
Clutha District Council

Item for DECISION

Report	Request to Accept a Late Item to the Extraordinary Council Meeting Agenda
Meeting Date	30 July 2026
Item Number	LATE ITEM
Prepared By	Steve Hill – Chief Executive
File Reference	1040319

REPORT SUMMARY

Council is requested to admit an agenda item to the Extraordinary Council Meeting Agenda of 30 July 2026.

The reason why the item was not on the agenda is because additional information was received after the agenda was published.

The reason why the decision cannot be delayed is because a decision is required by 9 August 2026.

Section 46A (7) of the Local Government Official Information and Meetings Act 1987 states:

An item that is not on the agenda for a meeting may be dealt with at the meeting if-

- (a) The local authority by resolution so decides; and
- (b) the presiding member explains at the meeting at a time when it is open to the public,
 - (i) the reason why the item is not on the agenda; and
 - (ii) the reason why the discussion of the item cannot be delayed until a subsequent meeting.

RECOMMENDATIONS

- 1 That the “Request to Accept a Late Item to the Extraordinary Council Meeting Agenda” report be received.
- 2 That Council accepts the following item as a Late Item:
 - Simplifying Local Government – Additional Information

Clutha District Council

Item for DECISION/RECOMMENDATION/INFORMATION/CONFIRMATION

Report	Simplifying Local Government – Additional Information
Meeting Date	30 July 2026
Item Number	LATE ITEM 1
Prepared By	Steve Hill – Chief Executive
File Reference	1040312

REPORT SUMMARY

Central Otago District Council resolved today to prepare a Headstart proposal that included Clutha District Council and Queenstown Lakes District Council. This materially changes the assumption that the report on this item in the agenda is based on. It requires additional information and an additional resolution option.

RECOMMENDATIONS

- 1 That Council receives the ‘Simplifying Local Government – Additional Information’ report.
- 2 That Recommendation 2 of the original report be amended to read: “That Council notes that there is a qualifying “Head Start” proposal on the table for Clutha District Council”.
- 3 That Council accepts additional option resolutions that read:

Recommendation 5 That Council directs staff to prepare a Headstart proposal based on the following parameters:

- a. A unitary council comprising the full areas of Central Otago District Council, Clutha District Council, and Queenstown Lakes District Council.
- b. Recognition that an option may exist for the Waihemo Ward of Waitaki District and rural areas of Dunedin City, including Middlemarch and the Taieri Catchment, to be incorporated into the proposed unitary authority.
- c. Community councils with rating powers being identified as the primary mechanism for retaining local representation and community voice.
- d. The opportunity to explore bespoke legislative arrangements being included within the proposal framework.
- e. The ability to further develop and refine options relating to the proposed unitary authority prior to undertaking public consultation.
- f. The inclusion of review and/or exit mechanisms should future circumstances warrant reconsideration of the arrangement.

Recommendation 6 Notes that the draft proposal will be circulated to councillors for review once prepared.

Recommendation 7 Authorises His Worship the Mayor to sign the proposal on behalf of Clutha District Council for submission by the prescribed deadline of 9 August 2026.

REPORT

1 Background

The report “Simplifying Local Government” for the meeting 30 July 2026 and all attachments refer.

2 Assessment of Options

There is now a Headstart proposal on the table after Central Otago District Council at a meeting on 29 July 2026 resolved:

That Council:

- 1. Receives the report and accepts the level of significance.*
- 2. Directs staff to prepare a Headstart proposal based on the following parameters:*
 - a. A unitary council comprising the full areas of Central Otago District Council, Clutha District Council, and Queenstown Lakes District Council.*
 - b. Recognition that an option may exist for the Waihemo Ward of Waitaki District and rural areas of Dunedin City, including Middlemarch and the Taieri Catchment, to be incorporated into the proposed unitary authority.*
 - c. Community councils with rating powers being identified as the primary mechanism for retaining local representation and community voice.*
 - d. The opportunity to explore bespoke legislative arrangements being included within the proposal framework.*
 - e. The ability to further develop and refine options relating to the proposed unitary authority prior to undertaking public consultation.*
 - f. The inclusion of review and exit mechanisms should future circumstances warrant reconsideration of the arrangement.*
- 3. Notes that the draft proposal will be circulated to councillors for review once prepared.*
- 4. Notes that submission of the proposal will require the agreement and joint participation of Clutha District Council and/or Queenstown Lakes District Council.*
- 5. Authorises Her Worship the Mayor to sign the proposal on behalf of Central Otago District Council for submission by the prescribed deadline of 9 August 2026.*

6. In the event that another council does not agree to a joint Headstart proposal, authorises Her Worship the Mayor to sign a joint letter of intent.

This proposal aligns with the information discussed at a workshop on 22 July 2026.

At the workshop, the latest information that was available suggested that a Headstart proposal was not expected and an alternative to the Backstop approach (a combined letter) was proposed.

We now have one Council agreeing to a Headstart proposal that includes the boundaries of the Clutha District. Clutha District Council needs to decide what position to take on that proposal.

There is little more additional information that can be provided to support the discussion and decision. At attachment is a report from the NZ Initiative particularly pages 20-25 that explains community councils with rating powers.

Otherwise, all Council can do is consider the additional resolutions and note that:

- further work is required,
- that an exit option is available,
- that this may generate discussion and decisions from other Otago councils on other Headstart proposals,
- a Headstart proposal doesn't mean it will be approved, and
- if not meeting the first cut of approvals, what that means.

3 References – Tabled/Agenda Attachments

Attachment A: Head Start Done Right – The NZ Initiative

HEAD START DONE RIGHT

A BETTER WAY TO REORGANISE LOCAL GOVERNMENT

JUNE 2026

NICK CLARK



**THE
NEW ZEALAND
INITIATIVE**

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The New Zealand Initiative is an independent public policy think tank supported by chief executives of major New Zealand businesses. We believe in evidence-based policy and are committed to developing policies that work for all New Zealanders.

Our mission is to help build a better, stronger New Zealand. We are taking the initiative to promote a prosperous, free and fair society with a competitive, open and dynamic economy. We develop and contribute bold ideas that will have a profound, positive, long-term impact.

Contents

Executive summary	1
Introduction: the clock that started on 5 May.....	3
The research note's position, in one page	4
Part I: Where New Zealand local government sits today	6
The current structure	6
What councils do	7
A potted history	8
Part II: The Head Start initiative and its motivation	10
What the Government has decided	10
Why the Government is doing it	11
What the Government has not addressed	12
Part III: The research note's perspective	13
Centralisation is the problem, not local government.....	13
The amalgamation evidence	13
Subsidiarity as principle.....	14
Fiscal responsibility through fiscal autonomy	15
What funding reform requires	16
Where this research note does not disagree with the Government.....	18
Part IV: Principles for a defensible architecture	20
Five design principles.....	20
What sits at the unitary level.....	22
The sub-unitary layer.....	23
Aligning with communities of interest	24
What the Auckland precedent shows	25
Numbers in context	26
Part V: Governance reform: empowering elected representatives	27
The democratic void inside councils.....	27
The architecture for change	28
Why this matters for the Head Start architecture.....	30
Part VI: Regional functions and the case for special-purpose bodies.....	31
The problem the unitaries cannot solve.....	31
What special-purpose bodies should look like	32
Inside the Head Start window	32
Immediate priorities	33
Regional facilities and the spillover problem	34

Part VII: Conclusion	37
Appendix One: Maps of current regional councils, territory authorities, community boards, and Auckland local boards	38
Appendix Two: Maps of current regional council constituencies and territorial authority wards.....	44

Executive summary

On 5 May 2026 the Government announced the ‘Head Start’ pathway for Simplifying Local Government. Councils have until 9 August to submit outline proposals for new unitary authorities. Those that do not come forward, or whose proposals fail the assessment criteria, will be reorganised through a backstop process built around appointed transitional bodies. Regional councillors will not stand again in 2028. The most consequential restructuring of New Zealand local government since 1989 is now running on a fourteen-week clock.

This research note is a response to that announcement, intended to inform the design of council proposals inside the window. A more comprehensive report on restoring local self-government will follow later in 2026.

The core argument is that New Zealand does not have a local government problem. It has a centralisation problem, and the standard reform response, fewer councils with narrower functions, has been making the underlying disease worse. The Head Start pathway sits in that tradition. Unless the architecture is designed deliberately, the pathway will produce larger councils with the same problems but on a larger scale.

The Government’s announcement has not engaged with four things: the evidence base for amalgamation, the benefits of interjurisdictional competition, the funding model the new councils will operate within, and the loss of community voice that consolidation produces. The Infrastructure Commission’s 2022 research, the Auckland post-amalgamation experience and the international literature broadly converge: amalgamation rarely delivers the efficiency gains its proponents predict, and the democratic costs are larger and less reversible than they anticipate. The funding model is inadequate even for the consolidation the pathway envisages and substantially inadequate for the broader functional remit local government in comparable OECD countries carries. Larger councils, by construction, are more remote from the communities they govern, and the pathway does not commit to giving sub-unitary representation the powers required to compensate.

Five principles plus a fiscal reform programme should inform a defensible architecture:

Resist maximal consolidation. New Zealand is already one of the most centralised countries in the OECD. The Planning Bill’s 17 Regional Combined Plans (one per existing region) create some pressure towards 17 unitaries, where one unitary directly owns each regional plan. However, this pressure can be accommodated by increasing the number of RCPs in the Bill or by using joint planning committees where multiple unitaries sit within a region.

Councils’ forms (including boundaries) should be based on communities of interest and functions, using the principle of subsidiarity. Catchments, economic geography, and coordination capacity are all defensible bases. The choice between them depends on the institutional architecture for council functions, based on which tier of government is best placed to undertake them.

There is a need for empowered sub-unitary democratic representation. Auckland’s twenty-one local boards are the closest existing precedent, and they have been useful, but they lack the powers that would make them democratic institutions rather than consultation arrangements. A new sub-unitary layer should take the form of independently constituted bodies sitting beneath but not within the unitary layer.

Regional-scale functions need a clear institutional settlement. River catchment and aquifer management, flood protection, land drainage and pest management should be managed through the restoration of elected single-purpose bodies, drawing on the Dutch *waterschappen*, English Internal Drainage Boards and New Zealand's own pre-1989 history. In the meantime, Head Start needs to include a clear settlement of these functions through joint committees of neighbouring unitaries, with delegated decision-making and statutory funding, and an explicit pathway to special-purpose bodies.

Governance reform is needed alongside any structural reform. The Initiative's December 2024 report *Making Local Government Work* documented the gap between what voters expect of elected representatives and what the institutional arrangements allow them to do. The Head Start pathway will produce larger councils, and unless governance arrangements inside those councils change, consolidation will reproduce the dysfunction at higher scale. The Auckland Mayoral Office model should be extended to every new unitary on day one, with the North Rhine-Westphalia executive-mayor model as a longer-term goal, alongside consistent scrutiny, information-access and conduct rules across mayors, councillors and sub-unitary members.

A fiscal reform programme is needed, with five components: broadening of the revenue base, equalisation for capacity disparities, a Ratepayer Bill of Rights, stronger fiscal discipline at the council level to break the cost-plus pattern, and community-initiated levies.

Part IV develops the principles further. This note does not propose a specific number of unitary authorities, a specific set of boundaries or a specific sub-unitary model. Those choices belong with the councils preparing proposals and the communities they represent. What matters is that any proposal that emerges should satisfy the principles, and that councils that frame their proposals around them have a stronger case against the backstop than councils that propose minor variations on the standard amalgamation model. The government has invited locally led solutions. Local leadership now has the responsibility to propose them.

Introduction: the clock that started on 5 May

Local Government Minister Simon Watts and RMA Reform Minister Chris Bishop announced the Head Start pathway on 5 May 2026.¹ The framing was direct. “Our message to councils is simple,” Bishop said. “Lead your own reform, or we will do it for you. Either way, change is coming.”² Councils have until Sunday 9 August to submit outline proposals for new unitary authorities. Cabinet will consider them in September, agree in principle which proceed later this year, sign off detailed design in 2027 and aim for implementation before the 2028 local elections. Regional councillors will not stand in 2028, regardless of which proposals succeed.

The announcement marked a substantial shift from the Combined Territories Boards approach the Government consulted on in November 2025. That earlier proposal would have replaced elected regional councillors with mayoral boards, which would in turn lead regional reorganisation. The Initiative’s submission of 20 February 2026³ was one of many registering concern about the appointed-board model on democratic accountability grounds. The government has responded by retaining the elected mayors as the lead architects of reform, at least for the Head Start window, with the appointed transitional model reserved for the backstop.

The Head Start pathway is voluntary in form and consequential in substance. Proposals must come from groupings of two or more territorial authorities, representing either a majority of affected councils or a majority of the affected population. Regional councils cannot submit, though they may participate. Existing unitary authorities other than Auckland can join proposals. Auckland is out of scope. The assessment criteria are deliverability by the 2028 elections, alignment with the new resource management system, simplification of governance, economies of scale and effective local representation.

Five points are worth holding clearly:

1. The pathway is designed to produce unitary authorities. The Government has made this explicit: proposals must focus on creating larger, more efficient unitary authorities that combine regional and local council functions.
2. The timeframe for community consultation is short. Outline proposals are due in fourteen weeks, leaving councils limited scope for the kind of community engagement that any change of this magnitude warrants.
3. The linkage to resource management reform is tight. Ministers have framed local government reform and the new planning system as inseparable, which sharpens the incentive to settle structural questions quickly.
4. The backstop is real. Areas that do not come forward will be reorganised through standardised transitional arrangements that look much like the November 2025 CTB model the Government has just stepped back from.

¹ Hon Simon Watts and Hon Chris Bishop, *Councils invited to fast-track local reform*, beehive.govt.nz, 5 May 2026, <https://www.beehive.govt.nz/release/councils-invited-fast-track-local-reform>

² Russell Palmer, *Government gives councils amalgamation ultimatum*, RNZ News. 5 May 2026. <https://www.rnz.co.nz/news/political/594289/government-gives-councils-amalgamation-ultimatum>

³ *Submission on Simplifying Local Government*, The New Zealand Initiative (February 2026). <https://www.nzinitiative.org.nz/reports-and-media/submissions/submission-simplifying-local-government/>

5. Regional council democratic accountability ends in 2028 whatever happens, because regional councillors will not be elected at the next local body elections.

This note has two purposes. The first is critique. The government's announcement has left important questions unanswered, and councils developing proposals need a clear-eyed view of what those questions are. The second is design guidance. The note sets out five principles that any defensible architecture emerging from the pathway should satisfy plus a fiscal reform programme. The note does not propose specific architecture. The design choices that any architecture must make are genuinely contestable, and the note treats them as matters for the councils preparing proposals to resolve. This is important because the pathway will produce a settlement that lasts decades, and a settlement reached by default will be worse than one reached by deliberate application of substantive principles.

This research note's first-preference architecture, elected single-purpose bodies alongside more, not fewer, territorial councils, remains the direction the international evidence most strongly supports, and a target worth holding. This research note is concerned with what is achievable inside the Head Start window, and with the principles by which councils preparing proposals can be guided.

What follows sets out the background, the Government's motivations, this note's diagnosis, and the recommended way forward. It is written for a broad policy audience: ministers and officials designing the implementation framework, mayors and councillors preparing proposals, the sector commentariat working through what the reform means, and stakeholders and other community leaders whose engagement with the design will shape whatever emerges.

Although the upcoming General Election may change the landscape, in the meantime, the working presumption is that this reform is happening. The question worth contesting is what kind of reform it becomes.

The research note's position, in one page

New Zealand does not have a local government problem. It has a centralisation problem. The standard reform response, fewer councils with narrower functions, has been making the underlying disease worse. The Head Start pathway unfortunately sits in that tradition. It does not provide compelling evidence for amalgamation, it does not consider the benefits of interjurisdictional competition, it does not engage with functions and funding, and it does not engage with a loss of community voice consolidation produces.

The landscape might change depending on the outcome of the General Election in November. But in the meantime, the pathway is happening. This research note does not argue councils should refuse to participate. Councils that decline to engage will risk finding Head Start happens to them rather than with them, with the backstop arrangements likely to be less favourable than the architecture a well-designed proposal can produce.

This note's diagnosis is that consolidation by itself will not solve the problems Ministers identify. New Zealand local government is already at the consolidated extreme of the OECD distribution. Producing fewer, larger councils on the same revenue base, with the same chief-executive-dominated governance model, and the same regulatory dependence on central government, reproduces the existing dysfunction at higher scale. Auckland is the experience to learn from, not the model to extend: amalgamation did not deliver the efficiencies promised, and it left a governing body more remote from residents than the councils it replaced.

The note's response to the pathway has three pieces.

1. Identify what the announcement has not addressed: the evidence base for amalgamation, the benefits of inter-jurisdictional competition, the funding model, and the loss of community voice. Part II makes that case.
2. Propose principles any defensible architecture should satisfy: resist maximal consolidation; councils' forms (including boundaries) should be based on communities of interest and functions, using the principle of subsidiarity; empowered sub-unitary democratic representation; a clear settlement of regional-scale functions; and governance reform alongside structural reform. Part IV develops the principles, and Parts V and VI develop the governance and special-purpose-body components.
3. Set out fiscal reforms that any structural reform needs to sit alongside: broadening the revenue base, equalisation, a Ratepayer Bill of Rights, structural fiscal discipline and a community-initiated levy right. Part III sets them out.

The note does not propose a specific number of unitary authorities, a specific set of boundaries or specific sub-unitaries. The substantive question is whether the architecture that emerges satisfies the principles. Councils preparing proposals are best placed to apply them. Its contribution is to argue the principles, not to settle the design.

Part I: Where New Zealand local government sits today

The current structure

New Zealand has seventy-eight local authorities.⁴ Eleven are regional councils, with elected councillors and responsibility for environmental management, regional transport planning, biosecurity, harbour management and civil defence coordination. Sixty-seven are territorial authorities, made up of city councils and district councils with responsibility for roads, water infrastructure, rubbish, libraries, parks, community facilities, building consents, food safety, animal control and local land-use planning. Six of the territorial authorities are unitary authorities which also undertake regional council functions: Auckland, Gisborne, Marlborough, Nelson, Tasman and the Chatham Islands. Auckland sits in its own category as the only metropolitan unitary, governing 1.8 million people, around a third of the national population, through a governing body of twenty councillors and a mayor⁵.

The seventy-eight councils answer to a single Act, the Local Government Act 2002, which sets out their purpose, powers and accountabilities.⁶ The Act is the closest thing New Zealand has to a constitutional document for local government, but it is ordinary legislation, amendable by simple parliamentary majority, and the powers it confers can be withdrawn the same way. Functions are added through sector-specific statutes, such as the Local Government (Rating) Act, the Local Electoral Act, the Local Government Official Information and Meetings Act. Local government is also subject to important regulatory statutes, most notably the Resource Management Act, the Building Act, the Biosecurity Act, the Civil Defence Emergency Management Act and many others. Each statute carries its own central oversight regime.

Beneath the seventy-eight councils sits a thin sub-council layer. One hundred and eleven community boards exist around the country, established by forty territorial authorities, with elected members and a statutory advisory role inside their parent territorial authorities.⁷ Their powers are delegated by the parent council, their budgets are at council discretion and their recommendations are advisory rather than binding. The Local Government Act 2002 explicitly prevents community boards from making rates, making bylaws, borrowing money or buying and selling assets other than under the parent council's long-term plan⁸.

Auckland's twenty-one local boards are the major exception. Established under the Local Government (Auckland Council) Act 2009 at the city's 2010 amalgamation⁹, the local boards have rather more standing than community boards: a statutory mandate, their own budget allocations from the governing body, decision-making authority over allocated local activities and a defined role in regional

⁴ *What is Local Government*, Department of Internal Affairs, <https://www.dia.govt.nz/Resource-material-Our-Policy-Advice-Areas-Local-Government-Policy#four>

⁵ *Auckland Council - About us*, Auckland Council. <https://www.aucklandcouncil.govt.nz/about-auckland-council/Pages/default.aspx>

⁶ Local Government Act 2002, NZ Legislation, <https://www.legislation.govt.nz/act/public/2002/84/en/latest/#DLM170873>

⁷ Local Government New Zealand, *Community Boards*, <https://www.lgnz.co.nz/local-government-in-nz/community-boards/>

⁸ Local Government Act 2002, Schedule 7, New Zealand Legislation. <https://www.legislation.govt.nz/act/public/2002/0084/latest/DLM175643.html>

⁹ Local Government (Auckland Council) Act 2009, section 9, New Zealand Legislation. <https://www.legislation.govt.nz/act/public/2009/0032/latest/DLM2044937.html>

decision-making. They cannot, however, make local bylaws or set their own targeted rates, capabilities this research note will argue are essential for boards to function as democratic institutions rather than consultation arrangements.

Maps of the current regional councils, territorial authorities, community boards and Auckland local boards are shown in Appendix 1 (figures 1-6). Maps of current regional council electoral constituencies and territorial authority wards are shown in figures 7-9 in Appendix 2.

What councils do

The functional reach of New Zealand local government has narrowed substantially across the past century, but the narrowing has been relative rather than absolute. Rates revenue has held steady at 2 to 2.5 percent of GDP since the mid-1940s, and was 2.1 percent in 2018. Central government expenditure has roughly doubled over the same span: from around 20 percent of GDP in the 1920s and 25 percent through the late 1940s to mid-1970s, to above 35 percent in recent decades.¹⁰ The post-1975 expansion of superannuation, welfare, health and education spending is the bulk of the increase. Local government's share of total government expenditure has fallen to around 11 percent, against an OECD average of 31 percent, because the centre grew, not because local government contracted in absolute terms.¹¹

In contrast, local government in Denmark accounts for more than 60 percent of total public expenditure, in Sweden close to 50 percent, in Switzerland around 60 percent for cantons and communes combined.¹² New Zealand local government sits at the consolidated extreme of the OECD distribution by every measure: expenditure share, revenue autonomy, functional scope and structural density.

What has narrowed in absolute terms is functional scope. Pre-1989 New Zealand had elected hospital boards, harbour boards, drainage boards, river boards, catchment boards and pest destruction boards running substantial public services. The 1989 reforms abolished the entire category of elected single-purpose body, and the post-war decades had already moved primary and secondary schooling, public hospitals, social housing at scale, public transport beyond network planning, public safety and employment services to central government or its agencies, even though local government in comparable countries carries those functions. New Zealand local government is left responsible mainly for what is sometimes called "roads, rates and rubbish" plus drinking water, wastewater, stormwater, environmental regulation, local land-use planning, parks and libraries. The case for restoring local self-government does not rest on reversing a contraction. It rests on the observation that the central state has expanded around a local government tier that was frozen in place, and that the result, measured against Switzerland, Denmark or Germany, is a country that does not do local self-government in the way comparable democracies do. Each round of centralisation creates the conditions for the next, by leaving local government with a thinner functional base from which to build democratic legitimacy and attract capable candidates for office.

¹⁰ Gibbons, Matthew. *Government expenditure in New Zealand since 1935: A preliminary re-assessment*. 2017. Policy Quarterly. <https://ojs.victoria.ac.nz/pq/article/view/4664>

¹¹ *Local Government Funding and Financing: Final Report*, New Zealand Productivity Commission. 2019. <https://www.treasury.govt.nz/sites/default/files/2024-05/pc-inq-lgff-final-report-local-government-funding-and-financing.pdf>

¹² OECD/UCLG, *World Observatory on Subnational Government Finance and Investment (SNG-WOFI)*, country profiles, https://www.sng-wofi.org/country_profiles/

The revenue base has narrowed in step. New Zealand councils raise nearly 60 percent of their operating revenue from a single tax on a single asset class.¹³ Property rates fund the core of council activity, with central government transfers, user charges and investment income making up the balance. The transfers are largely tied to specific outputs, leaving little general-purpose revenue. The user charges are constrained by political tolerance and statutory limits. The investment income, where it exists, depends on historical asset holdings that vary enormously between councils. By comparison, Swiss cantons and communes set their own income tax multipliers on top of the federal rate. German municipalities receive defined shares of national income, corporate and VAT revenues. Danish municipalities levy local income tax. New Zealand councils are unusually exposed to a single revenue source that is unusually politically visible, although stable and dependable.

A potted history

The structure that exists today reflects specific historical choices. New Zealand began as a quasi-federal state. The 1852 Constitution Act established six provinces¹⁴ with elected superintendents and provincial councils, alongside the General Assembly in Wellington. Provincial governments built early roads, ran schools and hospitals, managed Crown lands and immigration. The Abolition of the Provinces Act 1875 ended that structure from November 1876¹⁵ in favour of Vogel's centralising national-development project, replacing the provincial tier with sixty-three counties¹⁶ for rural administration and the existing boroughs and town districts for urban populations. The pattern that followed was proliferation. By 1912 there were more than 600 local bodies¹⁷, mostly small, and many of single purpose: harbour boards, river boards, drainage boards, pest destruction boards and catchment boards alongside the general-purpose councils.

The 1989 reforms were the biggest restructuring in the country's history. Around 850 local bodies were consolidated into eighty-six local authorities: thirteen regional councils and seventy-three territorial authorities¹⁸. The reforms eliminated the urban-rural distinction that had organised the system since 1876 and abolished the entire category of elected single-purpose body. The Auckland amalgamation of 2010 collapsed seven councils and the Auckland Regional Council into a single unitary authority. The Three Waters reform programme of 2020 to 2023 attempted to move water services out of local government entirely, before being substantially reversed by the Coalition Government's Local Water Done Well initiative¹⁹.

The 1989 reforms had a philosophical underpinning as well as a structural one. The Treasury's 1987 briefing to the incoming government, *Government Management*, set out a framework for the role of

¹³ *Local Authority Statistics*, Statistics New Zealand, <https://www.stats.govt.nz/information-releases/local-authority-statistics-december-2025-quarter/>

¹⁴ *Abolition of the Provinces*, Te Ara Encyclopedia of New Zealand. <https://teara.govt.nz/en/1966/provinces-and-provincial-districts/page-4>

¹⁵ Ibid.

¹⁶ *Local authorities multiply*, Te Ara Encyclopedia of New Zealand. <https://teara.govt.nz/en/local-and-regional-government/page-3>

¹⁷ Ibid.

¹⁸ *Local Government Amalgamation*, New Zealand Parliament research paper. <https://www.parliament.nz/en/pb/research-papers/document/00PLLawC51141/local-government-amalgamation> and *History*, Local Government Commission, <https://www.lgc.govt.nz/about-us/history/>

¹⁹ Hon Simon Watts, *Government advances Local Water Done Well*, Beehive.govt.nz. <https://www.beehive.govt.nz/release/government-advances-local-water-done-well>

the state in which local government was explicitly treated as one of several 'policy instruments' available to central government, rather than as its own tier of governance.²⁰ The 1989 reforms operationalised that framework.

The architecture of central government oversight reflects the same settlement. The Department of Internal Affairs (DIA), the agency responsible for local government policy, operates predominantly as a monitoring and compliance body. The 2023 final report of the Future for Local Government Review (with DIA as the research secretariat) drew only sparingly on overseas research or practice.²¹

The 2025 Simplifying Local Government consultation and the May 2026 Head Start pathway are the latest moves in a pattern that has been remarkably consistent for a century and a half: when local government produces a problem, the response has been to shrink local government, narrow its functions and consolidate its institutions further. That pattern has produced the system we now have and is now being asked to fix it.

²⁰ The Treasury, *Government Management: Brief to the Incoming Government 1987, Volume I*, June 1987, <https://www.treasury.govt.nz/publications/bim/government-management-brief-incoming-government-1987-volume-i>

²¹ Department of Internal Affairs and Review into the Future for Local Government, *The Future for Local Government: Final Report*, June 2023, <https://www.dia.govt.nz/Future-for-Local-Government-Review>

Part II: The Head Start initiative and its motivation

What the Government has decided

The Head Start pathway, set out in the policy document released on 5 May 2026 alongside the ministerial announcement, has six operative features:

1. Eligibility: proposals can come from groupings of two or more territorial authorities, representing either a majority of affected councils or a majority of the affected population. Unitary authorities other than Auckland may join. Regional councils may not submit but may participate.
2. Focus: proposals must produce new unitary authorities combining current regional and territorial functions.
3. Deadline: outline proposals must be submitted by Sunday 9 August 2026, a fourteen-week window from the announcement.²²
4. Assessment: officials will rank proposals against deliverability by 2028, alignment with the new planning system, simplification of governance, economies of scale and effective local representation.
5. Decision: Cabinet will consider proposals in September, agree in principle which proceed by year-end and sign off detailed design in 2027 for legislation enabling implementation before the 2028 local elections.
6. Backstop: areas not producing a successful proposal will be reorganised through standardised transitional arrangements, with final policy decisions on the backstop in 2027.

Several features of the Head Start design are worth noting. Proposals do not have to cover an entire region. Neighbouring territorial authorities from different regions may combine. There is no specified ceiling on the number of unitary authorities, though the focus on scale and economies suggests Cabinet will resist proposals that produce many small units.

The pathway is, at least in principle, a two-way door. Proposals could be for smaller authorities and de-mergers, not only for the mergers the government is nudging toward. Whether Cabinet treats such proposals on their merits is a separate question, but the door is open, and communities making the case for sub-regional autonomy inside the pathway have the same standing under the legislation as those proposing larger units.

Regional council functions, including flood protection, biosecurity, emergency management and public transport, remain with local government, but the body that carries them changes. Catchment management is specifically mentioned in the policy document as a criterion for assessment, with proposals expected to demonstrate “effective catchment management and support [for] stronger regional planning”.

And although the consultation document is not explicit on the point, the practical effect of abolishing the elected regional tier without a designated replacement layer is that catchment-scale, biosecurity-

²² *Head Start pathway: Simplifying Local Government* (policy document), Department of Internal Affairs (May 2026). [https://www.dia.govt.nz/diawebsite.nsf/Files/Local-Government-2026/\\$file/Head-Start-pathway-policy-document-simplifying-local-government.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Local-Government-2026/$file/Head-Start-pathway-policy-document-simplifying-local-government.pdf)

scale and infrastructure-scale functions will be performed by the new unitary authorities or by appointed entities the unitaries establish.

Why the Government is doing it

Three motivations are visible in the announcement and the surrounding documentation.

The first is **efficiency**. Ministers have framed the existing system as fragmented, duplicative and expensive. Two sets of councillors, two sets of strategic plans, two sets of consultation processes, two sets of administrative overheads. The argument is that consolidation will produce savings, sharper decision-making and reduced compliance costs for businesses and developers. The 2022 Infrastructure Commission research found no relationship between council size and cost efficiency²³, but the efficiency case has retained its grip on the policy discussion regardless.

A stronger version of the efficiency case is worth engaging with. It is not really about back-office savings. It is that concentrated local opposition to projects which benefit a wider region too easily stymies progress under territorial-authority-level planning, and that unitary authorities setting the zones and the regional infrastructure corridors will have an easier time because they encompass the area that enjoys the dispersed benefits. This is the version of the case heard most often from businesses operating across multiple districts. It has substance, but it does not lead where consolidationists think it leads.

The right response to coordination failures at the regional scale is to set national directions on the matters where national interests are at stake, or to handle the function at the appropriate regional scale through statutory regional bodies, not to abolish the local tier that handles matters where local knowledge is at stake. The logical endpoint of “fewer councils makes coordination easier” is one council, which is to say no local government at all. The question is at what scale each function sits most effectively, which is the subsidiarity question Part III develops.

The second motivation is **alignment with the new resource management system**. The Government is replacing the Resource Management Act with two new statutes, a Planning Act and a Natural Environment Act, and ministers have made clear that the planning reform and the local government reform must proceed together. The new planning system will operate at scale, with regional and sub-regional plans replacing the much larger number of plans the current system produces. The government’s view is that a smaller number of larger councils will be better placed to operate the new system. The argument has some force, but the regional councils currently operate the regional plans the new system most directly replaces, and the case for moving those plans to unitary authorities depends on assumptions about coordination costs and planning quality that the consultation documents do not establish.

The third motivation is **political**. The November 2025 CTB proposal was met with substantial opposition, particularly from regional councils and from communities concerned about the loss of directly elected regional governance. The Head Start pathway is a more politically tractable response: it places the responsibility for designing reform with the territorial mayors, who tend to be more amenable to consolidation than regional councillors who would lose their positions; it preserves the appearance of voluntary local action; and it postpones the harder questions about appointed governance to the backstop, which can be designed once the politically tractable proposals are settled.

²³ *Does size matter? The impact of local government structure on cost efficiency*, New Zealand Infrastructure Commission Te Waihanga (2022). <https://tewaihanga.govt.nz/our-work/research-insights/does-size-matter-the-impact-of-local-government-structure-on-cost-efficiency>

The Government has learned from the Fourth Labour Government's experience with forced amalgamations in 1989 and from the more recent backlash against the previous government's Three Waters consolidation. Voluntary-with-backstop is the model that the experience suggests will produce the largest amount of consolidation with the smallest amount of political cost.

What the Government has not addressed

There are four things the announcement does not engage with:

The evidence for amalgamation. The Infrastructure Commission's 2022 research, the Auckland post-amalgamation experience and the substantial international literature on local government consolidation are all consistent: amalgamation rarely delivers the efficiency gains its proponents predict, and it does produce democratic costs that its proponents do not anticipate. The Government's consultation documents do not engage with this evidence in any sustained way. The 2022 Infrastructure Commission report is not cited.

The benefits of interjurisdictional competition. Multiple councils sitting in proximity to one another act as a check on each other. Residents and businesses who dislike one council's planning settings, rates levels or service mix can move to a neighbour that suits them better, and councils that misgovern lose population and rates revenue to councils that do not. That exit option is a real discipline on performance, particularly in areas like housing where restrictive planning by one council pushes growth across the boundary to another. Consolidation weakens it. Fewer, larger councils mean fewer alternatives within realistic moving distance, and a single council adopting damaging policies harms a much larger population and a much wider geographic area.²⁴

The funding model. Larger unitary authorities will carry the same revenue base as the smaller councils they replace: property rates plus tied transfers plus user charges plus investment income. The base is already stretched. Combining regional council and territorial authority functions under the new resource management system will, for example, require planning, monitoring and enforcement capacity at the unitary scale that the predecessor councils do not have. The Head Start pathway will be implemented inside the existing fiscal framework. Nothing in the announcement suggests that framework will change.

What happens to community voice. Larger councils, by construction, are more remote from the communities they govern. The Auckland experience, in which a twenty-one member governing body (the mayor and twenty councillors) represents a city of 1.8 million people, is the precedent every reader will reach for, and the Auckland local boards are the precedent the Government's policy document gestures towards as a model for sub-unitary representation. The Auckland local boards do useful work but they cannot make local bylaws, set their own targeted rates, borrow money or bind the governing body. The Government's pathway does not commit to giving the sub-unitary layer those powers. If new unitaries are formed without a properly empowered layer of sub-unitaries, the practical effect will be a substantial reduction in democratic representation across the country.

²⁴ Charles M. Tiebout, *A Pure Theory of Local Expenditures*, *Journal of Political Economy* 64:5 (1956), <https://www.jstor.org/stable/1826343>

Part III: The research note's perspective

Centralisation is the problem, not local government

This research note's position rests on a diagnosis that runs against the conventional one. New Zealand's local government problems, including the rates burden, the infrastructure deficit and the patchy civic engagement, are not produced by councils being too small or too fragmented or too parochial. They are produced by local government being too constrained, too underfunded and too institutionally weak to do the work that local government in comparable countries does. The remedy is not to make local government smaller still. The remedy is to give it more functions, more revenue, more constitutional protection and more capacity to govern.

The argument is not ideological but evidentiary, and it rests on three lines of evidence the consultation documents do not engage with. The cross-OECD pattern is the first. Countries that run local government well do so by giving it a substantial share of public expenditure, genuine revenue autonomy, a broad functional remit and constitutional or quasi-constitutional protection from arbitrary central interference, and New Zealand has none of these features. The long-run New Zealand pattern is the second: each round of centralisation has been justified on efficiency grounds, and none has been independently evaluated against those grounds after the fact. The comparative-history pattern is the third: New Zealand's centralised structure dates from specific choices, especially the abolition of the provinces in 1876, and is not the natural outcome for a small country. Comparable small countries ended up with more local government, not less.

The amalgamation evidence

The efficiency case for amalgamation has been studied extensively, both in New Zealand and internationally, and the case fails the evidence. The 2022 Infrastructure Commission research found no relationship between council size and cost efficiency, and a positive cross-OECD relationship between fiscal decentralisation and infrastructure quality.

The asymmetry of evidence matters for the burden of proof. The consolidation case rests on an efficiency claim the evidence does not support; the case against rests on democratic costs that are comparatively well evidenced. The default should not be that bigger is better unless proven otherwise; it should be that bigger is justified only where proven.

The Auckland amalgamation addressed real problems. The seven councils plus the regional council that preceded it had genuine coordination failures, particularly in regional transport planning, spatial planning across the urban-rural fringe, and the city's national political weight. The unitary structure made it possible to plan and prioritise at the metropolitan scale, which the predecessor structure could not. Those gains are worth acknowledging.

The problem is that amalgamation did not deliver the savings its promoters promised. Auckland's amalgamation has never been subjected to the post-implementation review the DIA proposed at the time, so the efficiency case has never been tested against the result. The available figures show no dividend. A 2025 TDB Advisory analysis found staff numbers back above their pre-amalgamation level within a decade, real per-capita spending around 34 percent higher and typical household rates around 85 percent higher than at amalgamation.²⁵

²⁵ Bernard Orsman. *Typical Auckland household rates up 85% since Super City merger, investigation finds*, NZ Herald. 25 October 2025. <https://www.nzherald.co.nz/nz/auckland/typical-auckland-household-rates-up-85-since-super-city-merger-investigation-finds/5TCBB7Z53JEMHK5HME3DPOCO64/>

The point is not that Auckland has been a profligate outlier. Measured against the rest of local government it has not been. Its operating spending has grown roughly in line with the all-council average since amalgamation, and its debt has grown more slowly than the sector: total council debt doubled between 2016/17 and 2023/24, yet Auckland's share of the national total fell to around 43 percent; in 2023/24 Auckland's debt rose 4 percent while debt across the rest of the country rose 26 percent.^{26,27} That is the revealing part. The largest and most consolidated council in the country sits in the middle of the pack on cost growth, neither rescued nor ruined by its scale. If amalgamation were the efficiency lever its advocates claim, Auckland would be the standout case for it. It is not. The international record points the same way. Montreal's 2002 forced amalgamation proved more costly than the structure it replaced, and several of the amalgamated municipalities later demerged; Toronto's amalgamation delivered savings far below those promised.²⁸

Why amalgamation often underwhelms in practice while keeping its political momentum is a question worth holding. Part of the answer is that amalgamation savings are visible and predictable in advance: redundancies, property consolidation, shared back-office functions. Democratic costs are not visible and not predictable. They show up as engagement decline, candidate quality decline and erosion of local responsiveness, all of which take years to manifest and none of which appear on the spreadsheets that drive amalgamation business cases. Part of the answer is that amalgamation concentrates the gains, with central government and consolidated administrations, and disperses the costs, across communities that lose their voice. Part of it is intellectual: the efficiency assumption has remained the dominant frame for understanding local government reform across multiple decades, despite the absence of evidence supporting it.

Subsidiarity as principle

The alternative organising principle is subsidiarity. In its operational form, the principle holds that functions should be exercised at the lowest tier of government capable of carrying them out effectively. Its origins are in late-nineteenth-century Catholic social teaching, and it was written into European Union law by the Maastricht Treaty in 1992, though the federal democracies that embed it constitutionally, particularly Switzerland and Germany, apply it more consistently than the EU has.

The argument is practical: that local knowledge produces better-fitted local decisions, that local accountability produces stronger democratic engagement, that local fiscal discipline produces better-calibrated spending and that the federal countries which have applied the principle have produced better infrastructure, more democratic engagement and more capable local institutions than the centralised countries against which they are compared.

Subsidiarity is a presumption rather than a prescription. It does not say that every function belongs at the local tier. It says that the burden of proof falls on those who would move a function up the hierarchy, not on those who would keep it local. The Head Start pathway, like the November 2025 CTB proposal it superseded, inverts that burden. The Government has assumed that fewer councils are

²⁶ Statistics New Zealand, *Local Authority Financial Statistics, Year Ended June 2025*, <https://www.stats.govt.nz/information-releases/local-authority-financial-statistics-year-ended-june-2025/>

²⁷ The Audit Office, *Insights into Local Government 2024, Part 2: Councils' financial performance in 2023/24*, <https://ao.parliament.nz/2025/local-govt/part2.htm>

²⁸ Zachary Spicer. *Too Big, Yet Still Too Small: The Mixed Legacy of the Montréal and Toronto Amalgamations*. Institute on Municipal Finance and Governance. 2014. <https://utoronto.scholaris.ca/items/c1acd5b2-0f44-494c-9c1e-d4be00a2359f>

better, that centralised regional governance is better than directly elected regional governance and that scale will produce efficiency without need for demonstration. This research note's position is that none of these assumptions is supported by evidence, and that the burden of proof on each lies with those who would impose them.

Fiscal responsibility through fiscal autonomy

The conventional New Zealand view holds that the way to make local government fiscally responsible is to constrain its revenue base, cap its expenditure growth and increase central oversight. This research note's position is the opposite. Fiscal responsibility comes from fiscal autonomy, not from fiscal constraint. A council that depends on central transfers for the bulk of its revenue has no real budget discipline, because the costs of decisions are partly borne by central government rather than by the local ratepayers. New Zealand councils do receive substantial New Zealand Transport Agency (NZTA) Funding Assistance Rate transfers for the local road network, with conditions on how the money can be spent, but the bulk of council expenditure remains funded from own-source revenue. A council that raises substantial revenue from its own residents, and is accountable to those residents at every election, faces a much harder budget constraint than one that operates within a central transfer envelope.

The condition for fiscal autonomy to produce fiscal responsibility is democratic accountability. Where councils raise the bulk of their revenue from their own residents, and elections turn on the choices councils have made with that revenue, the discipline is in the ballot box. Where revenue comes from elsewhere, the discipline has to be imposed from above, which is the model New Zealand has been moving towards for half a century. Capping rates increases, imposing performance frameworks and requiring central sign-off on long-term plans are all moves in the same direction. They produce councils that are less, not more, fiscally responsible, because the people making decisions and the people bearing the costs are not the same.

A sceptical reading of the case for broader revenue tools runs as follows: councils have the existing legal toolkit to raise much more revenue than they do. They can apportion rates across land value or full capital value, set targeted rates by area or activity, levy user charges, and use the rating-act lien provisions to manage cash-flow problems for individual ratepayers. On that reading, councils do not have a revenue-raising problem; they have a trust problem, because too few residents believe their council delivers value for money and so resist rate increases politically. The trust problem is real, and the fiscal discipline reforms set out below address it directly. But the conclusion that revenue-base reform is unnecessary does not follow.

Liens manage individual hardship cases. They are not deployable as a strategy for funding the large-scale infrastructure investment, because mass deferral of rates against the equity in asset-rich, cash-poor households' homes is politically unworkable at scale. And the property-rates model has a perverse incentive against growth: the marginal infrastructure cost of new development typically exceeds the marginal rates revenue, which is why so many New Zealand councils have ended up resisting development applications. GST sharing on new construction is a worthwhile fix because it directly reverses that incentive. Trust reform is necessary. It is not sufficient.

What funding reform requires

The 2007 Independent Rates Inquiry concluded that "under current practices rates will not be sustainable in 10 years' time", with rates affordability problems projected to grow.²⁹ Twelve years later, the Productivity Commission found that for some smaller, rural and lower-income councils that prediction had already come true. "This is clearly an unsustainable situation" and that the system as a whole was "at a tipping point".³⁰

The most common response to such concerns has been that councils have unlimited rating authority and could fund whatever they need by raising rates. This is true and it is a reason why predictions of doom have yet to fully come to pass. However, neither inquiry's recommended additional revenue tools have been implemented, and in the years since the Commission reported the underlying dynamic has continued to deteriorate. What is more, the government's proposed rates capping regime will place tighter limits on rating authority.

This research note's funding reform programme, developed across the Initiative's earlier work including the 2019 submission to the Productivity Commission's inquiry³¹ has five components.

Broadening the revenue base. Property rates should remain the foundation of council revenue, because they are stable, locally accountable and historically the basis on which most New Zealand local government has operated. Councils should increase the use of direct user charges and prices for council-provided private goods.

Rates and user charges cannot, however, carry all the burden. Removing exemptions on rateable land (including Crown land) has been recommended by previous local government reviews and would be a relatively simple broadening of the rates revenue base. It would also be simple to scrap the current 30 percent limit on the use of uniform annual charges.

Councils should have access to a defined share of estimated GST raised on new residential and commercial construction in their area. The motivation is to fix the perverse incentive that currently penalises councils for enabling development rather than a broadening of the revenue base (although it would have that effect). The mechanism is technically straightforward and politically tractable. In contrast a simple return to councils of the GST collected from rates would provide perverse incentives (such as councils maximising rates increases to secure a higher GST return).

A local accommodation levy, often called a 'bed tax', is a further option for tourism-exposed councils. In districts such as Queenstown Lakes, where visitors outnumber ratepayers many times over, residents fund the roads, water and facilities that tourists use but pay no rates towards, and a modest levy on commercial accommodation lets some of that cost fall on the beneficiaries. Local support can

²⁹ Local Government Rates Inquiry Panel, *Funding Local Government: Report of the Local Government Rates Inquiry*, August 2007, https://ndhadeliver.natlib.govt.nz/delivery/DeliveryManagerServlet?dps_pid=IE801811

³⁰ *Local Government Funding and Financing: Final Report*, Op cit.

³¹ *Submission to the New Zealand Productivity Commission on Local Government Funding and Financing*, The New Zealand Initiative (2019). <https://www.treasury.govt.nz/sites/default/files/2024-05/pc-inq-lgff-sub-096-the-new-zealand-initiative.pdf>

be strong. More than 80 percent of Queenstown Lakes voters backed such a levy in a 2019 referendum.³² Auckland has pursued a similar charge.

A bed tax has issues, however. Its base is narrow, landing largely on hotels and motels, while Auckland's protracted legal battle over its accommodation rate showed how contested its design can be.³³ A patchwork of council bed taxes also lets central government avoid the larger problem, which is that tourism already generates billions in GST that flows entirely to central government while host communities meet the costs. A local levy should be available to councils that want it, as a matter of local choice and subsidiarity, but it patches the funding model rather than repairing it.

Infrastructure investment produces land value uplift, and the standard international practice is to capture a proportion of that uplift to fund the infrastructure investment that produced it. New Zealand has experimented with development contributions and targeted rates but has not produced the kind of comprehensive value capture framework, with land value increment taxes, betterment levies or tax increment financing as the standard tools, that European and North American jurisdictions use. Value capture is particularly important for greenfield development, for transport infrastructure and for the kind of other large-scale infrastructure that Head Start unitaries will need to fund.

Fiscal equalisation. Larger and more autonomous councils produce greater fiscal capacity disparities, because the revenue base varies with the underlying tax base and the underlying tax base varies with population density, property values and economic activity. Equalisation would be needed if local government were ever to take responsibility for areas currently in central government's remit, such as education, health, and other social policy areas.³⁴ It would need to be calibrated, fiscally significant but not so large as to overwhelm the local accountability principle and transparent in its formula and operation. Germany's *Finanzausgleich* and Switzerland's inter-cantonal equalisation provide working models. New Zealand uses a form of fiscal equalisation through the NZTA Funding Assistance Rate, with its higher rates for poorer councils, but otherwise it relies heavily on the Rates Rebate Scheme to assist individual low-income ratepayers.

Ratepayer Bill of Rights to provide the democratic accountability mechanism that expanded fiscal autonomy requires. The Bill of Rights would set out the obligations councils owe to ratepayers, including transparent reporting on expenditure and outcomes, public engagement on significant decisions and accessible mechanisms for ratepayer challenge of spending decisions that lack democratic mandate. The Initiative envisages it as a statutory instrument, sitting alongside the Local Government Act, calibrated to make expanded fiscal autonomy democratically legitimate rather than to entrench the existing constraints under different language.

Fiscal discipline at the council level. Expanded revenue autonomy without disciplined expenditure produces the worst of both worlds: more revenue chasing more spending, with the political pressure on rates that the current model already generates rolled forward at higher levels. The discipline

³² *Queenstown Lakes District residents vote in favour of a bed tax*, RNZ News, 27 June 2019, <https://www.rnz.co.nz/news/national/391459/queenstown-lakes-district-residents-vote-in-favour-of-a-bed-tax>

³³ *Controversial hotel bed tax validated by Supreme Court after lengthy legal battle*, NZ Herald, 12 May 2023, <https://www.nzherald.co.nz/nz/controversial-hotel-bed-tax-validated-by-supreme-court-after-lengthy-legal-battle/KYOHOR53ZBJRH2CDR3MGF7EPQ/>

³⁴ A discussion on 'fiscal federalism' can be found in a 2024 report for the Local Government Business Forum, *The academic economic writing on fiscal federalism*, <https://www.localgovtforum.org.nz/documents-reports/>

question matters because much of New Zealand local government has settled into a cost-plus pattern. The starting point for each year's budget is the previous year's expenditure, indexed for cost movement and adjusted for new initiatives that have accumulated since the last long-term plan. Activity is rarely zero-based. Programmes are rarely closed. The growth of staff costs, consultant spend and capital programmes proceeds by accretion rather than by deliberate choice. Local government rates rose 9.6 percent in the year to June 2024 and 12.2 percent in the year to June 2025 (the largest annual increase since 1991) with a projected increase of 8.2 percent for the year to June 2026.³⁵ That pattern is what cost-plus budgeting produces when fiscal pressures meet inadequate scrutiny.

The institutional remedy is structural rather than procedural. Output-based budgeting, in which expenditure is justified against measurable outcomes rather than against historical baselines, gives elected members a substantive choice between continuing and discontinuing activities. Independent fiscal review, in which an external body provides ratepayers with a transparent assessment of council expenditure efficiency before each long-term plan, gives ratepayers a basis for assessing the council's claims about cost pressures. Sunset provisions on new spending initiatives, in which programmes lapse after a defined period unless explicitly renewed, force the question of continued benefit. These are not exotic instruments. They are the kind of expenditure discipline that disciplined public sectors apply as a matter of course, and that New Zealand local government has been slow to adopt.

A community-initiated levy right. The Local Government (Rating) Act 2002 already permits councils to apply targeted rates to defined groups of properties for specific purposes (business improvement districts operate under this mechanism). However, initiation rests entirely with the council. An identifiable group of ratepayers should also have a statutory right to petition for a binding vote of the affected properties on a self-imposed targeted rate, with the council acting as collection agent. Intense local preferences for things the broader council electorate is indifferent to cannot currently get funded unless the council itself picks them up. A community-initiation right lets those preferences be expressed and paid for by the people who hold them, without expecting subsidy from people who do not. It also imposes a useful discipline: if a community wants something enough to pay for it themselves, that is a much stronger signal than asking council to find the money.

Where this research note does not disagree with the Government

Three things in the Head Start announcement are not incorrect, even if the implementation requires substantial care.

Willingness to engage with structural reform at all. Except for Auckland Council's establishment in 2010, New Zealand's local government structure has essentially been frozen since 1989 despite considerable demographic, social, technological and economic change. Some structural reform is warranted. The question is what kind.

Focus on unitary authorities. Combining regional and territorial functions in a single body is, at the unitary scale, a defensible response to the coordination costs that the two-tier model imposes. The Initiative's position is not that unitary structures are wrong. It is that unitary structures without an empowered sub-unitary democratic layer reproduce Auckland's representation problems on a national scale, and that some current regional functions a unitary cannot easily internalise need their own institutional home.

³⁵ Statistics New Zealand, *Annual inflation at 3.1 percent in March 2026*, <https://www.stats.govt.nz/information-releases/consumers-price-index-march-2026-quarter/>

Placement of responsibility for proposal design with the territorial councils. The Initiative would not have chosen the timeframe and would not have made participation conditional on the backstop, but the principle of locally led design is consistent with the localism the Initiative argues for. Councils that produce thoughtful, principled proposals will be in a stronger position than councils that wait for the backstop to be imposed.

Part IV: Principles for a defensible architecture

The Head Start pathway is likely to produce a settlement of New Zealand local government that lasts decades. Therefore, the architecture that emerges should satisfy substantive principles, not the political-economy convenience of the moment. This Part sets out five design principles that any defensible architecture should satisfy. The note does not propose a specific number of unitary authorities, a specific set of boundaries or a specific sub-unitary model. Those choices belong with the councils preparing proposals and the communities they represent. What matters is that whatever architecture emerges satisfies the principles.

Five design principles

The first principle is to **resist maximal consolidation**. International comparisons set the bounds. Denmark has ninety-eight municipalities for a population of 6.0 million; the Netherlands has 342 for 18 million; Switzerland has roughly 2,100 communes for 9.0 million; France maintains 34,900 communes for its 68 million people; Germany has roughly 11,000 municipalities for 83 million. The current seventy-eight New Zealand local authorities already sit at the consolidated end of the OECD distribution by every measure that matters.³⁶

The Head Start pathway is intended to reduce New Zealand's seventy-eight councils substantively. The Planning Bill's 17 Regional Combined Plans (one per existing region) create some pressure towards 17 unitaries, where one unitary directly owns each regional plan.³⁷ However, this pressure can be accommodated by increasing the number of RCPs in the Bill or by using joint planning committees where multiple unitaries sit within a region.

The second principle is that **councils' forms (including boundaries) should be based on communities of interest and functions, using the principle of subsidiarity**. Boundaries should be drawn around substantive principles rather than administrative convenience. Three substantive bases are available:

1. **Catchment alignment.** New Zealand's major river catchments are the natural unit for integrated freshwater management, drainage infrastructure, biosecurity at landscape scale and the climate adaptation work that all of these areas will require in the coming decades. Catchments are also reasonable proxies for communities of interest in much of the country, particularly where rivers organise patterns of economic activity and settlement.
2. **Economic geography and communities of interest.** Labour markets, civic identity, urban coherence and patterns of settlement organise daily life in ways that do not always track watersheds. Hamilton is a single integrated city straddling the Waikato River; Nelson and Tasman share a labour market and an urban hinterland; the upper Clutha and the lower Clutha are different economies that pure catchment alignment would conflate. Gisborne is a unique community isolated from neighbouring regions.
3. **Coordination capacity.** Where catchment management, flood protection, biosecurity and other landscape-scale functions are carried by special-purpose bodies operating at the right geographic scale, unitary boundaries would be freed to follow communities of interest. Where those functions sit with the unitary, the catchment-alignment principle carries more weight.

³⁶ World Observatory on Subnational Government Finance and Investment (SNG-WOFI), Op cit.

³⁷ Planning Bill 235-1 (2025), New Zealand Legislation,
<https://www.legislation.govt.nz/bill/government/2025/235/en/latest/#LMS1549257>

The choice between these bases is contingent on the post-2028 institutional architecture for regional functions. Councils preparing proposals should be explicit about which basis their boundary choices rest on, and about the assumptions they are making regarding the catchment-scale functions.

The third principle is **empowered sub-unitary democratic representation**. The Head Start pathway will produce larger councils. Without an effective layer of representation closer to community life, those councils will reproduce Auckland's representation deficit at national scale. Auckland's twenty-one local boards are the closest existing precedent. They have been useful but lack the powers that would make them democratic institutions rather than consultation arrangements: they cannot make local bylaws, set their own targeted rates or reliably defend the scope of their delegated authority against changes the governing body chooses to make.

There are two potential architectures for sub-unitary representation.

1. **Auckland-plus model.** The current Auckland local boards model is retained as the structural form, but the boards carry four additional powers by statute: independent budget allocation through statutory formula, bylaw-making authority on local amenity matters, the ability to set local targeted rates within statutory caps, and statutory protection of board functions against unitary council interference.
2. **Independent sub-unitary model.** The sub-unitary layer is constituted as separate legal entities with their own electoral cycle, statutory functions and revenue authority, sitting alongside the unitary council rather than within it. International precedents include United States special districts, German *Gemeinden* with constitutional autonomy, Swiss communes and UK parish councils with delegated powers. This architecture more closely matches the substantive case for sub-unitary representation, because it gives the layer institutional independence rather than delegated standing. This is the research note's preference.

The fourth principle is **a clear settlement of the catchment-scale, biosecurity-scale and infrastructure-scale functions**. The preferred response is the restoration of elected single-purpose bodies for catchment management, flood protection, drainage and pest management. Dutch *waterschappen*, English Internal Drainage Boards, Swiss functional special districts, German *Zweckverbände* and various United States special-purpose districts all demonstrate that single-purpose bodies, where they fit the function, deliver advantages that general-purpose councils struggle to replicate: strong focus, geographic boundaries following functions, rating powers following beneficiaries, and democratic accountability following functions.

Head Start's tight timeframe for policy and legislation would make it challenging to restore elected single-purpose bodies in time for the 2028 local elections. But that does not make it the wrong approach. Proposals that recommend this approach should be taken seriously.

The fifth principle is **governance reform alongside the structural reform**. Part V develops the case in full. The summary is that the Government's pathway, by default, will roll forward the existing chief-executive-dominated governance model, the restrictive codes of conduct and conflict-of-interest provisions, and the limited mayoral powers that the current Local Government Act provides. Larger councils inheriting those arrangements will compound the democratic dysfunction the Initiative has documented elsewhere. The Auckland Mayoral Office model should be extended to every new unitary on day one. The scrutiny, information-access and conduct reforms should be applied consistently across mayors, councillors and local/community board members. None of this requires waiting for a

post-2028 reform window; all of it can sit alongside the structural enabling legislation the government will need to pass in 2027.

What sits at the unitary level

Whichever sub-unitary architecture is used (Auckland-plus or independent), the unitary council must carry a clearly defined set of functions that the sub-unitary layer does not. The allocation principle is subsidiarity: functions sit at the lowest tier capable of carrying them out effectively. For most of what the new unitaries will do, that means functions stay at the unitary level either because the scale they require runs beyond what a single sub-unitary can manage, because they require integration across the unitary's geography, or because they require professional, asset-management or regulatory capacity that sub-unitaries cannot reasonably be expected to develop.

Five categories of function should sit at the unitary level.

The first is **strategic planning and long-term decision-making**. The unitary's long-term plan and annual plan, the district plan operating under the new resource management system, the unitary-scale spatial plan, any climate adaptation strategy and any economic development strategy all need to be set at the unitary scale. They draw on inputs from across the territory and they require trade-offs to be made by a body with the standing to make them. Sub-unitaries should have a defined role in this work, through formal input mechanisms and through their representation of community interests in the deliberations, but the decisions themselves sit with the unitary's governing body.

The second is the **ownership and investment management of major infrastructure**. Drinking water and wastewater networks (managed through the Local Water Done Well Council Controlled Organisation (CCO) arrangements where those apply), the local road network, stormwater systems and major community facilities including council-wide libraries, sports facilities and museums require asset planning, capital programmes and operational management at the unitary scale. The technical, financial and procurement capacity these functions require sits at the unitary level by necessity.

The third is **unitary-scale regulatory functions**: building consents, resource consents under the unitary plan, environmental health, public health and food safety regulation, alcohol and gambling licensing, and the compliance and enforcement work that supports each. The regulatory functions require professional capacity, consistent application across the territory and the institutional separation from individual community interests that the unitary level provides. Sub-unitaries should have a defined input role, particularly on local applications where their views inform the decision, but the regulatory decisions themselves sit with the unitary.

The fourth is the **financial and governance backbone**: setting general rates, approving the overall budget envelope, borrowing decisions, capital programme approval, council-controlled organisation oversight, audit and risk, treasury management, procurement and the corporate functions that any council of significant scale requires. The Auckland Mayoral Office model set out in Part V applies here: these functions sit with the unitary council under the mayor's leadership, with the elected members exercising the scrutiny powers Part V describes.

The fifth is the unitary's **contribution to cross-boundary and supra-unitary functions**: civil defence and emergency management, biosecurity at the unitary's scale (with the landscape-scale work potentially carved out to special-purpose bodies as Part VI sets out), public transport planning where retained, and participation in joint committees with neighbouring unitaries for catchment-scale, flood-protection, drainage and pest-management functions that cross the unitary's boundaries.

Three principles govern how the unitary and sub-unitary functions interact in practice:

1. Functions are exclusive where the trade-offs are sharp: a resource consent decision is either a unitary decision or it is not, and the statutory boundary should be clear.
2. Functions are shared where the value comes from the combination: for example, investment in a sub-unitary's facility which is used by residents from across the wider region.
3. Engagement is bilateral and reciprocal: the unitary is required to consult sub-unitaries on matters that affect them, sub-unitaries are required to engage with their communities on matters within their authority, and both layers feed into long-term plans that set the framework for everything else.

The 1989 reforms eliminated explicit two-layer architecture for general-purpose councils. The Local Government (Auckland Council) Act 2009 restored a version of it for Auckland but with the local boards constrained in the ways this note has documented. The Head Start architecture is the opportunity to do for the rest of the country what 2009 attempted for Auckland, but with the local board powers calibrated to make the layer work and the unitary functions defined clearly enough that the boundary between the two layers is not contested every time a decision is made.

The sub-unitary layer

Whichever architecture councils choose for the sub-unitary layer (Auckland-plus or independent), four powers are essential for the layer to function as a democratic institution rather than a consultation arrangement. The Auckland-plus architecture can deliver these powers through statutory amendments to the Local Government (Auckland Council) Act 2009. The independent sub-unitary architecture would deliver them through whatever statutory framework constitutes the independent bodies. The substance is the same: the four powers.

The architecture's case rests on what the sub-unitaries should do, not on how many unitaries replace the current seventy-eight. Sub-unitaries that lack independent budgets, rate-setting authority, bylaw-making power and statutory protection against unitary council interference are consultation arrangements rather than democratic institutions. If the sub-unitaries in this architecture carry the same constraints that current community boards carry, they will not be effective. With those constraints lifted, the sub-unitaries architecture becomes a defensible second-best to the more-councils-not-fewer position.

The sub-unitaries should therefore carry, by statute and not by delegation, the powers that make an institution rather than a consultation arrangement. Four powers are essential.

The first is an **independent budget allocation**, set by a formula based on population, demographic profile and geographic constraints, and payable directly to the sub-unitary rather than at the unitary council's discretion. The current Auckland local board funding model, in which the governing body sets the allocation each year, is the model to avoid. A statutory minimum, calibrated as a per-capita base with adjustments for area and isolation, would produce the kind of predictable revenue stream that allows sub-unitaries to plan beyond the annual cycle.

The second is **bylaw-making authority** over local amenity matters. Parking, dogs, alcohol licensing, parks management, signage, swimming pools, fireworks, freedom camping and similar matters affect daily life in ways that vary substantially between communities, and that current arrangements push to the territorial authority level where the bylaws are made at scales much larger than the communities affected. Sub-unitaries should be able to make their own bylaws on these matters, within

frameworks set by the unitary council, subject to the same procedural requirements that apply to council bylaws.

The third is the power to set **local targeted rates** to fund their own activities. Targeted rates are a well-established New Zealand instrument, used by territorial authorities (and regional councils) for everything from business improvement districts to neighbourhood roading. They are often applied to ward or community board amenities. Devolving the power to sub-unitaries, subject to statutory caps and procedural protections, would give boards a genuine fiscal instrument: not the capacity to set general rates, but the capacity to fund the activities the boards themselves have determined are priorities for their communities. The instrument is particularly important for amenity investment, which is the area where sub-unitary work most directly affects community life and where central council priorities most often fall short of local priorities.

The fourth is **statutory protection of board functions** against unitary council interference. The Local Government Act would need amendment to specify the activities that fall within the sub-unitaries' exclusive decision-making competence, and to provide a clear dispute-resolution mechanism for cases where the unitary council and the sub-unitaries disagree on the scope of those activities. Auckland's experience with the current local board model is that the boundary between local and regional decisions is contested and shifts year by year. A statutory specification, supplemented by an arbitration mechanism, would give the layer the institutional standing that ad hoc delegation cannot.

Aligning with communities of interest

The sub-unitaries' boundaries should follow communities of interest, with three considerations driving the design and a fourth providing a practical starting point.

The first is the **urban-rural distinction**. The 1989 reforms collapsed the urban-rural distinction that had organised the system since 1876, producing territorial authorities that combined urban cores with rural hinterlands. Christchurch City Council governs both one of the country's largest urban areas and Banks Peninsula, a sparsely populated coastal area with a distinct community identity. Dunedin City Council governs a major urban area alongside the vast Strath Taieri. Whangārei, Rotorua, Gisborne, Hastings, New Plymouth and Whanganui are predominantly urban populations governed as districts. Sub-unitaries offer the vehicle for restoring the urban-rural distinction without recreating the proliferation of pre-1989 boroughs and counties. Urban sub-unitaries should reflect urban governance needs, with denser representation and tighter geographies. Rural sub-unitaries should reflect rural governance needs, with broader geographies and smaller populations.

The second is **geography**. Within unitaries, distinct geographic features such as rivers, harbours, ranges and coastal stretches and historical patterns of settlement provide the natural boundaries for sub-unitaries. Wellington's harbour-facing communities have different patterns of civic life from the Wairarapa, even within a single unitary. Otago's coastal communities have different patterns from the inland hill country and lakes districts.

The third is **existing patterns of civic identity**. Where current councils, community boards or other elected bodies have developed strong community attachment, the sub-unitary boundaries should track those patterns where possible. Rotorua, Kawerau, Whakatāne and Ōpōtiki are communities with distinct identities that should be preserved as sub-unitaries within, say, an Eastern Bay of Plenty unitary. Kapiti Coast, Porirua, Upper Hutt, Lower Hutt and Wellington are similarly identifiable communities that should anchor the sub-unitary layer under a Wellington unitary.

The fourth consideration is **practical**: territorial-authority wards provide a presumptive starting point for sub-unitary design where community boards and local boards do not exist.

Multi-ward subdivision exists in fifty-four of the sixty-seven territorial authorities.³⁸ The remaining thirteen TAs elect their council members at-large or effectively at-large with a single general ward (including Gisborne, Whanganui, Ruapehu, Wairoa and Kawerau) and offer no spatial subdivision below the TA level for sub-unitary design. Community boards exist in only forty territorial authorities. Where a community board exists, it is the obvious anchor for a sub-unitary boundary. Where it does not but multiple wards do, the relevant ward boundary is the next-best starting point. Wards are already calibrated to the kind of population and geographic units that local boards should track: they were drawn for electoral representation purposes, their boundaries reflect the council's own assessment of communities of interest within its territory, and they carry existing institutional infrastructure including elected member familiarity with the boundary.

The Head Start design phase should treat existing ward boundaries as a presumptive starting point for sub-unitary design in multi-ward TAs without community boards, with adjustments made only where the ward unit is clearly too small or too large to function as a board, or where the unit groups together communities that would be better separated. For the thirteen at-large or single-ward TAs, the sub-unitary design will need to start from the geography and civic-identity considerations above rather than from any existing electoral subdivision.

What the Auckland precedent shows

Auckland's twenty-one local boards are the closest existing precedent and the most informative one.

The boards have produced some real value. They have given residents a layer of elected representation closer to their lived experience than the metropolitan governing body could provide. They have developed institutional capacity, particularly in advocacy and community engagement, that the older community boards never managed. They have, in some cases, produced experimentation with service delivery and amenity investment that has informed the wider council.

Yet the boards have not produced what the 2010 amalgamation promised in other respects. They cannot make bylaws, even on the local amenity matters where local variation is the norm. They cannot set their own targeted rates, leaving them dependent on the governing body for funding decisions that affect their core functions. They cannot reliably defend the scope of their delegated authority against changes the governing body chooses to make, because the delegation is administrative rather than statutory. The result is a layer that has standing but not power, voice but not authority and that has been criticised on both sides: by residents who want the boards to do more, and by the governing body which finds the boards a constraint on regional decision-making without a clear functional rationale for the constraint.

Strong population growth since 2010 means that five Auckland local boards now have over 100,000 residents with eleven others having between 80,000 and 100,000. The Howick Local Board is the largest with 173,000 residents.³⁹ Several local boards have electoral sub-divisions, which could be used to form smaller, more responsive local boards.

Any sub-unitary layer established must address the deficiencies in the existing Auckland model (no bylaw-making, no targeted rate-setting, no statutory protection of delegated authority and budget

³⁸ Statistics New Zealand, *Geographic Data and Maps*, <https://www.stats.govt.nz/geographic-data-and-maps/>

³⁹ Statistics New Zealand, *Subnational population estimates: at 30 June 2025*, <https://www.stats.govt.nz/information-releases/subnational-population-estimates-at-30-june-2025/>

allocation at the discretion of the governing body) while retaining the elements that have worked. The independent model would be the best approach.

Numbers in context

Any architecture emerging from the Head Start pathway will produce some number of unitary authorities and some number of sub-unitary bodies, and the combination will determine the total count of elected bodies in the new system. The current seventy-eight councils, plus their variable combination of community boards and Auckland's separate boards layer, could produce around 200 elected bodies. What would change is the ratio of bodies with delegated power to bodies without. Replacing bodies without real powers with bodies that have them is the substantive contribution.

Part V: Governance reform: empowering elected representatives

The democratic void inside councils

Structural reform of the kind set out in Part IV will not deliver better local government on its own. A new unitary authority with sharper boundaries, an independent sub-unitary layer and a clear settlement of cross-boundary functions still has to be governed, and the governance arrangements inside New Zealand councils are themselves part of the problem the reform programme has to fix.

The Initiative's December 2024 report *Making Local Government Work* set out the diagnosis.⁴⁰ Voters elect mayors and councillors to lead their communities, but the elected representatives lack the powers that role requires. Real authority sits with unelected chief executives, who control council operations, staff appointments and the flow of information to elected members. Mayors can appoint deputy mayors and establish committees, but councils can remove deputy mayors and discharge committees. Codes of conduct and conflict-of-interest policies are routinely used to constrain elected members from speaking publicly on matters their voters elected them to address. Information that elected members need to scrutinise the bureaucracy is often filtered through the same bureaucracy.

The dysfunction the system produces is visible. Wellington City Council operated for a time under a Crown Observer after its long-term plan process broke down.⁴¹ Carterton District Council attempted to exclude an elected representative from key decisions for expressing views consistent with her election platform.⁴² A Waitomo mayor who campaigned on a rates freeze faced complaints for publishing his personal views ahead of a council vote.⁴³ Gore District Council saw relationships deteriorate to the point that calls for both the mayor and the chief executive to resign were tabled at the same meeting.⁴⁴ More than half of councillors surveyed report that codes of conduct are weaponised against them.⁴⁵ These are not isolated failures. They are the predictable output of a system in which the people accountable to voters are not the people who hold decision-making power.

Head Start is designed to produce larger councils. Unless the governance settings inside those councils change, the consolidation will concentrate the existing dysfunction at higher scale. Auckland's experience is instructive on this point too. The 2010 amalgamation produced a governing body that is more remote from residents and a council operation that is harder for elected members to scrutinise than the smaller predecessor councils, with the same statutory framework constraining elected member powers and the same chief executive model concentrating administrative authority. Repeating that pattern across the new unitaries, however many there are, would compound the democratic void rather than close it.

⁴⁰ Nick Clark, *Making Local Government Work*, The New Zealand Initiative (December 2024).
<https://www.nzinitiative.org.nz/reports-and-media/reports/making-local-government-work/>

⁴¹ *Wellington City Council's Crown observer named as Lindsay McKenzie*, RNZ News. 11 November 2024.
<https://www.rnz.co.nz/news/political/533474/wellington-city-council-s-crown-observer-named-as-lindsay-mckenzie>

⁴² *Making Local Government Work*, Op cit.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

Consolidation also reduces democratic engagement directly. Dahl and Tufte's *Size and Democracy* (1973) framed the underlying trade-off: smaller units score higher on citizen effectiveness, including turnout, political interest and the sense that participation matters, while larger units may have more system capacity.⁴⁶ The Danish quasi-experiments make the link causal. Lassen and Serritzlew's 2011 paper in the *American Political Science Review* found that internal political efficacy fell after municipal mergers as a direct result of the larger jurisdiction.⁴⁷ Bhatti and Hansen's work on the same reforms found voter turnout dropped after mergers.⁴⁸

The New Zealand pattern matches. National turnout at the 2025 local elections was 39.4 percent, the lowest since at least 1989⁴⁹, and Auckland's was 29.3 percent. New Zealand already has one territorial authority for every 79,000 residents, against one per roughly 4,000 in Switzerland, and the Head Start pathway is intended to move the country further along that spectrum.

The architecture for change

Four reforms together would close the democratic void at the unitary council level, and three of the four extend to local board members and councillors in their own right. They draw on the international evidence reviewed in *Making Local Government Work*, particularly the North Rhine-Westphalia experience.

The first reform is the **extension of the Auckland Mayoral Office model to all unitary councils** as the immediate step, with the executive strong-mayor model represented by North Rhine-Westphalia as the longer-term goal.⁵⁰ Auckland's mayor has powers that no other New Zealand mayor has: a statutory role in leading the development of plans, policies and budget, the power to establish committees of the governing body and appoint their chairs, and a staffed Mayoral Office whose staff report to the mayor rather than the chief executive, funded at not less than 0.2 percent of council operating expenditure.⁵¹ The Mayoral Office gives the mayor an analytical capacity that does not depend on the council bureaucracy for its information or its priorities. The arrangement has worked. Mayors of Auckland have been able to set strategic direction, hold the council operation to account and represent the city in ways that other New Zealand mayors cannot, while the governance arrangements have remained recognisably parliamentary rather than executive.

Extending the model to the new unitaries should be a straightforward legislative step. The Local Government Act would be amended to give every unitary mayor the same statutory powers Auckland's mayor currently holds, with the Mayoral Office budget scaled to the council's size. The

⁴⁶ Robert A. Dahl and Edward R. Tufte (1973), *Size and Democracy*, Stanford University Press.
<https://archive.org/details/sizedemocracy0000dahl>

⁴⁷ David Dreyer Lassen and Søren Serritzlew (2011), *Jurisdiction Size and Local Democracy: Evidence on Internal Political Efficacy from Large-Scale Municipal Reform*, *American Political Science Review*.
<https://www.jstor.org/stable/41495064>

⁴⁸ Yosef Bhatti and Kasper M. Hansen, *Voter turnout and municipal amalgamations: evidence from Denmark*, *Local Government Studies*, 2019, <https://kaspermhansen.eu/Work/Bhatti&Hansen2019.pdf>

⁴⁹ Local Government New Zealand, *Final voting numbers are out: the system needs to change*, media release, October 2025, https://www.lgnz.co.nz/news/media-releases/final_voting_numbers_system_needs_to_change/

⁵⁰ *Making Local Government Work*, Op cit..

⁵¹ Local Government (Auckland Council) Act 2009, sections 8-10, New Zealand Legislation.
<https://www.legislation.govt.nz/act/public/2009/0032/latest/DLM2044937.html>

administrative cost is modest. The democratic gain is substantial. Each unitary has a mayor with independent analytical capacity, the power to set strategic direction through the committee structure and the standing to hold the chief executive's office to account on behalf of the elected members.

The longer-term goal is the **North Rhine-Westphalia (NRW) model**, in which the directly elected mayor combines the political leadership role with the chief executive role, with the council operation reporting to the mayor rather than to a separate appointed chief executive. New Zealand inherited the British dual-leadership model, in which a ceremonial mayor sits alongside a powerful unelected chief executive. NRW inherited the same model from the British post-war occupation. The 1990s reforms collapsed the two roles into a single directly elected office, with statutory safeguards to ensure that the elected mayor cannot direct staff appointments or operational decisions for narrowly political reasons. Twenty-five years on, the reforms enjoy broad cross-party support, and the governance arrangements deliver clearer accountability and better outcomes than the system they replaced.

The NRW model is the architecturally cleanest answer to the democratic void New Zealand local government produces. It requires legislation, careful design of the safeguards, and a political timeframe longer than the Head Start window provides. *Making Local Government Work* took the position that the Auckland Mayoral Office model is the right immediate step, both because it can be implemented inside the Head Start timeframe and because it builds the institutional foundation that the NRW model would later sit on.

The second reform is the **extension of scrutiny powers to all elected members**, at unitary council and sub-unitary level alike. They should have stronger access to council information, the power to commission independent advice, protections for asking questions of management and a clear legal framework that distinguishes governance from management. New Zealand's elected members do not have these powers in any meaningful form. They depend on the chief executive's office for information about the council operation they are meant to scrutinise. They cannot reliably commission external advice. They face complaints under codes of conduct for raising questions that the chief executive's office finds inconvenient. The asymmetry between elected members and the bureaucracy they are meant to oversee is structural, and structural remedies are required to address it.

The reform package would give every elected member statutory rights to information held by their council, with clear procedures for handling commercially sensitive material and consistent application across mayors, councillors and sub-unitary members. It would give every elected member the right to commission external advice within a defined budget, drawing on the model used for parliamentary scrutiny committees. It would protect the right of elected members to speak publicly on matters within their council's remit, restricting codes of conduct to genuine cases of harassment, dishonesty or misuse of office rather than allowing them to be used as instruments for managing political disagreement. It would clarify the legal framework distinguishing governance from management, so that elected members can ask substantive questions about operational decisions without being told they are interfering in matters outside their remit.

The third reform is the **moderation of conflict-of-interest policies**. Conflict-of-interest provisions in current New Zealand local government practice are routinely applied to elected members who have campaigned on issues that subsequently come to council vote. The application makes a virtue of pre-deliberative neutrality that no representative system actually requires. Voters elect representatives because of their views, not despite them. A mayor elected on a rates-freeze platform should not face a conflict-of-interest finding for voting to freeze rates. A sub-unitary member elected on a campaign to protect a particular reserve should not be required to recuse herself from the vote on its protection.

The legal test for genuine conflict, financial benefit accruing to the representative or to a connected party in a way that goes beyond the ordinary interests of an elected member's constituents, is well established in director-duty case law and should be applied to elected members.

The fourth reform is the **right of elected members at all levels to speak publicly on matters within their council's remit**. The current practice, in which codes of conduct are interpreted to constrain elected members from public commentary that the chief executive's office finds disruptive, inverts the relationship between elected representative and bureaucracy. The fix is straightforward: the legal framework should explicitly protect public commentary by elected members on matters within their council's remit, with the narrow exceptions for defamation, harassment and disclosure of genuinely confidential information that apply to political speech more generally.

Why this matters for the Head Start architecture

Governance reform is not a parallel concern to the Head Start structural reform. It is a precondition for the structural reform delivering anything worth having. A unitary council with sharper boundaries, an empowered sub-unitary layer and a clear settlement of cross-boundary functions is still, internally, the same governance arrangement that produced the dysfunction documented in *Making Local Government Work*. The chief executive still controls the flow of information to elected members. The codes of conduct still constrain public speech. The conflict-of-interest provisions still penalise elected members for holding the views their voters elected them to hold. The mayor still has remarkably limited statutory powers.

Repeating that pattern at the new unitary scale will reproduce the Auckland representation deficit at national scale, not because the Auckland local boards model fails (the boards model can be fixed, and Part IV sets out how), but because the governance settings inside the metropolitan council will be reproduced in every unitary in the country. The fix is to use the Head Start design phase to set the governance arrangements alongside the structural arrangements, with the Auckland Mayoral Office model extended to every unitary on day one and the scrutiny, information-access and conduct reforms applied consistently across mayors, councillors and sub-unitary members.

The legislative scope is modest. The Local Government Act amendments to extend the Mayoral Office model and the Local Government Act 2002 amendments to clarify elected member rights and obligations can sit alongside the structural enabling legislation the Government will need to pass in 2027. The political case is straightforward. The Government has consistently argued that the existing local government system is not working. The diagnostic in *Making Local Government Work* tells the Government why. The structural reform is the visible part of the answer. The governance reform is the rest of it.

Part VI: Regional functions and the case for special-purpose bodies

The problem the unitaries cannot solve

Catchment alignment is one design principle for the unitaries, but unless regional councils become unitary councils, no realistic configuration of unitaries can produce boundaries that match every catchment-scale, biosecurity-scale and infrastructure-scale function.

Predator and weed management at landscape scale runs across unitary boundaries because the ecology does. Water catchment management often crosses sub-regional boundaries. Drainage infrastructure may or may not match the unitary boundaries that emerge from the Head Start process.

Canterbury presents a sharper version of the same problem. The Canterbury Plains sit above a system of confined and unconfined aquifers that supply most of the region's drinking water and almost all of its irrigation, and the aquifer system does not respect either district boundaries or even river catchments. Groundwater under the Hinds Plains, the Selwyn-Waihora area and the Christchurch artesian system behaves as an interconnected resource, with abstraction and recharge in one location affecting levels and quality elsewhere. The Christchurch artesian aquifer recharges from the foothills tens of kilometres west of the city.⁵² None of this is likely to map neatly onto likely unitary boundaries, regardless of how the catchment boundaries are drawn.

This research note's preferred response to this mismatch is the restoration of elected single-purpose bodies for catchment management, flood protection, drainage and pest management. The argument is not for recreating the fragmented landscape of hundreds of pre-1989 bodies. It is that a modest number of well-designed functional institutions, perhaps twenty to thirty at national scale, can outperform general-purpose councils where the geographic scale and the beneficiary group are clearly defined. The 1989 reforms eliminated the entire category of elected single-purpose body, alongside the general-purpose councils. Catchment boards established under the Soil Conservation and Rivers Control Act 1941⁵³, pest destruction boards, harbour boards, drainage boards, electricity supply boards and a long list of smaller bodies were absorbed into the regional councils or into central government agencies. The international evidence on contemporary single-purpose bodies is consistent: the Dutch *waterschappen*, English Internal Drainage Boards, Swiss functional special districts, German *Zweckverbände* and the various United States special-purpose districts all demonstrate that single-purpose bodies, where they fit the function, deliver advantages that general-purpose councils struggle to replicate.

Three advantages stand out. The geographic boundary follows the function rather than the administrative line. A catchment board's territory is the catchment regardless of which territorial authorities sit alongside it. A pest management board operates at the biological scale of the pest, not the political scale of the council. The rating power follows the beneficiary: residents and landowners within the functional area pay for the function, in a way that aligns the cost of provision with the benefit received. The democratic accountability follows the work: elections turn on the body's performance of its specific function, with voters informed about the substantive trade-offs in a way that general-council elections rarely permit.

⁵² *Recharge of the Christchurch Artesian Aquifer System*, Environment Canterbury. 2013.
<https://www.ecan.govt.nz/document/download?uri=3350595>

⁵³ Soil Conservation and Rivers Control Act 1941, New Zealand Legislation.
<https://www.legislation.govt.nz/act/public/1941/0012/latest/DLM230365.html>

What special-purpose bodies should look like

Four design principles should drive the special-purpose body architecture.

Elected accountability. Special-purpose bodies that are not elected lose the democratic accountability that justifies their tax-raising power. The Dutch *waterschappen* hold direct elections every four years, on the same day as provincial elections.⁵⁴ Voter turnout has historically been modest but has risen substantially since 2015, when water board elections were combined with provincial elections to reduce the standalone election costs. Similar arrangements should apply in New Zealand: elections held on local body election days, with combined voting forms reducing administrative costs and turnout drag.

Taxing power calibrated to beneficiaries. The single-purpose body's rating base should be the beneficiaries of the function: ratepayers within the catchment for catchment management, landowners within the drainage scheme for drainage, ratepayers within the pest management programme. The principle is consistent with the targeted rates already available to councils and avoids the cross-subsidy distortions that bundling these functions into general council activity tends to produce. English Internal Drainage Boards operate this way, with rates levied on landowners benefiting from the drainage scheme and contributions from local authorities for the broader public-good component.⁵⁵

Geographic alignment with function. The catchment is the unit for catchment management. The biological range is the unit for pest management. The hydraulic system is the unit for flood protection. These units do not change with reorganisation, and the special-purpose bodies should be designed to operate within them regardless of unitary boundaries. New Zealand's pre-1989 catchment boards operated this way and the model worked, though some boards were too small and the proliferation of types of board produced its own coordination costs. The contemporary international evidence suggests that scale matters: twenty to thirty bodies at the national level, with substantial geographic coverage and meaningful capacity, is the appropriate ambition. The 112 Internal Drainage Boards (IDBs) in England suggest that the lower end of board size has its own issues, though the IDBs operate within a much larger and more populous national framework than New Zealand can support.

Statutory protection of independence. Special-purpose bodies that can be reorganised by ministerial decision lack the institutional standing that the function requires. A broader recommendation could be for a New Zealand Local Government Charter providing quasi-constitutional protection for the local government tier as a whole, and that protection should extend to elected single-purpose bodies once they are established.

Inside the Head Start window

This research note's first-preference restoration of elected single-purpose bodies appears to sit outside the Head Start pathway. Restoring the category would require amendments to the Local Government Act, the Resource Management Act, the Biosecurity Act and the Soil Conservation and Rivers Control Act, alongside the creation of new statutory frameworks for the bodies themselves. The policy design and legislative undertaking would be considerable, especially considering the tight

⁵⁴ *About the Dutch Water Authorities*, Dutch Water Authorities. <https://dutchwaterauthorities.com/about/>

⁵⁵ *Internal Drainage Boards*, Association of Drainage Authorities. https://www.ada.org.uk/member_type/idbs/

timeframe prior to the 2028 local elections that the Head Start pathway operates within. But that does not make it the wrong approach.

If special-purpose bodies cannot be established in time for the 2028 elections, Head Start will need a clear settlement of the catchment-scale functions that a unitary structure cannot internalise, with the architectural form to be developed in the detailed design phase.

This note recommends the **establishment of joint committees or other governance arrangements between unitaries** that share a catchment-scale function. Where the Waikato catchment runs through more than one unitary, the unitaries should establish a binding joint committee with delegated decision-making authority over the catchment-scale functions, funded by a statutory rate spread across the participating unitaries' rating bases in proportion to beneficiary share. Where pest management or biosecurity operates at landscape scales that cross unitary boundaries, similar arrangements should apply. The model is familiar from existing joint committees of regional councils on flood protection. The architectural innovation is to make the joint committees statutorily required and statutorily funded, rather than left to voluntary inter-council agreement.

The Head Start design phase should also identify the functions for which single-purpose bodies would be the appropriate institutional form, even if the bodies themselves are not yet established. Catchment management, flood protection, drainage at landscape scale and pest management at landscape scale are the obvious candidates. Identification now would allow the post-2028 work to focus on legislative implementation rather than on first-principles design.

Immediate priorities

Of the cross-boundary functions, four warrant priority attention.

River catchment management. Catchment management will likely run across unitary boundaries, since rivers do not respect council lines, and the function is substantively distinct from the infrastructure functions catchments contain. Some major river catchments, like the Waikato, Whanganui, Manawatu, Waitaki, and Clutha are geographically very large and each pass through or along several territorial authorities. For this reason regional councils carry the lead role for freshwater planning under the Resource Management Act and the National Policy Statement for Freshwater Management⁵⁶, the issuing and monitoring of water take and discharge consents, the setting and enforcement of allocation limits within each catchment, the monitoring of water quality against national bottom lines, and the compliance and enforcement work that keeps abstractors and dischargers inside their consent conditions. None of that work fits comfortably inside a territorial authority drawn for population, urban geography or rating reasons. It requires the catchment scale to make sense of inputs and outputs, the hydrological and ecological expertise that small councils struggle to maintain, and the institutional independence to enforce against ratepayers who are also constituents of the body doing the enforcing. The function has a natural beneficiary base, residents and landowners within the catchment, that supports rating arrangements aligned with benefit received.

Aquifer management. New Zealand's groundwater systems, particularly the interconnected aquifers under the Canterbury Plains, do not respect either district boundaries or river catchments. International models for managing aquifers at the scale the resource itself operates at include the

⁵⁶ *National Policy Statement for Freshwater Management 2020*, Ministry for the Environment.
<https://environment.govt.nz/acts-and-regulations/national-policy-statements/national-policy-statement-freshwater-management/>

Edwards Aquifer Authority in Texas⁵⁷ and California's Groundwater Sustainability Agencies established under the 2014 SGMA⁵⁸; Environment Canterbury's water-management zone committees⁵⁹ and the Hekeao Hinds Managed Aquifer Recharge Governance Group⁶⁰ are nascent New Zealand versions of the same idea. Where unitary boundaries align with aquifer geography, the unitary can carry the function. Where they do not, an elected single-purpose aquifer authority is the right institutional response.

Flood protection. The 2025 Office of the Auditor-General report on Tasman District Council and Waikato Regional Council's flood protection arrangements⁶¹ found that the regional council model produced sound asset management, catchment-wide planning and systemic prioritisation, while the territorial authority model produced more variable outcomes. The post-Gabrielle recovery in Hawke's Bay reinforced the same point: catchment-scale flood protection requires catchment-scale governance and bundling flood protection into territorial authorities with mixed coastal and inland geography produces governance arrangements that are not fit for the function.⁶² Where Head Start unitaries align with catchments, flood protection can sit with the unitary. Where they do not, joint committees or special-purpose bodies are the appropriate response.

Pest management. The Biosecurity Act gives regional councils the lead role in regional pest management plans⁶³, alongside the Ministry for Primary Industries' role in incursions. The landscape-scale programmes for possums, predators and invasive plants depend on coordinated effort across territorial authority boundaries. Where unitaries align with biogeographic units, pest management can sit with the unitary. Where they do not, the same joint committee or special-purpose body logic applies.

Regional facilities and the spillover problem

The cross-boundary functions discussed above are catchment-scale environmental and biosecurity functions where the geographic unit follows the ecology. A parallel category sits alongside them: the regional facilities and amenity infrastructure that one council funds but another council's residents use. The institutional response is the same shape, but the case is worth setting out because the political pressure on it is sharper inside the Head Start window.

Christchurch is a live example. A Christchurch city councillor recently proposed that residents of Selwyn and Waimakariri be tolled to enter the city if their councils decline to merge with Christchurch

⁵⁷ Edwards Aquifer Authority. <https://www.edwardsaquifer.org/>

⁵⁸ *Sustainable Groundwater Management Act (SGMA)*, California Department of Water Resources. <https://water.ca.gov/Programs/Groundwater-Management/SGMA-Groundwater-Management>

⁵⁹ *Water zone committees*, Environment Canterbury. <https://www.ecan.govt.nz/your-region/your-environment/water/whats-happening-in-my-water-zone/about-our-water-zone-committees>

⁶⁰ *Governance*, Hekeao / Hinds Water Enhancement Trust. <https://www.hhwet.org.nz/>

⁶¹ *How Tasman District Council and Waikato Regional Council mitigate flood risk*, Office of the Auditor-General (2025). <https://www.oag.parliament.nz/2025/flood-protection/>

⁶² Hawkes Bay Regional Council, *Hawkes Bay Independent Flood Review: Final Report*, July 2024 <https://www.hbrc.govt.nz/assets/Document-Library/Cyclone-Gabrielle/Report-of-the-Hawkes-Bay-Independent-Flood-Review-Digital-Version.pdf>

⁶³ *National Policy Direction for Pest Management*, Ministry for Primary Industries. <https://www.mpi.govt.nz/biosecurity/about-biosecurity-in-new-zealand/national-policy-direction-for-pest-management>

into a single unitary authority. The framing was binary: ‘merge or pay’.⁶⁴ Selwyn and Waimakariri have been the fastest-growing districts in New Zealand for three censuses, much of that growth in commuter suburbs whose residents use Christchurch’s stadium, art gallery, museum, libraries, transport corridors and water infrastructure without contributing to the rating base that funded them.

The wrong response is forced amalgamation or punitive tolls. Both treat a continuous, technical question of beneficiary funding as if it were a binary political question of who-owns-what. The instruments available short of amalgamation are richer than the merge-or-pay framing implies.

User charges, with differential pricing for non-residents, are already used: libraries charge non-resident members more and some pools have higher non-resident gate prices. The instrument works for entry-charged facilities and should be extended.

As well as user charges, regional facility funding agreements are another response to the issue. Canterbury already operates one. Canterbury Museum has been funded under the Canterbury Museum Trust Board Act 1993 by four councils, Christchurch City, Selwyn, Waimakariri and Hurunui, using a formula that combines population and distance from the museum.⁶⁵ The arrangement has been running for more than thirty years and is the working precedent for the kind of regional-facility settlement the spillover problem calls for. Extending the Canterbury Museum model to the wider set of facilities Christchurch ratepayers currently fund alone, including the art gallery, the central library, the major sport and event venues and the transport corridors that serve commuter populations, is the constructive answer to the spillover problem. Identify the facilities that genuinely serve a Greater Christchurch catchment, price the operating subsidy each council should bear, and apply the same kind of formula the Museum Act has used since 1993.

Alternatively, there could be joint CCO ownership of major infrastructure, such as roads, similar to new arrangements for water and wastewater. This would transfer the underlying assets to a joint council-controlled organisation funded by participating councils. The assets would be owned by the unitaries within a region or sub-region, decisions taken by a joint board, and individual council ratepayers able to see the line item directly rather than as a hidden cross-subsidy.

The Greater Christchurch Partnership (GCP) already exists as a coordinating body across the three councils and Environment Canterbury, but it lacks rating authority and meaningful funding levers. Strengthening the GCP to manage regional facility funding, through a statutory amendment that lets it levy a regional charge by agreement of the participating councils, addresses the spillover problem at substantially lower political cost than amalgamation.

A serious accounting exercise would also recognise that the benefit flows are not one-way. Christchurch ratepayers use Selwyn and Waimakariri water sources, recreational areas (Lake Coleridge, Lake Ellesmere/Waihora, Hanmer Springs, various ski fields, tramping routes, and beaches), and rural amenity. A bilateral or trilateral accounting that quantified both directions would probably show a net Christchurch creditor position, but the gap would be smaller than the merge-or-pay

⁶⁴ Tina Law, ‘Merge or pay’: Christchurch councillor issues toll threat to neighbours, The Press, 3 June 2026, <https://www.thepress.co.nz/nz-news/361015371/merge-or-pay-christchurch-councillor-issues-toll-threat-neighbours>

⁶⁵ Canterbury Museum Trust Board Act 1993, New Zealand Legislation. <https://www.legislation.govt.nz/act/local/1993/0002/latest/DLM86063.html>. Funding contributions in 2024/25 are described at <https://www.canterburymuseum.com/about-us/canterbury-museum-trust-board>.

framing implies. The negotiation worth having is the one that puts both sides of the ledger on the table.

The general point applies beyond Canterbury. Most metropolitan-rural fringes in New Zealand carry similar dynamics: Hamilton and Waipā/Waikato, Wellington and Wairarapa/Kāpiti, Tauranga and Western Bay of Plenty, Dunedin and Coastal Otago. Outline proposals that confront the spillover question directly, through regional facility funding agreements or joint CCO ownership, are stronger proposals than those that ignore it. They are also more politically robust than proposals that try to resolve the spillover by absorbing neighbouring districts whose residents have not consented to amalgamation.

Part VII: Conclusion

New Zealand's local government structure has largely been frozen since 1989, has produced the consolidated extreme by OECD standards on every measure that matters, and is now being consolidated further on the same efficiency logic that produced the current structure. The Head Start pathway is the latest expression of that logic and the most consequential since 1989 itself.

This research note's position is that both the diagnosis and the solution have flaws. The General Election in November may change the landscape but, in the meantime, Head Start is happening.

Councils preparing proposals inside the window have latitude on the specific design choices, but this research note recommends that:

- Maximal consolidation be resisted.
- Councils' forms (including boundaries) be based on communities of interest and functions, using the principle of subsidiarity.
- There be an empowered sub-unitary layer of democratic representation.
- Regional-scale functions need a clear home.
- Governance reform occurs alongside any structural reform
- Fiscal reforms are implemented.

The risks of getting it wrong are substantial. Larger councils with the same chief-executive-dominated governance model will reproduce existing dysfunction at a larger scale. A sub-unitary layer without powers will deliver consultation arrangements where democratic institutions are needed. Catchment-scale functions absorbed into unitaries risk being performed undemocratically by appointed entities.

The time between now and 9 August is short and the decisions that flow from them will shape New Zealand local government for decades. The case for getting the architecture right, rather than merely meeting the Government's criteria, is the case for taking the local input the Government's announcement has invited at its word.

The author welcomes feedback on every aspect of this research note. Readers should feel free to comment on any matter the note raises or omits. Feedback received before the end of July 2026 will help inform the author's forthcoming report. Responses can be sent to nick.clark@nzinitiative.org.nz.

Appendix One: Maps of current regional councils, territory authorities, community boards, and Auckland local boards

Figure 1: New Zealand regional councils

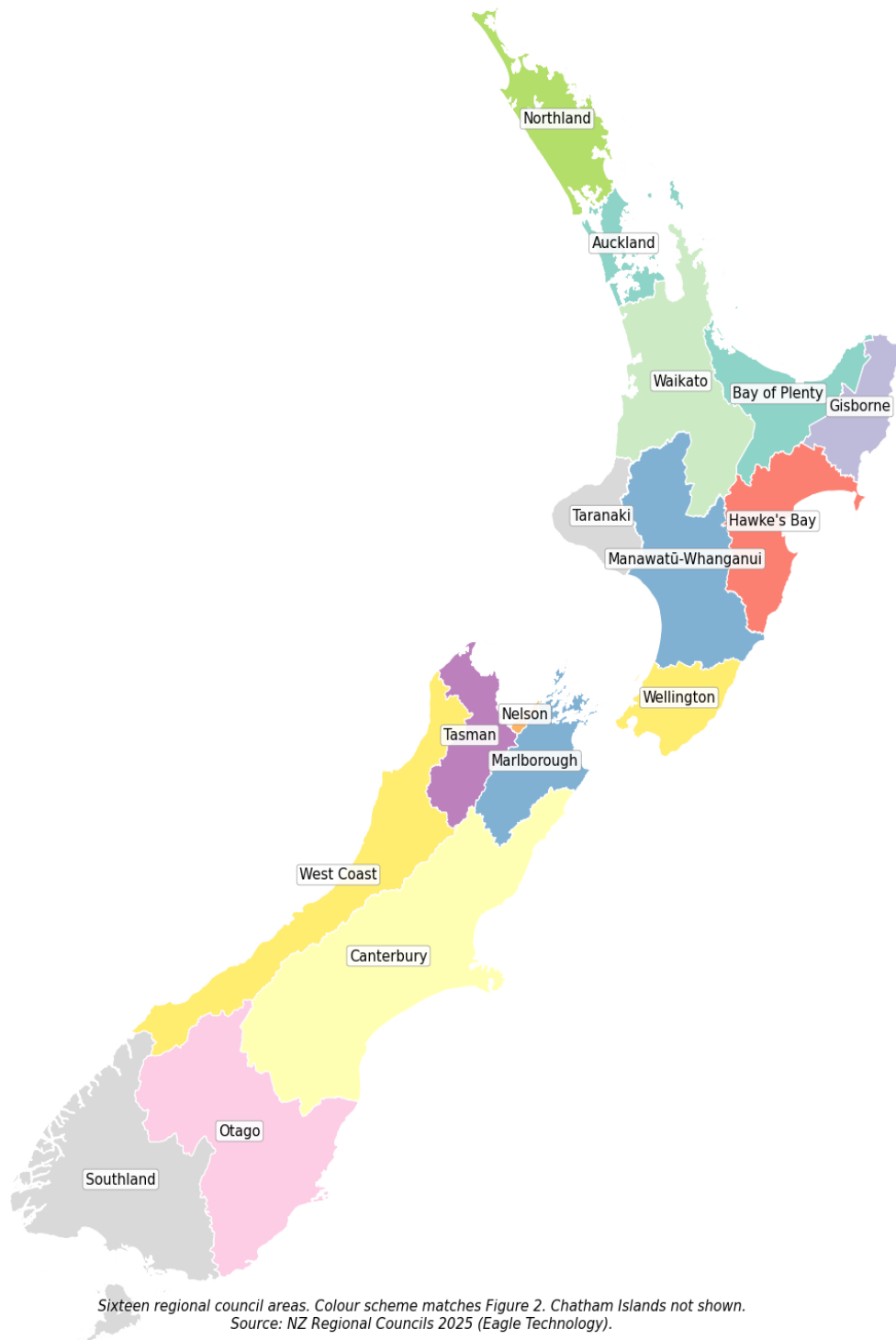
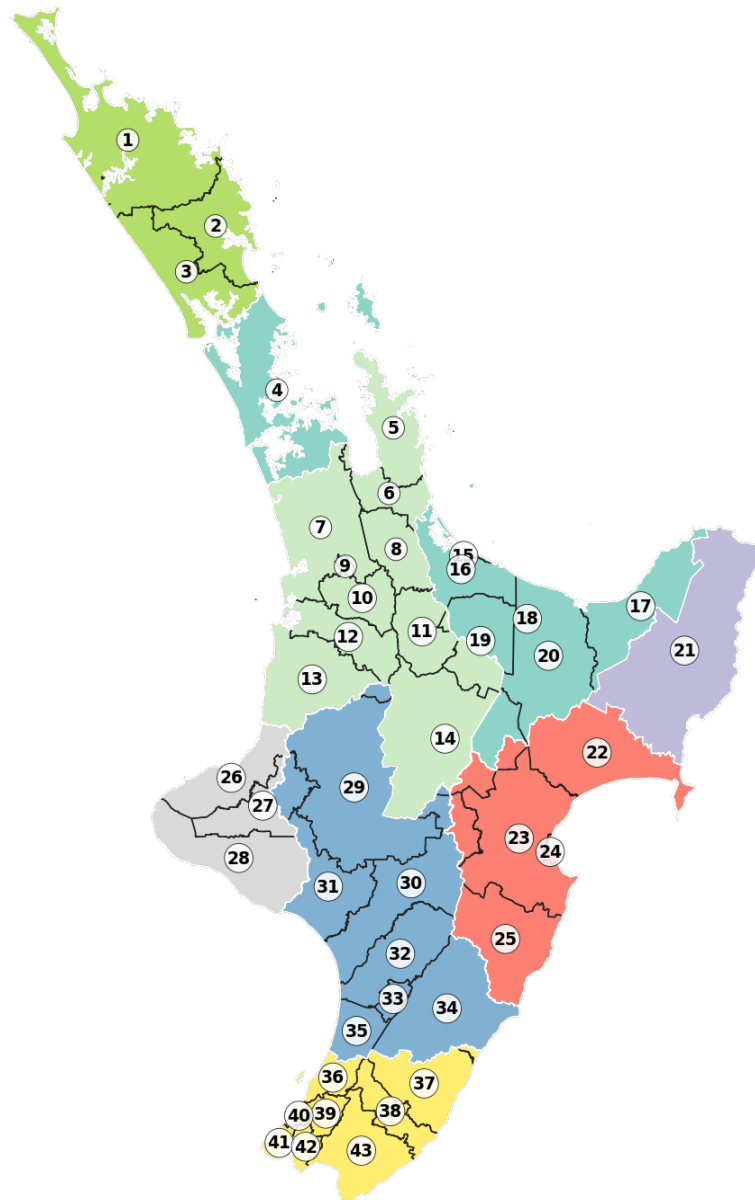
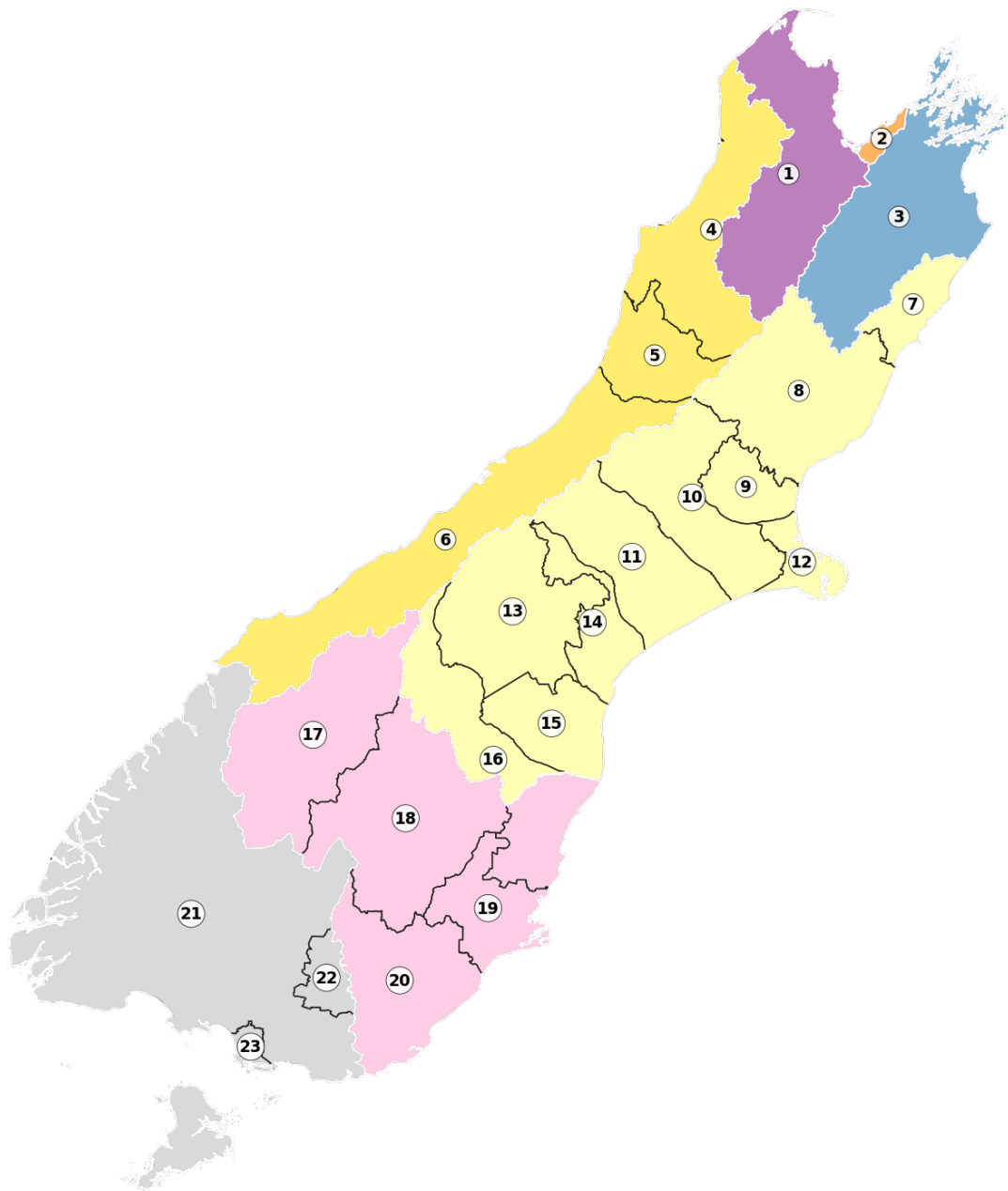


Figure 2: North Island territorial authorities

**Territorial authority (numbered by region, north to south)**

1. Far North	10. Waipā	19. Rotorua	28. South Taranaki	37. Masterton
2. Whangārei	11. South Waikato	20. Whakatāne	29. Ruapehu	38. Carterton
3. Kaipara	12. Ōtorohanga	21. Gisborne	30. Rangitīkei	39. Upper Hutt
4. Auckland	13. Waitomo	22. Wairoa	31. Whanganui	40. Porirua
5. Thames-Coromandel	14. Taupō	23. Hastings	32. Manawatū	41. Wellington
6. Hauraki	15. Tauranga	24. Napier	33. Palmerston North	42. Lower Hutt
7. Waikato	16. Western Bay of Plenty	25. Central Hawke's Bay	34. Taranua	43. South Wairarapa
8. Matamata-Piako	17. Ōpōtiki	26. New Plymouth	35. Horowhenua	
9. Hamilton	18. Kawerau	27. Stratford	36. Kāpiti Coast	

Figure 3: South Island territorial authorities



Territorial authority (numbered by region, north to south)

- | | | | |
|----------------|------------------|----------------------|------------------|
| 1. Tasman | 7. Kaikōura | 13. Mackenzie | 19. Dunedin |
| 2. Nelson | 8. Hurunui | 14. Timaru | 20. Clutha |
| 3. Marlborough | 9. Waimakariri | 15. Waimate | 21. Southland |
| 4. Buller | 10. Selwyn | 16. Waitaki | 22. Gore |
| 5. Grey | 11. Ashburton | 17. Queenstown-Lakes | 23. Invercargill |
| 6. Westland | 12. Christchurch | 18. Central Otago | |

Figure 4: North Island community boards

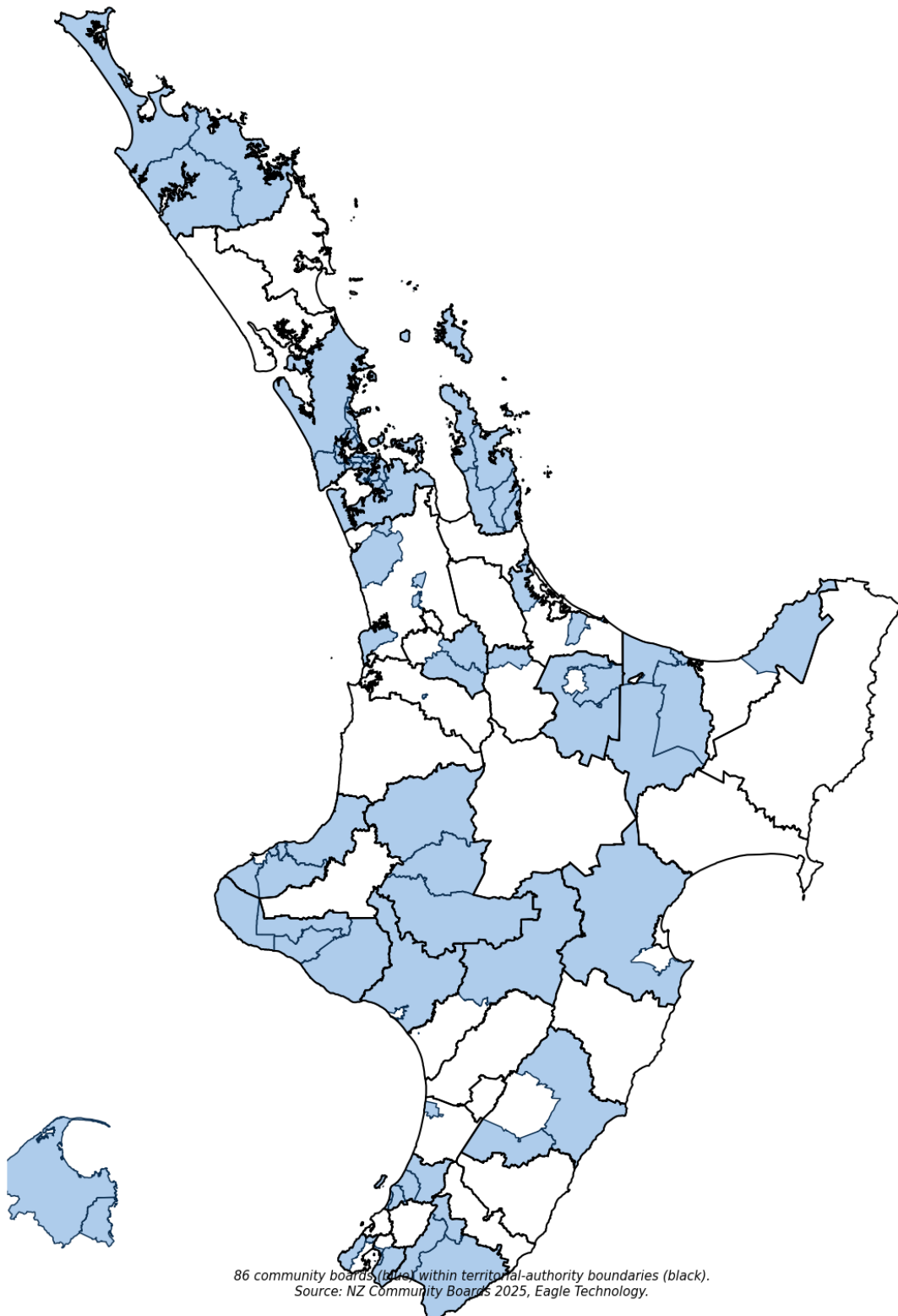
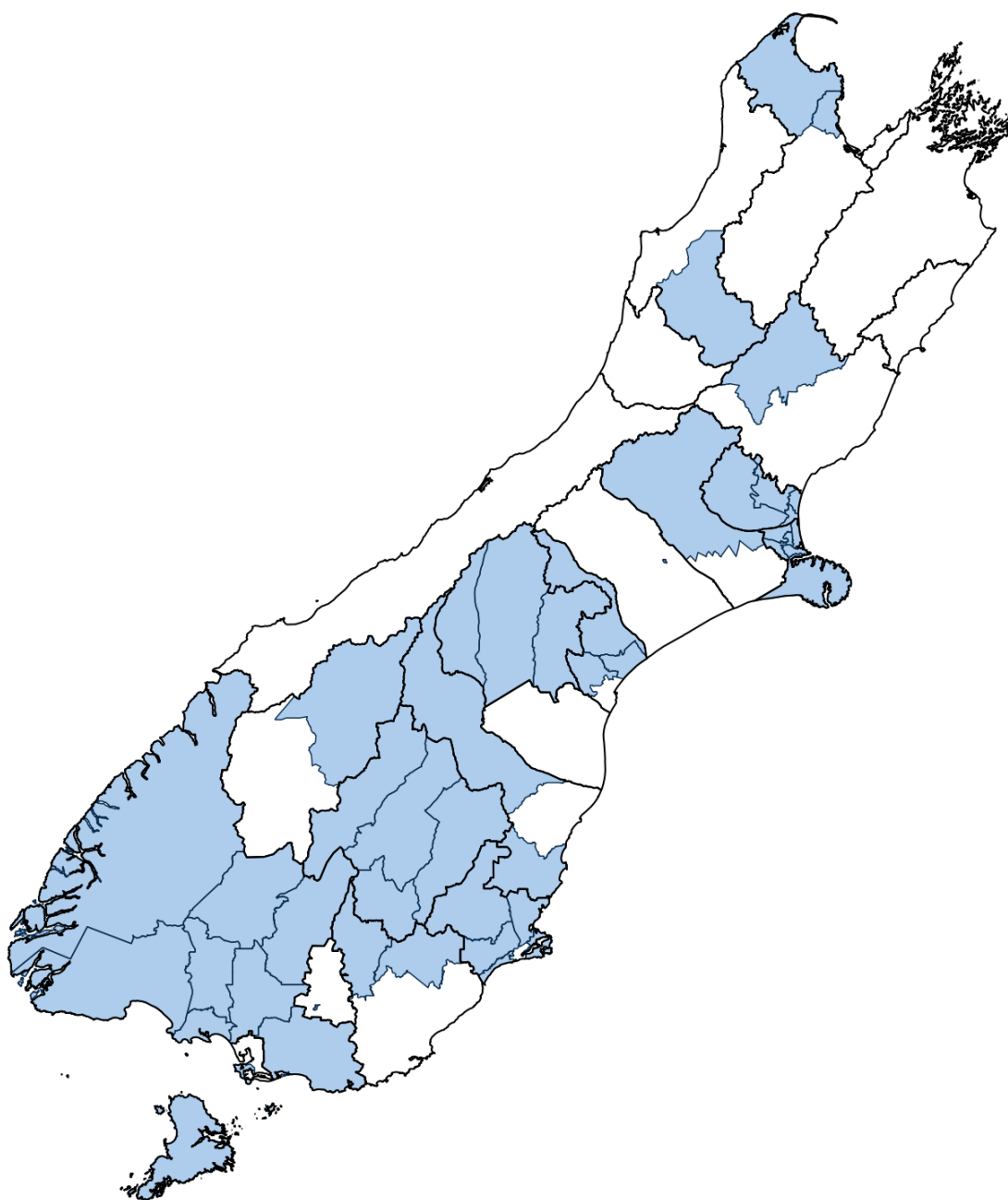
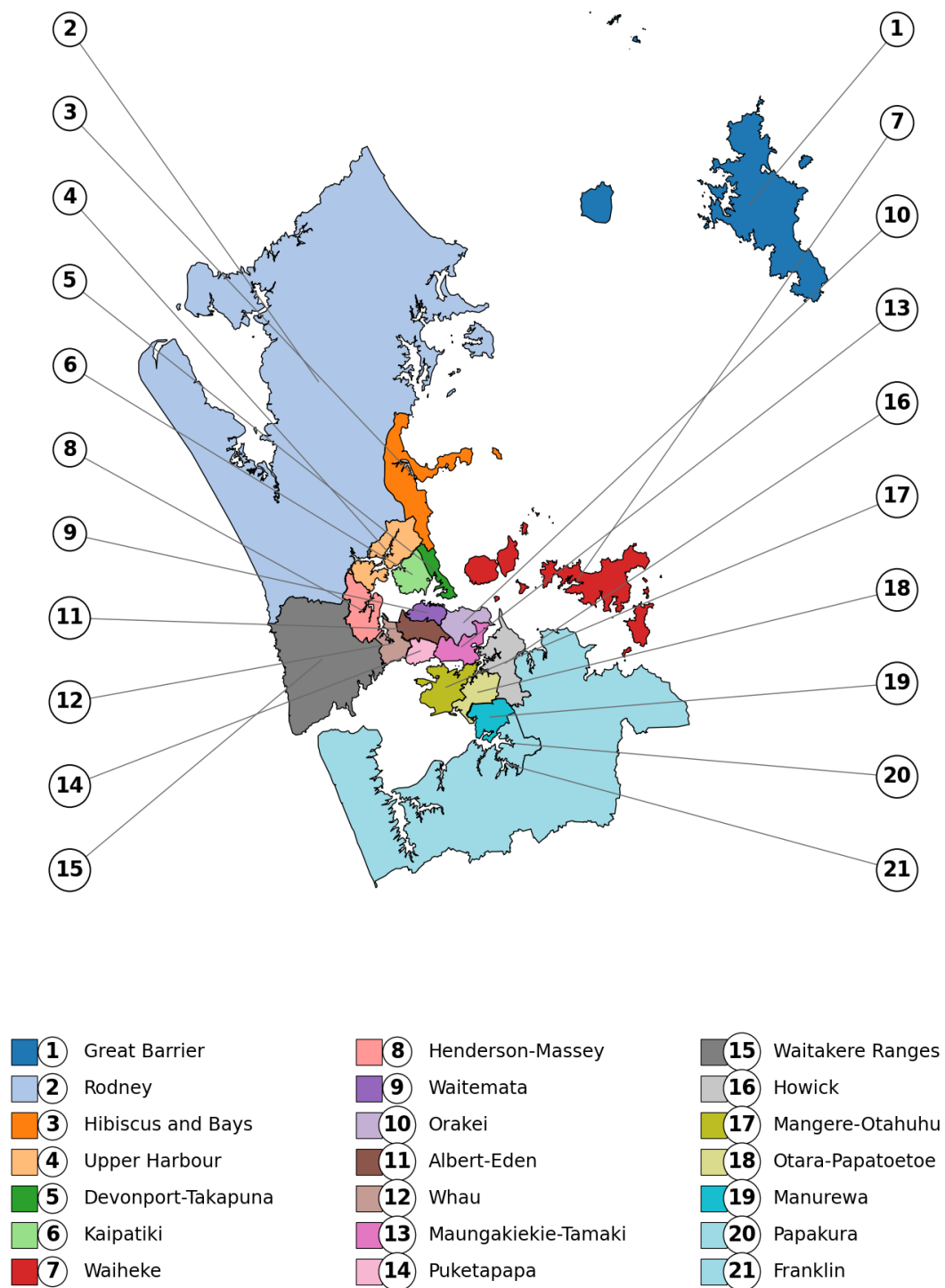


Figure 5: South Island community boards



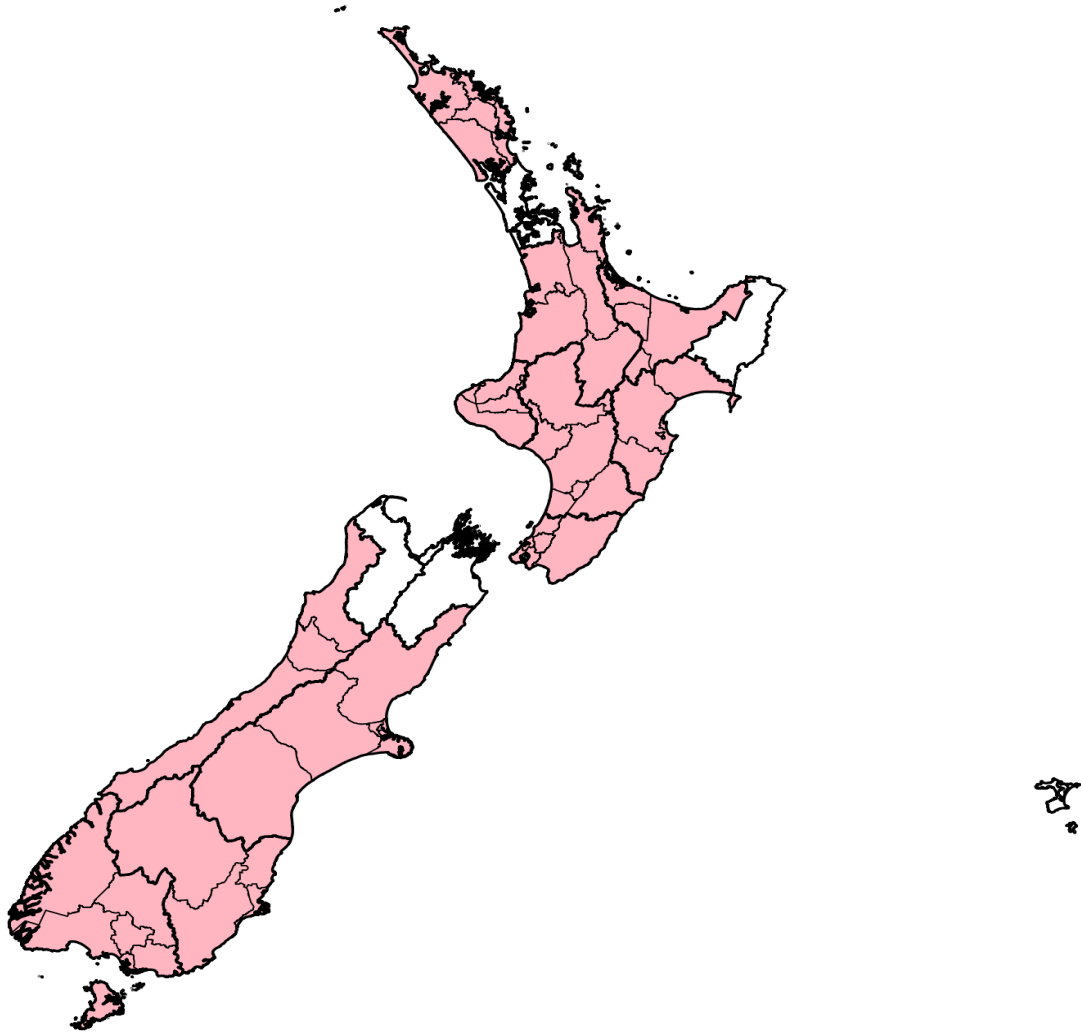
55 community boards (blue) within territorial-authority boundaries (black).
Source: NZ Community Boards 2025, Eagle Technology.

Figure 6: Auckland local boards



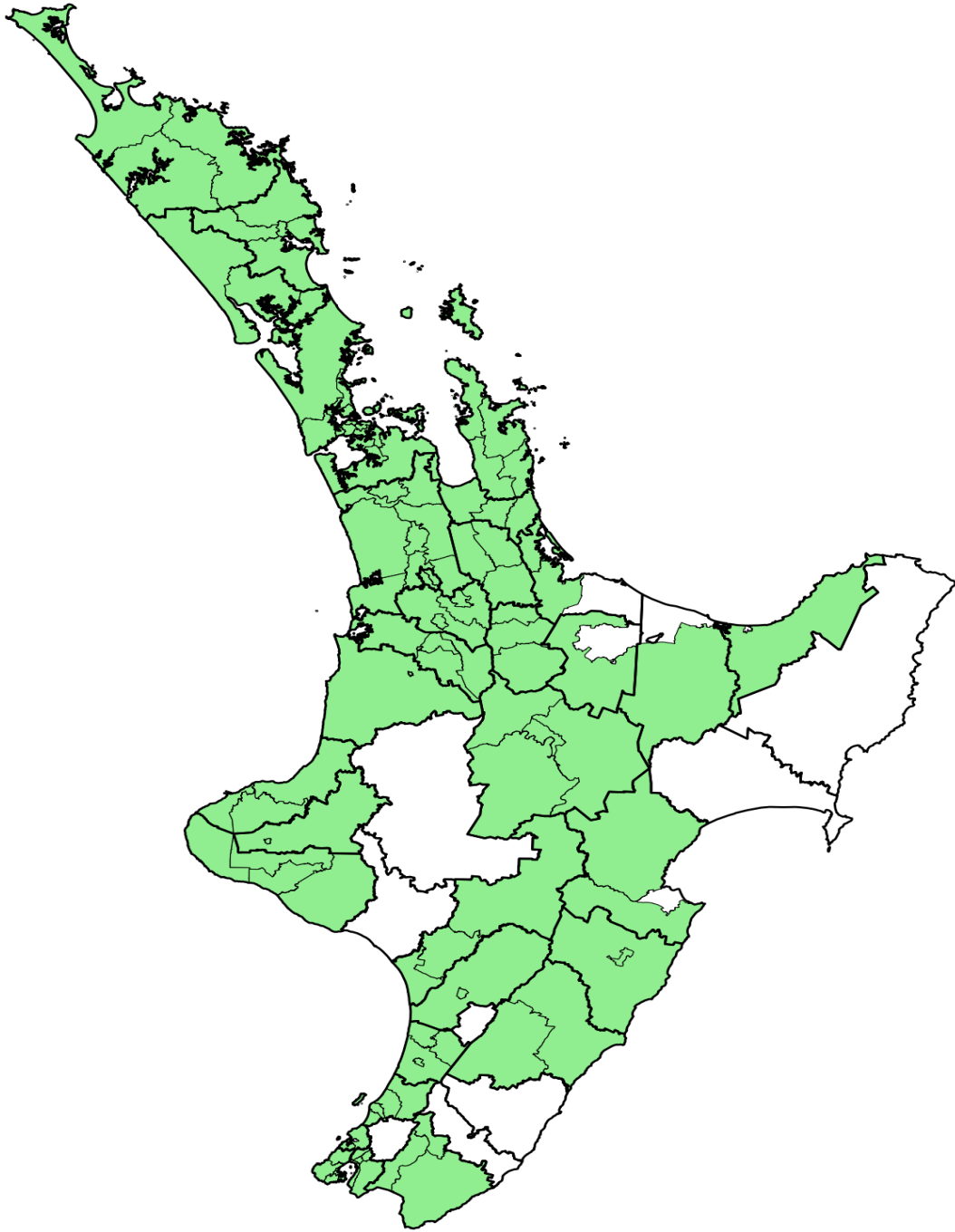
Appendix Two: Maps of current regional council constituencies and territorial authority wards

Figure 7: Regional council electoral constituencies



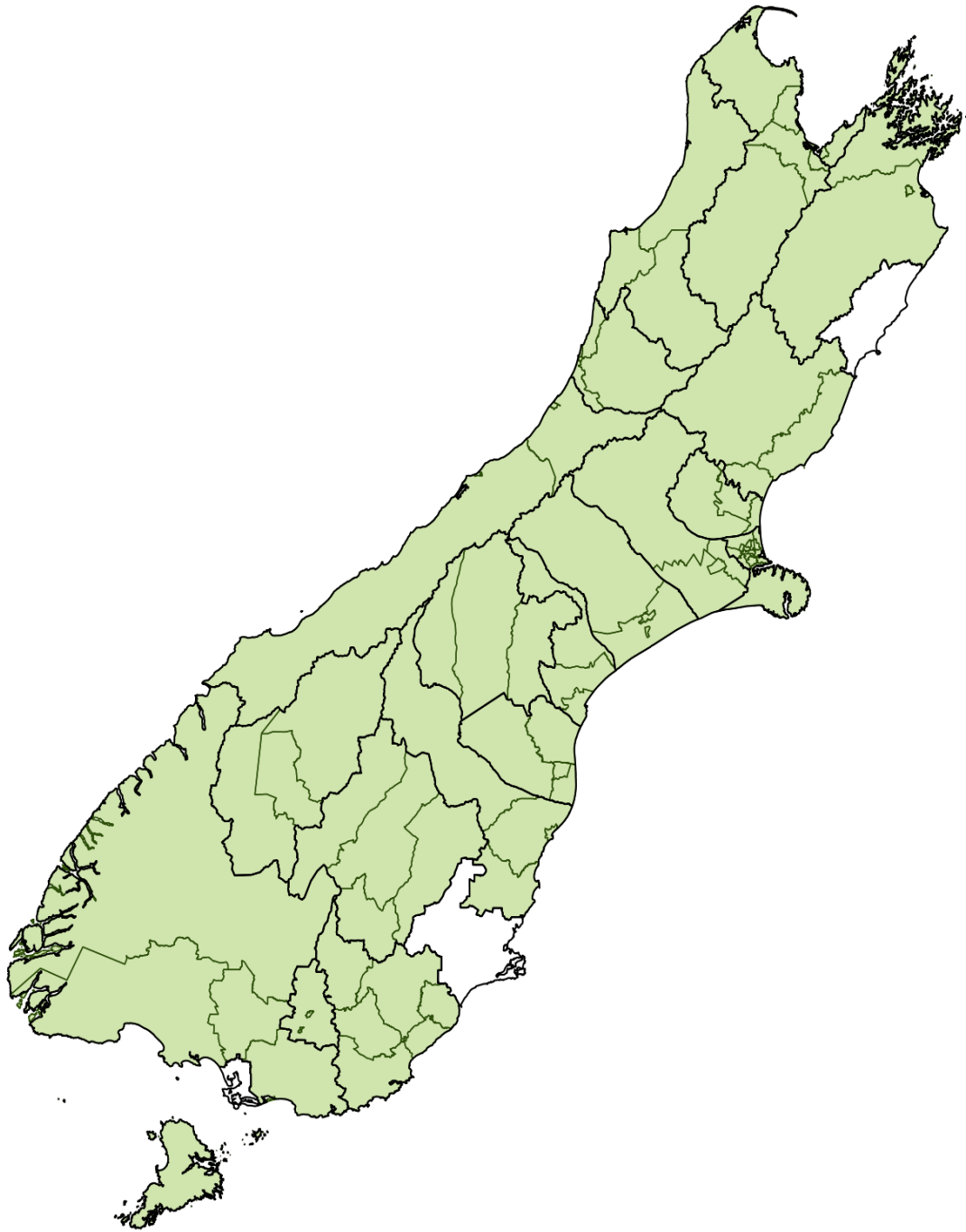
58 regional council constituencies (pink) within regional council boundaries (black).
All eleven regional councils operate constituencies. The six unitary authorities
(Auckland, Gisborne, Marlborough, Nelson, Tasman, Chatham Islands) do not.
Source: NZ Constituencies 2025, Eagle Technology.

Figure 8: North Island territorial authority wards



*140 wards in 28 North Island multi-ward territorial authorities (green)
within territorial-authority boundaries (black).
Source: NZ Wards 2025, Eagle Technology.*

Figure 9: South Island territorial authority wards



100 wards (green) within territorial-authority boundaries (black).
Source: NZ Wards 2025, Eagle Technology.

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