

Submission

By

**THE
NEW ZEALAND
INITIATIVE**

To the

Department of Internal Affairs

on

Simplifying Local Government

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SUBMISSION BY THE NEW ZEALAND INITIATIVE ON SIMPLIFYING LOCAL GOVERNMENT

1. INTRODUCTION

- 1.1 This submission on the Department of Internal Affairs' draft proposal 'Simplifying Local Government' is made by The New Zealand Initiative (the Initiative).
- 1.2 The Initiative is a Wellington-based think tank supported primarily by major New Zealand businesses. We undertake research that contributes to the development of sound public policies in New Zealand and advocate for a competitive, open, and dynamic economy and a free, prosperous, fair, and cohesive society.
- 1.3 A well-functioning local government system is critical to democratic accountability, fiscal discipline, and long-term economic performance. The Initiative has published extensively on local government reform, most recently in *Making Local Government Work* (December 2024), *AI in Local Government* (June 2025), and in multiple submissions on recent local government legislation.
- 1.4 The draft proposal represents the most significant reconfiguration of local government structures since the 1989 reforms. It raises fundamental questions about democratic representation, subsidiarity, efficiency, and the appropriate balance between local autonomy and central government direction.
- 1.5 This submission recognises that the draft proposal identifies real and longstanding problems within New Zealand's local government system. However, while elements of the proposal align with concerns we have previously raised, its core architecture also entails substantial centralisation and a weakening of direct democratic accountability at the regional level.

2. SUMMARY AND RECOMMENDATIONS

- 2.1 New Zealand's current two-tier local government system suffers from duplication, blurred accountability, and weak incentives for efficiency. Reform is warranted.
- 2.2 However, we are concerned that the proposed solution prioritises structural simplification and central control over subsidiarity, local consent, and evidence-based decision-making.
- 2.3 We recommend that the Government:
 - a) Apply an explicit subsidiarity test to all functional reallocations and structural reforms, requiring justification that functions cannot be effectively delivered at a more local level.
 - b) Require robust cost-benefit analysis and service-quality evidence before approving amalgamations or large-scale consolidation. The unpublished post-

implementation review of the Auckland Super City amalgamation should be completed to allow regional reorganisation plans to be informed by evidence from this significant structural reform.

- c) Strengthen local consent mechanisms for major structural change.
- d) Constrain Ministerial discretion over regional reorganisation plans through clearer statutory limits and transparency requirements.
- e) Explicitly recognise that regional reorganisation plans may recommend devolution and disaggregation, not only consolidation. Plans should be able to propose special-purpose bodies for specific coordination problems (such as catchment authorities, flood boards or transport boards).
- f) Enhance transparency and accountability requirements for Combined Territories Boards (CTBs) to offset the loss of direct regional elections. This should include requirements that major projects funded through targeted rates seek the approval of affected ratepayers before proceeding.
- g) Adopt a voting model for CTBs that balances population and geographic representation, such as a 50:50 weighting of population and land area.
- h) Include Auckland Council and other unitary councils in the reform framework.
- i) Protect institutional diversity and experimentation across regions, supported by benchmarking rather than convergence on centrally preferred models.

3. THE CASE FOR CLEAR FUNCTIONAL ALLOCATION ACROSS LOCAL AND REGIONAL GOVERNMENT

- 3.1 The Initiative does not oppose the existence of both local and regional tiers of government. On the contrary, there is a legitimate and enduring role for regional governance where functions involve cross-boundary effects, common-pool resources, or coordination problems that cannot be effectively managed at a purely local level.
- 3.2 The central problem in New Zealand's current arrangements is not that there are two tiers of local government, but that the allocation of functions between them has become blurred, expansive, and weakly disciplined. Over time, regional councils have accumulated responsibilities without a clear organising principle grounded in subsidiarity.
- 3.3 A function-first approach should guide reform. Under such an approach, each public function should be allocated to the lowest level of government consistent with effective delivery. This requires explicit testing against:

- a) Subsidiarity – whether the function can be performed effectively at a local level;
- b) Spillovers and coordination – whether cross-boundary effects or shared resources justify regional treatment;
- c) Accountability and incentives – whether decision-makers face the costs and benefits of their decisions and can be clearly held to account by voters; and
- d) Evidence of scale economies – whether demonstrable efficiencies outweigh losses in local responsiveness and democratic control.

3.4 Properly applied, this framework supports the existence of a regional tier for a limited set of functions such as catchment-based environmental management, flood protection, regional transport planning, and civil defence coordination. It does not justify a broad or residual role for regional government simply because a function is administratively convenient to place there.

3.5 The draft proposal responds to functional confusion by potentially removing a tier of democratic representation, rather than by clarifying and constraining what each tier of government is for. In our view, this risks treating institutional form as a substitute for principled function allocation.

4. DIAGNOSIS OF THE CURRENT SYSTEM

4.1 The draft proposal correctly identifies that overlapping responsibilities between regional councils and territorial authorities create confusion, duplication, and unnecessary cost.

4.2 The Initiative has long argued that unclear allocation of functions weakens accountability. When citizens cannot easily identify who is responsible for decisions, democratic discipline is eroded and incentives for efficiency deteriorate.

4.3 Examples cited in the consultation material include duplicated staffing, litigation between councils, and multiple consent processes for single developments. These are system failures justifying reform.

5. REGIONAL REORGANISATION PLANS

5.1 The requirement for each region to prepare a regional reorganisation plan has merit in principle. A structured review of functions, delivery models, and coordination mechanisms could clarify accountability and improve performance.

- 5.2 We support the rejection of a one-size-fits-all national amalgamation blueprint. Allowing different regions to pursue different end-states better reflects New Zealand’s geographic, demographic, and economic diversity.
- 5.3 However, the effectiveness of regional reorganisation plans depends critically on the incentives and constraints under which they are prepared and approved. The proposal does not formally preclude function-first or disaggregated outcomes – regions could in principle propose special-purpose bodies rather than consolidated structures. But the assessment criteria as drafted do not clearly reward such approaches, and the default architecture assumes a CTB as the regional end-state. A framework that nominally permits alternatives while structuring incentives toward consolidation is not genuinely neutral between models.
- 5.4 We are concerned that the framework for regional reorganisation plans implicitly favours consolidation. But the logic of subsidiarity cuts both ways. In some regions, the most effective reform may involve disaggregating the current regional council into smaller, purpose-specific bodies tailored to particular coordination problems. New Zealand has substantial historical precedent for this approach. Before the 1989 local government reforms, the country had some 453 special-purpose authorities, including catchment authorities, pest destruction boards, river boards and land drainage boards.¹ These bodies were not relics of administrative confusion; they existed because different problems demanded coordination at different scales. A flood board covering a single river system is a more natural unit of governance than a regional council that handles everything from pest control to public transport.
- 5.5 Regional reorganisation plans should be explicitly enabled to propose this kind of disaggregation where it better matches function to form, rather than being assessed against criteria that reward scale and consolidation. Nor should such bodies be constrained by existing regional council boundaries. The logic of matching governance to function may produce authorities that span parts of different territorial authorities, or cross current regional boundaries altogether. A flood board following a river catchment, or a transport board serving a functional economic area, need not align with administrative lines drawn for different purposes. Regional reorganisation plans should be explicitly enabled to propose such configurations
- 5.6 Where regions successfully propose disaggregated arrangements – a set of purpose-specific bodies each matched to a distinct coordination problem – the default CTB model should become unnecessary for those regions. The proposal should make clear that the CTB architecture is a fallback for regions that cannot agree on better alternatives, not a required destination. A region that produces a coherent, evidence-based case for disaggregation should not be required to also establish a board of mayors to oversee bodies whose functions have already been allocated.

¹ Eric Crampton, *Regional councils shake-up an opportunity for reinvention*, The Post, 1 December 2025, <https://www.nzinitiative.org.nz/reports-and-media/opinion/regional-councils-shake-up-an-opportunity-for-reinvention/>. See also Crampton, *How we solved success by creating failure*, The New Zealand Initiative, <https://www.nzinitiative.org.nz/reports-and-media/opinion/how-we-solved-success-by-creating-failure>, which traces the figure to the Officials Coordinating Committee report.

- 5.7 The exclusion of Auckland Council from the regional reorganisation plan process is a significant gap. Auckland is a unitary authority governing roughly a third of New Zealand's population. If the rationale for reform is that local government suffers from duplication, weak coordination and poor value for money, these problems do not stop at Auckland's boundary. Auckland's own governance challenges – the relationship between the governing body and local boards, the successive restructuring of council-controlled organisations, infrastructure delivery and service efficiency – are at least as pressing as those facing any region covered by the proposal.²
- 5.8 More to the point, the 2010 Auckland 'Super City' amalgamation is the closest precedent for the kind of structural consolidation that regional reorganisation plans may recommend elsewhere. Yet no formal evaluation of its outcomes has ever been completed. The Royal Commission on Auckland Governance called for a review after ten years.³ The Department of Internal Affairs proposed a post-implementation review to assess whether the promised efficiency gains had been realised. After more than 15 years, neither has been published. Research by the Infrastructure Commission has since found no evidence that larger councils are more efficient, and Auckland's real per capita spending has tracked the national average throughout the Super City's existence.⁴
- 5.9 Excluding Auckland from the current reform process means the Government is encouraging other regions to pursue consolidation without having tested whether its most prominent example actually worked. Auckland should be required to undertake a comparable review of its own structures, and the long-overdue post-implementation assessment should be completed and published before regional reorganisation plans are finalised.
- 5.10 The opt-in arrangement for the five smaller unitary authorities is more defensible, since these councils have already achieved the structural integration the proposal aims to promote elsewhere. Where they share boundaries with regions undergoing reform, coordination gaps may still emerge – particularly if neighbouring reorganisation plans propose cross-boundary special-purpose bodies. The proposal should require that boundary interfaces are addressed explicitly in relevant reorganisation plans. Meanwhile, Nelson and Tasman should also be encouraged to consider how their wider Nelson-Tasman region should be organised, informed by subsidiarity and democratic accountability.

² Newsroom, *From Super City to Super Council – the politicians grab back power*, 1 July 2025, <https://newsroom.co.nz/2025/07/01/from-super-city-to-super-council-the-politicians-grab-back-power/>

³ Radio New Zealand, *Ten years since Auckland Council formed, but how super is the supercity?* 1 November 2020, <https://www.rnz.co.nz/news/national/429641/ten-years-since-auckland-council-formed-but-how-super-is-the-supercity>

⁴ New Zealand Infrastructure Commission, *Does size matter? The impact of local government structure on cost efficiency*, July 2022, p. 10: <https://tewaihanga.govt.nz/our-work/research-insights/does-size-matter-the-impact-of-local-government-structure-on-cost-efficiency>.

6. SUBSIDIARITY, DEMOCRATIC ACCOUNTABILITY, AND THE ROLE OF REGIONAL GOVERNMENT

- 6.1 From a subsidiarity perspective, the question is not whether regional government should exist, but which functions genuinely warrant regional decision-making and how those decisions are democratically authorised.
- 6.2 The abolition of elected regional councillors represents a material reduction in direct democratic representation for regional functions. While CTBs may improve coordination between territorial authorities, they do so by replacing direct regional elections with indirect governance by mayors elected primarily on territorial mandates.
- 6.3 This change weakens the clarity of accountability. Voters will be asked to judge mayors on both local performance and regional decisions, without a clear electoral mechanism to separate these roles or to express preferences specifically on regional policy.
- 6.4 There is also a deeper structural problem. Mayors elected on territorial mandates will arrive at the CTB table carrying commitments to their own communities – on funding priorities, infrastructure projects, and how regional costs are distributed. This is not a failure of individual judgment; it is the predictable consequence of their electoral incentives. The risk is that CTBs will end up being forums for parochial negotiation between territorial interests rather than bodies capable of representing a coherent regional perspective. This replicates, at a higher level, the coordination problem the proposal is designed to solve. Elected regional councillors, whatever their other weaknesses, are at least mandated to represent a regional constituency. Replacing them with mayors whose electoral accountability is purely local does not remove parochialism from regional decision-making; it embeds it in the governance structure.
- 6.5 A more principled response would be to retain regional democratic institutions where regional functions remain justified, while simultaneously narrowing and clarifying those functions in line with subsidiarity. Removing elected representation should not be the default response to poor function allocation.
- 6.6 If CTBs are adopted, they should be clearly transitional, accompanied by explicit limits on their scope, enhanced transparency obligations, and a clear pathway to either reconstituted regional governance or devolved arrangements once functions are clarified.
- 6.7 In this context, it is encouraging that there will be a review of regional government functions, but this must be informed by subsidiarity and democratic accountability.

7. CENTRAL GOVERNMENT POWERS AND MINISTERIAL CONTROL

- 7.1 The draft proposal grants the Minister of Local Government extensive powers over regional reorganisation plans, including approval, amendment, and the appointment of Commissioners where plans are deemed inadequate.
- 7.2 In addition, the consultation seeks views on Crown Commissioners participating in CTBs with veto or majority voting power, or replacing elected representatives entirely in the short term.
- 7.3 Taken together, these provisions amount to a significant expansion of central government control over local institutional design. This is difficult to reconcile with a genuine commitment to localism and subsidiarity.
- 7.4 While central government has a legitimate role in setting national frameworks and minimum standards, we consider that the draft proposal goes beyond this by enabling Ministers to determine the structure of local government even in the absence of local consent.

8. EFFICIENCY, SCALE, AND EVIDENCE

- 8.1 Several of the proposed assessment criteria for regional reorganisation plans implicitly favour larger entities, greater scale, and alignment with national priorities. Economies of scale exist for some services but not others. In many cases, scale benefits are offset by diseconomies of complexity, distance, and weaker local accountability.
- 8.2 Research for the Infrastructure Commission has found that the size of local government does not equate to efficiency – that bigger is not necessarily better.⁵ Other factors are important. Higher population density (rather than a larger population) is particularly important for the efficiency of network infrastructure.
- 8.3 Structural consolidation should therefore not be treated as a default or safe option. Each proposed change should be supported by clear evidence of net benefit, including impacts on service quality and democratic accountability. This requirement applies most forcefully to amalgamations proposed or approved over local objection. Where councils voluntarily propose consolidation and can demonstrate community support, the evidential burden is lighter – the case for intervention is weakest precisely where local consent is strongest.

9. TRANSPARENCY AND ACCOUNTABILITY OF COMBINED TERRITORIES BOARDS

- 9.1 CTBs would exercise significant power over environmental management, transport planning, and other regional functions, yet they would not be directly elected bodies.

⁵ New Zealand Infrastructure Commission, *Does size matter? The impact of local government structure on cost efficiency*, Op cit.

- 9.2 The draft proposal does not include enhanced transparency or reporting requirements to compensate for the loss of direct regional elections.
- 9.3 If CTBs are to exist beyond a transitional period, stronger disclosure, reporting, and performance accountability mechanisms will be essential to maintain public trust.

10. RESPONSES TO CONSULTATION QUESTIONS

10.1 Do you agree there is a need to simplify local government?

Yes. The current system creates confusion, duplication and weak accountability. Overlapping responsibilities between regional councils and territorial authorities make it difficult for citizens to know who is responsible for decisions, weaken democratic discipline and raise costs. Simplification is therefore justified, provided it improves accountability rather than merely reducing the number of institutions.

10.2 What do you think of the proposed approach overall?

The proposal correctly identifies problems but adopts an overly centralised solution. While the use of regionally developed reorganisation plans is sensible in principle, the framework places too much emphasis on structural consolidation and Ministerial control, and too little on subsidiarity, local consent and evidence-based justification for change.

10.3 Do you agree with replacing regional councillors with CTBs?

We do not support the blanket removal of elected regional councillors. The issue is not the existence of regional councillors, but the absence of a transparent and disciplined allocation of functions between regional and territorial authorities. Abolishing regional councillors risks weakening democratic accountability without addressing the underlying problem.

There is also a practical question of capacity. The consultation document states that CTBs will "meet regularly, like how city/district councils do now", implying a substantial additional governance commitment. Mayors are already the most time-constrained elected officials in local government, combining executive leadership, community representation and ceremonial duties. Adding regional council governance, including environmental management, transport planning and civil defence, stretches the role beyond what most mayors can reasonably discharge without delegating extensively to staff or to council committees. The proposal allows mayors to appoint other councillors as delegates to CTB committees, but this diffuses the accountability that is supposed to be the model's advantage: if the mayor is the single point of regional representation, having that representation exercised by delegates undermines the rationale for removing elected regional councillors in the first place.

Where regional functions remain justified on subsidiarity grounds, there is a strong case for retaining direct regional representation. CTBs may have a transitional role in improving coordination, but they should not be treated as a permanent substitute for democratically elected regional institutions.

That said, if CTBs are adopted, the loss of direct regional elections must be offset by other accountability mechanisms. One approach would be to require that major projects funded through targeted rates seek the approval of affected ratepayers before proceeding. This is not a novel idea. Before the 1989 reforms, special-purpose boards routinely sought ballots from the property owners who would bear the cost of proposed works. Restoring this kind of direct fiscal accountability would give ratepayers a meaningful check on CTB decision-making that does not depend on the blunt instrument of a general election. It would also create stronger discipline around project selection and cost control than the current regional council decision-making process typically provides. The principle is straightforward: if a body is not directly elected, the people who pay for its decisions should have a direct say in authorising them.

10.4 What level of Crown participation in regional decision-making do you prefer?

We do not support Crown Commissioners holding veto or majority voting powers on CTBs, nor the routine replacement of elected representatives with Crown appointees. Regional governance should remain primarily locally accountable.

However, we recognise that central government must retain the ability to intervene where serious governance, performance, or legal failures arise, as is already the case under existing local government legislation. Any such intervention powers should be clearly defined in statute, used sparingly, and triggered only in response to demonstrable failure, rather than embedded as a standing role in day-to-day regional decision-making.

10.5 Do you agree that mayors on the CTB should have a proportional vote adjusted for effective representation?

In principle, population should be a central component of voting power in regional decision-making. Where districts have significant variation in population, each mayor having an equal vote would run counter to this principle. On the other hand, a purely population-based system would risk underweighting the interests of rural communities, particularly where regional functions relate to land, water, catchments, and other natural resources.

A more balanced approach might be to combine population and land area in determining voting power. For example, a model in which 50 percent of voting weight is allocated on a population basis and 50 percent on land area might better reflect the nature of regional responsibilities, while avoiding the distortions of equal voting and the dominance of a single large urban authority. Such an approach would help ensure

that major urban centres do not overwhelm smaller or more rural districts, while remaining more proportionate and transparent than one-mayor-one-vote systems.

The consultation document's Annex C proposes a separate approach for resource management decisions under the new Planning Act and Natural Environment Act: a dual-condition voting procedure requiring both a population majority and a majority of individual CTB members to pass a resolution. This mechanism addresses the same problem – that purely population-weighted voting risks urban dominance over decisions affecting rural land, water and catchments – but applies only to a narrow set of decisions. The underlying tension recurs across many regional functions, including flood protection, biosecurity and pest management. Embedding a broader solution in the general CTB voting structure, such as the 50:50 population/land-area model proposed above, would be more coherent than layering bespoke arrangements onto specific decision categories.

Annex C also provides that the relevant Minister may appoint a member to the CTB for resource management decisions, with or without voting rights at the Minister's discretion. This is a further extension of central government influence into regional decision-making, beyond the Crown Commissioner options already canvassed. If national interests need representation in regional resource management, less intrusive mechanisms are available, including national direction through national policy statements and environmental standards, or the existing call-in powers for matters of national significance. Embedding a Ministerial appointee in the decision-making body blurs the line between setting national frameworks and directing local outcomes.

10.6 What do you think about the ways that communities crossing regional boundaries could be represented?

Cross-boundary districts present practical challenges. Representation arrangements should prioritise clarity and democratic legitimacy for affected communities. Solutions should be simple and minimise additional governance complexity, rather than creating bespoke arrangements that blur accountability. A system weighted by population and land area to determine voting power (as described above) would help ensure that districts split between regions are fairly represented within their respective CTBs.

10.7 Do you support the proposal to require CTBs to develop regional reorganisation plans?

Yes, with reservations. A structured process for reviewing functions and delivery models can be valuable. However, reorganisation plans should be neutral between consolidation and devolution, and should require robust evidence of net benefit before recommending structural change. They should not be treated as vehicles to drive predetermined amalgamation outcomes.

The proposal's rejection of referendums as a mechanism for approving structural change is poorly reasoned. The consultation document argues that referendums are "costly and slow" with "low voter turnout and a tendency to favour the status quo."

This reasoning is internally inconsistent. The same document cites low voter turnout in local elections as evidence that the current system is not working. If low participation delegitimises referendums, it equally delegitimises the local elections through which mayors, the proposed CTB members, receive their mandates.

A preference for the status quo is not a defect in a democratic process. It reflects a reasonable demand that those proposing major structural change bear the burden of persuasion. If a reorganisation plan cannot secure majority support from affected communities, that is important information about its quality or its fit with local preferences, not a procedural obstacle to be circumvented.

The alternative, Ministerial approval without local consent, concentrates significant structural power in the hands of a single decision-maker. This is difficult to reconcile with the proposal's stated aim of keeping "local voice and identity where it matters most". Major structural changes, particularly amalgamations, should require a democratic mandate from affected communities.

If a full referendum is considered too costly, the Government should explore lower-cost alternatives rather than dispensing with local consent altogether. Options include minimum petition thresholds that trigger a binding vote, or (for specific capital projects funded through targeted rates) ballots of the property owners who would bear the cost. New Zealand used ratepayer ballots extensively before the 1989 reforms to authorise local works funded by special levies, and there is no reason the same principle cannot be adapted to a modern context. The key point is that the burden of persuasion should rest with those proposing change, not with communities seeking to preserve existing arrangements.

10.8 What do you think about the criteria proposed for assessing regional reorganisation plans?

The proposed criteria are incomplete and implicitly biased towards larger-scale solutions. A subsidiarity criterion should be added, requiring justification for why functions cannot be delivered closer to citizens. In addition, explicit cost–benefit analysis and service-quality assessment should be required for imposed decisions, rather than reliance on broad assertions about scale and financial capacity.

10.9 What do you think about how the proposal provides for iwi/Māori interests and Treaty arrangements?

The proposal states that CTBs will inherit all roles, functions and obligations currently held by regional councils, including Treaty settlement commitments. This continuity is appropriate and necessary.

The consultation document should be more explicit about how this continuity will work in practice. Two pieces of local legislation, the Bay of Plenty Regional Council (Māori Constituency Empowering) Act 2001 and the Canterbury Regional Council (Ngāi Tahu Representation) Act 2022, were designed for a governance model that includes

elected regional councillors. The proposal would render both inoperative. Whatever one's view of these arrangements, affected iwi and hapū should have clarity about what replaces them.

11. CONCLUSION

- 11.1 The draft proposal addresses genuine weaknesses in New Zealand's local government system and reflects a willingness to confront longstanding institutional problems.
- 11.2 However, in its current form, it risks substituting confused accountability with centralised control, and administrative simplicity with democratic distance.
- 11.3 A rebalanced approach, grounded in subsidiarity, local consent, and evidence rather than assumption, would better serve both efficiency and democratic legitimacy.
- 11.4 The Initiative encourages the Government to refine the proposal accordingly before proceeding to legislation.

ENDS