

Departmental Disclosure Statement

Local Government (System Improvements) Amendment Bill

The departmental disclosure statement for a Government bill seeks to bring together in one place a range of information to support and enhance the parliamentary and public scrutiny of that bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Department of Internal Affairs.

The Department of Internal Affairs certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

17 June 2025

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Part One: General Policy Statement

The primary policy objective of the Local Government (System Improvements) Amendment Bill (the **Bill**) is to reduce pressure on council rates by—

- refocusing the purpose of local government; and
- better measuring and publicising council performance; and
- prioritising core services in council spending; and
- strengthening council transparency and accountability; and
- providing regulatory relief to councils.

The Bill is intended to help address cost of living concerns. When councils were consulting on current long-term plans, rates were identified as a driver of household inflation. Rates had risen the fastest in 20 years and were forecast to rise again by an average of 15%.

Rates rises are being driven primarily by rising council costs, particularly for critical infrastructure. However, the Government is concerned that rates rises are being exacerbated by a lack of fiscal discipline among councils, including—

- spending on activities that stray from core services;
- spending more than necessary on the basics;
- not taking advantage of the full range of funding and financing tools available.

The Bill is intended to help address the Government's concern about a lack of fiscal discipline among councils, as well as ongoing public concern about the high cost of living.

The Bill proposes a range of amendments to the Local Government Act 2002 to meet its policy objectives.

Refocusing the purpose of local government

To refocus the purpose of local government, the Bill—

- removes all references to the four aspects of community well-being; and
- reinstates as a purpose of local government being focused on the cost-effective provision of good-quality local infrastructure and public services; and
- reinstates the specific core services a local authority must have particular regard to in performing its role.

These amendments are intended to provide clearer direction for councils and to help them balance the need for investment with rates affordability.

Better measuring and publicising council performance

To better measure and publicise council performance, the Bill—

- shifts the specific groups of activities councils must plan for and report on into regulations; and
- expands an existing regulation-making power to enable benchmarks to be set in areas of council activity beyond financial performance and asset management; and
- requires councils to report on contractor and consultant expenditure; and

- makes the issuing of rules for performance measures by the Secretary for Local Government (the **Secretary**) discretionary rather than mandatory.

These amendments are intended to—

- improve the consistency of council planning and reporting by activity group; and
- give members of the public a better sense of “what good looks like” in terms of council performance; and
- support a review of the current non-financial performance measures in light of new planning and reporting requirements for water services proposed under Local Water Done Well.

The Government intends to establish a council performance measurement framework similar to that established in New South Wales. This will involve the Department of Internal Affairs routinely publishing council performance information on its internet site so that members of the public can more easily access information about the performance of their council. These amendments are intended to lay the foundation for this framework.

Prioritising core services in council spending

To support the prioritisation of core services in council spending, the Bill includes an additional financial management principle for councils, meaning that a local authority must have particular regard to the purpose of local government and the core services of a local authority when determining its financial management approach.

The Government is investigating tools for limiting council expenditure on certain activities, such as the rate peg (maximum percentage amount by which a council may increase its general income for the year) used in New South Wales. This amendment is intended to encourage local authorities to adopt the sort of financial management principles that a rates capping system in New Zealand would be intended to foster.

Strengthening council transparency and accountability

To strengthen council transparency and accountability, the Bill—

- empowers the Secretary to issue a standardised code of conduct and set of standing orders, both of which would be binding on all councils; and
- requires councils to include the standardised code of conduct in statutory briefings of newly elected members (and extends the code’s application to community board members); and
- requires chief executives of local authorities to facilitate information sharing between councils and elected members (and creates a regulation-making power for prescribing some of the processes associated with information requests); and
- emphasises, in the local governance principles, freedom of expression and the responsibility of elected members to work collaboratively to set the direction of their respective councils.

These amendments are intended to bolster the connection between councils and communities by—

- making public expectations of elected members and council staff clearer and more consistent across the country; and

- supporting elected members to effectively represent local people in council governance.

Providing regulatory relief to councils

To provide regulatory relief to councils, the Bill—

- modernises public notice requirements; and
- removes the requirement for six-yearly service delivery reviews; and
- clarifies the authority of an acting or interim chief executive to sign certificates of compliance for lending arrangements; and
- clarifies that third-party contributions to capital projects for which development contributions are charged can be targeted to specific project drivers; and
- removes the requirement for councils to consider the relevance of tikanga Māori knowledge when appointing council-controlled organisation directors; and
- extends the maximum length of a chief executive's second term to five years.

These amendments are intended to reduce or clarify specific regulatory requirements on councils for greater efficiency.

Part Two: Background Material and Policy Information

Published reviews or evaluations

2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?	YES
<ul style="list-style-type: none"> Local Government Rates Inquiry: Funding local government (August 2007) https://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/IE12126512/http://www.dia.govt.nz/Agency-Independent-Inquiry-into-Local-Government-Rates-Index Productivity Commission: Local government funding and financing (November 2019) https://www.treasury.govt.nz/sites/default/files/2024-05/pc-inq-lgff-final-report-local-government-funding-and-financing.pdf Review into the Future for Local Government: The future for local government (June 2023) https://www.dia.govt.nz/diawebsite.nsf/Files/Future-for-Local-Government/\$file/Te-Arotake_Final-report.pdf 	

Relevant international treaties

2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?	NO
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Regulatory impact analysis

2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?	YES
<ul style="list-style-type: none"> Department of Internal Affairs: Refocusing the purpose of local government (31 October 2024) https://www.dia.govt.nz/diawebsite.nsf/Files/Regulatory-Impact-2024/\$file/RIS-Refocusing-the%20purpose-of-local-government_Redacted.pdf Department of Internal Affairs: Discrete interventions [regulatory relief] (5 November 2024) https://www.dia.govt.nz/diawebsite.nsf/Files/Regulatory-Impact-2024/\$file/RIS-Discrete-Interventions_Redacted.pdf 	

2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?	NO
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2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?	YES
<p>There are aspects of the policy to be given effect to by this Bill that were not addressed by the policy options analysed in these regulatory impact statements.</p> <p>The Ministry for Regulation determined that a regulatory impact statement (RIS) was not required for each of the proposals relating to council performance measurement, financial management, transparency and accountability, and further regulatory relief, on the grounds that these proposals would have no or only minor economic, social, or environmental impacts.</p> <p>When the Minister of Local Government reports back to Cabinet in December 2025 about rates capping as a means of limiting council expenditure on certain activities, the Ministry for</p>	

Regulation has requested that supplementary analysis, on rates capping specifically, accompany the Cabinet paper.

There are also aspects of the policy to be given effect by this Bill that now vary from the policy options analysed in these regulatory impact statements.

The Cabinet paper, "Policy decisions for Local Government System Improvements," and accompanying RISs, which Cabinet considered in November 2024, proposed –

- updating the definition of network infrastructure in section 197 of the Local Government Act 2002 (LGA02) as it relates to the core services prescribed in section 11A; and
- modernising public notice requirements in nine Acts, including the LGA02 and other local government legislation.

This Bill does not propose updating the definition of network infrastructure, as this definition has implications for the basis on which development contributions may be required (section 199 of the LGA02), and any updates to it will be addressed through legislation to implement development levies.

This Bill does not propose modernising public notice requirements in nine Acts. It is an amendment bill proposing changes to the LGA02. The Office of the Clerk considered changes proposed in this bill too wide-ranging to be captured by a single broad policy (needed for an omnibus bill). Updates to public notice requirements in other local government legislation will be considered in an upcoming statutes or regulatory systems amendment bill.

The Cabinet paper, "Second tranche of policy decisions for Local Government System Improvements," which Cabinet considered in April 2025, proposed requiring local authorities to focus on the core services prescribed in section 11A of the LGA02 when discharging their financial management duties, functions, and powers.

This Bill proposes requiring a local authority, when determining its financial management approach, to have particular regard to both the purpose of local government in section 10, and the core services prescribed in section 11A, of the LGA02. This was suggested for consistency, because in 'having particular regard to core services when discharging its financial management duties,' a local authority will also [necessarily/as a matter of course] 'have particular regard to the purpose of local government.'

Extent of impact analysis available

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	NO
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2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO
Analysis on the size of the potential costs and benefits of some of the policies to be given effect to by this Bill is available in the regulatory impact statements above.	

2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:	
(a) the level of effective compliance or non-compliance with applicable obligations or standards?	NO
(b) the nature and level of regulator effort put into encouraging or securing compliance?	NO

Part Three: Testing of Legislative Content

Consistency with New Zealand's international obligations

3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?

To determine whether the policies to be given effect by this Bill are consistent with New Zealand's international obligations, the Department of Internal Affairs:

- consulted on the policies with officials from the Ministry of Foreign Affairs and Trade and the Ministry of Justice with particular knowledge and expertise in international matters; and
- discussed the issues with the Department's legal team.

We were advised that because the Bill proposes amendments to the Local Government Act 2002, and this Act is not subject to any international agreements, there are no international obligations relevant to proposals in this Bill.

Consistency with the Government's Treaty of Waitangi obligations

3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?

To determine whether the policies to be given effect by this Bill are consistent with the principles of the Treaty of Waitangi, the Department of Internal Affairs:

- followed the guidelines agreed by Cabinet for policymakers to consider the Treaty of Waitangi in policy development and implementation, as set out in Cabinet Office circular CO(19)5: Te Tiriti o Waitangi/Treaty of Waitangi Guidance;
- consulted on the policies with officials from the Office of Treaty Settlements and Takutai Moana—Te Tari Whakatau (formerly the Office for Māori Crown Relations—Te Arawhiti) with expertise in Treaty of Waitangi and Māori matters; and
- discussed possibly relevant judicial decisions about the principles of the Treaty of Waitangi with the Department's legal team.

Work on Local Government System Improvements will uphold existing Treaty settlement arrangements. Council participation in, and obligations under, Treaty settlement arrangements will be considered in the programme.

Existing requirements under the Local Government Act 2002 (LGA02), relating to the contribution to decision-making by Māori, and processes for consulting with Māori, will generally continue to apply.

The proposal relating to tikanga Māori knowledge in council-controlled organisation governance may affect Māori participation in local government decision-making, which provisions in other parts of the LGA02 are intended to facilitate.

Consistency with the New Zealand Bill of Rights Act 1990

3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?

YES

An assessment of this Bill against the New Zealand Bill of Rights Act 1990 is in progress. Once the assessment is complete, advice will be available on the Ministry of Justice website:

Advice on consistency of Bills with the Bill of Rights Act (2025)

<https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/the-bill-of-rights-act/advice/>

Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:	
(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?	NO
(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?	NO

Privacy issues

3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?	NO
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External consultation

3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?	YES
<p>There has been external consultation on some of the policies to be given effect by this Bill:</p> <ul style="list-style-type: none"> for policies relating to council performance measurement, the Department of Internal Affairs (the Department) convened a reference group of local government sector experts, which has provided feedback on different aspects of the new performance measurement framework; for policies relating to council transparency and accountability, the Department was instructed by the Minister of Local Government (the Minister) to consult with the Free Speech Union, New Zealand Taxpayers' Union, New Zealand Initiative, Transparency International, and other ratepayer groups and academics on possible interventions; and for policies relating to regulatory relief, the Department was instructed by the Minister to consult with Local Government New Zealand, Local Government Professionals New Zealand – Taituarā, Federated Farmers, and BusinessNZ on possible interventions. <p>There has also been external consultation on a draft of this Bill. With approval from the Minister (and support from the Chief Legal Advisor of the Department), officials shared a clause of the draft Bill with the Local Government Funding Agency (LGFA).</p> <p>The LGFA proposed specific amendments to section 118 (Certificate of compliance) early in policy development and is key among the lenders that will determine whether amendments in the Bill fulfil the Government's policy intent of providing regulatory relief to councils.</p>	

Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?	NO
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Part Four: Significant Legislative Features

Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
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Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	NO
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Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO
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Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO

Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO
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Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
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Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO
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4.8. Does this Bill create or amend any other powers to make delegated legislation?	YES
<p>The Local Government (System Improvements) Amendment Bill proposes –</p> <ul style="list-style-type: none"> expanding an existing regulation-making power (amended section 259(1)(dc)) to enable benchmarks to be set in areas of council activity beyond financial performance and asset management (e.g., service delivery and governance performance); and two new regulation-making powers (new sections 259(1)(dd) and (fa)) to enable the specific groups of activities councils must plan for and report on, and the process for responding to information requests from elected members, to be set out in regulations. <p>These new regulation-making powers are intended to allow for the making of regulations that will give members of the public a better sense of “what good looks like” in terms of council performance, improve the consistency of council planning and reporting by activity group, and ensure councillors are supported to make informed decisions.</p> <p>Parameters and safeguards will apply to the powers to ensure they are properly constrained and used appropriately. For example, for regulations prescribing groups of activities,–</p> <ul style="list-style-type: none"> these may differentiate between types of local authority (territorial authority or regional council) and attempt to define groups of activities; and before recommending the making of these regulations, the Minister must consult as appropriate and have regard to the purpose of local government and core services. 	

Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	NO
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