Response to the DIA Draft Proposal: Simplifying Local Government

Executive summary

The Government is correct to identify that New Zealand's regional governance arrangements are underperforming and that reform is required.[1] Where the draft proposal fails is in assuming that weak regional outcomes are primarily a problem of *structure* and can therefore be solved through greater centralisation, aggregation of councils, or coercive regional decision-making.[2]

Evidence from Auckland and earlier regional initiatives shows that amalgamation and forced central control have not delivered either effective regional governance or meaningful community engagement.[3,4] Instead, they have tended to replace **place-based fragmentation** with **functional fragmentation**, weaken incentives, suppress information, and erode legitimacy.[5]

This paper distinguishes clearly between **operating at scale** to achieve efficiency and outcomes, and **centralising control** through amalgamation. It explains why Auckland Council has failed as a Unitary Authority, why the current proposal will not work, and sets out a credible alternative consistent with longer-term reform of local government in New Zealand.

Scale versus centralisation

Operating at scale and centralising power are not the same thing. Scale is a functional concept: it refers to matching the geographic or system boundary of a decision to the externalities it creates. Transport networks, water catchments, growth corridors, labour markets and hazard systems often require coordination beyond individual council boundaries.[6]

Centralisation is an institutional choice: it concentrates decision rights, funding control, and authority in a higher tier, usually justified on grounds of efficiency or consistency. Empirical evidence shows that centralisation frequently undermines the very information flows and incentives required to realise the benefits of scale.[2,6]

Regional governance performs best when councils and communities *choose* to act at scale because doing so demonstrably benefits their ratepayers, and when they retain accountability for those choices. It performs poorly when scale is imposed through hierarchy and voting systems that coerce minorities and sever accountability.[7] (More comments are provided in the **APPENDIX 1: Amalgamation versus voluntary scale arrangements**)

The Auckland experience

The Royal Commission on Auckland Governance identified two core problems: weak regional governance and poor community engagement.[1] Its solution – amalgamation – addressed neither.

Auckland Council replaced multiple councils with a single unitary authority but did not create a capable regional coordinating system. Evidence shows that promised efficiency savings were not realised; overheads, duplication and delivery inefficiencies persisted.[3,4] Regional strategy did not translate into aligned agency behaviour, with transport, housing, economic development and infrastructure investment remaining fragmented.[4,8] Community engagement became more remote and procedural, with reduced influence over outcomes.[4]

As documented in David Wilson's analysis of the Metropolitan Auckland Project, amalgamation produced neither subsidiarity nor strategic integration. Instead, it resulted in fragmented functional governance, with large CCOs and centralised departments operating at distance from communities.[3]

Auckland demonstrates that structural consolidation does not generate competence, coordination or legitimacy. It primarily concentrates authority.

Why the draft proposal will not work

The draft proposal repeats the core error of the Auckland reform. It assumes that regional failure arises from insufficient authority and that representative or majority voting at a regional level can resolve conflicts between councils.

Voting on regional matters that impose costs or constraints on individual councils inevitably creates perceptions of unfairness and majority coercion. Councils that lose votes lose autonomy but remain accountable to their ratepayers for outcomes they did not choose.[7]

Coercive regional decision-making also weakens incentives to collaborate. Councils rationally resist sharing information or building joint capability when cooperation risks further loss of control.[2] Concentrating regional roles in mayors or mandated representatives does not address the underlying analytical, informational and capability deficits that drive poor regional performance.[6]

The proposal also increases the likelihood of further central government intervention, using conflict or underperformance as justification for commissioners or direct control, reinforcing the cycle of mistrust between central and local government.[9]

Why amalgamation and forced regionalism fail

Empirical evidence and overseas experience are consistent: collaboration does not emerge from coercion. Dominance-based systems may achieve short-term compliance but are unstable and information-poor.[10]

In New Zealand, a long history of central–local conflict has conditioned councils to treat regional initiatives as threats rather than opportunities. Amalgamation intensifies this dynamic by removing visible local accountability and suppressing local knowledge.

The result is high transaction costs, poor information flow, weak incentives, and low legitimacy – the opposite of what effective regional governance requires.[2,6]

What does work: a polycentric alternative

Effective regional governance aligns **scale, information and incentives** within a polycentric system.[6,11]

Regional coordination is used only where problems genuinely span multiple communities. Local governance remains responsible for local outcomes. Shared arrangements are contractual, transparent and voluntary, rather than hierarchical.[6]

Decisions are informed by shared evidence systems that combine regional modelling with local knowledge. Funding responsibility follows decision authority, so actors bear the costs of the choices they make.[2,11]

This structure preserves local autonomy while enabling scale where it adds value.

The behavioural requirement: an excellence nucleus

Structural reform alone is insufficient. Behavioural change is required to shift from dominance-based compliance to prestige-based cooperation.[10]

Successful systems consistently rely on a small, technically strong regional core – an *excellence nucleus* – that earns authority through performance rather than statute. This nucleus produces demonstrably better analysis, modelling and sequencing than existing silos, operates transparently, exercises restraint in local matters, and builds trust through repeated, low-risk collaborative projects.[6,11]

Prestige emerges from competence. Cooperation follows because participation improves outcomes for all parties.

A practical alternative: voluntary regional groupings for collaboration

A credible alternative to the draft proposal is a system of voluntary regional groupings formed on a project-by-project or function-by-function basis.

Councils retain full local authority but may choose to collaborate at scale where benefits are clear. Participation is opt-in, funding is agreed unanimously, and accountability remains with member councils.

Regional groupings focus on activities that clearly benefit from scale, such as spatial planning, transport networks, water systems, civil defence, climate resilience and shared regulatory standards. There is no voting; councils either participate fully or not at all.

Detail of how this can be implemented and transitioned from the current formal Regional Council arrangements is set out in the **APPENDIX 2: The Solution**

Role of central government agencies

Central government services remain nationally controlled, but effective regional governance treats them as system inputs rather than hierarchical masters.[11,12]

Regions provide spatial intelligence, sequencing and integration that improve the effectiveness of health, education and welfare services. Joint data platforms, shared modelling and standing cross-agency teams enable alignment without duplication of authority.[11]

The role of central government is to facilitate horizontal integration, not impose vertical control.[2]

Preferred long-term reform path

In the short term, voluntary regional groupings provide a low-risk path to improved outcomes and behavioural change.

Over time, as councils experience the benefits of collaboration, formal regional institutions may become unnecessary or may evolve organically with legitimacy and capability already in place.

If further reform of local government structures is required over time, it should emerge bottom-up from demonstrated community preference rather than through centrally directed institutional redesign.

Experience in New Zealand shows that top-down reform led by central government has repeatedly failed to achieve durable improvement, in part because it sets up an inherent conflict with local government autonomy and community priorities. [13]

The role of central government should therefore be limited to enabling communities to test, adapt, and formalise collaborative arrangements through improved democratic participation mechanisms, including more flexible governance options and modernised voting processes. Structural consolidation, where it occurs, should reflect sustained local support and proven performance rather than prescriptive national reform.

William Foster
Chair Northern Action Group
8 January 2026

Appendix 1: Amalgamation versus voluntary scale arrangements

This appendix contrasts two approaches that are frequently conflated: centralisation through amalgamation and collaboration to achieve scale.

Efficiency and outcomes

Amalgamation is often justified as an efficiency reform: one organisation, one set of systems, one set of managers. In practice, merging institutions creates large transition costs, increases organisational complexity, and tends to replace geographic fragmentation with functional fragmentation. Performance depends on whether information and incentives improve; size alone does not produce better coordination or better capital delivery.[2,4,8]

Voluntary scale arrangements target scale only where it is technically justified. Councils collaborate on specific functions that exhibit clear scale economies or cross-boundary spillovers (for example, network planning, shared procurement, regional modelling, or catchment-scale infrastructure). This avoids the overhead of merging entire institutions and allows scale to be applied selectively where it improves outcomes.[6,11]

Accountability

Amalgamation shifts decision rights upward and makes it harder for residents to attribute outcomes to specific choices and actors. Local preferences are diluted in a larger electorate, and decision makers can plausibly blame complexity, legacy systems, or internal entities for poor performance. This weakens feedback and makes corrective action slower.[1,4]

Voluntary scale preserves local political accountability by keeping councils responsible to their own ratepayers while allowing them to contract into shared arrangements. Councils can justify participation on observable local benefits and can adjust participation if outcomes do not meet expectations. Accountability remains place-based and explicit, while regional coordination is treated as a deliberate choice rather than an imposed authority.[2,7]

Legitimacy and cooperation

Amalgamation relies on authority to compel uniformity. Where communities experience one-size-fits-all policies, distance from decision makers, or limited influence over priorities, legitimacy tends to decline and local knowledge is suppressed. These dynamics reduce cooperation and degrade information flow, which in turn undermines the objectives of regional coordination.[3,4,10]

Voluntary scale arrangements are compatible with prestige-based cooperation. Councils participate because the arrangement demonstrates competence, transparency, and clear benefits. The legitimacy of the regional function is earned through performance rather than imposed through statute. This improves information sharing and reduces transaction costs because actors perceive participation as mutually beneficial rather than coercive.[6,10,11]

Appendix 2: The Solution

The **right way** to address this is to avoid a system that requires voting and to incentivise one which encourages collaboration.

Councils need to see the benefits to their own ratepayers of conducting some activities at scale (otherwise why would they want to) , and to be allowed to opt out for things they don't see as giving any benefits from being done together with other Councils.

Managing some things at scale then becomes a **choice**, not a **command**.

Forcing centralisation of power and control over activities that benefit from provision at scale and coerces any Councils to comply with what others want, is a different idea from that of Councils working together to do things at scale that they agree they will benefit from.

Councils are fundamentally accountable to their ratepayers. Putting the onus on them to make these decisions leaves accountability where it belongs - with ratepayers.

So how to make each of these Options work?

Start with rationalising the

Funding

However regional governance is structured, having it separately billed to, and funded by, ratepayers does not encourage integration with Council responsibilities. It also adds an unnecessary layer of administration cost.

So the first step is to have Councils pay directly for regional activity. The regional rate can be included in the Council's rate and Councils can pay directly for regional activity.

- Ratepayers don't pay a separate rate for the costs of the regional group - member Councils budget for their contribution to regional activity.
- To prevent any Council from unilaterally deciding not to contribute funding before it adjusts to collaboration, initially each council would pay a quarterly amount to the regional council based on a set amount per rating unit times the number of rating units. The amount would be calculated to equate to the expenditure budget for the regional council for the previous year.
    - For the following year the amount would be 70% of the previous year's rate, and any additional funding by Councils would be for explicitly agreed activities Councils would agree to fund.
    - For the following year the fixed basic amount would drop to 30% of the original, then the next year to 10%, then following that to whatever basic

amount Councils agreed to cover basic administration (no activity or project related) costs of regional activities.

- For regional activities over and above those funded from the basic contribution, member Councils pay for any and all joint projects or activities they are supporting in proportion to their rating unit numbers.
- All participating members have to agree on funding for any project before it proceeds (including annual budgeting for administrative and staff support)

Getting Agreement

The **right way** to address decision making by the CTB is to avoid a system that requires voting and incentivise one which encourages collaboration.

Councils need to see the benefits to their own ratepayers of conducting some activities at scale (otherwise why would they want to) , and to be allowed to opt out for things they don't see as giving any benefits from being done together with other Councils.

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So how would that system work?

Principles:

- CTBs are formed to achieve **benefits of scale** in projects, activities or regulation - not to assume any control over anything member Councils do not agree they should.
- Members (and their Councils) have to see that there are benefits from conducting the activity at scale. Examples of those activities (initially these may be proscribed as activities for which responsibility lies with the CTB if there is cynicism or doubt about Council collaboration to conduct these at scale) are:
    - proper spatial planning i.e. regional resource, infrastructure and Council development planning and provisioning;
    - transport infrastructure;
    - water (storm and reticulated);
    - managing regional assets (on behalf of affected Councils)
    - civil defence and emergency management;
    - climate and natural hazard risk resilience;
    - biosecurity, air quality; and
    - standards and regulation.

- The regional executive technical **excellence nucleus** serves as a **shared service**, not a controller. This excellence nucleus explicitly provides modelling, analysis, procurement templates, business cases, and sequencing advice *to all councils*, regardless of size. This compensates for varying capacity levels across member Councils.
- In the longer term for collaboration to be workable, Councils have to be given the right to govern, plan and manage regional assets and activities that are relevant to, and in, their own Council area – as for a Unitary Authority – but as a choice, and selectively, or to choose to do them regionally in collaboration with other Councils in the region.

Membership of CTBs

- Councils nominate their representative for the CTB (one per Council - irrespective of size) from one of their own elected representatives (this may or may not be the Mayor). [It could be any person from any level of representation (e.g. Local or Community Board) or even a non-elected professional that the Council has confidence in for the role.]
- Councils can change their member (representatives) **at any time**.

Process

- Members get regional professional staff to prepare work programmes for member Councils to participate in (or not).
- Member Councils (i.e their representatives on the CTB) agree on what the CTB can consider or do for them. Councils agree to be bound by their commitments, or they can replace their representative.
- There is no voting. Member Councils can opt out but projects or activities can't then apply in their area - that includes funding the support staff or admin services needed to provide the activity.
- For clarity, members are either **in** (participating jointly) on a project or activity or **out** (no part measures).
- Once activities or projects are committed Councils cannot recant or withdraw. Exit is only allowed on completion or change of scope agreed by all participating members.
- All joint projects or activities must be carried out to agreed common standards and quality of provision (no differentiation between Councils).
- Members must have time to consult their councils before making major decisions.
- Members agree to have the regional executive hire and fund staff or contractors needed to support regional projects, activities and decision-making. (Members have to agree on a Procurement policy that is fair to all members' local contractors and does not deny them opportunities to participate in regional scale activities).
- The scope of the CTB is recalibrated annually.

Evaluation and Accountability

Rather than have Crown Commissioners appointed to the CTBs (a signal lack of faith in Council's ability) the ideal is for each CTB to be evaluated annually for Fitness for

Purpose by an Independent CTB Performance Commissioner and the report made public.

Despite this being a recommendation of the Royal Commission on Auckland, Government has so far shown no enthusiasm for this form of accountability, preferring hands on interference and direction. This is a good opportunity to introduce it and signal and reinstall faith in ratepayers and their Councils.

The Crown does not need a "stronger role" since all Councils are accountable to their ratepayers and there are no conflicts to resolve. Councils choose the extent to which conducting activities at scale adds value for their ratepayers, and their ratepayers decide if Council has got it right when they vote for their representatives – assisted by the Independent Commissioner's annual report.

Name

Combined Territories Board (RTB) is a terrible name. We can't call them Councils because they are not elected and its an overused term anyway. They are Regional and they are Groups of Councils. So we could call them Regional Council Groups. If you want something different perhaps call them Regional Circles. Its only a name. Find a better one.

Central Government Agency Role

Central Government needs to facilitate horizontal integration with Councils and their communities in the provision of assets and services. Teams of Community, Council and Government Agency staff need to be set up in each Council area to address and resolve differences of priority, timing and provision for District integrated infrastructure and development plans. Agencies need to become customer driven - not policy and nationally driven - in the allocation of resources.

To motivate participation by Government Agencies, they should be required to provide Regional Integration Statements in all significant capital/service investment or project proposals; use standard Treasury processes for investment discipline; and publish the rationale for any non-alignment.

All regions should have a baseline service, facility, asset entitlement and discretionary funding for growth accelerators, innovation, co-funding or expedited approvals.

Local Government Reform

Here the intention of the proposal is good, but regional representatives of Councils have a vested interest in retaining power and control over access to resources and the way Local Government is governed and managed. So getting them to propose arrangements for the future of their regional local government is like putting the foxes in charge of the henhouse.

“Consultation” is no panacea either, since, as here, it is structured in NZ as a process framing a proposition you want people to support (with or without options), collecting their comments, and proceeding with what you wanted to do anyway.

The only democratic answer is to give the initiating responsibility to communities to evolve the structures and specialisation and differentiation of activities at scale that suit them best. That can be facilitated by reforming the current outdated system of voting to allow secure online voting (despite unverified fears about risks these can be properly addressed) and encourage voter participation in referenda and election of local community assemblies. This will form and inform publicly supported alignments that best serve the public interest and allow consolidations that reflect what people want.

Footnotes

[1] Royal Commission on Auckland Governance. (2009). *Report of the Royal Commission on Auckland Governance*. Wellington.

[2] New Zealand Productivity Commission. *Local Government Insights (Feb 2020)*. https://www.treasury.govt.nz/sites/default/files/2024-05/pc-rp-local-government-insights-report-2020-midres.pdf.

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[5] Allmendinger, P., & Haughton, G. (2009). Soft spaces, fuzzy boundaries, and metagovernance. *Environment and Planning A*, 41(3), 617–632.

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[10] Cheng, J. T., Tracy, J. L., & Henrich, J. (2010; 2020). Dominance, prestige, and the structure of social hierarchy. *Journal of Personality and Social Psychology*.

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[13] e.g. "The three waters reform in New Zealand: learning from local government narratives for improved governance…" (2025), *Water Policy* (IWA Publishing) https://iwaponline.com/wp/article/doi/10.2166/wp.2025.059/110106/The-three-waters-reform-in-New-Zealand-learning