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## Hon Simon Watts, Minister of Local Government

Proactive release of Regulatory Impact Statement: Local authority committees

11 June 2026

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***Regulatory Impact Statement: Local authority committees***

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## Regulatory Impact Statement: Local authority committees

|                            |   |
|----------------------------|---|
| <b>Decision sought</b>     | Cabinet policy decisions for authority to issue drafting instructions |
| <b>Agency responsible</b>  | Department of Internal Affairs  |
| <b>Proposing Ministers</b> | Minister of Local Government  |
| <b>Date finalised</b>      | 20 May 2026   |

The Minister of Local Government proposes to prevent any person who is appointed to a local authority committee without being an elected member of that local authority from voting on that committee or contributing to the committee's quorum.

The proposal is targeted to instances where a council has used its discretion under the Local Government Act 2002 to establish a committee and to appoint people who are not elected members to that committee. The proposal excludes statutory committees and statutory appointments, including committees and appointments under Treaty of Waitangi settlement and redress legislation, Emergency Management Committees, District Licensing Committees, new spatial plan committees, and joint committees.

Councils will be responsible for implementing the proposal through legislative compliance, subject to the inclusion of this proposal into the Local Government (System Improvements) Amendment Bill at the Committee of the Whole House, the passage of the Bill, and a six-month transition period.

The Minister has agreed that implementation of the proposal will be supported by a secondary legislation mechanism that empowers the Minister to determine other committees to be excluded.

## Summary: Problem definition and options

### What is the policy problem?

The policy problem is that councils can delegate their decision-making to committees containing people who are not accountable to the public.

The Government supports councils' right to bring in the expertise they need, but considers it is inappropriate for external members to be delegated the same powers and responsibilities as elected members. The Government's position is that people who have not been elected by the public should not be making decisions on behalf of the public. The Government is interested in ensuring that there is greater consistency in local government transparency and accountability.

### What is the policy objective?

The objective of the policy change is to restrict significant council decision-making to elected members that can be held accountable by the public for the outcomes of these decisions.

### What policy options have been considered, including any alternatives to regulation?

The Department of Internal Affairs assessed the following options:

- **Option 1: Status quo.** Under this option, councils can continue to structure their committees as they see fit, appoint external members to committees with or without voting rights, and delegate committees with external members the ability to make decisions on behalf of council.
- **Option 2: Removing voting rights from external members on council committees.** Under this option, external members on committees would not be able to vote.
- **Option 3: Committees with external members cannot be delegated statutory powers, functions and duties or expenditure decisions.** This option would require committees with external members to operate as advisory-only by preventing councils from delegating decisions relating to their statutory powers, functions, and duties, and decisions about council expenditure. Committees excluded from eligibility include statutory committees and committees with statutory appointments.

Option 2 is the Minister's preferred option in the Cabinet paper.

### What consultation has been undertaken?

Due to time constraints in developing this policy to meet the timeframes for an Amendment Paper to the Local Government (System Improvements) Amendment Bill, consultation with the local government sector, iwi and Māori or other affected groups has not been possible.

Relevant public service departments were consulted on the draft Cabinet paper.

### Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

No. The preferred option in the Cabinet paper is Option 2. However, this option performs worse against the criteria than the status quo and Option 3.

The analysis shows similar costs and benefits, on balance, between the status quo and Option 3. Option 3 addresses the identified problem but imposes new administrative and governance costs and may impact the effectiveness of local government decision-making.

If regulatory change is desired by Cabinet, the Department would recommend Option 3, which performs better than Option 2 when considering the effectiveness and feasibility criteria. Option 3 represents a risk-mitigating change to local governance in certain circumstances rather than a clear net improvement over the status quo.

## Summary: Minister's recommended option in the Cabinet paper (Option 2)

### Costs (Core information)

Given the legislative timetable and the nature of issues identified, this analysis focuses on qualitative assessment of impacts rather than monetisation. Potential or expected costs are:

- Most or all councils will need to undertake one-off governance restructuring.
- Committees that are heavily reliant on external members may become less functional. Advisory committees or subcommittees with few or no elected members, and relationship management committees with a 50:50 split between two parties would suffer the most disruption.
- There is a greater risk that expertise held by external members will not be effectively integrated into decision-making.
- Some external members may perceive reduced influence, which could affect willingness to participate or accept appointment.

### Benefits (Core information)

Given the legislative timetable and the nature of issues identified, this analysis focuses on qualitative assessment of impacts rather than monetisation. Potential benefits could be:

- Improved clarity and assurance over where accountability over decisions sits.
- Local government decision-making system is more consistent from council to council.
- Improved democratic accountability and transparency.
- Councils retain the ability to involve external expertise.

### Balance of benefits and costs (Core information)

#### Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

No. The RIS indicates that the Minister's preferred option has higher non-monetised costs than non-monetised benefits on balance.

### Implementation

#### How will the proposal be implemented, who will implement it, and what are the risks?

Councils will be responsible for implementing the proposal through legislative compliance. The six-month transition period gives councils time to prepare for implementation. A

statutory mechanism for the Minister of Local Government to add more exclusions would let councils identify committees with external members that merit retaining voting rights in the transition or in the future to mitigate the risk of unintended consequences.

There is a risk that in mitigating this councils may reduce access to external expertise. It is acknowledged that some committees or subcommittees as currently constituted will not be workable under this option.

The Ministry for Cities, Environment, Regions and Transport will be responsible for monitoring, evaluation and review as part of its ongoing local government regulatory stewardship obligations.

### **Limitations and Constraints on Analysis**

This analysis has been limited by time.

- The Minister of Local Government commissioned policy advice related to external members on council committees from the Department of Internal Affairs on 17 April 2026.
- The Minister agreed to seek Cabinet's agreement to progress an Amendment Paper to the Local Government (System Improvements) Amendment Bill on 23 April 2026 and directed the Department to draft a Cabinet paper in line with Option 3. At this time the Bill had been intended to be passed by 30 June 2026.
- Following feedback from Ministerial consultation on the draft Cabinet paper, the Minister directed on 18 May 2026 that Option 2 is his preferred approach.
- Cabinet and parliamentary timeframes require this analysis to be completed and attached to the Cabinet paper that is lodged on 21 May 2026, for Cabinet consideration on 25 May 2026.

The limited time means that the Department of Internal Affairs has not been able to consult with local authorities, iwi and Māori, or other groups. The accelerated timeframe and delivery of the option through an Amendment Paper means that affected groups and individuals will not have an opportunity to submit on the proposal at a select committee.

The Department of Internal Affairs has a limited evidence base.


- It does not have evidence of adverse outcomes for councils or communities as a result of delegated decision-making by committees with external members.
- It lacks sufficient information to quantify the impact, and councils' perception of the impact, of external members on committee decision-making across all types of committee structure.
- It does not maintain a comprehensive database of external appointments on council committees or delegations to committees in the 2025–2028 term. Data about the number of councils with external appointments in the 2022–2025 term was previously collected and it has been assumed that councils have made similar appointments in the current term.

The constraints on consultation and the limited evidence base have limited the Department's ability to identify and quantify all of the potential impacts on councils as a result of this proposal.

## Summary: Department’s recommended option for regulatory change (Option 3)

|  |
|--|
| <b>Costs (Core information)</b>  |
| <p>Given the legislative timetable and the nature of issues identified, this analysis focuses on qualitative assessment of impacts rather than monetisation. Potential or expected costs are:</p> <ul style="list-style-type: none"> <li>• Some councils will need to undertake one-off governance restructuring.</li> <li>• Councils that withdraw delegations from committees may have ongoing administrative and governance costs that they did not have before.</li> <li>• Decision-making on some matters, at some councils, may be slower.</li> <li>• Committees with external members may have reduced autonomy.</li> <li>• Some external members may perceive reduced influence, which could affect willingness to participate or accept appointment.</li> </ul> |
| <b>Benefits (Core information)</b>   |
| <p>Given the legislative timetable and the nature of issues identified, this analysis focuses on qualitative assessment of impacts rather than monetisation. Potential benefits could be:</p> <ul style="list-style-type: none"> <li>• Improved clarity and assurance over where accountability over decisions sits.</li> <li>• Local government decision-making system is more consistent from council to council.</li> <li>• Improved democratic accountability and transparency.</li> <li>• Councils retain the ability to involve external expertise in deliberation.</li> </ul>   |
| <b>Balance of benefits and costs (Core information)</b>  |
| <p><b>Does the RIS indicate that the benefits of this option are likely to outweigh the costs?</b></p> <p>The RIS indicates that Option 3, on balance, has similar costs and benefits to the status quo. Over time the benefits may be more strongly felt, because future councils will not incur one-off implementation costs. The constraints on time, consultation and evidence have limited the Department’s ability to assess the costs and benefits.</p>   |
| <b>Implementation</b>  |
| <p><b>How will the proposal be implemented, who will implement it, and what are the risks?</b></p> <p>As above.</p>  |
| <b>Limitations and Constraints on Analysis</b>   |
| <p>As above.</p>   |

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature: 

**Richard Ward**  
**General Manager, Local Government Policy, Partnerships and Operations**

**20 May 2026**

| Quality Assurance Statement  |                            |
|--|----------------------------|
| Reviewing Agency: Department of Internal Affairs   | QA rating: partially meets |
| <p><b>Panel Comment:</b></p> <p>The panel considers that the information and analysis summarised in the RIS partially meets the quality assurance criteria.</p> <p>The policy proposal has not been consulted on and the RIS therefore cannot meet the consulted criterion. Inability to consult local government, iwi/Māori or other stakeholders has led to a major lack of evidence concerning:</p> <ul style="list-style-type: none"> <li>• the nature, extent and impact of the perceived problem;</li> <li>• the costs and benefits of the assessed options; and</li> <li>• the risks of unintended consequences from the implementation of the regulatory options.</li> </ul> <p>The lack of evidence concerning the extent and impact of the identified problem is partly mitigated by the stated problem relating to what is possible under current legislation, rather than relying on speculation or anecdotes about what has happened or is happening. However, the absence of evidence concerning the problem's existence or any adverse outcomes that have arisen also means that the RIS cannot fully meet the convincing criterion.</p> <p>The RIS has been developed and assessed under a constrained timeframe. Despite this, the RIS does a good job of setting out the context for the issues, the limitations on the analysis, and the risks inherent in those limitations. Importantly, the risks arising from the lack of opportunities for local government to identify possible adverse consequences before the proposal is implemented are mitigated by a proposed process for considering further exemptions after enactment of the legislation.</p> <p>The panel felt the RIS was well written, concise and complete, despite the time and other constraints under which it was developed. The RIS provides a basis for informed decision-making by Ministers if they are prepared to accept the identified risks.</p> |                            |

## Section 1: Diagnosing the policy problem

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**What is the context behind the policy problem and how is the status quo expected to develop?**

**What are council committees and what can they do?**

1. Council committees are a type of subordinate decision-making body of a local authority (council) that can be delegated some of the powers to make council decisions in accordance with the Local Government Act 2002. Councils establish committees to manage their workload and increase the efficiency of their decision-making, as otherwise the full council would have to manage all council business regardless of its significance.
2. The Local Government Act 2002 takes an enabling approach to how councils structure their governance arrangements. Councils are not required to create committees and have flexibility in the type of subordinate bodies that are established, who should be members, and what powers they should be delegated. A council can appoint or discharge any member of a committee at any time, including external members.
3. Councils may also establish joint committees with other local authorities or public bodies. Joint committees are deemed to be committees of each of the participating bodies, and the provisions that apply to committees are generally applied to joint committees. Some councils have chosen to establish joint committees to oversee multi-council owned water organisations, which include elected members from each shareholder council and may include external members. The water organisations themselves and their internal governance structures (which may include committees with external members) are not local authorities and would not be affected by any changes.

**Councils can delegate most of their statutory powers to committees**

4. Councils may choose to delegate a range of powers and functions to committees, other subordinate bodies, the council chief executive, or any other officer of the local authority. Typically, delegations to chief executives and other staff members are primarily focused on the day-to-day operational management of the council while significant governance decisions remain with the elected members.<sup>1</sup> Decisions on what powers or functions can be delegated and who they can be delegated to are made by the elected members of the council.
5. While most powers or functions can be delegated, the most significant council functions may not be delegated to a level below the governing body of the council. These include the power to set rates, create bylaws, adopt planning and accountability documents (such as the Long-Term Plan and Annual Report), appoint a chief executive, borrow money, and make decisions about asset sales or purchases. While these decisions cannot be delegated, a committee or other subordinate body can be delegated the responsibility to undertake work to inform the council's final decision on these matters.
6. Committees remain under the control of the council and are required to carry out all directions given by the council. Despite delegation of a function to a committee, the legal responsibility to perform that function remains with the council.
7. Delegations must be recorded in the council's local governance statement required to be published under section 40 of the Local Government Act 2002.

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<sup>1</sup> Delegations to council chief executives and staff are outside the scope of this proposal.

8. Councils' delegations differ according to what they perceive to be the most effective governance model. Some councils empower their committees to carry out a lot of council business and act as the council, while others use committees as a vehicle for development before having the final decision made by the council. The result is committees are not used consistently around the country.

#### **External members on committees under the Local Government Act 2002**

9. Councils have the ability to appoint external members to council committees if they have skills, attributes, or knowledge that would assist the committee in its decision-making. There are no legislative restrictions on external members' ability to discuss and vote on committee business. Councils set the conditions for external members' participation, such as whether or not to allow external members to vote.
10. It is common for council committees to have external members. A desktop research-based review of councils in the 2022–2025 term conducted by the Department of Internal Affairs found that every council in New Zealand had at least one committee with an external member. The most frequent type of appointment was an independent member on the council's audit and risk committee. The Audit Office (formerly the Office of the Auditor-General) recommends councils have an external member as chair of a council's audit and risk committee to provide independent audit, governance, or financial expertise that may not be found among the elected members of the committee. Research published by the Taxpayers' Union indicates that at least 72 of 78 councils have one or more independent members on their audit and risk committee.<sup>2</sup>
11. Committees may sometimes include industry representatives on a committee focused on a specific issue, or representatives of a government agency, such as a New Zealand Transport Agency representative on a transport-related committee.
12. External appointments are often used to provide additional expertise not held by any of the elected members. Councils may appoint external members to support representation of Māori and participation in council decision-making to give effect to section 81 of the Local Government Act 2002. Some councils choose to appoint employees of the council to committees to provide detailed technical advice on council operations.
13. The Department of Internal Affairs has not been able to gather comprehensive evidence that councils are delegating significant decision-making powers or functions to committees with external members. Councils delegate powers and functions to committees and subcommittees in accordance with the committee's designated area of responsibility. Some councils delegate very limited decisions to these committees, such as the power to appoint the deputy chair of the committee.<sup>3</sup> Other committees are delegated specific powers to impact local areas, such as designating parking areas, restrictions and setting fees.<sup>4</sup> Many councils delegate the power to approve grants funding within the budget set by the full council. In general, councils that have established committees with a majority of members being external generally limit the committee's powers to advisory and relationship management functions.

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<sup>2</sup> <https://ratepayersreport.nz/2026/audit-oversight/?type=all>

<sup>3</sup> For example, Nelson City Council Audit, Risk and Finance Committee (<https://www.nelsoncity.co.nz/assets/Our-council/Downloads/governance/Delegations-Register-and-Committee-Structure-ADOPTED-Dec2022-Updated-03Oct2024.pdf>, page 18, last updated 2024)

<sup>4</sup> For example, Christchurch City Council Central City Parking Restrictions Subcommittee (<https://ccc.govt.nz/assets/Documents/The-Council/Committees/2022-2025/Central-City-Parking-Restrictions-Committee-Terms-of-Reference-2025.pdf>, page 1, last updated 2025)

14. The wide range of possible ways that external appointments and delegations can be used contributes to a lack of consistency in how they are used around New Zealand. While some appointments are more commonplace (such as to audit and risk committees, or appointments of people representing iwi or hapū) others are more novel and may reflect specific local needs. Variations between councils may contribute to low understanding of how local government works.
15. External members on committees do not have the same public accountability as elected members. They do not need to seek re-election to remain in their position after the end of their term. Their accountability is to the council, which is responsible for appointing them and can dismiss, suspend or replace them. They may also have a shared accountability to an organisation they represent.

### **Council committee arrangements established through other legislation**

16. There are a number of types of council committee that are established or required to be established outside of the Local Government Act 2002 but that still function as a council committee.
17. While the Crown holds the Treaty relationship with Māori, councils are often involved in the implementation of Treaty of Waitangi settlement and redress legislation. This most frequently affects regional councils due to their responsibilities for managing natural resources, although is not limited to these matters and often also involves district and city councils. Legislation may provide for the establishment of council committees or joint committees with representatives of iwi or hapū as members of the committee,<sup>5</sup> or may provide for the appointment of representatives of iwi or hapū as members of committees the council established by the council on certain matters.<sup>6</sup>
18. External members may be required or expected on committees established to make quasi-judicial decisions under resource management legislation, such as independent hearings commissioners to hearings panels to hear resource consent applications. Under the Sale and Supply of Alcohol Act 2012, members of District Licensing Committees are required to have experience relating to alcohol licensing matters and may be required to be external if councillors do not have this experience.
19. Regional transport committees are required to have an external member appointed from the New Zealand Transport Agency under the Land Transport Management Act 2003.
20. The Emergency Management Bill (which is before the House as a proposed replacement to the Civil Defence Emergency Management Act 2002) requires every region to have an Emergency Management Committee, which is a joint committee of the local authorities in the region (or a joint committee of local authorities across two or more regions).

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21. The Planning Bill (which is before the House as a proposed replacement to part of the Resource Management Act 1991) requires the local authorities of each region to work together to provide terms of reference to a spatial planning committee.

<sup>5</sup> For example, Te Rarawa Claims Settlement Act 2015, Te Aupouri Claims Settlement Act 2015, Ngāti Kuri Claims Settlement Act 2015, and Ngāi Takoto Claims Settlement Act 2015

<sup>6</sup> For example, Taranaki Iwi Claims Settlement Act 2016, Te Atiawa Claims Settlement Act 2016, and Ngāruahine Claims Settlement Act 2016

## Council appointments of external members have been of recent public interest

22. In the 2022–2025 and 2025–2028 terms of local government, media reports about external member committee appointments at several councils drew public attention. A sample of these include:
- a. youth representatives on committees at Hastings District Council in September 2024;<sup>7</sup>
  - b. iwi representatives on committees at Tauranga City Council in February 2024;<sup>8</sup>
  - c. hapū representatives on one committee at Far North District Council in April 2026.<sup>9</sup>

## Overall regulatory system

23. The approach taken by the Local Government Act 2002 is to provide a framework that sets the principles councils must act within and gives councils a broad scope in determining how they choose to do this, in consultation with their communities. As a result there is considerable variation in the range of governance arrangements that councils have set up to meet community needs.
24. It is the responsibility of the local authority to ensure that these governance structures and processes are effective, open, and transparent. Councils are required to set this information out every 3 years in a local governance statement following the local elections.
25. If the status quo continues, councils can continue to:
- a. structure their committees as they see fit;
  - b. appoint external members to committees with or without voting rights; and
  - c. delegate committees with external members the ability to make decisions on behalf of the council.

## Proposed changes to transparency and accountability in local government

26. In 2025, the Minister of Local Government introduced the Local Government (System Improvements) Amendment Bill. The Bill passed its first reading on 17 July 2025.
27. The Bill amends the Local Government Act 2002, including to improve the connection between councils and communities by strengthening council transparency and accountability. The amendments in this area of the Bill 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 local governance.

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<sup>7</sup> “Hastings youth councillors given voting rights on committees.” 27 September 2024. *RNZ*. <https://www.rnz.co.nz/news/national/529262/hastings-youth-councillors-given-voting-rights-on-committees>

<sup>8</sup> “‘We will make better decisions’: Tauranga mayor on iwi council appointments.” 28 March 2025. *RNZ*. <https://www.rnz.co.nz/news/national/556483/we-will-make-better-decisions-tauranga-mayor-on-iwi-council-appointments>

<sup>9</sup> “Act councillor the only vote against more Māori voices for Far North council committee as mayor says: ‘On with the mahi’.” 15 April 2026. *The New Zealand Herald*. <https://www.nzherald.co.nz/nz/act-councillor-the-only-vote-against-more-maori-voices-for-far-north-council-committee-as-mayor-says-on-with-the-mahi/premium/UGS5U255QJGBRIMAAJF24QMY5Y/>

28. 9(2)(f)(iv)

### **What is the policy problem or opportunity?**

29. The problem is that councils can delegate their decision-making to committees containing people who are not accountable to the public.
30. Elected members are accountable to their community for their actions and decisions and are held accountable through triennial local elections. The ability to remove a decision-maker through the electoral process is a key feature of the democratic process. It is not possible for individuals that have been appointed by a council to a committee with delegated authority to be held to account by members of the community in the same way as the mayor or councillors.
31. The Government's position is that there should be no responsibility without accountability, and that the delegation of decision-making to committees with external members may reduce the influence of elected members in decision-making. The Government supports councils' right to bring in the expertise they need, but considers it is inappropriate for external members to be delegated the same powers and responsibilities as elected members on committees. As indicated through other amendments being progressed in the Local Government (System Improvements) Amendment Bill, the Government has an interest in ensuring that there is greater consistency in local government when it comes to transparency and accountability.
32. Facets of the problem that have been identified include concerns about:
  - a. a potential loss of democratic oversight over committees' delegated decisions;
  - b. inconsistent use of delegations involving external appointees around the country; and
  - c. unclear or unbalanced accountabilities between different types of decision-makers.
33. The Department of Internal Affairs does not have evidence of adverse outcomes for councils or communities as a result of delegated decision-making by committees with external members. The Department also lacks sufficient information to quantify the impact, and councils' perception of the impact, of external members on committee decision-making across all types of committee structure. The views held by communities about external appointments to council committees have not been sought in the time available to prepare this analysis.

### **What objectives are sought in relation to the policy problem?**

34. The objective of the policy change is to restrict significant council decision-making to elected members that can be held accountable by the public for the outcomes of these decisions.
35. Any changes should also aim to support:
  - a. good quality decision-making through allowing councils to continue to be able to benefit from external input and expertise; and
  - b. a local government system that is readily understood through consistent use of delegations.

## What consultation has been undertaken?

36. Due to time constraints in developing this policy to meet the timeframes for an Amendment Paper to the Local Government (System Improvements) Amendment Bill, thorough consultation with the local government sector, and any consultation with iwi and Māori or other groups has not been possible. Consultation would have enabled us to gather more evidence about the decisions councils delegate to their committees; the extent of external appointments to council committees and requirements set by council for their participation; and the potential impacts of implementation of the proposal. Progressing the proposal through an Amendment Paper means there is not a select committee process for public scrutiny of the proposal or its legislative drafting.
37. Following public statements made by the Minister of Local Government that he was seeking advice from officials, the Department briefly discussed the issues at a high level with a reference group made up of local government sector experts from a small number of councils. Group members raised some concerns about the potential for any intervention to create an additional administrative burden on the full council and the possibility that it would impact the efficiency of council decision-making.
38. The Department of Internal Affairs consulted with the following agencies on a draft of the Cabinet paper that this Regulatory Impact Statement is attached to: Ministry of Justice, Ministry for the Environment, Department of Conservation, Office of Treaty Settlements and Takutai Moana, Te Puni Kōkiri, Ministry of Business, Innovation and Employment (Regional Economic Development and Investment Unit), Ministry for Regulation, Ministry for Primary Industries, Sport New Zealand, Ministry of Social Development, Ministry of Transport, Infrastructure Commission, National Emergency Management Agency, and Ministry for Culture and Heritage. The Office of the Clerk, the Audit Office, Treasury and the Department of the Prime Minister and Cabinet were informed.
39. Agency feedback on the draft Cabinet paper received during the production of this Regulatory Impact Statement highlighted the low evidence base supporting the existence of a problem and the need for intervention. Some agencies said they did not have sufficient time to consider the implications for their portfolio or considered that councils having external members on committees is low risk for some matters in their portfolio. Agencies also noted the absence of consultation with the local government sector and iwi/Māori.

## Section 2: Assessing options to address the policy problem

### What criteria will be used to compare options to the status quo?

41. Options to address this problem will be assessed against the following criteria:

| Criteria              | Description   |
|-----------------------|---|
| <b>Accountability</b> | Does the option leave final decision-making authority for delegated council functions with elected members who are publicly accountable, while allowing appropriate advisory input from others? |
| <b>Consistency</b>    | Does the option reduce variation in delegation practices throughout local government?   |
| <b>Effectiveness</b>  | Does the option support timely, well-informed local government decision-making with access to external input where appropriate?   |
| <b>Feasibility</b>    | Can the option be feasibly and efficiently implemented by councils?   |

### What scope will options be considered within?

42. The Minister of Local Government directed the Department of Internal Affairs to develop legislative options that can be progressed urgently within existing parliamentary processes. This direction has constrained the scope of options that can be assessed within this Regulatory Impact Statement.

43. The Local Government (System Improvements) Amendment Bill is a Government Bill in the name of the Minister of Local Government. It amends the Local Government Act 2002. ■

9(2)(f)(iv) ■

44. Some potential options to address the policy problem are within the scope of the Bill. However, the choice of legislative vehicle provides limitations on options available. Because the Bill is not an Omnibus Bill, the substantive amendments it may make are limited to the Local Government Act 2002. As a result, the options assessed in this Regulatory Impact Statement are limited to targeted legislative amendments to that Act. Substantive amendments to other enactments are out of scope.

45. A regulatory option that is not explored in this Regulatory Impact Statement is the option to make external members on committees publicly accountable in the same way as elected members; i.e., through an electoral process. The regulatory framework electing people to local authority positions is set out in a separate enactment, the Local Electoral Act 2001. There is not a Local Electoral Amendment Bill currently in the House, so this option would be out of the scope set by the Minister for using existing parliamentary processes.

46. A non-regulatory option has been identified. The Department of Internal Affairs could issue guidance on the matters councils should consider when delegating powers and functions to committees. Guidance could be a proportionate response to the policy problem, given the information gaps about the scale and severity of the problem. However, guidance on its own does not prevent external members from being given opportunities to act as councillors so this option has not been developed further.

47. As mentioned earlier, options related to the delegation of functions, powers and duties to officers of the local authority are out of scope of this analysis.

## What options are being considered?


### Option 1: Status Quo

48. This option would continue the current arrangements under the Local Government Act 2002. Councils would be able to appoint external members to committees with full voting rights and delegate those committees to make decisions on behalf of the council. Councils would continue to exercise autonomy over how they have oversight of committee decisions or the contributions of external members.
49. Because this option does not change the operating model for external members on council committees, it does not address concerns about accountability, consistency of appointments, or effective governance.

### Option 2: Removing voting rights from external members

50. Option 2 is the option that the Minister of Local Government has directed officials to progress. This option would implement policy consistent with part of a member's bill in the name of Cameron Luxton MP, the Local Government (Restoring Democratic Integrity) Amendment Bill. The differences between the member's Bill and Option 2 are explained below.
51. The general policy statement for the member's Bill begins: "This Bill amends the Local Government Act 2002 to prohibit unelected members from being given voting rights on a local authority's committees or subcommittees."
52. The principal amendments in Part 1 of the member's Bill are to clause 31 of Schedule 7 of the Act. The Bill provides that a member of a committee who is not an elected member of the local authority may not vote at any meeting of the committee. The Bill also provides that non-voting members must not be included in the calculation of the meeting's quorum.
53. Part 2 of the member's Bill amends the Local Government (Auckland Council) Act 2009. The Bill specifies that members of Houkura Independent Māori Statutory Board that are required to be appointed by the Board to Auckland Council committees under that Act may not vote at any meeting of those committees. In correspondence with the Department of Internal Affairs, the Office of the Clerk advised that these amendments would not be in scope of the Local Government (System Improvements) Amendment Bill. Therefore, only the policy contained in Part 1 of the Bill is being assessed.
54. This option would achieve the objectives because, when external members do not have the right to vote on committees, the council cannot delegate any shared responsibility for exercising statutory powers, functions and duties to those members.
55. Committees that would be affected by the amendments in Part 1 of the member's Bill include:
  - a. council audit and risk committees;
  - b. committees established under Treaty of Waitangi settlement and redress legislation; and
  - c. community advisory committees.
56. Having an audit and risk committee is best practice but not required. The Audit Office recommends councils appoint at least one external member to their committee, often as chair. The benefit of an external member in this instance is to provide independence, expertise, and a fresh perspective. Research by the Taxpayers' Union showed that in 2026,

at least 72 councils had at least one external member on their audit and risk committee.<sup>10</sup> Under this option, these members would lose their voting rights. There is no legislative definition of an audit and risk committee, nor common set of functions that these committees must perform. As a result, audit and risk committees may not be easily exempted from any changes that impact external members on committees.

57. The impact of audit and risk committee independent members losing their individual voting rights could include:
  - a. reduced formal influence of expert members;
  - b. greater reliance on elected members for quorum;
  - c. reduced willingness of some members to accept appointment; and
  - d. weaker exercise of assurance mechanism.
58. Committees established (or appointments empowered) under Treaty of Waitangi settlement and redress legislation may be impacted unless they are specifically exempted. The Department of Internal Affairs has identified at least 22 instances of settlement legislation that provides for external appointments on council committees (for example, of iwi or hapū representatives).
59. Altering Treaty of Waitangi settlement and redress agreements would raise significant policy and legal issues. Therefore, Option 2 differs from the member's bill by exempting committees or appointments required under Treaty of Waitangi settlements from the policy. Appointments of iwi and hapū representatives outside of settlement arrangements would not be exempt.
60. Committees or appointments required under other statutes would be similarly exempted, in a manner that is consistent with the exclusion regime described under Option 3, below.
61. The Department of Internal Affairs is aware of committees and subcommittees where most or all members are external members. Councils use these committees for advisory purposes. For example, the Hurunui District Council has community committees that operate similarly to a community board, but without remuneration or formal elections. Subcommittees that are entirely comprised of external members would be non-functional if external members lost voting rights. Under this option, these subcommittees would not be able to undertake process-related general business like accepting the minutes of a previous meeting or making recommendations to the council.
62. 9(2)(f)(iv) 
63. Under this option, councils that find themselves with a governance structure that is no longer workable would need to review their use of committees and consider changes.

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<sup>10</sup> <https://ratepayersreport.nz/2026/audit-oversight/?type=all>

64. Councils are responsible for setting remuneration policies for external members appointed to committees. Without voting rights on committees, the role of these members would be closer to advisory rather than sharing in decision-making. It will be left to councils to determine whether this change in duties would result in changes to external members' remuneration.

**Option 3: Committees with external members cannot be delegated statutory powers, functions and duties or expenditure decisions**

65. This option would require committees with external members to operate as advisory-only by restricting councils from delegating to these committees:
- a. statutory powers, functions and duties; and
  - b. decisions on the expenditure of council funds.
66. As in Option 2, some committees have been proposed to be excluded. The principal test for whether a committee has been proposed to be excluded is around the use of the council's discretion. Committees that would be impacted under this option would be those that meet the following eligibility criteria:
- a. the council has chosen to establish the committee under the Local Government Act 2002;
  - b. the council has chosen to appoint external members to the committee under the Local Government Act 2002; and
  - c. the committee is not a joint committee with another local authority or public body.
67. Under this option, any committee that meets the eligibility criteria may not be delegated statutory powers, functions and duties. These committees would continue to deliberate and pass resolutions; however, those resolutions would be limited in scope.
68. The Department does not hold information on how many committees in the 2025–2028 term of local government would meet the eligibility criteria.
69. The table below (continues on next page) sets out expectations for how commonly established council committees could operate under delegated authority, if those committees meet the eligibility criteria. The examples are intended to be generic and illustrative, not exhaustive. It is expected that, on matters within their terms of reference, all committees should be able to undertake process-related general business, receive reports and request advice from staff, hear public submissions, and provide advice, reports and recommendations to the council.

| Committee                  | Could do  | Could not do  |
|----------------------------|---|---|
| <b>Policy and planning</b> | Prepare papers (such as a consultation document) for council consideration.<br>Recommend decisions about policies, plans, strategies or expenditure to council.<br>Monitor the implementation of policies, plans, strategies, bylaws and expenditure decisions. | Approve a consultation document.<br>Approve policies, plans, strategies or expenditure. |
| <b>Grant funding</b>       | Consider applications and recommend funding decisions to council.   | Approve expenditure.  |

| Committee                               | Could do  | Could not do                                     |
|---|---|--|
| <b>Relationship or project specific</b> | Have oversight of matters related to the relationship or project.   | Make statutory decisions or approve expenditure. |
| <b>Audit and risk</b>                   | Assist the council in discharging its responsibilities with due care, diligence and skill.<br>Review council policies, systems and processes as required.<br>Monitor performance and compliance with council policies, systems and processes. | Make statutory decisions or approve expenditure. |

70. The focus on discretionary committees and discretionary appointments has the effect of excluding statutory committees and appointments (under Acts other than the Local Government Act 2002), including committees or appointments provided by Treaty of Waitangi settlements. These committees have been considered separately by Parliament. The Government does not intend to alter Treaty settlement commitments.
71. Joint committees between 2 or more councils or between councils and other public bodies (for example, a joint committee between a council and a government department or a school board of trustees) have been excluded. The principle behind joint committees is enabling more efficient, joined-up decision-making on matters that affect 2 or more public bodies. Restricting the delegation of decisions to joint committees could mean that each member council needs to separately consider the joint committee's recommendation before the decision can be finalised, or a subordinate advisory body to the committee would need to be created to provide advice before decisions could be made. This would limit the value of the joint committee model and create barriers to council collaboration and decision-making.
72. To implement this option, councils with committees that meet the eligibility criteria would need to review their governance structure and consider changes. For example, a council with committees that are not compliant could:
- a. change the committees' membership to remove external members;
  - b. change the committees' terms of reference and delegations to be compliant; or
  - c. develop a new governance structure that is compliant.
73. A six-month transition period to implement the policy is recommended because this is consistent with other governance changes being proposed in the Local Government (System Improvements) Amendment Bill.
74. It is expected that in some cases the workload of a council may increase (for example, if decisions were previously delegated to committees with external members and the delegations are returned to the council). Subject to the operationalisation decisions of councils, this option has the potential to increase the administrative workload of council staff and restrict the timeliness of governance decisions.
75. This option preserves the availability of external expertise to contribute meaningfully to committee debates and provide input into council decisions. Restricting committees' delegations with respect to statutory powers, functions and duties and expenditure decisions (an alternative would be to restrict committees' ability to pass any resolutions)

means that committees can make process-related decisions in the preparation of advice or recommendations to council, without needing to report back to council at each step.

76. To support councils' compliance this option would also prohibit:
- a. the delegation of statutory powers or expenditure decisions to established committees with external members; and
  - b. the appointment of external members onto a committee that has been delegated statutory powers or expenditure decisions.
77. The Department has assessed changes to the law regarding external members of council committees as having an impact on the participation of Māori in local government. Under section 81 of the Local Government Act 2002, councils must:
- a. establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority; and
  - b. consider ways in which they may foster the development of Māori capacity to contribute to the decision-making processes of the local authority; and
  - c. provide relevant information to Māori for these purposes.
78. Appointing iwi or hapū representatives who meet the "skills, attributes, or knowledge" threshold to relevant committees is one way that councils exercise this legal requirement. Councils inviting external members to participate in decision-making is a recognition by local government of the relationships they have with iwi or hapū.
79. Option 3 would restrict the decisions that can be delegated to committees with external members, including iwi or hapū representatives. The role of any external member on a committee that had been delegated significant decision-making powers would change if that member continues in their role after the commencement. This could be perceived as a limit on the participation of Māori in local government particularly for iwi and hapū who do not have Treaty settlement arrangements in place. Passing this law change without a select committee process is likely to receive criticism.
80. This option would not limit councils' ability to delegate authority to the chief executive, specific council officers, or individual elected members (including the mayor).

### How do the options compare?

81. The table on the next page assesses each option against the criteria, relative to the status quo.
82. Given the absence of comprehensive data on current delegation practices and the lack of sector consultation, the comparative assessment reflects the likely direction and relative magnitude of impacts, rather than quantified effects.

#### Example key for qualitative judgements

|    |  |
|----|--|
| ++ | much better than doing nothing/the status quo  |
| +  | better than doing nothing/the status quo       |
| 0  | about the same as doing nothing/the status quo |
| -  | worse than doing nothing/the status quo        |
| -- | much worse than doing nothing/the status quo   |

|                           | Option 1: Status quo   | Option 2: Remove voting rights | Option 3: Restrict committee delegations |
|---------------------------|--|--------------------------------|--|
| <b>Accountability</b>     | 0<br>This option relies on councils making independent choices around what powers committees with external members demonstrate are delegated and how they are held accountable. For example, councils may enable a high-trust environment or provide that such committees are advisory-only. | +                              | +  |
| <b>Consistency</b>        | 0<br>This option relies on councils making independent choices around how external members are used or functions are delegated to committees. There will be differences from council to council.   | +                              | +  |
| <b>Effectiveness</b>      | 0<br>This option enables councils to consider delegations and external appointments with few limitations, within the context of their broader governance structure. This supports local government to make decisions effectively.  | --                             | -  |
| <b>Feasibility</b>        | 0<br>This option does not require implementation.  | --                             | -  |
| <b>Overall assessment</b> | 0<br>Maintains maximum flexibility for councils but does not address the identified problem.   | --                             | 0  |

**What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?**

83. Neither option is assessed as outperforming the status quo if all criteria are weighted equally. Option 2 is analysed as performing worse than the other options due to its significant and impractical disruption to council governance and is not recommended.
84. The analysis shows similar costs and benefits, on balance, between the status quo and Option 3. Option 3 performs better than the status quo if criteria related to accountability and consistency are weighted more heavily. It addresses the problems that have been identified around accountability and consistency.
85. The status quo does not address the problems.
86. However, Option 3 may not improve the effectiveness of local government decision-making subject to councils' implementation choices. For example, if councils prefer to have committees making delegated decisions (because they consider this process to be timelier), they may choose not to make external appointments; if external appointments historically added value to those decisions, then these councils would be disadvantaged. Due to localised variability in councils' governance arrangements, this option would not improve governance effectiveness at councils that do not need to change their practice.
87. Option 3 also imposes new costs. Councils that have delegated decision-making to committees with external members will incur one-off costs to review the council governance structure and committee membership. Councils that retain external members on committees would need to return delegated functions to the council governing body. The council might need to meet more frequently, or for longer, and this presents ongoing administration and governance costs, including opportunity cost.
88. One-off implementation costs of Option 3 are incurred because the policy is proposed to be implemented midway through the council term, rather than immediately after the triennial local elections when the incoming mayor and council routinely establish a new governance structure. Over time, the benefits of this option might be felt more strongly because these costs will not recur.
89. The status quo does not alter the effectiveness of local government decision-making or change the costs of local governance.
90. In a comparison between Option 2 and Option 3, the most significant difference is that Option 3 enables external members to continue voting on immaterial matters such as approving the minutes of the last meeting, obtaining information from council officials, and making recommendations to the council, and prevents voting on material matters. Option 2 prevents external members from voting on any matter. The impact of Option 2 on the business of some committees and subcommittees and on the status of external members is the reason Option 3 is assessed as better meeting the criteria.
91. On balance, Option 3 represents a risk-mitigating change to local governance in certain circumstances rather than a clear net improvement over the status quo. The Department of Internal Affairs does not consider that new regulation is necessary. If regulatory change is desired by Cabinet, the Department would recommend Option 3.

**Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?**

92. No. The Minister of Local Government's preferred option is Option 2.

93. The Department of Internal Affairs considers Option 3 to be the better option if regulatory change is directed.

**What are the marginal costs and benefits of the preferred option in the Cabinet paper?**

94. The tables below assess each the marginal costs and benefits of Option 2 and Option 3.

**Option 2: Remove voting rights (Minister’s preferred option in the Cabinet paper)**

| Affected groups  | Comment  | Impact | Evidence Certainty |
|--|--|--------|--------------------|
| <b>Additional costs of Option 2 compared to taking no action</b> |  |        |                    |
| Regulated groups (local authorities)                             | <p>Almost all (or potentially all) councils will need to undertake one-off governance restructuring (e.g., changes to delegations, terms of reference, or committee composition).</p> <p>Committees heavily reliant on external members (including audit and risk) may become less functional. Advisory committees or subcommittees with few or no elected members would not be able to function, creating significant disruption. Relationship management committees with a 50:50 split between two parties would also be impacted.</p> <p>There is a greater risk that expertise held by external members will not be effectively integrated into decision-making. This may incentivise councils to create compensatory workarounds at an increased administrative burden.</p> | High   | Medium             |
| Regulators (Crown)   | No new costs; relies on council self-implementation through legislative compliance and does not introduce a new regulatory or oversight function.  | Low    | High               |
| Others (communities, external members)                           | Potential reduction in perceived value of participation by external members, including iwi, hapū, other community representatives and professionals. This may be perceived as limiting meaningful participation compared to Option 3, which preserves clear advisory input into decisions.   | High   | Medium             |
| <b>Total monetised costs</b>                                     | None identified.   |        |                    |
| <b>Non-monetised costs</b>                                       |  | High   |                    |

| Additional benefits of Option 2 compared to taking no action |   |        |        |
|--|---|--------|--------|
| Regulated groups (local authorities)                         | Improved clarity and assurance over where accountability over decisions sit.        | Medium | Medium |
| Regulators (Crown)   | Local government decision-making system is more consistent from council to council. | Low    | Medium |
| Others (communities, iwi/ Māori, ratepayers)                 | Improved democratic accountability and transparency.                                | Low    | Medium |
| <b>Total monetised benefits</b>                              | None identified.  |        |        |
| <b>Non-monetised benefits</b>                                |   | Low    |        |

**Option 3: Restrict committee delegations (Department's preference for regulatory change)**

| Affected groups   | Comment  | Impact | Evidence Certainty |
|---|--|--------|--------------------|
| Additional costs of Option 3 compared to taking no action |  |        |                    |
| Regulated groups (local authorities)                      | Some councils will need to undertake one-off governance restructuring (e.g., changes to delegations, terms of reference, or committee composition). Councils that choose to withdraw delegations to committees will have ongoing administrative and governance costs due to the higher workload of the full council. This may include additional reporting and agenda preparation time (administration costs) and meeting time (administration and governance costs).<br>The number of councils impacted will be less than Option 2. Councils that only have external appointments on committees that are advisory-only will not have to change. | Medium | Medium             |
| Regulators (Crown)  | No new costs; relies on council self-implementation through legislative compliance and does not introduce a new regulatory or oversight function.  | Low    | High               |
| Others (communities, external members)                    | Potential indirect costs due to slower decision-making for some matters at some councils. Reduced autonomy for committees with external members. Some external members may perceive reduced influence which could affect willingness to participate or accept appointment.   | Medium | Medium             |

|   |   |            |        |
|---|---|------------|--------|
| <b>Total monetised costs</b>  | None identified.  |            |        |
| <b>Non-monetised costs</b>  |   | Low–medium |        |
| <b>Additional benefits of Option 3 compared to taking no action</b> |   |            |        |
| Regulated groups (local authorities)                                | Improved clarity and assurance over where accountability over decisions sits.   | Medium     | Medium |
| Regulators (Crown)  | Local government decision-making system is more consistent from council to council.   | Low        | Medium |
| Others (communities, iwi/Māori, ratepayers)                         | Improved democratic accountability and transparency. Retains the ability for councils to involve external expertise (including iwi/Māori specialist knowledge) in deliberation. | Medium     | Medium |
| <b>Total monetised benefits</b>                                     | None identified.  |            |        |
| <b>Non-monetised benefits</b>                                       |   | Low–medium |        |

## Section 3: Delivering an option

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### How will the proposal be implemented?

95. The Minister has directed this proposal to be implemented by an Amendment Paper to the Local Government (System Improvements) Amendment Bill. That Bill has been reported back from the Governance and Administration Committee and is awaiting its second reading.
96. The Amendment Paper would:
  - a. restrict any external member appointed to a committee, subcommittee or subordinate decision-making body of a local authority from exercising a vote or contributing to the meeting's quorum;
  - b. identify committees that are exempt from these restrictions;
  - c. provide for a transition period.
97. If Parliament approves the Amendment Paper and passes the Bill, councils will be responsible for implementing the proposal through legislative compliance. New oversight mechanisms are not proposed. If a council is not compliant it would open itself up to legal risk including judicial review and potential Ministerial intervention (the Minister of Local Government may intervene in different ways under Part 10 of the Local Government Act 2002 if a council demonstrates a failure to perform its statutory functions or duties).
98. Councils will be informed of the policy by Ministerial announcement.
99. Implementation funding is not available.
100. A transition period will be enabled through a delayed commencement of the provisions relevant to this proposal. The recommended commencement is 6 months after the day of Royal assent. This is consistent with other changes in the Bill to council governance. Councils will be expected to use this transition period to review their existing governance arrangements and implement any changes required to be compliant.
101. It is possible that after the Ministerial announcement and during the transition period (or in the future) additional types of committees may warrant further exclusion from the coverage of this policy. For example, councils may identify strong rationale for external members having voting rights as they work to implement the policy.
102. The Department has not been able to undertake a complete stocktake of committee delegations and the use of external members. To mitigate the risk that, due to the limited available information, committees have not been excluded despite merit, a further option is for the Amendment Paper to allow the Minister of Local Government to recommend other exclusions be added by secondary legislation. If another exclusion were approved, external members on that committee could vote subject to meeting the exclusion criteria.
103. The Minister has indicated his interest in a secondary legislation mechanism for Ministerial exclusions and has directed this to be included in the Cabinet paper.
104. Such a mechanism would not be able to remove statutory exclusions.
105. The implementation of this policy does not impact any decisions taken by committees with external members prior to the commencement date.

**How will the proposal be monitored, evaluated, and reviewed?**

106. The local government policy function of the Department of Internal Affairs (to be transferred to the Ministry for Cities, Environment, Regions and Transport from 1 July 2026) will consider this proposal as part of its ongoing local government regulatory stewardship obligations. These obligations include monitoring the regulatory framework that supports good governance at local authorities and advising the Minister of Local Government on council governance and performance.
107. The Department does not currently collect data on how councils structure their committees or on what appointments of external members they make. It is not proposed that a monitoring programme to collect this data be established.

Proactively released by the Department of Internal Affairs