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Hon Simon Watts, Minister of Local Government

Proactive release of Cabinet materials related to the regulatory arrangements for development
levies

10 June 2026

These documents have been proactively released:

***ECO-26-MIN-0056: Going for Housing Growth: Detailed Design of Regulatory Arrangements for
Development Levies***

***Cabinet Paper: Going for Housing Growth: Detailed Design of Regulatory Arrangements for Development
Levies***

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Cabinet Economic Policy Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Going for Housing Growth: Detailed Design of Regulatory Arrangements for Development Levies

Portfolios **Housing / Local Government / Commerce and Consumer Affairs**

On 22 April 2026, the Cabinet Economic Policy Committee (ECO):

- 1 **noted** that in November 2025, ECO agreed in principle to the Commerce Commission being the regulator for development levies, subject to the Ministers of Housing, Local Government and Commerce and Consumer Affairs reporting back to Cabinet in March/April 2026 with the details of the regulatory system [ECO-25-MIN-0192];

Application of regulatory arrangements

- 2 **agreed** that regulation would apply to all territorial authorities and any water organisations in their setting and charging of development levies;

Setting detailed methodologies to standardise the calculation of development levies

- 3 **agreed** that the Commerce Commission be required to prepare, consult on, publish, and be able to amend detailed methodology requirements for setting development levies as binding determinations;
- 4 **noted** that Commerce Commission funding for the above work is subject to Budget 2026 decisions;

The information disclosure regime

- 5 **agreed** that the purpose of information disclosure under the development levies regulatory regime is to ensure that sufficient and accurate information is readily available to interested persons to assess whether development levies are set and used in a way that is transparent, predictable, and are consistent with the purpose and principles of the development levies regime;
- 6 **agreed** to the following mandatory information disclosure requirements:
 - 6.1 all disputes and objections lodged and resolved;
 - 6.2 how the territorial authority or water organisation are applying the prescribed methodology;
 - 6.3 decisions to use a levy;
 - 6.4 considerations in setting levy areas (and high-cost overlays);

- 7 **agreed** that the Commerce Commission have powers to set further information disclosure requirements and to analyse disclosed information, and that these powers will be modelled off Part 4 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 8 **agreed** that the Commerce Commission may have regard to the scale, complexity, and risk profile of each regulated party or the service (infrastructure class) when setting the information disclosure requirements, and other requirements in determinations;
- 9 **agreed** that the Commerce Commission have the power to get information verified or checked by an independent expert;
- 10 **agreed** that the Commerce Commission have powers for general information gathering purposes, with powers modelled on sections 53ZD and 98 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 11 **agreed** to allow the Commerce Commission to include publicly available information in their analysis;
- 12 **agreed** that the Commerce Commission have one year from enactment of legislation to issue information disclosure determinations;

Setting extra requirements through determinations

- 13 **agreed** that the Commerce Commission have the power to set performance requirements for territorial authorities or water organisations in operating their development levies regime, with powers modelled on Schedule 7, and Part 5 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 14 **agreed** that the Commerce Commission may recommend that the Minister of Local Government, in consultation with Minister of Commerce and Consumer Affairs, designate certain territorial authorities and water organisations, or certain services, as subject to performance requirements;

Compliance and enforcement action

- 15 **agreed** that the Commerce Commission have a compliance and enforcement role in the development levies regime, with powers modelled on Part 6, Schedule 7, and Part 8 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 16 **agreed in-principle** to offence and penalty provisions for failure to comply with orders relating to information disclosure, performance regulation requirements and enforceable undertakings, subject to further consultation with the Ministry of Justice's offence and penalty vetting team during the drafting process;
- 17 **agreed** to enable information sharing between all the regulators in the local government system, including Water Services Regulator, Ministry for the Environment, Department of Internal Affairs, Office of the Auditor General, and Development Levies Commissioners;

Carrying over the existing disputes resolution settings from the development contributions system with improvements

- 18 **agreed** that existing dispute resolution mechanisms under the current development contributions regime (such as reconsiderations, objections to independent commissioners, and judicial review) will transfer to the development levies regime with the amendment to the process for assigning commissioners to an objections process;

- 19 **agreed** that there is a requirement to publish the full judgment (with any redactions for commercial sensitivity) of all objections online to improve transparency;

Financial implications

- 20 **noted** that the above decisions relating to the Commerce Commission's role as regulator are subject to Budget 2026 decisions;
- 21 **agreed** that:
- 21.1 the ongoing costs of regulation of development levies by the Commerce Commission be cost-recovered;
- 21.2 suitably enabling provisions for cost recovery be included in primary legislation;

Legislative implications

- 22 **noted** that the above decisions will be included in the Local Government (Infrastructure Funding) Amendment Bill, which holds a category 5 priority on the 2026 Legislation Programme (to proceed to select committee before the 2026 General Election);
- 23 **invited** the Minister of Local Government to issue drafting instructions to the Parliamentary Counsel Office to implement the above decisions, including any minor, technical or consequential changes that arise during drafting to ensure workability;
- 24 **authorised** the Minister of Housing and Minister of Local Government to make any further policy decisions necessary for effective regulation of development levies.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Rt Hon Winston Peters
Hon Nicola Willis (Chair)
Hon Brooke van Velden
Hon Paul Goldsmith
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Chris Penk
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Hon Cameron Brewer

Officials present from:

Office of Hon Simon Watts
Officials Committee for ECO

In Confidence

Office of the Minister of Housing

Office of the Minister of Local Government

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

Going for Housing Growth: Detailed design of regulatory arrangements for development levies

Proposal

- 1 This paper seeks:
 - 1.1 decisions on the detailed design of regulatory arrangements for the new development levies system, including functions and powers for the Commerce Commission to exercise its regulatory role,
 - 1.2 authorisation to issue drafting instructions to Parliamentary Counsel Office to implement these proposals through the Local Government (Infrastructure Funding) Amendment Bill.

Relation to government priorities

- 2 This paper is part of a suite of reforms to deliver our priorities relating to the Going for Housing Growth programme Pillar 2: *Improving infrastructure funding and financing to support growth*.

Executive Summary

- 3 In November 2025 Cabinet agreed in principle to the Commerce Commission being the regulator for development levies and requested the Ministers of Housing, Local Government, and Commerce and Consumer Affairs report back to Cabinet in March/April 2026 with the details of the regulatory system [ECO-25-MIN-0192]. We are now seeking decisions on the detailed design of regulatory arrangements to provide assurance and confidence in the development levies system.
- 4 With more flexibility around when and where revenue from development levies is used to fund the infrastructure required for growth, there needs to be more consistency in how levies are set and oversight of how funds are spent. To achieve this, we propose that the development levies regulatory regime involves:
 - 4.1 new regulatory functions undertaken by the Commerce Commission which include setting the detailed methodology to standardise the calculation of development levies, monitoring and information gathering functions, setting additional requirements or rules through determinations; and taking compliance and enforcement action where necessary;

- 4.2 effective pathways for managing dispute resolution (reconsiderations, objections to independent commissioners, and judicial review) are carried over from the existing development contributions regime with some improvements; and
 - 4.3 existing oversight arrangements under the Local Government Act 2002, including Ministerial powers of assistance and intervention.
- 5 We are seeking authority to issue drafting instructions to implement these proposals through the Local Government (Infrastructure Funding) Amendment Bill which is proposed for inclusion on the 2026 Legislation Programme with a priority of Category 5 – to proceed to select committee before the 2026 General Election. If agreed, the draft Bill is expected to go before the Cabinet Legislation Committee and Cabinet for approval for introduction in August 2026.

Background

- 6 As part of our *Going for Housing Growth* programme we are making changes to New Zealand's funding and financing toolkit to support urban growth. This includes replacing the current Development Contributions system with a Development Levies system – which would be subject to regulatory oversight [ECO-24-MIN-0283].
- 7 The new development levies system will enable councils to charge developers for the aggregate costs of growth infrastructure across a community. This will give councils greater flexibility to effectively invest in infrastructure that responds to growth and is expected to reduce under-recovery and cross-subsidisation by ratepayers.
- 8 However, the increased flexibility inherent in the development levies regime raises questions on the transparency and independent oversight of growth-related decisions and the use of funds. Regulation can help mitigate associated risks and concerns. Developers and the private sector have stressed the importance of an independent regulator to ensure appropriate charging.
- 9 Cabinet agreed in principle to the Commerce Commission being the regulator for development levies and requested the Ministers of Housing, Local Government, and Commerce and Consumer Affairs to report back to Cabinet in March/April 2026 with the details of the regulatory system [ECO-25-MIN-0192].
- 10 A budget initiative has been submitted for the Commerce Commission's establishment and ongoing costs as the development levies regulator.
- 11 We are now seeking decisions on the detailed design of regulation to provide assurance and confidence in the development levies system. These arrangements are expected to address three main concerns:
- 11.1 a lack of transparency about how councils set development levies and how/where funds are spent;
 - 11.2 scope and compliance problems (for example, where there are concerns councils are not complying with regulatory requirements); and
 - 11.3 resolving disputes between developers and local councils.

The proposed framework for the regulatory regime

- 12 With more flexibility around when and where revenue from development levies is used to fund the infrastructure required for growth, there needs to be more consistency in how levies are set and oversight of how funds are spent. To achieve this, we propose that the regulatory regime involves:
 - 12.1 new regulatory functions undertaken by the Commerce Commission (outlined in detail in this paper),
 - 12.2 effective pathways for managing dispute resolution (reconsiderations, objections to independent commissioners, and judicial review) are carried over from the existing development contributions with improvements; and
 - 12.3 existing oversight arrangements under the Local Government Act 2002, including Ministerial powers of assistance and intervention when a problem arises.

Purpose and scope of regulation by the Commerce Commission

- 13 We propose the purpose of regulation for development levies is to increase trust and confidence among territorial authorities and water organisations, developers, and communities, by providing assurance that levies are set and used in a way that is transparent, predictable, and consistent.
- 14 The guiding principles from the Local Government (Infrastructure Funding) Amendment Bill would also guide how the system should operate, inform the regulator's monitoring priorities, standard-setting, and assurance activities, and provide a consistent basis for evaluating system performance.
- 15 We recommend that regulation apply to all territorial authorities (and any water organisations) in their setting and charging of development levies. This approach provides transparency for developers and provides incentives for territorial authorities and water organisations to distribute the costs of growth in ways that encourage cost efficient infrastructure provision.

Proposed functions and powers of the Commerce Commission for regulating the development levies regime

- 16 The Commerce Commission will need to build relationships with regulated parties, develop guidance, and communicate expectations. Additionally, we propose that the Commerce Commission's regulatory functions, which will be set out in the legislation, include four groups of activities:
 - 16.1 prescribing detailed methodologies for the calculation of development levies through determinations;
 - 16.2 monitoring and information gathering – the information disclosure regime;
 - 16.3 setting additional requirements or rules through determinations; and
 - 16.4 compliance and enforcement action.

We recommend the Commerce Commission set the detailed methodology to standardise the calculation of development levies

- 17 In December 2024, Cabinet agreed that territorial authorities and water organisations will be required to use a prescribed methodology to ensure consistent application of development levies, for example to determine growth costs and standardised growth units [CAB-24-MIN-0494].
- 18 We recommend that the Commerce Commission be empowered to prepare, consult on, publish, and amend the detailed methodology requirements for setting development levies as binding determinations. As an independent entity with expertise in regulating other sectors we consider the Commerce Commission is best placed to do this work.
- 19 Under certain primary legislation, including the Commerce Act 1986, the Commerce Commission has the power to set determinations that lay out the requirements for various types of regulation. Determinations from the Commerce Commission have the same status as secondary legislation. We propose this approach is used for the regulation of development levies and that the powers are modelled off those in Part 4 of the Commerce Act 1986, with appropriate changes for the development levies regime.
- 20 Territorial authorities and water organisations would be required to use the methodology set by the Commerce Commission when preparing their development levy policies and pricing schedules.
- 21 It is important to note that the Commerce Commission's ability to start this work is contingent on funding decisions through Budget 2026. In addition, legislation will need to be in force, with the necessary powers having taken effect, before they can formally set and consult on a levy methodology.
- 22 Territorial authorities and water organisations will require sufficient advance certainty to begin developing their development levies policies. To support this, the Commerce Commission would work with policy officials ahead of commencement to develop, test, and engage on a draft methodology during 2026/27. This will enable a draft methodology to be published soon after commencement for consultation and provide territorial authorities and water organisations with a reasonable indication of what will be required to implement their development levies policies and comply with information disclosure requirements.

We propose information disclosure forms the basis of the oversight regime

- 23 We propose that information disclosure forms the foundation of the oversight regime and applies from commencement to all territorial authorities and water organisations.
- 24 We recommend the purpose of information disclosure regulation is to ensure that sufficient and accurate information is readily available to interested persons to assess whether development levies are set and used in a way that is transparent, predictable, and are consistent with the purpose and principles of the development levies regime.
- 25 We recommend setting in primary legislation requirements for information that all territorial authorities and water organisations must disclose. These reflect key issues that have been raised by stakeholders and cover:

- 25.1 all disputes and objections lodged and resolved;
 - 25.2 how the territorial authority or water organisation is applying the prescribed methodology;
 - 25.3 decisions to use a levy; and
 - 25.4 considerations in setting levy areas (and high-cost overlays).
- 26 The reporting of all disputes (reconsiderations, objections, and judicial review outcomes) to the Commerce Commission will build a database and enable education of all parties involved. It will also inform guidance and future iterations of the information disclosure requirements and levy calculation methodologies. We consider that having these requirements in primary legislation will help build trust and confidence in the system and enable some national consistency.
- 27 We recommend that the Commerce Commission has powers modelled off those in Part 4 of the Commerce Act 1986 with appropriate changes for the development levies regime, to make determinations that outline requirements around information disclosure, for example what information must be disclosed and timeframes for disclosure.
- 28 We also propose that the Commerce Commission may have regard to the scale, complexity, and risk profile of each regulated party or the service (infrastructure class) when setting the information disclosure requirements in determinations, and in setting any other determinations under the regime. This approach allows for flexibility and for the Commerce Commission to develop a proportionate regulatory regime.
- 29 We propose that the Commerce Commission have powers (similar to those in Part 4, Subpart 4 and Schedule 7, Part 2 of the Commerce Act 1986) to analyse disclosed information to allow comparisons between organisations about the application of the development levies regime and to achieve the purpose of the regulatory regime.
- 30 The Commerce Commission would be able to analyse the information disclosed and assess whether territorial authorities and water organisations are:
- 30.1 applying the prescribed methodologies correctly;
 - 30.2 clearly articulating their decision to use or not use development levies;
 - 30.3 clearly setting out the considerations they made in setting levy areas; and
 - 30.4 making reasonable cost estimates for the growth portion of infrastructure required to service additional growth capacity.
- 31 As part of the Commerce Commission's analysis, they would be able to review and report on the quality of disclosures, and compare cost estimates for the growth portion of infrastructure required to service additional growth capacity, where appropriate. We expect this scrutiny will lead to greater assurance that levies are being set and used in a way that is transparent, predictable, and consistent.
- 32 As part of their analysis of the information disclosed, the Commerce Commission may want to verify the information they receive. We propose that they have the power to bring in an auditor or independent experts.
- 33 We propose that the Commerce Commission have general information gathering powers as part of undertaking their regulatory role, (similar to the powers set out under sections 53ZD

and 98 of the Commerce Act). Any information request would still need to link back to the purpose of the regime.

- 34 We also propose that the legislation allows the Commerce Commission to analyse both publicly available information and information that has been specifically requested. This clarity will avoid unintentionally limiting the Commerce Commission from considering public information and reduce the burden on territorial authorities and water organisations of having multiple regulators requesting the same information.
- 35 Based on recent experience with water services regulation, we recommend that the Commerce Commission have one year from enactment of the legislation to issue information disclosure requirements to allow sufficient time for developing the requirements and for consultation on draft determinations. The Commerce Commission would have the ability to seek Ministers' agreement to extend time required to finalise determinations if necessary.

We propose the Commerce Commission be able to set additional requirements for regulated parties through determinations

- 36 It is important to provide the Commerce Commission with more stringent tools (beyond information disclosure) to ensure the regime has sufficient teeth.
- 37 We recommend that the Commerce Commission have the power to set performance requirements (modelled off Schedule 7, Part 5 of the Commerce Act 1986, with the appropriate changes for the development levies regime) for territorial authorities or water organisations in operating their development levies regime.
- 38 Performance requirements would enable a greater level of scrutiny over activities and may require a regulated party to take specific actions where the Commission has particular concerns. This is similar to the approach for regulation of water services.
- 39 Examples of performance requirements include adopting a particular approach to calculating and assessing levies, setting special reporting requirements, and consulting the Commerce Commission about certain kinds of decisions in setting development levies policies.
- 40 Given these rules could have implications for territorial authorities or water organisations' budgets and costs of operating their development levies regime, we propose that this power should be available subject to Ministerial approval.

We also recommend the Commerce Commission be able to take compliance and enforcement action where necessary

- 41 We propose the Commerce Commission have an active compliance and enforcement role, and that their powers are modelled on Schedule 7, Part 8, and Part 6 of the Commerce Act 1986, with appropriate changes for the development levies regime.
- 42 The Commerce Commission also has existing powers under their water services economic regulatory regime in Schedule 7, Part 8 of the Commerce Act 1986 around monitoring compliance with regulations they set. We propose that powers for the development levies regime these powers are modelled on these powers with the appropriate changes.

- 43 Proposed enforcement powers would include the ability to require undertakings and enforce them, set orders to comply with information disclosure or performance regulation requirements, and offences for non-compliance.
- 44 We will direct officials to work with the Ministry of Justice when drafting the bill to ensure any offence and penalty provisions are appropriate and proportionate.
- 45 The Commission would also be able to require a written statement of compliance from the supplier, a report on the written statement that is signed by an auditor, and a certificate confirming the truth and accuracy of any information provided.
- 46 In addition, we recommend the legislation includes a provision to enable information sharing between all the regulators in the local government system, including the Water Services Authority, Ministry for the Environment, Department of Internal Affairs, Office of the Auditor General, and Development Levies Commissioners.

Carrying over the disputes resolution system from development contributions with improvements

- 47 We propose carrying over the existing disputes resolution system from the development contributions system with the following improvements.
- 48 First, we propose appointing one of the Development Levies Commissioners as a chairperson who then assigns commissioners to objections processes when they are lodged. Currently the territorial authority assigns the Development Contribution Commissioner(s) for an objections process, which developers have raised could lead to bias as one of the parties involved in the dispute chooses the arbiter.
- 49 Second, when the Development Levies Commissioners are arbitrating objections by developers about individual development levies assessments their decisions will need to align with the purpose and principles of the development levies regime and the levy calculation methodologies developed by the Commerce Commission.
- 50 Third, to improve the improve the transparency of the objection regime, we recommend there is an added requirement to publish the full judgment (with any redactions for commercial sensitivity) of all objections online. This is expected to strengthen this broader oversight of disputes and to encourage education around and learning for all parties involved in the development levies system.

Integration of regulation of development levies with the existing local government oversight system

- 51 Our officials will work with the Commerce Commission and other agencies to ensure effective integration of development levies within the wider existing local government oversight system, and with other changes underway that affect regulation of local government, such as rates capping, resource management reform, water reforms, and the Simplifying Local Government Workstream.

Cost-of-living Implications

- 52 This paper forms part of the Going for Housing Growth work programme which aims to reduce housing costs, which will reduce the cost of living.

Financial Implications

- 53 There would be implications for the Commerce Commission if it is assigned regulation of development levies functions without additional resourcing, including risks and trade-offs for existing work programmes.
- 54 An initiative has been submitted to Budget 2026 for the establishment of the regulatory regime and transition period which will be subject to decisions through that process. Initial estimates of the cost of setting up the Commerce Commission as the economic regulator are a “four-year” total cost of \$35,682,740 and an ongoing annual cost of \$11,230,750 in outyears.
- 55 We recommend the Commerce Commission’s ongoing annual costs are cost recovered from the main beneficiaries of development levy regulation (i.e., developers) to be consistent with the principles of beneficiary-pays and growth pays for growth. This is expected to be cost neutral to the Crown from FY 2030/31.
- 56 If Cabinet agrees, we recommend suitably enabling provisions are included in primary legislation and that Cabinet notes Ministers will return to Cabinet with cost-recovery regulations at a later date.

Legislative Implications

- 57 Legislation is required to give effect to the proposals in this paper and, if agreed, they would be included in the Local Government (Infrastructure Funding) Amendment Bill, which is proposed for inclusion on the 2026 Legislation Programme with a priority of Category 5 – to proceed to select committee before the 2026 General Election. The Bill will propose statutory duties, functions, and powers for the Secretary for Local Government and the Minister of Local Government; these will bind the Crown.
- 58 We are seeking authority from Cabinet to issue drafting instructions to Parliamentary Counsel Office to implement these proposals, including any minor, technical, or consequential changes that arise during drafting to ensure workability. The draft Bill is planned to go before Cabinet Legislation Committee and Cabinet for approval for introduction in August 2026.

Implementation timeframes

- 59 Subject to Cabinet approval on these policy proposals, we propose that the Local Government (Infrastructure Funding) Amendment Bill be introduced in August 2026.
- 60 The Commerce Commission will work with policy officials ahead of commencement of the bill to develop, test, and engage on a draft methodology and information disclosure requirements during 2026/27. This will enable a draft methodology and information disclosure requirements to be published soon after commencement and provide territorial authorities and water organisations with a reasonable indication of what will be required to implement their development levies policies and comply with information disclosure requirements.

- 61 Following commencement of the Bill, there will be an opportunity for the Commerce Commission to formally consult on the draft methodology and information disclosure requirements.
- 62 Territorial authorities and water organisations would be able to begin setting development levies policies after enactment and publication of the detailed methodology for calculating development levies, then start charging development levies from July 2028 or later.

Impact Analysis

Regulatory Impact Statement

- 63 A Department of Internal Affairs Regulatory Impact Assessment Panel has reviewed the regulatory impact statement (RIS) and the Cost Recovery Impact Statement (CRIS) attached to the Cabinet paper, and provided the following statement:
- 64 The panel considers that the information and analysis summarised in the RIA and CRIS *partially meet* the quality assurance criteria.
- 65 The panel acknowledges that the authors worked to a constrained timeframe and under specific Ministerial direction, and note that these limitations have been strongly signposted in the RIA and CRIS. This limited timeframe also impacted the time available to carry out a comprehensive quality assurance assessment process.
- 66 Having reviewed the RIS document, the panel considered that a *fully meets* criteria could not be met. The authors list a significant number of assumptions about future funding availability and affected party behaviour as impacting on the implementation success of the proposals. The authors also noted a number of additional data limitations inherent in the analysis, driven in large part by the limited time available to develop the proposals.
- 67 This evidential uncertainty meant that the **convincing** and **complete** criteria could not be fully met. Additionally, the authors note that the specific proposals in the RIS (e.g. the proposed regulatory regime) and the CRIS were not consulted on, meaning that the **consulted** criteria could not be met. Accordingly, stakeholder feedback could not be considered, addressed or incorporated, further impacting on the rigour and comprehensiveness of the analysis.
- 68 Since the assumptions and the key limitations underpinning the analysis have been clearly set out, the panel considers that Ministers relying on the RIS can make a reasonably informed decision, which includes the data limitations and informational uncertainty influencing the analysis. Accordingly, we consider the RIS/CRIS *partially meet* the quality assurance criteria.

Climate Implications of Policy Assessment

- 69 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to any of the policy proposals, as the threshold for significance is not met.

Population Implications

- 70 The Going for Housing Growth work programme will reduce housing costs and support well-functioning urban environments for all New Zealanders.

Human Rights

- 71 There are no direct implications for the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 from the proposals in this paper.

Use of external Resources

- 72 No contractors were used to prepare this paper. However, an external consultant from Martin Jenkins was contracted for a short period of time to provide technical input on costings for the budget bid for funding regulation of development levies.
- 73 Stuart Shepherd from the Housing Expert Advisory Group provided input on the proposed approach to regulation of development levies through written feedback and meetings with officials.

Consultation

- 74 Consultation on the exposure draft of the Local Government (Infrastructure Funding) Amendment Bill closed on 20 February 2026 and 56 submissions were received. 32 submissions were from councils, 11 from developers and developer organisations, and 13 from other organisations and individuals.
- 75 The exposure draft bill did not include provisions for Commerce Commission regulation of development levies. However, Cabinet's in-principle decision about the Commerce Commission being the independent regulator was announced in November 2025. This meant some submitters commented on the regulator. There was general support for using the Commerce Commission to build confidence in the system and ensure consistency and transparency. Territorial authorities raised the need for the regulator's scope and purpose to be clearly defined to ensure that they do not undermine local decision-making. Developers and development organisations called for regulator to ensure transparency on levy methodologies.
- 76 The following agencies were consulted on a draft of this paper: The Treasury, Ministry for the Environment, Ministry of Business, Innovation and Employment, Ministry of Transport, Ministry of Justice, Ministry for Regulation, Commerce Commission, and the Department of the Prime Minister and Cabinet.

Communications

- 77 We will consider the timing for announcing decisions on this Cabinet paper alongside any Budget 2026 decisions on funding for Commerce Commission regulation of development levies, and providing an update regarding feedback on the exposure draft bill consultation on the broader development levies regime.

Proactive Release

- 78 We intend to proactively release this Cabinet paper within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister of Housing, Minister of Local Government, and the Minister of Commerce and Consumer Affairs recommend that the Cabinet Economic Policy Committee:

- 1 note that in November 2025 Cabinet agreed in principle to the Commerce Commission being the regulator for development levies and that the Ministers of Housing, Local Government and Commerce and Consumer Affairs would report back to Cabinet in March/April 2026 with the details of the regulatory system [ECO-25-MIN-0192];

Application of regulatory arrangements

- 2 agree that regulation would apply to all territorial authorities and any water organisations in their setting and charging of development levies;

Setting detailed methodologies to standardise the calculation of development levies

- 3 agree that the Commerce Commission be required to prepare, consult on, publish, and be able to amend detailed methodology requirements for setting development levies as binding determinations;
- 4 note that Commerce Commission funding for this work is subject to budget decisions;

The information disclosure regime

- 5 agree that the purpose of information disclosure under the development levies regulatory regime is to ensure that sufficient and accurate information is readily available to interested persons to assess whether development levies are set and used in a way that is transparent, predictable, and are consistent with the purpose and principles of the development levies regime;
- 6 agree to the following mandatory information disclosure requirements:
 - 6.1 all disputes and objections lodged and resolved;
 - 6.2 how the territorial authority or water organisation are applying the prescribed methodology;
 - 6.3 decisions to use a levy; and
 - 6.4 considerations in setting levy areas (and high-cost overlays);
- 7 agree that the Commerce Commission have powers to set further information disclosure requirements and to analyse disclosed information, and that these powers will be modelled off Part 4 of the Commerce Act 1986, with appropriate changes for the development levies regime.
- 8 agree that the Commerce Commission may have regard to the scale, complexity, and risk profile of each regulated party or the service (infrastructure class) when setting the information disclosure requirements, and other requirements in determinations;
- 9 agree that the Commerce Commission have the power to get information verified or checked by an independent expert;

- 10 agree that the Commerce Commission have powers for general information gathering purposes, with powers modelled on sections 53ZD and 98 of the Commerce Act 1986, with appropriate changes for the development levies regime.
- 11 agree to allow the Commerce Commission to include publicly available information in their analysis;
- 12 agree for the Commerce Commission to have one year from enactment of legislation to issue information disclosure determinations;

Setting extra requirements through determinations

- 13 agree that the Commerce Commission have the power to set performance requirements for territorial authorities or water organisations in operating their development levies regime, with powers modelled on Schedule 7, and Part 5 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 14 agree that the Commerce Commission may recommend that the Minister of Local Government, in consultation with Minister of Commerce and Consumer Affairs, designate certain territorial authorities and water organisations, or certain services, as subject to performance requirements;

Compliance and enforcement action

- 15 agree the Commerce Commission have a compliance and enforcement role in the development levies regime, with powers modelled on Part 6, Schedule 7, and Part 8 of the Commerce Act 1986, with appropriate changes for the development levies regime;
- 16 agree in-principle to offence and penalty provisions for failure to comply with orders relating to information disclosure, performance regulation requirements and enforceable undertakings, subject to further consultation with the Ministry of Justice's offence and penalty vetting team during the drafting process;
- 17 agree to enable information sharing between all the regulators in the local government system, including Water Services Regulator, Ministry for the Environment, Department of Internal Affairs, Office of the Auditor General, and Development Levies Commissioners;

Carrying over the existing disputes resolution settings from the development contributions system with improvements

- 18 agree that existing dispute resolution mechanisms under the current development contributions regime (such as reconsiderations, objections to independent commissioners, and judicial review) will transfer to the development levies regime with the amendment to the process for assigning commissioners to an objections process;
- 19 agree that there is requirement to publish the full judgment (with any redactions for commercial sensitivity) of all objections online to improve transparency;

Financial implications

- 20 agree that the decisions in the paper relating to the Commerce Commission's role as regulator are subject to Budget 2026 decisions;

- 21 agree that the ongoing costs of regulation of development levies by the Commerce Commission be cost-recovered and suitably enabling provisions be included in primary legislation.

Legislative implications

- 22 note that legislation is required to give effect to the proposals in this paper and, if agreed, they would be included in the Local Government (Infrastructure Funding) Amendment Bill, which is proposed for inclusion on the 2026 Legislation Programme with a priority of Category 5 – to proceed to select committee before the 2026 General Election;
- 23 invite the Minister of Local Government to issue drafting instructions to Parliamentary Counsel Office to implement these proposals, including any minor, technical or consequential changes that arise during drafting to ensure workability;
- 24 authorise the Minister of Housing and Minister of Local Government to make any further policy decisions necessary for effective regulation of development levies.

Authorised for lodgement

Hon Chris Bishop

Minister of Housing

Hon Cameron Brewer

Minister of Commerce and Consumer Affairs

Hon Simon Watts

Minister of Local Government