SECURING NEW ZEALAND'S FUTURE

BUDGET 2026

Hon David Seymour
Associate Minister of Finance

Hon Chris Bishop
Minister for Infrastructure
Minister of Housing

Hon Simon Watts
Minister of Local Government

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Incentivising councils to go for housing growth

The Government is making a major investment to back councils that support housing growth, Deputy Prime Minister David Seymour, Housing and Infrastructure Minister Chris Bishop, and Local Government Minister Simon Watts say.

“The Incentives for Growth Fund provides both an incentive for councils to enable housing growth, and a means of covering some of the costs that fall on them as a result. It transforms development from being a source of cost to a source of revenue. This is part of the ACT-National Coalition Agreement,” Mr Seymour says.

“Currently, local councils face poor incentives to enable growth. New housing developments can involve costs to existing ratepayers to provide the new infrastructure and services needed before houses can start construction. These costs act as a disincentive for councils to approve new houses and subdivisions.

“The only time you get prompt service from a council is when they’re issuing a parking ticket. They’ll come to you, anywhere, anytime, because there’s money in it. Imagine how many consents they’d issue if there was money in it for them?

“Budget 2026 allocates $400 million over four years through a tagged contingency for the new Incentives for Growth Fund.

“Councils will receive payments based on a proportion of the national average new dwelling consent value. That funding will help councils invest in the roads, services and local infrastructure needed to support growing communities.

"To incentivise councils to go for growth, payments under the fund will be higher for councils that enable higher rates of growth."

Under the Incentives for Growth Fund, councils will be paid more per home as they consent more homes:

- For each new home consented up to an equivalent of one per cent of their existing dwellings, councils will receive a payment of 0.25 per cent of the national average consent value.

- For consents between one and two percent of existing dwellings, councils will receive a higher payment of 0.5 per cent of the national average consent value.

- Beyond two per cent of existing dwellings, each new consent will generate a payment of 1.25 per cent of the national average consent value.

Mr Bishop says the Incentives for Growth Fund delivers the third pillar of the Government's Going for Housing Growth programme, with payments commencing from 1 April 2027 for consents granted in the year to January 31 2027.

"New Zealand's housing crisis didn't happen by accident. For decades we've had a planning and infrastructure funding system that made it too hard to build the homes New Zealanders need.

"That's why the Government is committed to Going for Housing Growth, a comprehensive programme of reform to free up land for housing, improve infrastructure funding and financing tools, and provide councils with stronger incentives to support growth. The three pillars of the programme are:

- freeing up land for urban development and removing unnecessary planning barriers through major reform of the Resource Management Act and changes to national direction.

- improving infrastructure funding and financing tools so councils and developers can better fund the pipes, roads and other infrastructure needed to support growth. We have legislation before Parliament to do exactly that.

- directly improving the incentives for councils to support housing growth by ensuring they share in the economic upside that growth creates.

"For too long, growth has been seen by councils as a cost to manage rather than an opportunity to embrace. We're changing that.

"If councils enable more homes, they'll receive additional funding to help deliver the infrastructure and local amenities their communities need. That's good for councils, good for communities, and good for New Zealanders struggling to find a home."

Mr Watts says the Government expects councils to focus strongly on value for money while also recognising the financial pressures growth can create.

"This Government has high expectations of local government. We expect councils to do more with less, focus on the basics, and deliver better value for ratepayers.

"But we also recognise that enabling housing growth creates real fiscal challenges for councils. Infrastructure like local roads, parks and community facilities often need to be built years before new residents move in and start contributing rates revenue.

"The Incentives for Growth Fund will help councils manage those pressures by providing a direct funding stream linked to housing growth.

"It means communities that are doing the heavy lifting to support New Zealand's growth will receive additional support to help pay for the infrastructure and services that growing populations require.

"This is about creating a more balanced system where councils and communities see the benefits of growth, not just the costs."

Note to editors:

Councils will be able to use funding for infrastructure-related capital and operating expenditure, but not for water infrastructure or costs chargeable to developers via development contributions or levies.

This recognises that Local Water Done Well is creating a new operating environment including multiply owned, financially independent water services providers, and Pillar 2 of Going for Housing Growth is improving infrastructure funding and financing, ensuring growth can pay for growth.

Councils will be required to report annually on how they have used funding, to demonstrate to communities that they are addressing growth impacts.

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