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Department of Internal Affairs

Proactive release of Interim Regulatory Impact Statement: Simplifying Local Government to Support a Simplified Planning System
18 February 2026

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Interim Regulatory Impact Statement: Simplifying Local Government to Support a Simplified Planning System

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Interim Regulatory Impact Statement: Simplifying local government in a simplified planning system

Decision sought	Analysis to inform Cabinet in-principle decisions on a proposal to simplify local government for consultation, together with decisions on the process and timing.
Agency responsible	Department of Internal Affairs
Proposing Ministers	Minister of Local Government
Date finalised	14 October 2025

To consult on in-principle decisions to change and simplify local government. The proposal to be consulted on is to remove the elected governance layer from regional councils, replacing this with a Combined Territories Board (CTB) comprising elected mayors or their appointees; and requiring the CTB to prepare a regional reorganisation plan (RRP) to optimise the efficiency and effectiveness of local government services. Cabinet will be asked to delegate approval of the proposal document for consultation to the Minister Responsible for RMA Reform and the Minister of Local Government. Consultation will be focused on Māori, alongside RMA Reform engagement, and local government, with opportunities for public comment.

Summary: Problem definition and options

What is the policy problem?

The Government is reforming the resource management system and this will significantly impact core functions of regional councils. In March 2025, Cabinet invited the Minister Responsible for RMA Reform and the Minister of Local Government to report back to the Cabinet Economic Policy Committee with an update on whether local government reforms should be progressed as a consequence of changes to the resource management system [CAB-25-MIN-0080.01 refers].

Local government reforms provide an opportunity to address longstanding problems with the local government system. New Zealand has two separately elected, parallel levels of local government: city/district councils and regional councils. Overlapping functions can be confusing and contribute to low and declining confidence in local government and diffuse accountability. The Government's view is that the local government system is complex and fragmented and that this contributes to the issues identified and represents a barrier to the successful implementation of the Government's wider priorities, particularly resource management reform.

Reorganising local government is difficult to achieve. Legislative settings for reorganisation are complex and have significant barriers to reform with the consequence that the status quo typically prevails. There is a lack of political will to translate discussions of structural change into meaningful action and the requirements to show substantial community support (including through binding referendums) have led proposals to fail even when public confidence in the status quo is lacking. The Government considers there is a lack of incentives to drive regional efficiency or to enable the benefits of consolidation to be achieved following the implementation of RMA Reform.

What is the policy objective?

The principal objective is to initiate a locally led process to simplify and streamline local government structures and service delivery, in a way that supports the implementation of resource management reforms. Consultation on in-principle decisions will be undertaken from November 2025 to February 2026. Consultation will be targeted to local government and Māori, with opportunities for broader public engagement. Final Cabinet decisions, informed by consultation, will be made in March 2026. If the in-principle decisions are confirmed following consultation, the Government intends to introduce legislation in mid-2026 to be enacted early in 2027. The purpose of this timing is to be aligned with key decisions related to resource management reform.

Simplifying local government is intended to enhance local democracy by improving local governance. A stronger role for mayors, as the primary decision-makers on the proposed CTB, will provide clearer accountability. Reviewing structures and functions will enable overlapping, diffuse, and unclear responsibilities to be resolved. Having the same decision-makers (i.e., mayors) making decisions concerning issues such as environmental management as well as economic development and growth should enable more effective trade-offs and balanced decision-making. It will ensure that one decision-making body has oversight of decisions, as well as accountability for them.

The outcome of better governance at the local level should support more efficient and effective services. This includes identifying opportunities to achieve economies of scale. Greater efficiencies are likely to lead to improved service provision and has the potential for cost savings, although any cost savings will be indirect, long-term, and difficult to separate causally from other factors.

A locally led process is preferable to top-down reform because it enables change to be made in the context of local circumstances and recognises that there are no 'one-size-fits-all' solutions. Locally led reform is likely to achieve the buy-in necessary for successful implementation and for reforms to endure, whereas centrally directed reform is likely to remain contentious throughout and beyond implementation of the changes.

The CTB will be required to plan how best to provide local services and functions in the region, including the optimum structures and service delivery models. The change is anticipated to result in fewer, larger local authorities and enable economies of scale, but the actual outcome depends on decisions made during the RRP process.

The in-principle decisions are to disestablish the elected governance layer of regional councils, replacing elected members at the regional level with a CTB. The CTB would be required to prepare the RRP, based on statutory objectives and criteria, to demonstrate how local government structures and functions in the region should change. The RRP would be submitted to the Minister of Local Government for a decision whether or not to approve.

What policy options have been considered, including any alternatives to regulation?

Policy options have been considered within the constraints of the Government's direction. Policy options were initially considered on the basis of a Ministerial direction that changes to disestablish regional councils are needed to support resource management reform. During policy development, we considered it preferable to decouple the two policy projects and address the issues separately but in parallel. Ministers agreed to this approach. Accordingly, resource management reform is considered as part of the context, not in the options subject to analysis.

Policy options that have been considered include:

- A faster and staged reform process with stage one to remove the elected governance layer of regional councils completed by mid-2026 and RRP's prepared at stage two in 2027;

- Introducing a fast-track alternative to the Local Government Act 2002 (LGA02) reorganisation processes for those regions where councils want to amalgamate quickly;
- Design options for the CTB including the approach to voting rights/proportionality.

The removal of regional councillors requires legislative change so non-regulatory options are not available for that proposal. Without legislative change, elected representation at the regional council level would continue.

Under the status quo, the current reorganisation process would be available and could be used for large-scale structural reform, but the evidence suggests that it would not be. Non-regulatory incentives to support the consolidation of local government structures are potentially available, for example to incentivise the voluntary preparation of a RRP (or similar).

What consultation has been undertaken?

None yet. This analysis applies to in-principle decisions sought from Cabinet to form the basis of consultation prior to final Cabinet decisions.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Yes.

Summary: Minister’s preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The primary costs from the removal of the elected layer of regional councils will fall on regional councillors, both monetised (loss of salary) and non-monetised (loss of position).

Ratepayers will have some extra costs due to extra payments to mayors (and potentially other city and district councillors) for their extra duties. There will be a cost to the Remuneration Authority determination which will fall on ratepayers. These will be offset by savings from no longer funding regional councillors’ salaries, so this proposal is expected to have a minimal financial impact on ratepayers overall.

There will be administrative costs to the ratepayer in the preparation of RRP. There will also be the costs of implementing any structural or functional changes that result from the RRP. The size and extent of these costs depend on decisions yet to be taken, both in the purpose and design of the RRP and in the decisions made by the CTB in the RRP itself.

There will be fiscal implications for the Crown in funding the extra responsibilities of the Local Government Commission (LGC) and for Departments, including the need to fund any functions that are centralised.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The primary intended benefit is improved local governance and consequently improved performance of the local government system. Alignment of decision-makers at the regional level across different subject areas should lead to the necessary trade-offs being undertaken more effectively. This is intended to lead in the long-term to improved service provision for ratepayers

and communities. Change will create opportunities for efficiencies, including the potential for reduced back-office costs, while any costs savings are likely to be an indirect benefit only.

Ratepayers will obtain savings from no longer funding regional councillors' salaries (partially offset by some additional costs noted above).

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

Yes, in terms of the unquantifiable benefits that should accrue in the long-term from improved local governance. There may be long-term efficiency savings, but this has a low certainty rating and will be difficult to identify separately from efficiency savings resulting from other Government reforms.

There will be costs to ratepayers from the administrative costs of preparing a RRP, which should be matched or exceeded by the benefits that derive from it. Equally, the costs of change to structures and functions of local government will be borne by ratepayers as an upfront cost following the RRP. However, any structural changes are only expected to be made when there are demonstrable benefits, whether these are improved governance and service provision, or efficiency savings, or both.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

The reform will be implemented through legislative change and the preparation of RRP. Changes to the LGA02 and the Local Electoral Act 2001 are needed to remove the elected governance layer of regional councils and to establish CTBs. The approach to RRP, including their purpose, criteria, development process, and assessment will be provided for in legislation. The LGC will have a number of significant roles in implementation, including the assessment of proportional voting rights on the CTB.

There are a number of implementation risks related to timing and resources:

- Significant Departmental resourcing will be required throughout the reform process. Over the next approximately 9 months the Department will undertake consultation, analyse responses, seek final Ministerial and Cabinet policy decisions, and instruct Parliamentary Counsel to draft legislation for introduction in 2026. Failure to obtain adequate resourcing will reduce the Department's ability to deliver the project on time. Decisions will need to be made about how this project is prioritised against the Minister's existing priorities.
- The need to ensure that the timing aligns with RMA Reform creates a risk of adverse impacts if either policy reform is delayed with consequential misalignment of timing.
- The tight sequencing of work requires phases that would ordinarily be sequenced to be overlapping. For example, policy development will be underway during consultation and while progressing the legislative phase.
- Additional resourcing will be required for the LGC to undertake a significant new workload. The scale of this workload is at present indeterminate.

- 9(2)(f)(iv), 9(2)(j)

- 9(2)(g)(i), 9(2)(f)(iv)

- There will be a need to ensure the ongoing functioning of regional councils during what may be a prolonged period of uncertainty and transition, to ensure necessary responsibilities are effectively carried out. 9(2)(f)(iv)
- Likely unanticipated consequences, given it is unknown how the public, councils and councillors will react to the policy proposal. 9(2)(g)(i), 9(2)(f)(iv)

Limitations and Constraints on Analysis

A primary constraint on the analysis is that Ministers directed officials to work on the removal of the elected governance layer of regional councils and ruled the following options out of scope:

- centrally directed restructuring of local government (such as legislating for the establishment of unitary authorities); and
- the replacement of elected regional councillors with commissioners.

Policy work focused on how to remove elected members from regional councils, rather than whether to, has been undertaken within those scope constraints in a short period of time, 9(2)(g)(i). Tight timing proposed for the legislative change constrains the range of feasible options.

The Ministerial direction to undertake policy development without consultation means there is no access to the views of practitioners, experts or the general public, which could help to inform regulatory choices and identify further options. This limitation is partially mitigated by the number of reviews and reports in recent years which have considered local government structures and governance, providing a broad understanding of the scope of issues. Consultation from November 2025 to February 2026 on the in-principle decisions will inform further detailed policy design and analysis to support final Cabinet decisions.

There are some gaps in the evidence base. Modelling the financial implications of the removal of elected regional councillors and the extra duties for mayors has not been undertaken. We have not examined the potential costs of developing regional reorganisation plans.

9(2)(f)(iv), 9(2)(g)(i)

The limitations noted do not prevent Cabinet from making informed decisions for a proposal in principle to be consulted on, and we consider that detailed policy work, informed by a public submission process, is appropriate to support final decisions.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:



Katrina Casey Deputy Secretary, Local Government (Acting)
14 October 2025

Quality Assurance Statement

Reviewing Agency: Departmental of Internal Affairs

QA rating: Partially meets

Panel Comment:

The Department's Regulatory Impact Analysis (RIA) panel considers that the information and analysis summarised in the RIA statement **partially meets** the quality assurance criteria.

The main issue is that the policy proposal has not been consulted on, and therefore does not meet the 'consulted' criteria. The government would usually carry out extensive public consultation on a major policy proposal like this.

The statement explains why consultation has not taken place. It further states that limited consultation, focusing on Māori post-settlement governance entities and "the local government sector", will occur between November 2025 and February 2026. This will take place after Cabinet has made in-principle decisions but before final decisions.

9(2)(g)(i), 9(2)(j), 9(2)(f)(iv)

In other respects, the panel considers that the proposal **meets** the quality assurance criteria:

- 'Complete': the statement provides Ministers with enough information to make an informed decision on the proposal. It acknowledges that there are significant limitations and constraints, 9(2)(f)(iv), 9(2)(g)(i) and explains the reasons for this.
- 'Convincing': the statement makes a reasoned case for change, within the constraints set by Ministers.
- 'Clear and concise': the paper is written in plain English and is easy to read and understand.

Despite not meeting the 'consulted' criteria, on balance the panel assesses the RIA as partially meets because the paper meets the other criteria and because consultation is planned.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Local government structures and the role of regional councils

1. Local government consists of territorial authorities (city and district councils), regional councils, and unitary authorities (territorial authorities which also exercise the powers of a regional council). There are therefore two parallel levels of local government with separate but overlapping functions.
2. There are:
 - a. 67 territorial authorities, of which 13 are city councils, 53 are district councils and the Chatham Islands Council (a unique single layer of local government for the Chatham Islands; and
 - b. 11 regional councils.
3. Five of the territorial authorities (Auckland, Gisborne, Nelson, Tasman and Marlborough) are unitary authorities (i.e., they additionally have the functions of a regional council).
4. In total there are 917 elected members on local authority governing bodies (i.e., not including community board and local board members):
 - a. 67 territorial authority mayors;
 - b. 718 territorial authority councillors; and
 - c. 132 regional councillors.
5. The LGA02 sets the framework for local government, including its accountability to local communities, and does not contain detailed provision for services that local government must or may provide. Under the LGA02, the only specific responsibilities for regional councils are:
 - a. Regional parks (s 139); and
 - b. Making bylaws relating to forests, parks, reserves, recreation grounds and other land that the regional council owns or controls, flood protection and water supply works undertaken by or for the regional council (s 149).

Statutory responsibilities of local authorities typically sit in legislation specific to the relevant portfolio.

6. A core function of regional councils is the management of natural resources, primarily derived from the Resource Management Act 1991 (RMA), as well as other environmental protection functions, such as biodiversity, pest control and flood management. The boundaries of regional councils are based on river catchments.
7. Regional councils have a key role in natural resources redress in Treaty settlements, with specific statutory requirements under a number of Treaty settlement Acts. The two standard options for post-settlement governance entities' (PSGE) role in natural resources management are a joint committee with regional council and PSGE membership or an advisory board which advises regional councils on natural resources plans. Non-standard redress mechanisms typically include stronger obligations on regional councils. Regional councils also have other Treaty settlement legislative obligations, such as in relation to statutory acknowledgements and requirements in relation to resource consents, as well as responsibilities under the Marine and Coastal Area (Takutai Moana) Act 2011.

8. Regional councils are responsible for public transport, as well as establishing the regional transport committee which is responsible for preparing the regional land transport plan, under the Land Transport Management Act 2003.
9. Other key statutory obligations include:
 - a. maritime safety and regulation of ports and harbours under the Maritime Transport Act 1994;
 - b. hosting the Civil Defence Emergency Management Group for the region under the Civil Defence and Emergency Management Act 2002; and
 - c. obligations, particularly relating to dams, under the Building Act 2004.
10. Regional councils typically own or hold majority shares in port companies, as the successor to harbour boards (Port Companies Act 1988).

Evidence of low and declining public confidence in local government

11. There have been a number of reports over recent years which have identified governance issues as a key reason for perceived local government under-performance. These include:
 - a. *Building Regions: A vision for local government, planning and funding reform* (Infrastructure New Zealand, August 2019);
 - b. *Local Government Insights* (Productivity Commission, February 2020);
 - c. A number of other Productivity Commission reports that address the role and functions of local government have identified governance as an issue that requires attention, including *Towards Better Local Regulation* (2013), *Better Urban Planning* (2017) and *Local Government Funding and Financing* (2019);
 - d. *Does size matter? The impact of local government structure on cost efficiency* (Infrastructure Commission, July 2022); and
 - e. *He piki tūranga, he piki kotuku: The future for local government* (Review into the Future for Local Government, June 2023).
12. In summary, the Productivity Commission found that the system is not achieving environmental protection or housing growth because of complex legislative settings, lack of central government direction, weak incentives, and wide variation in local government practices. Councils struggle to balance competing interests, there is a lack of capacity and scale, and a poor relationship between central and local government. Infrastructure New Zealand identified issues of a lack of scale and resources in local government, siloed decision-making, and a misalignment of roles and responsibilities.
13. Voter turnout can demonstrate trust and confidence in political processes and institutions. For example, low turnout can be interpreted as a sign of disengagement and a lack of confidence.¹ Turnout at local government elections is lower than for parliamentary elections and has broadly declined since the 1989 reforms.² In 1992, turnout in council elections was 51% and in 2022 it was 42%.³ We acknowledge that there are many factors other than confidence that can influence voter turnout. Low voter turnout can be addressed in numerous other ways, such as reducing barriers to voting or making voting compulsory. However, persistently low turnout is likely to continue under the status quo and over time this risks the credibility and legitimacy of local government elected members by weakening their democratic mandate.

¹ For example <https://post.parliament.uk/election-turnout-why-do-some-people-not-vote/>

² We note that local election voter turnout has been stable since 2013 and is consistent with pre-1989 turnout.

³ From https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Services-Local-Elections-Local-Authority-Election-Statistics-2022

14. There are other indicators of low public confidence in local governance. The Quality of Life survey 2024 across 9 councils showed trust in local government at 28% (the same level as central government and lower than all other institutions included in the survey questions, except for the media).⁴
15. The need for change is recognised within the local government sector itself. At the Local Government New Zealand (LGNZ) annual conference 2025, a remit was passed calling for a review of the current functions and governance arrangements of local government. The remit text proposed by Tauranga City Council is: “That LGNZ works with the Government and Councils to review current local government arrangements, including the functions and structure of local government, to achieve a better balance between the need to efficiently and effectively deliver services and infrastructure, while enabling democratic local decision-making and action by, and on behalf of communities.”⁵ The LGNZ media release publicising the remit further stated that “local government needs to be proactive and lead the changes required.”⁶

How is the status quo expected to develop if no action is taken?

16. Regional councils would continue to undertake functions and provide services in parallel to territorial authorities.
17. The continuation of the status quo would mean that the issues of overlapping functions, diffuse accountabilities, and system complexity remain unresolved. The likely consequences include continuing low voter turnout at local body elections and ongoing community dissatisfaction with the performance of local government, as these factors are likely to continue unless there is a shift in the status quo.
18. The Government’s priorities would need to be progressed in the context of the current local government system. Regional councils would likely have a key role in spatial planning and natural environment plans under resource management reforms. Both territorial authorities and regional councils would need to participate so it would not resolve the governance complexities noted below. This would involve a continuation of dual decision-making roles, with regional councils having broad responsibility for environmental protection and territorial authorities having principal responsibility for housing growth and economic development.
19. The Government’s broad reform programme is focused on increasing efficiencies in the local government sector. This focus on efficiencies and improving service delivery may change the way the status quo develops; conversely, the status quo may compromise the objectives of the Government’s reform programme. Achieving greater efficiency is likely to depend on some consolidation of structures and functions. Transparency measures, such as benchmarking of service delivery proposed through the Local Government (System Improvements) Amendment Bill may create the necessary incentives for change to be led by local government. However, how local government will respond to policy developments underway, and whether this will lead to consolidation of local government structures, is uncertain.

Reorganisation of local government

20. The LGA02 provides for the reorganisation of local government for the purpose of promoting good local government by enabling and facilitating improvements to local governance.
21. Local government reorganisation is overseen by the LGC, an independent statutory body. Detailed processes are set out in Part 3 and Schedule 3 of the LGA02.

⁴ At <https://www.qualityoflifeproject.govt.nz/wp-content/uploads/2025/02/Quality-of-Life-2024-8-City-Topline-report-130225.pdf>

⁵ https://infocouncil.tauranga.govt.nz/Open/2025/07/CO_20250714_AGN_2824_AT_ExternalAttachments/CO_20250714_AGN_2824_AT_Attachment_13791_1.PDF

⁶ <https://www.lgnz.co.nz/news/media-releases/councils-call-for-review-of-local-government-structure/>

Recent history of local government reorganisations

22. Major local government reform was undertaken in 1989 when around 850 local bodies were amalgamated into 86 local authorities (regional councils and territorial authorities).
23. Since 1989, local government structures have remained the same. Local government reorganisations implemented under the LGA02 have largely been for boundary adjustments between territorial authorities, with three notable exceptions:
 - a. in 1993, the Nelson-Marlborough Regional Council was dissolved and three territorial authorities (Nelson City Council, Tasman District Council and Marlborough District Council) became unitary authorities;
 - b. in 2006, Banks Peninsula District Council was dissolved and the area was included in Christchurch City through a reorganisation process led by the LGC; and
 - c. in 2009/10, Auckland City Council was established as a unitary authority to replace the existing seven territorial authorities and one regional council (this process was initiated through a Royal Commission and implemented through special legislation).

Reorganisation process

24. At a high level, the reorganisation process has four stages: initiation, investigation, decision, and implementation.

Initiation

25. A reorganisation investigation can be initiated either by one or more local authorities, the Minister of Local Government, or by 10% of electors in the affected area. Initiation may consist of a specific proposal, such as amalgamation, or of a request to investigate an issue or problem relating to local government in the area without a specific change proposal.

Investigation

26. An investigation may be undertaken by the LGC or by local authorities themselves. Both processes are prescribed in the legislation in some detail. A core component of a reorganisation investigation is public engagement to assess the extent of community support for change. Three amalgamation proposals – in Northland, West Coast and Wellington – did not proceed beyond the investigation phase to a poll due to low community support.
27. The local authority-led process was introduced into the legislation in 2019 and has never been used in practice.

Decision

28. For an LGC-led process, the LGC itself is the decision-maker, based on statutory criteria, for minor reorganisations such as boundary changes. For amalgamations and other major changes, a poll is held of electors in the affected area and the reorganisation proceeds only if more than 50% of valid votes cast support it, otherwise it does not proceed.
29. Polls have been held three times: Nelson-Tasman in 2012, Hawke's Bay in 2015 and Wairarapa in 2017. The reorganisation proposal was defeated on each occasion.
30. For a local authority-led process, the local authority undertakes the investigation, following the process set out in Schedule 3 for local authority-led reorganisations. An application is made to the LGC and must have the unconditional support from each affected local authority. The LGC reviews the application and must approve it unless the correct process was not followed or the plan does not have the support of affected communities. The level of support required has not been tested in practice as this process has not been used, but the poll provisions do not apply.

Implementation

31. A reorganisation proposal is implemented through a two-stage Order in Council process with a reorganisation plan to undertake change and a reorganisation scheme to implement it. A transition body is established and may undertake the work necessary to implement the change, with LGC oversight. Detailed transitional provisions are provided for in Schedule 3.

How is the status quo expected to develop if no action is taken?

32. If no action is taken, it is likely that there will be no significant reorganisations of local government and that the process in the LGA02 will continue to be used for boundary changes only. Under the status quo, it is anticipated that other reorganisations may be proposed but will not proceed due to factors that favour the status quo.
33. The resource management reforms, alongside other reforms currently impacting local government, would not change the likelihood of voluntary reorganisation. This is because the drivers of those reforms are not focused on the core problem of dual layers of local government with overlapping responsibilities.
34. No change to the approach to reorganisation process is therefore likely to mean no significant structural change to local government.

What is the policy problem or opportunity?

35. Resource management reform will involve significant change to a core function of regional councils. This provides an opportunity to consider more fundamental change to the parallel layers of local government. The March 2025 Cabinet decisions to replace the RMA invited the Minister Responsible for RMA Reform and the Minister of Local Government to report back to the Cabinet Economic Policy Committee by July 2025 with an update on whether local government reforms should be progressed as a consequence of changes to the resource management system [CAB-25-MIN-0080.01 refers].
36. There is a complex system of local government involving two parallel layers. The dual system of local administration makes it more difficult to achieve economies of scale, rationalise functions, or share best practice to improve service provision. It risks capacity issues as governance, administrative and technical expertise is spread thinly and unevenly across multiple institutions.
37. The core factors we have identified as contributing to and/or resulting from the complex and fragmented system of local government are:
- Poor and diffuse accountability resulting from overlapping functions; and
 - Few incentives to drive regional efficiency through reorganisation processes.

Poor and diffuse accountability resulting from overlapping functions

38. There are overlapping functions between regional councils and territorial authorities which can cause complexity, inefficiency, and diffuse and uncertain accountability, including:

Regional council	Territorial authority
Flood protection	Stormwater networks
Public transport	Roading (including bus lanes and bus stops)
Regional parks	Local parks

Case study: Napier urban waterway assets

39. An example of the complexity and diffuse accountability resulting from overlapping functions is the management of Napier urban waterway assets. Those assets have been jointly owned and maintained by Hawke's Bay Regional Council and Napier City Council since the 1989 local government reforms. Following the 2020 Napier floods, a detailed review was undertaken to consider improvements to the delivery, governance and management of Napier's stormwater

system. The 2021 review identified that the status quo is complex, with overlapping responsibilities, unclear boundaries, and different approaches to investment and maintenance. After four years, an in-principle decision was made in 2025 to transfer the assets entirely to Napier City Council. A business case is under development for assets to be transferred on 1 July 2027. This demonstrates the difficulties, including the long time it can take to make changes, with parallel layers of local government providing overlapping services.⁷

Current reorganisation processes provide few local incentives to drive regional efficiency

40. The current reorganisation process is cumbersome and unwieldy, does not incentivise consolidation, and relies on a level of public support that is hard to achieve in practice. The process also disempowers local government political leaders from leading change to support a drive for regional efficiency. The cost of community opposition alongside the option to defer reorganisation decisions to the LGC creates a stronger incentive for local government politicians not to address the issue.
41. Instead, there are frequent public discussions about the benefits of simplifying and amalgamating local government with no actual change resulting. For example, since the LGC investigation into reorganisation in the Wellington region concluded in 2017, there have been media reports almost every year of local politicians favouring amalgamation.⁸ This indicates that local government politicians have a willingness to engage in change while the current settings impose significant barriers that result in the status quo prevailing.
42. The Government's broader policy focus on the efficiencies and economies of scale that can result from collaboration (e.g., in water infrastructure under Local Water Done Well), provides a driver for change and local impetus.
43. There are a number of indicators of the local momentum for change:
 - a. Southland District Council lodged a reorganisation initiative with the LGC in February 2025 for a reorganisation of local government in Southland into two unitary authorities;
 - b. Canterbury Regional Council (Environment Canterbury) is exploring potential models to consolidate local government in Canterbury in the light of resource management reform;⁹
 - c. Non-binding referendums in Porirua and Lower Hutt at the 2025 local body elections to "explore amalgamation options with Wellington, Upper Hutt and Porirua City Councils, and the Greater Wellington Regional Council, which combine relevant services and functions, while keeping appropriate local services and decision-making local;" and
 - d. LGNZ remit (referred to at paragraph 15 above).
44. The Government has determined not to centrally direct reform. Centrally directed restructuring of local government can have adverse consequences in terms of a lack of local support and the strength of local opposition that imposed change can cause. Centrally directed reform also presupposes that central government can identify the 'right' structures to suit local circumstances.
45. This requires consideration of the current approach to reorganisation. The current approach to local government reorganisation has significant barriers to substantial change which would remain in place if no action is taken. These are:

⁷ At <https://insidegovernment.co.nz/napier-urban-waterway-management-transfer-progresses/>

⁸ In 2023 for example, <https://www.thepost.co.nz/nz-news/350085171/council-mergers-may-go-table-wellington-region>, reporting that Porirua mayor, Anita Baker, favoured amalgamation, along with many other examples.

⁹ Environment Canterbury meeting on 25 August 2025, p79-84 of the agenda, documents available at <https://www.ecan.govt.nz/get-involved/council-and-committee-meetings/view/2025/08>

- a. a lack of political will to translate discussions of structural change into meaningful action;
 - b. a local authority preference to defer decision-making to the LGC, rather than to lead change themselves;
 - c. the requirement for community support, whether through a poll or otherwise, has typically prevented structural change;
 - d. amalgamation discussions lean towards the status quo, whether because the change proposal fails to convince or because those who oppose change are typically more motivated to participate and can dominate the debate; and
 - e. the costs of reform are immediate and quantifiable, whereas the benefits are less clear and spread over a number of years into the future.
46. The current reorganisation process is unlikely to lead to significant change, given the history of past reorganisations has resulted in a continuation of the status quo or more minor change than was originally proposed (e.g., the West Coast reorganisation proposal for a single unified district council in 2015 concluded in 2018 with a proposal for a combined district plan only). There are a number of factors that tend to support the status quo, such as low political incentives to drive for change, high implementation costs and uncertain future benefits as set out above.

What objectives are sought in relation to the policy problem?

47. The Government intends to simplify and streamline local government structures and service delivery. Ministers have determined that removing the elected layer of governance of regional councils is a necessary first step. Following this, the preparation of RRP will identify improvements to local government structures and functions.
48. Changes to the regional governance layer and the preparation of a RRP provide a foundation for streamlining local government structures and reducing complexity in the system. This will provide the opportunity to achieve efficiencies and to better provide for necessary local government functions, such as planning for growth.
49. Simplifying local government and removing the elected governance layer of regional councils is intended to enhance local democratic governance. Having the same decision-makers responsible at both layers should enable more effective trade-offs and provide for clearer accountabilities. Rationalising local government structures is intended to enhance local democracy by ensuring clearer and stronger accountability for mayors, directly elected by the public, rather than regional council chairs, voted into the role by their fellow regional councillors.
50. A locally led process will enable change to be tailored to local circumstances and should ensure that the buy-in necessary for successful implementation for enduring reform is achieved.
51. Reviewing structures and services will enable overlapping, diffuse and unclear responsibilities to be resolved. This should create opportunities for efficiencies, including economies of scale, and improved service provision.
52. The Government also intends to review regional council functions to determine whether any should be delivered nationally, where there is a clear rationale in terms of cost effectiveness or efficiency, a clear line of Ministerial accountability, and where the benefits outweigh the costs. Those regional council functions which are not centralised or ceased through this review will be considered through the RRP process.

Resource management reform

53. The Government intends to replace the RMA with two new Acts – a Planning Act and a Natural Environment Act. A core goal of RMA Reform is to simplify council plans and reduce the need for resource consents through greater use of national standards. Each region will have a spatial plan and a single regulatory plan.

54. RMA reform requires new, strategic and long-term planning through spatial plans for infrastructure growth and development, alongside the protection of the natural environment. The current two layers of local government (current system) may struggle to deliver this. A clearer and simpler local government system would benefit the objectives of RMA Reform.
55. A core policy objective for local government streamlining is to ensure that regional governance is fit-for-purpose to support implementation of resource management reform. This is a particular imperative for the development of a regional spatial plan which is one of the earliest steps required to implement RMA Reform. The development of regional spatial plans will commence soon after enactment of the reform legislation, so in late 2026. Final spatial plans will be in place by mid-2028.

What consultation has been undertaken?

56. No consultation has yet been undertaken on the policy proposal. This is a specifically noted limitation on the analysis. The decisions being considered in this impact analysis are in-principle decisions forming a policy proposal and direction of travel that will be consulted on with Māori (focused primarily on post-settlement governance entities, as they will typically be owed obligations by regional councils through Treaty settlement redress) and the local government sector, as well as some opportunities for public comment.
57. Despite the lack of consultation on specific policy proposals considered in this analysis, there have been a range of reports and public discussion about the functions and structures of local government over a number of years. In most, if not all, regions there have been public debates about amalgamation proposals.
58. In the last decade, the LGC has considered substantial reorganisation proposals in Northland, Hawke's Bay, Wellington and West Coast regions, among other less substantive proposals. An investigation initiative was lodged with the LGC in February 2025 for the Southland region, proposing the disestablishment of the regional council and consolidation of local government in the region into two unitary authorities. LGC reorganisation proposals involve significant public engagement, which means that the public have been engaged with on local government reorganisation in all those regions where there has been an LGC investigation.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

59. We have assessed the options on:
- Effectiveness** – to what extent does an option address the issue? Is it likely to contribute to achieving the Government's objectives?
 - Efficiency** – to what extent is an option likely to minimise the costs burden in the broadest sense (to Government, councils, communities, households, and business)? What are the anticipated gains that will result from the costs imposed by the option?
 - Feasibility** – to what extent an option is simple, quick, and low-risk to implement? Does the option create risks for other critical Government priorities that will need to be managed?
 - Transparency and accountability** – is the option likely to enhance local democracy through greater transparency and accountability of local governance?

What scope will options be considered within?

60. Ministers directed us to work on options to remove the elected layer of governance of regional councils and to consider how, not whether, this should be done.
61. Ministers have directed that options out of scope are:

- a. Centrally determined reorganisation of local government, such as establishing unitary authorities through legislative change; and
 - b. Replacing the elected members of regional councils with appointed commissioners.
62. Centrally directed reorganisation requires decisions to be made centrally about the right size and scale of local government structures. This requires Ministers to either determine a 'one-size-fits-all' model which would not take account of different local circumstances and contexts, or to have an adequate understanding of local differences to make decisions that are appropriately tailored. A centrally directed reform model is therefore less likely to take sufficient account of local voice and more likely to reduce local determination and accountability compared to locally led reform. This approach is unlikely to achieve the 'buy in' needed to successfully implement change. The advantage of a centrally directed process is that it provides certainty that reform will happen and enables the Government to ensure that local government reform is aligned with the Government's objectives.
63. Centrally directed reorganisation of local government has been ruled out of scope and the Government has determined that the process should be locally led. This RIS concentrates on the options for locally led reform. Design options relating to the in-principle decisions are described but not analysed because the analysis will be undertaken following consultation to support final Cabinet decisions in 2026.
64. Ruling out centrally directed reorganisation of local government while removing elected regional councillors means that the administrative structures that support regional council functions must continue, albeit with different governance. Ruling out the option to replace elected members with non-elected commissioners restricts who may be considered for regional governance roles.
65. The Government's proposed approach is to undertake consultation on in-principle decisions and a broad direction of travel for the reforms. Final Cabinet decisions on the proposal will be made in 2026, informed by consultation, and subject to regulatory impact analysis at the appropriate time. The proposed approach is:
 - a. in-principle decisions for the broad direction of travel and on a policy proposal to remove the elected governance layer of regional councils and to require the preparation of RRP's;
 - b. consultation on the policy proposal with Māori and the local government sector, with the opportunity for contributions from members of the public (this is likely to be the ability for the public to submit via the Department's website with the proposal being public, but not an invite for public submissions);
 - c. final Cabinet policy decisions in early to mid-2026 informed by the consultation; and
 - d. if the in-principle decisions are confirmed by Cabinet, legislative drafting for a bill to be introduced during this parliamentary term, or to be published as an exposure draft, with a view to enactment in 2027.
66. The alternative approach under consideration was a two-stage reform process involving at stage one the immediate removal of regional councillors through legislation enacted in mid-2026 alongside a fast-track reorganisation process. Stage one would be undertaken without consultation and public input would be limited to the select committee submissions process. Policy development for stage two would be undertaken concurrently with the stage one legislative process. Stage two would involve the preparation of RRP's as well as considering the transfer of functions to central government.
67. The initial scope of work was based on developing options that would ensure delivery of RMA Reform. Analysis has shown that the two policy proposals can be decoupled, so RMA Reform is considered here as part of the context and, where relevant, assessed as a component of the

'feasibility' criterion, that a reform package with a higher likelihood of negatively impacting on RMA Reform is less feasible than one where the converse applies.

Constraints and limitations

Timing is tight for consultation, policy development and legislation

68. The initial policy development has been undertaken quickly, without consultation, and with shifts in the emphasis of Ministerial direction. Ministers have directed that local government changes should be progressed alongside RMA Reform. This means legislation is required to be introduced by mid-2026, and implementation is undertaken alongside implementation of resource management reform.

69. The tight timing for policy work and legislative change constrains the range of feasible options.

9(2)(g)(i)

70. Limitations of our evidence base include:

- a. 9(2)(g)(i), 9(2)(f)(iv)
- b. No opportunity to obtain detailed costings; and
- c. Limited evidence on the economies of scale for local government functions. Evidence suggests that economies of scale can largely be identified in the provision of capital-intensive services such as infrastructure provision, but not necessarily for labour-intensive services such as local regulatory services.¹⁰

We have not engaged or consulted during initial policy development so public views are unknown

71. Another constraint is that Ministers have directed that no public consultation will occur during the initial policy development phase. This has limited our ability to obtain the views of practitioners, experts, and the general public, which could help to inform regulatory choices and identify further options.

72. 9(2)(g)(i), 9(2)(f)(iv)

73. Consultation will be undertaken on the in-principle decisions. This may provide useful information and evidence to support the analysis, for example by identifying a wider range of options to consider or deepening our understanding of barriers to change, and what changes would be most consequential. This limitation is partially mitigated by the number of reports and reviews of local governance over recent years and the public debate in most, if not all, regions about amalgamations.

Non-regulatory options are unavailable or out of scope

74. Non-regulatory options are unavailable for the removal of the governance layer of regional councils because legislative change is required to remove elected members from regional councils. There are non-regulatory options to make local government reorganisations easier, however, these options are not separately analysed. Non-regulatory options would broadly consist of stronger Ministerial directive to influence the direction of travel of local government,

¹⁰ For example, a review of data by TDB Advisory Ltd in *Governance Options for the Wellington and Wairarapa Regions: An Economic and Financial Assessment*, August 2013: <https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-Assessing-regional-governance-options-2013.pdf>

which is considered in the analysis as part of the status quo, or Crown funding to support the reorganisation decision and implementation processes, which is outside the scope of the project.

Treaty settlement obligations and Treaty of Waitangi issues

75. 9(2)(g)(i), 9(2)(f)(iv)

76. Analysis is undertaken on the understanding that the Government intends to uphold Treaty settlement obligations, which are typically considered to have both procedural and substantive requirements. This broadly means that any change to the structures or services of local authorities must ensure effective provision for any affected co-governance or co-management arrangements that are established by, or pursuant to, legislation, including Treaty of Waitangi claim settlement legislation, that are between local authorities and iwi or Māori organisations (currently provided for in s 17 of the LGA02 for transfers of responsibilities between local authorities, and clause 12 of Schedule 3 in relation to the reorganisation process).
77. The proposal to remove elected members from regional councils changes the relevant decision-maker for standard arrangements for natural resources redress in Treaty settlement agreements. The replacement governing body, a CTB, will take on all current roles and responsibilities held by regional councils and regional councils will continue to exist, at least in the short-term. On that basis, the change from regional councillors to a CTB is may be seen as similar to the change in elected politicians at an electoral cycle, or the imposition of Crown commissioners. The duties remain the same, and only the elected decision-maker changes.
78. The specific approach to the management of natural resources in relation to Māori will be addressed through resource management reform, rather than through the changes to local government being considered in this analysis.
79. Specific Treaty settlements are likely to require particularly close analysis and may involve extra obligations that apply to this policy proposal. Time has precluded an assessment of Treaty settlement redress either generally or in terms of any specific obligations in specific settlements. Further work should analyse specific Treaty settlements. Most, if not all, Treaty settlements since 2011 Cabinet decisions on natural resources redress would include responsibilities for regional councils. There are eight specific settlements with bespoke redress for the Waikato River, Whanganui River, Whangaehu River, and Wairarapa Moana that will require detailed consideration, for example.

What options are being considered?

Removing the elected layer of regional councils by establishing Combined Territories Board

80. The status quo option is that there is no immediate change to the governance and structure of regional councils. Changes to regional councils would then be considered in the context of RRP preparation.
81. The Government's preferred option is to disestablish the elected layer of regional council governance as a first step. The role of elected regional councillors is replaced by a CTB to provide governance of the regional council in the short term and to prepare the RRP. The CTB would take on all the roles and responsibilities of the regional council, so the only change would be the switch of the governing body from the regional councillors to the CTB. The removal of the elected layer of regional councils is intended to alter the status quo and to lay the foundations for the RRP preparation.
82. The CTB consists of the territorial authorities in the region represented by the mayors or their delegates. Delegates would be territorial authority councillors. It is intended that while the mayor or a councillor would sit on the governing body of the CTB, other councillors could be

appointed to CTB committees. The CTB being composed of the territorial authorities, whose elected members are involved in CTB decisions, enables all councillors, led by their mayors, to have a role in region-wide governance.

Proportional voting on CTB

83. Elected members sitting on the CTB would not have equal voting power. It is proposed that voting share is allocated principally on the basis of population, but with a mechanism to enable the LGC to vary the proportional allocation of voting rights to provide for effective representation. This would, for example, address the issue of a single large council with an absolute voting majority over a number of smaller councils (this is relevant to Christchurch City in Canterbury, Invercargill City in Southland and New Plymouth City in Taranaki, all of which have over 50% of the population of the region). The exact voting proportions would be determined by the LGC, with the legislation setting out how that determination is made.
84. A different voting mechanism is proposed for the CTB when making resource management decisions. This mechanism will require two conditions to be met: a majority of votes based on population and support from more than half of the territorial authorities represented on the CTB. This will relate to CTB decisions on spatial plans and natural environment chapters under the Planning Act and Natural Environment Act.
85. Balancing trade-offs between development, economic activities, and protection of the natural environment affects catchments, including users of water and land. These decisions significantly impact the social and economic aspects of rural communities. The in-principle decisions of this reform proposal are that population-based proportionality should be adjusted for such decisions to ensure an appropriate balance of urban and rural interests, and to restrict undue voting strength of large metropolitan territorial authorities on decisions that significantly affect rural communities. The Government considers that the dual method of requiring both a majority of votes on the CTB allocated on the basis of population, and a majority of the territorial authorities represented on the CTB provides an appropriate balance of interests for resource management decisions.
86. There is an alternative option for a mechanism to vary proportionality based on weighting both population and land area. This could provide a different method of balancing between urban and rural interests, and ensuring that the largest metropolitan territorial authority in the region is adequately represented to reflect its larger population, but is not on its own able to outvote all other CTB members.

Alternative approach: one mayor, one vote

87. This would provide an even balance of interests across the region and an adequate counterweight to the power and influence of the larger metropolitan territorial authorities. It would also encourage mayors to take decisions in the interests of the region as a whole, rather than acting in the interests of their district. If voting is allocated by population size, it may be more likely that members of the CTB will continue to put the interests of their district first.
88. Equal voting rights would enable the CTB to form as a collective leadership group and avoid creating a hierarchy or sectional interests on the body itself (i.e., proportional voting is likely to mean that the largest metropolitan council plus one has a majority, which could distort decision-making and lead to alliances within the body that could adversely affect governance and decision-making in the best interests of the region). One mayor, one vote would be administratively simpler and easier for the public to understand.

Advantages and disadvantages of the options

89. Equal voting rights for CTB members would distort proportionality and weighting of votes across the region as a whole. The population of a large urban city council would have the same weight for CTB decisions as would the smallest rural council. With one mayor, one vote, a

number of smaller councils representing a minority of the population of the region would have the power to outvote one or more larger councils.

90. Allocating voting share based on population preserves the democratic legitimacy of the CTB by preserving broad equality of weight between voters' votes. However, on a strict population basis, three regions would provide an outright majority to the largest territorial authority, effectively giving a veto on decisions to Christchurch, Invercargill and New Plymouth in their respective regions. In most other regions, the largest metropolitan territorial authority would only need the support of a single other territorial authority. This may distort decision-making in the regional interest, enabling coalition-forming on the CTB and effectively exclude the minority from decision-making.
91. Conversely, any variation from proportional voting rights would adversely affect democratic legitimacy. For example, Christchurch has 60% of the population of Canterbury. Any system which underweights these votes would have a more than marginal impact on proportionality.
92. Ultimately, there is a question to determine whether the primary function of the CTB is quick and decisive action or consensus-building, and the final design should be considered in the context of the purpose of the CTB and be informed by feedback received during consultation.

Other options for the Combined Territories Board that we considered

93. We also considered two other design features for the CTB – Crown membership and an independent or directly elected chair. These options are not analysed here and are referred to in order to document the steps taken during the analysis.

Crown member

94. We considered whether a Crown member is appropriate for a CTB to help ensure greater consistency across regional and national objectives and to ensure that the national interest is represented in regional decision-making. A Crown member is expected to be a design feature of the regional spatial planning decision-making body within the resource management system.
95. A Crown member of each CTB would raise further questions as to candidate criteria and selection, payment, voting rights, mandate and terms of reference. Currently, decisions made by regional councils do not typically involve Crown membership. Where they do, this is specified in the relevant legislation (e.g., s 105 of the Land Transport Management Act 2003). Regional councils, and their replacement CTBs, will have a statutory responsibility to act in the best interests of the whole region, or a significant part of it (s 12, LGA02).
96. Accordingly, we consider that appointing a Crown member to the CTB is unnecessary. Where Crown input to CTB decisions is needed, that should be considered on a portfolio basis, such as for resource management decisions.

Independent or directly elected chair

97. We also considered the option of a directly elected regional chair (or regional mayor) but did not develop that option in any detail. The intention of the CTB is to give a short-term governance role at the regional level to existing mayors. This is part of a reform package that aims to strengthen and consolidate local accountabilities and sees a leadership role for mayors in regional restructuring, recognising that mayors are elected district-wide and have a strong mandate and public recognition.
98. Introducing a regionally elected individual would effectively be a new layer of local government so would not achieve the overarching streamlining objective and would detract from the accountability of mayors. It would repeat the current competing mandates between elected officials. It would be complex to design and implement, and require a new set of elections – this would inevitably delay progress of the reform.

99. An independent Chair would potentially combine the disadvantages of the options set out in the preceding paragraphs. The issues with appointment, mandate and remuneration of a Crown member would apply, as would the diminution of the mayoral regional leadership role that an elected regional chair would result in.

Locally led reform

100. We have considered options for the process for locally led reform given the constraint that centrally directed local government reform has been ruled out of scope.

101. The status quo, or counterfactual, is that current legislative settings remain unchanged and that the Government encourages greater use of the current reorganisation process to consolidate local government structures. Any change in the functions of regional councils is carried out within the relevant legislation and by the Department and Minister responsible for that legislation. This proposal includes a review of regional council functions to consider whether any should be centralised or should cease, but such review can be undertaken on a portfolio basis at any time.

102. Locally led reform, if it goes beyond encouragement to use the status quo settings for reorganisation, requires a local body to prepare a plan for change.

Regional reorganisation plan/change plan

103. There are a range of choices relating to a change plan:

- a. **Who leads the reform** – this could be the CTB (as proposed), the regional council, the territorial authorities in the region collectively (with or without the regional council) or each territorial authority individually;
- b. **The scope and scale of a change plan** – the geographical scale could be regional or district-based and the scope could focus on core services or encompass all local authority activities;
- c. **Objectives and criteria for change** – there are a range of options from a narrow objective of setting out a plan to amalgamate local government to considering the full range of structural and service provision options. There is also a choice around whether financial sustainability is a criterion for the change plan and, if so, how it is defined and measured;
- d. **Process for developing a change plan** – including the level of public engagement, mandatory and optional content, timeframes and the method of adoption of a change plan (e.g., by council resolution, by unanimous support of the participants or by majority); and
- e. **Assessment of a change plan** – who decides whether a change plan is accepted and on what criteria, and who is responsible for advising the decision-maker.

104. This range of choices is identified here and will be analysed for final Cabinet decisions in 2026 after consultation.

105. The Government's preferred approach is that the change plan (RRP) should be prepared by the CTB and approved by a majority vote. The plan will be at a regional scale and will provide for all regional council functions to be either transferred to a territorial authority, undertaken through a shared services model such as a council-controlled organisation, or transferred to a newly created unitary authority. Other functions should cease. The change plan should be subject to approval by the Minister of Local Government, on advice from the LGC.

106. The Government's preferred approach will be consulted on with Māori and local government and the Department's analysis will be informed by that consultation to support final Cabinet decisions.

Fast-track reorganisation process

107. Another option considered during initial policy development is legislative change to make it easier to undertake a reorganisation by introducing a separate fast-track process for those who are keen to move quickly to lead reorganisations in their region. This option was considered in the context of a staged approach, to include a fast-track reorganisation process at stage one when removing regional councillors, to enable faster structural reform for those regions which wanted to take advantage of the fast-track process.

108. Under this option, two or more mayors may jointly propose a reorganisation plan to the Minister of Local Government for approval having undertaken a fast-track reorganisation process.

109. The broad design of the fast-track reorganisation process includes:

- a. two or more mayors may jointly develop a proposal based on statutory principles and/or criteria set out in the Bill;
- b. preparation of a public notice of the draft proposal, provided first to the relevant local authorities and the LGC, then published with a call for submissions;
- c. consider public submissions and revise the proposal as appropriate;
- d. publish and provide affected local authorities with a final proposal;
- e. provide a proposed reorganisation plan to the LGC. The reorganisation plan must include detailed information about new and continuing local authorities and summarise community views on the proposal as well as the views of affected local authorities, together with an implementation plan;
- f. on receipt of the proposal, the LGC must advise the Minister of Local Government whether to approve (with or without amendments) or reject the proposal, or recommend further work or consideration;
- g. the Minister of Local Government is the final decision-maker; and
- h. time limits will apply (e.g., 4 months for the investigation and 20 working days for the Minister's decision).

110. The fast-track reorganisation process would be available alongside and separate from the two reorganisation processes provided for in Schedule 3 of the LGA02. There would be no obligation to use any particular process; local authorities that want to move early to new consolidated structures have the option of using the fast-track process, or can continue to use current Schedule 3 processes.

111. A fast-track reorganisation process is a viable option for a staged approach to reform because it provides a way for willing regions to move quickly. However, even with a staged approach, we anticipate that most regions would prefer to focus on the upcoming RRP rather than undertake a fast-track reorganisation in advance of RRP preparation.

112. Any potential benefits of a fast-track reorganisation option only apply to a staged approach to reform, and so do not apply for the Government's preferred option (option 3 set out below).

Reform process options

113. The primary decision for Cabinet to make in the first instance is about the process for local government reform. Options analysis focuses on two possible approaches:

- a. staged reform with the removal of elected regional councillors to happen quickly (by mid-2026) alongside development of a fast-track option for amalgamations and for policy

decisions on a regional reorganisation plan to be made in 2026 and implemented in 2027; or

- b. in-principle Cabinet decisions with targeted consultation on the policy proposal followed by final Cabinet decisions in 2026 with legislation passed in 2027.

114. For comprehensiveness, we have also included analysis on the option of centrally directed reform, although this has been ruled out of scope by Ministers.

Option One – Status Quo

115. No immediate change to the governance and structure of regional councils, which would endure. Regional councils would continue to be governed by elected regional councillors. The removal of regional council statutory responsibilities could still be done by Ministers with relevant portfolio responsibility, on advice from the department responsible for administering the relevant legislation, but without a framework of local government streamlining to guide decisions. There would be no timing requirement on such change, and it would remain possible that new functions would be added to regional councils.

116. Reorganisations would be undertaken within current legislative settings so the high threshold for public support for major reorganisations undertaking structural change would continue to apply.

Option Two – Staged approach

117. A staged approach would both enable quick change and require detailed consideration of functions over a longer timeframe. There would be two stages of legislation with no consultation prior to stage one legislation being introduced. Instead, public comment on the proposal would be done through the select committee submissions process on the stage one legislation. Stage two policy development would be undertaken at the same time as the stage one legislative process.

118. The quick changes at stage one would be in place in mid-2026. The elected layer of regional council governance would be disestablished and the CTB would be constituted to undertake regional governance. The CTB would be the governing body of the regional council, and would take on all functions and responsibilities of the regional council. This would mean that the CTB would be in place for the implementation of RMA reform and the preparation of the regional spatial plan.

119. Stage one would also provide a fast-track reorganisation process for those councils that want to move quickly to implement structural change. These changes would be legislated for and implemented in 2026. The fast-track reorganisation process would be available alongside the standard LGA02 reorganisation provisions, so its use would be optional.

120. The elected governance layer of regional councils is removed at stage one, with regional councils otherwise remaining unchanged until later stages. This is intended to minimise the legislative and organisational change required at stage one and to ensure the quickest and simplest method of removing elected regional councillors.

121. The role of elected regional councillors is replaced by a CTB to provide governance of the regional council, at least in the short-term. The CTB would take on all the roles and responsibilities of the regional council, so the only change would be the switch of the governing body from the regional councillors to the CTB.

122. The CTB consists of the territorial authorities in the region represented by the mayors or their delegates. Voting share is allocated principally on the basis of population, but with a mechanism to ensure that no single territorial authority has a majority of votes (this is relevant to Christchurch City in Canterbury, Invercargill City in Southland and New Plymouth City in

Taranaki, all of which have over 50% of the population of the region). The exact voting proportions would be determined by the LGC, with the legislation setting out how that determination is made.

123. The advantages of the staged approach are that it creates momentum for change by the rapid disestablishment of the elected layer of regional council governance and provides certainty for the direction of travel. It aligns with RMA Reform as the new CTBs will be in place for spatial planning.

124. The principal disadvantage of the staged approach is that it allows no opportunity for consultation on stage one. Undertaking policy development without consultation means there is no access to the views of practitioners, experts or the general public, which could help to inform regulatory choices and identify further options.

125. 9(2)(g)(i), 9(2)(f)(iv)

While stage one would retain all current regional council roles and responsibilities, including Treaty settlement obligations, any reorganisation to local government should ensure that the same provision is made for Treaty settlement arrangements. 9(2)(g)(i), 9(2)(f)(iv)

Additionally, disestablishing regional elected governance affects Māori constituencies at the regional level. The consequences are particularly significant for the bespoke arrangements in the Bay of Plenty Regional Council (Māori Constituency Empowering) Act 2001 and the Canterbury Regional Council (Ngāi Tahu Representation) Act 2022.

126. The fast-track reorganisation process may be criticised for overriding local voice by vesting decision-making power in the Minister of Local Government – however, the fast-track reorganisation process will only be used on a voluntary basis, where the decision-making approach is known at the outset.

127. Policy development for stage two would be undertaken concurrently with the legislative process for stage one. This would mean that resources would be stretched thinly, both in terms of Crown resources and for those engaging with the reform process. It would also mean that lessons learned from stage one would be unavailable to inform the design of stage two. The timetable for stage one, in terms of policy decisions and legislative process, would be too tight to provide for any further consideration of issues arising during the process, and any delay would preclude enactment of stage one legislation during this parliamentary term.

Option Three – Consultation on in-principle decisions for a single stage reform

128. The alternative pathway provides for consultation before final Cabinet decisions are made and a single stage of reform. Cabinet will make in-principle decisions now on the direction of travel and the core policy elements of disestablishing regional councillors and requiring RRs to be prepared.

129. Consultation on the policy proposal will be undertaken between November 2025 and February 2026. Consultation would be targeted as follows:

- a. Māori, focused on post-settlement governance entities, to be led by the Ministry for the Environment (with Department of Internal Affairs support) and undertaken alongside RMA Reform engagement;
- b. local government, primarily through LGNZ sector and zones meetings, to be led by the Department of Internal Affairs with Ministry for the Environment support; and
- c. limited public engagement – the policy proposal will be publicised, and the public will be able to provide online responses, but public submissions will not be sought.

130. Following consultation, Cabinet will make final policy decisions in early 2026 so that legislation can be introduced this parliamentary term if the in-principle decisions are confirmed by Cabinet following consultation. The legislative process will continue to enactment in 2027. If the in-principle policy decisions are confirmed as final decisions, implementation would follow with establishment of the CTBs by the end of 2027 and subsequently RRP prepared and assessed by 2029.

131. The primary advantage of this approach is that it provides for consultation before final decisions are made by Cabinet, so the final decisions are informed by the outcome of consultation.

Option Four – Centrally directed reform to establish unitary authorities (out of scope)

132. This option would be a departure from the locally led approach. It has been ruled out of scope by Ministers because locally led reform is a core principle. However, it is included here for the purposes of more comprehensive analysis. The exclusion of centrally directed reform is a Ministerial decision, not yet confirmed by Cabinet, so it remains open to Cabinet to reconsider this parameter for the reforms.

133. This option would require Cabinet to make decisions about the optimal local government structures. The option assumes that Cabinet's preference would be to transfer regional council functions to unitary authorities across New Zealand and to determine legislatively the geographical scale (e.g., whether unitary authorities would be based on current regional boundaries or not).

How do the options compare to the status quo/counterfactual – reform process?

	Option One – Status Quo	Option Two – Staged reform process: fast-track reorganisations and disestablishing regional councillors (stage 1); regional reorganisation plans and shifting functions (stage 2)	Option Three – Consultation on in-principle decisions for a single stage of reform	Option Four – Centrally directed reform to establish unitary authorities (out of scope option)
Effectiveness	0	+	++ This option will support the streamlining of local government structures and is more likely to be enduring than option 2 because of the addition of consultation prior to final Cabinet decisions.	+
Efficiency	0	0	0 Costs of change will fall on councils and therefore ratepayers, but costs should be offset by long-term improvements in local governance. Change will only be implemented through regional reorganisation plans where it is justified.	+
Feasibility	0	-	0 Quick and simple to implement, and consultation lessens, but doesn't fully remove, the risks associated with option 2.	+
Supports transparency and accountability	0	+	++ Supports accountability of mayors and transparency of decision-making. Greater transparency through consultation on in-principle decisions compared with option 2.	-
Overall assessment	0	+	++ Supports local accountability balanced with public input.	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

134. Option Three is the preferred option. This provides a viable pathway for enduring reform with opportunities to review the direction of travel after consultation, as well as further engagement through the legislative process. The staged approach in Option Two increases the likelihood of delay in progress of the RRP. There are high risks associated with Option Two because the lack of consultation, with consequent potential for delays, risks increasing the contested nature of reforms and potentially affecting successful implementation.

Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?

135. Yes.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups <i>(identify)</i>	Comment <i>nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Ratepayers	Minor additional costs from restructuring	Low	Low
Regional councillors	Loss of position, status and salary	High	Medium
Territorial authorities	Extra responsibilities for mayors may involve some costs to territorial authorities	Low	Low
Government	Extra costs for role of LGC and Departments implementing reform quickly	Medium	Medium/low
Total monetised costs	-	-	-
Non-monetised costs	Low to medium costs except for the impact on regional councillors	Medium	Low
Additional benefits of the preferred option compared to taking no action			
Ratepayers	Streamlined local governance leading to improvements over time	Medium	Low

Territorial authorities	Opportunities resulting from regional reorganisation plans	Medium	Low
Government	Improved local governance over time is expected to support other Government reform priorities	Low	Low
Total monetised benefits	-	-	-
Non-monetised benefits	Benefits are potentially significant over time, depending on use of reforms and later stages	Low/medium	Low

136. The cost benefit analysis gives a high-level indication of the Government's preferred option for the in-principle decisions of removing the elected layer of governance of regional councils, replacing regional councillors with a CTB, and requiring the preparation of the RRP. A more detailed cost benefit analysis will be needed to support final Cabinet decisions after consultation is concluded.

Section 3: Delivering an option

How will the proposal be implemented?

137. The primary changes to disestablish the elected governance layer of regional councils, replace this with a CTB, and introduce a statutory obligation for the CTB to prepare a RRP will be implemented through legislation. Changes to the LGA02 and the Local Electoral Act 2001 are required to remove the elected layer of governance of regional councils. Following enactment, the LGC will assess the exact voting rights of members of the CTB based on statutory criteria. The Remuneration Authority will assess the additional payments for mayors and councillors with delegated responsibilities (including appointments to CTB committees) to account for the additional commitments they will have.

138. RRP's will be implemented by the CTB, with the legislation setting out objectives, criteria, process, and the method of assessment. The LGC will have a role in assessment of plans, and may have an appropriate role in supporting CTBs to prepare RRP's.

139. The details for implementation will be subject to final Cabinet decisions at the appropriate time.

140. It is anticipated that CTBs will have a key implementation role for later stages of the reform and there will likely be a role for the LGC in implementing the organisational change. The reallocation of functions not already transferred will be the responsibility of Ministers with relevant portfolio responsibilities, on the advice of agencies responsible for administering the relevant legislation.

Implementation risks

141. There are a number of risks relating to timing. Timing of this reform is planned to work alongside RMA Reform, which is a key Government priority. The need to synchronise timing across different policy reforms poses a risk if one reform process is delayed for any reason and alignment is adversely impacted.

142. Detailed policy development to support final decisions will be undertaken while consultation is ongoing. This overlap is likely to result in significant reworking as consultation responses inform policy development. Ministers and officials will only have limited time to consider the outcome of consultation before final decisions are due to be made.

143. The LGC will have an increased workload for both assessing the effective representation on CTBs and analysing RRP which will require additional capacity and resourcing.

144. There are likely to be unanticipated consequences with the disestablishment of the role of regional councillors; it is unknown how regional councillors will react to the proposal, or the impact it may have on regional councils as entities or their functioning.

145. 9(2)(f)(iv)

146. 9(2)(g)(i)

147.

How will the proposal be monitored, evaluated, and reviewed?

148. Monitoring will primarily be the Department's responsibility as stewards of the local government system. LGC will have a role in assessing RRP, which will provide a practical opportunity to monitor whether the reform is on track to achieve its objectives.

149. Ministry for the Environment will play a key role as stewards of the resource management system and other environmental functions (such as biodiversity, soil conservation and flood protection, and environmental reporting) throughout the reforms.