Local Government Commission
Mana Kāwanatanga ā Rohe

Local Government Commission

Phase 2 Decision – Southland Reorganisation Investigation

18 November 2026

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Executive summary

1. The Local Government Commission is investigating whether alternative local government arrangements could better achieve the statutory objectives for local government reorganisation in Southland than the current arrangements.

2. The Commission's initial assessment identified concerns relating to fragmentation across four councils, affordability and financial sustainability, infrastructure delivery, organisational capability, local representation and environmental management. The Commission decided that these matters warranted further investigation.

3. The next stage of the investigation (Phase 2) involved gathering further evidence, testing alternative governance arrangements and assessing the shortlisted options against the statutory objectives in clause 10 of Schedule 3 of the Local Government Act 2002.

Options assessed

4. Following assessment of a wider range of possibilities, the Commission shortlisted two options for detailed investigation:

    - **Option 1:** A single Southland-wide unitary authority supported by local governance arrangements.

    - **Option 2:** Two unitary authorities, comprising an Invercargill-based authority and a Southland-Gore authority, supported by regional coordination arrangements.

5. Both options were assessed against the current arrangements and against the statutory objectives set out in clause 10 of Schedule 3 of the Local Government Act 2002.

Evidence considered

6. The Commission's assessment drew on:

    - community engagement undertaken across Southland;

    - survey responses;

    - engagement with councils, stakeholders and community organisations;

    - engagement with Te Ao Mārama on behalf of Papatipu Rūnanga o Ngāi Tahu;

    - council information and planning documents; and

    - independent financial and organisational analysis undertaken by MartinJenkins.

Key findings

7. The Commission found that both shortlisted options would improve on the current arrangements in several respects. Both options would integrate regional and territorial functions, reduce fragmentation, strengthen organisational capability and resilience, and provide a stronger basis for planning and service delivery than the status quo.

8. The principal differences between the options relate to the extent of those improvements and the way they would be achieved.

9. Throughout engagement, communities consistently emphasised the importance of local identity, local representation and meaningful influence over decision-making. The Commission recognised that a two-council model (Option 2) may provide greater confidence to some communities that local priorities and circumstances will remain visible within governance arrangements and may better reflect existing territorial distinctions.

10. However, the Commission also found strong evidence that many of the relationships shaping how Southlanders live, work and access services extend across council boundaries. Communities of interest, service catchments, labour markets, transport connections, infrastructure networks, environmental systems and economic relationships frequently operate across the wider Southland region rather than within individual districts. The Commission considered that a single Southland council (Option 1) provides a stronger framework for recognising and managing these relationships within a single governance structure.

11. The Commission also placed significant weight on organisational capability, financial resilience, service sustainability and long-term stewardship. The evidence consistently indicated that Option 1 would provide greater organisational depth, stronger financial resilience, greater flexibility to deploy specialist capability and stronger long-term efficiency gains than Option 2. Independent modelling identified materially stronger financial outcomes under Option 1.

12. The Commission further considered the implications of each option for statutory partnership and management obligations with iwi and Māori. Both options are capable of maintaining existing statutory arrangements and settlement obligations. However, Te Ao Mārama advised that, based on the information currently available, Option 1 appears more likely to support integrated management of natural resources, regional consistency, accountability for settlement commitments and a simpler interface for iwi engagement. Te Ao Mārama also advised that further information is required before a definitive assessment can be made regarding future governance arrangements.

Overall conclusion

13. Having considered all clause 10 objectives collectively, the Commission concluded that both options are capable of improving on the current arrangements. However, a single Southland council (Option 1) performs more strongly overall.

14. The Commission found that many of the advantages associated with a two-council model (Option 2), and many of the risks associated with Option 1, can be substantially influenced through the detailed design of representation, governance and service-delivery arrangements. By contrast, many of the advantages associated with a single Southland council (Option 1) arise more directly from its integrated structure. These include stronger alignment of regional and territorial functions, clearer accountability, greater organisational and financial resilience, stronger alignment with Southland-wide functional relationships and greater flexibility to respond to future challenges and opportunities.

15. The Commission therefore concluded that Option 1, comprising a single Southland-wide unitary authority supported by local governance arrangements, provides the strongest basis for continuing the investigation and developing a draft reorganisation plan.

Decision

16. The Commission has decided to:

- proceed to Phase 3 of the Southland reorganisation investigation, which involves releasing a draft reorganisation plan for consultation based on a single Southland Council (Option 1), supported by local boards.

17. This decision does not represent a final decision to reorganise local government in Southland. The Commission will consider submissions and hearing evidence before deciding whether to issue a final reorganisation plan.

Why consider change?

18. In February 2025 Southland District Council submitted a reorganisation initiative to the Commission, proposing two unitary authorities for Southland, one city-focused on Invercargill City, and the other more rurally focused, combining the current Southland and Gore Districts.

19. The Commission agreed to investigate the potential reorganisation of local government in Southland in July 2025. The investigation was structured in phases, allowing the Commission to determine at key points whether there was sufficient basis to proceed further. Phase 1 was a scoping exercise to determine whether there was sufficient evidence of a case for change to justify more detailed investigation of specific reorganisation options.

20. During Phase 1, the Commission sought to identify the issues facing local government in Southland that might be addressed through reorganisation, the opportunities that different arrangements might create, community aspirations and priorities, and any relevant constraints and exclusions.

21. Between December 2025 and April 2026, the Commission engaged with the four Southland councils, Te Ao Mārama on behalf of Papatipu Rūnanga o Ngāi Tahu, communities and other stakeholders through meetings attended by 196 people, and an online survey that received 939 responses. The engagement was intended to understand experiences of the current arrangements and the outcomes that communities sought, rather than to test support for a particular reorganisation model.

Phase 1 conclusions - key challenges and opportunities for Southland

22. Phase 1 of the investigation identified a strong sense of local identity and pride across Southland, alongside challenges and opportunities related to fragmentation and duplication across the current four councils, affordability and infrastructure pressures, the need to maintain effective local representation, and the importance of environmental management and relationships with Ngāi Tahu ki Murihiku.

23. It also identified opportunities to improve coordination, capability, long-term planning and service delivery. At the same time, the Commission recognised that structural change could involve costs, risks and trade-offs, particularly in relation to local influence, community identity and continuity of services.

24. Having considered these findings, the Commission concluded in May 2026 that there was sufficient evidence to justify further investigation into whether alternative local government arrangements could better address these issues and opportunities. It therefore decided to proceed to Phase 2 to evaluate potential alternatives alongside the current arrangements. The decision to continue the investigation did not favour any particular outcome.

25. A summary of the Phase 1 findings and the Commission's decision to proceed to Phase 2 is available on the Local Government Commission website.

Phase 2 investigation

Phase 2 approach

26. Phase 2 focused on further investigating the issues identified during Phase 1, testing potential structural options for Southland's future local government arrangements, and gathering evidence to inform the Commission's assessment against the statutory objectives set out in clause 10 of Schedule 3 of the Local Government Act 2002. The work was undertaken in line with the Commission's investigation process.[1]

[1] The investigation process is available on the Commission's website.

Developing and shortlisting options

27. Drawing on the Phase 1 findings, the Commission developed a long-list of four potential structural options. They were presented at a high level to test a broad spectrum of structural possibilities and stimulate discussion, rather than to indicate a preferred approach. These options were:

    Option 1: One unitary authority. One council for all of Southland, combining regional and territorial functions within a single organisation supported by local boards or community boards.

    Option 2: Two unitary authorities. Two councils, comprising an Invercargill-based unitary authority and a Southland-Gore unitary authority, each responsible for regional and territorial functions within their respective areas, supported by local boards or community boards, and a joint committee to coordinate regional matters.

    Option 3: One regional council and two territorial authorities. Retention of a regional council alongside Invercargill City Council and a combined Southland-Gore district council, maintaining regional oversight while partially consolidating territorial functions.

    Option 4: Enhanced status quo. Retention of the four existing council structures and community boards, supported by strengthened collaboration, shared services and joint decision-making arrangements.

28. The Commission tested the long-list with the four Southland councils and Te Ao Mārama at a workshop on 17 June 2026. Participants considered the relative strengths, limitations and trade-offs associated with each option, including the balance between regional efficiency, local representation and decision-making, environmental management, organisational capability and affordability.

29. Workshop participants identified a set of outcomes against which the options should be considered. These included:

    - a strong and united voice for Southland;
    - fair and effective representation;
    - a resilient Southland;
    - improved efficiency of service delivery;
    - affordability for communities and ratepayers;
    - recognition and maintenance of strong local identity;
    - effective environmental management; and
    - improved governance, organisational capability and decision-making.

30. Following consideration of the workshop feedback, Phase 1 engagement findings and additional feedback from Te Ao Mārama, the Commission refined the long-list and determined that two options warranted further investigation and detailed assessment.

31. The shortlisted options were:

> **Option 1:** A single Southland unitary authority for Southland, supported by local boards; and
>
> **Option 2:** Two unitary authorities, comprising an Invercargill-based unitary authority and a Southland-Gore unitary authority, supported by local boards and a joint committee to exercise regional functions.

32. Options 1 and 2 were progressed because they were considered to provide the strongest basis for improving system coherence and efficiency, clarifying the allocation of functions, and designing effective local governance arrangements. Both options provided a direct basis for investigating how regional and territorial responsibilities could be brought together within unitary structures while retaining meaningful local governance.

33. Options 3 and 4 were not progressed to detailed Phase 2 investigation. Option 3 was associated with continuing complexity, duplication and potential uncertainty about roles and accountability across a regional council and two territorial authorities. Option 4 was considered unlikely to deliver sufficient change to address the fragmentation, inefficiency and coordination issues identified during Phase 1. The Commission considered that the anticipated benefits of these options were not sufficiently strong, relative to Options 1 and 2, to justify further investigation.

34. Phase 2 therefore focused on obtaining more detailed evidence on the relative advantages, disadvantages, risks and opportunities of the two shortlisted options. This included examining their implications for representation and local decision-making, community identity and governance, organisational capability and service delivery, financial sustainability, regional coordination, Māori participation, and the ability of future arrangements to respond to changing community needs and circumstances.

35. The Commission used a range of investigative methods during Phase 2 to gather and test evidence. These included community engagement activities, stakeholder discussions, engagement with iwi representatives, discussions with elected members and council officers, analysis of survey responses, review of information provided by councils, and the commissioning of independent financial and organisational modelling. This combination of qualitative and quantitative evidence enabled the Commission to consider the shortlisted options from multiple perspectives, test findings across different sources, and better understand the trade-offs associated with each option.

Evidence gathered

36. The Commission drew on the following range of evidence sources in Phase 2.

Community engagement

37. Community engagement across Southland sought views on the shortlisted options and desired outcomes for future local government arrangements. Community members were able to participate in 13 public engagement sessions, held both in person across Southland and online. These sessions attracted 183 participants and provided opportunities for discussion and feedback on the shortlisted options and future local government arrangements.

38. Community members were also able to participate in an online survey specific to Phase 2. The survey sought feedback on the shortlisted options and the considerations relevant to their assessment. The survey received 466 responses, of which 465 were considered usable for analysis. This survey was distinct from engagement undertaken during Phase 1 and the results should be interpreted in the context of the Phase 2 investigation and assessment process. In addition, the Commission received a copy of a petition delivered to Gore District Council containing 1,056 signatures supporting retention of Gore as part of a two-council model and opposing the inclusion of Gore within a single Southland council structure.

Stakeholder engagement

39. Targeted discussions were undertaken with a range of stakeholder organisations representing community, economic, infrastructure, environmental and public sector interests. These discussions provided detailed qualitative information regarding regional coordination, service delivery, economic development, environmental management, organisational capability and future governance requirements. The Commission also received written and verbal feedback from a range of stakeholders throughout the investigation process.

40. All stakeholder organisations identified in the process document were invited to participate in engagement sessions and were also provided with information about the public survey process.[2] A list of stakeholder organisations that participated during Phase 2 engagement is included in Appendix A.

[2] An indicative list of key stakeholders is included in Appendix D of the Commission's investigation process document.

Council engagement

41. The Commission continued to engage with the four Southland councils throughout Phase 2. This included discussions with elected members, chief executives and council officers, together with requests for information relating to organisational structures, service delivery, assets, liabilities, staffing, financial performance and future plans. The Commission also invited councils to provide written feedback on the shortlisted options and the issues being investigated through Phase 2. Information provided by councils, together with publicly available material such as long-term plans, annual reports, infrastructure strategies and other planning documents, informed both the Commission's assessment and independent modelling.

Iwi engagement

42. The Commission undertook engagement with iwi representatives in accordance with clause 7(4) of Schedule 3 of the Local Government Act 2002. This involved engagement with Te Ao Mārama which included ongoing discussions regarding the implications of the shortlisted options for Treaty partnership arrangements, settlement obligations, rangatiratanga, co-governance and co-management arrangements, and Māori participation in local government decision-making.

43. Through this engagement, the Commission also sought to better understand how future local government arrangements could support meaningful iwi participation while maintaining existing relationships, commitments and statutory obligations.

Technical and analytical evidence

44. The Commission engaged MartinJenkins to undertake independent financial, organisational and service delivery modelling of the shortlisted options during Phase 2. Drawing on council information and planning documents, workforce information, discussions with senior council staff and comparative evidence from local government and public-sector change programmes, the modelling assessed transition costs, operating efficiencies, organisational capability, service sustainability and long-term financial resilience under each option.

45. Early in its investigation, the Commission also engaged MartinJenkins to develop an independent framework for assessing potential reorganisation options against the statutory objectives in clause 10 of Schedule 3 of the Local Government Act 2002.[3] The framework identified assessment criteria, domains and relevant evidence considerations, and informed both the Commission's investigation and comparative assessment of the shortlisted options.

[3] The clause 10 assessment framework is available on the Commission's website.

Strengths and limitations of evidence

Strengths of the evidence base

46. The Commission considers the evidence base developed throughout Phases 1 and 2 to comprise a broad range of qualitative and quantitative information. The multiple evidence streams described above enabled themes and findings to be considered across different participant groups and information sources.

47. A notable strength of the Phase 2 investigation was the consistency of themes emerging across engagement channels. While participants frequently held different views regarding their preferred reorganisation option, there was substantial agreement regarding the outcomes that future local government arrangements should achieve. Common themes included the importance of meaningful local representation, affordability, sustainable organisational capability, effective environmental stewardship and clear accountability.

48. The independent financial and organisational analysis provided a structured assessment of potential financial, organisational and service delivery implications associated with each shortlisted option. This enabled the Commission to consider themes emerging through engagement alongside evidence about the likely operational, financial and service delivery implications of each option, providing a more comprehensive basis for assessing their respective advantages, disadvantages and trade-offs.

Limitations and uncertainties

49. The Commission also recognises several limitations and uncertainties associated with the evidence gathered during Phase 2.

50. Participants in community engagement activities and the online survey were self-selecting. As such, their views cannot be assumed to be statistically representative of Southland's wider population. Similarly, while stakeholder organisations identified in the investigation process document were provided opportunities to participate in engagement activities, not all chose to do so. The Commission is also unable to determine the extent to which individual stakeholders participated through other engagement channels, including the survey process.

51. The financial and organisational modelling undertaken during Phase 2 necessarily relied on assumptions regarding future organisational arrangements, transition processes and operating environments. The modelling was designed as a comparative assessment of the shortlisted options rather than a prediction of future outcomes. In particular, the modelling does not predict future rates impacts and cannot account for future decisions regarding governance arrangements, funding policies, service levels or implementation approaches.

52. The Commission further acknowledges that some matters cannot be determined solely through evidence gathering. Questions relating to representation arrangements, local decision-making, organisational design and future governance behaviours require the Commission to exercise judgement when assessing competing advantages, disadvantages, risks and uncertainties associated with the shortlisted options.

53. The investigation occurred during a period of wider discussion about local government reform, including proposals relating to regional governance arrangements and local government structures. This broader policy context created some uncertainty about future governance arrangements and informed aspects of the feedback received.

54. Notwithstanding these uncertainties and limitations, the Commission considers that the consistency of themes emerging across multiple evidence sources provides a reasonable level of confidence that the key opportunities, risks, concerns and outcomes sought by communities, stakeholders and iwi have been identified through the investigation process.

What we heard

55. The following sections summarise the principal themes emerging from Phase 2 engagement. For each theme, the Commission has considered evidence from multiple sources and assessed the extent to which views were consistently expressed across participant groups. The assessment does not seek to determine whether a particular view was held by a majority of Southlanders. Rather, it identifies the matters most frequently raised through the investigation and the degree of consistency observed across communities, stakeholders, councils, iwi and survey participants.

Local identity and local influence remain highly valued

Evidence gathered

56. The importance of local identity, local voice and meaningful influence over decisions affecting communities emerged as the strongest and most frequently raised theme throughout Phase 2 engagement. Community engagement participants consistently emphasised the importance of accessible elected members, local knowledge and governance arrangements that recognise local communities and differing community needs. Similar themes were raised through stakeholder engagement, council feedback and iwi engagement.

57. Survey responses reinforced these findings. Respondents frequently identified strong local representation and local decision-making as the most important factors contributing to successful local governance. Of respondents answering this question, 27% identified strong local representation as their highest priority and a further 27% identified local decision-making as their highest priority, making these the two most frequently selected outcomes in the survey. Survey responses also demonstrated strong support for meaningful local decision-making, with 51% of respondents supporting local representative bodies having significant decision-making powers and budget control, compared with 29% supporting some decision-making powers and 16% preferring primarily advisory and advocacy roles.

58. A recurring concern, particularly among participants from rural communities, was the potential loss of influence under governance arrangements perceived to be dominated by larger population centres. Equally, some participants considered that meaningful local influence could be maintained through appropriately designed local governance arrangements regardless of the overall council structure.

Observations

59. Maintaining meaningful local representation, local knowledge and influence over local decision-making is a priority for many participants. While there was broad agreement on the importance of these outcomes, views differed regarding which governance structure would be most likely to achieve them.

60. The evidence suggests that community confidence in governance arrangements is influenced not only by whether local communities are represented, but also by the extent to which local representatives are able to influence outcomes. Participants consistently emphasised the importance of meaningful local decision-making authority, accessible elected representatives and the ability for communities to influence priorities affecting their area.

61. The Commission considers these outcomes are more closely aligned with local board arrangements than community boards. While community boards provide local representation and advocacy, their existence relies on political will within councils to retain or establish them, while their decision-making responsibilities, if any, depend on powers delegated by the council which can change over time. By contrast, local boards would be established as an integral part of the governance structure of a Southland Council, rather than being dependent on the council choosing to maintain them or delegate responsibilities to them. They would have elected local representatives, defined responsibilities for specified local matters and dedicated funding to support those responsibilities.

62. Taken together, the evidence supports governance arrangements that combine effective local representation with meaningful local decision-making. The Commission considers local boards provide a stronger and more enduring mechanism for maintaining local influence because their place within the governance structure, and their role in local decision-making, would not be dependent on future decisions of the council. This provides greater certainty that decisions on specified local matters would continue to be made close to the communities they affect.

Efficiency, affordability and financial sustainability are important community concerns

Evidence gathered

63. Efficiency, affordability and financial sustainability emerged as some of the most commonly discussed issues throughout Phase 2 engagement. Participants frequently referred to rates affordability, debt, infrastructure investment requirements, administrative expenditure and the efficient use of public resources. Survey respondents also identified affordability and efficient administration as important considerations for future local government arrangements, with 16% of respondents identifying affordability as the single most important factor for successful local governance and a further 7% identifying efficient administration.

64. Many participants expressed concern regarding future rates increases and the financial pressures facing households, businesses and rural communities. However, participants generally did not assume that structural change alone would automatically reduce rates or costs. Feedback indicated an awareness that lower rates or reduced expenditure may involve trade-offs, including impacts on service levels, infrastructure investment or the ability to respond to future community needs. Participants frequently emphasised the importance of achieving value for money through the efficient use of public resources while maintaining sustainable services and infrastructure. Survey responses similarly reflected differing views regarding whether greater organisational consolidation or stronger local accountability would be more likely to deliver these outcomes.

Observations

65. Affordability, efficiency, value for money and financial sustainability were consistently identified as important outcomes for future local government arrangements. The evidence suggests that participants were concerned not only with the cost of local government, but also with the quality and sustainability of services delivered. While participants differed regarding whether greater organisational consolidation or stronger local accountability would be more likely to achieve these outcomes, there was broad agreement that future arrangements should use public resources efficiently, maintain sustainable services, support long-term financial sustainability and provide value for money for ratepayers.

Regional coordination and environmental management remain important considerations

Evidence gathered

66. Participants frequently recognised that many issues affecting Southland operate beyond local community boundaries. Environmental management, catchment management, flood protection, emergency management, biosecurity, infrastructure planning and economic development were regularly cited as matters requiring coordinated regional responses.

67. Survey responses also identified support for effective regional coordination and environmental stewardship. While strong regional coordination (8%) and strong environmental management (5%) were less frequently identified as the single most important outcome for successful local governance than local representation or affordability, respondents frequently highlighted the importance of managing river catchments, environmental systems and regional infrastructure on a consistent basis across Southland.

68. Survey findings also indicated that 10% of respondents identified geographic or environmental features as the factor that most strongly contributes to their sense of community, reinforcing the importance many participants placed on environmental stewardship and management of shared natural systems. Stakeholders, council officers and iwi similarly emphasised the importance of retaining specialist capability, institutional knowledge and environmental expertise.

Observations

69. Participants consistently recognised that many environmental, infrastructure and resilience issues operate beyond individual community boundaries and require regional coordination. While views differed regarding how those functions should be governed, there was broad agreement that future arrangements should support integrated management of environmental systems, effective regional planning and long-term stewardship responsibilities.

Organisational capability and service delivery matter alongside governance arrangements

Evidence gathered

70. Many participants focused on the practical operation of local government and the organisational capability required to deliver services effectively. Common concerns included service continuity, infrastructure maintenance, workforce capability, organisational resilience, accountability, administrative simplicity and access to specialist expertise. Participants frequently emphasised the importance of effective implementation, strong governance and maintaining institutional knowledge through any transition process.

71. Participants consistently highlighted the need to maintain reliable and accessible services throughout Southland while ensuring future organisations have the capability and capacity to respond to increasingly complex regulatory, environmental and infrastructure challenges. Stakeholders and council officers, in particular, emphasised the importance of specialist expertise in areas such as environmental management, planning, engineering, emergency management and regulatory functions, and the need to attract, retain and develop that capability within a relatively small regional labour market.

Observations

72. Participants generally recognised that organisational capability, specialist expertise and service resilience are critical to the long-term success of any future local government arrangements. While views differed regarding which governance structure would be most likely to support these outcomes, there was broad agreement that future arrangements should maintain service continuity, retain institutional knowledge and provide access to the capability required to meet Southland's future challenges.

Expectations regarding iwi partnership and stewardship responsibilities

Evidence gathered

73. Clause 10(i) requires the Commission to assess whether proposed arrangements would provide for the effective implementation and operation of statutory co-governance and co-management arrangements established through legislation. In addition, clause 7(4) of Schedule 3 requires the Commission to consider how reorganisation arrangements may affect relationships with ancestral lands, waters, sites, wāhi tapu, valued flora and fauna, other taonga, and relationships with local authorities.

74. Te Ao Mārama advised that governance arrangements should support the management of catchments, waterways, coastal environments and landscapes as interconnected systems; provide consistent recognition and protection of cultural values, including wāhi tapu and wāhi taonga; and ensure clear accountability for Treaty settlement commitments. Feedback also emphasised the importance of retaining institutional knowledge, supporting meaningful participation by Papatipu Rūnanga, and strengthening rather than fragmenting existing partnership arrangements.

75. Emphasis was placed on the importance of reducing unnecessary engagement burdens and ensuring governance arrangements are workable in practice for iwi organisations operating with finite capacity and resources. It was further noted that future arrangements should support efficient engagement processes, early involvement in strategic planning and policy development, and enduring partnership mechanisms between iwi and local government.

Matters identified for further consideration

76. Te Ao Mārama advised that, based on the information currently available, a single Southland council (Option 1) appears more likely to support integrated management of natural resources, regional consistency, accountability for settlement commitments and a simpler interface for iwi engagement. However, it was emphasised that significant questions remain unresolved and that further information is required before a definitive assessment can be made regarding future governance arrangements.

77. Te Ao Mārama indicated these matters require further information:

- how settlement obligations and cultural redress mechanisms would be recognised and implemented;
- how accountability for settlement commitments would be assigned and monitored;
- how institutional knowledge and capability would be retained through transition;
- governance and representation arrangements available to Papatipu Rūnanga;
- how iwi would participate in strategic planning and decision-making processes;
- how mātauranga Māori, iwi management plans and Ngāi Tahu values would be reflected in decision-making frameworks; and
- the nature of future partnership arrangements or other mechanisms supporting enduring iwi-council relationships.

Observations

78. The evidence provided by Te Ao Mārama emphasised the importance of considering future governance arrangements not only in terms of organisational structure, but also in terms of their implications for Treaty partnership, rangatiratanga, settlement obligations, meaningful iwi participation in decision-making, integrated management of natural resources, and relationships with ancestral lands, waters, wāhi tapu, taonga and local authorities.

79. Te Ao Mārama identified a number of potential advantages associated with a single Southland council (Option 1), particularly in relation to integrated resource management, regional consistency, accountability for settlement commitments and a simpler interface for engagement. However, it also advised that significant questions remain unresolved and that further information is required before a definitive assessment can be made.

80. The Commission notes that a range of matters, including governance and representation arrangements, accountability mechanisms, partnership structures and the practical implementation of settlement obligations, would require further development and consideration through any future reorganisation planning and transition process. Continued engagement with Te Ao Mārama would assist the Commission in understanding the implications of any proposed arrangements for Ngāi Tahu ki Murihiku interests and statutory obligations.

Financial modelling

81. The independent modelling undertaken by MartinJenkins does not determine which option should be preferred. Rather, it provides evidence regarding the likely implications, risks, opportunities and trade-offs associated with each option, which the Commission has considered alongside the wider body of evidence gathered through community, stakeholder, council and iwi engagement. The MartinJenkins modelling report is attached as Appendix B.

Implications of financial modelling

82. The findings of the financial modelling were considered alongside the key themes emerging from Phase 2 engagement. In some areas, the modelling supported issues raised during engagement. In others, it highlighted potential risks, opportunities or trade-offs not readily apparent through engagement feedback alone.

83. In particular, the modelling provided evidence regarding:

- the extent to which each option may improve organisational capability and resilience;
- the potential for efficiencies and cost savings over time;
- the implications of each option for long-term financial sustainability;
- the capacity of different governance arrangements to support future service delivery requirements;
- transition costs, implementation complexity and associated risks; and
- the balance between potential regional benefits and the preservation of local representation and decision-making.

84. The Commission considered where the modelling findings aligned with, reinforced, or differed from views expressed through engagement. This included assessing whether concerns raised by communities, councils, iwi and stakeholders were supported by the available evidence, whether perceived benefits were likely to be realised in practice, and whether additional risks or opportunities should be taken into account in evaluating the shortlisted options.

85. The financial modelling formed one component of the Commission's overall assessment and was not considered in isolation. The Commission's conclusions reflect the combined weight of evidence from engagement activities, council information, iwi perspectives, stakeholder input, independent modelling, and its assessment of the statutory objectives in clause 10 of Schedule 3 of the Local Government Act 2002.

Clause 10 assessment

Assessment methodology

86. Clause 10 of Schedule 3 of the Local Government Act 2002 requires the Commission to assess whether a proposed reorganisation would better achieve the purpose of local government and improve the effectiveness and efficiency of local government within the affected area. The Commission's assessment of the shortlisted options was informed by an independent Clause 10 Assessment Framework developed by MartinJenkins.

87. The Clause 10 Assessment Framework provides a structured methodology for evaluating local government reorganisation options against the statutory requirements in clause 10. The framework identifies a set of four assessment domains, each with criteria and evidential considerations designed to support a consistent and transparent comparison of alternative governance arrangements.

88. The MartinJenkins framework was prepared prior to amendments to the purpose of local government in section 10 of the Local Government Act 2002 on 17 September 2026.[4] Where necessary, the Commission has adapted elements of the assessment to reflect the current statutory purpose of local government in force at the time of its decision. Accordingly, Figure 1 (below) illustrates the original MartinJenkins framework and should be read alongside the Commission's updated assessment methodology set out in this report.

89. The framework does not predetermine outcomes. Rather, it provides an analytical structure within which evidence can be assessed and weighed. In applying the framework, the Commission considered the full range of evidence obtained during the investigation and assessed the extent to which each shortlisted option was likely to achieve the statutory objectives. This included consideration of both qualitative and quantitative evidence gathered through the investigation.

90. The Commission recognises that fulfilment of the purpose of local government cannot be measured through a single indicator. Democratic legitimacy, local participation, service effectiveness, cost-effectiveness, local responsiveness and the ability to respond to future challenges all involve evaluative judgement.

[4] One of the objectives set out in clause 10 is “better fulfilment of the purpose of local government as specified in section 10”.

91. The Commission has therefore considered the performance of both options against the relevant criteria, the comparison with the status quo, the principal trade-offs, the distribution of impacts across different communities, and the extent to which identified risks could be addressed through governance, representation, operational and implementation design. In undertaking this assessment, the Commission also considered whether identified advantages or disadvantages arise from the underlying structure of an option itself, or whether they are capable of being mitigated, strengthened or otherwise influenced through detailed design decisions.

92. The framework informed both the Commission's preliminary and final comparative assessments of the shortlisted options. The Commission's conclusions reflect its own judgement, informed by the evidence gathered and the structured assessment methodology provided by the framework.

93. The assessment domains and criteria used by the Commission to evaluate the statutory objectives are set out below:

Figure 1: MartinJenkins assessment criteria

	STATUTORY OBJECTIVES – Schedule 3, Clause 10, Local Government Act, 2002	ASSESSMENT CRITERIA – interpretive guidance for assessing the statutory objective (prompts to support judgement, not thresholds)	
DOMAIN 1 Fulfilment of the purpose of local governments	**a)** better fulfilment of the purpose of local government: – to enable democratic local decision-making and action by, and on behalf of, communities	· Democratic access, engagement, and influence · Representation quality	· Responsiveness to community priorities · Public legitimacy
	a) better fulfilment of the purpose of local government: – to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future	· Ability to address wellbeing outcomes · Distribution of wellbeing impacts · Social wellbeing and inclusion · Environmental wellbeing	· Cultural wellbeing · Economic wellbeing and opportunity · Intergenerational sustainability
DOMAIN 2 Efficiency, effectiveness, capability, and sustainability	**b)** productivity improvements within the affected local authorities	· Organisation and coordination of work · Use of workforce capability	· Process simplicity and consistency · Transition impact on productivity
	c) efficiencies and cost savings	· Net cost impacts · Credibility of efficiencies	· Distribution of costs and savings · Long-term cost sustainability
	d) assurance that any local authority established or changed has the resources necessary to enable it to effectively perform or exercise its responsibilities, duties, and powers	· Organisational capability and capacity · Financial resources and resilience	· Transition and continuity risk
	f) enhanced effectiveness, efficiency, and sustainability of local government services	· Service performance and reliability · Fit with Southland conditions	· Operational efficiency of services · Service sustainability over time
DOMAIN 3 Place, identity, and current and future community needs	**e)** effective responses to the opportunities, needs, and circumstances of the affected areas	· Place-based fit · Responsiveness to local circumstances	· Communities of interest and functional catchments · Functional roles and responsibilities
	g) better support for the ability of local and regional economies to develop and prosper	· Alignment with functional economic areas · Coordination of planning and investment	· Support for economic diversity
	h) enhanced ability of local government to meet the changing needs of communities for governance and services into the future	· Adaptability over time · Long-term stewardship and risk	· Different future trajectories · Durability of arrangements
DOMAIN 4 Statutory partnership and management obligations with iwi and Māori	**i)** effective provision for any co-governance and co-management arrangements that are established by legislation (including Treaty of Waitangi claim settlement legislation) and that are between local authorities and iwi or Māori organisations	· Continuity of statutory arrangements · Clarity of roles and responsibilities	· Workability of partnership arrangements · Protection of statutory rights and interests

Domain 1: Better fulfilment of the purpose of local government

Overview of Domain 1

94. Domain 1 considers whether the proposed arrangements would better fulfil the purpose of local government, as required by objective (a) of clause 10. This requires assessment of two related but distinct questions: whether the arrangements would support democratic local decision-making and action by, and on behalf of, communities (Limb 1); and whether they would enable local authorities to meet current and future community needs for good-quality, cost-effective and local infrastructure, public services and regulatory functions that support local economic growth and development (Limb 2).

Objective (a) (Limb 1): Democratic local decision-making and action by, and on behalf of, communities

Approach to the assessment

95. In assessing democratic local decision-making and action by, and on behalf of, Southland communities, the Commission has considered: democratic access, engagement and influence, representation quality, responsiveness to community priorities and public legitimacy. The assessment focuses on how effectively each option would support these outcomes in practice.

Democratic access, engagement and influence

96. The strongest and most consistent theme emerging from Phases 1 and 2 engagement was the importance Southlanders place on local voice, local identity and meaningful influence over decisions affecting their communities. Participants commonly described effective democratic participation in terms of access to representatives, local knowledge, responsiveness, advocacy, accountability and the ability to influence local priorities. As discussed in the engagement findings section, survey responses reinforced these themes and demonstrated strong support for meaningful local representation and local decision-making.

97. Under Option 1, a single council would be responsible for both regional and territorial functions across Southland. This would reduce the number of decision-making bodies and establish a single line of accountability for regional and local decisions. It would also reduce the need for communities, stakeholders and iwi to engage separately with multiple organisations on matters that cut across regional and territorial responsibilities.

98. The principal concern raised through engagement was that consolidation into a single authority could increase the perceived distance between some communities and decision-makers and create a risk that decisions become overly influenced by Invercargill because of its population size. The Commission considered these concerns to be genuine and important. However, it also considered that their practical significance depends heavily on the detailed design of representation and local governance arrangements.

99. Local boards would provide accessible and visible local governance, meaningful influence over local priorities and clear opportunities for community participation. Where supported by clearly defined responsibilities, delegated authority and dedicated budgets, local boards could substantially reduce the perceived distance between communities and the principal council.

100. The number of councils, in itself, is not a reliable measure of democratic access. In the Commission's view, the more important questions were where substantive decision-making authority would sit and whether residents could readily understand, access and influence those decisions. On this basis, a single Southland council (Option 1) could provide credible and potentially strong democratic access, provided local boards form an enduring and substantive part of the arrangement.

101. Option 2 would retain two principal councils and therefore provide decision-making at a smaller geographic scale than Option 1. Many participants considered this would improve accessibility to elected members, reduce concerns regarding Invercargill dominance and provide greater confidence that local perspectives would remain visible at the principal council level.

102. The Commission recognised that a two-council model (Option 2) provides advantages in perceived proximity and elected-member accessibility. However, it also noted that meaningful participation ultimately depends on where decision-making authority sits and whether communities are able to influence decisions that affect them. In this respect, both options rely heavily on the design and authority of local governance arrangements.

Representation quality

103. Southland presents particular representation challenges. It includes a major urban centre, dispersed rural populations, remote communities, and distinct communities such as Stewart Island/Rakiura and Fiordland. Large distances and low population density affect the accessibility of elected representatives and create tensions between achieving fair representation and ensuring effective representation of geographically distinct communities.

104. Participants expressed concerns that rural, township and remote perspectives may receive less attention under future arrangements, and that elected representatives could become less visible or accessible to the communities they serve. Similar concerns were raised regarding the representation of geographically isolated communities and the balance between urban and rural interests.

105. Fair representation of electors is an important statutory requirement. However, representation arrangements must also provide effective representation for communities of interest. The Local Electoral Act permits departures from fair representation requirements in some circumstances, including where necessary to provide effective representation for isolated communities or recognised communities of interest.

106. Under a single Southland council (Option 1), the Commission would be responsible through subsequent design work for ensuring that representation arrangements provide both fair representation of electors and effective representation of communities of interest. This would include consideration of ward structures, local board areas and other representation mechanisms.

107. As discussed under democratic access and influence, local boards would provide an important mechanism for supporting effective representation of rural, remote and geographically distinct communities under either option. Their effectiveness would depend on their boundaries, responsibilities and relationship with the principal council.

108. A two-council model (Option 2) may provide greater confidence to some rural and township communities that their perspectives will remain visible at the principal council level. It would also provide a greater number of elected members overall and lower elected-member-to-population ratios than Option 1.

109. Option 2 would not remove all representation challenges. The Southland-Gore authority would still encompass a large and geographically diverse area, and representation issues affecting communities such as Stewart Island/Rakiura and Fiordland would continue to require specific consideration.

110. A two-council model (Option 2) performs somewhat more strongly in relation to representation accessibility and perceptions of local visibility at the principal council level. However, the difference is not considered sufficiently significant to be determinative of the overall objective, given the capacity for both options to provide effective representation through detailed representation design and local governance arrangements.

Responsiveness to community priorities

111. Engagement demonstrated that Southland communities do not necessarily expect all decisions or services to be uniform across the region. Southland's communities range from Invercargill City and larger towns and service centres, through to more urbanised rural settlements and smaller, more dispersed rural communities, with differing circumstances and priorities. Participants sought governance arrangements that recognise differing local circumstances and allow communities to influence local facilities, services, investment and place-based priorities. At the same time, many participants recognised that environmental management, infrastructure planning, emergency management and economic development often require coordination beyond individual communities.

112. Both options are capable of responding to differing community priorities. A two-council model (Option 2) may provide some advantages in tailoring priorities and decision-making approaches to the differing circumstances of Invercargill and communities across the remainder of Southland, while a single Southland council (Option 1) may provide stronger integration between local and regional decision-making. As discussed above, the practical difference between the options depends substantially on the responsibilities and authority assigned to local governance arrangements.

Public legitimacy

113. Public legitimacy depends not only on formal governance arrangements but also on whether communities perceive those arrangements to be fair, accessible and responsive. Engagement identified concerns that a single authority could be perceived as remote or dominated by Invercargill, while the Gore petition demonstrates opposition to that model within parts of the community.

114. The Commission distinguished between immediate perceptions of legitimacy and longer-term accountability. A two-council model (Option 2) may have some advantages because it aligns more closely with existing territorial identities and governance arrangements. However, a single Southland council (Option 1) provides a clearer line of accountability for regional and territorial functions and could provide equally strong long-term legitimacy if communities are able to see how decisions are made and influenced.

Limb 1 assessment

115. Both options are capable of enabling democratic local decision-making and action by, and on behalf of, communities. A two-council model (Option 2) performs somewhat more strongly in terms of perceived proximity to decision-makers and visibility of local interests at the principal council level. However, a single Southland council (Option 1) provides clearer accountability and a more integrated governance framework.

116. The Commission does not consider these differences to be determinative. The assessment indicates that the quality of representation and local participation would depend substantially on the detailed design of governance arrangements under either option. Taking all considerations together, the Commission concludes that the options perform broadly similarly against this limb.

Objective (a) (Limb 2): Meeting communities' current and future needs for good-quality, cost-effective and local infrastructure, public services and performance of regulatory functions to support local economic growth and development

Approach to the assessment

117. In assessing whether the proposed arrangements would enable local authorities to meet the current and future needs of communities for good-quality, cost-effective and local infrastructure, public services and performance of regulatory functions to support local economic growth and development, the Commission has considered: the quality, effectiveness and coordination of infrastructure, public services and regulatory functions; cost-effectiveness and value for money; local accessibility and responsiveness to differing community needs; and the extent to which the arrangements provide a sound institutional basis for meeting community needs over time.

Quality, effectiveness and coordination of infrastructure, public services and regulatory functions

118. Engagement consistently emphasised the importance of councils performing core functions well, with participants noting the importance of infrastructure maintenance and investment, service reliability, locally accessible council services, environmental management, emergency management and regulatory capability. While affordability remained an important concern, many participants did not assume structural change would automatically reduce rates. Instead, feedback generally emphasised the importance of achieving value through effective, reliable and sustainable service delivery, with outcomes seen as dependent on detailed design, implementation and future funding decisions.

119. Many local government functions are interconnected and operate across communities, districts and catchments. Infrastructure planning, land-use planning, environmental management, flood protection, emergency management and regulatory functions often require coordination beyond individual communities or existing council boundaries. The Commission heard from business, industry and economic development stakeholders that Southland's economy is highly interconnected, with labour markets, supply chains, infrastructure networks and investment opportunities operating across local authority boundaries. Stakeholders also emphasised the importance of a coordinated regional approach to economic development.

120. The Commission considered that both options would improve upon the current arrangements by integrating regional and territorial functions and reducing fragmentation across the local government system. Both options therefore create opportunities to strengthen coordination between planning, infrastructure investment, environmental management and service delivery.

121. A single Southland council (Option 1) would place responsibility for these functions within a single authority. This would remove organisational boundaries between regional and territorial functions and provide a single framework for coordinating planning, investment, delivery and regulatory decisions across Southland. The Commission considered this particularly relevant where infrastructure networks, environmental systems, service catchments and regulatory responsibilities extend across existing authority boundaries. The Commission also notes the view of some business and economic development stakeholders that a unified governance framework may strengthen Southland's ability to pursue regional economic development opportunities and present a coordinated voice when engaging with central government, external partners and investors.

122. A two-council model (Option 2) would also improve integration within each authority area and may allow services and priorities to be tailored more closely to local circumstances. However, matters operating across the proposed boundary would continue to require coordination through a joint committee and associated governance, funding and delivery arrangements. While those arrangements could operate effectively, they would require continuing cooperation and alignment between the two authorities.

123. The Commission therefore considered that both options are capable of supporting good-quality and effective infrastructure, public services and regulatory functions. However, a single Southland council (Option 1) provides the stronger framework for aligning and coordinating functions that operate across Southland.

Cost-effectiveness and value for money

124. Cost-effectiveness is a component of the purpose of local government and requires consideration of whether resources can be used efficiently while maintaining appropriate service quality, accessibility and capability.

125. As discussed in Domain 2, both options provide opportunities to improve efficiency through the integration of regional and territorial functions. However, the Commission considers that a single Southland council (Option 1) provides greater structural opportunities to reduce duplication, coordinate resources and support efficient service delivery through a higher degree of organisational integration.

126. The Commission therefore considers that a single Southland council (Option 1) performs somewhat more strongly against this consideration, while recognising that actual efficiency outcomes will depend on future governance, service-level and implementation decisions.

Local accessibility and responsiveness to differing community needs

127. The requirement for infrastructure and public services to be local does not mean that all functions must be planned or delivered at the same geographic scale. Rather, it requires future arrangements to maintain appropriate access to infrastructure and services and to respond to the differing circumstances of the communities they serve.

128. Southland communities vary significantly in geography, population, economic activity, infrastructure requirements and patterns of service use. Engagement emphasised the importance of local knowledge, accessible council services and responsiveness to the distinct needs of urban, rural, remote and tourism-dependent communities.

129. Transport connections, service centres and travel patterns also influence how communities access infrastructure, public services and regulatory functions. Communities frequently rely on facilities and services outside their immediate area, while transport networks and service catchments do not always align with local authority boundaries.

130. For this limb, the relevant question is whether each option would enable infrastructure, public services and regulatory functions to remain accessible and responsive to differing community needs.

131. A two-council model (Option 2) may provide greater confidence to some rural communities that their circumstances and priorities will remain visible at the principal council level. Two separate authorities may also allow investment and service decisions to be tailored more directly to the differing characteristics of Invercargill and the wider Southland-Gore area.

132. However, the communities within each proposed authority are themselves diverse. Option 2 would not remove the need to recognise the various circumstances of Gore, Fiordland, Rakiura, rural settlements and other geographically distinct communities. It would also require coordination where infrastructure networks, transport connections and service catchments cross the proposed authority boundary.

133. Under a single Southland council (Option 1), accessibility and responsiveness would depend more heavily on the design of local governance and service-delivery arrangements. Local boards, local service access, locally based staff and place-specific investment or service decisions would enable differing community needs to be addressed within a single regional framework.

134. Neither option inherently requires the centralisation of frontline services or the adoption of uniform service levels across Southland. Both are capable of maintaining local access and providing for legitimate local variation. Their effectiveness would depend on the allocation of responsibilities, the authority of local governance arrangements and future decisions about where and how services are delivered.

135. The Commission therefore considered this consideration broadly balanced. A two-council model (Option 2) may provide stronger perceived visibility for some local needs at the principal council level. A single Southland council (Option 1) provides a stronger basis for aligning local responses with the wider infrastructure, transport and service relationships operating across Southland.

Sound institutional basis for meeting community needs over time

136. Southland communities differ significantly in geography, population, economic activity, service requirements and patterns of growth. The Commission therefore considered whether each option would provide an effective and enduring institutional framework through which future community needs could be met.

137. The Commission's assessment of organisational capability, financial resilience, efficiencies, service sustainability, future governance adaptability, community needs, and the extent to which the arrangements support local economic growth and development are addressed in detail under Domains 2 and 3.

138. Both options would provide a stronger framework than the current arrangements by integrating regional and territorial functions and reducing fragmentation across the local government system. A single Southland council (Option 1) provides the greater degree of integration and clearer accountability by placing responsibility for regional and territorial functions within a single authority.

139. While territorial functions would be more consolidated than present under a two-council model (Option 2), some existing regional capability and expertise would be divided across two authorities and joint governance arrangements. This would create greater reliance on inter-organisational coordination when planning and delivering infrastructure, public services and regulatory functions and may reduce some of the integration benefits available under Option 1.

140. The Commission therefore considered that a single Southland council (Option 1) provides a stronger institutional foundation for meeting the current and future needs of communities, although this conclusion should be read alongside the more detailed assessments contained in Domains 2 and 3.

Limb 2 assessment

141. Both options are capable of enabling local authorities to meet the current and future needs of communities for good-quality, cost-effective and local infrastructure, public services and performance of regulatory functions. Both would integrate regional and territorial responsibilities, reduce fragmentation and provide stronger coordination of planning, investment and service delivery than the current arrangements.

142. A two-council model (Option 2) may provide greater confidence to some communities that local priorities and circumstances will remain visible at the principal council level. However, a single Southland council (Option 1) provides greater integration, stronger coordination of functions operating across Southland, and greater opportunities to align infrastructure, public services and regulatory functions within a single framework that supports economic growth and development.

143. The Commission does not consider these differences to be determinative. Both options are capable of maintaining local access and responding to differing community needs. However, Option 1 provides a stronger institutional foundation for the coordinated, efficient and sustainable delivery of local government functions over time.

144. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this limb.

Domain 2 assessment: Efficiency, effectiveness, capability, and sustainability

Overview of Domain 2

145. Domain 2 considers objectives (b), (c), (d) and (f) of clause 10. These objectives require the Commission to assess whether the proposed arrangements would improve productivity, achieve efficiencies and cost savings, provide assurance that future local authorities have sufficient resources to effectively perform their responsibilities, duties and powers, and enhance the effectiveness, efficiency and sustainability of local government services.

Objective (b): Productivity improvements within the affected local authorities

Approach to the assessment

146. This objective requires the Commission to assess whether the proposed arrangements would improve productivity within the affected local authorities. The Commission has considered how each option would influence organisational coordination, the use of workforce capability, the simplicity and consistency of organisational processes, and the productivity implications of transition. The assessment focuses on whether the arrangements would support the more effective use of organisational resources over time.

Organisation and coordination of work

147. The current arrangements comprise four separate local authorities, each with its own governance structures, leadership teams, organisation-wide support functions, systems and processes. The evidence indicates that across the four organisations there are four chief executives, 22 group manager (GM) positions and approximately 289 FTE within organisation-wide functions, including finance, information technology, communications and engagement, people and culture, strategy and policy, health and safety, property and procurement, and capital and projects. Notably, three of the four councils are headquartered in Invercargill, meaning a significant proportion of organisational leadership, management and support functions are currently located within the same urban centre.

148. Stakeholders and participants also identified duplication, complexity and uncertainty regarding responsibilities as features of the current system. Through engagement, the Commission heard concerns regarding overlapping responsibilities, the need for coordination between councils on related issues, and confusion about decision-making responsibilities. Participants frequently identified opportunities to simplify governance and organisational arrangements, provided that local responsiveness and accountability were maintained.

149. A single Southland council (Option 1) provides the strongest opportunity to improve organisational coordination. By bringing regional and territorial functions within a single authority, Option 1 would reduce organisational duplication and remove existing interfaces between councils. Responsibilities currently spread across multiple organisations would instead sit within a single governance and organisational framework. The Commission considered this particularly relevant in areas such as planning, environmental management, infrastructure investment, policy development and regulatory functions, where decisions frequently interact across organisational boundaries.

150. A two-council model (Option 2) would also improve coordination relative to the status quo by reducing the number of organisations from four to two. However, separate governance structures, executive leadership teams and organisation-wide functions would remain. In addition, regional functions would require ongoing coordination through a joint committee and associated support arrangements. The Commission considered this would retain a greater degree of organisational complexity than Option 1.

151. The Commission considered that a single Southland council (Option 1) performs more strongly against this consideration.

Use of workforce capability

152. The evidence indicates that Southland councils face workforce pressures across several functions. The four councils currently have approximately 1,027 FTE positions within scope of the reorganisation analysis and approximately 136 vacant positions, representing a vacancy rate of around 13%. Councils reported difficulties recruiting and retaining specialist staff, particularly in technical, regulatory and infrastructure-related roles. Some councils also reported challenges associated with small teams, limited capacity and dependence on individual employees for key specialist functions.

153. Workforce challenges arise at a time when councils face increasing infrastructure investment requirements, growing regulatory obligations and ongoing labour market constraints. Evidence provided by councils indicates that vacancies or the loss of a specialist staff member can have a disproportionate impact where capability is concentrated within a small number of roles.

154. Feedback from council staff also highlighted concerns regarding the ability of local government organisations to maintain specialist capability over time. Participants frequently referred to the importance of maintaining access to expertise while ensuring local government remains capable of responding to increasing service, infrastructure and regulatory demands.

155. A single Southland council (Option 1) provides greater flexibility to deploy workforce capability across functions and locations. A larger organisation would provide broader opportunities to share specialist expertise, reduce reliance on small teams and provide greater resilience when responding to staffing pressures or fluctuations in workload. A larger organisation may provide stronger career pathways and improved opportunities for recruitment and retention.

156. While a two-council model (Option 2) would improve workforce capability by creating two larger organisations, capability would remain divided between two authorities, and each would need to maintain its own leadership, governance and support functions. Some specialist regional capabilities would also need to be coordinated across organisational boundaries. The Commission therefore considered that Option 2 would provide less workforce flexibility than Option 1.

157. The Commission considered that a single Southland council (Option 1) performs more strongly against this consideration. The organisational implications of these workforce pressures, including capability, resilience and the ability to perform statutory responsibilities over time, are considered further under Objective (d).

Process simplicity and consistency

158. Evidence gathered throughout the investigation identified significant variation across councils in systems, organisational arrangements and business processes. Each council currently operates different combinations of finance, payroll, records management, asset management, regulatory, customer service and reporting systems. All four councils are also undertaking significant system upgrades or replacement programmes.

159. Stakeholders frequently identified inconsistency across organisational processes as a source of inefficiency, with differing approaches to planning, regulatory processes, reporting, customer interactions and service delivery. The Commission considered that these differences increase complexity for councils, communities, businesses and stakeholders, particularly where matters involve more than one organisation.

160. Under Option 1, a single authority would provide the greatest opportunity to simplify organisational processes and create greater consistency across the local government system. A single authority could reduce duplication, improve organisational clarity and establish more consistent approaches to planning, regulation, customer service and organisational support functions.

161. A two-council model (Option 2) would also improve consistency relative to current arrangements. However, separate organisational structures, systems and governance arrangements would remain, so the scope for simplification would likely be more limited than under a single Southland council (Option 1).

162. The Commission considered that a single Southland council (Option 1) performs more strongly against this consideration.

Transition impacts on productivity

163. Both options would create short-term impacts on productivity during the transition period.

164. Reorganisation would require significant organisational effort while councils continue to deliver services, maintain infrastructure, meet statutory responsibilities and implement existing work programmes. Transition activities would include governance implementation, organisational design, workforce restructuring, systems integration, data migration, policy harmonisation and the establishment of new organisational processes. MartinJenkins estimated transition costs of approximately $33.8 million for a single Southland council (Option 1) and $33.2 million for a two-council model (Option 2), with systems integration identified as one of the most significant and uncertain components of the transition task.

165. Council staff raised concerns that productivity may be affected during implementation as management attention and staff time are diverted from day-to-day activities. Councils are already managing significant infrastructure investment programmes, major systems upgrades, regulatory responsibilities and workforce pressures. This is particularly relevant given existing workforce pressures, including approximately 136 vacant positions across the four councils, significant infrastructure programmes and ongoing system upgrades.

166. Option 1 presents the larger implementation challenge because it involves the integration of four organisations into a single authority. However, Option 2 would also require substantial organisational effort to establish two new authorities and develop arrangements for jointly governed regional functions.

167. Both options are likely to reduce productivity temporarily during implementation. This conclusion is supported by concerns raised by council staff and by the MartinJenkins assessment of the scale of organisational, workforce and systems changes required. Although the extent of the impact is uncertain, the evidence indicates that these effects would be transitional rather than permanent. The Commission therefore places greater weight on the longer-term productivity implications of each option, recognising that the purpose of the assessment is to consider the enduring effectiveness and efficiency of local government arrangements rather than short-term implementation effects.

Objective (b) assessment

168. Both options would improve productivity relative to the current arrangements by reducing organisational duplication and creating opportunities for greater coordination and workforce flexibility.

169. Option 1 performs more strongly across the considerations assessed. It would provide greater opportunities to improve organisational coordination, deploy workforce capability more effectively and simplify organisational processes. While Option 1 involves greater short-term implementation challenges, these risks are temporary and outweighed by the longer-term productivity benefits associated with a single organisational framework.

170. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this objective.

Objective (c): Efficiencies and cost savings

Approach to the assessment

171. This objective requires the Commission to assess whether the proposed arrangements would achieve efficiencies and cost savings. The Commission has considered the projected financial impacts of each option, the credibility of identified efficiencies, the distribution of costs and benefits, and long-term cost sustainability.

Net cost impacts

172. Evidence gathered by MartinJenkins identified a common set of financial pressures affecting local government in Southland. Between FY27 and FY34, operating costs are forecast to increase by approximately 2.7% per annum while the number of rating units is forecast to increase by only 0.3%. The councils' adopted plans provide for rates increases averaging approximately 4.9% per annum and aggregate net debt increasing from approximately $190 million in FY25 to almost $730 million by FY34.

173. Both reorganisation options involve similar one-off transition costs. MartinJenkins estimated transition costs of approximately $33.8 million under a single Southland council (Option 1) and $33.2 million under a two-council model (Option 2). However, the two options differ significantly in the scale of ongoing savings generated once implementation is complete.

174. The modelling indicates that Option 1 would generate net annual operating savings of approximately $6.0 million compared with approximately $1.5 million under Option 2. These savings arise primarily from reductions in duplicated executive, management and organisation-wide functions. Option 1 consolidates four organisations into a single authority, enabling a greater reduction in leadership positions and organisational support functions. Option 2 continues to require two chief executives, two leadership teams and two sets of organisational support functions.

175. Over the 25-year modelling period, MartinJenkins estimated that Option 1 would produce a net financial benefit of approximately $66 million, while Option 2 would produce a net cost of approximately $4.7 million. Option 1 is forecast to recover its transition and financing costs by FY36, whereas Option 2 does not recover its costs within the modelling period.

176. The Commission acknowledged that these savings are modest relative to the overall cost base of local government in Southland and would not remove broader pressures associated with infrastructure renewal, regulatory requirements or demographic change. Nevertheless, the evidence indicates a material difference between the two options in terms of the overall net cost outcome generated by reorganisation.

177. A single Southland council (Option 1) performs more strongly against this consideration.

Credibility of efficiencies

178. A recurring theme throughout engagement was caution regarding assumptions that structural change would automatically result in substantial financial savings. Stakeholders emphasised the importance of distinguishing genuine structural efficiencies from savings that depend on optimistic assumptions, service reductions or future management decisions. The Commission therefore placed particular weight on the methodology adopted by MartinJenkins and the assumptions underpinning the modelling.

179. The modelling adopts a deliberately conservative approach. The base case assumes that service levels remain broadly unchanged, existing shared-service arrangements continue unless structural change directly affects them, procurement efficiencies are excluded, and frontline and specialist delivery roles are retained. Savings are largely limited to identifiable duplication within governance, executive leadership, management and organisation-wide functions.

180. Modelling also does not assume that future authorities become uniformly more efficient in the delivery of services. Nor does it assume wider procurement or capital expenditure efficiencies that may arise over time. MartinJenkins therefore focused on efficiencies directly attributable to structural reorganisation rather than broader management or policy changes.

181. Sensitivity testing demonstrated that the magnitude of projected savings changes under different assumptions. However, a single Southland council (Option 1) remained financially superior to a two-council model (Option 2) across all key sensitivity tests, including tests relating to transition costs, salary harmonisation, procurement efficiencies and operating savings. Even where Option 2 operating efficiencies were tripled, Option 1 retained a higher 25-year net present value.

182. The Commission considered that the efficiencies identified by MartinJenkins are credible and largely attributable to reductions in duplicated governance, leadership and organisation-wide functions rather than assumptions about future service reductions or behavioural change. While actual outcomes will depend on implementation decisions by a transition body and future organisational choices by any new council or councils, the evidence suggests that the relative advantage of Option 1 is robust across a range of plausible scenarios.

183. A single Southland council (Option 1) performs more strongly against this consideration.

Distribution of costs and savings

184. Throughout engagement, participants expressed strong interest in how the costs and benefits of reorganisation might be distributed. Concerns included affordability, rates impacts and the possibility that some communities may bear a greater share of costs than others. Stakeholders also highlighted features specific to Southland, including differing rating bases, existing debt positions and regionally funded activities.

185. MartinJenkins modelling does not estimate impacts on individual properties, communities or ratepayers. Instead, it assesses the overall financial position of each option relative to the status quo. Future rates impacts would depend on subsequent decisions by a transition body and new council or councils about rating policies, transition arrangements, debt allocation, reserves, service levels and funding policies.

186. Under a single Southland council (Option 1), costs, savings, debt and borrowing capacity would be pooled across the region. The Commission considered that this would provide greater flexibility to manage financial pressures and investment needs across Southland as a whole. For example, future councils could use region-wide funding and rating tools to spread the costs of major infrastructure, services or growth-related investment across a broader ratepayer base. However, this also means some communities may contribute towards costs from which the primary benefits are realised elsewhere in the region.

187. Under a two-council model (Option 2), the distribution of outcomes is uneven. MartinJenkins found that the Invercargill-based authority broadly recovers its costs and generates a modest net benefit of approximately $11.3 million, while the Southland-Gore based authority produces a net cost of approximately $16 million and does not reach break-even within the modelling period. The Commission considered this an important finding because it indicates that the financial consequences of Option 2 would differ significantly between the two authorities.

188. The Commission also considered evidence relating to the allocation of regional costs currently shared through Environment Southland. MartinJenkins found that any net transfer of costs between the proposed authority areas is likely to be relatively small. Nevertheless, Option 2 would require new arrangements for funding and delivering regional functions currently undertaken across Southland as a whole.

189. Both options involve uncertainty regarding the future distribution of costs and savings. However, a single Southland council (Option 1) provides greater flexibility to manage costs and financial pressures at a regional level, while a two-council model (Option 2) produces more uneven financial outcomes between the two proposed authorities.

Long-term cost sustainability

190. As discussed throughout Domain 1, local government in Southland will continue to face significant long-term financial pressures regardless of which option is adopted. These pressures include the need to maintain and renew ageing infrastructure, meet increasing regulatory obligations, respond to environmental risks, address workforce and capability challenges, and manage rising costs within the context of a relatively small and slowly growing rating base.

191. Both options improve on the status quo in terms of efficiency and organisational scale. However, the modelling indicates that Option 1 provides the stronger long-term financial position and more sustainable cost profile.

192. The Commission also noted that the modelling by MartinJenkins retained local and specialist delivery capability under both options and identified savings primarily through reductions in duplicated governance, leadership, management and organisation-wide functions. The projected efficiencies therefore do not depend on reducing service levels or planned infrastructure investment.

193. The Commission considered that a single Southland council (Option 1) provides the strongest option for sustainable long-term cost management.

Objective (c) assessment

194. Both options would improve efficiency relative to the current arrangements and create opportunities to reduce organisational duplication and improve financial performance in Southland.

195. However, the scale of those benefits differs materially between the options. A single Southland council (Option 1) generates substantially greater projected savings, provides a positive long-term financial benefit and performs more strongly across sensitivity testing. The Commission also considers the identified efficiencies to be credible because they arise primarily from reductions in duplicated governance, leadership and organisational support functions rather than assumptions regarding service reductions.

196. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs significantly better than a two-council model (Option 2) against this objective.

Objective (d): Assurance that any local authority established or changed has the resources necessary to enable it to effectively perform or exercise its responsibilities, duties, and powers

Approach to the assessment

197. This objective requires the Commission to assess whether any local authority established or changed would have the organisational and financial resources necessary to effectively perform its responsibilities, duties and powers. The Commission has considered organisational capability and capacity, financial resources and resilience, and risks relating to transition and continuity.

Organisational capability and capacity

198. The workforce pressures identified under Objective (b), including specialist capability constraints, recruitment challenges and reliance on relatively small teams, are also relevant to assessing whether future authorities would have sufficient organisational capability to perform their statutory responsibilities. This objective focuses on organisational depth and resilience rather than the productive deployment of workforce capability itself.

199. A single Southland council (Option 1) provides the strongest organisational platform from which to exercise local government responsibilities. A single authority would provide the greatest organisational depth, reduce reliance on individual positions and small teams, and create the largest pool of specialist capability available to support statutory, regulatory, environmental and infrastructure functions.

200. A two-council model (Option 2) would also improve capability relative to the status quo by creating two larger organisations. However, capability would remain divided between two authorities and some specialist regional functions would continue to rely on arrangements spanning both organisations. The Commission considered this would provide less organisational resilience than Option 1.

201. A single Southland council (Option 1) performs more strongly against this consideration.

Financial resources and resilience

202. The broader financial pressures facing local government in Southland are discussed under Objective (c) above. For the purposes of Objective (d), the Commission focused on the financial resilience of each option and its ability to absorb future costs while continuing to fund services, infrastructure renewal and statutory responsibilities.

203. The Commission placed significant weight on the independent financial analysis undertaken by MartinJenkins. The analysis concluded that a single Southland council (Option 1) provides the strongest overall financial resources and resilience. By pooling Southland's revenue, debt and borrowing capacity within a single authority, Option 1 would provide greater flexibility to fund operating costs, infrastructure renewal and future investment while managing emerging financial pressures.

204. This conclusion was reinforced by the resilience testing undertaken as part of the financial modelling. When a hypothetical $100 million shock was applied in FY32, Option 1 retained approximately $488 million of borrowing headroom beneath the assumed Local Government Funding Agency borrowing limit. By comparison, the Invercargill-based authority under a two-council model (Option 2) retained approximately $68 million of headroom and the Southland-Gore-based authority retained approximately $306 million. The Commission considered this evidence demonstrates that Option 1 provides the strongest ability to absorb significant unexpected costs while continuing to fund services and planned investment.

205. Financial capacity under a two-council model (Option 2) would remain unevenly distributed between the two proposed councils. While both councils would have larger financial bases than some existing councils, their revenues, debt capacity and borrowing headroom would remain separately managed. This would provide less overall financial flexibility and resilience than a single authority model, where financial resources could be managed across Southland as a whole.

206. Stakeholders frequently emphasised the importance of ensuring future local government arrangements remain financially sustainable and capable of maintaining infrastructure and services over time. The Commission considered that stronger financial resilience provides greater assurance that future local authorities will be able to meet their statutory responsibilities, respond to major events and maintain long-term investment programmes.

207. The Commission considered that a single Southland council (Option 1) performs significantly more strongly against this consideration.

Transition and continuity risk

208. As discussed under Transition impacts on productivity, both options would require significant organisational change and would divert management attention and organisational capacity towards implementation activities. The Commission therefore considered whether these transitional demands could affect councils' ability to maintain service delivery, infrastructure management and regulatory functions during implementation.

209. The Commission considered that the principal continuity risks relate to workforce capacity and the successful implementation of organisational and information systems changes. In particular, MartinJenkins identified systems integration and data migration as significant and uncertain components of transition.

210. The nature of these risks differs between the options. A single Southland council (Option 1) involves greater integration risk because four organisations would be combined into a single authority. A two-council model (Option 2) involves greater uncertainty regarding the future governance, funding and delivery of regional functions currently undertaken across Southland.

211. Several factors would assist in mitigating continuity risks under either option. These include staged implementation, dedicated transition arrangements, investment in change management and systems integration, and the retention of local and specialist delivery capability throughout the transition period.

212. The Commission considered that continuity risks exist under both options but are manageable if transition is appropriately planned and resourced. While a single Southland council (Option 1) presents greater implementation risk and a two-council model (Option 2) presents greater uncertainty regarding future regional arrangements, neither option was considered likely to materially compromise the continuity of local government functions. The Commission therefore considered these risks should be assessed alongside the longer-term organisational and financial capability benefits associated with each option.

Objective (d) assessment

213. Both options would strengthen organisational capability and resilience relative to the current arrangements and provide greater assurance that local government responsibilities can be performed effectively into the future.

214. A single Southland council (Option 1) performs more strongly in relation to organisational depth, workforce resilience and financial capacity. Its larger scale, stronger borrowing capacity and greater flexibility in deploying resources provide increased assurance that future responsibilities can be met. While Option 1 presents greater implementation complexity, the Commission considers these risks temporary and manageable.

215. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs significantly better than a two-council model (Option 2) against this objective.

Objective (f): Effectiveness, efficiency and sustainability of local government services

Approach to the assessment

216. This objective requires the Commission to assess how the proposed arrangements would affect the effectiveness, efficiency and sustainability of local government services. The Commission has considered service performance and reliability, the extent to which services reflect Southland's circumstances, operational efficiency, and long-term service sustainability.

Service performance and reliability

217. Throughout engagement, communities consistently emphasised the importance of local government delivering core services effectively. Participants frequently referred to infrastructure maintenance and renewal, environmental management, emergency management, regulatory functions, affordability and service reliability as priorities for local government. While views differed regarding governance arrangements, there was broad agreement that any future structure should maintain or improve service quality and organisational capability. The Commission therefore considered service performance and reliability to be a key consideration in assessing both options.

218. As discussed earlier, the projected efficiencies identified by MartinJenkins do not rely on reductions in frontline services or specialist delivery capability. This provides some assurance that service performance can be maintained under either option.

219. The Commission also considered whether transition could affect service reliability. As discussed earlier, both options would require councils to continue delivering services while undertaking substantial change programmes. The Commission accepted that there is a risk of short-term disruption during implementation, particularly where staff capacity is diverted towards transition activities.

220. The MartinJenkins modelling included dedicated transition and implementation resources within its modelling and as already discussed, did not identify any requirement to reduce frontline or specialist services to achieve the projected savings.

221. Both options are capable of supporting reliable and effective service delivery. While temporary implementation risks exist under both options, the Commission was not persuaded that either option would materially compromise ongoing service performance. Accordingly, the Commission did not consider there to be a significant point of difference between the options against this consideration.

Fit with Southland conditions

222. Both options are capable of delivering services in ways that reflect Southland's geography, dispersed settlement patterns and diverse communities. Neither option requires the centralisation of frontline services, and both retain mechanisms to support local decision-making and local service delivery. The Commission therefore did not identify a material point of difference between the options against this consideration.

Operational efficiency of services

223. The Commission's findings regarding organisational coordination, process simplification and reductions in duplication are discussed under Objectives (b) and (c). For the purposes of this consideration, the Commission focused on the implications of those findings for service delivery.

224. The evidence demonstrates that Southland councils already collaborate in numerous areas, including emergency management, transport planning, waste management, information technology, building control and library services. The Commission therefore accepted MartinJenkins' conclusion that some efficiency gains have already been captured through existing cooperation and should not be double counted.

225. Nonetheless, opportunities remain to improve operational efficiency. A single Southland council (Option 1) removes more duplication across leadership, management and organisation-wide functions, creates stronger alignment between related functions and reduces the need for coordination across multiple organisations. This is particularly relevant for functions where planning, regulatory decisions, environmental management and infrastructure investment are closely connected.

226. A two-council model (Option 2) also improves efficiency relative to the current arrangements but retains two organisational centres and ongoing coordination requirements for regional functions. The Commission considered this results in fewer efficiency gains than would be achieved under Option 1 and creates a greater risk of duplicated effort in some service areas.

227. Therefore, a single Southland council (Option 1) performs more strongly against this consideration.

Service sustainability over time

228. The Commission's assessment of the financial and organisational pressures facing local government in Southland is set out under Objectives (c) and (d). For the purposes of this consideration, the Commission focused on whether each option provides an enduring platform for maintaining and renewing infrastructure and sustaining local government services over time.

229. Drawing on the findings under Objective (d), the Commission placed weight on MartinJenkins' conclusion that a single Southland council (Option 1) provides the strongest platform for sustaining services over time. Greater organisational integration, financial resilience and capability provide a stronger basis for maintaining infrastructure, renewing assets and responding to future pressures.

230. The Commission also considered it significant that the projected efficiencies under Option 1 do not rely on reducing services. Instead, savings are generated primarily through reductions in duplicated governance, leadership and organisation-wide functions. This means the financial benefits can be realised while retaining local and specialist service capability.

231. A two-council model (Option 2) would also strengthen service sustainability relative to the status quo by creating larger organisations with improved financial bases. However, the Commission considered that capability, financial resources and regional service delivery would remain more fragmented than under Option 1. Some regional functions would also continue to depend on joint governance and supporting organisational arrangements, creating greater coordination and continuity risks over time.

232. A single Southland council (Option 1) performs more strongly against this consideration.

Objective (f) assessment

233. Both options would improve the effectiveness, efficiency and sustainability of local government services relative to the current arrangements.

234. The Commission found little difference between the options in relation to service performance, reliability or the ability to reflect Southland's geographic and community circumstances. However, a single Southland council (Option 1) provides greater opportunities to improve operational efficiency, reduce duplication and support long-term service sustainability through stronger organisational integration and financial resilience.

235. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this objective.

Domain 3 assessment: Place, identity, and current and future community needs

Overview of Domain 3

236. Domain 3 considers objectives (e), (g) and (h) of clause 10. These objectives require the Commission to assess whether the proposed arrangements would better provide effective responses to the opportunities, needs and circumstances of affected areas, support the ability of local and regional economies to develop and prosper, and enhance the ability of local government to meet the changing needs of communities for governance and services into the future.

Objective (e): Effective responses to the opportunities, needs and circumstances of affected areas

Approach to the assessment

237. This objective requires the Commission to assess how effectively the proposed arrangements would respond to the opportunities, needs and circumstances of communities across Southland. The Commission has considered place-based fit, responsiveness to local circumstances, communities of interest and functional catchments, and the alignment of governance arrangements with local government functions.

Place-based fit

238. Evidence gathered throughout the investigation consistently described Southland as a region comprising diverse places and communities. Participants identified strong connections to local towns, settlements and districts, while also acknowledging broader regional relationships and a shared Southland identity. Survey results similarly suggested that community identity is shaped primarily by social and functional relationships rather than administrative boundaries. When asked what makes a place feel like their community, respondents most commonly referred to family and social connections (48%), followed by employment or business connections (17%). Geographic or environmental features were also identified, although less frequently (10%). The Commission also heard from mana whenua that connections to place are shaped by whakapapa, cultural identity and relationships with the natural environment that extend across local authority boundaries and would continue irrespective of local government structure.

239. These findings reinforce the view expressed through engagement that identity in Southland is layered and multifaceted. Communities are often defined by social relationships, daily activities, service use, employment patterns and local affiliations that may not align neatly with local authority boundaries.

240. Some participants considered that a two-council model (Option 2) would better reflect existing place identities and differing local circumstances by maintaining a clearer distinction between Invercargill and the diverse communities across the remainder of Southland. The Commission accepted that retaining separate territorial structures may provide greater confidence for some communities that local priorities and identities would remain visible within governance arrangements.

241. Other participants emphasised that many aspects of daily life, service use, recreation, employment and economic activity already extend beyond existing council boundaries. The Commission heard evidence that communities often interact across territorial boundaries and that a strong Southland identity exists alongside local identities. These participants considered that governance arrangements should recognise those wider functional and social connections.

242. Both options are capable of recognising Southland's distinct places and communities, albeit in different ways. A two-council model (Option 2) more closely aligns with existing territorial distinctions, while a single Southland council (Option 1) places greater emphasis on a Southland-wide governance framework supported by local governance arrangements. In the Commission's view, the effectiveness of either model would depend substantially on the design of representation and local governance arrangements, including the extent to which they reflect recognised communities of interest and provide visible local leadership.

243. The Commission did not consider place-based fit to be a major point of difference between the options. Both options are capable of recognising Southland's diverse places, communities and identities, although they would do so through different governance structures.

Responsiveness to local circumstances

244. The Commission heard consistent evidence that communities across Southland face differing opportunities, needs and challenges arising from geography, remoteness, demographic characteristics, economic activity and patterns of service use. Participants emphasised that future governance arrangements should be capable of recognising and responding to those differences rather than applying a uniform approach across the region.

245. Both options are capable of supporting responsiveness to local circumstances, although they would do so in different ways. A two-council model (Option 2) may provide greater confidence that the differing priorities of Invercargill and the diverse communities across the remainder of Southland remain visible at the principal council level. A single Southland council (Option 1) provides a single governance framework within which local and regional matters can be considered together, supported by local governance arrangements designed to reflect differing local priorities. Both options include local boards.

246. Therefore, both options provide credible mechanisms for responding to local circumstances. A two-council model (Option 2) may provide advantages where communities place particular value on separate territorial decision-making, while a single Southland council (Option 1) may provide advantages where local issues are closely connected to wider regional matters. The Commission did not consider this consideration to clearly favour either option.

Communities of interest and functional catchments

247. Evidence gathered during engagement indicated that many communities, services, natural systems and economic relationships do not align neatly with existing local authority boundaries. Participants frequently referred to service towns, employment patterns, infrastructure networks, recreational connections and community relationships that extend across district boundaries. Stakeholders also noted the importance of service hubs and rural service centres in supporting surrounding communities. The Commission also heard that many environmental, cultural and resource management issues operate across wider catchments and natural systems, including from ki uta ki tai (mountains to sea), rather than within individual local authority boundaries.

248. Survey findings were broadly consistent with these themes. When respondents were asked which factors should be most important if a boundary were drawn between two Southland councils, community identity (24%) was the most frequently selected consideration. This was followed by service delivery efficiency (16%), population size and distribution (15%), economic connections (13%) and geography and natural features (13%). By comparison, existing boundaries (11%) and transport links (3%) were selected less frequently. The Commission considered these findings indicative of the importance that communities place on identity, service relationships and functional connections when considering governance arrangements.

249. Under a single Southland council (Option 1), responsibility for both regional and territorial functions would sit within a single authority. The Commission considered that this would provide a stronger ability to recognise and respond to communities of interest and functional catchments that extend across Southland, while reducing the need to coordinate decision-making across multiple organisations. This may be particularly relevant where communities rely on shared infrastructure, service networks, environmental systems, economic relationships and natural catchments that span existing local authority boundaries.

250. Some participants considered that a two-council model (Option 2) would better reflect existing place identities and differing local circumstances by maintaining a clearer distinction between Invercargill and the diverse communities across the remainder of Southland, including more urbanised rural settlements and service centres, and smaller and more dispersed rural communities. However, the Commission also heard substantial evidence that many service catchments, community relationships and functional connections operate at a broader Southland scale.

251. The distinction between urban and rural communities is also not always clear-cut. Rural Southland includes townships that provide important service, employment and community hubs for surrounding rural areas, while residents and businesses maintain connections across both urban and rural environments. While coordination mechanisms would be established, including a joint committee, separate governance structures would remain responsible for matters affecting some shared catchments, networks and communities of interest. The Commission considered this introduces an additional layer of complexity where issues require a coordinated response.

252. Therefore, both options are capable of recognising communities of interest. However, a single Southland council (Option 1) provides a stronger framework for recognising and responding to functional catchments and relationships that extend across local authority boundaries. Accordingly, the Commission considered that Option 1 performs more strongly against this consideration.

Functional roles and responsibilities

253. The Commission's assessment of communities of interest and functional catchments is discussed above. This consideration focuses on whether the proposed arrangements provide an effective framework for exercising regional and territorial functions where those functions interact across communities, catchments and infrastructure systems.

254. Evidence gathered throughout the investigation demonstrated that environmental management, infrastructure planning, emergency management, transport networks and economic development frequently require decisions to be made with regard to both local and wider regional considerations. Many of these functions are interconnected, and decisions in one area may have implications beyond individual communities or local authority boundaries. Examples raised during engagement included river catchments such as the Ōreti and Mataura Rivers, where decisions made in one part of the catchment can affect communities and environments further downstream.

255. Both options would provide mechanisms for managing these relationships. However, a two-council model (Option 2) would continue to rely on coordination between authorities where functions, systems or responsibilities extend across the proposed boundary. By contrast, a single Southland council (Option 1) would place responsibility for regional and territorial functions within a single authority, reducing the need for coordination across separate governance structures.

256. A single Southland council (Option 1) provides a stronger framework for aligning functions that operate across communities, catchments and infrastructure systems and accordingly performs more strongly against this consideration.

Objective (e) assessment

257. Both options are capable of responding effectively to the opportunities, needs and circumstances of communities across Southland.

258. A two-council model (Option 2) may provide advantages for communities that place particular value on maintaining a distinction between Invercargill and the wider Southland area (including rural communities). However, the evidence demonstrates that many communities of interest, service catchments, infrastructure systems and environmental relationships operate across territorial boundaries. A single Southland council (Option 1) provides a stronger framework for recognising and responding to these wider functional relationships while remaining capable of reflecting local circumstances through local governance arrangements.

259. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this objective.

Objective (g): Better support for the ability of local and regional economies to develop and prosper

Approach to the assessment

260. This objective requires the Commission to assess how effectively the proposed arrangements would support the ability of local and regional economies to develop and prosper. The Commission has considered alignment with functional economic areas, coordination of planning and investment, and support for economic diversity.

Alignment with functional economic areas

261. Stakeholders consistently described Southland's economy as operating through a network of interconnected communities, industries and service centres. Evidence highlighted labour market linkages, freight and transport networks, agricultural supply chains, tourism activity and shared infrastructure that connect communities across the region. Participants also noted the importance of economic relationships extending beyond Southland, particularly with Otago and other parts of the lower South Island.

262. Many economic relationships do not align neatly with current local authority boundaries. Businesses, workers and consumers frequently operate across current district boundaries, while infrastructure networks and service centres support wider economic catchments extending beyond individual communities.

263. Survey responses from Phase 1 were consistent with these findings. Respondents commonly identified travel, employment, shopping, service access and recreation patterns that crossed existing council boundaries, reinforcing the Commission's view that many economic and service relationships operate across Southland rather than within discrete local authority areas.

264. Both options are capable of recognising these economic relationships. A two-council model (Option 2) would maintain a distinction between Invercargill and the diverse communities and economies across the remainder of Southland and may better reflect the view that these areas have differing economic characteristics, opportunities and priorities. However, the Commission also considered that many labour markets, freight movements, tourism flows, infrastructure networks and service catchments operate across the proposed boundary and would therefore continue to require coordination between authorities.

265. Under a single Southland council (Option 1), these economic relationships would sit within a single governance framework. The Commission considered that this more closely reflects the interconnected nature of many economic activities and avoids the need to manage significant economic catchments across institutional boundaries.

266. Under a two-council model (Option 2), governance boundaries would continue to intersect with some established economic patterns and catchments. While this would not prevent those relationships from continuing to operate, the Commission considered that some economic issues would require ongoing coordination between authorities where economic activity spans the boundary.

267. Both options are capable of supporting Southland's functional economic areas. However, a single Southland council (Option 1) more closely aligns with the evidence regarding labour markets, economic connections, service centres and catchments that operate across the region. The Commission therefore considered that Option 1 performs more strongly against this consideration.

Coordination of planning and investment

268. Stakeholders consistently highlighted the importance of aligning infrastructure, environmental management, land use planning and economic development decisions, particularly where those decisions affect communities and industries operating across the region.

269. Many planning and investment decisions have implications that extend beyond individual communities and districts. Infrastructure networks, transport corridors, environmental systems, river catchments, water resources and economic development opportunities frequently span geographic boundaries and require alignment across multiple functions and responsibilities. Effective management of these matters often depends on coordinating planning, regulatory and investment decisions over long timeframes.

270. Under a two-council model (Option 2), coordination of these matters at a regional level would occur through cooperation between the two unitary authorities and through the proposed joint committee responsible for regional functions. The Commission considered that this structure could support coordinated planning and investment provided there was a continued commitment to collaboration and shared regional priorities. The Commission also noted that some respondents considered separate authorities could allow investment decisions to be tailored more closely to the differing priorities of urban and rural communities.

271. However, a number of stakeholders and survey respondents expressed concern that the two-unitary model could create additional coordination requirements for region-wide matters. These respondents pointed to the potential for duplicated functions, separate planning frameworks, differing investment priorities, and challenges coordinating decisions relating to river catchments, environmental management, infrastructure networks and strategic economic development initiatives that extend across Southland.

272. Under a single Southland council (Option 1), responsibility for regional and territorial planning, infrastructure and investment decisions would sit within a single authority. The Commission considered that this would provide clearer alignment between spatial planning, infrastructure investment, environmental management and economic development objectives. A single authority would reduce reliance on formal coordination arrangements between separate organisations and provide a clearer framework for integrating planning and investment decisions across Southland.

273. Organisational consolidation alone does not guarantee improved planning or investment outcomes. However, the Commission considered that a single governance framework creates stronger conditions for integrated decision-making, reduces the risk of duplicated effort and inconsistent priorities, and provides clearer accountability for regionally significant decisions.

274. Both options are capable of supporting coordinated planning and investment. However, a single Southland council (Option 1) provides a stronger framework for aligning infrastructure, environmental, land-use and economic development decisions across Southland. The Commission therefore considered that Option 1 performs more strongly against this consideration, while acknowledging that a two-council model (Option 2) could also support effective coordination if supported by strong collaborative arrangements and sustained commitment between institutions.

Support for economic diversity

275. The evidence highlighted significant variation in economic activity across the region. Southland's economy generates approximately $9.94 billion in GDP. Manufacturing is the region's largest industry by GDP, contributing approximately $1.5 billion annually, while agriculture contributes approximately $1.25 billion. Southland also produces approximately 12% of New Zealand's pastoral exports, reflecting the importance of both primary production and value-added processing industries to the regional economy. Stakeholders consistently noted that economic opportunities, challenges and priorities vary across communities and localities.

276. The Commission also heard evidence regarding the important role of service centres and regional hubs in supporting surrounding communities and economies. Centres such as Invercargill, Gore, Winton and Te Anau provide employment, services, infrastructure and commercial activity that support wider economic catchments extending beyond their immediate boundaries.

277. Economic priorities are not uniform across Southland. For example, tourism-related priorities in Fiordland may differ from those of agricultural communities in rural Southland, while Invercargill faces opportunities and challenges associated with its role as the region's largest urban centre. The assessment therefore required consideration of whether governance arrangements would be capable of recognising and responding to these differing priorities.

278. While some participants considered that separate authorities may provide greater visibility for local economic priorities, the Commission also heard evidence that many industries, service centres and supply chains operate as part of a wider regional economy.

279. Both options are capable of recognising differences across industries, places and local economies. A two-council model (Option 2) may provide greater confidence to some communities that economic priorities within their area will remain visible at the principal council level. However, the Commission considered that the existence of diverse local economies does not necessarily require separate governance structures, particularly where those industries and communities are all of continuing importance to the wider Southland economy.

280. Both options could support local economic priorities and place-based opportunities. However, a single Southland council (Option 1) provides a somewhat stronger framework for recognising diverse local economies within the context of an interconnected regional economy. In particular, it enables local economic opportunities and challenges to be considered alongside broader regional relationships, investment needs and economic development opportunities.

Objective (g) assessment

281. Both options would improve the alignment between governance arrangements and the way economic activity operates across Southland.

282. A two-council model (Option 2) may provide some advantages in recognising differing economic priorities within separate areas. However, the Commission places particular weight on the evidence that labour markets, service centres, infrastructure networks and investment decisions frequently operate across Southland as a whole. A single Southland council (Option 1) provides a stronger framework for coordinating planning and investment and responding to these regional economic relationships.

283. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this objective.

Objective (h): Enhanced ability of local government to meet the changing needs of communities for governance and services into the future

Approach to the assessment

284. This objective requires the Commission to assess whether the proposed arrangements would enhance the ability of local government to meet the changing needs of communities for governance and services into the future. The Commission has considered adaptability over time, long-term stewardship and risk, differing future trajectories, and the durability of arrangements.

Adaptability over time

285. Evidence gathered throughout the investigation suggests Southland is likely to experience ongoing demographic, economic and technological change. Population ageing, changing service expectations and uneven growth across communities are likely to alter future patterns of service demand and infrastructure investment. The Commission therefore considered the extent to which future governance arrangements would be capable of adapting to changing circumstances over time.

286. The Commission also heard from Te Ao Mārama that governance arrangements should be capable of responding to changing community needs while supporting long-term wellbeing outcomes and exercising stewardship responsibilities across generations.

287. The Commission considered whether differing future trajectories across Southland would require governance arrangements capable of responding to changing local circumstances while maintaining effective regional decision-making.

288. Under a two-council model (Option 2), each unitary authority would be able to adjust priorities, service delivery approaches and investment decisions to reflect changing conditions within its own area. Some stakeholders considered that separate authorities could provide greater flexibility to respond to differing urban and rural circumstances and evolving community expectations. Option 2 may therefore provide opportunities for local responses where growth, service demands or community priorities diverge over time.

289. However, the Commission did not identify evidence that future growth or decline is likely to diverge so much across Southland that separate governance structures are necessary to accommodate these changes. While some communities may experience stronger growth, population ageing, changing economic activity or different infrastructure demands, the evidence suggests these changes are likely to be gradual and manageable under either option.

290. Future change may require resources, investment and services to be adjusted across different parts of Southland. Under a single Southland council (Option 1), these decisions would occur within a single governance and organisational framework. The Commission considered that this may provide greater flexibility to respond to changing patterns of population growth, demographic change and service demand by enabling resources, expertise and investment priorities to be reallocated across the region without requiring coordination between separate organisations.

291. Both options are capable of adapting to future change and accommodating differing local circumstances. However, a single Southland council (Option 1) provides greater flexibility to respond to evolving regional needs within a single governance framework and reduces the likelihood that future demographic, economic or service changes would require additional structural adjustments. The Commission considered that Option 1 performs more strongly against this consideration.

Long-term stewardship and risk

292. Stakeholders consistently highlighted the importance of environmental management, infrastructure stewardship, climate adaptation, hazard management and long-term planning. Particular examples included the management of river catchments such as the Ōreti River, coastal environments, flood protection, freshwater quality, biodiversity and regionally significant infrastructure. The Commission notes that many of these responsibilities involve decisions with consequences extending across decades and frequently beyond administrative boundaries.

293. Iwi and Māori noted that stewardship responsibilities are often considered through an intergenerational lens, with decisions assessed in terms of their implications for future generations rather than solely immediate outcomes. Participants emphasised the importance of long-term planning for environmental management, natural resources, infrastructure and community wellbeing. The Commission considered that these perspectives reinforce the need for governance arrangements capable of supporting consistent long-term decision-making and stewardship over extended timeframes.

294. Both options are capable of supporting long-term stewardship responsibilities. However, many of the stewardship responsibilities identified through engagement, including environmental management, infrastructure resilience and climate adaptation, extend over long timeframes and require coordination across multiple communities and systems.

295. A two-council model (Option 2) would continue to require coordination between authorities and governance arrangements where long-term risks affect multiple areas. While such coordination is achievable, it relies on maintaining consistent priorities, shared objectives and collaborative relationships over time.

296. Under a single Southland council (Option 1), regional and territorial responsibilities would sit within a single authority. The Commission considered that this may provide stronger alignment between long-term planning and implementation, greater integration of environmental and infrastructure decision-making, and clearer accountability for managing risks that affect multiple communities.

297. A single Southland council (Option 1) performs more strongly against this consideration.

Different future trajectories

298. Evidence gathered throughout the investigation indicates that Southland communities are unlikely to experience a single future pathway. Population growth is expected in some areas, while others may experience population decline, demographic ageing, changing patterns of service demand or workforce pressures. Economic opportunities are also likely to vary, with tourism growth concentrated in some locations, continuing agricultural development in others, and differing workforce requirements emerging across the region.

299. Evidence indicates that future trajectories are likely to differ across Southland. Invercargill is expected to remain the region's primary urban centre and may experience different growth pressures and service demands from smaller communities. Fiordland communities face ongoing tourism-related opportunities and infrastructure pressures, while more remote communities may continue to experience challenges associated with distance, service access, workforce availability and population ageing.

300. The Commission also considered evidence regarding the future evolution of Southland's economy. The region has a diverse economic base, with significant contributions from agriculture, manufacturing, tourism, forestry, aquaculture, logistics and service industries. The Commission considered that differing economic conditions, investment opportunities and workforce requirements are likely to emerge across sectors and places over time.

301. These differing trajectories were reflected in engagement findings. Stakeholders emphasised the need for governance arrangements that can respond to urban growth pressures, support remote and rural communities, accommodate visitor-driven demands in tourism destinations, and recognise the distinct circumstances of different industries and places across Southland.

302. A two-council model (Option 2) may provide greater confidence to some communities that differing local priorities, aspirations and challenges will remain visible within governance and decision-making processes. Some participants considered that separate authorities may be better positioned to focus on differing urban and rural circumstances should those trajectories diverge further in the future.

303. However, many future challenges are likely to remain interconnected. Workforce availability, housing demand, infrastructure investment, climate adaptation, economic development and service provision frequently affect multiple communities simultaneously and are unlikely to align neatly with administrative boundaries. The Commission considered that differing local trajectories can therefore create both local and regional implications.

304. Under a single Southland council (Option 1), differing patterns of growth, stability or decline could be addressed within a single governance framework while enabling resources, planning and investment decisions to respond to changing circumstances across the region. The Commission considered that this may provide greater flexibility to accommodate changing relationships between communities and shifting patterns of service demand over time.

305. Both options are capable of accommodating different future trajectories across Southland. However, a single Southland council (Option 1) provides a stronger framework for responding to differing local circumstances while continuing to address challenges and opportunities with regional implications.

Durability of arrangements

306. Both options are capable of providing enduring governance arrangements and both represent significant structural changes relative to the status quo. Neither option is dependent on a single future scenario, and both have the potential to remain effective under a range of future conditions.

307. However, a single Southland council (Option 1) is less sensitive to changing regional relationships and service patterns because it provides a governance framework capable of accommodating both local and regional issues within a single structure. By contrast, a two-council model (Option 2) would require ongoing cooperation between two councils where economic, demographic and service relationships continue to operate across the proposed boundary. The Commission considered that the effectiveness of those arrangements would depend on maintaining strong working relationships and shared approaches to regional issues over time.

308. Both options provide durable governance arrangements; however, a single Southland council (Option 1) is more likely to remain aligned with future needs and less likely to require further structural adjustment over time.

Objective (h) assessment

309. Both options would enhance the ability of local government to respond to changing community needs relative to the current arrangements.

310. The Commission found that both options would improve organisational scale and future adaptability. However, many of the challenges likely to shape Southland's future, including demographic change, infrastructure renewal, workforce capability and environmental management, will continue to have significant regional dimensions. A single Southland council (Option 1) provides greater flexibility to respond to these changes within a single governance framework and is less reliant on coordination between separate organisations over time.

311. Taking all considerations together, the Commission concludes that a single Southland council (Option 1) performs moderately better than a two-council model (Option 2) against this objective.

Domain 4 assessment: Statutory partnership and management obligations with iwi and Māori

Approach to the assessment

312. Domain 4 considers objective (i) of clause 10, which requires the Commission to assess whether the proposed arrangements would provide effective provision for co-governance and co-management arrangements established by legislation, including Treaty settlement legislation.

313. In undertaking this assessment, the Commission has considered continuity of statutory arrangements, clarity of roles and responsibilities, the workability of partnership arrangements, and the protection of statutory rights and interests, informed by engagement with Te Ao Mārama on behalf of Ngāi Tahu ki Murihiku.

Objective (i): Effective provision for co-governance and co-management arrangements established by legislation

Continuity of statutory arrangements

314. Existing arrangements arise from legislation, including Treaty settlement legislation, and reflect specific rights, obligations and relationships intended to endure regardless of changes to local government structures. Examples include settlement obligations, statutory acknowledgements, nohoanga, Tōpuni and other cultural redress mechanisms established through legislation. The Commission also notes that some arrangements operate across wider geographic areas and are not confined solely to Southland boundaries.

315. In considering this matter, the Commission also had regard to issues raised through engagement with Te Ao Mārama regarding the potential implications of reorganisation for relationships with ancestral lands, waters, sites, wāhi tapu, valued flora and fauna, other taonga, and relationships with local authorities.

316. Neither option would alter the legal status of existing statutory arrangements, including settlement obligations and cultural redress mechanisms established through legislation. The statutory obligations currently attaching to the existing councils would transfer to the successor council or councils established through reorganisation. Existing rights and obligations would therefore continue to apply under either option.

317. Any future reorganisation would need to provide for the continuation of existing statutory arrangements and associated legal obligations, regardless of the governance structure adopted.

318. Both options are capable of preserving existing statutory arrangements and ensuring their continuity over time. Accordingly, the Commission did not identify a material difference between the options against this consideration.

Clarity of roles and responsibilities

319. Te Ao Mārama emphasised the importance of accountability for obligations arising under Treaty settlement legislation, other statutory arrangements relating to iwi and Māori interests, and agreements entered into between Ngāi Tahu ki Murihiku, Te Ao Mārama and existing councils. The Commission notes that these matters are fundamental to the practical operation of statutory partnership arrangements.

320. Clear accountability and decision-making pathways are important to ensuring that statutory obligations are implemented consistently and that iwi and Māori organisations can readily identify the appropriate decision-makers and points of engagement. These responsibilities include obligations arising under local government legislation, resource management and planning legislation, Treaty settlement legislation, statutory acknowledgements and other arrangements entered into between iwi, Māori organisations and local authorities.

321. Under a single Southland council (Option 1), responsibilities for both regional and territorial functions would sit within a single authority. The statutory obligations and responsibilities currently held by the four existing councils would transfer to that authority. The Commission considered that this may provide clearer accountability for implementing statutory obligations, settlement commitments and other agreements, and for recognising statutory rights and interests across Southland.

322. Under a two-council model (Option 2), responsibilities would sit across two unitary authorities together with regional governance arrangements. While the Commission considered these responsibilities could be clearly specified, the structure creates additional interfaces through which accountability for settlement commitments may need to be coordinated.

323. The Commission also notes Te Ao Mārama's view that a single authority may provide clearer lines of accountability and more consistent implementation of settlement commitments across the region.

324. Both options are capable of providing clarity regarding statutory obligations. However, a single Southland council (Option 1) may provide a more straightforward accountability framework and clearer allocation of responsibilities. The Commission recognises that detailed accountability pathways and governance arrangements would ultimately be matters for any transition process.

Workability of partnership arrangements

325. The Commission heard that the effectiveness of partnership arrangements depends not only on formal legal obligations but also on governance capacity, institutional relationships, administrative support and the practical burden placed on participants. Te Ao Mārama emphasised the importance of reducing unnecessary engagement burdens, maintaining trusted relationships and supporting integrated approaches to planning and resource management.

326. The Commission also considered the capacity implications for iwi and Māori organisations participating in partnership arrangements across multiple authorities and governance structures. Effective provision requires partnership arrangements that are workable in practice, including consideration of engagement burdens, access to decision-makers and opportunities for meaningful participation.

327. Under a single Southland council (Option 1), engagement would occur through a single authority, potentially reducing duplication of processes and providing a consistent approach across regional and territorial matters.

328. Under a two-council model (Option 2), partnership arrangements would continue to operate across multiple councils and governance structures. The Commission considered that this may provide opportunities for place-based engagement but could also require iwi organisations to engage through multiple institutional pathways in relation to matters that cross authority boundaries.

329. Existing partnership mechanisms, including the Charter of Understanding and Te Rōpū Taiao, provide important foundations for engagement under current arrangements and may continue, potentially in modified form, under either option.

330. Both options are capable of supporting effective partnership arrangements. However, the evidence available to date suggests that a single Southland council (Option 1) may reduce fragmentation, simplify engagement processes and lessen capacity demands on participating organisations, which may improve workability in practice.

Protection of statutory rights and interests as part of co-governance or co-management arrangements

331. Te Ao Mārama emphasised the importance of settlement obligations, rangatiratanga, participation in decision-making, and the effective recognition of Ngāi Tahu ki Murihiku relationships with ancestral lands, waters, sites, wāhi tapu, valued flora and fauna and other taonga. The Commission also notes the importance placed on integrated management of natural resources and the application of a ki uta ki tai approach to environmental management.

332. As discussed under Continuity of Statutory Arrangements, statutory rights, interests and obligations established through legislation would continue regardless of the governance structure adopted. The Commission therefore focused on whether either option could affect the practical implementation of those rights and interests.

333. The Commission considered whether changes to governance structures could create risks of fragmentation, dilution or inconsistent implementation of those rights and interests in practice. Te Ao Mārama advised that effective implementation of settlement obligations requires clear accountability, retention of institutional knowledge, meaningful participation in decision-making processes, and governance arrangements capable of consistently recognising statutory acknowledgements, nohoanga, Tōpuni and other cultural redress mechanisms.

334. Under a single Southland council (Option 1), responsibilities for regional and territorial functions would sit within a single authority. This may reduce the risk of inconsistent implementation across Southland by providing a single organisation responsible for recognising and implementing statutory obligations and settlement commitments.

335. Under a two-council model (Option 2), statutory rights and interests would continue to be recognised and protected. However, responsibility for implementation would be distributed across two authorities and governance arrangements. While these arrangements are capable of maintaining existing rights and interests, achieving consistent implementation may depend to a greater extent on coordination between organisations.

336. Regardless of the option adopted, statutory rights and obligations established through legislation would continue to apply and would need to be reflected in any reorganisation implementation arrangements. The Commission would expect transition planning to specifically address accountability, institutional knowledge, relationship management and mechanisms supporting the ongoing recognition of statutory rights and interests.

337. Te Ao Mārama identified a number of matters requiring further information before a definitive assessment can be made. These include future governance arrangements, representation mechanisms, accountability frameworks, organisational capability, resourcing arrangements and how settlement obligations and statutory interests would be implemented in practice under future structures.

338. Based on the information currently available, both options are capable of protecting statutory rights and interests established through legislation. However, a single Southland council (Option 1) may provide greater assurance that those rights and interests would be implemented consistently across Southland through a single accountability framework and reduced organisational fragmentation. Accordingly, Option 1 performs somewhat more strongly against this consideration.

Objective (i) assessment

339. Both options are capable of providing effective provision for co-governance and co-management arrangements established through legislation, and neither would alter the legal status of existing statutory rights, obligations or settlement commitments.

340. The Commission's engagement with Te Ao Mārama indicates that, based on the information currently available, a single Southland council (Option 1) may provide clearer accountability, a more consistent approach to implementation and reduced fragmentation of engagement processes. However, Te Ao Mārama also advised that further information regarding future governance arrangements, representation, accountability and implementation would be required before a definitive assessment can be made.

341. Taking all considerations together, the Commission concludes that while both options are capable of meeting objective (i), a single Southland council (Option 1) appears likely to perform moderately better than a two-council model (Option 2).

Overall Clause 10 assessment

342. Clause 10 of Schedule 3 of the Local Government Act 2002 requires the Commission to consider the statutory objectives collectively when assessing whether reorganisation would be desirable. No individual objective is determinative. The Commission must therefore weigh the findings across all objectives, consider the trade-offs associated with each option, and form an overall judgement about which arrangement is more likely to achieve the objectives of clause 10.

343. The Commission's assessment found that both shortlisted options would improve upon the current arrangements in a number of respects. Both options would integrate regional and territorial functions, reduce fragmentation within the current system, improve organisational capability and resilience, and provide a stronger basis for strategic planning and service delivery than currently exists. Both options are therefore capable of addressing many of the challenges and opportunities identified through Phase 1 and Phase 2 of the investigation.

344. The Commission also found that the principal differences between the options relate less to whether improvement would occur and more to the extent of that improvement and the mechanisms through which it would be achieved.

Comparative assessment

345. The Commission's overall findings are summarised below.

Clause 10 objective	Relative assessment
Objective (a), Limb 1: Democratic local decision-making and action by, and on behalf of, communities	Broadly comparable
Objective (a), Limb 2: Meeting communities' current and future needs for good-quality, cost-effective and local infrastructure, public services and performance of regulatory functions	Option 1 performs moderately better
Objective (b): Productivity improvements within the affected local authorities	Option 1 performs moderately better
Objective (c): Efficiencies and cost savings	Option 1 performs significantly better
Objective (d): Resources necessary to perform responsibilities, duties and powers	Option 1 performs significantly better
Objective (e): Effective responses to the opportunities, needs and circumstances of affected areas	Option 1 performs moderately better
Objective (f): Effectiveness, efficiency and sustainability of local government services	Option 1 performs moderately better
Objective (g): Ability of local and regional economies to develop and prosper	Option 1 performs moderately better
Objective (h): Ability to meet changing community needs for governance and services into the future	Option 1 performs moderately better
Objective (i): Effective provision for statutory co-governance and co-management arrangements	Option 1 performs moderately better

Key trade-offs informing the Commission's overall assessment

346. There are a number of recurring themes and trade-offs across the clause 10 assessment. While both options would improve upon the current arrangements, they do so in different ways and place different emphasis on local representation, regional coordination, organisational capability and long-term resilience.

347. As reflected throughout this document, engagement participants consistently emphasised the importance of local identity, local voice and ensuring communities retain meaningful influence over decisions affecting them. The Commission recognised that a two-council model (Option 2) may provide greater confidence to some communities that local priorities, identities and circumstances will remain visible at the principal council level. These considerations were particularly important for participants concerned about maintaining a distinction between Invercargill and the diverse communities across the remainder of Southland, or who viewed separate governance arrangements as necessary to protect local influence and representation.

348. Many of the relationships shaping how Southlanders live, work and access services extend beyond present or proposed council boundaries. Communities of interest, service catchments, labour markets, transport connections, infrastructure systems, environmental management responsibilities and economic relationships frequently operate across the region rather than within individual districts. While both options are capable of recognising these relationships, a single Southland council (Option 1) provides a stronger framework for managing them within a single governance structure and reduces the need for ongoing coordination between separate authorities.

349. The Commission placed considerable weight on the extent to which each option would support integrated planning, investment and service delivery. Option 2 would continue to rely on coordination between authorities through a joint committee where regional functions, catchments, infrastructure systems and economic relationships extend across the proposed boundary. While the Commission considers that these arrangements could operate effectively, they introduce additional governance interfaces and require continued institutional cooperation over time. By contrast, Option 1 would provide a single framework through which regional and territorial functions could be aligned and accountabilities clearly assigned.

350. The Commission also considered organisational capability, financial resilience and long-term sustainability to be important differentiators between the options. Both options would improve upon the current arrangements by creating larger and more capable organisations. However, the evidence consistently indicated that Option 1 would provide greater organisational depth, stronger financial resilience, larger pools of specialist capability and greater flexibility to respond to future pressures. The Commission also placed weight on the independent modelling, which showed stronger efficiency gains and a more sustainable long-term financial position under Option 1.

351. Option 1 presents the larger implementation challenge because it would involve integrating four organisations into a single authority. However, the Commission considered that the risks associated with transition are temporary and capable of being mitigated through appropriate planning, governance and implementation arrangements. By contrast, many of the organisational, financial and governance benefits associated with Option 1 arise directly from the structure itself and are likely to endure beyond the transition period.

352. The Commission further considered the implications of each option for statutory partnership and management obligations with iwi and Māori. Both options are capable of maintaining existing statutory arrangements and settlement obligations. However, the Commission noted Te Ao Mārama's advice that, based on the information currently available, Option 1 appears more likely to support integrated management of natural resources, regional consistency, accountability for settlement commitments and a simpler interface for iwi engagement. The Commission also considered that a single authority may reduce fragmentation and provide greater assurance of consistent implementation of statutory rights, interests and obligations across Southland.

353. Having considered the evidence as a whole, the Commission considered that many of the advantages associated with a two-council model (Option 2) relate to perceived proximity to decision-making and the visibility of local priorities at the principal council level. However, both options provide for local governance arrangements and local representation. By contrast, a number of the advantages associated with a single Southland council (Option 1) arise more directly from the structure itself. These include stronger integration of regional and territorial functions, clearer accountability, greater organisational and financial resilience, stronger alignment with Southland-wide functional relationships, and reduced reliance on joint governance and coordination arrangements for regional functions (such as the joint committee).

Overall conclusion

354. Both shortlisted options are capable of improving on the current arrangements and each provides a credible basis for future local government in Southland.

355. However, after considering all clause 10 objectives together, a single Southland council (Option 1) performs more strongly overall. While a two-council model (Option 2) offers important advantages in perceived proximity, local visibility and alignment with existing territorial distinctions, the Commission considered that Option 1 provides the stronger overall framework for meeting the statutory objectives in clause 10 of Schedule 3 of the Local Government Act 2002.

356. Accordingly, Option 1, comprising a single Southland-wide unitary authority supported by local governance arrangements, provides the strongest basis for continuing the investigation and developing a draft reorganisation plan.

Decision

357. The purpose of Phase 2 was to determine whether there is sufficient evidence to continue investigating alternative local government arrangements for Southland and, if so, which option should be developed further through a draft reorganisation plan.

358. In identifying a single Southland council (Option 1) as the strongest option, the Commission has also identified a number of matters to be addressed and tested:

- representation arrangements;
- local board boundaries, responsibilities, powers and budgets;

- governance and accountability arrangements;
- arrangements for maintaining local service access;
- statutory partnership and management arrangements; and
- transition and implementation arrangements.

359. The Commission considers that these matters can be worked through as part of developing and consulting on a draft reorganisation plan. While uncertainties remain, they identify matters to be investigated and tested, rather than preventing the investigation from continuing.

360. The Commission has therefore decided to proceed to Phase 3 of the Southland reorganisation investigation, which involves releasing a draft reorganisation plan for consultation based on a single Southland Council (Option 1), supported by local boards.

Next steps

361. The Commission's decision to release a draft reorganisation plan for consultation is not a final decision to reorganise local government in Southland. It reflects the Commission's conclusion that there is a reasonable basis to consult on a single Southland council (Option 1).

362. The draft reorganisation plan will set out proposed governance, representation and transition arrangements and provide an opportunity to test whether the preferred option adequately addresses the opportunities, risks and transition considerations identified during the investigation.

363. Following publication of the draft reorganisation plan, the Commission will undertake formal consultation in accordance with Schedule 3 of the Local Government Act 2002. All interested parties will be able to consider the plan in detail and make submissions to the Commission.

364. Following consultation and hearings, the Commission will consider all submissions and evidence before deciding whether to issue a final reorganisation plan and whether any amendments should be made to the draft plan.

365. In considering whether to issue a final plan, the Commission will have regard to the matters set out in clause 12 of Schedule 3 of the Local Government Act 2002, including whether the plan provides an effective and workable basis for local government in Southland, appropriately recognises communities of interest and local representation requirements, provides for the effective delivery of local government functions, gives appropriate effect to statutory obligations, and addresses the opportunities and challenges identified during the investigation.

366. The consultation process provides an important opportunity to test the detailed design of the plan, seek further community and stakeholder input, and assess whether to proceed with the steps outlined under Phase 3 of the investigation process available on the Commission's website.

Appendices / Āpitihanga

Appendix / Āpitihanga A:	Stakeholder organisations participating in phase 2 engagement
Appendix / Āpitihanga B:	MartinJenkins - Southland reorganisation investigation final report (separate attachment)

Appendix A: Stakeholder organisations participating in phase 2 engagement

Stakeholders	
Accident Compensation Corporation	Ministry of Social Development
Clutha District Council	New Zealand Police (Southern Police District)
Community Board members from each Council	Oranga Tamariki
Council staff from Southland Councils	Otago Regional Council
Department of Corrections	PowerNet
Elected members of each council	Queenstown-Lakes District Council
Environment Southland	Rate reform group
Federated Farmers Southland	Southland Business Chamber
Fiordland Business Association	Southland District Council
Fiordland Marine Guardians	Southland Fish and Game
Fire and Emergency NZ Southland	South Port NZ
Gore District Council	Stewart Island/Rakiura Community & Environment Trust
Great South (Southland Regional Development Agency)	Te Ao Mārama Incorporated (mandated to engage on behalf of Te Rūnanga Awarua, Hokonui Rūnanga, Te Rūnanga Ōraka-Aparima, Waihōpai Rūnanga, and provide feedback on behalf of Ngāi Tahu ki Murihiku, Te Rūnanga o Ngāi Tahu)
Groundswell	
Invercargill City Council	
Kainga Ora	
Koha Kai	Te Puni Kōkiri
Livestrands	Te Whatu Ora Health NZ
Ministry of Education	Thriving Southland (37 catchment groups)
Ministry of Justice	Well South – Southern Primary Health Network