

25 August 2025

Committee Secretariat  
Governance and Administration Committee  
Parliament Buildings  
Wellington

Tēnā koe

## Local Government (System Improvements) Amendment Bill

Thank you for the opportunity to submit on the Local Government (System Improvements) Amendment Bill. This submission reflects the views of Engineering New Zealand. Engineering New Zealand is the largest professional body for engineers in New Zealand, with over 23,000 members. We have both a regulatory and membership role. Many of our members work closely with councils and their communities to help deliver housing, infrastructure and public services across New Zealand.

### Overview

We acknowledge Government's intent to improve fiscal discipline and rates affordability. We are supportive of efforts to reduce cost of living pressures on households and businesses. While rates are rising, so too is the costs of infrastructure delivery. We have concerns that the Bill will not be effective at reducing rates and may have unintended consequences for infrastructure delivery.

We have largely focussed our submission on the impact this Bill may have on infrastructure planning, funding and delivery, which are matters of key importance to our members. Our submission discusses the need for:

- Clarity on the vision for local government
- A clear vision would be more effective than changing local government's scope of services
- A plan to help local government manage the volume of reform
- More consideration needed to address root causes of cost increases
- Additional consideration on the wording of local government's 'purpose'.

We are supportive of the proposals to undertake benchmarking and develop a code of conduct.

### Clarity on the vision for local government

A clear plan and vision, including clarity on the future and role of local government, is needed urgently. While this is not directly related to the Bill, it is critical to the success of the Bill. Local Government is facing piecemeal change. It is seemingly shifting from broad service delivery to focused core functions, stronger central oversight, and potentially streamlined regional structures - in a piecemeal way. Local Water Done Well, resource management reform, changes in the building system, to transport, upcoming funding and financing tools changes - bring further change and complexity - without any integrated vision or plan.

### A clear vision would be more effective than changing local government's scope of services

In terms of scope of services, we note that recent reforms have often tended to expand the scope of local government and requiring councils to plan for more including long-term infrastructure, climate resilience, housing growth, and spatial planning (among other things). By contrast, this Bill aims to narrow the role of councils by removing references to the four well-beings and refocus councils to prioritise a prescribed list of core services.

We agree with the views of the Infrastructure Commission and the Ministry of Housing and Urban Development (outlined in the [Regulatory Impact Statement](#)) that raise concerns 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”.

We are also concerned about the narrowing of scope without a clear strategy to address for how the role of local government will be supported, resourced, or aligned with other national priorities (an example being the important work of the [Mayors Taskforce For Jobs](#), which would be out of scope based on the proposals). If these changes go ahead it is important that there is clear accountability for who will be responsible for programmes that remain important for communities but are not part of a council’s core services.

It is our view that this change risks creating confusion across the sector and sends mixed signals about what central government expects from local government. It seems to us that councils are being asked to do more on one hand but less on the other and we are concerned that this will cause confusion or result in important functions being overlooked. A clear vision will also help inform prioritisation and support enhanced resourcing where required.

Central Government continues to increase or change the responsibilities of Local Government without any means of funding this additional work. For example, the Earthquake Prone Building Legislation imposed significant additional work on councils with no additional revenue stream. This was repeated with the Healthy Homes legislation. To reduce future rates increases further legislative changes may come with funding mechanisms.

### **A plan is needed to help local government manage and implement the volume of reform**

Each of the reform packages discussed earlier will result in significant change for councils to manage, with many occurring on similar timeframes. Implementing all these changes within a short period creates substantial implementation risks and could lead to greater inconsistency between councils.

This volume of change creates the additional risk that planned development may stall, be delayed or even cancelled while councils focus on imbedding reform changes. This has been seen over the past year where several councils deferred their maintenance and renewal projects to await the outcomes of Local Water Done Well. This deferral negatively impacted the sector (who were awaiting this work) and delayed important improvements to critical infrastructure. Local Government is critical to the delivery of infrastructure, particularly linear infrastructure and strategies need to be put in place to ensure the continuation of efficient and effective delivery.

We strongly recommend that the Government first develop a vision and then within this develop a clear plan to support local government in prioritising, engaging with and implementing these changes.

### **More consideration needed to address root causes of cost increases**

The purpose of this Bill is to constrain the scope of local government to reduce expenditure and in turn reduce rates. However, we argue that the majority of council spending is on core services. We have concerns that the Bill will not be effective at reducing rates and may have unintended consequences for infrastructure delivery. This is due to one of the largest cost drivers for local government being increasing costs of construction.

The [Regulatory Impact Statement](#) highlights “Ministers’ concerns regarding council extravagance (i.e., spending on activities that stray from core services and/or spending more than necessary on the basics)”. This concern may be valid for **some** councils; however, we are unconvinced that this expenditure is the primary driver of rates increases.

According to a report by MartinJenkins the majority of both operating and capital expenditure across councils is spent on delivering network and community infrastructure (65% of council operating expenditure is on network

and community infrastructure which would still be considered core services).<sup>1</sup> The same report suggests about 22% of operating expenditure is spent on regulatory services (which includes all planning and regulatory functions that will also be a core service), and suggests that this figure has remained relatively steady over the past 10 years despite growing demand on local government regulatory services. The report seems to show that local government spending on ‘council extravagance’ outside core services remains low and that cost increases are largely due to escalating costs of construction.

Engineering New Zealand believes that one of the main drivers for rates increases is likely due to increasing costs of infrastructure delivery. The costs of materials have increased significantly, the costs of asset maintenance and replacement is higher, councils must now design and build for an increasingly challenging natural environment and demand for network infrastructure continues to grow and change based on rising community expectations. Beyond this, recent rate increases also likely reflect the costs of decades of under investment in infrastructure.

We question whether this Bill will reduce or constrain the costs of rates as many of the cost drivers are attributed to the delivery of core services. For instance, it would be more beneficial to ensure councils improve their asset management and infrastructure investment processes. Utilising the skills and expertise of Crown Infrastructure Delivery and National Infrastructure Funding and Financing to provide education and support to local council should lead to better outcomes for councils, infrastructure, industry and communities.

Engineering New Zealand is concerned about related work to introduce costs constraint policies (i.e. a rates cap). These tools are often blunt and do not address the root causes of increasing costs. A rates cap, should it be introduced, will mean that councils will likely have to seek alternate funding to pay for infrastructure related costs or defer/stop infrastructure projects. As already mentioned, we fear that a rates cap will have a perverse impact on the delivery of critical infrastructure that communities need.

#### **More thought needed on the wording of local government’s ‘purpose’**

We are not sure the following proposed wording on the purpose of local government (section 10 (b)) is fit for purpose - “to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”. Ensuring functions are delivered in a cost-effective manner is important but it is only one outcome and should not be the only one that councils must have regard for. It is important that the focus includes longer-term value and quality outcomes rather than just short-term costs, which the current drafting risks.

Over many years, the government and industry have been working to move away from procurement practices that focus on low cost. A single-minded focus on costs creates perverse incentives, including procurement practices that encourage a ‘race to the bottom’ that has historically led to a range of poor outcomes. For example, a cheaply built road will require renewal in a few years, a well-built road will only require renewal decades later and have a much lower lifetime cost. Engineering New Zealand fears that the proposed wording will create unintended practices that we have worked hard to move away from.

#### **Transparent benchmarking and code of conduct is welcomed**

Engineering New Zealand is supportive of the proposals to introduce a code of conduct and benchmarking for councils. We believe this will help improve the consistency of council planning and reporting and help support better understanding of council performance for the public and industry. We support calls from Local Government New Zealand to include greater detail and context in expenditure profiles as it is important to show local context and the outcomes of expenditure.

We strongly support clear, accessible and understandable information being provided to the public about council performance. This should help to improve the public’s understanding of the importance and outcomes of infrastructure investment. We believe it is important to create cultural change that focuses on building public

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<sup>1</sup> [Local government financial sustainability | a MartinJenkins view of the sector | MartinJenkins](#)

understanding and support for infrastructure investment to enable effective and efficient delivery of infrastructure.

Additionally, Engineering NZ is very supportive of efforts to improve national consistency. However, we can see the need to allow for some degree of flexibility at the local level to remain to respond to community needs and would not want to see this removed.

## **Conclusion**

Engineering New Zealand supports the Government's intention to improve the performance and affordability of local government. However, we believe that this Bill and accompanying Government work does not adequately reflect the broader context in which councils are operating.

This Bill adds further complexity to an already busy reform landscape and narrows the role of local government when that role is expanding elsewhere. We are concerned that this will come at the expense of delivering critical infrastructure that New Zealand needs most. To address rates increases, we believe that it would be better to focus on building asset management capability to ensure well planned, efficient and effective infrastructure procurement and delivery.

We appreciate the opportunity to provide feedback and would welcome further engagement.

Nāku iti nei, nā

A handwritten signature in blue ink, appearing to read 'R. J. Templer', is positioned above the printed name.

**Dr Richard Templer**  
Chief Executive