Submission

By

THE NEW ZEALAND INITIATIVE

To the

Department of Internal Affairs

on the

Draft Guidance on Regulations for Groups of Activities for Councils' Planning and Reporting

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Prepared by:
Nick Clark, Senior Fellow

The New Zealand Initiative
PO Box 10147
Wellington 6143
nick.clark@nzinitiative.org.nz

SUBMISSION BY THE NEW ZEALAND INITIATIVE ON THE DRAFT GUIDANCE ON REGULATIONS FOR GROUPS OF ACTIVITIES FOR COUNCILS' PLANNING AND REPORTING

1. INTRODUCTION

1.1 The New Zealand Initiative welcomes the opportunity to submit on the Draft Guidance on Regulations for Groups of Activities for Councils' Planning and Reporting.

1.2 The Initiative is a Wellington-based think tank supported primarily by major New Zealand businesses. In combination, our members employ more than 150,000 people. We undertake research that contributes to the development of sound public policies in New Zealand, and we advocate for the creation of a competitive, open and dynamic economy, as well as a free, prosperous, fair and cohesive society.

1.3 This submission draws on the Initiative's extensive research on local government, including its 2024 report *Making Local Government Work* and its 2025 submission on the Local Government (System Improvements) Amendment Bill.

1.4 This submission supports the move to standard groups of activities. Comparable reporting across all councils is a precondition for the benchmarking and comparative performance reporting the Initiative has long advocated, and central publication of the resulting data will let ratepayers better compare their council with its neighbours.

1.5 The Initiative's support for standard reporting should not be read as support for greater central control. The Initiative advocates localism, and it opposed rates capping in its February 2026 submission to the Department of Internal Affairs. Comparable reporting is different in kind. It equips elected representatives, residents and ratepayers to judge their council's performance and hold it to account directly, rather than substituting central government's judgement. Put simply, transparency strengthens local democracy.

1.6 It is important to recognise that consistent labels will not necessarily produce consistent measurement. Councils allocate corporate overheads in very different ways, and the draft guidance does not change that discretion. Two councils with identical operations could report materially different costs for every group. Because the data will inform the proposed rates capping regime, weak comparability must be avoided. The guidance needs allocation rules.

1.7 Some of our recommendations concern the composition or names of the regulated groups, rather than the guidance alone. Where these matters cannot be addressed through the final guidance, the Ministry should advise Ministers that the regulations should be amended.

2. RECOMMENDATIONS

2.1 The New Zealand Initiative recommends that the Ministry:

a) Publish a standard methodology, or at minimum a mandatory disclosure requirement, for allocating corporate overheads and support services across groups;

b) Require flood protection and control works to be reported as a distinct, standardised subcategory within adaptation and emergency management or, preferably, restore it as a standalone group;

c) Move plan-making activities into the regulatory group, renamed planning and regulatory services;

d) Require itemisation of material activities within the 'other' group;

e) State in the guidance that the index is a classification tool only and that naming an activity implies no expectation that any council provides it;

f) Resolve the either/or entries and internal contradictions in the index;

g) Add the missing activities identified in the submission's answer to question 1(a);

h) Provide guidance on gross versus net reporting, activities delivered through council-controlled organisations, and transition mapping, supported by a machine-readable reporting template;

i) Commit to publishing standard output measures for each group, set under section 261B rule-making power, as proposed by the Local Government (System Improvements) Amendment Bill, so that unit costs can be compared;

j) Record emergency debris disposal under adaptation and emergency management when tied to a declared emergency, and under waste management otherwise; and

k) Review the groups and guidance after the first long-term plan cycle.

3. GENERAL COMMENTS

Comparability requires allocation rules

3.1 The purpose of standard groups is a dataset that supports comparison between councils and over time. Grouping labels are the easy part of that task. The harder part is ensuring that two councils performing the same activity measure its cost the same way. Corporate overheads is likely to be the largest source of divergence: the draft guidance tells councils to group support services with the activities they most directly support and otherwise record them under governance, planning and reporting, but councils' allocation practices vary so much that this instruction will likely produce materially different results for identical operations. A standard allocation methodology (or failing that a requirement to disclose the method used) should be part of the final guidance. Rates capping decisions built on inconsistent allocations could be worse than decisions built on no data.

Flood protection should not disappear into a residual group

3.2 Flood protection and control works are one of the five existing mandatory groups. They are capital-intensive network infrastructure and they dominate many regional councils' budgets. Folding them into 'adaptation and emergency management' ends a useful audited data series and obscures both activities. The group also mixes classification logic. The guidance requires climate-driven upgrades, such as raised roads and upsized stormwater pipes, to be recorded against the underlying activity, which concedes that adaptation is a purpose rather than an activity. What remains is a residual bucket that councils may code inconsistently.

Governance and planning should not share a line

3.3 The 'governance, planning and reporting' group combines the cost of democracy with district and regional planning, financial strategies and unallocated corporate services. Ratepayers who want to know what elected representation costs, and councils that want to compare planning department costs, will both be frustrated. Plan-making establishes the rules subsequently administered through consenting and compliance. Separating the costs of making those rules from the costs of administering them impedes comparison of the full resource-management regulatory function.

The 'other' group hides what most needs light

3.4 The 'other' group collects the spending that most deserves scrutiny: economic development, tourism, events, international relations, commercial property, forestry and social housing. For some councils it may be among their largest groups. A single opaque line would defeat the transparency purpose of the reform. The guidance should require itemisation of material activities within the group. Separate disclosure could be required for each activity exceeding either (say) 10 percent of expenditure within the other group or (say) 1 percent of total council operating expenditure.

A reporting framework is not a service mandate

3.5 The guidance should state explicitly that the index is a classification tool, that naming an activity implies no expectation that any council provides it and that recording nothing against an activity is a valid result. Several indexed activities, kerbside organic collection among them, are discretionary services that many councils have chosen not to provide. Without such a statement, a Ministry-approved list of activities will read as a description of what a normal council does, and centrally published comparisons will pressure councils to fill blank cells regardless of local preferences. Service levels are for communities to decide, and the reporting framework should be neutral about them.

Expenditure data needs output data to measure efficiency

3.6 The dataset this reform creates will record what councils spend but not what they deliver. A council could look frugal by underdelivering, or it could look expensive while achieving low unit costs. Spending data alone cannot establish efficiency. Unit cost is spending divided by output, so meaningful comparison requires information about both expenditure and what councils deliver. Without knowing how many tonnes of waste are collected, diverted and disposed of, residents cannot tell how well waste management money is spent, and the same holds for every other group. The New South Wales system the Ministry cites as its model publishes service and output data alongside financials. Like the New South Wales system, the Ministry’s published comparisons should warn that indicators must be interpreted in light of geography, scale, service levels and local choices.

3.7 This submission recommends the Ministry should commit to pairing the expenditure dataset with a small set of standard output measures for each group, set under the Local Government Act's section 261B rule-making power (as proposed to be amended by the Local Government (System Improvements) Amendment Bill), so that unit costs can be compared. A workable starting set would include tonnes of waste collected and diverted, lane-kilometres of road maintained, numbers of consents processed with median processing times and visits to libraries and other facilities.

4. RESPONSES TO CONSULTATION QUESTIONS

1(a) Are there any activities missing from the list that should be added?

Yes, the following activities are absent from the index and should be added.

Activity	Suggested group and comment
Footpaths	Roading and transport. Footpaths appear in the group description but not in the index.
Cycleways and shared paths	Roading and transport.
Street lighting	Roading and transport.
Street cleaning	Classify road-surface sweeping under roading and public-place litter collection under waste. A single classification could itself reduce comparability where councils organise these functions differently.
Stormwater	The index should state explicitly that stormwater is excluded under the Local Government (Water Services) Act 2025 and clarify the boundary with roadside drainage, which stays in roading.
Parking enforcement	Clarify whether it follows parking services (roading and transport) or bylaw enforcement (public regulatory services).
Noise control	Public regulatory services.
Food business licensing and verification	Public regulatory services.
Animal pounds and shelters	Public regulatory services.
Harbourmaster functions	Public regulatory services. The index lists marine safety only.
Wharves, jetties and harbours (non-recreational)	Needs an entry. Commercial maritime assets presumably belong in 'other', as commercial property. Passenger-transport facilities should be in roading and transport and recreational facilities in community and recreational facilities.
Shareholdings and investment property	Needs a ruling. Many councils hold port and airport company shares and investment portfolios. The guidance should say

Activity	Suggested group and comment
	whether and where investment activity and its costs are recorded.
i-SITE visitor information centres	Other (tourism).
Public art, statues and monuments	Community and recreational facilities, or parks and reserves if on reserve land.
Elderly persons' housing	Other. Many councils use this term rather than social housing; a cross-reference would prevent miscoding.
Civic and administrative buildings	Governance, planning and reporting (corporate services).

1(b) Are there activities that have been mis-grouped or belong in another group?

Flood protection and control works: Folding flood protection into ‘adaptation and emergency management’ would discontinue the existing mandatory national reporting series and make its continuation dependent on councils retaining separate local groups or disclosures. We recommend requiring flood protection and control works to be reported as a distinct, standardised subcategory within adaptation and emergency management or, preferably, restored as a standalone group.

District plans, regional plans, urban planning and resource management planning should move from 'governance, planning and reporting' to the regulatory group, which could be renamed 'planning and regulatory services'.

Marketing and communications are treated inconsistently. The group 3 description includes 'marketing and communications' under governance, while the index sends both marketing and communications to 'other'. We suggest council communications and engagement belong in governance and destination marketing in 'other', but the two documents must agree.

Car parks are treated ambiguously. The parks and reserves description includes car parks, while the index sends car parks to roading and transport. A workable rule would be for parking that serves a reserve to follow the reserve while all other public parking would be under roading and transport.

The airport worked example contradicts the index. It sends property leases on land adjacent to an airport to roading and transport 'to avoid splitting groups', while the index sends commercial property to 'other'. Commercial leases should follow commercial property, or the avoid-splitting principle should be stated as a general rule.

Rural fire services transferred to Fire and Emergency New Zealand in 2017. The entry 'rural fire service etc' should be deleted or narrowed to whatever residual council role is intended, and 'etc' should be replaced with something auditable.

The name 'public regulatory services' misdescribes part of its contents. Pest and plant management, biosecurity and biodiversity work is largely operational for regional councils, not regulatory. Renaming the group 'regulatory and environmental services' would make comparisons between territorial and regional councils more intelligible.

Public toilets are listed without qualification in the community and recreational facilities description, while the index adds an exception for toilets on reserves. The two should be aligned.

The exposure draft assigns LGOIMA requests to public regulatory services, but they are more naturally associated with governance, accountability and corporate information management.

The exposure draft assigns playgrounds to community and recreational facilities, while the parks description includes playgrounds within parks and reserves.

1(c) Is there further information that could be provided that would be helpful?

The most valuable addition would be a standard methodology, or at minimum a mandatory disclosure requirement, for allocating corporate overheads and support services across groups. Without it, the dataset will look comparable while measuring different things in every district.

Guidance is also needed on gross versus net reporting (treatment of NZTA co-funding, fees and charges and internal recoveries), on activities delivered through council-controlled organisations and shared services (Auckland Transport being the obvious case) and on transition, including a mapping from councils' existing groups and whether prior-year comparatives should be restated so time series survive the change.
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As mentioned in section 3 of this submission, expenditure data needs output data to measure unit costs (as a measure of efficiency). The Ministry should commit to pairing the expenditure dataset with a small set of standard output measures for each group.

A machine-readable reporting template would do more for data consistency than any amount of narrative guidance. Worked examples for regional and unitary councils would help, since the draft appears to have been written primarily for territorial authorities. The Ministry should also confirm when final guidance will be published, because councils will be deep into 2027-37 long-term plan preparation by late 2026.

1(d) Any other comments?

Compliance costs should be kept proportionate for small councils, and the Ministry should commit to reviewing the groups and guidance after the first long-term plan cycle.

The guidance should state explicitly that the index is a classification tool only, as set out in the submission's general comments section. This costs nothing and protects the principle that service levels are for communities to decide.

2. Should debris disposal costs during emergency recovery be recorded against 'adaptation and emergency management' or 'waste management'?

Adaptation and emergency management, where the costs arise from a declared state of emergency or formal recovery programme, and waste management otherwise. Event-driven costs are lumpy and often Crown co-funded. Leaving them in waste management would distort comparisons of business-as-usual waste services between councils and across years.

The current index entry offers both options, and optionality guarantees inconsistent data. The choice should also be reconciled with the roading group, where 'response to weather events' stays in roading. A single stated principle for emergency response and recovery costs would prevent piecemeal treatment across the index.

5. CONCLUSION

This submission supports the direction of this reform. The value of the new framework will be decided less by the list of groups than by the consistency of the measurement behind them. We would welcome the opportunity to discuss this submission with officials.