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| <b>Report to:</b>         | <b>Council</b>                                |
| <b>Date:</b>              | 24 June 2026                                  |
| <b>Subject:</b>           | Headstart Negotiations                        |
| <b>Prepared by:</b>       | P Kearney – Senior Manager Corporate Services |
| <b>Input sought from:</b> |                                               |
| <b>Authorised by:</b>     | W Doughty - Chief Executive Officer           |

## 1. PURPOSE

The purpose of this report is to seek Council endorsement to actively participate in the Government's Head Start pathway, progress discussions with neighbouring councils regarding potential amalgamation arrangements, and to commit to preparing and submitting a Head Start outline proposal by 9 August 2026.

### Attachments:

**Council Workshop Presentation – Headstart Reforms**

## 2. RECOMMENDATION

It is recommended that the Council:

- a) Receives this report
- b) Authorises the Chief Executive to progress discussions with Hurunui District Council, Waimakariri District Council, and Marlborough District Council regarding potential options for a Headstart proposal noting that initial conversations have taken place.
- c) Approves in principle the preparation and submission of a Head Start proposal by 9 August 2026, noting that the proposal will be high-level and that not all matters or details will be resolved prior to submission.
- d) Notes that following discussions with the above Councils, a preferred option will need to be confirmed before a Headstart proposal can be submitted.
- e) Endorses the use of guiding principles, supporting information, and community feedback to inform the development of a preferred option and subsequent proposal with refinements as required in the process.
- f) Notes that a decision paper on a preferred option will be brought to the Council before a Headstart application is submitted.

## 3. BACKGROUND

On 5 May 2026, the Government announced the Head Start pathway as part of the Simplifying Local Government reform programme. This reform represents the most significant structural change to local government since 1989 and is intended to replace the current two-tier system of regional and territorial authorities with larger unitary authorities that combine both functions.

The reform establishes two pathways. The first is the Head Start pathway, which is voluntary and enables councils to develop and submit locally led proposals for reorganisation. The second is a Backstop pathway, which is a government-led process that will apply where councils do not submit or progress proposals. Both options lead to a change of the status quo from the local body elections in 2028.

Councils intending to participate in Head Start must submit an outline proposal by 9 August 2026. These proposals are expected to be high-level, strategic, and demonstrate alignment with Government objectives, rather than providing fully resolved design detail. High level guidance for the assessment criteria has been provided by the Department of Internal Affairs (DIA), namely that proposals must align with following:

1. Deliverability – must be workable in time for the October 2028 local elections
2. Support for the planning system – aligns with RMA replacement and Regional Spatial Plans
3. Simplification of governance – reduces duplication between regional and territorial councils
4. Economies of Scale – larger entity delivers services more efficiently
5. Maintenance of local voice – fair representation and identity preserved for communities

In the context of this reform, Kaikōura District Council is not considered viable as a standalone unitary authority due to its size and limited rating base. As a result, Kaikōura must consider alignment with neighbouring councils, either to the north with Marlborough or to the south with a North Canterbury grouping (or some other).

Council has commenced early engagement with neighbouring Councils and the community, including public meetings held on 16 and 18 June 2026 and a live survey. Initial feedback indicates that while community views on structural reform are mixed, there are consistent themes regarding the importance of retaining local identity, maintaining a strong local voice in decision-making, ensuring fair treatment of existing assets and debt, and preserving effective emergency management capability.

#### **4. OPTIONS**

##### **4.1 Options regarding Head Start or Backstop**

Council has two realistic options available:

###### **4.1.1 Option 1: Participate in the HeadStart**

The first option is to actively participate in the Head Start pathway. This would involve engaging with neighbouring councils, developing a joint or aligned proposal, and submitting an outline proposal by 9 August 2026. This approach enables Council to retain influence over the future structure of local government in the region and to advocate for outcomes that reflect the needs and interests of the Kaikōura community.

###### **4.1.2 Option 2: Default to Backstop**

The second option is to not submit a proposal and therefore default to the Backstop pathway. Under this approach, the shape of future arrangements would be determined by central government with limited input from Council and includes the potential for commissioners to take over governance arrangements from 2028. While this option may provide more time for analysis in the short term, it significantly reduces Council's ability to influence outcomes.

Given the direction of reform and the importance of maintaining local influence, Council officers recommend the first option that Council actively participate in the Head Start pathway.

##### **4.2 Options regarding Amalgamation Choices**

A long list of potential options was initially developed, however, based on consideration of the government's criteria, work done to date and initial feedback from the community only two main options can be meaningfully considered:

###### **4.2.1 Option 1: Forming a joint unitary council with Marlborough District Council**

This option includes forming a new joint unitary authority between Marlborough District Council and Kaikōura District Council. This option could also include Hurunui District Council.

#### **4.2.2 Option 2: Forming a joint North Canterbury unitary Council with Hurunui District Council and Waimakariri District Council.**

This option includes forming a new joint unitary authority between Hurunui District Council, Waimakariri District Council and Kaikoura District Council. In order for this option to be viable existing district boundaries would need to remain intact to ensure sufficient population size for a viable unitary authority.

This report seeks support that discussions regarding these two options are progressed further with neighbouring Councils noting that a preferred option would need to be identified and agreed with all parties to be included in a Head Start proposal.

### **5. DISCUSSION**

- 5.1 The decision before Council is not one of final structure, but rather whether to actively participate in shaping future arrangements. The Head Start proposal required by August is high-level and is not expected to resolve all aspects of governance, financial arrangements, or service delivery. Instead, it is intended to signal direction, demonstrate alignment with neighbouring councils, and show how a proposal could meet the Government's objectives.
- 5.2 In developing a proposal, Council will apply its agreed guiding principles (with refinements as required) as the primary framework for decision-making. These principles reflect both Government expectations and local priorities and include ensuring that Kaikōura is no worse off as a result of any reorganisation, that local voice and identity are preserved, that financial arrangements are fair and transparent, that essential services continue without disruption, and that any arrangement is of an appropriate scale to deliver efficiently while remaining connected to communities.
- 5.3 In addition to these principles, several key considerations will inform discussions and proposal development. The concept of natural catchment areas is a critical factor, particularly in relation to environmental management, water services, and the future planning system. Aligning governance boundaries with natural systems supports integrated decision-making and is consistent with the direction signalled by Government.
- 5.4 Council must also have regard to the characteristics of potential partner councils, including their natural hazard exposure, growth projections, financial health, service delivery frameworks, and governance structures. Understanding these factors is essential to assessing the long-term viability and resilience of any proposed arrangement and ensuring that Kaikōura's interests are appropriately protected.
- 5.5 Community feedback to date reinforces the importance of maintaining a strong local voice and ensuring that smaller communities are not overshadowed by larger population centres. Representation arrangements, including the potential for local boards, wards, or other mechanisms, will therefore be a critical component of any future design, although detailed decisions on these matters will occur in later phases if a proposal is accepted.
- 5.6 Given the limited timeframe, it is recognised that not all information will be available prior to submission. As such, the proposal will necessarily rely on high-level analysis and qualitative assessment. A structured approach will be taken to evaluating potential configurations, including the application of an initial pass/fail assessment against the Government's five criteria: deliverability, support for the planning system, simplification of governance, economies of scale, and maintenance of local voice.

Any option for consideration must first undertake a pass/fail test in terms of the degree to which they meet the government criteria. This will ensure a meaningful comparative view of options and support Council in identifying preferred directions, recognising that more detailed analysis will be undertaken in later stages.

## **6. RISKS & FINANCIAL IMPLICATIONS**

The most significant risk to Council is deemed to be not participating in the Head Start pathway. Should Council fail to submit a proposal, it is highly likely that future arrangements will be determined through the Backstop process, resulting in a loss of local influence and a reduced ability to secure outcomes aligned with the needs of the Kaikōura community. The level of ability for Council to influence the backstop process is very limited based the current information.

There are also risks associated with participation. These include the potential loss of local identity and influence within a larger governance structure, uncertainty around the treatment of debt and assets, and the possibility of inheriting financial obligations from other councils. Service delivery risks are also present, particularly in ensuring continuity of critical services such as water, roading, and emergency management.

Time constraints present an additional risk, as decisions on a preferred option must be made based on incomplete information. There is also a risk that neighbouring councils may pursue different or incompatible approaches, limiting the ability to form a viable joint proposal.

These risks will be managed through the application of guiding principles, ongoing engagement with partners, and continued community input. No matter the proposal submitted the risk remains that the Government rejects the proposal, however it is still deemed optimum to have been a participant in the headstart process than not at all.

At this stage, financial implications are limited to the time and costs associated with progressing discussions, undertaking analysis, and continuing engagement. These costs are expected to be manageable within existing budgets and do not represent a material financial burden (in the lead up to August 9<sup>th</sup>). At the current time no budget has been specifically assigned for this work.

The longer-term financial implications of any reorganisation are not yet known and will depend on decisions relating to asset ownership, debt allocation, rating harmonisation, and service delivery models in addition to any resourcing needs to progress the analysis and discussions alongside day to day tasks. These matters will need to be considered in greater detail if a proposal is progressed beyond the initial stage including transition, implementation costs and any potential efficiency savings, if any.

## **7. SIGNIFICANCE OF DECISION**

This decision is not considered significant in terms of Council's Significance and Engagement Policy as at this stage it is seen as purely supporting a proposal rather than dictating an outcome. The outcome from government decisions through this process could be considered significant, however at this stage the requirement to consult is deemed low but may be part of future actions.

## **8. RELEVANT LEGISLATION**

The reform programme will be supported by new legislation that enables local government reorganisation and establishes transitional arrangements. Council must ensure that any proposal aligns with this framework and with the broader intent of simplifying governance and improving regional coordination.

Council also remains subject to the Local Government Act 2002, including the requirement to apply consultation principles when making decisions of this nature. While timeframes limit the extent of formal consultation prior to submission, Council has undertaken initial engagement and will continue to incorporate community views into its decision-making.

## 9. COMMUNITY VIEWS

Community views from the current survey and community meeting held on the 16<sup>th</sup> June 2026 have been incorporated into to this report. The feedback from the Kekerengu meeting held on the 18<sup>th</sup> June 2026 will be considered as part of the ongoing discussions should the recommended option be approved.

## 10. COMMUNITY OUTCOMES SUPPORTED

The work is in support of all community outcomes.



### Community

We communicate, engage and inform our community



### Development

We promote and support the development of our economy



### Services

Our services and infrastructure are cost effective, efficient and fit-for-purpose



### Environment

We value and protect our environment



### Future

We work with our community and our partners to create a better place for future generations