *Beyond the Noise: The Megatrends of Tomorrow's World*.

<https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/public-sector/deloitte-nl-ps-megatrends-2ndedition.pdf>

-
- // LGNZ encourages DPMC to undertake further work to fully understand the hazards and risks facing Aotearoa New Zealand.
 - // LGNZ requests that social cohesion is included as an identified megatrend and that further work is done to understand the interdependencies and compounding effects of the identified megatrends.

Potential barriers to infrastructure resilience

Building a shared understanding of issues fundamental to system resilience

New Zealand needs to develop a greater shared understanding of hazards and threats for this strategy to be successful. Developing a consensus on how to assess these risks and improved powers for data collection will enable New Zealand to appropriately prioritise threats and allow mitigation and resilience building efforts to be put in place. There is currently significant variation in the data available to assess the hazards and threats we face. Significant investment in data collection and risk assessment will be required as the proposed strategy takes shape.

Critical infrastructure providers need to be able to access timely information on the current hazards and risks we face on a common and secure platform. While we support the Australian model for a digital platform outlined in the discussion document, DPMC needs to ensure that this platform integrates – and does not duplicate – the various platforms currently storing information on infrastructure and hazards. The EQC Natural Hazards portal and the proposed digital platform for resource management will need to interact with any common secure platform. Ensuring that risks assessments and data terminology are interoperable between these platforms will be critical.

Resilience requirements should be proportionate to their benefit

In principle we support the government having the ability to set, and enforce, minimum resilience standards across the entire infrastructure system. These minimum standards should enhance but not duplicate standards and obligations under the proposed Emergency Management Bill, sector standards, and under the new resource management system.

As noted in our submission on the Emergency Management Bill, the regulatory environment for emergency management and infrastructure is already complex and contains overlapping responsibilities. A 2022 Cabinet paper on Emergency Management Systems Reform Proposals leading to the new Emergency Management Bill identified “*significant coordination risks that could lead to regulatory confusion and unnecessary compliance costs for Government and (critical infrastructure) operators*”. We have recommended that the requirements imposed by the Emergency Management Bill are simplified.

Any additional requirements proposed under this strategy should be rationalised against the minimum standards and requirements in the proposed National Planning Framework and the Emergency Management Bill to provide clarity, reduce duplication of effort, and mitigate the identified coordination risks.

We see benefit in the government investing in a model to assess the significance of a critical infrastructure asset. This will support the imposition of more stringent resilience requirements which we support insofar as they aligned with the existing requirements. If a model is developed, we believe the criteria for this assessment should be developed in collaboration with local government and critical infrastructure providers to ensure alignment.

The costs of improved minimum standards for critical infrastructure should be shared equitably

While we recognise the long-term benefits of investing in our critical infrastructure, councils are currently facing significant financial pressures and lack adequate funding mechanisms to meet current requirements. Although the Future for Local Government Review's final report recognises the financial pressures facing councils, no commitment to improve the funding and financing tools available to councils has been made yet. This poses a significant risk to the success of the proposed strategy as it is unlikely councils will have the resources required to implement improved minimum standards. This is particularly true in districts with large areas where the potential rating base is limited due to their small population. Often these districts have some of the least resilient local government infrastructure. This issue is further exacerbated in places like Northland and Tairāwhiti, where councils face additional funding challenges due to socioeconomic conditions. We encourage DMPC to work with LGNZ and the Department of Internal Affairs to ensure that councils can fund improvements to critical infrastructure and meet any new requirements introduced under this strategy.

The discussion document outlines the need for users, providers, and the government to pay for improvements to the resilience of our critical infrastructure and proposes reasonable principles for apportioning the costs between them. These principles are useful in the context of business investments and where infrastructure provision is the sole focus of an agency. However, councils face a number of cost pressures and will need to balance several competing priorities to fund improvements to critical infrastructure. Options to develop system resilience need to be staggered to accommodate financial and capacity constraints and should integrate with existing maintenance and renewal programmes where possible.

Creating clear accountabilities and accountability mechanisms for critical infrastructure resilience

We agree that there needs to be compliance and enforcement mechanisms to ensure critical infrastructure providers are meeting potential minimum standards. Critical infrastructure entities already report against their existing service levels annually, to councils, boards, industry regulators and Audit New Zealand. Any additional reporting requirements established under this strategy must complement existing performance measures, compliance, and enforcement mechanisms.

Recommendations:

// **LGNZ agrees that a consistent and simplified process for identifying hazards and risks is needed. This should be supported by a communication platform that integrates with existing natural hazards and infrastructure digital platforms.**

-
- // **There needs to be much greater investment in data collection to allow decision makers to fully understand the risks and threats facing Aotearoa New Zealand.**
 - // **Additional requirements proposed under this strategy must be rationalised against the minimum standards and requirements in the proposed National Planning Framework and Emergency Management Bill.**
 - // **LGNZ encourages DMPC to develop assessment criteria for critical infrastructure in collaboration with local government and critical infrastructure providers.**
 - // **LGNZ encourages DMPC to work with LGNZ and the Department of Internal Affairs to ensure that councils can fund improvements to critical infrastructure and meet any new requirements introduced under this strategy.**
 - // **Additional reporting requirements established under this strategy need to complement the existing performance measures, compliance, and enforcement mechanisms already in place.**

Alignment with other reforms

We are concerned that the introduction of higher infrastructure standards has the potential to miss alignment with other reforms. There is significant overlap between what has been proposed in this discussion document and the current Emergency Management, Affordable Water, and Resource Management Reforms. DPMC needs to ensure that any additional requirements that result from this strategy are integrated with existing regulatory regimes to avoid onerous, complex, or competing requirements for end users.

We are concerned that the timing of this proposal misses opportunities for integration with other reforms and could cause confusion. For example, under the Resource Management Reforms Regional Spatial Strategies (RSS) will need to be developed to ensure that the 'right' infrastructure is in the 'right' place at the 'right' time. Following the expected enactment of the Spatial Planning Act, Regional Planning Committees (RPCs) will be established and will undertake the development of RSSs starting in 2024 with all RSSs expected to take effect in 2028. Given the expected timeline for the development of this Resilience Strategy and any proposed minimum standards, it is unlikely that clear direction will be available for the first iteration of RSSs. This will then require RSSs and their associated implementation agreements to be amended soon after taking effect.

While not listed as a remit agency, LGNZ encourages DPMC to work with the Spatial Planning Board to ensure the Government's objectives for improving the resilience of critical infrastructure are accounted for by the central government representative on RPCs. DPMC will also need to work with Te Waihangā and the Ministry for the Environment to ensure any minimum standards for critical infrastructure are reflected in the second iteration of the National Planning Framework.

Recommendation:

- // **DPMC must work with LGNZ and other government agencies to ensure alignment and integration with the Emergency Management, Affordable Water, and Resource Management Reforms.**



Conclusion

Overall, LGNZ supports the proposed approach to improving the resilience of Aotearoa New Zealand's critical infrastructure. However, we are concerned that a lack of coordination and misalignment with existing regulatory regimes could result in a complex system that requires significant duplication of effort.

We look forward to working with DPMC throughout the policy development process to ensure that any additional requirements under this strategy are practical for councils and that sufficient funding is available for implementation.

If you have any questions on this submission or require further information please contact Jen Coatham, Senior Policy Advisor at jen.coatham@lgnz.co.nz