

Property Council New Zealand

Submission on the Local Government (System Improvements) Bill

27 August 2025

For more information and further queries, please contact
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Committee Secretariat
Governance and Administration Committee
Parliament Buildings, Wellington
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Submission on the Local Government (System Improvements) Amendment Bill

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit a response to the Governance and Administration Committee (“the Committee”) on the [Local Government \(System Improvements\) Amendment Bill](#) (“the Bill”).
- 1.2. Property Council supports the Government’s objective to improve transparency and performance in local government. However, our submission raises concerns regarding development contribution fees, the provision of services, and the purpose of the Bill.

2. Recommendations

- 2.1 At a high level, Property Council recommends that the Commission:

- Remove the word ‘broad’ from clause 3(d) of the Bill;
- The term ‘good-quality’ is defined under section 5 to include reference to sustainable development;
- Define ‘good-quality’ under section 5, Interpretation, as: *“efficient, effective, sustainable, affordable and appropriate to present and anticipated future local circumstances.”*;
- Clearly define public services with a complete list of activities considered under each subclause 11A(1)(a)–(e);
- Amend subclause 11A(1)(e) to read: *“discretionary services, such as libraries, museums, reserves, and other recreational facilities”* and include a new clause 11A(4) to encourage local authorities to only provide discretionary services where they are financially feasible;
- Ensure that core services listed under clause 11A(1)(e) are not considered in development contribution decisions;
- Retain the current framework for deducting third-party contributions from development contributions, ensuring deductions are only made where there is a clear, demonstrable intent that funding offsets growth-related costs; and
- If the proposed change to third-party funding proceeds, provide clear guidance and definitions.

3. Introduction

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive.”

- 3.2. The property sector shapes New Zealand’s social, economic, and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional, and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand. We aim to unlock opportunities for growth, urban development, and productivity to improve New Zealand’s prosperity.
- 3.3. We connect over 10,000 property professionals and represent the interests of over 550 members organisations across the commercial, industrial, retail, and residential sectors. Our members are from the private, public, and charitable sectors.
- 3.4. This document provides Property Council’s feedback on the [Local Government \(System Improvements\) Bill](#) and recommendations are provided on issues relevant to Property Council’s members.

4. Purpose of the Bill and Local Government

- 4.1. Property Council supports the Bill’s objective to address cost of living pressures by refocusing the purpose of local government, improving council transparency, accountability and spending discipline.
- 4.2. Businesses carry a disproportionate share of local rates, often exceeding the value of services received. Many council-funded services, such as libraries and community centres, are primarily used by residents, while commercial properties face higher charges through rating differentials. For the property sector, higher rates increase holding costs and reduce development feasibility. Rates should function as a charge for services rendered, not as a general taxation mechanism.
- 4.3. The Bill’s proposed purpose under clause 3, removes the four aspects of community well-being and instead provides for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services and performance of regulatory functions.
- 4.4. While we support the intent, the revised purpose may still be applied too broadly. Providing ‘good-quality’ local public services or infrastructure could mean councils consider a range of metrics, including application of the four aspects of community well-being.
- 4.5. Aligning rates more closely with actual service use will improve fairness and transparency. We recommend removing the word “*broad*” from clause 3(d) of the Bill.

Providing ‘good-quality’ local infrastructure and services

- 4.6. We note that the Bill amends the current wording in the Local Government Act, removing the words “sustainable development” and replacing them with “good quality” local infrastructure and services. Property Council supports development and urban growth that is resilient, sustainable and delivers whole-of-life value across the built environment.
- 4.7. We recommend that the term ‘good-quality’ is defined under section 5 to include reference to sustainable development.
- 4.8. Additionally, the term ‘good-quality’ is too broad in its application and we recommend the words ‘good-quality’ to be defined under section 5, Interpretation. We recommend defining it

as: *“efficient, effective, sustainable, affordable and appropriate to present and anticipated future local circumstances.”*

Purpose of Local Government

- 4.9. Property Council supports the addition of subclause 10(c) which encourages councils to support local economic growth and development. Historically, New Zealand has experienced underinvestment in infrastructure, often due to underestimated growth and development. This addition to the purpose should lead to outcomes that unlock opportunities for growth, urban development, and productivity to improve New Zealand’s prosperity.

5. Core services

- 4.10. Property Council supports the inclusion of clause 11A to clarify which core services councils must consider. This will support greater strategic alignment and accountability in council investment. In saying that, we are concerned that the application of core services is too broad.
- 4.11. Rates affordability remains a growing concern for both residential and commercial ratepayers. Across New Zealand, we have seen some areas increase by double digits, while core service delivery, like roads and water infrastructure, continues to struggle.
- 4.12. The provision of public goods exists on a spectrum. At one end are services that are both non-exclusive and non-rivalrous (e.g. street lighting, public health and safety, network infrastructure), which are accessible to and used by all ratepayers. These services should be prioritised as they deliver widespread benefit and are essential for communities to operate. At the other end of the spectrum are discretionary facilities, such as pools and libraries, where use is optional and benefits are localised.
- 4.13. Councils must balance this spectrum against cost feasibility and willingness to pay. Core services should not be defined as a fixed list without signalling priority; it should require councils to first provide essential, universally accessed services before allocating resources to discretionary amenities, subject to affordability.
- 5.1. We recommend public services are clearly defined with a complete list of activities considered under each subclause 11A(1)(a)-(e).
- 5.2. We further recommend subclause 11A(1)(e) be amended to read: *“discretionary services, such as libraries, museums, reserves, and other recreational facilities.”* This should be supported by a new clause 4 stating: *“In considering the provision of discretionary services under subsection (1)(e), a local authority must give priority to the delivery of essential core services and assess the feasibility of additional costs, taking into account local circumstances and ratepayers’ willingness to pay.”*

6. Development Contribution Fees

- 6.1. The newly amended clause 101(1AAA) requires councils to have regard to core services when managing financial matters. We consider subclause 11A(1)(e) to be out of scope for determining development contribution fees.

- 6.2. Development contributions are intended to fund infrastructure directly required to service growth. Broadening their application to non-essential community facilities risks undermining housing feasibility and delaying delivery.
- 6.3. To align with the Bill's objective of encouraging financial discipline and enabling housing supply, we recommend that subclause 11A(1)(e) be excluded from the scope of clause 101(1AAA). Financial decision-making for development contribution fees should prioritise investment in critical infrastructure that supports development and long-term economic productivity.

Third party funding for development contribution fees

- 6.4. Clause 20 of the Bill changes how third-party funding is treated when calculating development contributions. Under the Bill, if no purpose for the third party funding is stated, councils will be required to divide the funding pro rata between growth and non-growth purposes, with only the growth-related portion deducted from the recoverable development contributions.
- 6.5. We do not support this change. It shifts the onus onto third parties to define funding purpose/s and departs from the "growth pays for growth" principle, introducing unnecessary administrative complexity.
- 6.6. Development contributions should recover the costs of infrastructure attributable to development. Property Council has consistently supported this model on the basis that it preserves cost attribution integrity, supports transparency in council charging frameworks, and ensures infrastructure is delivered in line with growth.
- 6.7. A default pro-rata split risks overcharging developers and misrepresenting true growth costs.
- 6.8. For example, if a central government agency provides \$10 million toward a new water treatment plant to enable growth, but does not explicitly state the funding is for growth purposes, the council may only deduct a portion (e.g. 50%) from the development contributions calculation. The remaining cost is then passed on to developers, despite the full asset being delivered through third-party funding.
- 6.9. This model introduces ambiguity into a system that relies on clear cost attribution. Transferring the burden of clarification to third parties adds administrative complexity and increases the likelihood of inconsistent application across councils.
- 6.10. We recommend the retention of the current framework, which only deducts third-party contributions from development contributions where there is a clear, demonstrable intent that the funding is being used to offset growth-related costs. This maintains transparency, ensures accurate cost recovery, and supports the delivery of infrastructure aligned with development demand.
- 6.11. Should the proposed change proceed, it will be essential that clear guidance and definitions are provided to ensure consistent interpretation across councils. Without standardised criteria for identifying and attributing third-party funding, there is a high risk of variable application, legal uncertainty, and further erosion of transparency in development contribution policies.

7. Disclosure of money spent on contractors and consultants

- 7.1. Property Council supports the insertion of clause 32B. This clause will support greater transparency and accountability in local government financial decision-making. Improved visibility of consultant and contractor expenditure will help identify inefficiencies and inform better investment decisions.

8. Conclusion

- 8.1. Property Council members invest, own, and develop property across New Zealand. We wish to thank the Governance and Administration Select Committee for the opportunity to provide feedback on the Local Government (Systems Improvement) Bill. **We wish to speak to our submission.**
- 8.2. We strongly support the intent of the Bill to reform local governance for greater accountability, transparency and financial discipline. However, to achieve these objectives, refinements are required to ensure there are no adverse outcomes for development and urban growth across New Zealand.
- 8.3. For any further enquiries, please do not hesitate to contact Bella Leddy, Junior Advocacy Advisory, via email bella@propertynz.co.nz or phone 0297786114.

Yours Sincerely,



Leonie Freeman
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