

Regulatory Impact Statement: Refocusing the purpose of local government

Coversheet

Purpose of document	
Decision sought:	Analysis produced to inform final Cabinet decisions
Advising agencies:	Department of Internal Affairs
Proposing minister:	Minister of Local Government
Date finalised:	31 October 2024
Problem definition	
Property rates across New Zealand are increasing faster than they have in the past two decades and are contributing to increased cost pressures on households and businesses now and in outyears. Ministers are concerned that the current purpose of local government (i.e., the four well-beings) is driving higher rates because councils are spending on “nice-to-haves”, rather than focusing on core services and critical infrastructure.	
Executive summary	
Property rates across New Zealand are increasing faster than they have in the past two decades and are contributing to increased cost pressures on households and businesses now and in outyears. Ministers are concerned that the current purpose of local government (i.e., the four well-beings) is driving higher rates because councils are spending on “nice-to-haves”, rather than focusing on core services and critical infrastructure. The Minister of Local Government is seeking to refocus the purpose of local government and legislative framework councils operate within to better support them to keep rates affordable. The Minister proposes narrowing the purpose of local government in the Local Government Act 2002 (the Act) to largely match the statement in place from 2012 to 2019 with an additional requirement for councils to support local economies through the cost-effective delivery of their basic functions. Councils would be required to make their decisions considering current and future needs of communities and in the most cost-effective way for households and businesses. Proposed amendments to the Act include: • removing all references to the four aspects of community well-being; • narrowing the purpose statement; and • reinstating the core services a council must have regard to in performing its role (section 11A of the Act).	

Ministerial direction to largely revert to the previous purpose of local government precluded exploration of alternatives to the status quo and proposed changes.

Reports, including from the Review into the Future for Local Government, and departmental feedback from agencies, such as the Infrastructure Commission and the Ministry of Housing and Urban Development, noted contrary views to those of ministers. Feedback suggested that removing the four well-beings could be seen as disempowering local government and while focusing councils on low rates may succeed, it would likely come at the expense of key council services and infrastructure development.

Previous regulatory impact statements have suggested that despite various changes to the purpose by successive governments, there has been limited impact on council decision-making, activities, and service levels, regardless of intended focus.

The Department considers that proposed changes, when considered in isolation, are unlikely to benefit communities more than the status quo. This would largely reflect evidence that changes to the purpose of local government in the past have not resulted in significant changes to council activities or service levels.

It should be noted that the proposal to refocus the purpose of local government is part of a package of changes under the first Local Government System Improvements bill (the Bill).

The Bill seeks to implement specific policies that include changes to:

- the purpose of local government;
- council performance measurement and reporting;
- limit council revenue from rates;
- local government transparency and accountability; and
- provide regulatory relief to councils.

Through this lens, the proposed change to the purpose is more likely to complement other changes in the Bill and support broad Government objectives of better public services and rates affordability than the status quo would.

Limitations and constraints on analysis

Ministerial direction was to reinstate the previous purpose of local government, which precluded further options exploration. As such, the Department was not able to consider more than two options: status quo and proposed changes. This includes not being able to consider a more enduring purpose of local government, in consultation with the public.

The Department was not able to consider removing the four well-beings from just the purpose statement, which may have helped to minimise disruption to council planning and reporting (despite the potential legislative inconsistencies this may have resulted in).

Non-regulatory options not considered include sector self-regulation, education campaigns, partnership agreements (such as 'piggy-backing' on Regional Deals), and voluntary codes of practice or standards.

The data and evidence used in carrying out this analysis was generally low-quality due to limitations on options exploration and consultation. There was a heavy reliance on previous regulatory impact statements that covered the same or reverse law changes.

The Department accepts that using historical regulatory impact statements does not mean that determinations made in those documents will always be an accurate representation of impacts in a modern version.

If additional time was provided to conduct further policy analysis, more consideration would have been given to:

- conducting a stronger Treaty of Waitangi and Māori implications analysis;
- consulting with parties outside of government departments (including opportunities to consider public input and consultation);
- collecting more evidence and data on the problem; and
- identifying and analysing other policy options (if ministerial direction allowed).

Councils report on ‘average rates’ in different ways. Standardising this information would have required data collection and analysis not achievable in the given timeframe. Data in this analysis instead used a percentage change in rates revenue per annum, which does not account for population growth or information like the type of ratepayer (e.g., residential or commercial).

This analysis would have benefited from consultation with councils and other sector representatives on purpose changes and the reinstatement of core services, particularly for varying impacts on different types of local authority. The public will have the opportunity to provide input through the parliamentary select committee process.

The assumptions underpinning this analysis are that:

- rate increases are driven primarily by council cost increases;
- previous experience of local government purpose changes can help to predict regulatory impact; and
- the proposed changes can help address Ministers’ concerns regarding council extravagance (i.e., spending on activities that stray from core services and/or spending more than necessary on the basics).

Responsible manager

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Quality assurance

Reviewing agency:	Department of Internal Affairs
Panel assessment and comment:	The panel considers that the information and analysis summarised in the regulatory impact statement (RIS) <i>partially meets</i> the quality assurance criteria. The RIS clearly sets out scope and timing constraints due to Government policy direction. Time constraints have meant there has been limited opportunity to collect evidence of the problem and no opportunity for public consultation. Scope constraints have

limited analysis to only two options (the status quo and the proposed change).

The RIS partially meets the quality assurance criteria as there has been no public consultation and because it does not fully meet the convincing criterion. The RIS has been constrained to considering a perceived problem: concerns that the current purpose for local government is driving higher rates. The RIS would be more convincing if it included evidence and analysis of issues driving rates increases and on the relationship between rates and other measures, such as the consumers price index.

The RIS appropriately determines that refocusing the purpose of local government will likely have limited impact on its own and may create implementation costs and issues. The panel notes that the changes may complement planned work on council performance measurement and on limiting council revenue from rates. This future work could impact the assessment of options in the RIS.

Section 1: Diagnosing the policy problem

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

Key features of the current situation

1. Property rates across New Zealand are increasing faster than they have in the past two decades and are contributing to increased cost pressures on households and business now and in outyears.
2. Ministers are concerned that the current purpose of local government (i.e., the four well-beings) is driving higher rates because councils are spending on “nice-to-haves”, rather than focusing on core services and critical infrastructure.
3. The recently released Coalition Government Quarter Four (Q4) Action Plan continued to focus on delivering better public services and added a new action in point 8, which notes Cabinet decisions will be taken on measures to “get local councils back to basics.”¹
4. To address Ministers’ concerns regarding rates increases, the Minister of Local Government (the Minister) has committed to ensuring councils have the tools they need to be able to deliver long-term funding and financing of core infrastructure and services through the implementation of a Local Government System Improvement bill (the Bill). The Bill seeks to implement specific policies that include changes to:
 - the purpose of local government;
 - council performance measurement and reporting;
 - limit council revenue from rates;

¹ Final 2024 Action plan focused on infrastructure (30 September 2024) [Final 2024 Action Plan focused on infrastructure | Beehive.govt.nz](#)

- local government transparency and accountability; and
 - provide regulatory relief to councils.
5. These changes reflect the Government's commitment to ensure local councils are focused on delivering core services well, accountable to local communities through better reporting, and ultimately trying to keep rates more affordable.
 6. The Government expects councils to demonstrate that they are sticking to core business and carefully balancing the need for funding with rates affordability. This comes as the average figures recorded for property rates in the consumers price index (CPI) averaged almost 10% per annum in 2023 (the largest in 20 years).² Homeowners now face average rate increases of 15%, averaging about \$8 more per week per household.³
 7. Cost pressures on councils are being driven by capital and operating cost escalation, flowing from supply chain upheaval and a tight labour market during the COVID-19 pandemic, and accelerated headline inflation⁴ since. Infrastructure costs have long been a major cause of rate increases, with councils needing to upgrade infrastructure, especially for water and wastewater treatment plants, and invest in more infrastructure to meet growth demands. Around two thirds of capital expenditure for councils is applied to core infrastructure, not including libraries and other community facilities, or parks and reserves.⁵

Previous legislative changes

Sustainable development approach

8. The four aspects of community well-being – social, economic, environmental, and cultural, and commonly referred to as 'the four well-beings' – were included in the Local Government Act 2002 (the Act) at its inception. This wording reflected a sustainable development approach, where local authorities were expected to consider –
 - the social, economic, and cultural well-being of people and communities;
 - the need to maintain and enhance the quality of the environment;
 - and the reasonably foreseeable needs of future generations.⁶
9. There are ten references to the four well-beings in the Act, relating to the purpose of local government and the principles and financial management of local authorities. These clauses have changed periodically to reflect the views of the government of the day. The purpose statement in section 10(1) of the Act has consistently focused councils on enabling democratic local decision-making and action by, and on behalf of, communities. The statement has alternated between also focusing councils on:
 - promoting the social, economic, environmental, and cultural well-being of communities, in the present and for the future (original and current purpose); and

² Infometrics: Analysing increases in local government costs for Local Government New Zealand (February 2024) https://d1pepq1a2249p5.cloudfront.net/media/documents/Analysing_increases_in_local_government_costs_LI2BVKU.pdf

³ Local Government New Zealand: Drivers behind rates rises across the country laid bare (14 March 2024) <https://www.lgnz.co.nz/news/media-releases/drivers-behind-rates-rises-across-the-country-laid-bare/>

⁴ Headline inflation is a measure of total inflation that is not adjusted to remove volatile figures that could shift regardless of economic conditions (such as food and energy prices). It is related to shifts in the cost of living.

⁵ Department of Internal Affairs analysis of forecast and actual capital expenditure for councils based on 2021–2031 long-term plans (LTPs) and annual reports

⁶ New Zealand Parliamentary Library: Bills Digest – Local Government Bill 2001 (10 December 2002) <https://www.parliament.nz/resource/en-NZ/47PLLawBD9381/0cd4fcbcf7731f3210361f34ef5366381bf15c0>

- meeting the current and future needs of communities for good-quality local infrastructure, public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses (previous purpose from 2012 to 2019).
10. The purpose of local government should reflect the broad range of responsibilities local authorities have under all primary and secondary legislation in New Zealand. Primary legislation conferring responsibilities on councils is tabled in **Appendix A**.
 11. The four well-beings in the current purpose statement are considered by some to capture this broad role. However, the previous purpose statement (from 2012 to 2019) is similarly wide-ranging, describing in general terms the provision of local infrastructure, public services, and performance of regulatory functions to meet current and future community needs. It narrows the focus further by emphasising that such service provision should be “good-quality” and delivered in the “most cost-effective” way for households and businesses.⁷
 12. The final report of the Review into the Future for Local Government also noted that changes to the purpose by successive governments have been disruptive for councils. The report recommended entrenching the current purpose of local government (with the four well-beings) to resolve this issue and provide councils with greater certainty for their long-term planning.⁸

Transparency, accountability, and financial management (2010)

13. Legislative changes in 2010 were intended to ensure better transparency, accountability, and financial management of local government. Related to the purpose of local government was the inclusion of new section 11A in the Act, which required local authorities, in performing their roles, to have particular regard to the contribution that the following core services make to their communities:
 - network infrastructure (the provision of roads and other transport, water, wastewater, and stormwater collection and management);
 - public transport services;
 - solid waste collection and disposal;
 - the avoidance or mitigation of natural hazards; and
 - libraries, museums, reserves, recreational facilities, and other community amenities.

Better Local Government (2012)

14. Legislative changes in 2012, as part of the Better Local Government reform programme, were intended to refocus the purpose of local government. These changes included amending the purpose statement in section 10(1)(b) of the Act and removing references to the four aspects of community well-being.

Community well-being (2018)

15. In 2019, the Local Government (Community Well-being) Amendment Act 2019 reinstated the four well-beings and repealed section 11A (Core services to be considered in performing role). These changes were intended to recognise the already broad role of councils valued in communities, and to empower councils to decide for

⁷ New Zealand Legislation – Local Government Act 2002 (5 December 2012) [Local Government Act 2002 No 84 \(as at 05 December 2012\)](#), [Public Act 10 Purpose of local government – New Zealand Legislation](#)

⁸ The Future of Local Government Final Report *He piki tūranga, he piki kōtuku* (June 2023) [Future for Local Government Review - dia.govt.nz](#)

themselves how best to meet the needs of their communities, with the law prescribing desired community outcomes rather than council outputs.

Rate increases and the four well-beings

16. Ministers are concerned there may be a causal relationship between the four well-beings in local government legislation and higher rates (See **Figure 1**).

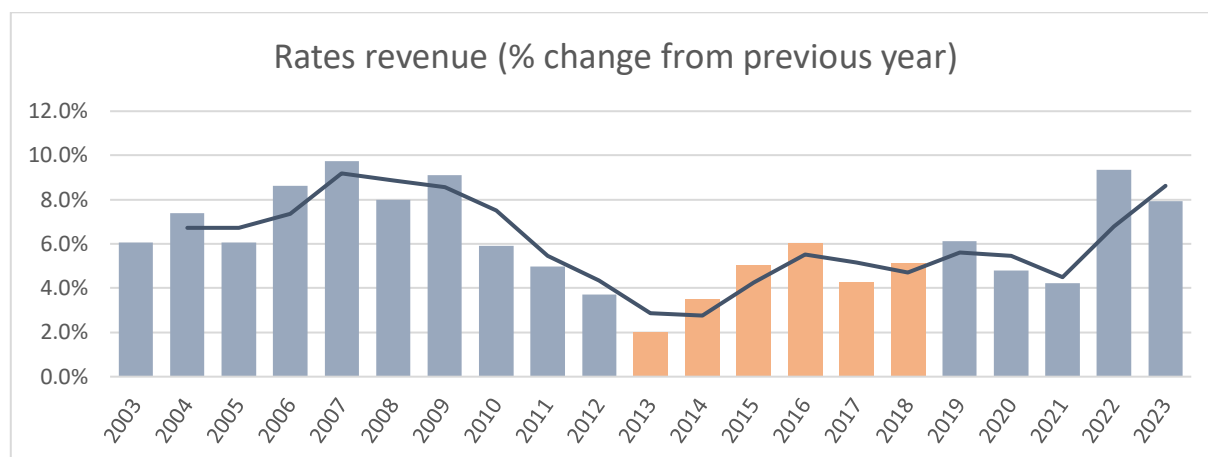


Figure 1 - Change in council rates revenue per annum when four well-beings have been in the local government purpose (grey) against when they have not (orange). The line indicates the linear average of rates revenue changes across years.

17. The four well-beings were part of the Act that came into force on 1 July 2003. From 2003 to 2012, the average rates revenue increase was 7.0%.
18. The Local Government Act 2002 Amendment Bill proposed removing all references to the four well-beings and came into force on 4 December 2012. From 2013 to 2018, the average rates revenue increase was 4.3%.
19. The Local Government (Community Well-being) Amendment Bill proposed reinstating all references to the four well-beings and came into force on 14 May 2019. From 2019 to 2023, the average rate rates revenue increase was 6.5%.
20. This suggests there is a rates revenue increase that is, on average, around 2% higher when the four-well beings are in the Act than when they are not.

Issues with collection of 'average rates' data

21. The average rates *revenue* increases discussed using Figure 1 does not directly translate to 'average rates' increases. The Department currently cannot determine 'average rates' as councils report this in different ways. Standardising this information would have required data collection and analysis not achievable in the given timeframe.
22. Data in this analysis (see paragraphs 16 to 20) instead used a percentage change in rates revenue per annum, which does not account for population growth or information like the type of ratepayer (e.g., residential or commercial).
23. While this does reflect the Minister's view of a causal relationship, rate increases are affected by many features and changes that can complicate initial views on the matter.
24. Rates increases should be considered alongside changes in the consumers price index (CPI), population size, capital goods price index (CGPI), and other economic conditions or major events, e.g., the global financial crisis and COVID-19 pandemic. Some of these have been included in graphs in **Appendix B** (figures 2 to 4).
25. Further work on other system improvements, such as performance measurement changes, through the Bill may allow the Department to collect and consider information that would provide a more accurate representation of 'average rates,' such as the relationship between rates revenue and CPI.

26. Usually where rates have increased faster, this is because costs for councils have risen faster. The current infrastructure deficit for local government is evidence of prolonged underinvestment, where rates (along with other revenue sources) did not increase enough to enable responsible asset management.⁹
27. For example, despite rates appearing to increase more towards 2007, the Infrastructure Commission has identified the period from 1995 to 2008 as a time when rates were consistently below their post-World War II average as a share of gross domestic product (GDP), and this coincided with a deterioration of the stock of transport, water, and waste assets.

Previous impact analysis

28. Regulatory impact statements were prepared for all three of the previous legislative changes outlined above:
 - [Regulatory Impact Statement – Improving Local Government Transparency, Accountability, and Financial Management](#) (April 2010 – Introducing section 11A)
 - [Regulatory Impact Statement – Better Local Government](#) (May 2012 – Removing the four well-beings and amending purpose statement)
 - [Regulatory Impact Statement – Local Government \(Community Well-being\) Amendment Bill](#) (March 2018 – Reinstating the four well-beings and repealing section 11A)
29. As previous regulatory impact statements considered changes that either match or reverse the current proposal, the Department used analysis in these documents in the preparation of this regulatory impact statement.
30. Relevant excerpts from different impact statements are provided in **Appendix C**, for the two specific proposals (relating to the four well-beings and core services) as well as the overall approach.

Proposed changes in the context of the first Local Government System Improvements bill

31. While this paper analyses the proposed purpose changes in isolation against the status quo, it should be noted that these changes are part of a package in the first Local Government System Improvements bill (the Bill). Context for the bill is provided below.
32. The package of changes under the Bill, of which a refocused purpose is part, is sought to address Ministers' concerns, refocus councils on core services and critical infrastructure, and ultimately keep rates affordable.
33. The Bill seeks to implement specific policies that include changes to:
 - the purpose of local government;
 - council performance measurement and reporting;
 - limit council revenue from rates;
 - local government transparency and accountability; and
 - provide regulatory relief to councils.

⁹ Sense Partners: New Zealand's infrastructure challenge (October 2021) <https://tewaihang.govt.nz/our-work/research-insights/new-zealand-s-infrastructure-challenge-quantifying-the-gap-and-path-to-close-it>

34. Refocusing the purpose of local government and reinstating core services would align with other changes proposed under the Bill and more readily support the Government's objectives by:
 - narrowing the focus of councils to maintaining assets affordably and delivering core services effectively and efficiently;
 - helping councils to prioritise activities, service levels, and expenditure; and
 - ensuring greater public understanding of 'core' council services.
35. Consideration of further options is required for council performance measurement and reporting and limiting revenue from rates work. Implementation of proposed purpose changes may assist in developing options for these.
36. Refocusing the purpose of local government may support consideration of the current and future reporting requirements for councils.
37. [REDACTED]

What is the policy problem or opportunity?

38. Property rates across New Zealand are increasing faster than they have in the past two decades and are contributing to increased cost pressures on households and businesses now and in outyears.
39. Ministers are concerned that the current purpose of local government (i.e., the four well-beings) is driving higher rates because councils are spending on "nice-to-haves", rather than focusing on core services and critical infrastructure.
40. The Government is of the view that if the legislative framework councils operate in is properly focused, savings can be achieved right across the sector.
41. During departmental consultation on proposed changes, the Infrastructure Commission [REDACTED] highlighted that council rates have generally kept pace with gross domestic product (GDP), a proxy for living standards (and demand for services) and a better predictor of rates than the consumers price index (CPI), since World War II – and when they have not, this has been at the expense of infrastructure outcomes.

What objectives are sought in relation to the policy problem?

42. Reinstating and updating the 2012 to 2019 purpose and core services is sought to:
 - refocus councils to deliver better core services and critical infrastructure; and
 - reduce unnecessary council expenditure that may be driving increased costs for ratepayers.
43. The Department is seeking to address Minister's concerns and ensure that any disruption caused by these changes is minimised where possible. It is understood that previous changes to the purpose have been disruptive and costly to councils in their planning and reporting.

Section 2: Choosing an option to address the problem

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

44. The following criteria will be used to compare proposed changes with the status quo:
- **Restraint:** Does the option address Ministers' concerns about council spending beyond core services and critical infrastructure?
 - **Stability:** Does the option minimise disruption for councils and give them certainty to plan effectively?
 - **Clarity:** Does the option provide useful direction as to what councils should be expected to do, and does it offer useful parameters within which local government activity can be planned?
 - **Localism:** Does the option recognise the already broad role of councils valued in communities, and does it empower councils to decide for themselves how best to meet the needs of local people?
45. These criteria reflect a careful balance for any legislative framework. Due to the objectives sought, analysis has weighted the criteria of restraint and stability more than clarity and localism.
46. The restraint criterion is mostly a short-term focus as Ministers' concerns regarding council expenditure and rates affordability may be minimised as changes are implemented. The Department accepts that concerns may continue into the long term if not addressed or changes are not seen to impact council spending or rates affordability.
47. The stability criterion is a long-term focus due to potential effects on council long-term plans that reflect council decision-making over a period of up to ten years.

What scope will options be considered within?

48. Other regulatory options have not been considered, such as whether an enduring local government purpose informed by engagement between government parties, councils, and communities. The Department has not been able to carry out any form of sector or public engagement.
49. The Department has not considered non-regulatory options (beyond status quo in options analysis) as the Minister commissioned specific advice on proposed changes. These are detailed in **Appendix D**, making clear where references to the four well-beings are in the Act, and what 'reverting to previous legislation' would mean in each instance.

What options are being considered?

Option one: Status quo

50. The status quo means all references to the four well-beings in the Act would remain. For clarity, the well-beings are currently referenced in the following sections:
- Section 3 (Purpose)
 - Section 5 (Interpretation)
 - Section 10 (Purpose of local government)
 - Section 14 (Principles relating to local authorities)
 - Section 101 (Financial management)
 - Schedule 10 (Long-term plans, annual plans, and annual reports)

51. The status quo would also mean that section 11A (Core services to be considered when performing role) would not be reinstated.

Measuring the status quo against analysis criteria

Restraint

52. The status quo would not help to address concerns about council extravagance (i.e., spending on activities that stray from core services and/or spending more than necessary on the basics). If Ministers' concerns are not addressed, or not seen to be, it is likely they will continue into the long term, which may increase pressure on the relationship between central and local government.

Stability

53. There are obvious trade-offs between how prescriptive legislation is and how much freedom or authority councils have when determining which services are core to local community needs.
54. The status quo would minimise disruption for councils and give them certainty to plan effectively. It was developed in consultation with the sector and communities prior to its introduction in 2002.
55. The final report of the Review into the Future for Local Government recommended entrenching the current purpose of local government to provide councils with certainty and help them plan more effectively. However, stability will not always favour the status quo (stability requiring no change) as public and/or government expectations of councils may change over time and a new purpose statement developed in consultation with councils and communities could be considered enduring.

Clarity

56. The status quo results in a broad purpose of local government that does not provide useful direction for councils or parameters within which council activity can be planned.
57. However, council activities and service levels are always a negotiation between councils and communities; what communities want versus what they are willing and able to pay for it. Furthermore, some core services are already distinguished in the Act under "Groups of activities" in Schedule 10. These are:
- water supply;
 - sewerage and the treatment and disposal of sewage;
 - stormwater drainage;
 - flood protection and control works; and
 - the provision of roads and footpaths.
58. Councils must report on these groups of activities more specifically.

Localism

59. The status quo recognises the already broad role of councils valued in communities and empowers councils to decide for themselves how best to meet the needs of local people. It is consistent with the wider legislative framework for local government, which grants local authorities responsibility for their communities and anticipates that central government will not direct councils in what services to provide or activities to undertake, other than regulatory responsibilities with statutory backing.

Option two: Refocusing the purpose of local government

60. Refocusing the purpose of local government means:
- removing all references to the four well-beings from the Act;

- narrowing the purpose statement in section 10(1)(b); and
 - reinstating core services in section 11A.
61. The possible new purpose statement is based on the previous one that was in the Act from 2012 to 2019 (see paragraph 13). The proposed wording for a narrowed purpose statement in section 10 is:
- “The purpose of local government is –
- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
 - (b) to ~~promote the social, economic, environmental, and cultural well-being of communities in the present and for the future~~ meet the current and future needs of communities for good-quality local infrastructure, public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses, therefore supporting local economic growth and development.”
62. Core services in the reinstated section 11A would be based on previous ones but updated to reflect changes in related legislation (e.g., the Waste Minimisation Act 2008 and Civil Defence Emergency Management Act 2002) since 2010 when this section was introduced:
- (a) network infrastructure (roads and other transport, water, ~~wastewater, and stormwater collection and management~~ services, and waste management facilities);
 - (b) public transport services;
 - (c) ~~solid waste collection and disposal~~ waste management;
 - (d) ~~the avoidance or mitigation of natural hazards~~ management of hazards and risks across the areas of reduction, readiness, response, and recovery; and
 - (e) libraries, museums, reserves, and other recreational facilities and community amenities.

Analysing proposed changes in isolation from other measures in the Bill

Restraint

63. Proposed changes could help to address Ministers’ concerns about council extravagance (i.e., spending on activities that stray from core services and/or spending more than necessary on the basics). Alternative interventions to address these concerns could be more disruptive to council asset management and service delivery.
64. These changes may also support the relationship between local and central government. A refocused purpose presents an opportunity for councils to demonstrate how they are addressing Ministers’ concerns by balancing the need for investment with rates affordability; prioritising core services and investing cost-effectively.

Stability

65. Proposed changes will likely disrupt the sector and represent continued fluctuations to the purpose of councils by successive governments. These have created difficulty for local government as councils attempt to plan effectively for the short and long term.
66. Changes with implications for council planning and reporting will also have transition costs for councils. Based on previous regulatory impact analysis, some councils have undertaken costly compliance exercises in the past to determine which activities fit within a narrower purpose.
67. There are around 50 Treaty settlement Acts that aim to respond to Treaty breaches by the Crown and use the language of, or language similar to, the four well-beings as currently stated under the Act. Feedback from post-settlement governance entities

included concerns that changes to the purpose of local government could impact settlement arrangements between iwi or hapū and councils.

68. References to different aspects of community well-being in Treaty settlement Acts usually appear in the acknowledgement and/or apology sections and are not linked to the purpose of local government in the Local Government Act 2002. Changes to the purpose of local government are not expected to affect Treaty settlement Acts – they will not change the responsibilities of local authorities under other legislation.

Clarity

69. Proposed changes would provide useful direction for councils and parameters within which council activity can be planned. Some councils have told the Minister of Local Government they feel it would help them to manage community expectations and do fewer things better.
70. Based on previous regulatory impact analysis, the Department understands that the previous purpose of local government (the basis for the proposed one) was also considered by some councils to lack clarity. While it did not necessarily result changes to services, some councils had to undertake costly compliance exercises to determine how services (some well-established) fit the new purpose.
71. Councils ultimately decide which activities they fund. The addition of implicit and explicit references to core services in the purpose statement and other parts of the Act are intended to remind councils of the services the public generally accepts as being a core role of local government, and which should be provided in a satisfactory manner before a council considers funding other activities.

Localism

72. Proposed changes would only partly recognise the already broad role of councils valued in communities and empower councils to decide for themselves how best to meet the needs of local people.
73. The proposed purpose of local government is still wide-ranging, describing in general terms the provision of local infrastructure, public services, and performance of regulatory functions. But it does seek to narrow the role of local government, and the reinstatement of core services reinforces this.
74. Core services proposed for the reinstated section 11A are important as they are intended to help councils prioritise activities and service levels. The sector will be watching these particularly closely as the Government has announced its intention to investigate options for limiting council expenditure on certain activities.¹⁰
75. Section 11A could be interpreted as the ‘must-haves’ with all other council activities expendable, even though some statutory responsibilities of councils (e.g., performance of regulatory functions) are not being proposed in the reinstated section 11A.
76. Previous regulatory impact statements, including for the removal of the four well-beings in 2012, have raised the issue that the purpose of local government (containing the well-beings) has allowed councils to engage in diverse activities that may run outside of their ‘core’ functions, e.g., in the past councils have run Lotto shops, focused on NCEA pass rates, and developed strategies for improving family well-being. Though not unworthy programmes, questions were asked about whether councils should be engaging in them.

¹⁰ Minister of Local Government: Back to basics for local government (21 August 2024)
<https://www.beehive.govt.nz/release/back-basics-local-government>

How do the options compare to the status quo/counterfactual?

Criteria	Description	Option one: Status quo	Option two: Refocusing
Restraint	Does the option address Ministers' concerns about council spending beyond core services and critical infrastructure?	0 Does not act address Minister's concerns.	+ May help to address Ministers' concerns by reinstating a narrowed purpose and identifying core services councils should focus on.
Stability	Does the option minimise disruption for councils and give them certainty to plan effectively?	0 Minimises disruption and provides councils certainty to plan through continuation of current requirements.	- Removal of all references to the four well-beings may cause some disruption to council planning and reporting.
Clarity	Does the option provide useful direction as to what councils should be expected to do, and does it offer useful parameters within which local government activity can be planned?	0 Does not provide useful direction on what is expected of councils but reflects relationship between councils and communities. Some specific groups of activities already provide parameters for planning and reporting.	+ Narrows the purpose of local government and provides a more specific direction for councils. Reinstatement of section 11A could support a greater focus on specific services and parameters for planning and reporting.
Localism	Does the option recognise the already broad role of councils valued in communities, and does it empower councils to decide for themselves how best to meet the needs of local people?	0 Recognises the broad role of councils valued in communities and empowers councils to decide for themselves how best to meet local community needs.	- Would only partly recognise the broad role of councils and hinders the ability of councils to adopt innovative solutions to local problems. Reinstatement of section 11A may limit council decision-making on prioritisation of activities, service levels, and expenditure.
Overall		0	0

Key for qualitative judgements:

++	much better than status quo
+	better than status quo
0	about the same as status quo
-	worse than status quo
--	much worse than status quo

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

77. The Department considers that, within the constraints of analysis and in isolation from the broader Bill, the preferred option is to maintain the status quo over implementation of proposed changes.
78. While the status quo and proposed changes appear to have similar impacts, the implementation of the proposed changes to the purpose may create additional costs and issues that would not be offset by potential gains from proposed changes when considered in isolation.
79. Based on previous regulatory impact analysis, we understand changes to the purpose of local government in the past have not resulted in significant changes to council activities or service levels – only additional compliance exercises for some councils to justify their activities under a new purpose.
80. Proposed changes are likely to help address Ministers' concerns about council extravagance. This may however create issues for councils that must uphold a narrowed purpose, account for this in long-term planning and reporting, and operate within a system where priorities fluctuate.
81. Our conclusion is based on the analysis of just proposed changes against the status quo – not in the context of the package within the Bill. Therefore, while the status quo is the Department's preferred approach within this analysis, our view may change as the suite of measures within the Bill takes shape.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence certainty
Additional costs of purpose changes compared to status quo			
Regulated group: Councils	Changes may disrupt council services and the ability to undertake innovative funding and service delivery options	Medium	Low
	Councils may need to undertake compliance exercises to align activities with a new purpose	Unknown	–
	Changes may impact council consideration and adoption of 2027 long-term plans if work has already begun	Unknown	–
Regulator: Crown	Changes may harm the relationship between central and local government, following more explicit direction for councils by the Crown	Medium	Low
Others: Communities	Local communities may not receive council services and infrastructure beyond those listed in the purpose and section 11A	Low	Low
Total monetised costs		Unknown	–
Non-monetised costs		Medium	Low
Additional benefits of proposed changes compared to status quo			

Regulated group: Councils	Changes would support a shared understanding of core services and critical infrastructure	Low	Low
Regulator: Crown	Changes would support a shared understanding of core services and critical infrastructure	Low	Low
Others: Communities	Changes would support a shared understanding of core services and critical infrastructure	Low	Low
Total monetised benefits		–	–
Non-monetised benefits		Low	Low

82. Some of the key assumptions underpinning this cost-benefit analysis are that a significant number of councils support a broad role for local government (as reflected in references to four well-beings in the Act) and the right for councils to decide how best to meet the needs of their communities (without prescriptive lists of council outputs deemed 'core services').
83. Legislative changes could be interpreted as a concession that councils cannot be trusted to appropriately prioritise activities. This is also reflected above in the additional cost to the Crown of legislative changes (particularly proposed without consultation) threatening the relationship between central and local government.
84. Another assumption underpinning this cost-benefit analysis is that all parties benefit from a shared understanding of core services, and this will be strengthened as a result of legislative changes. The impact and evidence certainty for these in all categories is low because –
- all parties are likely to already have a shared understanding of core services (the problem is more how to fund these); and
 - the Department is not confident, even if all parties could benefit from a stronger shared understanding of core services, that other perhaps non-regulatory options could not have better achieved this aim.
85. Proposed changes could have other possible impacts, including unintended ones. Frequent changes to local government law, alternating between different ideologies and approaches, risks trivialising serious challenges for the sector, including:
- financial challenges;
 - environmental challenges (climate change and responses to extreme weather events); and
 - social challenges.

Section 3: Delivering an option

How will new arrangements be implemented?

86. Removing all references to the four well-beings and reinstating specific core services in the Act will need to be timed to minimise disruption for councils. The council planning cycle is a robust process. In consultation with their communities, councils must prepare long-term plans (LTPs) every three years (where major decisions about council revenue and expenditure are made) and annual plans every other year.
87. These are adopted before the start of each financial year in July, following public consultation. Annual reports must be adopted by 31 October each year. Councils are currently required by law to operate broadly but plan and report specifically, promoting

the social, economic, environmental, and cultural well-being of communities in the present and for the future. For example, Schedule 10 of the Act currently requires that:

“A long-term plan must, in relation to each group of activities of the local authority, outline any significant negative effects that any activity within the group of activities may have on the social, economic, environmental, or cultural well-being of the local community.”

88. Previously, however, before the four well-beings were reinstated, it required that:

“A long-term plan must, in relation to each group of activities of the local authority, outline any significant negative effects that any activity within the group of activities may have on the local community.”

89. Therefore, any changes to council planning and reporting as a result of efforts to refocus the purpose of local government should fall between cycles where possible. Draft legislation would include prescriptive transitional provisions setting out a clear pathway for councils navigating change, but these are yet to be developed.

Implementation of proposed changes under the Bill

90. The Bill has been prioritised as Category 6 in the 2024 Legislation Programme. Drafting instructions are planned to be issued by the end of 2024, and the Bill is tentatively scheduled to be introduced in June 2025 and enacted by the end of 2025.

91. [REDACTED]
[REDACTED]
[REDACTED] This timeframe for enactment and implementation is expected to occur ahead of council LTP adoption and mitigate complications that may occur from failure to meet LTP adoption timeframes.

92. A council's failure to adopt an LTP prior to the year it would commence under section 93(3) of the Act is considered a breach of law. A council failing to meet the statutory deadline for adoption of its LTP is reported on by the Office of the Auditor-general as part of its audit function. It considers any breach as a failure to local communities and a compromise on council decision-making.

93. Under Section 23 of the Local Government (Rating) Act 2002, a council's rates must be set in accordance with relevant provisions of the council's long-term plan and funding impact statement for that financial year. Any delay or out of time adoption of LTPs might then compromise a council's ability to levy rates for the period in which the plan was not adopted. This is not preferable and could complicate the achievement of the Bill's broad policy objective to keep rates affordable.

94. Councils and communities will have the opportunity to provide feedback on proposed changes during select committee consideration of the Bill. Councils may be limited in how they can engage on proposed changes as the select committee process is likely to begin close to the next local elections period, which begins three months prior to polling day on Saturday 11 October 2025. This may impact on councils' abilities to take decisions or issue communications due to risks of undue or adverse public scrutiny (in accordance with sector best practice guidance). The Department will work with the Minister's office and sector representatives to ensure councils understand any changes to their responsibilities.

Appendix A: Acts conferring responsibilities on councils

The first table generally lists Acts that require councils to perform certain functions, whereas the second lists Acts that create opportunities for local authorities to undertake certain activities.

These are not exhaustive lists and focus on council responsibilities with significant potential cost implications or high profile. Responsibilities of local authorities as any other business or employer (e.g., under the Companies Act 1993 or Health and Safety at Work Act 2015) are not included either.

Major responsibilities are filled in (building in purple, transport in red, local government in yellow, resource management in green, waste management in orange, and water services in blue) and council activity areas are bolded.

Table 1: Acts that require local authorities to perform certain functions

Act	Responsibility
Animal Welfare Act 1999	Relates to responsibilities under the Impounding Act 1955 and Dog Control Act 1996, e.g., destruction of impounded animals that are diseased or injured (s139)
Biosecurity Act 1993	Regional councils to provide leadership in pest management in their regions (s12B)
Building Act 2004	Territorial authorities to administer building consent regime: issue consents, inspect building work, issue fix notices and code compliance certificates, etc. (s12)
	Territorial authorities to issue project information memoranda (s31) and may issue development contribution notices (s36)
Burial and Cremation Act 1964	Local authorities to provide cemeteries (s4)
Civil Defence Emergency Management Act 2002	Local authorities to establish civil defence emergency management groups (s12)
Climate Change Response Act 2002	Local authorities to provide information on climate change adaptation if requested by the Minister or Commission (s5ZW)
Conservation Act 1987	Local authorities to participate in consultation on conservation management strategies, and freshwater fisheries and sports fish and game management plans, etc. (s17F, 17K, 17M)
Dog Control Act 1996	Territorial authorities to adopt and report on dog control policy and practices (s10, 10A)
Fire and Emergency New Zealand Act 2017	Local authorities to participate in consultation on code of practice for firefighting water supplies (s73)
Food Act 2014	Territorial authorities to support food safety regime administration and enforcement (s19)
Forests Act 1949	Local authorities to implement regulations made under this Act and related legislation, e.g., National Environmental Standards for Commercial Forestry
Gambling Act 2003	Territorial authorities to consider and determine corporate society applications for consent of specific types of gambling (s98)
Government Roding Powers Act 1989	Local authorities to remove roadside structures that obscure visibility or interfere with public works (s55) (road control)
Hazardous Substances and New Organisms Act 1996	Regional councils and territorial authorities to enforce provisions of the Act (relating to hazardous substance

	risk management) in specific premises or when engaging in certain activities (s97)
Health Act 1956	Local authorities to improve, promote, and protect local public health (s23) and may be required to alter or extend sanitary works , e.g., water services, refuse collection and disposal, public toilets, swimming baths, and cemeteries and crematoria (s25)
Heritage New Zealand Pouhere Taonga Act 2014	Local authorities to take appropriate measures to assist in the conservation and protection of local historic areas (s74)
Impounding Act 1955	Territorial authorities to provide and maintain public pounds and appoint poundkeepers, etc. (animal control)
Infrastructure Funding and Financing Act 2020	Local authorities may receive infrastructure funding from special purpose vehicle (SPV) and charge levy to repay SPV debt and other construction-related costs
Land Drainage Act 1908	Local authorities to maintain watercourses and drains outside of drainage and river districts (Part 3) (functions provided for under the Act have been transferred to regional councils)
Land Transport Act 1998	Local authorities may make bylaws on vehicle and road use, heavy traffic, parking, and signs and markings, etc. (road control) (s22AB) *powers of councils regarding roads are s319 of Local Government Act 2002
Land Transport Management Act 2003	Regional councils to establish regional transport committees, including territorial authority representatives (s105)
	Regional transport committees to prepare regional land transport plans (s13)
	Regional councils to adopt regional public transport plans (s119) and other local authorities to participate in consultation on draft plans (s125)
Local Authorities (Members' Interests) Act 1968	Local authorities to manage elected member conflicts of interest
Local Electoral Act 2001	Local authorities to ensure fair and effective representation through periodic democratic elections
Local Government Act 2002	Local authorities to enable democratic local decision-making and promote community well-being in present and future (s10)
Local Government Official Information and Meetings Act 1987	Local authorities to make official information they hold available to the public, and to promote the open and public transaction of business at meetings of local authorities
	Territorial authorities to supply land information memoranda (LIMs) (s44A)
Local Government (Rating) Act 2002	Local authorities to set, assess, and collect rates to fund local government activities
Marine and Coastal Area (Takutai Moana) Act 2011	Relates to responsibilities under the Resource Management Act 1991, e.g., local authorities responsible for public compliance with any wāhi tapu conditions (conservation) (s81)
Maritime Transport Act 1994	Regional councils to appoint harbourmasters (s33D) and may regulate local ports, harbours, waters, and maritime -related activities (s33C)
Ngāi Tahu Claims Settlement Act 1998	Local authorities must consider Ngāi Tahu a person who may be affected by the granting of a resource consent for activities within its statutory area (s208)

Pae Ora (Healthy Futures) Act 2022	Local authorities to participate in consultation on determining localities and locality plans (public health) (s54, 55)
Plumbers, Gasfitters, and Drainlayers Act 2006	Local authorities to participate in consultation on sanitary plumbing exemptions for householders or areas in rural districts (s15, 16)
Public Records Act 2015	Local authorities to maintain local authority records in accordance with standards and advice issued by the Chief Archivist (recordkeeping) (s11)
Railways Act 2005	Local authorities to maintain drains near railway infrastructure and premises (s74) and coordinate railway and road maintenance (road control) (s87)
Rating Valuations Act 1998	Local authorities responsible for land valuation for rating purposes (s4)
Rates Rebate Act 1973	Territorial authorities to consider and determine applications for rates rebates (s5)
Reserves Act 1977	Local authorities to control and manage local reserves (e.g., recreation, historic, or scenic) when appointed by the Minister
Resource Management Act 1991	Regional councils to manage natural and physical resources, with regard to the impact of land use on soil, water, and ecosystem health, and natural hazard risk (resource management) (s30)
	Regional councils to prepare regional policy statements and plans (s59, 63) and may make rules with the force and effect of regulations under the Act (e.g., about water quality or discharges) (resource management) (s68)
	Territorial authorities to manage natural and physical resources, with regard to the impact of land use on natural hazard risk, biodiversity, noise control, and water quality (resource management) (s31)
	Territorial authorities to prepare district plans (s72) and may make rules with the force and effect of regulations under the Act (e.g., about controlled or restricted discretionary activities or financial contributions) (resource management) (s76)
Sale and Supply of Alcohol Act 2012	Territorial authorities to appoint district licensing committees (s186), and may have local policy relating to the sale, supply, or consumption of alcohol (alcohol harm reduction) (s75)
Soil Conservation and Rivers Control Act 1941	Local authorities to be represented on catchment boards, as with land drainage, functions provided for under the Act have been transferred to regional councils (conservation) (Part 3)
Sport and Recreation New Zealand Act 2002	Local authorities to work with agency and others to ensure the maintenance and development of the physical and organisational infrastructure for physical recreation and sport (s8)
Telecommunications Act 2001	Local authorities to trim or remove trees upon request (s128) and coordinate with network operators in construction or repair of lines or wireless works (road control) (s135)
Urban Development Act 2020	Local authorities to participate in consultation on specified urban development projects (s40) and prepare development contributions policies for development plans where needed (s62)

Walking Access Act 2008	Local authorities to maintain access to walkways on public land
Waste Minimisation Act 2008	Territorial authorities to adopt waste management and minimisation plans (s43), including responsibility for solid waste collection and disposal (s54)
	Territorial authorities receive share of waste disposal levy revenue to spend on promoting and achieving local waste minimisation (i.e., 'reduce, reuse, and recycle') (s31, 32)
Water Services Act 2021	Local authorities as drinking water suppliers to supply safe drinking water (s21), comply with drinking water standards (s22), and have drinking water safety plans (s30)
	Local authorities to contribute to the development and implementation of source water risk management plans prepared by other drinking water suppliers (s43)
Water Services Regulator Act 2020	Refers to local authorities, council-controlled organisations, or subsidiaries of these that may be drinking, storm-, or wastewater network operators (water services)
Local Government (Water Services Preliminary Arrangements) Act 2024	Territorial authorities to prepare, adopt, and give effect to water services delivery plans (s8), and may be required to provide information to secretary for monitoring purposes (s24)

Table 2: Acts that create opportunities for local authorities to undertake certain activities

Act	Possible responsibility
Airport Authorities Act 1966	Any local authority may manage airports and acquire land for any such purpose (s3)
Arts Council of New Zealand Toi Aotearoa Act 1994	A consenting local authority may be designated by an arts board as the administrative local authority in respect of each community arts council (s24)
Civil Aviation Act 1990	The Minister responsible for the Act and any one or more local authorities may enter into agreements about aerodrome management and land and building acquisition for this purpose (s94)
Conservation Act 1987	A local authority may make contributions out of its general fund or account for the management of any conservation area (s35)
Electricity Act 1992, Energy Companies Act 1992, and Gas Act 1992	Relevant to local authorities with electricity and gas holdings, e.g., council-owned Dunedin City Holdings owns Aurora Energy, an electricity distribution network managing assets in Dunedin and Central Otago
Freedom Camping Act 2011	Local authorities may make bylaws defining areas in their districts or regions where freedom camping is restricted (s11)
Forests Act 1949	Relevant to local authorities with forestry holdings, e.g., Hawke's Bay Regional Council owns forests at Māhia, Tūtira Regional Park, and nearby Waihapua, Waipawa, and Waipukurau
Kāinga Ora – Homes and Communities Act 2019	Local authorities may receive loans or other financial assistance from Kāinga Ora – Homes and Communities for housing purposes (s13)

Land Act 1948	Relates to responsibilities under the Water Services Act 2021, where local authorities may form community water supply associations (s50A)
	Local authorities may fund the maintenance or enhancement of reserves made for the public recreation or health of residents (s168)
Land Transfer Act 2017	Territorial authorities may lodge caveat preventing access strip from being included in title for adjoining freehold estate (accessways) (s187)
Land Transport Management Act 2003	Local authorities may hold interests in public transport services and infrastructure (s27)
Litter Act 1979	A local authority may make grants or bylaws to enforce this Act to reduce litter (s12)
Prostitution Reform Act 2003	Local authorities may make bylaws that prohibit or regulate public signage advertising commercial sexual services (s12)
Public and Community Housing Management Act 1992	Relevant to local authorities providing social housing , either directly (Part 9), or through a council-controlled registered community housing provider (Part 8)
Public Works Act 1981	Local authorities may acquire land for essential public works , by agreement or compulsory acquisition
Residential Tenancies Act 1986	Relevant to local authorities providing social housing , defining rights and responsibilities of residential property landlords
Shop Trading Hours Act 1990	Territorial authorities may have local Easter Sunday shop trading policies (s5A)
Wild Animal Control Act 1977	A local authority may, with prior consent from the Minister, resolve to apply money towards the destruction of wild animals (animal control) (s30)
Wildlife Act 1953	Local authority activities may be coordinated with those of other public bodies for wildlife conservation and harmful species eradication (s41)

Appendix B: Rate increases and the four well-beings

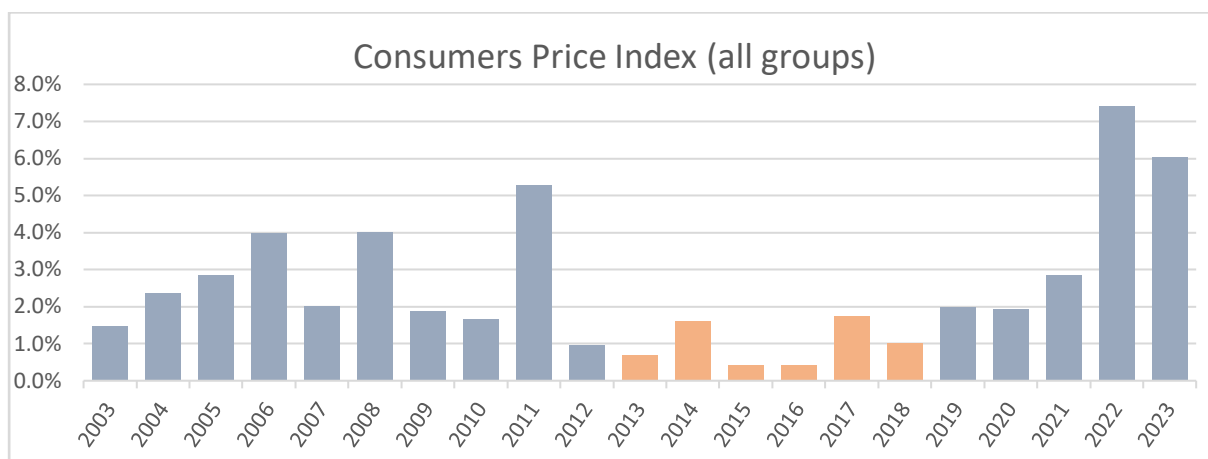


Figure 2

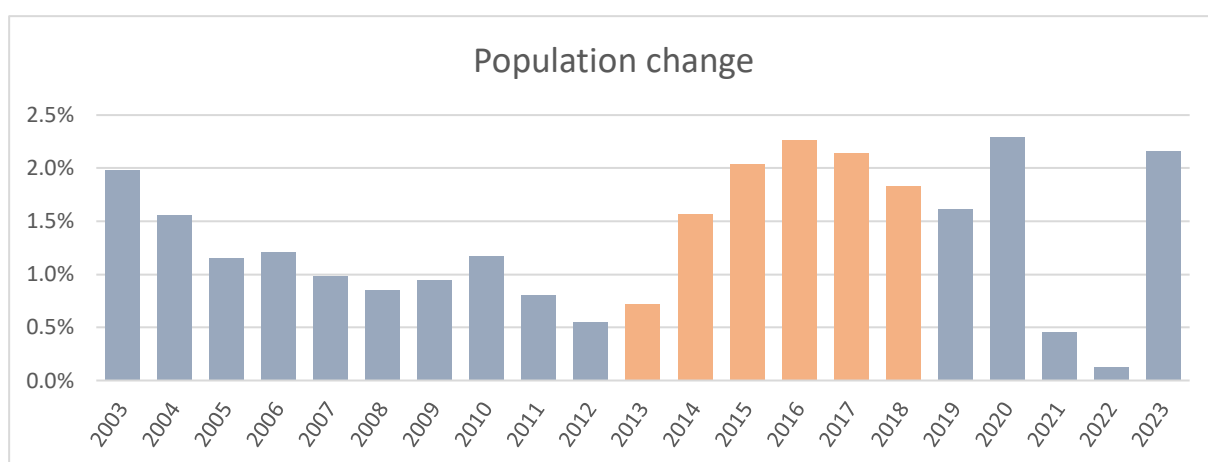


Figure 3

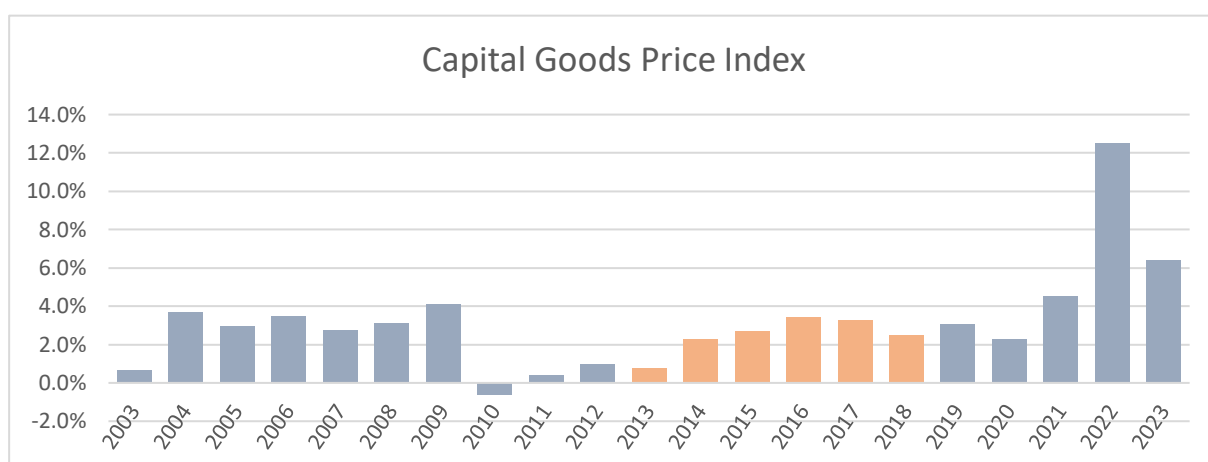


Figure 4

Appendix C: Previous impact analysis

Regulatory impact statements were published in 2010, 2012, and 2018 (see paragraph 17 for references) for changes that either closely align with or reverse those proposed.

Relevant excerpts from different impact statements are provided here, for the two specific proposals (relating to four well-beings and core services), as well as the overall approach.

Year	Analysis
Four well-beings	
2012	Change: Removal of the four well-beings • There is no clear quantitative evidence to suggest that the Local Government Act 2002 (the Act) has resulted in a proliferation of new activities, or that local government is undertaking a wider group of functions. • The Local Authority Funding Issues: 2006 Report of the Joint Central Government/Local Authority Funding Project team found, “No evidence to date has been produced to suggest that local government as a whole is undertaking a wider group of functions that it had prior to 2003. In cases where councils have taken on additional responsibilities these have proved to be quite small in scale and operational in nature.” • This view was also supported by the 2007 Report of Local Government Rates Inquiry where the panel noted that its assessment was that there is little that local government is now doing that it has not previously been doing. • However, some councils are engaging in diverse activities, such as entering into commercial competitive businesses, running Lotto shops, focusing on NCEA pass rates, and developing strategies for improving the wellbeing of families. These are not unworthy programmes or goals, but it is questionable whether councils should be doing them. • It is important that within the overall system of government roles are clear. The current broad purpose statement contributes to these risks which arise from expanding council scope, or at least does not ameliorate them, because it can be used to justify any conceivable action.
2018	Change: Reinstating the four well-beings • Our analysis is that the actual impact of change to the purpose of local government in local government decision-making, services and activities is likely to be low, based on past evidence. There is likely to be some beneficial reduction in the compliance burden on local authorities. • Local authorities face cost pressures due to the need to maintain financially prudent borrowing, the need to keep rates increases to an acceptable level, and other demands on local authority funds. These mechanisms are as effective in ensuring local authorities provide cost-effective services as the legislative purpose statement. • However, the purpose statement originally in the Act enabled local authorities to be innovative in different ways to meet the needs of their communities (e.g., Hurunui District Council levies a rate for the provision of rural health services). There is a risk that the narrowly focused purpose section of the Act may restrict

	local authorities from providing new, innovative services that meet the needs of their communities. • Changing the purpose of local government to restore the four aspects of well-being is supported by LGNZ and SOLGM [now Taituarā] and consistent with their submissions to the Minister of Local Government. • Changing the purpose of local government in the Act is therefore not anticipated to have a negative impact. While in practice, any change in the activities of local government may be minor, the change would: improve the coherence of the legislation; achieve some reduction in the compliance burden on local authorities; and help define the future direction of the relationship between central and local government.
Core services	
2010	Change: Introduction of Section 11A into the Act • There is a risk with this approach that description of core services does not keep up with the changing role of local government as society evolves. Some people may try to interpret the list literally, when it is meant to be indicative, which could result in litigation. Additionally, describing core services could restrain debate on future proposals to move particular local government functions to central government or the private sector. • LGNZ and SOLGM [now Taituarā] consider that many of the proposals are matters of good practice, which should be addressed that way rather than through regulation. They oppose any attempt to define core services.
2012	Change: Section 11A progress and removal of four well-beings • In 2010, amendments to the Act introduced requirements for councils to pay particular regard to certain core services, and to develop a financial strategy against which to consider proposals for funding and expenditure. These provisions may not be sufficient to foster prudent financial management and protect against demands to go beyond core areas of responsibility, as they do not address the purpose of local government, nor do they focus councils on undertaking activity in an efficient and cost-effective manner. • Legislative changes in 2010 were designed to ensure better transparency, accountability, and financial management of local government. Of particular relevance to the purpose of local government, was the inclusion of section 11A into the Act, which is designed to ensure that councils have particular regard to core services. It is too soon to see the effects of this change. • Section 11A of the Act requires that in performing its role, a council must have particular regard to 'core services'. The amendments have not been implemented for the new round of council long-term plans, any benefits from a general shift in focus to good-quality local infrastructure and public services, and regulatory roles, are still to be realised. • Throughout the Act there are many requirements for councils to consider the four well-beings in their decision-making. The broad purpose statement may result in confusion as to how councils balance the need to have regard to core services with other considerations. It is too early to quantify the effects of including section 11A. However, there are opportunities to improve its effectiveness by removing potentially conflicting messages in the legislation.

2018	Change: Reinstating the four well-beings • It is not necessary to repeal section 11A alongside changes to the purpose of local government in section 10 of the Act. However, it would be desirable to do so to maintain the coherence of the legislation. • Section 11A provides a further outputs-based constraint on the activities and services of local government. The restrictive list of core services does not take account of the broader role of local authorities, or the full range of services provided by local authorities.
Overall approach	
2012	Change: Removal of the four well-beings • There are limited risks, primarily that changing the purpose of local government may not achieve the stated objectives. There is limited evidence that the proposed approach will reduce local government spending or ensure resources are put into core local government services. While the current wording implies that positive impacts on community well-being are a necessary driver of local authority activities and expenditure, it is not the only criterion for making choices and assessing priorities. • There may be some risk that deleting all references to the four well-beings may result in some councils emphasising some objectives at the expense of others. If too narrowly focused, a new purpose statement could also be interpreted as a signal to withdraw from activities that currently have a positive effect on the economy. However, the intention is not to preclude council involvement in activity that will get New Zealand's economy growing. The amended purpose statement will ensure councils can achieve a wide range of appropriate functions. • The change is likely to have a symbolic effect and should not affect council business as usual. The change should help the local government sector focus on those roles that only councils can deliver. Councils will continue to ensure they promote good governance and decision-making by considering the needs and impacts in the future as well as the present. • There has been insufficient time to undertake a full assessment of the impact of proposal. There may be unintended consequences because the concepts associated with the well-beings are (explicitly and implicitly) woven throughout the Act and the local government framework.
2018	Change: Reinstating the four well-beings • Alternative approaches to the purpose of local government typically focus on outputs, not outcomes. [Paraphrasing] The four aspects of community well-being are not inappropriate outcomes, but there is a debate over whether central government should specify the outputs that local government should produce, rather than the outcomes it tries to achieve. • The principle underlying the Act is that outputs should be determined by local authorities to meet the needs and aspirations of their communities. In practice, evidence shows that the scope of activities and services provided by local government has not been significantly impacted by changes to the legislative purpose of local government.

Appendix D: Detailed proposed changes to legislation

This section details proposed changes, making clear where references to the four well-beings are in the Act, and what 'reverting to previous legislation' would mean. They are still subject to potential changes during the Bill's drafting process.

Local Government Act 2002

Part 1 Preliminary provisions

3 Purpose

The purpose of this Act is to provide for democratic and effective local government that recognises the diversity of New Zealand communities; and, to that end, this Act –

- (a) states the purpose of local government; and
- (b) provides a framework and powers for local authorities to decide which activities they undertake and the manner in which they will undertake them; and
- (c) promotes the accountability of local authorities to their communities; and
- (d) provides for local authorities to play a broad role in ~~promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach~~ meeting the current and future needs of their communities for good-quality local infrastructure, public services, and performance of regulatory functions.

5 Interpretation

- (1) In this Act, unless the context otherwise requires, –

community outcomes means the outcomes that a local authority aims to achieve in ~~order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future~~ meeting the current and future needs of communities for good-quality local infrastructure, public services, and performance of regulatory functions; and

significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for, –

- (a) ~~the current and future social, economic, environmental, or cultural well-being of the district or region;~~
- (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter; and
- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

10 Purpose of local government

- (1) The purpose of local government is –

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to ~~promote the social, economic, environmental, and cultural well-being of communities in the present and for the future~~ meet the current and future needs of communities for good-quality local infrastructure, public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses, therefore supporting local economic growth and development.

14 Principles relating to local authorities

- (1) In performing its role, a local authority must act in accordance with the following principles:
 - (c) when making a decision, a local authority should take account of –
 - (i) the diversity of the community, and the community's interests, within its district or region; and
 - (ii) the interests of future as well as current communities; and
 - (iii) the likely impact of any decision on ~~each aspect of well-being referred to in section 10~~ the interests referred to in subparagraphs (i) and (ii).
 - (h) in taking a sustainable development approach, a local authority should take into account –
 - (i) the social, economic, and cultural ~~well-being~~ interests of people and communities; and
 - (ii) the need to maintain and enhance the quality of the environment; and
 - (iii) the reasonably foreseeable needs of future generations.
- (2) If any of these principles, ~~or any aspects of well-being referred to in section 10~~, are in conflict in any particular case, the local authority should resolve the conflict in accordance with the principle in subsection (1)(a)(i).

101 Financial management

- (3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of, –
 - (a) in relation to each activity to be funded, –
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

- (b) the overall impact of any allocation of liability for revenue needs on the ~~current and future social, economic, environmental, and cultural well-being of the~~ community.
-

Schedule 10 Long-term plans, annual plans, and annual reports

Part 1 Information to be included in long-term plans

2 Groups of activities

- (1) A long-term plan must, in relation to each group of activities of the local authority, –
 - (a) identify the activities within the group of activities;
 - (b) identify the rationale for delivery of the group of activities (including the community outcomes to which the group of activities primarily contributes); and
 - (c) outline any significant negative effects that any activity within the group of activities may have on the ~~social, economic, environmental, or cultural well-being of the~~ local community...

3 Information to be included in annual reports

23 Groups of activities

An annual report must, in relation to each group of activities of the local authority, –

- (a) identify the activities within the group of activities; and
 - (b) identify the community outcomes to which the group of activities primarily contributes; and
 - (c) report the results of any measurement undertaken during the year of progress towards the achievement of those outcomes; and
 - (d) describe any identified effects that any activity within the group of activities has had on the ~~social, economic, environmental, or cultural well-being of the~~ community.
-

11A Core services to be considered in performing role

In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:

- (a) network infrastructure (the provision of roads and other transport, water, ~~wastewater, and stormwater collection and management services, and waste management facilities~~¹¹);
 - (b) public transport services;
 - (c) ~~solid waste collection and disposal~~ waste management;
 - (d) the ~~avoidance or mitigation of natural hazards~~ management of hazards and risks across the areas of reduction, readiness, response, and recovery; and
 - (e) libraries, museums, reserves, and other recreational facilities and community amenities.
-

¹¹ Definition of network infrastructure provided in sections 5 and 197(2) – not in section 11A.