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Department of Internal Affairs

Via email: [SimplifyingLocalGovernment@dia.govt.nz](mailto:SimplifyingLocalGovernment@dia.govt.nz)

## REGIONAL GOVERNMENT PARTNERSHIP | TE URU KAHIKA Submission on Simplifying Local Government

1. Te Uru Kahika welcomes the opportunity to provide feedback on the draft proposal for Simplifying Local Government.
2. Te Uru Kahika is the collective voice of New Zealand's 16 regional and unitary authorities. It is underpinned by an extensive network of subject-matter experts. Together, we play a vital role in championing best practice, information sharing and collaboration across regional government. As integral partners and implementation agents for New Zealand's resource management system, land transport network, biosecurity system and emergency management systems among others, we also work with central government to deliver better outcomes for local people and the environment.
3. This submission draws on our collective expertise to present a perspective on behalf of regional government. Many regional and unitary councils will also make individual submissions reflecting their own local circumstances. Should our positions diverge on specific matters (for example, not all unitary councils have agreed with the findings of the Castalia Report) we respect the authority of councils to express their own views.

### Executive Summary

4. Te Uru Kahika supports the government's intent to reform local government in order to clarify accountabilities, improve outcomes and accountability, deliver better value for money, and strengthen long-term capability. We wish to contribute towards a reform process that ensures that all potential impacts and trade-offs are considered in the government's final decision so that unintended consequences are minimized.
5. The theme of our submission is to ensure that future local government upholds the integrated delivery of functions at the appropriate scale, with no unintentional fragmentation of regional functions or the weakening of long-term decision making. We do not address the future form(s) of local government directly.



6. The Simplifying Local Government proposal seems to be making sure that the decisions and practices of regional or territorial local government do not present any barrier to economic growth. Te Uru Kahika has significant concerns about what this may mean for any effective decision making powers held currently at a local level. Strong regional governance is a means for regions to be able to take decisions which need to be taken regionally in order to strengthen growth, productivity and social cohesion.
7. Simplifying governance structures must not unintentionally fragment regional functions, weaken long-term decision-making, or disrupt Treaty settlement arrangements and Māori partnership. The main opportunity is to simplify the system by aligning scale, funding, and accountability to the functions being delivered, and by standardising and streamlining where national consistency adds value.
8. Cross-boundary representation is not a minor technical detail—it affects fairness, legitimacy, and practical service delivery for communities whose flood, transport, or environmental systems align to different regions. Te Uru Kahika submits that the final proposal:
  - a) Prefers solutions that align representation with the geography of the function (e.g., catchments for water and flood management), not only with population distribution.
  - b) Avoids overly complex arrangements that become opaque to voters; if additional representation is used, provide simple public explanations and clear voting records.
  - c) Tests proposals against real service scenarios (e.g., flood infrastructure investment decisions, regional transport priorities) for cross-boundary communities.
9. Given the substantial reform programmes underway and the need to see these implemented it is imperative that the capability and capacity of the local government sector is retained. Reform should be staged to avoid disruption to critical functions and ensure the retention of the specialist capability and local knowledge required for effective local service delivery. Retention of the specialist capability held across regional council functions is also critical to the successful delivery of the new ways of working that will be needed in any new local government delivery model.

### **The case for change—focus on system problems, not just structure**

10. The draft proposal identifies complexity, duplication, and confusion as drivers for change, including overlapping councils, competing workforces, and duplicated consenting pathways. However, the most persistent drivers of cost and performance issues often sit elsewhere: unfunded mandates, shifting national requirements, fragmented regulation, and process-heavy compliance that creates delay and litigation risk.
11. Structural change alone is unlikely to deliver the intended benefits unless it is paired with reforms that address these underlying drivers (including funding tools, clearer national direction, and consistent technical standards). We remain unclear as to the specific nature of the problems the



simplifying local government proposal is seeking to address and submit that until the problem definition is clearly articulated any solution will be neither sustainable nor effective.

12. If the goal is genuinely improving regional outcomes, reform should clarify what needs regional coordination versus what should stay local. There is a need and a place for the planning and delivery of local services, and for the planning and delivery of long-term institutional capability for those challenges that require decades-long planning horizons. Climate adaptation, infrastructure investment, environmental limits – these need stability and expertise, not temporary transitional structures focused on reorganisation.
13. We recommend that DIA frame the reform programme as a ‘system reset’: clarify outcomes, assign accountability, align funding, and then choose structures that best support delivery at the right scale. Regional reorganisation planning (if retained) should be explicitly required to demonstrate how it addresses these system drivers, not only organisational duplication.

### The case for change— a system “reset”

14. A key element of the required evolution of New Zealand’s system is to rethink what functions are best delivered at what scale, and to ensure that the requisite capability for decision-making and delivery exists at the optimum scale. Because of on-going reforms there is no cohesive logic to the allocation of local authority roles. More often than not, the policy process driving each legislative evolution has not had local government as its primary focus.
15. A system rethink requires that we step back from traditional boundaries between central, regional and local government and view the functions through an outcomes lens. This is to say, what functions are needed to deliver the outcomes we want and then what form best delivers the functions. We accept that such a reset might identify functions that regional government should relinquish as part of the simplification process and in the drive for greater pragmatism. We also accept that a system rethink might identify some functions as being more appropriately delivered from the centre.
16. While the diversity and capabilities of our regions presents challenges, they are also a source of significant strength for New Zealand. Over the last two decades our regional economies have grown with increasingly diversified economies and demographics, each playing to its strengths and developing stronger identities and confidence.
17. We recognise that there are functions where the planning for that function may sit at one level of government, and the delivery at another. In such situations the desired outcomes must be agreed by all appropriate levels in order for the functions to effectively achieve community wellbeing.



18. Success for the government’s economic prosperity agenda relies in large part on competent and effective local government for delivery, tailored interventions that address the particular issues of place, and strong alignment and connectivity between central, regional and local institutions.
19. This sits across the core areas of societal needs such as housing, delivery of critical infrastructure like three waters and transport, the management of natural resources such as freshwater, land and coast, and the protection of communities from natural hazards and climate change, and economic development.
20. In 2025 Te Uru Kahika commissioned a report to assess the allocation of functions to regional and unitary authorities (RUAs) .<sup>1</sup> The purpose of the report was to test whether the functions of RUAs are optimally placed at the regional tier, or would be better set at central government, territorial authority or split levels.
21. The functions RUAs perform are mostly essential functions grounded in statute and justified by public policy. Castalia applied a standard analysis framework to assess allocation, based upon the NZ Productivity Commission principles applied in its report *Towards Better Local Regulation*. Castalia then added an additional step that included subsidiarity, fiscal equivalence, economies of scope and scale, and accountability.
22. Castalia concluded that continued RUA delivery makes sense for most RUA functions where national direction and alignment of funding with beneficiaries is strong and spillovers are material – these functions include biodiversity and biosecurity; civil defence; flood management; environmental management, data and science; maritime navigation; and public transport and transport planning. This is because local knowledge, catchment alignment, and operational capability sits within the regional or unitary authority.
23. We believe that change is needed in both local and central government to eradicate these views. It is critical that we have an aligned and competent system of government as the pressure of growth and development on our communities’ physical, human and financial resources intensifies.
24. Stronger regions, with strong regional economies and identities, presents opportunities for central government to achieve more impact and to accelerate the transformation required for New Zealand to meet the challenges of global change and reach New Zealand’s potential as the world’s best place to live, work and thrive. Through a better coordinated and aligned system of government we can harness the strengths of our regions and grow the diversity and resilience we know we will need for a difficult and uncertain future.

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<sup>1</sup> Castalia Limited (October 2025): *Functions of Regional and Unitary Authorities in New Zealand*

25. In moving along the pathway forward we need to be bolder and integrate and align the tiers of government to draw on the strengths of local democracy, regional coordination and centralised capability.
26. Above all we need a new system that is enduring and offers greater partnership opportunities between the layers of government.

### Principles for designing a simpler, higher-performing system

27. Te Uru Kahika proposes the following principles for the design of a future system:

- a) Enable strategic, long-term decision-making for infrastructure, climate adaptation, and catchment management.

*Any new system must support long-term planning to deliver the infrastructure, adaptive change, and catchment management that are critical to achieving social and economic goals.*

*The health and integrity of our environment is a strategic asset that underpins long-term economic performance and social wellbeing. Decisions affecting it must take a similarly long-term view. Community preferences may change over time, the need for a robust decision-making framework does not. Difficult, long-term decisions will not always be popular, yet they are essential.*

- b) Ensure clear accountability: people should know who is responsible for outcomes and service performance.

*Local democratic decision-making over matters of particular local concern, identity and communities of interest should be retained and built upon, with the strengths of communities empowered and leveraged.*

- c) Uphold Treaty settlements and Māori partnership, transferring commitments seamlessly to any new model.

*The ability of tangata whenua to exercise rangatiratanga and fully participate in decision-making in respect of their taonga and the natural environment is foundational. Undermining established arrangements for Māori participation risks significant disruption to progress towards the Government's other objectives.*

- d) Match scale to function and to the landscape: many environmental and resilience functions need regional/catchment scale.

*Structures should be designed around the functions they deliver. For many regional functions, the physical reality of the mountains to the sea is a defining characteristic.*



*Independent economic analysis by Castalia shows that existing roles have not ended up at a regional scale by accident. Many regional responsibilities—such as flood protection, environmental management, hazard management, transport, and resource management—require catchment or regional-scale delivery.*

*Delivery at the right scale is crucial to the performance of the system and must remain a core feature of any new model.*

- e) Prioritise integrated delivery across interdependent functions (e.g., hazard management; catchment science; flood management assets).

*Grouping related functions can reduce transaction costs and streamline decision making, particularly in areas like hazard management and integrated catchment management where interdependencies matter.*

*Fragmentation is more often an issue in the current system than duplication of functions. Fragmentation creates cross-boundary issues, inefficiencies, and weak system performance. Related functions should not be split unless governance and funding arrangements are integrated. A line-by-line review of functions that failed to account for efficiencies and interdependencies between related functions risks undermining performance. Environmental information is a good example. Regional and multi-regional science, monitoring, and data systems underpin multiple functions (flood monitoring, river management, environmental indicators, compliance). Teams gather data for several purposes on the same sampling run. Staff who routinely monitor local rivers are an invaluable resource in responding to flood events. Better integration with national science institutions and greater use of shared services (e.g. hydrological modelling and flood warning systems) would improve efficiency and capability, but local knowledge remains essential.*

*Other barriers to economic development result from fragmented institutional arrangements and may lend themselves to consolidation at a regional scale—if the right governance and delivery mechanisms were put in place. Spatial and land-use planning are already being progressed. Other examples include transportation and solid waste management.*

- f) Balance economic growth with robust environmental management (hazards, water security, market access and reputation).

*Economic growth depends on strong environmental management to identify and manage hazards, support efficient urban design, and maintain access to clean drinking water and the productive capacity of the primary industries. Less directly, this function underpins New Zealand's international reputation and market access.*



*The set of environmental management functions delivered by regional and unitary councils is fundamental to community resilience and economic development both now and for future generations. These capabilities must be preserved and strengthened through reform. For reasons outlined under 'match scale to function', these functions cannot be performed as effectively from the centre, or at a sub-catchment scale. While reform is needed, a regional delivery model remains important to accommodate regional variability and integrate with related functions (e.g. in relation to water allocation, or across hazard management) in a way that, say, the EPA cannot.*

## Governance and Democratic Representation

### Leadership

28. The Draft Proposal intends that the reform process for each region be led by a Combined Territory Board (CTB) to be made up of the mayors from each region and that the CTB will manage regional functions upon its establishment.
29. If the Simplifying Local Government and other reform processes are to be successful it is vital that governance of the myriad of complex change processes to be advanced over the next three to four years be overseen by a group of governors with strong change management experience and an in-depth understanding of both regional and territorial local authority functions.
30. A number of commentators have stressed that mayors are overworked already, do not (generally) have the background and experience to make informed decisions over the complex variety of regional council functions and have a local rather than a regional mandate. Te Uru Kahika has genuine concerns that a collective of mayors governing regional council functions is going to raise many conflicts of interest and pressures to prioritise the local over the regional. In addition to the Simplifying Local Government reform change initiatives currently in progress include the resource management reforms, the move to rates capping, the introduction of new infrastructure funding tools via development levies and changes to the infrastructure funding and finance legislation, new emergency management legislation, adaptation planning and the ongoing implementation of Local Water Done Well.
31. It is our assertion that the proposed dual role of CTBs could jeopardise the speed and delivery of strong reorganisation plans. Additionally it would almost certainly jeopardise the implementation and delivery of resource management reforms –through funding pressures, shifting responsibilities, inconsistent technical advice, risks to core environment functions, and some misalignment between the simplifying local government proposals and national direction/planning/Long Term Plan timelines.
32. **We submit that the CTBs should be responsible for the development of Regional Reorganisation Plans only, and that the governance of functions remain with the organisations presently responsible until such time as the reorganisation plan for a region is put into place.**

33. In its submission Taranaki Regional Council has identified a range of skills that are needed on the CTBs and Te Uru Kahika endorses these skill requisites:
- a) experience in leading and supporting organisations through complex transformational change processes
  - b) a sound understanding of Te Tiriti o Waitangi / the Treaty of Waitangi and relevant settlement legislation in each region
  - c) the ability to analyse and critically assess issues, strategic opportunities and contribute to the development of strategic solutions at the governance level
  - d) understanding of human behaviour and dynamics during periods of change
  - e) experience in supporting the development and implementation of new business processes and ways of working within organisations with a strong culture
  - f) knowledge of the work of local government including the work of both regional and territorial local authorities
  - g) a strong understanding of the relevant local regional economy, communities and the challenges that they face.
34. Te Uru Kahika contends that it is imperative that regional government knowledge and governance is involved in the transition, and seeks the inclusion of the regional council chair on each CTB to provide a greater level of understanding of regional council functions, service delivery and community needs and to provide further depth to the CTB to meet these requisites.
35. Given our request that CTBs focus solely on the development of regional reorganisation plans we also submit that elected regional councillors complete their current term, together with any further time required for the transition of their region to a new governance structure
36. In addition we support the appointment of one or more Crown Commissioners to CTBs where this will assist with the development of a regional organisation plan. We do not believe it will be necessary in every region as some have already made progress on intra-regional reform ahead of the government's proposal. One size does not fit all and regions should be free to decide what works for them based on the demographics and geography. Where Crown Commissioners are required on CTBs we submit that they be from outside the region to which the CTB applies, to provide a neutral voice.

### **Māori Representation**

37. Te Uru Kahika supports the explicit intent not to undermine Treaty settlements, but note that governance changes can inadvertently weaken Māori participation if representation mechanisms do not transfer with equal strength. The system should be designed so that Māori decision making



and rangatiratanga in relation to taonga are not dependent on goodwill, but embedded in governance, planning, and delivery arrangements.

38. Regions have worked hard over a number of years to establish strong and enduring relationships where these are essential to their functions. This is most true with iwi, hapū and treaty settlement groups. Maintaining established arrangements for Māori participation grounded in Treaty settlements and statute is essential to shaping the future design for local government.
39. As explained in the submission from the Bay of Plenty Regional Council disrupting established Māori participation mechanisms would not only undermine trust but also risk breaching Crown obligations and weakening environmental and economic outcomes for the region. Tangata whenua also play a significant role in the regional economy and its future development potential. Minimising their contribution as partners in local government would reduce opportunities for integrated growth and limit the region's ability to achieve positive economic and social outcomes.
40. Te Uru Kahika seeks that the Simplifying Local Government Final Proposal:
- a) Provides a clear 'transfer and strengthen' mechanism for Treaty settlement governance arrangements, joint committees, and co-governance entities, including resourcing.
  - b) Engagement expectations are co-designed with iwi/hapū and post-settlement governance entities, including minimum standards for participation in Regional Reorganization Plans.
  - c) Considers options for ensuring Māori representation at the regional decision-making table (recognising that the draft proposal removes regional constituencies), including statutory roles on committees and/or decision rules for matters directly affecting taonga and settlement commitments.
  - d) Ensures any changes to local Acts are progressed with the relevant iwi and communities, with continuity provisions to avoid gaps.

## Financial Sustainability and Efficiency

41. Affordability pressures are a central driver of reform. The proposal signals a desire for better value for money, but structural change will not resolve affordability without addressing funding tools and the alignment between who benefits and who pays.
42. While the intent is to reduce duplication and improve efficiency over time, the transition itself will create substantial additional work, including planning, consultation, governance transition and organisational change. These costs will need to be reflected in the 2027 long-term plan (LTP) and should not be treated as immaterial, particularly as the sector moves into a constrained revenue setting environment where trade-offs on levels of service will intensify. The cost of the system change process should be exempt from the proposed new rates capping regime.



43. Te Uru Kahika seeks that the final Simplifying Local Government Proposal:
- a) Explicitly addresses unfunded mandates and the erosion of Crown contributions in areas where national benefit exists (eg. Resilience infrastructure, public transport enabling)
  - b) Uses fiscal equivalence: where national benefits are significant, national funding should contribute; where benefits are local, local choice should be preserved
  - c) Enable targeted funding instruments (levies, targeted rates, or co-funding models) that support innovation and regional-scale infrastructure investment.

### Service Delivery and Capacity

44. In any reform process one of the key risks for successful transition and implementation is a loss of continuity and the loss of expertise. Functions like civil defence, flood management, transport planning and environmental regulation are complex — reassigning responsibilities across newly formed boards risks gaps, delays or loss of institutional knowledge. Continuity of service delivery in these key areas must be a priority during transition.
45. The risk of losing expertise from local government is a growing concern, given the uncertainty of the reform processes that have been introduced and the delays (eg in plan development) that have already been implemented or signaled. Regional government relies on the knowledge built through years of hands-on problem-solving, informal decision-making, and contextual understanding.
46. This loss of expertise can weaken operational resilience. Over time, this can lead to slower decision-making, increased errors, reduced productivity, and a heavier reliance on external consultants, which may be costly and less aligned with the culture of a council and its long-term goals.
47. Government's intent to significantly reform the resource management system in New Zealand is particularly vulnerable to loss of expertise across science, planning and regulatory specialities. Ultimately the impacts of reduced local government focus on large-scale regional functions, such as flood management, will make professional career paths in such areas less attractive and leave catchments, regions, and the country more vulnerable to crises.
48. The retention of the capacity and capability of key staff is critical to the success of the government's resource management reforms. Similarly how we transition to a new system of local government is critical to its success.
49. Reform should be staged to ensure continuity and ensure the retention of specialist capability and local knowledge required for effective local service delivery. Retention of the specialist capability held across regional council functions is also critical to the successful delivery of the new ways of working that will be needed in any new local government delivery model.



Attempting to compress complex system redesign, legal transfers, and service continuity into unrealistic timeframes significantly increases risk and cost.

50. Te Uru Kahika urges the government to give high priority to the retention of the capacity and capability of key staff during the finalisation of the change process.

## Conclusion

51. The success of local government reform will depend on:
- Problem definition – understanding what the problems are that are trying to be fixed.
  - A comprehensive review of the appropriate allocation of functions across all levels of government
  - Entities at a scale that allow for integrated delivery of functions
  - Competence governance
  - Adequate funding of proposed changes
  - Transition design - key risks include loss of institutional knowledge, service disruption, reform fatigue, and confused accountability. Critical regional services (flood protection operations, emergency management, compliance, and public transport planning) must not be destabilised.
52. We support aligning local government reform with the new resource management system. The key is to preserve strong, catchment-scale governance and integrated delivery (science, monitoring, planning, compliance, and flood operations). Where national consistency is required, this should be achieved through standards and shared systems rather than stripping operational delivery from regions.
53. A cautionary note is the observation that significant tensions between resource management reform timelines and local government reform, particularly around spatial planning, iwi/Māori relationships, and shifting regional structures, have the potential to detract and delay the government’s objectives for its resource management changes.
54. The proposal provides a starting point, but the benefits will only be realised if reform addresses the system drivers of cost and poor performance, preserves integrated regional delivery for catchment-scale functions, aligns funding with mandates, and embeds Treaty partnership and settlement commitments with equal or stronger effect than today.
55. Above all Te Uru Kahika does not want the future ground of local government littered with regrets following reform. New Zealand cannot afford any further drops in productivity and the draft proposal to simplify local government contains too many questions, unrealized opportunities, and potential pitfalls to provided economic certainty as it stands.



56. Te Uru Kahika and, we are sure, our wider local government colleagues, offer to work with the government to achieve your outcomes, once clear, and we believe our collective input will be vital for the system change you want to ensure the wide-ranging reform programme is delivered well.



FIONA MCTAVISH  
REGIONAL CHIEF EXECUTIVES GROUP CONVENOR  
TE URU KAHIKA

**Address for Service**

Liz Lambert

[Liz.lambert@teurukahika.govt.nz](mailto:Liz.lambert@teurukahika.govt.nz)

