

# Simplifying Local Government

Submission to the Department of Internal Affairs

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February 2026



## 1. What is Taituarā?

Taituarā — Local Government Professionals Aotearoa (Taituarā)<sup>1</sup> thanks the Department of Internal Affairs (the Department) for the opportunity to submit regarding the Simplifying Local Government proposals (“SLG” or “the proposals”).

Taituarā is Aotearoa New Zealand’s leading membership network for professionals working in and for local government. Our thriving membership base comprises chief executives, managers, and staff from all 78 local authorities.

What unites Taituarā members is our commitment to being our professional best, supporting local government excellence through connection, collaboration, and care for the well-being of our communities.

Taituarā strengthens the local government sector by leveraging our members’ insight and experience to shape the public policy debate. We come to the table with a wealth of knowledge and in the unique position of having a 360-degree understanding of the strengths and weaknesses of the current local government system.

## 2. Taituarā welcomes a conversation about the future of local governance.

Local communities and the local government sector face era-scale change. The big challenges our communities face – responding to climate change, addressing cost-of-living pressures, housing, infrastructure, demographic change and social cohesion – require transformative change.

The majority of the sector accepts that local government, in its current form, is not ‘fit for purpose’ to meet future challenges. One of the remits passed at the last annual general meeting of Local Government New Zealand called for a review of the sector's current functions and governance. We developed a vision and set of principles to guide system change.

Era-scale change (i.e. change with an expected life cycle and impact of 40-50 years) demands an era-scale response. Such a response should view reform as an opportunity rather than a solution to a real or perceived problem. This requires both a systems-thinking approach grounded in sector strengths and a clear vision of what the proposed new system of local government is and does.

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<sup>1</sup> Taituarā is the trading name of the New Zealand Society of Local Government Managers (SOLGM) conferred upon us in January 2021 by the (then) Ministers of Defence and Local Government, the Hon Peeni Henare, and the Hon Nanaia Mahuta.

Our vision for local governance is "*Ora: people thriving in place*" that is to say that the nation as a whole progresses when local communities as a whole thrive.

To achieve this vision, councils of the future need to function within a system of local decision-making, transparency, and accountability that:

- is inclusive, values diversity, strengthens social cohesion, and unleashes the inherent power and strength of communities
- enables place-based decision-making and action
- gives effect to Te Tiriti o Waitangi and partners with Māori
- is innovative, self-improving, and adaptive, building and sustaining trust and confidence in government
- ensures central and local government:
  - a. think and act as one system for the benefit of the nation
  - b. have funding approaches that support fair allocation and equitable distribution of resources across the system and enable decision-makers to make the best use of limited resources.

### **3. Change will be most enduring in the presence of a strong consensus about the case for change and the general policy direction that change should take.**

SLG could, but does not yet, make a compelling case for change. No matter what challenges the world faces, whether technological, climate-related, or concerning the future of work, all of their impacts are felt locally.

If change is to endure, it must proceed from a consensus both for change and for the direction that change should take. That means a consensus between central and local government, and a broad consensus for change within Parliament that extends beyond political administrations.

Two of the features of the 1989 reforms that have seen the present structure endure almost forty years are that there was such a cross-party consensus, and that the design and much of the decision-making was undertaken at arm's length from Ministers. Policy-makers take note.

The impacts of the counterfactual can readily be seen in a lack of certainty and its impact on investment in the community (as is the case with the multiple cycles of change to the purpose of local government). It can be seen in the deadweight loss

of time and resources in change that is reversed or changes direction – water reforms and the spatial planning aspects of RMA reform are both good cases in point.

Structural reform, the RMA refresh, and rate capping must be treated as a coherent, coordinated change programme.

That change programme must be accompanied by consensus on sustainable funding and financing, as well as by capacity-building resources. Local government should always have access to a revenue base that is independent of central government. But future funding and financing arrangements also need to recognise the contribution that local government makes to achieving national objectives – such as economic growth and transformation, and housing growth. And these arrangements need a life beyond 'one-off' funding agreements – to the long-term investment planning and predictable Government funding signals that are a key part of the new National Infrastructure Plan.

**4. Any reform of the local government system must be aligned with a coherent reform programme with a transitional process that recognises overall system capability.**

SLG takes place against a backdrop of other reforms and reviews that impact on the sector. This includes (among others) the resource management reforms (both the legislation and the national direction), the proposed rate capping model, reforms to building consenting, and reforms to the emergency management system. This takes place alongside the substantial reforms to water services that 67 of the 78 local authorities are implementing through the Local Water Done Well reforms.

Approaching reforms from a piecemeal 'case by case' basis runs the risk of differences in policy directions that undermine all. We understand that some, but not all, of the above reforms are being advanced by an ad hoc committee of Ministers, though to date there is no clear statement 'lining the reforms up'.

There is a thread among many of the above that we need to aggregate or lift delivery functions above the local level to make the most of scarce capability. But this is very much our reading between the lines, rather than the result of any clarity from the Government. If there is indeed a common policy objective and a preferred approach (or set of approaches) to achieving it, much effort and cost can be saved by making those public now.

The SLG process, and indeed any reorganisation of this scale, is a multi-year process to develop and implement properly. And it sits alongside a series of reform-driven change processes of only slightly lesser scale.

As we understand the SLG timetable, the reorganisation plans are most likely to be completed in early to mid-2029, with Ministerial approval in mid-2029. This coincides with the rate capping proposals taking full effect from 1 July 2029. The initial phases of the reorganisation planning process will coincide with the due date for delivery of the first regional spatial plans (November 2027) and any changes to the emergency management reforms.

Ministers have been approached by councils wanting to 'just get on with it'. Later in this submission, we'll discuss what this means in practice. In short, those councils that want to advance change ahead of, or even without, the structure of the CTB process should be supported in doing so, and the final reform legislation should permit that.

As it stands, the SLG timeframes would see plans enter a critical stage in mid-2028, at about the time the 2028 local elections are called. One of the lessons from Local Water Done Well is that attempting to run a locally led reorganisation process around local elections is unlikely to promote change.

Given the implementation timeframes above, there is merit in considering an extension of the terms for the present councils as feasible. Of course, any extension must also consider the timeframe for implementing the reorganisation plans as well as the practicalities of holding local and central elections in the same year. As the timetable stands, much of any reorganisation would take effect in mid-2030.

Any consideration of the election dates should also include a discussion of the processes that support elections. For example, should councils go to the expense of a representation review when the next council might only exist for a short period?

The relevance of rate capping, the cost of other reforms, and their potential to constrain SLG should not be underestimated. We know that resource management reforms will create some \$860 million in establishment costs for the sector, and the emergency management reforms will add another \$84 million. Local authorities are expected to keep rate increases within a centrally set band (with an indicative range of 2-4 per cent per annum). But SLG will require substantial expenditures in administering a CTB, identifying and investigating options for governance and service delivery reform, and implementing the results.

Whatever the design of SLG, recognition of the costs it will entail is essential. Reorganisation plans are intended to be comprehensive, i.e., all services and arrangements must be included. The investigation of the costs and benefits of different governance and service delivery options is a time and resource-hungry requirement.

The central government should provide guidance or support for the CTBs (if this is to be the change process). Again, some ruling out of particular options would assist, as would funding support. Additionally, some relief, allowance or recognition that local authorities face these costs should central government proceed with a rate cap.

The uncertainties of reform processes will make the preparation of a robust 2027/37 LTP inherently uncertain. We have had discussions with DIA and MfE about reform-related assumptions for an LTP, which have highlighted just how much 'the sands could shift' with reforms as late as early 2027.

But the disciplines of long-term planning cannot be wholly abandoned. Local authorities will need a robust understanding of asset needs and financial consequences to ensure any amalgamation process captures local needs. We would welcome an early conversation on potential relief options for the next LTP.

## **5. Locally led change has a mixed record – modifications to the SLG approach would enhance the likelihood of enduring reform.**

SLG proposes a change process led locally by a board of as few as three or as many as ten territorial authority representatives.

Locally led approaches have a mixed record of promoting change at best. Relying on a completely locally led approach is likely to generate sub-optimal outcomes in terms of meeting national interest objectives.

Consider the Local Water Done Well reforms. Local authorities were required to develop a plan for the delivery of each of the three water services to meet regulatory requirements in a financially sustainable way – including two different ownership and delivery models

The end result has seen limited rationalisation of water service providers<sup>2</sup> such that it is debatable whether the reform has actually increased the overall capacity of the water sector. There are still multiple small water service providers, including some of

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<sup>2</sup> The number of water service providers has reduced from 68 to approximately 40 water providers.

the recently merged entities. The presence of so many providers, coupled with some political agreements to facilitate amalgamations—often around the ringfencing of costs and debt—raises questions about whether the reforms' affordability objectives have been truly met in the long term. No doubt further structural reform will come in due course.

At the same time, the service delivery plan process and implementation of the legislative requirements have consumed a great deal of resources within local and central government. Whilst this reform was targeted at three particular services, SLG is intended to cover all services and the governance arrangements across the region (including, we assume, the arrangements for water services being up for a review, especially in those councils that chose to stand alone during Local Water Done Well).

We also observe that, to our knowledge, only one locally initiated amalgamation proposal has succeeded since 1989. We refer to the amalgamation of the then Banks Peninsula District Council with Christchurch City back in 2007. Community concerns about a loss of local autonomy, potential loss of local amenity and potentially a decline in some levels of service, loss of local employment, and, in some cases, concerns about potential impacts on rates have all played a part.

This does not mean that change should be developed and imposed from the top. However, a reform process of this nature would benefit from the Government clearly outlining its expectations for any change process. We understand that some Ministers may prefer a unitary model of governance – if that is Government policy, then much time and resource could be saved by stating so. Similarly, we very much doubt that the Government intends for councils to use SLG as a pretext for unwinding a previous decision to establish a water organisation.

How else might a locally-led process be de-risked?

*SLG should allow existing reorganisation processes to run their course.* Some communities have already begun exploring different governance and service delivery options under the existing rules.

Southland councils have a reorganisation proposal with the Local Government Commission. The proposal is currently in the Commission's initial phase of investigations, which is due to conclude in March 2026, and the subsequent phase of investigations is due to report in August 2026.<sup>3</sup> That is to say that a substantive

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<sup>3</sup> Local Government Commission, *Request for the reorganisation of local government in Southland*, page 3. Retrieved on 5 January 2026 from <https://www.lgc.govt.nz/assets/Reorganisation->

amount of investigative work (including the development of options) will have happened before SLG legislation. The Government will need to engage with the Commission and with the four Southland councils to avoid both being put to the expense of a second review that is likely to traverse similar options.

In a similar vein, amalgamation of the political structures was put to the voters of Hutt City and Porirua City Council. The Wellington Mayoral forum subsequently agreed to “work together on options for amalgamation”. They have taken the view that “The economic and infrastructure issues facing Wellington and Wairarapa are too important to be left to chance, and local people should decide the future of their local governments”.<sup>4</sup>

*Areas ought to be able to adopt alternative approaches to the CTB.* Locally led change is more likely to endure if there is a consensus in favour of change at local level. Inclusiveness at all stages of the process is essential. As currently designed, the CTB process is bureaucratic, cumbersome and potentially the antithesis of inclusive. There should be some opportunity for local authorities to develop a process that works locally – including a modified CTB approach, some other joint committee, working with the Local Government Commission. And in that process they should be bringing in regional councils and Māori to the decision-making table (we’ll return to each point shortly).

*Catchment boundaries are a helpful starting point but should not be the sole determining factor for determining options.* Pan-regional approaches should not be ruled out from the very beginning.

The Upper North Island Strategic Alliance (UNISA) is one such example of a successful pan-regional collaboration across three regional councils and the four metropolitan councils in the area.

The recent Local Water Done Well reform process showed that there is merit in local authorities looking more broadly at options than catchment-based boundaries (especially service delivery options). For example:

- the South Island’s biggest joint water services company has been formed out of the cross-regional council boundary amalgamation of the water services from Clutha, Central Otago and Gore Districts

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[Files/Current-Reorganisation/Reorganisation-Southland/Local-Government-Commission-final-investigation-process-document-Oct2025.pdf](#)

<sup>4</sup> Wellington Mayoral Forum (2025), Wellington and Wairarapa Mayors unite for certainty in local democracy – media release of 11 December. Retrieved on 5 January 2026 from <https://www.huttcity.govt.nz/people-and-communities/news/2025/wellington-mayoral-forum-wellington-and-wairarapa-mayors-unite-for-certainty-in-local-democracy>

- Horowhenua District Council actively pursued water reform proposals both within the Manawatu and with Wellington

**6. SLG's proposed criteria need further elaboration and expansion if they are to be a useful guide to reorganisation plans.**

We note that the reform process should not impose a particular model or models but enable the development of structural and service options that work best in local areas. Those leading the development of reorganisation plans, whether Government-appointed commissioners or a CTB, need a clear and robust set of criteria against which to assess options.

The SLG proposal provides a set of 'criteria' on pages 21 and 22. These represent a useful start but need further elaboration if they are to get New Zealand to the endgame that we opened this submission with.

We would apply the following criteria to the assessment of proposals in a reorganisation plan:

1. *consistency with national priorities* – this is present in SLG as the criterion 'big-picture fit'. Plans should support national priorities, strategies and plans. But here lies one of the larger risks with the SLG proposal: national priorities change from time to time (especially when there is a change of government). Enduring arrangements would be better empowered if there is consensus as to what these national priorities are
2. *subsidiarity* – decisions should be made at the lowest level possible, consistent with the other criteria
3. *role clarity and avoidance of role conflict*– *this is captured to some degree in the SLG's "clear leadership' criteria.* All agencies should be clear as to which of them has the responsibility for what activity – ideally, one activity, one responsible agency. Wherever possible, conflicting roles should not be allocated to the same level of government
4. *economies of scale* – functions should, if practicable, be delivered at a scale that generates a lower unit cost
5. *capacity* – those local authorities and any other subsidiary bodies (such as a CCO) must have the resources (including human resources and financial resources) necessary to fulfil any roles assigned in the plan (or in statute)
6. *economies of scope* – two or more activities should be delivered together if those activities can be delivered at a lower total cost than delivering the activities separately. One of the major successes of the 1989 reforms was the abolition of approximately 700 single-purpose bodies and their movement into 86 local authorities. An application of this criterion will often see some

grouping the delivery of like activities together (sometimes referred to as integration of functions)

7. *financial sustainability* – present in SLG, this focusses largely on an “arrangement that will manage rates increases and support them to manage assets well”. This comes at the same time as a Government proposal to introduce a rates band. Financial sustainability should encompass the management of costs alongside the sustainable use of funding and financing tools. What happens on the balance sheet is just as relevant to the outcome of local government reforms. Although reorganisation demonstrably improves productivity, unit costing and effectiveness, it is not a panacea for an unfit-for-purpose funding and financing regime.
8. *the management of spillover effects* – some activities have impacts that go beyond their original area of impact. The classic cases lie in the environmental management area, where the polluter who dumps waste in a river impacts the water quality downstream
9. *support for an authentic Te Tiriti partnership* – however configured including decisions about establishment, the system of local governance should give effect to the partnership established in Te Tiriti and explicitly recognise that the decisions and actions of local government support that partnership. As it stands, SLG is very transactional in its view of the relationship between local government and Māori. We could find little in SLG other than comments that plans must demonstrate how Treaty settlement commitments and other agreements with Māori will be given effect to. That is not how our successful, enduring partnerships work on the ground.

The above criteria point to a grouping of functions that sit between the national and community levels. The functions will typically be characterised by some or all of the following:

- a moderate level of subsidiarity
- a high degree of economies of scope through integration
- more specialised skill or knowledge sets that may be limited in their supply, which might mean that the location at the local or sub-local level lacks sufficient capacity to deliver the activity successfully. Emergency management is a good example of this
- higher degrees of spillovers across community boundaries – the textbook cases lie in areas of environmental management. If a community at or near the source of a catchment makes a decision to adopt lower standards for the disposal of effluent into freshwater that community is effectively making the decision for the entire catchment.

The above discussion focuses on the allocation of functions rather than on structural or governance issues. We turn to these matters shortly.

**7. The proposed exclusion of regional representation from the CTB process creates a significant risk to the success of a reform process that is based on local leadership.**

SLG proposes to disestablish the governance of regional councils and replace them with the CTBs, who, in addition to developing the reorganisation plans, would make the governance decisions for regional councils. Regional councils as organisations would continue at least to the completion of the reorganisation plan.

SLG's proposed exclusion of regional council representation from the CTB process pre-empts consideration of reorganisation options, regardless of their merit. One of the benefits of a regional sphere of governance was that it enabled economies of scope and critical mass by aggregating similar functions. We should be wary that one of the outcomes of the decision to disestablish regional councils is not a return to a plethora of single-purpose bodies.

A CTB that is absent in regional representation will lack expertise at the governance level in the delivery of regional services<sup>5</sup>, and in taking decision-making approaches appropriate to a regional community of interest. The impact of this loss of expertise and governance capability ought not be underestimated, particularly but not exclusively for implementing the new resource management system.

While SLG indicates that the governing bodies of regional councils will be disbanded, the organisations will continue until at least the completion of the reorganisation plan process, as regional functions, especially under statute, persist. In effect, the CTB assumes the governance role for regional councils. While Mayors would essentially act in this capacity through executive decision-making, when back at their TA, they are one vote among many. This could give rise to significant governance conflict.

**8. The aspects of SLG that relate to Te Tiriti pose significant risks to the success of the overall reform proposals.**

SLG focuses its attention on existing Treaty settlements and commitments, for example, in the criterion labelled "Treaty arrangements" (sic) on pages 21 and 22.

Local government's interaction with te Tiriti is much wider than this. During 2024, we advised Parliament that:

*"Local authorities are public entities that make decisions that impact on lands, waters and taonga. Decisions such as RMA zoning, placement of infrastructure and levels of*

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<sup>5</sup> Regional functions are generally quite different from those of their territorial counterparts in one or more of their: community of interest; focus on environmental management; focus on science as the primary driver of decision-making and reliance on skills that are not widely available

*service, even the setting and enforcement of rates all have (or could have) such an impact.*

*While not signatories to Te Tiriti, the decisions that local authorities make can easily impact on the Crown's obligations to Māori. Local authorities should be cognisant of these principles and identify the impacts that their decisions will have.*

*Additionally, there are some activities where local authorities are acting as delivery agent on behalf of the Crown. Many of the regulatory services involve exercise of some function on behalf of the Crown, some public health activities are also provided on a similar basis"<sup>6</sup>*

As best we can see, the only direct requirement to involve Māori in the SLG processes applies at the consultation stage (and this is through the obligations of section 81 of the Local Government Act 2002 rather than anything in the SLG itself). Consultation at this point would follow the definition of problems, issues, and opportunities, as well as the generation and consideration of options.

Whether developed by CTB, Commissioners, or others, the model must ensure Māori representation around the table as partners, as of right. If CTBs are the chosen model, the SLG proposal must empower them to decide whether and how this is achieved.

## **9. Conclusion**

We welcome that change conversations are occurring, and in that regard, SLG is a start. We should learn the lessons from our past if we are to deliver enduring change for the future.

This requires a comprehensive, coordinated, coherent change programme. The current set of reforms must be aligned in a coherent way with a logical and achievable set of timeframes and a coherent plan to support implementation.

This programme should focus on the scope of our governance and public service delivery for the coming decades and be accompanied by an injection of capacity and capability to ensure smooth transition and success. Any programme that fails to address the elephant in the room, that is, sustainable funding and financing, will, at best, be highly sub-optimal.

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<sup>6</sup> Taituarā (2024), *Submission of Taituarā regarding the Local Government (Electoral Legislation and Māori Wards/Constituencies) Amendment Bill*, page 2.,

We have a chance for enduring change that encourages growth, productivity and the lifting up of all our people – “people thriving in place”. We should not squander it.



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