

Head Start

Building the platform for your region's future
in partnership with LGNZ

Context

This report has been prepared for Local Government New Zealand (LGNZ) by MartinJenkins.

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally.

Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa.

We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.



This report is the fourth in a series prepared in partnership with LGNZ.

Our first, "[Autonomy and authority](#)", examined the case for structural change. Our [second](#) and [third](#) put local government financial sustainability into the frame as we set out the range of challenges the local-government sector faces as it seeks to achieve financial sustainability.

This new paper, "**Head Start**", is designed to put the Head Start pathway in the broader context of the long-term financial sustainability of local government.



The opportunity

The Head Start pathway gives councils a voluntary, time-limited window to shape their future governance, outside of the usual Local Government Commission processes or Government compulsion.

The Head Start pathway is not a standard consultation. It is a Government gateway process, where outline proposals are assessed and only those that meet the criteria and align with the Government's objectives will progress to detailed design.

Proposals need to establish credibility, and show integrated thinking across governance, financial sustainability, and service delivery to withstand government scrutiny.

The Head Start pathway will not suit all districts or regions; however, the potential implications of other councils' decisions mean that all councils should be carefully considering whether progressing now is the right choice for them.

9 August 2026

Outline proposals are due to Cabinet.

5 criteria

- Deliverability
- Supports the planning system
- Simpler governance
- Economies of scale
- Local voice

Backstop

Councils that don't opt in face compulsory reorganisation after the 2028 local elections.



Assessment criteria

Government will assess every outline proposal against these five criteria. Each requires a distinct evidence base, but, in reality, time constraints may mean proposals have to focus on only the most important evidence domains for that region or sub-region.

1

Deliverability

Proposals are realistic and demonstrate how new arrangements can be implemented in a timely manner, by or shortly after the 2028 local elections.

CONSIDERATIONS

- ▶ Transition plan
- ▶ Implementation pathway
- ▶ Interim governance model

2

Supports the planning system

Shows clear support for implementing the new planning system, including progress on spatial and natural environment plans, and avoids disruption to that work.

CONSIDERATIONS

- ▶ Spatial planning progress
- ▶ Integration with RMA replacement
- ▶ Planning resource continuity

3

Simplifies governance

Proposes more efficient regional governance arrangements, consolidating decision-making and improving alignment between a region's councils.

CONSIDERATIONS

- ▶ Functional analysis by tier
- ▶ Decision-making framework
- ▶ Reduction in duplication
- ▶ Split boundaries simplification

4

Economies of scale

Supports regional strategic planning and effective delivery of key functions such as transport and catchment management; demonstrates responsible asset management and service delivery.

CONSIDERATIONS

- ▶ Financial modelling
- ▶ Catchment management assessment

5

Maintains local voice

Demonstrates fair and effective representation for communities of interest and how decisions will be made at the local level, balancing urban and rural interests.

CONSIDERATION

- ▶ Representation model
- ▶ Community-of-interest mapping



How to approach "Head Start"



How to structure your discussion

To get to a submission-ready outline proposal, you will need to bring together three key workstreams.

01. Convene

Establish shared political alignment

Facilitate structured dialogue between mayors, chairs, and chief executives to build consensus on scope, pace, and ambition. The literature is clear: form follows function. Before any structural model is considered, elected leaders must reach agreement on where the case for change is strongest, where it is weakest, and what any change must respect.

KEY OUTPUTS

- ▶ Shared diagnosis of the case for change
- ▶ Political alignment on scope and boundaries
- ▶ Agreed principles for the outline proposal
- ▶ Iwi and PSGE engagement strategy is confirmed

02. Frame

Build the analytical and evidential foundation

Each local government function should be tested against four key dimensions: community responsiveness, scale of delivery, financial sustainability, and strategic capacity. This may need financial modelling, community-of-interest mapping, and transition costing.

KEY OUTPUTS

- ▶ Model options and design
- ▶ Evidence base against all five Government criteria
- ▶ Financial model and transition cost estimate
- ▶ Functional analysis and tier allocation
- ▶ Community-of-interest mapping

03. Shape

Draft the outline proposal for Government assessment

Translate the political agreement and evidence base into a written outline proposal of sufficient rigour to satisfy a DIA assessment. Address governance and representation design, Treaty settlement transfer with equivalent effect, consolidation of transport and catchment management, a costed transition plan, and analysis of the impact on ratepayers.

KEY OUTPUTS

- ▶ Draft outline proposal for Government
- ▶ Governance and representation model
- ▶ Treaty settlement responsibility plan
- ▶ Costed transition and ratepayer impact
- ▶ Implementation plan
- ▶ High-level operating model



A framework to shape your thinking

*The functions performed by territorial authorities and regional councils are broad.
Every function can be thought about in relation to four key dimensions.*

1

Community responsiveness

Voice, representation, Treaty responsibilities and obligations, social licence, and the ability to reflect diverse community needs.

Addressing potential boundary conflicts/opportunities for communities of interest, water services organisations, transport planning, and catchment management.

2

Scale of delivery

What scales up usefully, what is best kept local, and where shared arrangements deliver more.
Functional communities: formed by who uses, benefits from, pays for, or is exposed to a specific service.

Timing and extent of integration, following natural asset and contract renewal cycles.

3

Financial sustainability

Costs, revenue sufficiency and investment capacity, cross-subsidies, intergenerational fairness, and transparency about who pays for what.

Includes modelling of transition costs, balance sheet analysis, and assessment of the impact on ratepayers.

4

Strategic capacity

Capability to plan long-term, attract and retain talent, and partner effectively with iwi, central government, and other agencies.

The ability to manage concurrent reform programmes without degrading core service delivery.



Economies of scale

Officials will assess whether the proposal supports regional strategic planning and the effective delivery of key regional functions, and demonstrates responsible, affordable asset management, infrastructure investment, and service delivery.

What the proposal needs to address, at a high level

Effective delivery of regional functions

Show how regional and territorial transport functions, and integration-dependent functions such as catchment management, will be delivered more effectively, and how the proposal supports regional, spatial, transport, and economic-development planning.

Where the efficiencies come from

Identify economies of scale and scope across: governance, planning, and regulatory functions; emergency management, science, data and systems; asset management and procurement; and service delivery such as shared services.

Expected financial impacts

Set out, at a high level, gains in asset stewardship, infrastructure investment, and service efficiency; plans for managing the unitary council's debt and any CCOs; projected implementation costs; and improved appetite for risk and innovation.

Trade-offs and risks

Be explicit about the trade-offs, especially between economies of scale and maintaining local voice, and show how each would be managed or mitigated.

HOW MUCH ANALYSIS?

The Government is asking for a high-level assessment, not detailed financial sustainability modelling. With sector finances under pressure, the financial impact of any changes on ratepayers is front of mind for many councils. This type of analysis, including each council's starting financial position, helps them understand how benefits and costs stack up and may strengthen a proposal's credibility with communities beyond the minimum bar.



A deep dive on financial sustainability

An opportunity to improve cost effectiveness
and strengthen financial resilience



Weighing the benefits, costs, and risks

Benefits of scale are real but neither automatic nor free – they must be set against transition costs and financial risk.

Potential benefits

- **Integrated planning and environmental management:** Bringing together land use, infrastructure, transport, and environmental planning enables coherent regional planning and better, faster decisions on growth and the environment.
- **Increased strategic capability:** The organisation can build and sustain greater depth in strategy, policy, and specialist scientific and technical expertise.
- **Common systems, processes, and back-office functions:** Consolidating corporate services, IT platforms, and regulatory systems cuts duplication and cost and lifts the quality of support for decision making. Greater scale brings stronger procurement and purchasing power, and insurance protection may be better.
- **Workforce benefits:** A stronger employer can better attract, retain, and develop staff, and align people with work demand across the region.
- **Technology and AI-enabled efficiencies:** Larger entities can invest to save through automation.*

* In Budget 2026, NZ Treasury assumed AI-enabled consolidation of back-office functions, centralised platforms, and process automation delivering cumulative savings of 12% and a targeted 14% head-count reduction excluding front-line services.

One-off transition costs

- **IT and systems integration:** Merging finance, HR, asset management, payroll, and regulatory systems onto common platforms, including data migration and running parallel systems during change-over.
- **Harmonising policies, plans, and bylaws:** Aligning regulatory frameworks, rating systems, service levels, and the many district plans into a single consistent set.
- **Professional and advisory fees:** Legal, financial, project-management, and consulting costs to design and execute the transition.
- **Programme and change management:** Standing up a transition team or establishment board, plus communications, engagement, staff change management, and branding changes.
- **Financial integration:** New debt arrangements, aligning rating, revenue, and pricing policies over time, and the approach to equalisation and distributional effects between communities.

* Evidence on scale: UK shared services found set-up costs of roughly 18–59% of the first two years' savings, generally recouped within about two years; NZ regional mergers are likely to cost in the tens of millions each, with payback potentially longer for larger amalgamations.

Financial risks and uncertainty

- **Benefits may not materialise without firm implementation:** Scale savings depend on disestablishing duplicated roles and changing processes, and savings can erode if decisions stall or meet resistance; diseconomies are possible if the new structure becomes too large and cumbersome to manage.
- **Cross-subsidisation and debt-transfer risk between unequal partners:** When a financially stronger council effectively assumes the liabilities of a weaker one, this potentially affects the new entity's credit metrics.
- **Distributional impacts:** Rating and service-level changes create winners and losers between communities, though these can be smoothed and managed over a transition period.
- **Savings are often overestimated and can be slower to arrive than expected:** It's best to model with ranges, scenarios, and conservative early assumptions, and to test sensitivity to the key drivers.



Savings differ sharply by service area

Operating-cost effects only; capex efficiencies and wider productivity gains are additional. Savings vary sharply by function. In some cases, there may not be savings because shared services are already in place, or a council's existing capability or service levels may have to be lifted. In all cases, savings should be conservatively estimated.

Function	Likely net impact on operating cost	Quality of supporting evidence
Strategy & planning	Small change. Gains are mainly indirect, through stronger strategy and capacity.	Low
Regulatory services (incl regional)	No consistent scale effect on consent costs. Near-term savings are muddled by RM reform (new plans, processes, systems, and change management); catchments crossing unitary boundaries add complexity and cost.	Moderate
Transport / roading	Minimal. Costs tend to be driven by network size and density, not council size.	High
Other infrastructure (ex-transport)	A leading savings opportunity (for example, West Coast): waste, pools, cemeteries, housing, parks. Gains from aligned service delivery, contract management, pricing and service levels; specialist roles also lift capability.	Moderate
Water services	Significant long-term potential, but large upfront cost; benefits accrue over decades	Mod-High
Community facilities	Likely no material net savings. Local facilities and staff still required, though networked benefits and improved procurement is possible.	Low
Corporate / back-office	Recurring savings likely: fewer duplicated roles, ELTs and management tiers, and single systems. But governance savings are not automatic (for example, if there are new community or local boards), and redundancy costs can be material depending on the change approach. Savings can be offset by the cost of new enterprise systems.	High
Other functions (CDEM, economic development)	Mixed. Some coordination and capability gains; limited direct cost savings – they depend on what existing arrangements are in place.	Low-Mod



Bigger balance sheets absorb shocks better

A merged entity pools debt capacity, diversifies risk, and dilutes the impact of localised shocks.

Metric	Example: Stand-alone council	Example: Amalgamated council
Net debt / operating revenue	250% (in S&P highest risk category)	150% (one notch improvement)
Interest / operating revenue	~11% (in S&P highest risk category)	~7% (one notch improvement)
Liquidity (cash & facilities)	\$10m (small reserve)	\$50m (pooled reserves)
Borrowing rate (LGFA)	5.0% per year	4.9% per year (if rating improves)
Impact of major weather event or asset failure	~35% of annual revenue	~15% of annual revenue

*These are illustrative figures only, as actual values depend on specific council financials.
Scale improves resilience but does not remove the need for Crown co-funding in catastrophic events.*



A cautious approach to estimating benefits

Take a cautious approach to estimating benefits at this early stage in the reform process, and focus on the longer-term productivity benefits.

1

Be conservative on near-term savings

Assume little or no net saving in years 1–2; phase efficiencies in from year 3. Front-load explicit transition costs.

2

Concentrate the savings story where evidence is strong

Back-office and long-run networked infrastructure are the credible, controllable sources.

Efficiencies are not automatic and are case-specific. The extent of potential savings depends on a council's starting point relative to benchmarks (scope for efficiencies).

3

Value balance sheet flexibility and resilience, not just efficiency

Pooled debt capacity, diversified risk, and capacity to absorb shocks are some of the most obvious benefits from amalgamation, particularly in regions where regional councils have significant untapped balance sheet capacity.

Stress-test merged vs standalone under different risk scenarios including weather and seismic events, and asset-failure scenarios.

4

Build assumptions together

Run a facilitated workshop: pre-circulate the evidence, agree ranges and scenarios rather than single numbers, and document the rationale for a shared, auditable set of assumptions.

Acknowledge uncertainties and test sensitivity to assumptions.



Planning your transition: Lessons from Auckland

Your deliverability plan will need to look ahead. While you don't need to get everything nailed down at this point, it's helpful to take lessons from the Auckland changes when planning your financial transition, particularly the rates transition.

1

Phase the rating transition

Because legacy systems differed so widely, the new rates were introduced over several years in Auckland, to manage the impacts across properties and areas.

CONSIDERATIONS

- ▶ Agree the equalisation path and timeframe early, as it's harder where starting points on investment, debt, and rates differ.
- ▶ Weigh cushioning local shifts against the value of consistency and benefits overtime.
- ▶ Avoid promising near-term rates relief.

2

Build the first LTP on conservative assumptions

The 2012 to 2022 LTP was adopted before year-1 closing balances were known. Most expected it to be substantially revisited at the next cycle.

CONSIDERATIONS

- ▶ Treat the first plan as provisional, with a planned reset.
- ▶ Don't lock in inherited commitments before costs are known.
- ▶ Signal early that the numbers will move.

3

Treat efficiency savings as gradual

Procurement scale delivered real gains, but savings accrued over years and carried service trade-offs.

CONSIDERATIONS

- ▶ Don't bank significant savings upfront.
- ▶ Scale and time are needed before gains land.
- ▶ Account for transition costs.

4

Prioritise financial systems integration

A focus on finance, procurement, and payroll underpinned a seamless handover. Wider IT (5,000+ legacy applications) lagged and became a drag.

CONSIDERATIONS

- ▶ Fund and sequence finance and payroll from day 1.
- ▶ Don't assume legacy systems converge on their own.
- ▶ Provision a realistic IT transition budget.

5

Plan for rising debt within prudent limits

Deferred and growth-driven investment lifts borrowing over time. The new debt capacity of any amalgamated councils will provide resilience to shocks. It needs to provide a long-term buffer to investment cycles across investment types and council locations.

CONSIDERATION

- ▶ Capacity is a buffer only if borrowing discipline holds.
- ▶ Pooling implies cross-subsidy: make it explicit.



Next steps



Preparing a Head Start proposal

Council actions must run ahead of Government milestones, not alongside them. Workstreams should be sequenced accordingly.

GOVERNMENT MILESTONES

9 Aug 2026 Outline proposals due to Cabinet	Nov 2026 Cabinet agrees proposals in principle	Mar 2027 Final proposals submitted; PSGE engagement evidenced	May 2027 Cabinet confirms; bespoke legislation drafted	Oct 2028 New entities established at local elections
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KEY WORKSTREAMS **Outline proposals due: 9 August 2026**

Convene <i>Weeks 1-4</i> ▶ Structured workshops with mayors and chairs ▶ CE-level scoping and diagnostic sessions ▶ PSGE and mana whenua engagement initiated ▶ Shared diagnosis and agreed principles	Frame <i>Weeks 2-10</i> ▶ Analysis of strategic model options ▶ Functional analysis across four dimensions ▶ Financial modelling and transition costing ▶ Community-of-interest mapping (belonging and functional) ▶ Stress-test against all five Government criteria ▶ Transport and catchment consolidation analysis	Shape <i>Weeks 6-13</i> ▶ Draft outline proposal for DIA assessment ▶ Governance design and representation model ▶ Treaty settlement transfer (equivalent effect) ▶ Costed transition plan and ratepayer impact ▶ Transport, catchment, and interim arrangements ▶ Implementation pathway ▶ High-level operating model
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BEGIN LONGER-TERM TRANSITION AND DELIVERY PLANNING



Recommended next steps

To deliver a comprehensive proposal within three months, the following steps are recommended. Existing work in some regions will allow a condensed process.

1

Confirm scope and participating councils

Determine which territorial authorities will participate and whether the proposal covers the full region or a subregional grouping. Confirm eligibility against the majority-of-councils or majority-of-population threshold. Remember to pay attention to regional council functions and the requirements of the new planning system.

2

Mobilise the engagement team

Confirm the engagement lead, analyst, and drafting lead. Financial modelling capacity assessed and secured. Put programme coordination in place. Agree governance for the engagement itself.

3

Initiate the workstreams

Combine structured session with mayors, chairs, and chief executives within regular updates. Ensure you have parallel initiation of PSGE and mana whenua engagement related to Treaty obligations. Build on existing Mayoral Forum or collaborative relationships.

4

Commission parallel analytical work

Financial modelling, functional analysis, and community-of-interest mapping start immediately alongside the convening process. The 9 August deadline does not permit a sequential approach, so analytical and political workstreams must run concurrently.





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