

27 August 2025

Infrastructure New Zealand's Submission on the Local Government (System Improvements) Amendment Bill

1. Introduction

- 1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to submit to the Governance and Administration Committee on the Local Government (System Improvements) Amendment Bill.
- 1.2 INZ is Aotearoa's peak membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. Our membership is comprised of around 150 organisations, including government agencies, local authorities, consultants, contractors, financiers, utilities, and academics. These organisations employ approximately 150,000 people in infrastructure-related roles and are united in their commitment to creating a better New Zealand through outstanding infrastructure.
- 1.3 This submission represents the views of INZ as a collective whole and may not necessarily represent the views of individual member organisations. We have encouraged members to provide their own submissions to raise issues specific to their expertise and areas of interest.

2. General Comments

Bipartisan approach needed

- 2.1 While INZ recognises and supports that the intent of the Local Government (System Improvements) Amendment Bill (the Bill) is to help address costs of living concerns, we have concerns about the specific mechanisms proposed.
- 2.2 We agree there is a major issue with the affordability of councils' services. We have seen the majority of rates increases have been well above inflation rates. These reflect increased spending to support growth and also to maintain existing levels of services for their many activities and services. There are significant financial constraints facing local authorities and there are limited additional funding mechanisms to utilise to address these.
- 2.3 INZ acknowledges that increased infrastructure capital and maintenance costs is a significant factor in many of the rates increases around the country. We support the New Zealand Infrastructure Commission's Te Waihanga work to improve infrastructure practice and delivery, especially the development and management of a comprehensive national infrastructure pipeline and the work programme that sits behind the draft National Infrastructure Plan.
- 2.4 However, the ongoing oscillation of the prescribed Purpose of Local Government every few years, when there is a change in central government, adds to inefficiency and distraction within the sector. We have seen the pendulum swing back and forth on the purpose of local government over the years without much practical effect on council behaviour. This is largely due to the fact that this change actually fails to address the key issues of ensuring a thriving, successful and financially sustainable local government sector delivers for its ratepayers, businesses, and communities.
- 2.5 **Central and local government need to work together to find sustainable solutions to the very real issue of affordability.** There continues to be the underlying issue that local government funding as it currently stands is not sustainable. Rather than band aids that only partly address the festering issues, we would like to see a bipartisan approach taken to understanding the problems and designing enduring solutions.

Feedback on proposals

- 2.6 We have been targeted in our comments and have considered these from an infrastructure sector's perspective. INZ is also a member of the Local Government Business Forum which has also submitted on the Bill. While INZ shares the Forum's concerns around affordability of rates, we do not support the proposals around Purpose or Core Services. Other aspects such as the provisions on measurement and reporting council performance, measures to

improve transparency and accountability and the provision of regulatory relief are also supported.

3. Purpose and Core Services

Clauses 4 and 6 New Purpose of Act and Purpose of Local Government

3.1 INZ has concerns around the removal of the current four *wellbeings* ((social, economic, environmental, cultural) as specified in sections 3 and 10 of the principal Act. The proposed narrowing of the purpose to cost-effective provision of good quality local infrastructure and public services has the appearance of more tightly focusing local authority activities, especially when combined with a tightly defined list of core services.

3.2 However, INZ does not believe that the revised core purpose of local government as set out in the Bill will have a material effect on decreasing the pressure on rate rises. Over 80% of council spend already goes to infrastructure and core services, so in practice the change may be more symbolic than substantive. Effectively we would be shifting only a small pebble and not a big rock.

3.3 INZ strongly supports local communities exercising their democratic right each election and judging local authorities' performance and spending priorities at the ballot box. Consultation on long term plans provide another mechanism by which communities. If more direct accountability is needed than other mechanism should be considered such as spending referendums or more special targeted rates, or arrangements through city and regional deals.

3.4 There is a real risk that narrowing the purpose may undermine councils' ability to respond to broader community needs. It is important to recognise local democratic decision-making while seeking greater efficiency and clarity in roles.

Clause 7 Core Services to be considered in performing role

3.5 The Bill defines the following services as the core services of a local authority that it must have particular regard to:

- network infrastructure
- public transport services
- waste management
- civil defence emergency management
- libraries
- museums
- reserves, and

- other recreational facilities.

- 3.6 We note that performance of regulatory functions is in the core purpose, but it is not included in the list of core services. Local authorities provide many services in this space, public health services such as food and alcohol regulation, animal control, building and resource management regulation, noise control etc. including performing key functions under other legislation. In case of regional councils' pest management control is a key function but is missing also. There is a risk that by introducing such specificity important functions could be inadvertently missed. Local communities need to determine what are the priorities for their area and how their local rates will be spent.
- 3.7 There is potential tension between restricting council activities and the reality that communities expect more than just core services. Communities should have some say as what constitutes core services for their council and we would expect these to be different depending on the context rural versus urban, growth versus stagnant economic environment.
- 3.8 We note that central government exacerbates the affordability issue with its unfunded mandates passed onto local government. Local government often carries out regulatory functions and standards on behalf of central government. While the costs of implementation are typically borne by ratepayers or through fees, the resulting benefits are both local and also national. Yet there is usually not funding from central government to establish the functions administration or systems.

4.0 Provisions Supported

4.1 INZ supports a number of the details of the Amendment Bill, in particular:

- providing regulatory relief to councils.
- better measuring and publicising of council performance
- strengthening council transparency and accountability

Clause 9 Delivery of services by different entity

- 4.2 We support the removal of these mandatory requirements which add unnecessary compliance costs to councils. This straightforward change included in the Bill, along provisions addressing the public notification requirements reflect the current environment and maturity of local authorities.

- 4.3 The removal of the need for six-yearly service delivery reviews is supported. Councils carry out reviews of how they operate on a regular basis as part of business as usual, and this will continue despite the removal of this requirement from legislation ensuring the efficiency and effectiveness of service delivery get reviewed at appropriate times.
- 4.4 Ongoing performance measurement framework across the full sector to provide a consistent set of measures across all councils is supported, such as the work being undertaken by the Road Efficiency Group. This will allow councils to review their own service delivery against the service delivery cost for similar councils.

Clause 10 Governance principles

- 4.5 We support the free exchange of information and strengthening of transparency provisions. We support other provisions which streamline processes and promote efficient administration.

Clause 20 Limitations applying to requirement for development contribution

- 4.6 We support these clarifications. We note that these provisions relating to development contributions may need to be revisited once the developer levies framework has been determined.

Clauses Strengthening Council Transparency and Accountability

- 4.7 INZ supports measures to improve transparency and accountability. It is important that residents and ratepayers have confidence that councils are efficient and effective.

Better Measuring and Publicising Council Performance

- 4.8 INZ strongly supports provisions on measurement and public reporting council performance. Benchmarking should help businesses and residents better understand how their councils are faring and whether they get value for money from council services. It should help councils understand how they sit relative to their peers and so help drive improvements.
- 4.9 Importantly, benchmarking should also help central government better monitor the performance of the local government sector and of individual councils, informing its policy making and allowing earlier assistance or interventions where needed. Better standardised performance metrics,

especially around functions like consenting, to drive improvements. We acknowledge work is underway, but the latest report of just council rate increases is weak and does not provide a full and meaningful picture of local authority performance.

5.0 Conclusion

5.1 INZ thanks the Governance and Administration Committee for the opportunity to submit on the Local Government (System Improvements) Amendment Bill and wish to present our submission to the committee.

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