

Local Government (System Improvements) Amendment Bill

Government Bill

As reported from the Governance and Administration Committee

Commentary

Recommendation

The Governance and Administration Committee has examined the Local Government (System Improvements) Amendment Bill and recommends by majority that it be passed. We recommend all amendments by majority.

Introduction

This bill would amend the Local Government Act 2002. It seeks to reduce pressure on local government rates to help address concerns about the cost of living and a perceived lack of fiscal discipline among councils. The bill proposes to:

- refocus the purpose of local government
- increase accountability and transparency of council performance
- prioritise core services in council expenditure
- strengthen the connection between councils and communities
- reduce and clarify the regulatory requirements on councils.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of legislative quality. We have no issues regarding the legislation's design to bring to the attention of the House.

Proposed amendments

This commentary covers the main amendments we recommend to the bill as introduced. We do not discuss minor or technical amendments.

Purpose of local government

Clause 6 of the bill as introduced would replace section 10 of the Act, which states the purpose of local government. It would largely return section 10 to its wording before the passage of the Local Government (Community Well-being) Amendment Act 2019.

We recommend amending the drafting of proposed section 10(b) to make it more concise. Our amendment would rephrase this part of the purpose as: “to meet the current and future needs of communities for good-quality, cost-effective, and local infrastructure, local public services, and local performance of regulatory functions.”

In addition, we recommend that this wording also be incorporated in clause 4 (amending section 3), clause 5 (amending section 5), and clause 9 (amending section 17A).

We also recommend amending clause 5 to insert a definition of “cost-effective” in section 5 of the Act.

Core services of a local authority

Clause 7 would insert new section 11A with the aim of providing a clear direction for councils on the services that the public generally considers a core role of local government. Proposed new section 11A(1) states: “the following services are the core services of a local authority”. We are aware that the core services listed in the bill are not intended to capture all statutory responsibilities of a local authority, but to help a council prioritise its responsibilities. Therefore, we recommend replacing this opening sentence with the statement from a previous version of the Act (version prior to Local Government (Community Well-being) Amendment Act 2019): “in performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities”.

Proposed section 11A(1)(c) specifies “waste management” as a core service. We recommend amending this to state “waste management and minimisation”. This would better align with terminology used in the Waste Minimisation Act 2008 and the way these activities are carried out by councils, with waste management and minimisation closely linked.

We also recommend amending proposed section 11A(1)(e) to include community facilities as well as recreational facilities. This would capture valued facilities in the community that may not serve a recreational purpose, such as public toilets, community halls, and even some reserves.

The majority of us support strengthening the requirement for councils to prioritise the core services established in this bill. We considered inserting a new clause to amend section 12 to make it clear that, while there is no change to the power of general competence for any council, that power in and of itself does not circumvent or weaken the purpose or priorities of local government as set out in new sections 10 and 11A. Officials advised that this point was already covered by section 12(3), and therefore the amendment was not required. The majority of us think this is worthy of further consideration.

New definitions

In the bill as introduced, clause 5 would insert “waste management” into section 5 of the Act (Interpretation). In line with our recommendation to amend proposed section 11A(1)(c), we propose defining “waste management and minimisation” with reference to its definition in the Waste Minimisation Act.

We also recommend inserting definitions for “civil defence emergency management”, “public transport services”, and “reserves” into section 11A(3). These definitions would include some references to existing definitions in other statutes.

We are aware that work on definitions is proposed to accompany a bill on development levies next year, and that this will be an opportunity to improve definitions. We encourage that work to be done quickly to address what could otherwise be gaps in this bill.

Governance principles

Clause 10 would amend the governance principles in section 39 of the Act. Proposed new section 39(1)(g) states that “a local authority should foster the responsibility of its elected members to work collaboratively to set the local authority’s agenda, determine its policy, and make decisions on behalf of its communities”.

We understand that while a mayor takes the lead when undertaking any piece of work, councillors also fully engage in the process of determining a policy programme and the implementation of a programme or project. They are also actively involved in making decisions regarding a council’s budget. Therefore, we recommend amending proposed section 39(1)(g) to provide that its elected members should work collaboratively to set and deliver the local authority’s policy agenda, determine its policies and budgets, and make decisions on behalf of its communities.

Consistency with purpose of the Act

Clause 18 would amend section 101 of the Act (Financial management). Proposed new section 101(3)(b) states that a local authority must consider “the overall impact of any allocation of liability for revenue needs on the community” when determining appropriate funding sources to meet its funding needs. We note that the purpose of the Act, as amended by clause 4 of the bill, would refer to “current and future needs of communities”. For consistency with the purpose statement, we recommend that section 101(3)(b) be amended to refer to “current and future communities”.

Consulting all relevant local authorities

Clause 21 would amend the regulation-making power in section 259 of the Act to enable regulations to be made that prescribe groups of activities that a council would report on in its long-term plan, annual plan, and annual report. Proposed new section 259(4B) provides that the Minister of Local Government must, before recommending the making of regulations under new subsection (1)(de), consult any local authority that they consider appropriate.

We note that under section 259(4) of the Act the Minister may recommend the making of regulations only if the content of the recommendation has been developed in consultation with Local Government New Zealand. For consistency, we recommend inserting section 259(4B)(aaa) so that the Minister must consult with all relevant local authorities.

Clause 22 would amend section 261B to enable the Secretary to make rules specifying performance measures in relation to activities or groups of activities provided by, or on behalf of, a local authority. This provision is intended to reduce the cost of consultation by making consultation requirements discretionary. New section 261B(3) provides that the Secretary must consult with any local authority before making a rule, if the Minister advises the Secretary that the Minister considers it appropriate.

We recognise the need for a strong government voice in the development of any new performance measure. Therefore, we recommend amending this new section to require the Secretary to consult with all relevant local authorities and any other persons or groups the Secretary considers appropriate. We recommend further amending this provision by removing the need for the Minister to advise the Secretary in these matters. These amended consultation requirements would enable sector involvement in the making of rules for performance measures.

Alignment with the Local Government (Water Services) Amendment Act

We note that the provisions in clause 21 relating to groups of activities do not align with the Local Government (Water Services) Amendment Act 2025. We recommend inserting section 259(4AB) to make it clear that regulations made under new subsection 259(1)(de) must not include in a group of activities any activities relating to water services under the Local Government (Water Services) Amendment Act.

We also recommend amending clause 26 (which amends Schedule 10) to reflect the recommended change to section 259. This would make it clear that a local authority may treat any other activities except activities relating to providing water services under the Local Government (Water Services) Amendment Act) as groups of activities for the purposes of Schedule 10.

Consequential amendment to the Local Government (Water Services) Amendment Act

Clause 20 (amending section 200) would clarify the limitations on a territorial authority when seeking a development contribution from a third party if it is providing funding intended to cover the costs of a project to provide for growth over the long term. For consistency, we recommend inserting clause 26E to make consequential amendments to section 116 of the Local Government (Water Services) Amendment Act, so changes to section 200 by the bill would be reflected in the relevant parts of the Local Government (Water Services) Amendment Act.

Consequential amendments to the Local Government (Auckland Council) Act

Auckland Council told us that some changes proposed by the bill would not be consistent with the Local Government (Auckland Council) Act 2009. For consistency, we recommend inserting clauses 26B and 26C to make consequential amendments to sections 21(5)(a)(i) and 29(2) of the Local Government (Auckland Council) Act.

Code of conduct provisions

Clause 25 of the bill would make changes to provisions relating to the code of conduct of a local authority under Schedule 7 of the Act. Clause 25(1) would empower the Secretary to approve and issue a code of conduct for members of local authorities (and to amend or replace it). We think that there should be transparency when a code of conduct is amended or replaced.

We recommend inserting subclause (3AA) to require a council chief executive to provide an explanation of any amended or replacement code of conduct, issued under new clause 15(1A), to members in a public meeting as soon as practicable after the code is issued. For consistency with new clause 15(1) of Schedule 7, we also recommend inserting new subclause (1A) to remove the words “adopted by the local authority” from clause 15(2)(a) of Schedule 7 in the Act.

We understand that not all councils operate in the same manner, and they require different governance arrangements. We think that the code of conduct should also apply to a person who is not an elected member but has been appointed to a governance position. Therefore, we recommend amending clause 25(3) to provide that the standard code of conduct also applies to person appointed to a committee or subcommittee who is not a member of a local authority.

We consider that it is reasonable to include a requirement for the Secretary to consult with local authorities when issuing new versions of governance documents, including the code of conduct and standing orders. We recommend amending clause 25(1) and (10) to require the Secretary to consult all local authorities before approving an amended or replacement code of conduct or standing orders.

We note that consultation on drafts of these documents is either scheduled to take place before the bill would be passed or has already been already completed. Applying the new requirement to documents currently under development would duplicate consultation processes. Therefore, we recommend amending clause 25(1) and (10) so the requirement for the Secretary to consult with local authorities on governance documents only applies on or after 1 January 2027.

Access to council documents for elected members

Clause 25(9) would insert clause 26A in Schedule 7 of the Act to entitle a member of a local authority to have access to documents held by the local authority that are reasonably necessary to enable the member to effectively perform their duties. The

clause would also allow members to request these documents from the chief executive of the local authority.

We are aware of some instances where an elected member was prevented from accessing information that they are entitled to under common law. We think that the bill would benefit from clarifying in legislation the common law mechanism that enables an elected member to challenge a refusal from a chief executive. We recommend amending clause 25(9) to provide that, if a chief executive refuses an elected member's request for documents, the member may request the documents from the local authority's governing body, which must make the final decision on the request.

We are aware that there are times when council documents are commercially or legally sensitive. We understand that guidance is likely to be issued in early 2026 regarding the confidentiality of documents and what parameters might be set by a chief executive to protect sensitive information contained in the documents.

Transitional provisions for the terms of employment of a chief executive

Proposed clause 25(14) of the bill would amend clause 34(4) of Schedule 7 to increase from 2 years to 5 years the period that an incumbent chief executive could be appointed for without advertising the vacancy. We found the bill unclear whether an incumbent chief executive who has already been reappointed for up to two years can be reappointed for a further three years. We recommend inserting clause 62A into Schedule 2 of the bill as a transitional provision. It would enable a council that reappointed its chief executive for a second term under clause 34(4) of Schedule 7 of the Act to reappoint its chief executive for a third term, provided the combined duration of the second and third terms did not exceed 5 years.

New Zealand Labour Party differing view

Labour opposes this bill because it represents a backward step for local democracy and community well-being. By refocusing the purpose of local government away from the broader social, cultural, environmental, and economic outcomes that had been introduced in 2019, the bill narrows councils' role to infrastructure and regulatory functions. This change disregards the importance of councils in fostering vibrant, resilient communities and tackling complex challenges such as housing, climate adaptation, and social equity considerations.

The bill increases ministerial influence over local government as a sector through expanded regulation-making powers and performance measures that are prescriptive in nature. Labour believes this centralisation undermines the principle of localism and local decision-making along with the ability of communities to shape their own priorities. Local councils are best placed to understand and respond to local needs, and this bill erodes that autonomy by imposing a one-size-fits-all approach from the government.

The bill prioritises a limited set of "core services". This risks marginalising essential community facilities and programmes that contribute to community well-being.

While waste management and roading are important, councils can also be tasked with delivering libraries, cultural facilities, and social services that strengthen local communities. Labour rejects the notion that these services are optional “nice to haves”; they are essential to the quality of life and social cohesion in our towns and cities.

The Government has framed this bill as a response to cost-of-living pressures, but Labour argues that constraining councils’ ability to invest in community outcomes will have long-term negative consequences. Infrastructure upgrades, climate resilience projects, and social initiatives require sustained levels of funding. The inability for councils to take a broader consideration to the issues their communities face calls into question the ability for councils to be prepared for what might come their way in the future.

Labour is also concerned that the proposed changes to governance principles and codes of conduct reduce transparency and accountability. While collaboration among elected members is important, empowering a Secretary of local government to issue governance documents such as a generic set of standing orders undermines democratic processes and local voices. Many councils have bespoke standing orders that work perfectly fine for their communities—there is no need to tinker with that.

Rather than empowering councils and communities, overall this bill prioritises control and conformity. Labour believes genuine system improvements should focus on strengthening local democracy. This bill fails to do that, and for those reasons, Labour cannot support it.

Green Party of Aotearoa New Zealand differing view

The Green Party strongly opposes the Local Government (System Improvements) Amendment Bill as fundamentally flawed legislation that undermines and patronises local democracy, ignores the climate crisis, and misunderstands the drivers of rates. While the Government claims this bill will reduce rates pressure, we agree with Local Government New Zealand’s (LGNZ) assessment that there is “no clear evidence” linking rates increases to the four wellbeings framework, and that removing them will not achieve the stated policy objectives.

The minor changes at select committee to include waste minimisation, museums, and other community facilities are a tiny improvement but show the flaws in a top-down approach.

While the explicit power of general competence still allows councils to respond to the needs and desires of their communities, removing the wellbeings is a performative insult to local government without limiting their scope of work significantly.

The Green Party is committed to constitutional transformation grounded in He Whakaputanga and Te Tiriti o Waitangi, with high levels of participation, inclusive of marginalised voices. This bill does the opposite.

The bill’s narrow, prescriptive framework tries to reduce flexibility for councils to develop innovative co-governance and co-management arrangements that honour Te Tiriti and uphold the rangatiratanga of iwi and hapū.

Eliminating social, economic, environmental, and cultural wellbeing from local government's objectives can be seen as an act of constitutional vandalism motivated by outdated ideology. The Regulatory Impact Statement confirms that "a purpose focussed on the wellbeing of the community has not added cost to the sector".

Departmental advice acknowledges that "proposed changes, when considered in isolation, are unlikely to benefit communities more than the status quo" and that "changes to the purpose of local government in the past have not resulted in significant changes to council activities or service levels".

The requirement that activities be "most cost-effective for households and businesses" creates an absolute standard prioritising short-term financial costs over long-term community resilience and sustainability. LGNZ notes this tension could favour the "least cost" approach over resilient, future-proofed infrastructure—precisely the opposite of what climate adaptation requires. Ashburton Council queried whether this bill signals the end of local procurement policies. We need more public consensus on the role of local government.

Research on climate adaptation highlights the need for robust, long-term funding mechanisms and anticipatory governance. Professor Jonathan Boston's work emphasises that we need "a long-term policy framework for climate change adaptation that is credible, cost-effective and tolerably fair to all citizens".

Boston's work on managed retreat and adaptation funding mechanisms highlights the inadequacy of current approaches designed "for past states of change and not for the Anthropocene". Councils need greater, not lesser, flexibility to develop innovative funding mechanisms and adaptation strategies.

The "core services" list excludes key regional council functions including biosecurity, pest management, and planning. The Parliamentary Commissioner for the Environment expresses "concern that the proposed list of 'core services' for local authorities is too restrictive", noting that the problem statement "fails to acknowledge the breadth of services and activities that local authorities have statutory responsibility for. Meeting them comes with associated costs."

The mandatory uniform standing orders (Clause 25(10)/Schedule 7) represent an unwarranted centralisation of power. Councils vary immensely from the Auckland Council, which covers 1.8 million and half a million hectares, whereas Tararua District has a similar area but less than 20,000 people. Expecting both to cover the same "core services" is ridiculous. Similarly, the idea that the exact same standing orders, including quorum for remote or hybrid meetings, should apply to the largest, like the 2,955,200ha of Southland Council the same as the most compact such as Hamilton City with 11,000ha is laughable.

The bill's narrow focus diminishes the role of communities in determining their own priorities.

LGNZ identifies that the bill creates "inherent uncertainty" that will likely lead to "increased testing of decision-making through judicial review". This makes participa-

tion more difficult and expensive, favouring those with resources to engage in legal challenges rather than participatory democratic processes.

Councils already measure many things, including citizens' perceptions of safety. Often it is the trend that is more important than the absolute value. Regarding the comparative quality of life in the eight cities, close to three quarters (73 percent) of all respondents perceive their city / local area as being a great place to live, while 9 percent disagree. Performance measures should support transparency and accountability to communities, not become tools for central government control without genuine consultation.

The Government claims this bill will reduce rates pressure, but this claim lacks evidential foundation. The real rates pressure comes from decades of infrastructure underinvestment, central government cost-shifting onto councils, climate adaptation requirements, population growth and changing demographics, and ageing infrastructure requiring replacement. None of these drivers are addressed by this bill. Instead, the bill creates legal uncertainty and compliance costs while constraining councils' ability to address the actual causes of rates increases. Aotearoa New Zealand's local government sector has a much narrower set of funding avenues than most international examples, and its expenditure as a percentage of GDP, less than 5 percent, is lower than most OECD countries.

"Local Water Done Well" has been patchy in its execution. Despite this Government calling it "off balance borrowing", credit rating agencies have not agreed. Many councils face a higher cost of borrowing than before.

Local government is the level of democracy closest to people. It must have the flexibility, resources, and mandate to respond to community needs and prepare for long-term challenges, particularly the climate crisis. This bill undermines democratic participation, ignores Te Tiriti obligations, constrains climate action, is unimaginative about the role of councils in promoting economic development, with a lack of clarity about tourism development and promotion. This bill creates legal uncertainty while failing to address the costs to local government.

Appendix

Committee process

The Local Government (System Improvements) Amendment Bill was referred to this committee on 17 July 2025. The House instructed us to report the bill back no later than 25 November 2025.

We called for submissions on the bill with a closing date of 23 July 2025. We received and considered submissions from 536 interested groups and individuals. We heard oral evidence from 35 submitters.

Advice on the bill was provided by the Department of Internal Affairs. The Office of the Clerk provided advice on the bill's legislative quality. The Parliamentary Counsel Office assisted with legal drafting.

Committee membership

Camilla Belich (Chairperson)

Tim Costley

Andy Foster

Hon Melissa Lee

Tom Rutherford

Lemauga Lydia Sosene

Celia Wade-Brown

Related resources

The documents we received as advice and evidence are available on the Parliament website.

**Local Government (System Improvements) Amendment
Bill**

Key to symbols used in reprinted bill

As reported from a select committee

text inserted by a majority

~~text deleted by a majority~~

Hon Simon Watts

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Government Bill

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*Consequential amendments to Local Government (Auckland
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Schedule 1

Sections repealed

Schedule 2

New Part 10 inserted into Schedule 1AA

The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Local Government (System Improvements) Amendment Act **2025**.

2 Commencement

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- (1) This Act comes into force on the day after Royal assent.
- (2) However, **section 26(2), (3), and (5)** comes into force on a single date set by Order in Council.
- (3) If **section 26(2), (3), and (5)** has not come into force by 30 June 2030, it comes into force then.
- (4) An Order in Council made under this section is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

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3 Principal Act

This Act amends the Local Government Act 2002.

Part 1

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Amendments relating to system improvements

4 Section 3 amended (Purpose)

Replace section 3(d) with:

- (d) provides for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality, cost-effective, and local ~~infrastructure, local public services, and performance of regulatory functions~~.

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(i) infrastructure; and

(ii) public services; and

(iii) performance of regulatory functions.

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5 Section 5 amended (Interpretation)

- (1) In section 5(1), replace the definition of **community outcomes** with:

community outcomes means the outcomes that a local authority aims to achieve in meeting the current and future needs of communities for good-quality, cost-effective, and local ~~infrastructure, local public services, and performance of regulatory functions~~

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(a) infrastructure; and

(b) public services; and

(c) performance of regulatory functions

- (1A) In section 5(1), insert in its appropriate alphabetical order:
cost-effective, in relation to the delivery of infrastructure and public services, and the performance of regulatory functions, means ensuring that the public receives value for money by—
 (a) using resources effectively, economically, and without waste; and
 (b) taking into account the total costs and benefits of any decision or action 5
- (2) In section 5(1), repeal the definition of **public notice**.
- (3) In section 5(1), definition of **significance**, replace paragraph (a) with:
 (a) the district or region: 10
- (4) ~~In section 5(1), insert in its appropriate alphabetical order:
waste management means solid waste collection and disposal~~ 10
- 6 Section 10 replaced (Purpose of local government)**
 Replace section 10 with:
- 10 Purpose of local government**
 The purpose of local government is— 15
 (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
 (b) to meet the current and future needs of communities for good-quality, cost-effective, and local—~~local infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective for households and businesses; and~~ 20
 (i) infrastructure; and
 (ii) public services; and
 (iii) performance of regulatory functions; and
 (c) to support local economic growth and development by fulfilling the purpose set out in **paragraph (b)**. 25
- 7 New section 11A inserted (Core services to be considered in performing role)**
 After section 11, insert:
- 11A Core services to be considered in performing role** 30
 (1) In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities;~~The following services are the core services of a local authority:~~
 (a) network infrastructure:
 (b) public transport services: 35

	(c) waste management <u>and minimisation</u> :	
	(d) civil defence emergency management:	
	(e) libraries, museums, reserves, and other <u>community and</u> recreational facilities.	
(2)	In performing its role, a local authority must have particular regard to the contribution that the core services make to its communities.	5
(3)	In subsection (1)(d), civil defence emergency management has the meaning given to it in section 4 of the Civil Defence Emergency Management Act 2002.	
(3)	<u>In subsection (1),—</u>	10
	<u>civil defence emergency management has the meaning given to it in section 4 of the Civil Defence Emergency Management Act 2002</u>	
	<u>public transport service has the meaning given to it in section 5(1) of the Land Transport Management Act 2003</u>	
	<u>reserve has the meaning given to it in section 2(1) of the Reserves Act 1977</u>	15
	<u>waste management and minimisation has the meaning given to it in section 5(1) of the Waste Minimisation Act 2008.</u>	
8	Section 14 amended (Principles relating to local authorities)	
(1)	Replace section 14(1)(c)(iii) with:	
	(iii) the likely impact of any decision on the interests referred to in subparagraphs (i) and (ii):	20
(2)	Replace section 14(1)(h)(i) with:	
	(i) the social, economic, and cultural interests of people and communities; and	
(3)	Replace section 14(2) with:	25
(2)	If any of these principles are in conflict in any particular case, the local authority must resolve the conflict in accordance with the principle in subsection (1)(a)(i).	
9	Section 17A amended (Delivery of services)	
(1)	Replace the heading to section 17A with “ Delivery of services by different entity ”.	30
(2)	Repeal section 17A(1) to (4).	
(3)	In section 17A(5), replace “ <u>infrastructure, services, or regulatory functions</u> ” with “ <u>local infrastructure, and local public services, or the performance of regulatory functions</u> ”.	35
10	Section 39 amended (Governance principles)	
	After section 39(1)(e), insert:	

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(f)	a local authority should foster the free exchange of information <u>between, and expression of opinions by expressions of opinion by</u> , elected members; and
(g)	a local authority should foster the responsibility of its elected members to work collaboratively to set the local authority's agenda, determine its policy, and make decisions on behalf of its communities to set and deliver the local authority's policy agenda, determine its policies and budgets, and make decisions on behalf of its communities.
11	Section 40 amended (Local governance statements)
(1)	<u>In section 40(1)(e), after “requirements and”, insert “standard”.</u>
(2)	After section 40(1)(f), insert:
(fa)	how the local authority is acting in accordance with the governance principles set out in section 39(f) and (g) ; and
(3)	<u>In section 40(1)(g), after “Local Government Official Information and Meetings Act 1987 and”, insert “standard”.</u>
12	Section 42 amended (Chief executive)
	After section 42(2)(h), insert:
(i)	ensuring that members of the local authority have access to documents that—
(i)	the local authority holds; and
(ii)	are reasonably necessary to enable each member to effectively perform their duties as a member of the local authority.
13	Section 48O amended (Local board agreements)
	In section 48O(5)(a)(i), delete “for each activity described in clause 2(2) of Schedule 10”.
14	Section 48Q amended (Application of Schedule 7 to local boards and their members)
	In section 48Q(2), delete “15 and”.
15	Section 54 amended (Application of other provisions to community boards)
	In section 54(2), delete “15 and”.
16	Section 57 amended (Appointment of directors)
	Repeal section 57(3).
17	Section 99 amended (Audit of information in annual report and summary)
	In section 99(1)(d), after “Schedule 10”, insert “(excluding clause 32B)”.

18 Section 101 amended (Financial management)

(1) Before section 101(1), insert:

(1AAA) A local authority must, when determining its approach to financial management, have particular regard to—

- (a) the purpose of local government stated in **section 10**; and
- (b) the core services of a local authority stated in **section 11A**.

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(2) Replace section 101(3)(b) with:

- (b) the overall impact of any allocation of liability for revenue needs on ~~the community~~ current and future communities.

19 Section 118 amended (Certificate of compliance)

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In section 118, insert as subsection (2):

(2) If a local authority holds out a person as having the authority to exercise the power of a chief executive under **subsection (1)**, then any certificate signed by that person under **subsection (1)** is conclusive proof for all purposes that the person has that authority.

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20 Section 200 amended (Limitations applying to requirement for development contribution)

(1) Replace section 200(1)(c) with:

- (c) a third party has provided, or undertaken to provide, the same reserve, network infrastructure, or community infrastructure; or
- (d) a third party has provided, or undertaken to provide, funding for the same reserve, network infrastructure, or community infrastructure.

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(2) After section 200(4), insert:

(4A) For the purposes of **subsection (1)(d)**, if the third party—

- (a) has stated that the funding ~~provided by it~~, or any specific part of the funding, is to be used to pay for the project cost attributable to capital expenditure necessary to service growth over the long term, the whole or the specific part of the funding must be deducted from the portion of project costs being funded by development contributions; or

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- ~~(b) has not made a statement under paragraph (a) or (c),—~~

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- ~~(i) the funding must be divided pro rata between—~~

~~(A) the project cost attributable to growth; and~~

~~(B) the project cost attributable to other purposes; and~~

- ~~(ii) any funding that is attributable to growth costs must be deducted from the portion of costs being funded by development contributions; or~~

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- (c) has stated that ~~none of the funding provided by it, or any specific part of the funding, is to be used to pay for the project cost attributable to purposes other than growth, the whole or the specific part of the funding capital expenditure necessary to service growth over the long term, none of the funding is to~~ must be deducted from the portion of project costs being funded other than by development contributions; or 5
- (d) has not made a statement under paragraph (a) or (b),—
- (i) the funding must be divided on a pro rata basis between—
- (A) the project cost attributable to growth; and
- (B) the project cost attributable to purposes other than growth; and 10
- (ii) any funding that is attributable to growth costs must be deducted from the portion of project costs being funded by development contributions.
- (3) In section 200(6), (8), and (10), replace “(1)(c)” with “(1)(d)”. 15
- 21 Section 259 amended (Regulations)**
- (1) Replace section 259(1)(dc) with:
- (dc) prescribing parameters or benchmarks for assessing whether a local authority is—
- (i) prudently managing its revenues, expenses, assets, liabilities, investments, and general financial dealings; or 20
- (ii) performing specified activities or groups of activities in accordance with best practice:
- (2) After section 259(1)(dd), insert:
- (de) prescribing the groups of activities that a local authority must include in its long-term plan, annual plan, and annual report: 25
- (3) After section 259(1)(f), insert:
- (fa) prescribing processes, time frames, and other matters relating to a request for access to documents under **clause 26A(2)** of Schedule 7:
- (4) After section 259(4), insert: 30
- (4A) Regulations made under **subsection (1)(de)** may—
- (a) differentiate between particular local authorities or types or classes of local authority (for example, regional councils and territorial authorities); and
- (b) prescribe— 35
- (i) which activities must be included in a group of activities:
- (ii) which activities may be included in a group of activities:
- (iii) which activities must not be included in a group of activities.

(4AB) Regulations made under **subsection (1)(de)** must not include in a group of activities any activities relating to water services under the Local Government (Water Services) Act 2025.

(4B) The Minister must, before recommending the making of regulations under **subsection (1)(de)**,—

(aaa) consult all relevant local authorities; and

(a) consult any of the following persons that the Minister considers appropriate:

(i) ~~any local authority;~~

(ii) any individual or organisation that the Minister considers representative of the local government sector as a whole:

(iii) any other person; and

(b) have particular regard to—

(i) the purpose of local government stated in **section 10**; and

(ii) the core services of a local authority stated in **section 11A**.

22 Section 261B amended (Secretary must make rules specifying performance measures)

(1) Replace the heading to section 261B with “**Secretary may make rules specifying performance measures**”.

(2) Replace section 261B(1) to (3) with:

(1) The Secretary may make rules specifying performance measures in relation to activities or groups of activities provided by, or on behalf of, a local authority.

(2) Before making a rule under **subsection (1)**, the Secretary must—

(a) consider whether an existing performance measure, including a performance measure set by another relevant regulator, is suitable for the purpose; and

(b) have regard to whether a proposed performance measure—

(i) measures the level of service for a major aspect of the activity or group of activities; and

(ii) addresses an aspect of the activity or group of activities that is of widespread interest in the communities to which a service in relation to the activity or group of activities is provided; and

(iii) contributes to the effective and efficient management of the activity or group of activities.

(3) Before making a rule, ~~if the Minister advises the Secretary that the Minister considers it appropriate to consult any of the following persons, the Secretary must consult:—~~

(a) ~~any local authority;~~

- (b) ~~any individual or organisation that the Minister considers representative of the local government sector as a whole;~~
- (c) ~~any other person.~~
- (a) all relevant local authorities; and
- (b) any other persons or groups that the Secretary considers appropriate. 5
- (3A) The Secretary may make minor and technical amendments to a rule without complying with the requirements set out in **subsections (2) and (3)**.

Part 2

Miscellaneous provisions

- 23 Sections repealed** 10
- Repeal the sections specified in **Schedule 1**.
- 24 Schedule 1AA amended**
- In Schedule 1AA,—
- (a) insert the Part set out in **Schedule 2** of this Act as the last Part; and
- (b) make all necessary consequential amendments. 15
- 25 Schedule 7 amended**
- (1AAA) Replace the heading to clause 15 with “Standard code of conduct”.
- (1) In Schedule 7, replace clause 15(1) with:
- (1) The Secretary may approve and issue a standard code of conduct for members of local authorities. 20
- (1A) The Secretary may approve and issue an amended or a replacement standard code of conduct, but may not revoke it without replacement.
- (1B) Before approving and issuing an amended or a replacement standard code of conduct, the Secretary must consult all local authorities.
- (1C) Subclause (1B) applies only to any amended or replacement standard code of conduct that is approved and issued on or after 1 January 2027. 25
- (1A) In Schedule 7, clause 15(2):
- (a) replace “The code of conduct” with “The standard code of conduct”; and
- (b) delete “adopted by the local authority”; and
- (c) replace “his or her” with “their”. 30
- (2) In Schedule 7, repeal clause 15(3), (5), and (6).
- (3) In Schedule 7, replace clause 15(4), delete “of that local authority”, with:
- (4) The following persons must comply with the standard code of conduct:
- (a) a member of a local authority:

	<u>(b) a person appointed to a committee or subcommittee of a local authority who is not a member of that local authority.</u>	
(3A)	<u>In Schedule 7, clause 15(7), after “a breach of the”, insert “standard”.</u>	
(3B)	<u>In Schedule 7, after clause 15, insert:</u>	
15A	<u>Chief executive must provide explanation of amended or replacement standard code of conduct</u>	5
	<u>The chief executive must, as soon as practicable after any amended or replacement standard code of conduct is issued under clause 15(1A), provide an explanation of the amended or replacement standard code of conduct to members in a meeting of the local authority that is open to the public.</u>	10
(3C)	<u>Replace the heading to clause 16 with “Members to abide by standard standing orders”.</u>	
(4)	<u>In Schedule 7, clause 16(1), replace “<u>standing orders</u> adopted” with “<u>standard standing orders</u> approved and issued”.</u>	
(4A)	<u>In Schedule 7, clause 16(2), after “ruling made under the”, insert “standard”.</u>	15
(5)	<u>In Schedule 7, clause 19(3)(c), replace “of the local authority” with “approved and issued under clause 27”.</u>	
(5)	<u>In Schedule 7, replace clause 19(3)(c) with:</u>	
	<u>(c) the standard standing orders approved and issued under clause 27.</u>	
(6)	<u>In Schedule 7, after clause 21(5)(c)(i)(ii), insert:</u>	20
	<u>(iaiii) the <u>standard</u> code of conduct approved and issued under clause 15; and</u>	
(7)	<u>In Schedule 7, clause 24(4)(b), replace “<u>standing orders</u> of the local authority” with “<u>standard standing orders</u> approved and issued under clause 27”.</u>	
(8)	<u>In Schedule 7, clause 25A(1)(a) and (2)(a), replace “<u>standing orders</u> of the local authority” with “<u>standard standing orders</u> approved and issued under clause 27”.</u>	25
(8A)	<u>In Schedule 7, clause 25A(1)(b) and (2)(b), replace “standing orders” with “<u>standard standing orders</u>”.</u>	
(9)	<u>In Schedule 7, after clause 26, insert:</u>	30
	<i>Documents held by local authority</i>	
26A	<u>Member entitled to documents held by local authority</u>	
(1)	<u>A member of a local authority is entitled to have access to documents held by the local authority that are reasonably necessary to enable the member to effectively perform their <u>functions and duties</u>, and to effectively exercise their <u>powers</u>, as a member of the local authority.</u>	35

- (2) A member of a local authority may request access to the documents specified in **subclause (1)** from the chief executive of the local authority.
- (3) If the chief executive declines the request, the member may request access to the documents from the local authority's governing body.
- (4) If the member requests access to the documents under **subclause (3)**, the governing body must make a final decision on the request. 5
- (10) In Schedule 7, replace clause 27(1) and (2) with:
- (1) The Secretary may approve and issue a set of standard standing orders for the conduct of ~~a local authority's meetings and those of its meetings of local authorities and meetings of their~~ committees. 10
- (2) The Secretary may approve and issue an amended or a replacement set of standard standing orders, but may not revoke them without replacement.
- (2A) Before approving and issuing an amended or a replacement set of standard standing orders, the Secretary must consult all local authorities.
- (2B) **Subclause (2A)** applies only to any amended or replacement set of standard standing orders that is approved and issued on or after 1 January 2027. 15
- (11) In Schedule 7, repeal clause 27(3) and (5).
- (11A) In Schedule 7, clause 27(4), after "suspend" insert "standard".
- (12) In Schedule 7, clause 30A(6)(c)(iv), replace "standing orders of any local authority or" with "standard standing orders approved and issued under clause 27 or the standing orders of any". 20
- (13) In Schedule 7, clause 32B(4), replace "the officer" with "an officer acting under subclause (1)".
- (14) In Schedule 7, clause 34(4), replace "2" with "5".
- (15) In Schedule 7, replace clause 36B with: 25
- 36B ~~Code~~ Standard code of conduct**
- Each member of each local board must comply with the standard code of conduct approved and issued under clause 15.
- (16) In Schedule 7, after clause 39, insert:
- 40 ~~Code~~ Standard code of conduct** 30
- Each member of each community board must comply with the standard code of conduct approved and issued under clause 15.
- 26 Schedule 10 amended**
- (1) In Schedule 10, replace clause 2(1)(c) with:
- (c) outline any significant negative effects that any activity within the group of activities may have on the local community: 35
- (2) In Schedule 10, replace clause 2(2) and (3) with:

- (2) In addition to groups of activities prescribed in regulations made under **section 259(1)(de)**, a local authority may treat any other activities (except activities relating to providing water services under the Local Government (Water Services) Act 2025) as ~~a group~~ 1 or more groups of activities for the purposes of this schedule. 5
- (3) In Schedule 10, clause 4(a), replace “described in clause 2(2)” with “prescribed in regulations made under **section 259(1)(de)**”.
- (4) ~~In Schedule 10, clause 4(d), after “reasons for the changes”, insert“(unless regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the preceding year that makes it impossible or impractical to include the statement, in which case the local authority must note why it is impossible or impractical to do so)”.~~ 10
- (4) In Schedule 10, clause 4, insert as subclause (2):
- (2) If regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the preceding year that makes it impossible or impractical to specify the information referred to in **subclause (1)(d)**, the local authority does not need to specify the information but must note why it is impossible or impractical to do so. 15
- (5) In Schedule 10, clause 17A(b), replace “specified in clause 2(2)” with “prescribed in regulations made under **section 259(1)(de)**”. 20
- (6) ~~In Schedule 10, clause 23(c), after “achievement of those outcomes”, insert“(unless regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide the report, in which case the local authority must note why it is impossible or impractical to do so)”.~~ 25
- (7) In Schedule 10, replace clause 23(d) with:
- (d) describe any identified effects that any activity within the group of activities has had on the community ~~(unless regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide the description, in which case the local authority must note why it is impossible or impractical to do so).~~ 30
- (7A) In Schedule 10, clause 23, insert as subclause (2):
- (2) If regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide— 35
- (a) the report referred to in **subclause (1)(c)**, the local authority does not need to provide the report but must note why it is impossible or impractical to do so: 40

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- (b) the description referred to in **subclause (1)(d)**, the local authority does not need to provide the description but must note why it is impossible or impractical to do so.
- (8) ~~In Schedule 10, clause 24(1), after “the amount spent”, insert “(unless regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to include the statement, in which case the local authority must note why it is impossible or impractical to do so)”.~~ 5
- (8) In Schedule 10, after clause 24(1), insert:
- (1A) If regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide the statement referred to in **subclause (1)**, the local authority does not need to provide the statement but must note why it is impossible or impractical to do so. 10
- (9) In Schedule 10, clause 25, insert as subclause (2): 15
- (2) ~~However, a local authority does not need to comply with **subclause (1)** if~~ If regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to include the statement, referred to in **subclause (1)**, the local authority does not need to provide the statement but must instead note why it is impossible or impractical to do so. 20
- (10) ~~In Schedule 10, clause 26(2)(b), after “in accordance with clause 5(2)”, insert “(unless regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide the comparison, in which case the local authority must note why it is impossible or impractical to do so)”.~~ 25
- (10A) In Schedule 10, after clause 26(2), insert:
- (3) If regulations made under **section 259(1)(de)** have made a change to the groups of activities provided for in this Act in the year to which the annual report relates that makes it impossible or impractical to provide the comparison referred to in **subclause (2)(b)**, the local authority does not need to provide the comparison but must note why it is impossible or impractical to do so. 30
- (11) In Schedule 10, after clause 32A, insert:
- 32B Expenditure on consultants and contractors** 35
- An annual report must include a report on all operating and capital expenditure by the local authority on consultants and contractors—
- (a) in the financial year to which the report relates; and
- (b) in the immediately preceding financial year.

Consequential amendments to Local Government (Auckland Council) Act 2009

26A Principal Act

Sections 26B and 26C amend the Local Government (Auckland Council) Act 2009.

26B Section 21 amended (Local board agreements)

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In section 21(5)(a)(i), delete “for each activity described in clause 2(2) of Schedule 10 of that Act”.

26C Section 29 amended (Application of Schedule 7 of Local Government Act 2002 to local boards and their members)

In section 29(2), delete “15 and”.

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Consequential amendments to Local Government (Water Services) Act 2025

26D Principal Act

Section 26E amends the Local Government (Water Services) Act 2025.

26E Section 116 amended (Limits on power to require development contributions)

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(1) Replace section 116(1)(c) with:

(c) a third party has provided, or undertaken to provide, the same water services infrastructure; or

(d) a third party has provided, or undertaken to provide, funding for the same water services infrastructure.

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(2) After section 116(2), insert:

(2A) For the purposes of subsection (1)(d), if the third party—

(a) has stated that the funding, or any specific part of the funding, is to be used to pay for the project cost attributable to growth, the whole or the specific part of the funding must be deducted from the portion of project costs being funded by development contributions; or

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(b) has stated that the funding, or any specific part of the funding, is to be used to pay for the project cost attributable to purposes other than growth, the whole or the specific part of the funding must be deducted from the portion of project costs being funded other than by development contributions; or

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(c) has not made a statement under paragraph (a) or (b),—

(i) the funding must be divided on a pro rata basis between—

(A) the project cost attributable to growth; and

(B) the project cost attributable to purposes other than growth; and

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(ii) any funding that is attributable to growth costs must be deducted from the portion of costs being funded by development contributions.

Consequential amendments to Local Government (Water Services Preliminary Arrangements) Act 2024

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27 Principal Act

Sections 28 to 30 amend the Local Government (Water Services Preliminary Arrangements) Act 2024.

28 Section 58 amended (Purposes of this Part)

In section 58(b), replace “sections 65 to 68” with “sections 65 to 67”.

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29 Section 68 repealed (Exemption from cost-effectiveness review)

Repeal section 68.

30 Section 69 repealed (Repeal of section 68)

Repeal section 69.

Schedule 1
Sections repealed

	s 23
<u>Section 32</u>	
Section 273	5
Section 274	
Section 275	
Section 276	
Section 277	
Section 278	10
Section 280	
Section 283	
Section 284	
Section 285	
Section 286	15
Section 287	
Section 290	
Section 291	
Section 294	
Section 295	20
Section 296	
Section 297	
Section 312	
Section 314	

Schedule 2

New Part 10 inserted into Schedule 1AA

s 24

Part 10	
Provisions relating to Local Government (System Improvements) Amendment Act 2025	
59 Interpretation	
In this Part,—	
amendment Act means the Local Government (System Improvements) Amendment Act 2025	10
code of conduct means a code of conduct adopted by a local authority under clause 15 of Schedule 7 (as it was <u>in force</u> before the commencement date)	
commencement date means the commencement date of the majority of the amendment Act under section 2(1) of that Act	
standing orders means a set of standing orders adopted by a local authority under clause 27 of Schedule 7 (as it was <u>in force</u> before the commencement date).	15
60 Local governance statements	
(1) This clause applies to the requirement in section 40(2) for a local authority to comply with section 40(1) within 6 months after each triennial general election of members of the local authority.	20
(2) A local authority need <u>does not need to</u> comply with section 40(1) (as amended by the amendment Act) within 6 months after the 2025 general election of members of the local authority <u>but must instead comply with that section within 6 months after the commencement date.</u>	25
(3) However, a local authority must comply with section 40(1) (as amended by the amendment Act) within 6 months after the commencement date.	
61 Code of conduct	
(1) This clause applies to the code of conduct most recently adopted by a local authority <u>under clause 15 of Schedule 7</u> before the commencement date.	30
(2) The code of conduct continues to have effect <u>on and after the commencement date</u> as if the amendment Act had not been enacted until the Secretary approves and issues a <u>standard</u> code of conduct under clause 15(1) of Schedule 7 (as amended by the amendment Act).	

62 Standing orders

- (1) This clause applies to the set of standing orders most recently adopted by a local authority under **clause 27** of Schedule 7 before the commencement date.
- (2) The standing orders continue to have effect on and after the commencement date as if the amendment Act had not been enacted until the Secretary approves and issues a set of standard standing orders under **clause 27(1)** of Schedule 7 (as amended by the amendment Act).

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62A Terms of employment of chief executive

- (1) This clause applies to a chief executive who was appointed for a second term under clause 34(4) of Schedule 7 (as in force before the commencement date) less than 15 months before the commencement date.
- (2) The local authority may appoint the chief executive for a third term if the combined duration of the chief executive's second and third terms does not exceed 5 years.
- (3) Despite the provisions of any other enactment or rule of law, the chief executive has no right or expectation of renewed employment at the end of the chief executive's second term.
- (4) Clause 35 of Schedule 7 applies, with any necessary modifications, to any appointment of a chief executive for a third term under **subclause (2)**.
- (5) This clause is repealed on the second anniversary of the commencement date.

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15

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63 Expenditure on consultants and contractors

The first report under **clause 32B** of Schedule 10 prepared after the commencement date—

- (a) must include a report on the relevant expenditure in the financial year ending 30 June 2027; but
- (b) need not include a report on that expenditure in the immediately preceding financial year.

25

Legislative history

14 July 2025

Introduction (Bill 180–1)

17 July 2025

First reading and referral to Governance and Administration Committee