

**VISION FOR THE**

**FUTURE.**

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**What local authorities  
would like to see for the  
future of local government**

May 2022

**We are.  
LGNZ.**

Te Kāhui Kaunihera o Aotearoa.

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# Looking to the future

Putting communities at the heart of everything we deliver.

That's what LGNZ has heard from councils about the type of future they'd like to see for local government in Aotearoa. Our workshops and kōrero over the past six months have gathered a broad range of perspectives – and we've built a clear vision of what councils want to become.

Councils want to play a key role in community wellbeing and place-making. They want local government to genuinely give effect to the principles of Te Tiriti o Waitangi, and they want a broader and more diverse range of people actively participating to shape their communities. They want a joined-up collaborative system that draws on the strengths of multiple partners and attracts capable and visionary leaders to enhance the mana of their communities. And they want a high trust relationship with central government that ensures they have the financial capacity to address the ever-changing needs of their communities.

The challenges Aotearoa will face over the next 30 years are complex. By 2050 one in four New Zealanders will

be over the age of 65, and our population is expected to grow by 1.7 million - that's the equivalent of another Auckland. It's expected that half of that population growth will occur in five major centres. Climate change is also a major challenge, and we already know that approximately \$5 billion of council infrastructure is exposed to sea level rise. New Zealand has also committed to a net-zero carbon emissions economy by 2050. To address these challenges and the changes to local government's functions and roles taking place through the Three Waters and Resource Management Reform programmes, we need to boldly reimagine the role that our councils play in the wellbeing of our communities, our society, and the future of Aotearoa.

The Future for Local Government Review is timely, not only because of the Government's wider reform programme, but also because we're seeing an increasing number of citizens losing trust in their governing institutions both at home and abroad. Local government must be equipped with the institutional and statutory frameworks to achieve

enabling, accountable, inclusive and citizen-centred governance. Political trust begins at the flax roots, in our neighbourhoods, towns and cities. The Review is an important opportunity to reimagine our public service by putting the needs of communities at the heart of planning and delivery and enabling a joined-up approach to delivering to those needs.

## Providing a sector perspective

LGNZ appreciates this opportunity to contribute to the Review into the Future for Local Government. This paper brings together the knowledge and experience of LGNZ's members to help shape the direction local governance should take in the future. The vision we've heard from the sector aligns well with the five key shifts identified by the Panel, and with LGNZ's own vision: for Aotearoa to be the most active and inclusive local democracy in the world.

In this paper we present what we're hearing from the sector about their vision for the future of local government. We then discuss some of the challenges that have prevented councils from already realising this vision and the key shifts, and provide a series of recommendations for the Panel's consideration about how these challenges might be addressed to make the sector's vision a reality.

We'll also address several key issues that were not discussed in any depth in the Panel's interim report that we believe need greater consideration, as well as an outline of what LGNZ is doing right now to help the sector realise their vision and prepare for the future.

We'd welcome the opportunity to discuss this paper with the Panel, or to assist with developing further analysis or recommendations to inform the next stage of the Review.



# Our sector's vision for local government in the future.

Councils will have a key role in enhancing the wellbeing of their communities and in place-making. A future system of local government will ensure councils have the flexibility and autonomy to respond to the needs and vision of their local communities and create opportunities for more people to participate in local decision-making.

As a result of more New Zealanders understanding the value and role of local government in community wellbeing, we'll see a broader and more diverse range of people actively participating in local democracy through a range of democratic tools that provide simple and accessible ways to have a say in their community's vision.

We'll also see a more diverse range of citizens standing for election and choosing to work in councils. Local government will attract competent, capable and visionary leaders that are able to care for and enhance the mana of their communities and places, and remuneration will reflect the complexity and value of the work they carry out.

This system of local government will promote a joined-up, collaborative approach that draws on the strengths of multiple partners. Councils will work in partnership with central government, iwi/hapū and community groups to ensure that their communities have equitable access to public services that align with the needs and vision of each community. As partners - rather than conduits or delivery mechanisms - councils will have a voice in national and regional-level decisions that affect local communities.

Having worked together to determine what is best delivered nationally, regionally and locally, each partner will have clear roles and responsibilities, underpinned by the principle of subsidiarity.

Local government will have the capability and capacity to give effect to the principles of Te Tiriti o Waitangi. Co-governance will be reflected in the structure of local government and be designed to enable iwi and Māori citizens to have a greater role in decision-making and service delivery. Elected members and staff will have

a deeper understanding of local tikanga and kawa, as well as the histories and stories of mana whenua and of place.

Finally, local government will have the financial capacity to address challenges as they arise and adapt to changing circumstances in an affordable and effective way. The funding and financing of local government will be determined by the functions it delivers, putting an

end to unfunded mandates. Local authorities will be able to apply fair charges on those who generate costs for local government and communities, while taking ability to pay into account. A high-trust relationship between central and local government will underpin funding and financing arrangements.





# Vision and Principles

The vision for the future of local government that we've heard from the sector brings together the importance of a thriving local democracy and the wellbeing of communities, underpinned by Te Tiriti o Waitangi. This vision and the recommendations in this paper are guided by the following principles:

**01 > Te Tiriti:** Local government has the capability, commitment and capacity to give effect to the principles of Te Tiriti o Waitangi.

**02 > Roles and Functions:** A system that provides local government with well-defined roles and responsibilities and reflects the principle of subsidiarity to enable people to make meaningful decisions about their places and wellbeing.

**03 > Participation/local voice:** Citizens are involved in decision-making and a diverse range of voices are able to participate.

**04 > Local discretion:** Local government has the autonomy and flexibility to respond to the needs and preferences of its local communities.

**05 > Leadership:** Local government attracts competent, capable, diverse and visionary leaders.

**06 > Equity:** Local government ensures all communities have equitable access to the public services it provides.

**07 > Collaboration:** A system that promotes a joined-up, collaborative approach to enhancing community wellbeing and draws on the strengths of multiple partners.

**08 > Funding and affordability:** Local government has the financial capacity to address challenges and adapt to changing circumstances in an affordable and effective way.

**Local government's vision for its future aligns well with the five key shifts identified by the Panel. Significant changes will be required to make these a reality. Below we talk about each shift and identify some of the key changes that need to be made to realise our vision. While some changes will require long-term work and significant investment, we also believe there are many opportunities to make meaningful progress through changes in the short to medium term.**

**Our conversations with councils highlighted a range of issues that currently prevent the vision and key shifts from being realised, as well as insights about the changes needed. While significant progress can be made by adopting new and innovative practices, the critical question we'd encourage the Panel to consider is why such practices are not in wider use. An outline of the key issues, as well as recommendations on how they might be addressed are set out below.**

# **THE PANEL'S FIVE KEY SHIFTS.**

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# The Panel's Five Key Shifts:



**SHIFT**

**ONE**



Local  
democracy

# Shift one // Local democracy

**Strengthened Local Democracy: from low public trust and participation in local government to a renewal of local democracy that builds a foundation for the future of a strengthened and inclusive local democracy.**

Our engagement with our members identified a number of issues and concerns that related directly to this shift, namely:

## **Attracting and nurturing talent from our diverse communities is difficult.**

The work that councils are undertaking is complex, and requires skilled, capable leaders who can make strategic decisions about the future of our communities. To strengthen local democracy and increase public trust, it's also vital that council staff and elected members reflect the diversity of our communities.

However, the current culture and behaviour within some councils is turning prospective members away. Instances of bullying and harassment are being reported more frequently, and current codes of conduct are ineffective due to lacking the

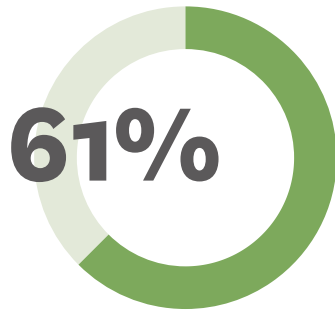
accountability mechanisms needed to keep members and council staff safe. Additional barriers to attracting and retaining talent include:

- >> low remuneration
- >> lack of support and investment in training for members
- >> working conditions for elected members, from a lack of office space to inconsistent policies towards provision of childcare
- >> misalignment between the short (three year) electoral term and equally short five-year contracting period for chief executives.

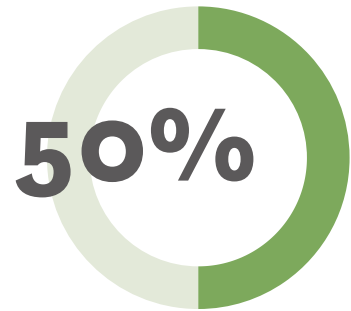
Public understanding is also an issue. Many New Zealanders don't have a clear understanding of what their local councils do and how this provides value to their daily lives, and therefore have little interest in standing for election or working in local government.

# How members experience their role

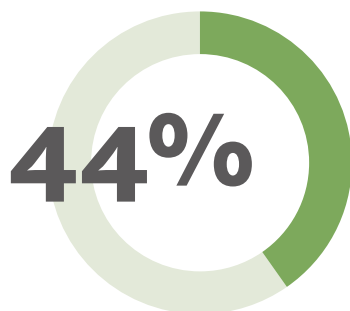
> In a recent LGNZ survey of members approximately:



// OF RESPONDENTS FELT BULLIED BY ANOTHER ELECTED MEMBER OR COUNCIL STAFF



// OF RESPONDENTS HAVE EXPERIENCED RACISM OR SEXISM IN THEIR ROLE



// EXPERIENCED HARASSMENT, PREJUDICED, THREATENING OR DEROGATORY BEHAVIOURS, WITH 50% OF THOSE EXPERIENCES OCCURRING IN THE COMMUNITY



// DID NOT KNOW HOW TO REPORT EXAMPLES OF HARASSMENT OR DISCRIMINATION

## Institutions and processes are not always responsive, open and transparent.

Another barrier is the current planning and decision-making requirements on councils – particularly annual plans and long-term plans. Although these processes should enable participation, they have become overly prescriptive, time-consuming and difficult for the public to engage with. In many cases, these requirements have the effect of stifling community vision rather than enabling it. Streamlining and simplifying councils' planning requirements is a practical way to move from passive input by communities to enabling a strengthened and inclusive local democracy in which communities develop their own visions and priorities to best respond to their needs.

With the introduction of the water services entities and changes to resource management planning, current planning processes will require significant changes. Any changes to planning and decision-making requirements should also encompass a broader review of the Local Government Act 2002. After years of amendments, the Act can make councils risk averse, legalistic, and less responsive to community involvement.

Innovative democratic tools are being used to enable a broader and more diverse range of people to participate in local decision-making across the world, and take-up is increasing in Aotearoa as well. Citizens assemblies, which randomly select a group of people to reflect the demographics of a community and give them the tools and time to deliver recommendations, have been used with success. In the city of Geelong, the Victorian Federal Government

established a citizens' jury to determine the future form of their council following the dismissal of the City of Greater Geelong Council in April 2016. The Victorian Government adopted 12 out of 13 recommendations made by the jury. In Ireland citizens assemblies have resulted in parliament making constitutional changes to recognise same sex marriage (2015) and to legalise abortion (2018). In Belgium, two regional governments use citizens' councils to set the legislative agenda and develop policy recommendations. A similar model exists in Madrid, where the city council established a panel of citizens to monitor and make recommendations on municipal issues, which rotates annually. Citizens' assemblies have proven an effective way of increasing participation and developing a respectful understanding of differences, and a significant proportion of participants typically change their views during the process. However, political buy-in is key – there must be clear mechanisms for implementing the decisions and recommendations for these methods to be effective.

## Voter turnout and legitimacy is low.

Electoral turnout is a key component of creating a strengthened and inclusive local democracy, as higher turnout increases the legitimacy of the elected government. Turnout is low for many councils in New Zealand – the total turnout for local elections in 2019 was 42 per cent<sup>1</sup>. Turnout is also related to council size, with turnout declining as councils increase in population. In 2019 turnout ranged from 70 per cent in our smallest council, the Chatham Islands, to less than 36 per cent for Auckland Council (see Attachment 2). The generally accepted reason for this correlation is that people are more likely to know who their elected

<sup>1</sup> <https://www.lgnz.co.nz/assets/Elections-Fact-sheet-19.pdf>

members are and how to approach them in smaller councils and in councils with a greater number of elected members.

To achieve this shift, it will be crucial for the Panel to consider how to bring local government closer to the communities it serves. This needs to include greater use of deliberative democracy tools, such as citizens juries, assemblies and project-based participation, but also go beyond one-off exercises to promote neighbourhood governance structures that have an ongoing presence – such as smaller local authorities, community boards, local boards or other “sub-municipal” structures that enable citizens to provide feedback in real time. Active citizenship and trust in our civic institutions starts in the neighbourhood by enabling people to participate in the decisions that affect their immediate lives. Therefore, we need neighbourhood governing bodies to enable this.

However, there are also clear, quick wins that could lead to increased voter turnout and enable greater participation. Lowering the voting age to 16 would enable rangatahi to have a greater voice in their local communities, and adding online voting to other methods is essential for achieving a more inclusive local democracy. Online voting needs to be back on the table as a matter of urgency.



# Recommendations

To strengthen trust, participation and inclusiveness in local government LGNZ recommends that the Panel consider the following:

## 01 // //

### **That the LGA 2002 is reviewed by the end of 2025 in order to:**

- A. Replace the long-term plan with a more dynamic and strategic planning framework that accounts for the changes being made by other major reform programmes and that allows communities to play a greater role in setting their community vision and reviewing progress
- B. Strengthen code of conduct accountability mechanisms and additional sanctions to provide a safe environment for elected members
- C. Enable more direct and deliberative forms of democratic participation such as citizens assemblies, participatory budgeting and online tools for feedback (e.g. Requiring councils to introduce participatory budgeting in neighbourhoods if requested).

# 02 // //

**That the Local Electoral Act 2001 is reviewed by the end of 2025 to consider:**

- a. extending the term for local government to four or five years
- b. reducing the voting age to 16
- c. enabling online voting
- d. introducing mandatory voting

# 03 // //

**That the Local Authorities (Members Interests) Act 1968 is reviewed to address confusion around the non-financial conflict of interest rules, which has led to members being incorrectly accused of conflicts of interest and therefore reduced levels of trust.**

# 04 // //

**That the Panel considers how to provide a greater role for neighbourhood governance in the overall structure of local government, such as community and local boards, in its next report.**

# 05 //

**That the Government includes civics education in the national curriculum to grow New Zealanders' understanding of the role and value of local democracy and partners with councils to deliver these programmes.**





# The Panel's Five Key Shifts:



**SHIFT**

**TWO**



Future  
roles

## Shift two // Future roles

**Stronger Focus on Wellbeing:** from traditional focus on infrastructure service delivery to a focus on the complex wellbeing challenges of the 21st Century, including economic and social equity and climate change action.

One of the most consistent messages LGNZ hears is councils' desire to have a larger role in delivering functions and services that enhance community wellbeing and place-making. Councils in Aotearoa have a narrow range of tasks and functions in comparison to other countries. However, the proposed changes to council roles and functions taking place through other major local government reform programmes provide a key opportunity to redistribute some functions to enable councils to play a broader range of roles if adequately supported and resourced.

Local government's proximity to its communities is one of its greatest assets and means it is well placed to understand and respond to the needs of local communities.

**Both central and local government functions and responsibilities should be considered.**

We need to look across all-of government at the distribution of public roles and functions and determine what is best delivered nationally, regionally and locally. One of the key issues preventing councils from fully addressing wellbeing challenges is the siloed approach to service delivery that is divided across central government, local government and their many partners. The result is that some functions or roles are neglected, access to services isn't equitable, and it's not always clear who's responsible for delivery in areas such as social and emergency housing, community safety and regional transport provision.

The siloed approach also means that local priorities and community vision are often dismissed in favour of national-level agendas that overlook what's needed on the ground at the community level. Councils are frequently called on as conduits and facilitators between their communities and central government agencies, or as delivery mechanisms for programmes and decisions that have already been made with minimal opportunity for their involvement.

Redistributing roles and functions at the national, regional and local level could:

- >> strengthen and significantly improve the central and local government relationship by developing a more joined-up and collaborative approach
- >> support a strengthened and inclusive local democracy by enabling councils to have greater autonomy in delivering public services that meet the needs of their communities
- >> allow councils to play a critical role in joining up local services, reducing duplication and ensuring priority needs are addressed, particularly services that are inherently local and depend heavily on local networks and volunteers.

Many councils have expressed a desire to play a larger role in functions that deliver social outcomes – particularly healthcare, including mental health services, social housing, education, arts and culture, sustainability initiatives, community policing, emergency management, and sports and recreation.

Much more can be done to make use of the existing social infrastructure currently supported by councils. The network of libraries is one example. In many areas libraries are already playing an enhanced role by providing a space for people to gather and connect, including those who are economically and socially marginalized, offering support for jobseekers, English as a Second Language learners and rangatahi, and working with agencies such as the Ministry of Social Development to deliver social services. We encourage the Panel to consider how councils' existing social infrastructure could be optimised to create community hubs that deliver local services in partnership with central government agencies.

There are some excellent examples of councils who

have found innovative ways to deliver additional functions to enhance community wellbeing. For example, Waitaki District Council established Waitaki District Health Services Ltd in response to Oamaru Hospital being threatened with closure during the centralisation of services in the late 1990s. The company is 100 per cent owned by the council and continues to provide essential health services to the local community. The hospital and council have also worked together to build a retirement village and are both part of Stronger Waitaki, a coalition of around 190 organisations including central government departments, local government, not-for-profits, health providers and community groups who work together to make Waitaki a safer and stronger community through providing more joined-up services.

Another strong example is the Hastings Place Based Housing Plan, a collaboration between Hastings District Council, iwi and central government agencies developed in response to a severe housing shortage in the area. The programme recognised the need for solutions across multiple types of housing and developed a partnership approach to deliver social housing, market housing, Māori housing, senior housing and RSE accommodation to meet the needs of local communities.

## A bigger role in governing communities and shaping places.

Community governance is about the processes that allow communities to develop their vision and outcomes, and how they will be realised. To achieve this shift towards a greater focus on community

**One of the failures of the system has been that the local council doesn't have legislative mechanisms to deal with the social issues within their community... As iwi and hapū we think that a collaborative approach with our local council to deal with the social challenges within our community is the way to go – so that the decisions are not made in Wellington, they're made at the point of contact, and our people make decisions about what's best for our people. (Ken Mair 27/4/21).**

wellbeing, we need to look beyond the functions and roles each partner delivers to consider how these partners can work together, and to what extent councils are able to have a voice in decisions that affect their local communities.

This is another area where tools such as citizen's assemblies can make a strong contribution, as seen in the city of Gdańsk, Poland. In response to a major flooding event, the council convened a citizens' assembly to consider the issue instead of consulting on a proposal developed by councillors and officials. The assembly considered expert testimony and designed an appropriate solution. Citizens' assemblies in Gdańsk are not only advisory bodies but have the direct power to make city policy and allocate funds. They've also considered issues such as air pollution and civic engagement.

While councils have a mandate to work collaboratively with other partners to fulfil their wellbeing purpose, those partners do not have the same requirements

to actively participate with councils. Addressing siloed roles and functions requires a joint approach to planning – for example, it could be a requirement for councils, central government agencies, iwi and community representatives to develop a shared set of community wellbeing outcomes and identify how each partner will work to deliver those outcomes. The Public Service Act could also provide more guidance about place-based cooperation to require agreed priorities, alignment of programmes and longer-term commitments to agreed outcomes.

The Review is an important opportunity to reimagine our public service by putting the needs of communities at the heart of planning and delivery and enabling a joined-up approach to delivering to those needs.



# Recommendations

To shift towards a greater emphasis by councils on the wellbeing of their communities, LGNZ asks the Panel to consider:

## 01 // //

**Which functions, assuming appropriate funding, could be suitable for devolving to councils, including:**

- A. Social housing, including “pensioner” housing (a recent paper on councils as community housing providers is [here](#))
- B. Public health, including participation in locality planning and public health
- C. Services for older citizens and youth
- D. Employment/skill development services
- E. Community based mental health services
- F. Migrant resettlement services
- G. Aspects of education
- H. Delivering community cohesion and inclusion initiatives
- I. Stronger roles in arts, culture, sport, and recreation
- J. Local child poverty initiatives, such as food in schools and urban farms to promote food resilience.

# 02



**Introducing a requirement that communities have a local wellbeing plan, which councils are responsible for developing in partnership with communities, iwi/Māori and government agencies to ensure that the services being delivered align with the needs and vision of each community. These plans could:**

- A. Determine the allocation of funding and services within communities, similar to the approaches taken with local area agreements and local strategic partnerships in the United Kingdom, and the social wellbeing strategies found in Wales and Scotland
- B. Require government agencies to take such community plans into account when making investment and programming decisions.

# 03



**Whether the NZ government should explore the “city deal” approach, as introduced in England, Australia and other countries, which involves government departments effectively transferring services and funding to those councils (usually large cities) which show they can deliver the service more effectively in their jurisdictions.**

# The Panel's Five Key Shifts:



**SHIFT**  
**THREE**



Authentic  
relationships  
with Hapū/  
Iwi/Māori

# Shift three // Authentic relationships with Hapū/Iwi/Māori

**Authentic relationship with Hapū/Iwi/Māori - from variable understanding and commitment to an authentic relationship that enables self-determination, shared authority and prosperity.**

Before discussing the key challenges relating to this shift, LGNZ encourages the Panel to further clarify what it means by 'authentic relationships'. We note that this language has shifted from the priority question set out in the Interim Report, *Ārewa ake te Kaupapa*, which asked *How might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?* We've heard consistently from the sector the importance of speaking specifically about 'Te Tiriti partnership', and recommend using this language rather than 'authentic relationships' moving forward.

LGNZ supports a shift to a system of local government that gives effect to the principles of Te Tiriti o Waitangi – a shift we're expecting through the Three Waters and Resource Management reforms. The Future for Local Government Review is an opportunity to design and legislate a Treaty partnership that enables tino rangatiratanga and co-governance. Iwi/hapū/runanga and councils are both invested in the wellbeing of future generations, enhancing the mana of their communities

and creating healthy, safe environments – they are natural partners.

Many councils are making good progress in bringing iwi/hapū/Māori into decision-making, whether through formal agreements with mana whenua or the introduction of Māori wards and constituencies, which enable citizens on the Māori roll to be elected directly to the governing body. However, we also hear the need to go beyond bringing Māori to the decision-making table and to also bring councils into te ao Māori.

## Increasing cultural competency

One of the primary issues preventing this shift from being realised is the need for councils to increase their cultural competency so that local government spaces are safe and respectful. Local government needs to be proactive in ensuring that elected members and staff understand the relationships, context, history and tikanga/kawa of iwi/hapū in their rohe. There's also a significant opportunity for councils and iwi to work



together to grow their communities' understanding of the histories and stories of mana whenua. Councils' investment in arts and culture initiatives are an excellent opportunity to share these histories and stories, as innovative projects such as the Puhi Kai Iti Cook Landing Site Redevelopment in Gisborne and Te Hono, the New Plymouth Airport Terminal have shown. Puhi Kai Iti was designed and developed as a partnership between Ngāti Onene, Gisborne District Council and Te Papa Atawhai (DoC). The design of Te Hono was led by Puketapu hapū, and their narrative has shaped the complete design and construction of the terminal to share the stories of mana whenua with those arriving in Taranaki.

## From variable understanding and commitment to tino rangatiranga

True partnership also needs to account for the variety of relationships between councils and iwi/hapū/runanga across the country. Some councils are working with one or two iwi, while others can have relationships with 15-20 mana whenua groups. Similarly, some iwi are responding to multiple councils. While some iwi have resources and capability to collaborate with councils, many do not, and need additional support from their councils.

There is a growing interest in co-governance models, and more councils are adopting innovative approaches to ensure that iwi have a greater role not only in design and decision-making, but also service delivery. However, for co-governance to work effectively, there needs to be the flexibility to reflect the local context (see Attachment 1 for examples).

We also need to critically examine the degree to which statutory processes enable flexible and culturally

appropriate responses to requests from Māori for more involvement. For example, consultation timelines, planning and regulatory requirements, and decision-making processes can be an obstacle for building partnerships as they often don't allow for meaningful engagement or discussion between councils and iwi/hapū/Māori, and instead place pressures on mana whenua, weakening rather than strengthening relationships. An issue is the tendency for councils to consult on pre-determined ideas, rather than involving iwi/hapū/Māori from the outset. Such approaches give little consideration to iwi/hapū's own priorities and plans, which may or may not involve collaboration with their councils.

Variable understanding and differing levels of commitment also stem from the current legislative framework, which is not well understood. For example, the Resource Management Act 1991 gives councils duties towards mana whenua, reflecting obligations under Article 2 of Te Tiriti, whereas the Local Government Act 2002 sets out requirements to meet the Crown's Article 3 obligations, namely to provide for equal citizenship to Māori as individuals, including maata waka, taura here, and urban Māori. Treaty clauses in other statutes, such as the Land Transport Management Act 2003, are different again. Changes taking place through the Three Waters and Resource Management Reforms are likely to lead to more a more consistent approach to the expression of Te Tiriti obligations. Better consistency and clarity across the key legislation impacting local government is necessary to achieve an authentic relationship that enables self-determination, shared authority and prosperity.

LGNZ worked with Te Maruata, the network of elected and appointed Māori members, on the removal of the binding poll preventing the establishment of Māori wards/constituencies. The Government's decision

was welcomed, and we are aware that new processes will be tabled in Parliament shortly. While progress has been made in recent years, with the proportion of Māori elected members (including those on local and community boards) reaching almost 14% in 2019 and the fact that 35 councils will have Māori wards and constituencies in the 2022 elections, there's much more to be done. Māori ward seats alone aren't sufficient to enable self-determination, shared authority and prosperity. Regardless of the models or structures adopted, it is crucial that mana whenua themselves can determine the type of representation and role they desire.



# Recommendations

Noting that the key to authentic relationships is trust, which cannot be legislated for (see Attachment 2 for examples of good practice), LGNZ asks the Panel to consider:

## 01



**Reviewing current legislation giving roles and responsibilities to councils by the end of 2025 to ensure it provides clear and consistent direction that councils give effect to the principles of Te Tiriti o Waitangi.**

## 02



**How the principles of co-governance and of partnership can be reflected in the structure of local government so that iwi and Māori have a greater role in the design and decision-making processes along with service delivery. This will likely require a phased approach to realise significant, long-term change.**

**03** // //

**The option, in order to strengthen Article 2 obligations towards Māori as citizens, of enabling Māori themselves to decide whether Māori wards/constituencies should be established.**

**04** // //

**Central government support for LGNZ and Taituarā to provide induction and training resources for councils to increase their understanding of local tikanga, kawa and histories, and ensure that all staff and elected members can show respect for and an understanding of te ao Māori.**

**05** // //

**How central government might support councils and iwi to work together to grow their communities' understanding of the histories and stories of mana whenua, for example through greater financial support for arts and cultural initiatives.**

# The Panel's Five Key Shifts:



**SHIFT**

**FOUR**



Central  
and Local  
Government

# Shift four // Central and Local Government

**Genuine partnership between Central Government and Local Government from low trust and confidence in each other to reliable partners able to deliver wellbeing outcomes in place.**

The desire to improve the relationship between central and local government has been mentioned in almost every conversation we've had with the sector. Councils want to see a relationship characterised by high trust, collaboration and engagement at both the governing and operational level. One way of assisting is to strengthen engagement at all levels – officials and governors. At the officials' level we would like to see more use made of short-term placements between councils and government departments. We need an organisation at the centre, such as the Public Services Commission, to be given responsibility to oversee and encourage such placements.

We also need to promote stronger engagement between the “governors” by encouraging local constituency members of parliament, and list MPs that may have been given responsibility for a geographic area, to meet with local councils and their leaders, whether this is a regional mayoral forum or an individual local authority. The number of MPs entering parliament that have little to no knowledge of the role

and significance of local government has been a long-held concern. Better communication will ultimately assist local government and central government to deliver better outcomes for their communities.

## **A rebalancing of roles, functions, funding and financing**

Many of the complex challenges of the 21st century – including responding to crises such as pandemics or local states of emergency and addressing climate change - can only be solved through a joined-up collaborative approach that involves not only both spheres of government, but also iwi/hapū, community groups and citizens to combine resources with local information and responsiveness. In an ideal situation, responses will combine the resources and capability of central government with the knowledge and networks of local organisations and groups.

Several barriers to realising genuine partnership have been mentioned under previous key shifts – for

example, councils are often called on as conduits and facilitators between their communities and central government agencies, or as delivery mechanisms for programmes and decisions that have already been made with minimal opportunity for their involvement and without sufficient resourcing to deliver. Roles and functions across the public service are often carried out in siloes, which create gaps and equity issues. To achieve genuine partnership between central and local government requires both a rebalancing of roles and functions, as well as the funding and financing to deliver them.

Councils can play an important role in facilitating local collaboration around a community vision and understanding of local needs, as highlighted in the success of the Social Sector Trials. The Trials were established to test a new approach to improving social service delivery by a number of central government departments, NGOs and councils. The approach involved focussing on a set of desired social outcomes for a target group, reorganising funding and decision-making processes across the social sector, and shifting the control of service delivery to local levels. The evaluation, published in 2013, found that this approach empowered organisations to identify and address local issues, and resulted in a significantly better system of coordinated service delivery for young people and their families. Unfortunately, no changes resulted from the trials, much to the disappointment of the councils which hosted the Trials, like Horowhenua and Ruapehu.

The Productivity Commission's report *Better Local Regulations* also offers useful insights about how central and local government should work together. The Commission noted that changes were needed, to:

- >> recognise central and local government as 'co-producers' of regulatory outcomes
- >> incentivise central government agencies to undertake rigorous policy analysis prior to recommending changes to local government regulatory functions
- >> increase central government agencies' knowledge of the local government sector and capability to undertake robust implementation analysis; and
- >> enhance the quality of engagement with local government early in the policy process.

## Strengthening the constitutional status of local government

Constitutional status is another key issue regarding the central and local government relationship. Part of the problem is local government's lack of constitutional status. Descriptors such as junior partner or creature of statute tend to diminish local authorities' legitimacy as democratic institutions and their ability to form partnerships with central government.

Both central government and local government currently receive their constitutional authority from Parliament, as two separate spheres that have their own constituents, processes, revenue and funding powers. As a democracy without a written constitution, constitutional court or upper house, local government plays a critical role. For example, councils provide communities with the opportunity to express views that may be contrary to those of the government of the day and can implement local policies to enhance wellbeing where central government may have failed to deliver.

To protect this important role, local government needs greater constitutional protection and clarity around its authority and roles, than is currently the case. Currently it only takes 50.1% of votes for Parliament to abolish local government. Other changes that would strengthen local government's status might be the establishment of a local government ministry or even a commissioner for local democracy.

Strengthening councils' constitutional status will not only improve the relationship between central and local government, but it will also assist councils' relationships with other key partners, such as iwi/hapū/Māori, as the relationship of local government to the Crown is ambiguous to many. It is important that the Panel examines this question in its final recommendations.





# Recommendations

To strengthen the relationship between central and local government, LGNZ asks the Panel to investigate the following:

## 01



**Giving local government constitutional status through, for example, inclusion in the Constitution Act 1986.**

## 02



**Building on existing initiatives, such as the Central Local Government Forum, to enable greater central and local government collaboration. For example, the Panel could consider establishing a memorandum of understanding between central and local government after each parliamentary election that covers matters such as:**

- A. Ensuring the participation of local government in any planned reforms of local legislation or functions

- B. Agreed policy priorities for the coming three years
- C. Establishing relationship protocols for ongoing communication.

# 03 // //

**That a Parliamentary Office of Local Democracy is established to provide a non-partisan perspective on the quality of New Zealand's local democracy.**



# The Panel's Five Key Shifts:



**SHIFT**

**FIVE**



Equitable  
funding

## Shift five // Equitable funding

**More Equitable Funding from beneficiary-based funding principles to a funding system that equitably supports communities to thrive.**

When asked for their views on funding for local government, members were unanimous in their view that reliance on property taxes is a major constraint on strengthening community wellbeing. Because rates lack buoyancy - that is, they do not grow as the economy grows - members are often reluctant to increase them as necessary to invest in infrastructure or services - an issue central government does not face. The lack of a buoyant tax, such as a share of GST, acts as a disincentive to councils wishing to invest in economic development activities, because revenue from any increase in local growth, due to such investments, goes to central government through higher GST and income tax receipts. Councils need an additional, and buoyant, tax to complement rates - which are an ideal mechanism for funding many local services.

Funding needs to follow functions to ensure an end to unfunded mandates that place additional pressures on local government. Related to unfunded mandates is the way in which regulatory impact statements that

accompany new legislation only consider the fiscal costs to central government, while the potential costs of new legislation on local government remain largely invisible.

Funding and financing is a crucial issue that prevents local government from realising its vision. The 18 reviews into the funding and financing of local government in the past few decades all agreed that property taxes are not a sustainable funding source for local government. Without access to a broader range of funding mechanisms, councils are and will be unable to deliver to their role of enhancing community wellbeing. Funding needs to follow functions to ensure an end to unfunded mandates that place additional pressures on local government.

A further concern is affordability. Property taxes have only partial correspondence with people's ability to pay, leaving councillors with difficult decisions when setting budgets as they have limited tools with which to offset the impact on low-income households. To address

affordability issues local government needs access to complementary taxing and charging powers in order to properly perform their statutory duties and meet the expectations of their citizens in a fair manner.

## Revenue sharing

If local government is to deliver successful outcomes for local communities, it ultimately needs additional funding tools and incentives to overcome the current reliance on land and property taxes. This change is important for financial resilience and to acknowledge issues with ability to pay for some communities.

Complementary funding tools, with different incentives, will allow local government to perform as a successful partner to central government. Local government is the critical link for improved economic development, high-quality and resilient infrastructure, higher quality service standards and strengthened democracy. Funding the sector appropriately will help ensure that central government achieves the outcomes it strives to create and that our communities' desire.

Given the small share of taxation available to councils to provide local services, LGNZ strongly supports the introduction of a revenue-sharing approach. In our view the most effective and efficient form of revenue sharing is for councils to receive a proportion of general government revenue based on council population, any additional services allocated to local government

following the conclusion of the Review into the FfLG, and a weighting to reflect the needs of low socio-economic communities.

An international model that we recommend to the Panel as worth investigating is that used to fund local government in Denmark.

## Horizontal equity - addressing inequality

Inequality between regions is a significant challenge for New Zealand and its communities: some districts have the capacity to invest in better local public services and, as a result, achieve better outcomes for their citizens. However, councils representing low socio-economic communities are less able to provide the services that will assist their communities to achieve levels of social and economic wellbeing found elsewhere.

A common response to this issue in other countries is for the central or federal government to provide equalisation grants to councils which represent low socio-economic communities. While no such scheme exists in New Zealand, their introduction would be helpful in achieving better and more equitable outcomes for communities. Ideally, such grants should be general grants and provided according to agreed criteria.

# Recommendations

To ensure councils have adequate funding to meet community expectations, and incentives to invest in growth, LGNZ asks the Panel to consider the following:

## 01 // //

**That councils are provided with a share of central government revenue (revenue sharing) to complement property taxes, that are calculated on the basis of:**

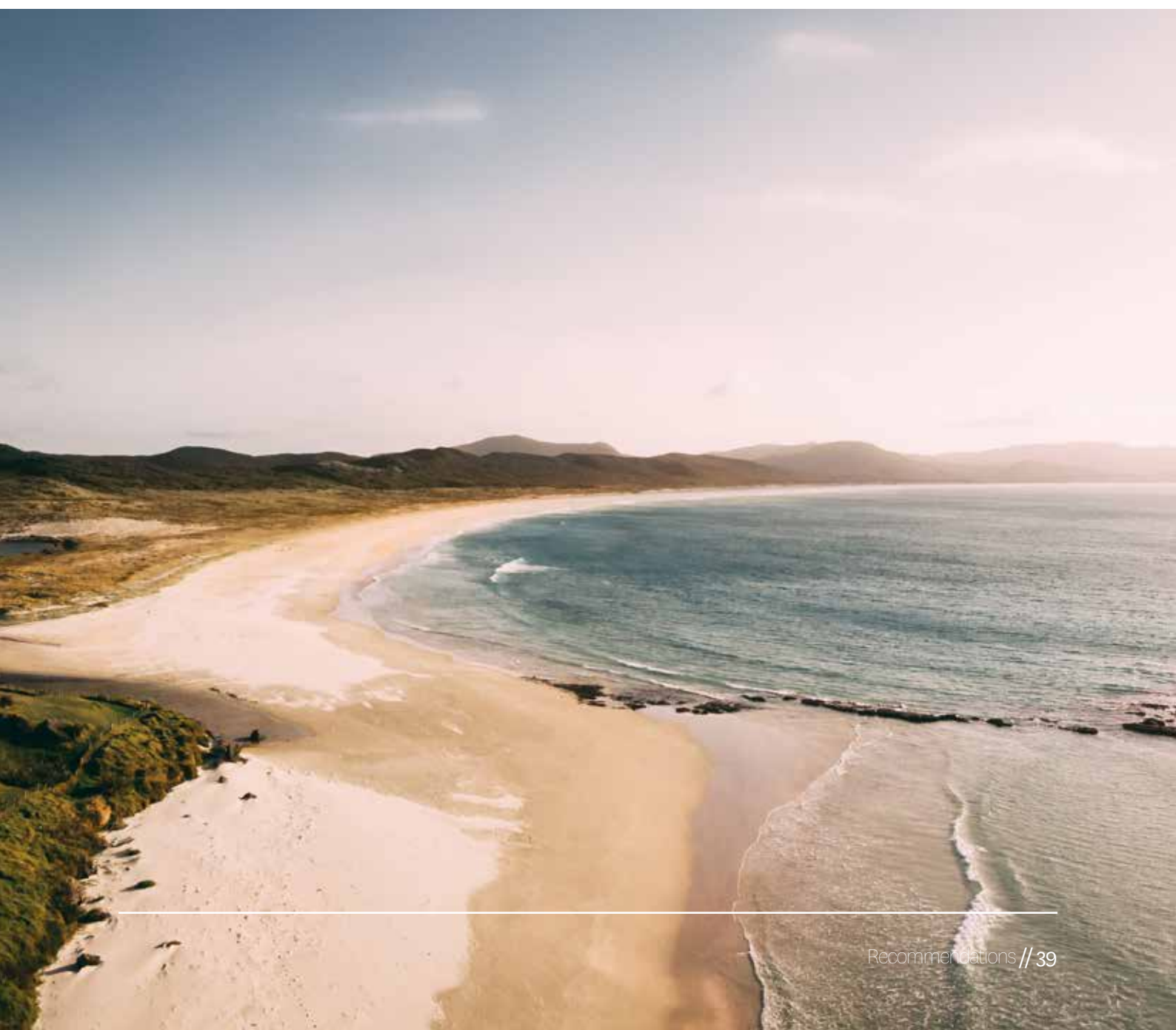
- A. Council population,
- B. Any additional services allocated to local government following the conclusion of the Review into the FfLG, and
- C. A weighting to reflect the needs of low socio-economic communities (an equalisation mechanism).

## 02 // //

**Investigate the practicalities of a requirement that the Government's Regulatory Impact Statements (RIS) include any impacts on local government.**

# 03 //

**Investigate permitting councils to choose complementary funding measures such as value uplift charges, bed taxes, higher penalties for parking offences and congestion charging to enable councils to fairly raise income from people and organisations that particularly benefit from, or impose costs, on the activities of local government.**



# Review of the Local Government Act 2002

**LGNZ has carried out a range of workshops and discussions with the sector to gather feedback from councils and engage them in this Review. These have included:**

To shift our system of local government towards the five “future states” put forward by the Panel requires change across multiple dimensions, from culture to practice, and from regulations to incentives. Yet there is a common factor: almost all the changes needed, from relationships with iwi and central government to the inclusiveness of our democracy and how it is funded are dependent on the settings found in local government’s “three tablets”:

- » The Local Government Act (LGA) 2002
- » The Local Electoral Act 2001
- » The Local Government Rating Act 2002

Without critical changes to the “three tablets” the shifts cannot fully, if at all, be realised. The most urgent of these is the LGA 2002, as it sets out the processes by which councils operate, the way in which they make decisions and the rules for structural change.

Underpinning our argument is the new Public Services Act (PSA) 2021. The PSA, which is designed to promote

a collaborative and joined up approach amongst central government departments, replaces the former State Sector Act 1988 (SSA), which emphasised accountability and competition, rather than outcomes. The LGA 2002 incorporates the fundamental approach of the SSA, namely competition, siloed accountability arrangements and what is widely described as New Public Management – a style that is no longer prevalent in most of the countries that we compare ourselves with. We need to incorporate the values and philosophy of the PSA in our local government system.

In order to ensure that local government has a dynamic planning framework, a fit for purpose Code of Conduct and accountability framework, provides for more direct and deliberative forms of democratic participation, and has the funding and financing tools to incentivise growth, the first priority must be for a review of the LGA 2002 to be completed by the end of the next term of parliament in 2026.

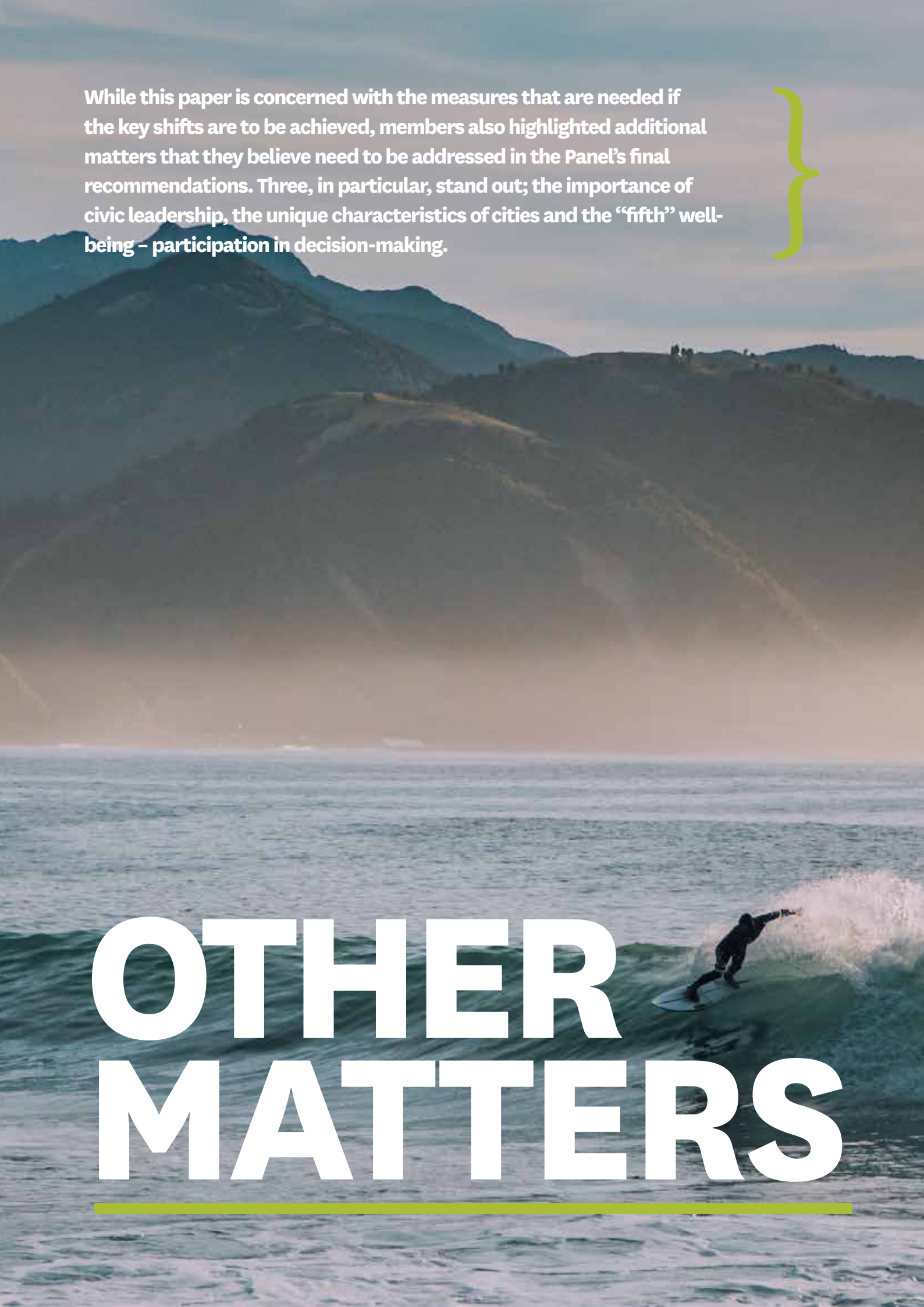


While this paper is concerned with the measures that are needed if the key shifts are to be achieved, members also highlighted additional matters that they believe need to be addressed in the Panel's final recommendations. Three, in particular, stand out; the importance of civic leadership, the unique characteristics of cities and the "fifth" well-being – participation in decision-making.



# OTHER MATTERS

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## CIVIC LEADERSHIP >

While the interim report emphasised the importance of local governance it had little to say about the importance of local government as an institution. It is from their status as democratic institutions that councils and their leaders, especially mayors, are able to exercise civic leadership and give voice to the needs and preferences of our diverse communities. It would be good to see this reflected in the Panel's next report to reinforce local authorities' essential role in building a strengthened and inclusive local democracy.

## CITIES >

The role of cities, as engines of growth and innovation, went largely unrecognised in the interim report. Yet cities deliver a broader range of services than other forms of local government and have distinctly different governance challenges. These differences need to be recognised, including their entrepreneurial role.

## PARTICIPATION >

To date, little attention has been given to the “fifth wellbeing”, which states that the purpose of local government includes providing opportunities for citizens to participate directly in decision-making (see S.10(a)). The fifth wellbeing endorses initiatives like participatory budgeting and citizens' assemblies and could even be seen as requiring councils to actively consider them. This is an area where our local government sector is falling well behind countries that we like to compare ourselves with, and the Panel may like to consider how we could enable more of these initiatives to take place.

# LGNZ's Engagement to Date

LGNZ has carried out a range of workshops and discussions with the sector to gather feedback from councils and engage them in this Review. These have included:



- National workshops on each of the Panel's five priority question areas and key shifts, which were well-attended by mayors, chairs, elected members, chief executives and council officers. Up to 200 members attended some of the sessions.
- Scenario workshops based on three possible futures for local government, with our Rural and Provincial Sector, Metropolitan Sector, Regional Sector and Young Elected Members' Network. Sessions on

the future for local government were also held with Te Maruata and the Community Boards' Executive Committee.

- Supporting an independent group of sector representatives to develop a vision for what an integrated public service could look like, and the kinds of change to local government's roles, functions and structures needed to support better outcomes for communities.



# CONCLUSION

**LGNZ is committed to supporting the ongoing Review into the Future for Local Government and will continue to support local authorities to promote good governance and build thriving communities.**

We are actively working to realise the vision for the future of local government articulated by the sector in the short term and long term. We're working to proactively and constructively engage with central government through our Heads of Agreement and on each of the ongoing major local government reform programmes. We are also advocating

for greater diversity and inclusion in our councils and to increase voter turnout through our Vote 22 Campaign work, gathering examples of best practice in co-governance, developing resources to support elected members through the induction process, and are ensuring that councils are well supported and informed to make strategic decisions regarding the wellbeing of their communities.

We would welcome the opportunity to discuss this paper with the Panel, or to assist with developing further analysis or recommendations in any way.



## SHIFT ONE

To strengthen trust, participation and inclusiveness in local government, LGNZ recommends that the Panel consider the following:

01

Reviewing the LGA 2002 by the end of 2025 to replace the LTP with a planning framework that accounts for changes being made by other major reform programmes; strengthens Code of Conduct accountability mechanisms; and enable more direct and deliberative forms of democratic participation such as citizens' assemblies and participatory budgeting.

02

Reviewing the Local Electoral Act 2001 by the end of 2025 to consider extending the term for local government to four or five years; reducing the voting age to 16; enabling online voting; and introducing mandatory voting.

03

Reviewing the Local Authorities (Members Interests) Act 1968 to address confusion around the non-financial conflict of interest rules.

04

How to provide a greater role for neighbourhood governance in the overall structure of local government, such as community and local boards, in its next report.

05

That the Government includes civics education in the national curriculum to grow New Zealanders' understanding of the role and value of local democracy and partners with councils to deliver this.

## SHIFT TWO

**To shift councils towards a greater emphasis on the wellbeing of their communities, LGNZ recommends that the Panel consider the following:**

06

Which functions, assuming appropriate funding, could be suitable for devolving to councils, including: social housing; public health; services for older citizens and youth; employment/skill development services; community based mental health services; migrant resettlement services; aspects of education; delivering community cohesion and inclusion initiatives; stronger roles in arts, culture, sport, and recreation; and local child poverty initiatives, such as food in schools and urban farms to promote food resilience.

07

Introducing a requirement that communities have a local wellbeing plan, which councils are responsible for developing in partnership with communities, iwi/Māori and government agencies to ensure that the services being delivered align with the needs and vision of each community.

08

Exploring the “city deal” approach, which involves government departments transferring services and funding to those councils (usually large cities) to deliver services more effectively in their jurisdictions.

# SHIFT THREE

To shift from variable understanding and commitment to an authentic relationship with Hapū/Iwi/Māori, LGNZ recommends that the Panel consider the following:

09

Reviewing current legislation giving responsibilities to councils by the end of 2025 to ensure it provides clear and consistent direction about how councils give effect to the principles of Te Tiriti.

10

How the principles of co-governance and partnership can be reflected in the structure of local government so that iwi and Māori have a greater role in decision-making and service delivery.

11

The option, in order to strengthen Article 2 obligations towards Māori as citizens, of enabling Māori, themselves, to decide whether Māori wards/constituencies should be established.

12

Central government support for LGNZ and Taituarā to provide induction and training resources for councils to increase their understanding of local tikanga, kawa and histories, and ensure that all staff and elected members can show respect for and an understanding of te ao Māori.

13

How central government might support councils and iwi to work together to grow their communities' understanding of the histories and stories of mana whenua.

## SHIFT FOUR

To strengthen the relationship between central and local government, LGNZ recommends that the Panel consider the following:

14

Giving local government constitutional status through, for example, inclusion in the Constitution Act 1986.

15

Building on existing initiatives, such as the Central Local Government Forum, for example by establishing a memorandum of understanding between central and local government after each parliamentary election to cover agreed policy priorities, and relationship protocols.

16

Establishing a Parliamentary Office of Local Democracy to provide a non-partisan perspective on the quality of New Zealand's local democracy.

## SHIFT FIVE

To ensure councils have adequate funding to meet community expectations, and incentives to invest in growth, LGNZ recommends that the Panel consider the following:

17

That councils are provided with a share of central government revenue to complement property taxes, that are calculated on the basis of council population; any additional services allocated following the conclusion of the Review into the FfLG; and a weighting to reflect the needs of low socio-economic communities (an equalisation mechanism).



# 18

Investigating the practicalities of a requirement that the Government's Regulatory Impact Statements (RIS) include any impacts on local government.

# 19

Permitting councils to choose complementary funding measures such as value uplift charges, bed taxes, higher penalties for parking and other offences and congestion charging to enable councils to fairly raise income from people and organisations that particularly benefit from, or impose costs, on the activities of local government.

# ATTACHMENT 1

## Initiatives for building authentic relationships

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The current legislative settings under which local government works enables councils and iwi/Māori to develop innovative and context sensitive engagement approaches. Information on the range of approaches can be found [here](#), and new approaches continue to be developed, as well as older models enhanced.

Examples of more recent approaches to engagement include:

### New partnership agreement between Wellington City Council and mana whenua groups

Partnership agreements setting out how mana whenua and councils will work together have been in place since the first such agreement was negotiated in the early 1990s with Greater Wellington Regional Council. Over time these agreements, in the form of memoranda or charters of understanding have become more sophisticated.

The most recent agreement is a [partnership agreement between Wellington City Council and three mana whenua groups in Te Whanganui-A-Tara](#). As part of the Agreement the council and mana whenua, consisting of the leaders from Te Rūnanga o Toa Rangitira, Taranaki Whānui ki Te Upoko o Te Ika and Te Rūnanganui o Te Āti Awa will meet every three months to discuss challenges like housing, homelessness and environmental protection.

### Mana Whakahono partnership: Taupō District Council and Ngāti Tūrangitukua

This agreement is between Ngāti Tūrangitukua, the Ngāti Tūwharetoa hapū that holds mana whenua over Tūrangī township and its surrounds, and Taupo District Council. It covers the Resource Management Act [RMA], the Local Government Act, and the Reserves Act. It will be implemented by a co-governance committee equally made up of Ngāti Tūrangitukua and council appointees.

The new Tūrangī Co-Governance Committee will take on the roles and functions of the outgoing Tūrangī Tongariro Community Board in respect of the Tūrangī township and its surrounds. Both the council and Ngāti Tūrangitukua describe the agreement as embedding mana whenua aspirations and matauranga Māori into community planning, allowing efficiencies and the co-design of community projects, facilities and sustainable community outcomes.

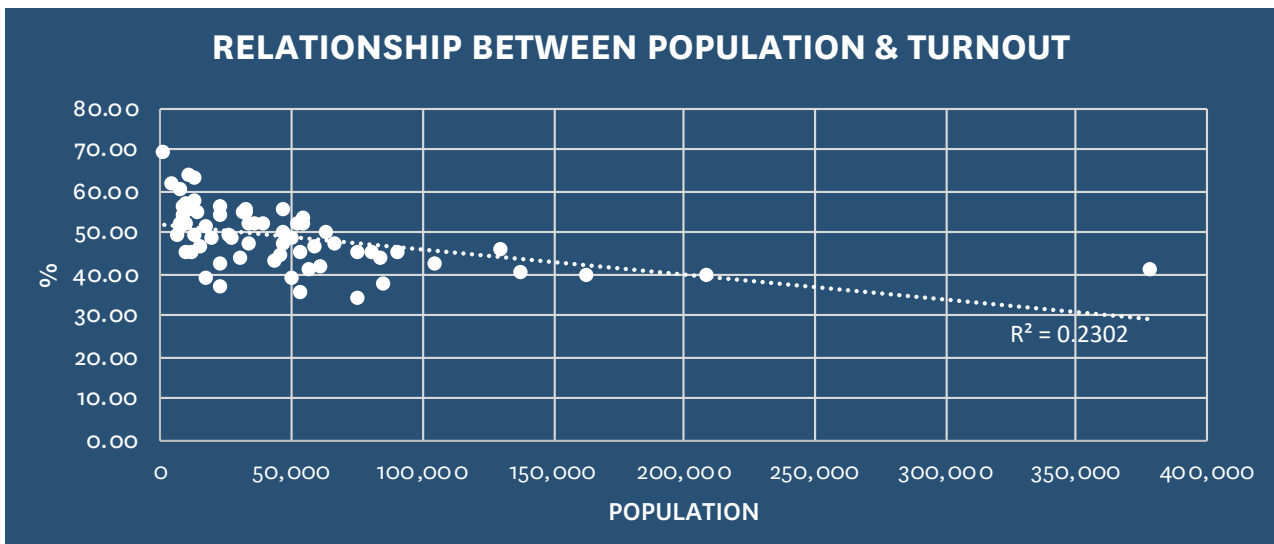
# ATTACHMENT 2

## The relationship of voter turnout to council size

Historically, local government reform in New Zealand has been justified on the grounds of efficiency - that is, the view that having a system of a smaller number of larger councils will cost less and be more capable than a system made up of a larger number of smaller councils. Putting aside the fact that international research strongly disputes such views, very little concern has been given to the impact of consolidation on voter turnout.

The data, however, as shown in Figure 1 below, tells us that in general, as councils get larger fewer people turnout to vote.

Figure 1<sup>2</sup> // Relationship of population to turnout



Source: LGNZ

Figure 1 shows that councils with smaller populations are grouped at the higher voter turnout end of the graph, with turnout falling gradually as population increases. A similar correlation is found if turnout is compared to the ratio of councillors to population. Those districts where a councillor represents a smaller number of residents vote more than those districts where councillors represent a large number of residents, highlighting the role of proximity.

That is, in councils with smaller representation ratios (councillors represent low numbers of residents) residents find it easier to access information about candidates, are better able to assess candidate performance and find it easier to make personal contact with their councillors – all of which not only encourages them vote but also enhances trust in the councils as an institution.<sup>3</sup>

<sup>2</sup> Auckland Council is not included due to scale and presentation issues.

<sup>3</sup> See "A Balancing Act" (2008) by Jean Drage, Institute of Policy Studies.