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Minister of Local Government

Proactive release of Cabinet materials related to Simplifying Local Government to Support a Simplified Planning System

18 February 2026

The following documents have been proactively released:

CAB-25-MIN-0397: Cabinet minute - Simplifying Local Government to Support a Simplified Planning System

Cabinet paper: Simplifying local government to support a simplified planning system

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Where information has been withheld for other reasons consistent with advice, it has been annotated with an asterisk. This information may in some cases be accessible under the Official Information Act 1982.

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- ***Section (9)(2)(f)(iv) – information withheld to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.***
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Cabinet

Minute of Decision

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Simplifying Local Government to Support a Simplified Planning System

Portfolios **RMA Reform / Local Government**

On 10 November 2025, following reference from the Cabinet Economic Policy Committee, Cabinet:

Background

- 1 **noted** that New Zealand has two separately elected systems of local leadership that operate in parallel (city/district councillors and regional councillors), which is unnecessarily complex, confusing, and costly;
- 2 **noted** that it is timely to reconsider the structure of local government, given resource management reform will significantly reduce the role, discretion, and functions of regional councils;

Draft proposal

- 3 **agreed** to release a draft proposal for simplifying local government (the draft proposal) for testing and refining with experts, post-settlement governance entities, and other stakeholders with an online submission form available;
- 4 **agreed** that the draft proposal presents a preferred option based on the following core policy parameters:
 - 4.1 replacing the elected layer of the regional councils with a combined territories board (CTB), with a CTB's constituent members being the territorial authorities in the relevant region, with each territorial authority represented by its mayor (ex officio) or the mayor's delegate;
 - 4.2 the allocation of voting rights on a CTB is, in the first instance, proportional to the population of the territorial authority the member represents, subject to this providing effective representation;
 - 4.3 voting power on the CTB will be determined by the Local Government Commission, considering proportionality and effective representation (unless a bespoke voting arrangement applies, e.g., land transport regional committees);
 - 4.4 replacing the regional council's governing body with a CTB would not affect the underlying regional council's roles, functions, obligations (including Treaty of Waitangi obligations), assets, and liabilities;

4.5 the CTB will be required to produce a regional reorganisation plan (RRP) within two years of its formation, which will be a comprehensive, locally-driven future blueprint for the efficient and effective delivery of all local government functions (including territorial authority functions) within the region, with options including:

4.5.1 retaining, modifying, or dissolving the CTB as a standalone regional entity;

4.5.2 forming a unitary authority;

4.5.3 reallocating functions;

4.5.4 making greater use of shared services, or jointly-owned council organisations;

5 **noted** that, to ensure greater cross-region support for resource management decisions under the preferred option, the new resource management regime will require the CTB's voting power to be modified such that a resolution will only pass if it has both:

5.1 a majority of votes based on population; and

5.2 support from more than half of the councils represented on the CTB;

6 **agreed** that the proposal document should also present the following options as alternatives to the preferred option:

6.1 Option A: as per paragraph 4 above, plus there is a Crown Commissioner on the CTB with no voting rights;

AND/OR

6.2 Option B: as per paragraph 4 above, plus there is a Crown Commissioner on the CTB with a veto power;

AND/OR

6.3 Option C: as per paragraph 4 above, plus there is a Crown Commissioner on the CTB with a voting majority (i.e. > 50 percent of the voting rights allocated to the Crown with the remainder distributed amongst the mayors);

AND/OR

6.4 Option D: No CTB. Appoint Crown Commissioners to lead regional councils pending the outcomes of the RRP process;

7 **invited** the Minister of Local Government, in consultation with relevant portfolio Ministers, to rapidly review regional council statutory roles, responsibilities, and functions to identify any that should cease or should be reallocated by the Government, rather than left to be considered as part of each region's RRP;

8 **authorised** the Minister Responsible for RMA Reform and the Minister of Local Government to announce the direction of reform publicly, release the paper under ECO-25-SUB-0180, and approve any communications and consultation material to support the testing of the proposals;

9 **invited** the Minister Responsible for RMA Reform and the Minister of Local Government to report back to Cabinet by the end of March 2026 with a final proposal for simplifying local government;

Financial implications

10 **noted** that, to deliver on the above timeframe, the Department of Internal Affairs (DIA) will reprioritise staff, but doing so without backfilling will compromise other Government priorities;

11 **agreed** to meet the immediate costs outlined in paragraph 10 above of \$3.5 million by reallocating funding in the *Taumata Arowai, New Crown Agent Regulator for Water Services* tagged operating contingency (the contingency), established by the previous government in 2020 [CAB-20-MIN-0328.13];

12 **approved** the following change to appropriations to provide for the decision in paragraph 11 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Internal Affairs Minister of Local Government	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Departmental Output Expense: Local Government Policy and Related Services (funded by revenue Crown)	3.500	-	-	-	-
Total Operating	3.500	-	-	-	-

13 **agreed** that the changes to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

14 **agreed** that the expenses incurred under paragraph 11 above be charged against the contingency;

15 **noted** that, following the adjustment detailed in paragraph 12 above, as well as previous drawdowns and adjustments agreed as part of Budget 2025, the remaining balances and indicative phasing of the contingency will be as follows:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Taumata Arowai, New Crown Agent Regulator for Water Services tagged operating contingency	4.584	8.130	7.887	7.682	7.682

16 **noted** that the contingency will expire on 30 June 2026.

Rachel Hayward
Secretary of the Cabinet

Secretary’s Note: This minute replaces ECO-25-MIN-0180. 9(2)(f)(ii)

Sensitive

Office of the Minister Responsible for RMA Reform

Office of the Minister of Local Government

Cabinet Economic Policy Committee

Simplifying local government to support a simplified planning system

Proposal

- 1 This paper seeks in-principle decisions to simplify local government to help deliver the Government's simplified resource management system to drive economic growth. The proposal will also address longstanding concerns about duplication and inefficiencies in local government.

Relation to government priorities

- 2 Local authorities are critical in the implementation of many of our priorities, including fast-track consenting, water reform, building consenting, emergency management, and resource management (RM). This paper's proposals lay the foundation for a more effective and efficient system of local government to support these priorities.

Executive Summary

- 3 Regional councils were established in 1989 to be the primary regulator for the new Resource Management Act 1991 (RMA). RM reform will introduce more standardisation across councils' RM functions and permit more activities as of right, reducing the work of councils in both planning and consenting. We also plan to centralise some regional council functions (for example, a national compliance regulator). Other changes are also affecting the scope of council functions, including water reform, building consenting, emergency management, and climate adaptation.
- 4 Cumulatively, these changes fundamentally alter the scale and nature of what regional councils do. In light of these impacts, and having looked at the many past reports and reviews, we believe New Zealand's system needs reform.
- 5 We have two separately elected systems of local leadership that operate in parallel (city/district councillors *and* regional councillors). We do not need another report to tell us that this is complicated, confusing, and costly. For a small country, it is unnecessary. New Zealanders should be paying once for results but are paying twice for bureaucracy. Some councils know this and have tried to reorganise. Unfortunately, the existing statutory process is slow, complex, and generally requires a referendum.
- 6 We propose releasing a draft reform proposal to test and refine with post-settlement governance entities (PSGEs), experts, and stakeholders. The public will be able to submit on the proposal via an online portal.
- 7 The proposal is to:

- 7.1 **Step 1 – Unify regional governance:** Replace elected regional councillors with a board of the region’s territorial authorities. This ‘combined territories board’ (CTB) would then be responsible for regional functions pending Step 2.
- 7.2 **Step 2 – Enable locally-led reform:** The CTB would be required to develop a regional reorganisation plan (RRP) that sets out options for improving the effectiveness and efficiency of the region’s councils (including amalgamations, shared services, and jointly owned companies) and the future of the CTB. This process would overcome the barriers to reform that are inherent in the existing provisions. While we test the above proposal, we propose rapidly reviewing the roles and functions of regional councils to identify if any could be ceased or should be reallocated. These decisions would form the foundation of the RRP.
- 8 If Cabinet agrees to this approach, we will report back seeking final policy decisions on a refined proposal by the end of March 2026 and then introduce a Bill in June 2026.

Background

- 9 Cabinet directed us to report back on whether local government reforms should be progressed as a consequence of changes to the resource management system [CAB-25-MIN-0080.01].

Regional councils were established to support the original RMA...

- 10 Regional councils were established in 1989 to support the RMA. They replaced many ad hoc single purpose boards and bodies (e.g., catchment boards and pest boards). Regional council boundaries were set based on river catchment boundaries to allow integrated catchment management by a single regulator. This reflected the principle of ‘catchment-wide management’ – to manage a river and other waterways, one must manage the land and activities that drain into it. Catchment management functions include flood protection, biosecurity pest management, biodiversity protection, and soil erosion control.

...and our RM reform reduces the roles of regional councils...

- 11 RM reform will introduce more standardisation across councils’ RM functions and presume more activities are permitted as of right, reducing the work of councils in both planning and consenting. We also plan to centralise some regional council functions (for example, a national compliance regulator).
- 12 Other reforms will have major impacts on the role and function of local authorities, including in water services, building consenting, emergency management, and climate adaptation.

...while other long-standing issues with local government remain unaddressed.

- 13 In addition to these drivers, many reports and reviews over the last decade point to the need for wider reforms to local government. No substantive structural change has been progressed. Rates continue to increase. There is paralysis by planning. Voter turnout remains low. These issues have escalated over time and under successive governments.

Problem definition

- 14 In light of our RM reform and past reviews, we do not need to commission yet another report to know reform is needed.

Structural change has already been called for...

- 15 We have concluded complementary change to the structure of regional governance is needed. This is not a new conclusion. The last Government’s Future for Local Government review ultimately recommended a reorganisation of local government, including a redesign of councils’ operating models and structures.
- 16 We believe an underlying driver for reform is that we have two duelling systems of local government: city/district councils *and* regional councils. They operate in parallel – one is not subordinate to the other. They have conflicting roles, electoral mandates, and objectives. There are no strong mechanisms or incentives for alignment or coordination. As result, we see a range of issues shown below.

...and can help address three key failures of the current model of local government

- 17 Localism is important but only works when councillors are clearly accountable for decisions and performance. However, the current complex system means few New Zealanders would know which council is responsible for what.

Example: People might know their mayors, but few could name their regional council chairs. Fewer would know who is accountable when, for example, their house is red-stickered through flooding – is it the regional council for poorly maintained stop banks, or the district council that zoned flood-prone land for residential development?

- 18 Our current system leads to poor performance and conflicting incentives. Regional councils can make poor and occasionally unlawful decisions. Councils sometimes even spend ratepayer money fighting each other in planning hearings or the courts. The inability to speak with one voice undermines business confidence, investor certainty, and regional economic growth.

Example: Greater Wellington Regional Council attempted to stop a housing development in Upper Hutt over alleged wetland destruction. However, the Council was unable to prove there were any wetlands. The Environment Court’s judgment said the proceeding initiated by the Council was “groundless at the most basic and fundamental level and its case was totally devoid of merit in the absence of substantive evidence supporting the case it sought to make.”

- 19 The current system maximises opportunities for democratic participation at the cost of duplication. While democratic representation is important, the benefits of separately elected representatives are unlikely to outweigh the costs of the duplications and inefficiencies – particularly in New Zealand’s smaller regions where capability and capacity is limited, and everything needs to be done to reduce rates rises.

Example: Territorial authorities and regional councils both require “back office” functions (like HR, finance, IT, and communications) and a separate senior leadership team and governance structure. This duplicates an

administrative overhead that could be streamlined through future structural or functional reorganisations.

- 20 In short, we have concluded that New Zealanders simply do not need two separately governed, parallel systems of local government. It is complicated, confusing, and costly. For a small country like New Zealand, it is also unnecessary. Ultimately, New Zealanders should be paying once for results but are paying twice for bureaucracy. This will become more acute as regional council functions are scaled back and reallocated through RM reform.

There are major barriers to locally-led solutions and reorganisations

- 21 Many councillors know that change is overdue and have tried (or are considering) to amalgamate themselves through the Local Government Act 2002 (LGA02)'s 'reorganisation' process. Despite several attempts, these have failed to gain traction or be supported by voters – even where the proposal is likely to be in the broader public or national interest.
- 22 The underlying issues are:
- 22.1 little political will or incentives for councils to initiate and prepare their own reorganisations, often due to fear of rent-seeking behaviour of various groups seeking to protect the status quo;
 - 22.2 stringent legislative requirements for how the process is undertaken, the level of community support required (such as poll provisions), which lead to inertia;
 - 22.3 high costs associated with plan development and implementation; and
 - 22.4 lengthy, unconstrained processes that enable decisions to be relitigated or progress to be blocked.
- 23 Cumulatively, these issues mean the LGA02's reorganisation provisions are a major barrier to sensible, efficiency-gaining reforms. As a result, inefficient structures persist well beyond their usefulness.

Approach to simplifying local government

- 24 We considered whether to rapidly progress 'top-down' change by amalgamating local government into unitary councils. While this might appear attractive from Wellington, we have ruled it out. Past experience shows that centrally driven reforms of local institutions are fraught (see Health New Zealand and Te Pukenga). And these failures reverberate for years as our Ministers of Health and Vocational Education know all too well.
- 25 Further, any local government reform proposal prompts ardent and often irreconcilable views from communities, stakeholders, and post-settlement government entities (PSGEs), iwi, hapu, and Māori more generally.
- 26 As such we recommend the Government releases a draft reform proposal to test and refine with experts, PSGEs, and other stakeholders. The proposal will also be set out on a government-hosted website with an online submission form.

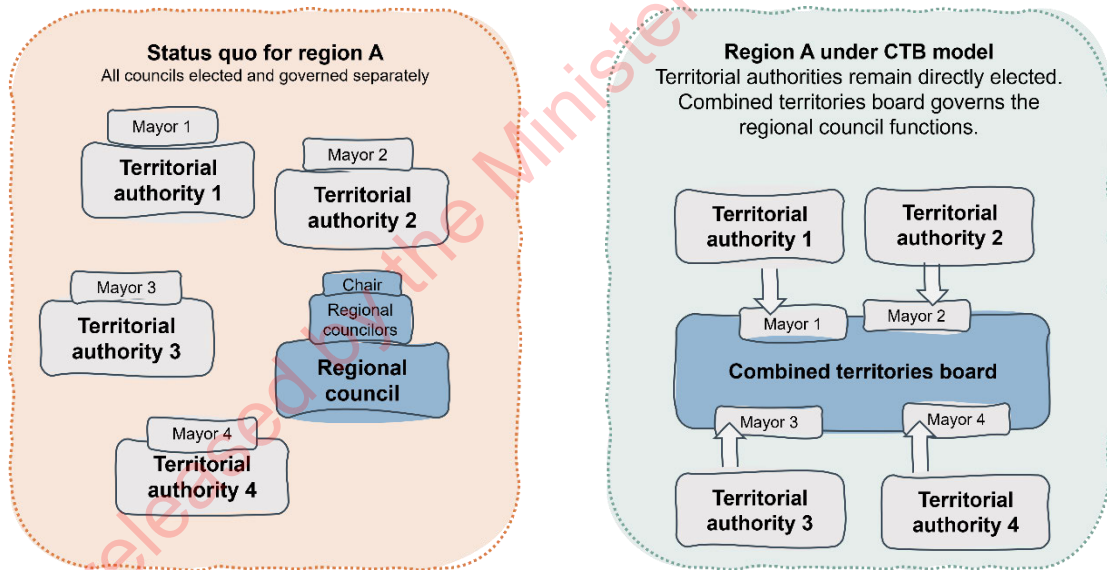
- 27 The proposal involves two steps:
- 27.1 Step 1 – Unifying regional governance
 - 27.2 Step 2 – Enabling locally-led reform and restructures
- 28 In parallel, we will rapidly review regional council functions to identify those that should cease or be reallocated (as we have done with functions under the new RM system).

Step 1 – Unifying regional governance

Regional governance should be integrated...

- 29 To immediately streamline and simplify regional governance, we propose replacing separately elected regional councillors with combined territories boards (CTBs). CTBs’ members will be drawn from the city and district councils within the region, with mayors as the likely ex officio representatives on the governing body. Some technical modifications may need to be made.¹

Figure 1: Comparing the status quo to the CTB model



...with voting power based balancing population size and effective representation...

- 30 A key policy judgement is how to allocate voting power amongst the CTB members. Our proposal is to ensure voting power on the CTB is allocated to members primarily according to the population of the territorial authority they represent. This is consistent with the fundamental democratic principle of ‘one person, one vote’.

¹ For example, there are 7 territorial authorities which span more than one regional council area: Rangitikei District Council, Rotorua Lakes Council, Stratford District Council, Tararua District Council, Taupo District Council, Waitaki District Council, and Waitomo District Council. Under the CTB model there is the potential to disenfranchise small communities if they are paying rates to the regional entity but cannot vote for any of the elected members. The proposal document will include a preferred option for modifications to the CTB model in some regions to provide for some cross-boundary representation in these areas. However, feedback on alternative options will be sought.

- 31 However, this would need to be balanced with the concept of ‘effective representation’. Effective representation is a pre-existing concept in the Local Electoral Act 2001 that ensures that ‘communities of interest’ can be effectively represented despite not meeting the usual population thresholds. For CTBs, one undesirable outcome could be a large council having an absolute voting majority over a number of smaller councils.
- 32 Balancing proportionality with other factors including effective representation involves a complex judgement. To avoid perceptions of bias, we propose that the allocation of voting rights is determined by the Local Government Commission.

...modified where necessary to balance urban and rural interests

- 33 Sometimes bespoke arrangements will be required for particular decisions by the CTB. For example, the Crown (via NZTA) sits on regional land transport committees alongside regional councils and territorial authorities. This reflects that roading has both regional and national benefits.
- 34 In the future RM system, we need to consider more than just population – when it comes to catchment related decisions it is also about the users of land and water resources, and the economic and social needs of rural communities. For RM decisions, voting power that is primarily population-based needs to ensure smaller communities of interest aren’t drowned out by larger populations.
- 35 The Minister Responsible for RMA Reform has therefore agreed that, for particular aspects of resource management, voting power amongst CTB members should be adjusted beyond the moderated, primarily population-proportional approach. For decisions on spatial and natural environment chapters, two conditions must be met: (1) a majority of votes by population share, and (2) a majority of CTB members.
- 36 This dual threshold ensures both urban and rural interests are represented in critical resource management decisions. Larger metros would need a broader base of support across the CTB than under the status quo voting process. Annex A provides details of how this balance voting system work in some selected regions.

Step 2 – Enabling locally-led reform and restructures

- 37 Under Step 1, the underlying regional council institution will remain unchanged pending Step 2. Step 2 is to require regional councils (as governed by CTBs) to prepare and submit a ‘regional reorganisation plan’ (RRP). RRP’s will require each CTB to consider how to more efficiently and cost-effectively deliver local infrastructure, public services, and regulatory functions delivered by all councils in the CTB’s region. There will be the opportunity for the enabling legislation to include new mechanisms for localised decision-making where it really matters, – such as libraries, pools, and other facilities.
- 38 Unitary authorities² will not be required to develop an RRP. However, they could produce one if desired (such as for smaller or sub-regional unitary authorities).

² Councils that are territorial authorities with the additional functions of a regional council: Auckland Council, Chatham Islands Council, Gisborne District Council, Marlborough District Council, Nelson City Council and Tasman District Council.

- 39 RRP will not just focus on amalgamations, but also consider shared services agreements, jointly-owned council companies, and any other relevant models. RRP would also need to consider the future of the CTB and the underlying legal institution itself – that is, the administrative body of the regional council. Options include retaining the regional council as a standalone legal entity, or dissolving it and:
- 39.1 reallocating functions (to either a lead territorial authority, joint committee, or jointly owned council-controlled company); or
 - 39.2 merging some or all of the CTB’s constituent territorial authorities into one or more unitary authorities for the region.
- 40 The draft proposal will test the following key design details of RRP:
- 40.1 **Mandate:** The duty to create the RRP will be a statutory requirement on the CTB.
 - 40.2 **Criteria:** RRP will need to meet certain statutory criteria (e.g., value-for-money, fiscal sustainability, scale, subsidiarity, and local voice).
 - 40.3 **Timeline:** The CTB will have no longer than two years from its formation to develop and submit its final plan to the Minister of Local Government.
 - 40.4 **Consultation:** The development process must include formal consultation with the public, iwi/hapū/Māori, and key stakeholders across the region.
 - 40.5 **Implementation:** Once approved, affected local authorities will be required to complete implementation within the timeframe outlined in the RRP.
- 41 A key policy shift relates to the approval process. Rather than polls or referenda, the final plan would be approved by the Minister of Local Government (the Minister) in consultation with any other relevant ministers, and on the advice of the LGC.
- 42 Vesting decision-making authority in the Minister may be criticised for dulling the power of local voters. However, we think it is necessary to overcome the long-standing inertia in locally led reforms that are stymied by loss-averse thinking and rent-seeking behaviour of certain interest groups that end up dominating.
- 43 In addition to making the final decisions, the Minister would have a power to:
- 43.1 request amendments to an RRP;
 - 43.2 appoint a Commission to finalise an RRP in the event a CTB fails to produce a credible plan; and
 - 43.3 ‘call in’ an RRP to make amendments directly before making a final decision themselves.
- 44 Further details on the scope and approach to RRP that we will test as part of the draft proposal are set out in Annex B.

A parallel rapid review of regional council functions

- 45 There are plans to reallocate RM compliance-monitoring and enforcement to a national regulator with a regional presence – a significant reduction in scope for regional councils. We will also undertake a rapid review of all remaining regional council roles, functions, and responsibilities. This would occur in parallel to engagement on the draft proposal.
- 46 The purpose will be to identify any regional council roles, responsibilities, or functions that are:
 - 46.1 unnecessary and should cease; or
 - 46.2 be reallocated by central government instead of being left up to the CTB to consider through the RRP.
- 47 Reallocation might include centralising functions that are deemed of national significance or would benefit from economies of scale. A proposed framework officials will apply (and adapt as necessary) to these reviews is attached as Annex C. Relevant government agencies will have the opportunity to provide input on the framework in the first stage of this review.
- 48 This work will require the relevant agencies having the capacity to participate in the review and funding to absorb any recommended transfer (or power to recover the costs from third parties).
- 49 We will provide Cabinet with recommendations on whether any regional council functions should cease or be reallocated alongside our final proposal for simplifying local government. This means CTBs will produce their RRP in light of any changes to regional functions Cabinet agrees to progress.
- 50 Opportunities for broader engagement on proposals to shift or cease any regional council functions will be considered in March 2026 when we report back.

Next steps

- 51 We suggest the reform proceed as follows. This timeframe is designed to ensure CTBs are operating in time to support the new RM system.

What	When
Early engagement with certain PSGEs and significantly affected groups on an embargoed version of the draft proposal.	After Cabinet decisions on this paper but before a broader announcement.
Announce the draft proposal and begin testing and refining the proposal with experts, stakeholders. The proposal will also be set out on a government hosted website with an online submission form.	November 2025 – February 2026

What	When
Report back to Cabinet with a final proposal (including any reallocation of regional council functions) so a Bill can be drafted.	End March 2026
Introduction and parliamentary process begins.	Estimated June 2026

Risks

52 9(2)(h)



53 We highlight the following risks for Cabinet to be aware of:

- 53.1 The estimated timeframe for introducing legislation assumes the draft proposal does not require substantial changes. If substantial re-working is required following feedback on the draft, timeframes will shift.

9(2)(h)



- 53.2 Vesting power in the Minister of Local Government to approve or make changes to RRP may be criticised by local communities as reducing local voice. We will consider feedback before making final decisions.
- 53.3 We have directed officials to provide a comprehensive communications strategy which we will distribute to all relevant ministers. Communications risks include:
- 53.3.1 ^{9(2)(f)(iv)} [REDACTED]
- 53.3.2 engagement will present strong and diverse views on the draft proposal that will reflect competing objectives that may need to be traded off in the final proposal.

Cost-of-living Implications

54 None as a direct result of this paper.

Financial Implications

- 55 This reform is a new addition to the Department of Internal Affairs’ (DIA) work programme. It is complex with many moving parts (engagement, rapid review of regional functions, and detailed policy design) that need to come together early next year. Delivering on this timeframe will require DIA’s small local government policy team to be reprioritised. ^{9(2)(j)} [REDACTED]
- 56 To mitigate any negative impacts on Government priorities, DIA has identified a likely underspend in a tagged operating contingency⁴ that could be used to support this work in the 2025/26 fiscal year. We recommend reallocating and drawing down \$3.5 million that would fund the direct and indirect costs of:
- 56.1 a core policy team;
- 56.2 communications and engagement expertise and associated costs;
- 56.3 external advisory support as needed (e.g., Crown Law advice, local government SMEs, commercial expertise (relating to listed assets, like ports), and possibly surge support to analyse a large number of submissions at pace.

57 There are likely to be further financial implications arising from this project assuming it progresses beyond the current fiscal year. ^{9(2)(f)(iv)} [REDACTED]

58 ^{9(2)(f)(iv)} [REDACTED]

⁴ Taumata Arowai, New Crown Agent Regulator for Water Services. The opportunity cost of reallocating this funding is that it would otherwise be returned to the Crown.

9(2)(f)(iv)

- 59 There will be additional costs for local authorities once final decisions have been made. These will be considered alongside final policy decisions. However, we expect the marginal cost of the reform to be relatively small – the only additional direct cost on them is to produce an RRP. Costs will be teased out as we refine the proposal.

Legislative Implications

- 60 We will submit a legislative bid for the 2026 legislative programme at the appropriate time. The Bill should be introduced by June 2026 to ensure alignment with resource management reforms.

Impact Analysis

Regulatory Impact Statement

- 61 The Department of Internal Affairs' Regulatory Impact Analysis (RIA) panel considers that the information and analysis summarised in the RIA statement partially meets the quality assurance criteria.
- 62 The main issue is that the policy proposal has not been consulted on, and therefore does not meet the 'consulted' criteria. The government would usually carry out extensive public consultation on a major policy proposal like this.
- 63 The statement explains why consultation has not taken place. It further states that limited consultation, focusing on Māori post-settlement governance entities and "the local government sector", will occur between November 2025 and February 2026. This will take place after Cabinet has made in-principle decisions but before final decisions.

64 9(2)(f)(iv), 9(2)(g)(i)

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

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

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

Climate Implications of Policy Assessment

67 Not required.

Population Implications

68 No substantive implications identified as a direct result of this paper.

Treaty of Waitangi implications

69 Officials have undertaken initial analysis of how the draft proposal interacts with the Treaty of Waitangi and Treaty settlements. We note the initial analysis comments that:

69.1 The draft proposal would remove Māori constituencies at the regional level (alongside non-Māori regional constituencies). 9(2)(j), 9(2)(f)(iv)

[Redacted text]

69.2 While the CTB would inherit all the Treaty of Waitangi obligations currently delegated to regional councils, the draft proposal changes the governance of these commitments. 9(2)(f)(iv), 9(2)(g)(i)

[Redacted text]

70 9(2)(f)(iv), 9(2)(g)(i)

[Redacted text]

71 Our approach to engaging on the draft proposal will ensure these implications are tested robustly and in good faith with iwi, Māori, and post-settlement government entities.

Human Rights

72 Nil as a direct result of this paper. Article 25 of the International Covenant on Civil and Political Rights includes the right, without unreasonable restrictions, to take part in the conduct of public affairs, directly or through freely chosen representatives. Any impacts on this right will be considered as part of the detailed design of the final proposals.

Use of External Resources

73 The Department of Internal Affairs (DIA) led the policy work underpinning this paper. DIA makes prudent use of external resources to fill unforeseen short-term gaps in staffing to ensure ministerial priorities proceed without disruption. As a result, we are advised two contractors have contributed to this paper.

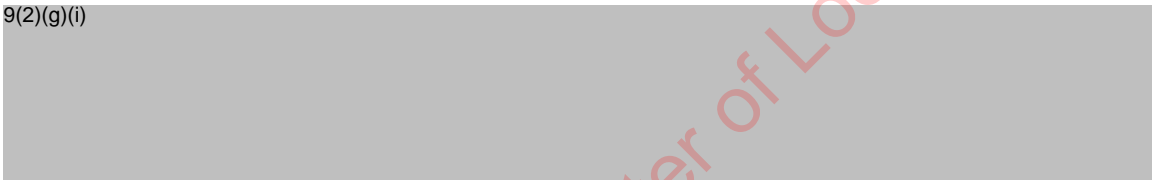
Consultation

- 74 The paper was prepared by the Department of Internal Affairs. The following agencies were offered the chance to comment on the proposal: The Treasury, Department of Prime Minister and Cabinet, Public Service Commission, Ministry of Business, Innovation and Employment, Department of Conservation, Crown Law Office, Ministry for the Environment, Ministry of Housing and Urban Development, Ministry of Justice, Land Information New Zealand, Office of Treaty Settlements | Te Tari Whakatau, Parliamentary Counsel Office, Ministry for Primary Industries, Ministry for Regulation, Te Puni Kōkiri, and Ministry of Transport.
- 75 The Local Government Commission has not yet been consulted.

Communications

- 76 We will announce the proposal but note it is not final and subject to testing with refinement through the engagement period.

77 9(2)(g)(i)



Proactive Release

- 78 This paper will be proactively released consistent with our communications approach.

Recommendations

The Minister Responsible for RMA Reform and the Minister of Local Government recommend that the Committee:

- 1 **note** that New Zealand has two separately elected systems of local leadership that operate in parallel (city/district councillors *and* regional councillors) which is unnecessarily complex, confusing, and costly;
- 2 **note** it is timely to reconsider the structure of local government given resource management reform will significantly reduce the role, discretion, and functions of regional councils
- 3 **agree** to release a draft proposal for simplifying local government ('the draft proposal') for testing and refining with experts, post-settlement governance entities, and other stakeholders with an online submission form available;
- 4 **agree** that the draft proposal is based on the following core policy parameters:
 - 4.1 replacing the elected layer of the regional councils with a combined territories board (CTB), with a CTB's constituent members being the territorial authorities in the relevant region, with each territorial authority represented by its mayor (ex officio) or the mayor's delegate;

- 4.2 the allocation voting rights on a CTB is in the first instance proportional to the population of the territorial authority the member represents, subject to this providing effective representation;
 - 4.3 voting power on the CTB will be determined by the Local Government Commission, considering proportionality and effective representation (unless a bespoke voting arrangement applies – e.g., land transport regional committees);
 - 4.4 replacing the regional council’s governing body with a CTB would not affect the underlying regional council’s roles, functions, obligations (including Treaty of Waitangi obligations), assets, and liabilities;
 - 4.5 the CTB will be required to produce a regional reorganisation plan (RRP) within 2 years of its formation which will be a comprehensive, locally-driven future blueprint for the efficient and effective delivery of all local government functions (including territorial authority functions) within the region, with options including: retaining, modifying, or dissolving the CTB as a standalone regional entity; forming a unitary authority; reallocating functions; and making greater use of shared services, or jointly-owned council organisations.
- 5 **note** that to ensure greater cross-region support for resource management decisions, the new resource management regime will require the CTB’s voting power to be modified such that a resolution will only pass if it has both:
- 5.1 a majority of votes based on population; and
 - 5.2 support from more than half of the councils represented on the CTB;
- 6 **invite** the Minister of Local Government in consultation with relevant Portfolio Ministers to rapidly review regional council statutory roles, responsibilities, and functions to identify any that should cease or should be reallocated by the Government, rather than left to be considered as part of each region’s RRP;
- 7 **authorise** the Minister Responsible for RMA Reform and Minister of Local Government to announce the direction of reform publicly, release this Cabinet paper, and approve any communications and consultation material to support the testing of the proposal;
- 8 **invite** the Minister Responsible for RMA Reform and Minister of Local Government to report back by the end of March 2026 with a final proposal for simplifying local government;
- 9 **note** to deliver on this timeframe, the Department of Internal Affairs (DIA) will reprioritise staff but doing so without backfilling will compromise other Government priorities;
- 10 **agree** to meet the immediate costs described in recommendation 9 of \$3.5 million by reallocating funding in the ‘Taumata Arowai, New Crown Agent Regulator for Water Services tagged operating contingency’ established by Cabinet on 6 July 2020 [CAB-20-MIN-0328.13 refers];

S E N S I T I V E

- 11 **approve** the following change to appropriations provide for the decision in recommendation 10, with a corresponding impact on the operating balance and net core Crown debt:

Vote Internal Affairs Minister of Local Government	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Departmental Output Expense: Local Government Policy and Related Services (funded by revenue Crown)	3.500	-	-	-	-
Total Operating	3.500	-	-	-	-

- 12 **agree** that the proposed changes to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 13 **agree** that the expenses incurred under recommendation 9 above be charged against the ‘Taumata Arowai, New Crown Agent Regulator for Water Services’ tagged operating contingency described in recommendation 10 above;
- 14 **note** that, following the adjustment(s) detailed in recommendation 11, as well as previous drawdowns and adjustments agreed as part of Budget 2025, the remaining balances and indicative phasing of the tagged operating contingency described in recommendation 10 above will be:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Taumata Arowai, New Crown Agent Regulator for Water Services tagged operating contingency	4.584	8.130	7.887	7.682	7.682

- 15 **note** that the tagged operating contingency described in recommendation 10 above will expire on 30 June 2026;

16 9(2)(f)(iv)

Authorised for lodging

Hon Chris Bishop

Minister Responsible for RMA Reform

Hon Simon Watts

Minister of Local Government

Annex A: Examples of how voting adjustments would work for RM decision making

Region	Adjustments are made to voting for resource management decisions
Canterbury Region <i>9 councils</i>	Five councils would need to support something for a decision to be made, and one of them would have to be Christchurch City Council as it has the majority of the elector population.
Southland Region <i>3 councils</i>	Two councils would need to support something for a decision to be made, and one of them would have to be Invercargill as it has the majority of the elector population.
Waikato Region <i>10 councils</i>	<p>Six councils would need to support something for a decision to be made.</p> <p>If Hamilton City Council and Waikato District Council support something (this would be the majority of electors), then for a decision to be made any other four councils would need to also support it.</p> <p>However, even if all eight of the smallest council banded together, they still would not have the majority of elector population, and so would still need either Hamilton City or Waikato District to make a decision.</p>
Wellington Region <i>8 councils</i>	<p>Five councils would need to support something for a decision to be made.</p> <p>If Wellington City Council wasn't one of those five, then the next four remaining largest councils would need to support the decision.</p> <p>The three Wairarapa councils could not stop a vote going through on their own.</p>

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Annex B: Approach to regional reorganisation plans

Purpose

- 1 The primary purpose of the Regional Reorganisation Plan (RRP) is to provide a clear, evidence-based, and locally driven blueprint for the final form and function of regional governance. It is the mechanism by which the underlying regional council institution is either dissolved, repurposed, or transformed.

Key policy features

- 2 Legislation will need to provide for the following key features:
 - 2.1 **Mandate:** The duty to create the RRP will be a statutory requirement on the combined territories board (CTB). They will be guided by statutory criteria.
 - 2.2 **Timeline:** The CTB will have a set time (two years) from its formation to develop and submit its final plan to the Minister of Local Government.
 - 2.3 **Consultation:** The development process must include formal consultation with the public, iwi/Māori, and key stakeholders across the region.
 - 2.4 **Approval:** The final plan must be approved by the Local Government Commission if it is in the public interest, in consultation with the Minister of Local Government. The Minister will have the power to request amendments or, in the event of a failure to produce a credible plan, appoint a commission to finalise it. The Minister will have a power to ‘call-in’ an RRP to make the final decision themselves.
 - 2.5 **Implementation:** Once approved, the plan becomes legally binding, and its implementation will begin.
- 3 There will be the opportunity for the enabling legislation to include new mechanisms for localised decision-making if required.
- 4 If any draft RRP impacts a Treaty settlement, the change would need to be negotiated with the relevant post-settlement governance entity/entities.

Contents of a regional reorganisation plan

- 5 Each RRP must, at a minimum, contain the following components
 - 5.1 **A full functional review:** A detailed analysis of every function and service currently delivered by the territorial authority and regional council in the region (excluding any functions centralised by the government).
 - 5.2 **A proposed allocation for each function:** For every function, the plan must recommend one of the following pathways:

- 5.2.1 **Devolution:** The function is transferred to one or more of the constituent territorial authorities that will be required to administer it in the regional interest.
- 5.2.2 **Shared Service:** The function is transferred to a new or existing council-controlled organisation or company owned by all territorial authorities.
- 5.2.3 **Termination:** The function is deemed unnecessary and is to be discontinued. The RRP cannot, of itself, propose termination of statutory functions. This would need to be managed by a separate or parallel process with the government agency responsible for the relevant legislation.
- 5.3 **Treaty of Waitangi:** The plan should detail how any Treaty of Waitangi commitments, delegated by the Crown, will be upheld under the proposed model.
- 5.4 **Financial transition:** A fully costed plan detailing the transfer of all assets, liabilities, and debt. This must include a clear statement on the impact on rates for each district and city.
- 5.5 **Organisational transition:** A plan for the management of all staff, including transfers and redundancies, developed in accordance with employment law.
- 5.6 **Final regional form:** A clear recommendation on the ultimate legal status of the regional entity. The primary options are:
- 5.6.1 **Full dissolution:** The regional entity as a legal entity is formally dissolved.
- 5.6.2 **Shell entity:** The entity is retained as a minimal “shell” entity for the sole purpose of administering a specific council-controlled organisation (CCO) or joint committee agreed by the territorial authorities.
- 5.6.3 **Unitary authority/authorities:** The CTB makes a case for a full merger with territorial authorities to form a unitary authority for the region.

Annex C: Approach to rapid review of regional council functions

Purpose

- 1 This annex provides an initial framework to support a rapid review of regional council statutory functions. It will be further developed, refined, and adapted as necessary throughout the process.
- 2 The purpose of this framework is to ensure that any decision to move a function from local delivery to central government is based on a clear, consistent, and defensible set of principles. It provides a structured methodology for identifying functions of genuine national significance while upholding the principle that governance should, by default, remain as close as possible to the communities it serves.
- 3 The framework for assessing whether a function should stop or cease is still under development.

Key agencies

- 4 The review will look at regional councils' statutory functions based in legislation administered by the Department of Internal Affairs, the Ministry for the Environment, the Ministry of Transport, the Ministry of Business, Innovation and Employment, the Ministry of Primary Industries, the Department of Conservation, the Ministry of Housing and Urban Development, the National Emergency Management Agency and Te Puni Kōkiri.
- 5 Te Tari Whakatau, Treasury, the Public Service Commission, and the Ministry of Regulation are also likely to have a role in the review process.

Guiding Principles

- 6 The assessment of every regional council function must be guided by the following five principles:
 - 6.1 **Principle 1: Subsidiarity (devolution by default):** The starting assumption must be that a function should be delivered at the local or regional level unless there is a compelling case for centralisation. The purposes and role of local government, as set out in the Local Government Act 2002 and other legislation, should be taken into account.
 - 6.2 **Principle 2: National interest:** A function should only be considered for centralisation if its performance is critical to New Zealand's national economic, environmental, or social wellbeing, and where local variation poses a significant risk to that interest.
 - 6.3 **Principle 3: Efficiency and capability:** A reallocation must offer a material and demonstrable improvement in efficiency, effectiveness, and technical capability that cannot be achieved through other means (such as shared services or national policy direction).

- 6.4 **Principle 4: Clarity and accountability:** The allocation of functions must be clear. A centralised function must have a single, unambiguous point of departmental and ministerial accountability.
- 6.5 **Principle 5: Equivalence of Treaty settlements:** Centralisation must provide for consistency in any existing Treaty settlement commitments (which may include seeking agreement from the relevant post-settlement governance entity/entities and progressing amendment legislation).

The assessment framework

- 7 The assessment should follow three steps:
 - 7.1 **Step 1:** Does the function have ‘national impacts or significance’? If not, it should not be considered for centralisation.
 - 7.2 **Step 2:** If so, are there substantive barriers to effective and efficient devolved service delivery? If not, it should not be considered for centralisation.
 - 7.3 **Step 3:** If so, would the benefits of centralising the function outweigh the costs (including transition costs and risks)?

Step 1: Does the function have national significance?

- 8 This step asks: Does the function address a matter of clear and overriding national significance? In assessing this question, consider if the function must meet **at least one** of the following criteria:
 - 8.1 **Cross-boundary impact:** The effects of the function regularly and significantly cross regional boundaries, and a lack of national consistency creates material harm (e.g., management of a nationally significant river system that flows through multiple regions).
 - 8.2 **International obligations:** The function is essential for meeting New Zealand's binding international obligations (e.g., aspects of climate change reporting and emissions management).
 - 8.3 **Systemic economic importance:** The function is fundamental to the operation of a nationally significant market or infrastructure network (e.g., setting standards for nationally critical infrastructure like ports or electricity transmission corridors).
 - 8.4 **National security:** The function is critical to protecting New Zealand from a major national-level threat (e.g., malicious threats).
- 9 If the function does not meet any of these criteria, it fails the test. **It should be left for the CTBs to reallocate via the Regional Reorganisation Plan process.** If it passes, assessment should go to step 2.

Step 2: Are there substantive barriers to devolved service delivery?

- 10 This step asks: Is the current devolved model demonstrably failing to deliver the required outcomes, and is it likely that this failure is inherent to devolved service delivery?
- 11 To pass this gateway, we should consider if there is evidence of **at least one** of the following:
- 11.1 **Inconsistent outcomes:** There is significant, unjustified inconsistency in outcomes across the country that harms the national interest (e.g., widely varying water quality standards and enforcement that create business uncertainty or ‘post-code’ lottery).
 - 11.2 **Capability gaps:** There is a widespread lack of the specialised technical expertise or resources required to perform the function effectively at a regional level.
 - 11.3 **Regulatory capture:** There is evidence that local decision-making on the function is consistently being captured by parochial interests to the detriment of the national interest.
- 12 If there are no clear substantive barriers to devolved delivery, the function fails this step. In this case, the appropriate tool is stronger **national policy direction** (e.g., national direction under the new RM system), not a change in delivery agent. If it passes, the function should be considered under step 3.

Step 3: Is there a net benefit?

- 13 This step asks: Would centralisation provide a clear, net benefit to New Zealand? To pass this final gateway, analysis should demonstrate that:
- 13.1 **Material gain:** Centralisation would create significant and measurable gains in efficiency (e.g., economies of scale from a single national delivery agency) or effectiveness (e.g., access to information and capabilities that are only available to central government).
 - 13.2 **Accountability is clear:** The function can be relocated to a central government agency with a clear line of Ministerial accountability and the right institutional fit.
 - 13.3 **Benefits outweigh costs:** The benefits of centralisation clearly outweigh the costs, including the loss of local responsiveness, the risk of a "one-size-fits-all" approach failing to account for regional diversity, and the financial cost of transition.
- 14 If a clear net benefit cannot be demonstrated, the function fails the test and should be left for the Regional Reorganisation Plan process. If it passes all three stages, it could be suitable for centralisation.

Next steps

- 15 Subject to Cabinet agreement the Minister of Local Government (in consultation with relevant portfolio ministers) will:
- 15.1 **Map all functions:** Identify every function, power, and duty of regional councils.
 - 15.2 **Apply the framework:** Systematically assess each function against the three-stage test in a transparent manner.
 - 15.3 **Consult:** Engage with agencies, sector experts, local government to test assumptions and gather evidence.
 - 15.4 **Develop recommendations:** For each function, produce a clear recommendation, supported by evidence against the framework:
 - 15.4.1 **Cease:** The function is inconsistent with Government priorities
 - 15.4.2 **Centralise:** The function passes all three stages.
 - 15.4.3 **Consider national direction or other mechanisms:** The function fails at Step 2.
 - 15.4.4 **Leave for regional reorganisation plans:** The function fails at Step 1 or Step 3.

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