

# OpenVoiceNews U.K.

Transparent. Unbiased. Yours.

## Local Democracy at Risk: Government's Plan to Strip Councils 'Four Wellbeings'

July 18, 2025

— Categories: *Economics*



Download IPFS

The Government's push to remove the "four wellbeings" social, economic, environmental, and cultural from local council legislation has sparked heated debate. Analysis from the Department of Internal Affairs suggests that this move, part of the Local Government (System Improvements) Amendment Bill, may do little to address rising rates and could risk disruption to council services and local decision-making. The bill passed its first reading last night, with the select committee due to report back in November.

The Government argues that councils have lost fiscal discipline, with Local Government Minister Simon Watts asserting in his first reading speech, “We looked at the evidence, and it showed that whenever the four aspects of community wellbeing are included in the purpose of local government, rates go up because councils are focused on too many things.” Yet, the Department’s Regulatory Impact Statement (RIS) paints a less conclusive picture, stating that removing the wellbeings is “unlikely to benefit communities more than the status quo” and may even incur implementation costs.

The RIS notes that previous changes to council purposes, under both Labour and National-led governments, have had minimal impact on decision-making or service levels. It warns that scrapping the well-being could disrupt the sector, forcing councils into costly compliance exercises to redefine their activities under a narrower remit could undermine the broad responsibilities councils hold under 47 existing statutes, ranging from infrastructure to community services.

The RIS highlights two key drawbacks: reduced stability and weakened localism. Stability, crucial for councils to plan effectively, could be compromised by yet another legislative overhaul, the fourth change to the well-being’s inclusion since 2003. Localism, the principle that councils should reflect community priorities and make decisions locally, is also at risk. The independent Future of Local Government Review, dismissed by the Government last year, recommended entrenching the well-being to provide certainty. Instead, the proposed changes may disempower councils, limiting their ability to address local needs.

Feedback from agencies like the Infrastructure Commission and the Ministry of Housing and Urban Development echoes these concerns, suggesting that removing the well-being could hinder infrastructure development and key services. The RIS also warns of potential impacts on Treaty of Waitangi settlement arrangements between councils and iwi or hapū, potentially complicating local partnerships.

Ministers have pointed to fiscal mismanagement as the driver behind rate hikes, but the RIS tells a different story. It attributes cost pressures to external factors like supply chain disruptions, a tight labour market during the Covid-19 pandemic, and rising inflation. Infrastructure, particularly water and wastewater treatment plants, accounts for approximately two-thirds of councils’ capital expenditure. The Infrastructure Commission has noted that from 1995 to 2008, rates were below their post-World War II average, leading to an infrastructure deficit that councils are now scrambling to address.

The RIS acknowledges a modest correlation between the well-being and rate increases, about two per cent higher when included, but this alone cannot explain the scale of recent rises. Population growth and the distinction between residential and commercial ratepayers were not factored into the analysis, raising questions about its robustness. The RIS states, “The current infrastructure deficit for local government is evidence of prolonged underinvestment.”

Opposition parties have branded the bill a power grab, arguing it erodes the democratic role of elected councils. The Government's rhetoric, framing councils as mere “service delivery agencies” rather than democratic bodies, has fuelled these concerns. Some councils, however, have told the Minister they welcome the change, believing it could help manage community expectations and focus on core services.

The RIS suggests that other measures, such as performance monitoring and rate capping, are more likely to achieve the Government's goals. Yet, the Minister's insistence on rate capping “before Christmas” remains uncertain, with a redacted timeline in the RIS hinting at further reforms. The analysis also reveals limited consultation, with the Minister directing officials to engage with groups including the Taxpayers' Union and the Free Speech Union, alongside Local Government NZ and Business NZ.

The Department of Internal Affairs preferred maintaining the status quo, warning that the proposed changes could destabilise local government without delivering significant benefits. The RIS concludes that the data underpinning the reforms is “generally low quality,” constrained by the Minister's directive to explore only two options: maintaining the status quo or adopting his preferred approach.

As councils face mounting pressures to deliver infrastructure and services, the Government's focus on stripping the well-being risks is sidelining the broader role of local government. With the select committee's report looming, the debate over whether these changes strengthen or undermine local democracy is far from settled.