

// SUBMISSION



# TOMORROW'S LOCAL GOVERNMENT

// Local Government New Zealand's response to the Future for Local  
Government Review Panel's draft report

//DRAFT FOR MEMBER FEEDBACK

// FEBRUARY 2023



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# Introduction

## Ko Tātou LGNZ.

Local Government New Zealand (LGNZ) provides the vision and voice for local democracy in Aotearoa New Zealand, in pursuit of the most active and inclusive local democracy in the world. We want local democracy to thrive. We support and advocate for our member councils across New Zealand, ensuring the needs and priorities of their communities are heard at the highest levels of central government. We also promote the good governance of councils and communities, as well as providing business support, advice, and training to our members.

## Our vision for the future of local government

Our LGNZ vision – of Aotearoa New Zealand as the most active and inclusive local democracy in the world – embodies our vision for the future for local democracy. We want to see a local government system that communities value, that drives diverse participation, is well funded, embodies a Tiriti-based partnership, and works collaboratively to enhance community wellbeing. Where people understand why local government matters and what it does, and everyone actively contributes to local democracy. We described this [Vision for the Future](#) in our paper to the Panel last year, and it reflects what councils have told us they want the future of local government to look like.

The Review into the Future for Local Government must be a catalyst towards a collective vision for the future and that's what we want to see in the final report.

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# Executive summary

Local government faces a once-in-a-generation opportunity to reshape itself for the future. Many factors are converging and shifting the nature of local government's work and role. Today's councils struggle with funding mechanisms and legislation created decades ago. They're under pressure from climate change and catastrophic weather events, demographic change and an avalanche of reform. These reforms pose fundamental questions around councils' purpose, roles and responsibilities. Aotearoa New Zealand needs a more flexible, local-democracy and citizen-centred system that will work for tomorrow's world, where councils could deliver very different services for their communities, with and communities are much more involved in decision-making.

Community wellbeing and placemaking are the beating heart of local government's purpose and value. Councils have consistently told us they want a greater role in influencing, enabling and delivering services that make a real difference to their communities' wellbeing. That's why they're disappointed in the draft report and want to see much bolder and more tangible recommendations in the Future for Local Government Panel's final report. The draft report spends a lot of time outlining the status quo and current challenges, which local government lives and breathes every day. Councils want to see much more concrete, innovative suggestions for change, including how they can meaningfully involve their communities in decisions. They would like to see direct, clear and brave thought leadership from the Panel on local government's future role, the services councils could deliver and how they should be funded. And a clear roadmap about how to get there.

This paper makes recommendations that bring to life principles and concepts from the report, as well as responding to the Panel's key ideas. Our recommendations consider both the history of local government in Aotearoa New Zealand and international models. They suggest short- and medium-term actions to make our local democracy more active, inclusive and effective, along with actions that will require longer-term planning. Some of these ideas are new, while others have been discussed before. Making them a reality will require political willpower and cross-party support so that local government can support the needs of all communities whatever happens on the national political stage.

If we're serious about delivering for communities, we must consider radical change. Greater use of participatory democracy – actually getting citizens in the room to find solutions – shifts power downwards to people who we are here to serve. Shaking up the revenue model means local government being fairly funded to deliver both existing and new services. For this to work, Aotearoa New Zealand needs genuine partnership between central and local government, as we collectively serve our communities.

LGNZ's vision is bold. We welcome any opportunity to support the Panel and this review – and to help the review become reality.

We look forward to the Panel taking the feedback from this and other submissions to develop bold, clear and tangible recommendations to the Minister, and to councils, in its final report.

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## Our top five recommendations for change

### 1. Embed neighbourhood governance and participatory democracy

Amend the Local Government Act 2002 to include stronger requirements for councils to use and enable participatory approaches to decision-making, such as citizen's assemblies and participatory budgeting. The legislation should also be amended to enable, promote and support local and neighbourhood networks (like community boards and residents' associations).

### 2. Share revenue more fairly

Adopt a revenue-sharing model under which local government receives an automatic share of national taxation. This could be in the form of an annual general grant, based on each district or region's population, need and unique circumstances.

### 3. Create a mechanism for establishing city or regional deals

These deals allow departments to transfer services and funding to councils or regions that can deliver the service more effectively. But we need a legislative or regulatory mechanism so that government departments and councils can initiate a negotiation process to do this.

### 4. Sign a memorandum of understanding between central and local government after each general election

Strengthen the relationship between central and local government by having both tiers of government commit to signing a memorandum of understanding after each general election that anchors a meaningful partnership. This would set out values, priorities, communication protocols and commitments to work together on specific initiatives.

### 5. Found a Local Government Centre of Excellence

Establish a Local Government Centre of Excellence, jointly owned and funded by central and local government, that promotes good practice and innovation across local government and could deliver to many of the Panel's recommendations. In the interim, to support transition, LGNZ and Taituarā should be funded to undertake relevant aspects of this role, recognising our current work in support of local government to address stewardship gaps and advance the Panel's recommendations.

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## Our full list of recommendations

### Roles, functions and enhancing local wellbeing

1. Introduce a legislative or regulatory mechanism for establishing city or regional deals, which allows departments to effectively transfer services and funding to those councils or regions that show they can deliver the service more effectively.
2. Sign a memorandum of understanding between central and local government after each general election to set out values, priorities, communication protocols and commitments to work together on specific initiatives.
3. Make specific recommendations about which roles and functions could be reallocated from central government to local government, along with the structural change and funding model needed to deliver on them.
4. Explore the potential for councils to work with regional public service commissioners (RPSCs) as a mechanism for aligning local wellbeing outcomes with central and local government investment.
5. Introduce a requirement for local government, iwi and communities to develop local place plans that agree on local wellbeing priorities.

### Building an equitable, sustainable funding and financing system

6. Adopt a revenue-sharing model under which local government receives an automatic share of national taxation. This could be in the form of an annual general grant, based on each district or region's population, need and unique circumstance.
7. Introduce an equalisation scheme to ensure that councils representing low socio-economic communities can provide comparable services to councils representing wealthier communities.
8. Recommend that central government expands its regulatory impact assessments to include the impacts on local government and makes funding provisions to reflect those impacts (in order to end unfunded mandates).

### A Tiriti-based partnership between Māori and local government

9. Review all statutes pertaining to local government's obligations under Te Tiriti o Waitangi to develop a clear and consistent legislative framework that directs councils how to give effect to the principles of Te Tiriti.
10. Recommend the development of a cultural competency framework for councils to guide and measure progress in areas like increasing understanding of Te Tiriti, the practice of tikanga, kawa and te ao Māori values, and the use of te reo. This framework should apply to both elected members and council staff.

### Stewardship, structure and capability

11. Establish a Local Government Centre of Excellence, jointly owned and funded by central and local government, that promotes good practice and innovation across local government. In the interim, to support transition, LGNZ and Taituarā should be funded to undertake relevant aspects of this role, recognising our current work in support of local government to address stewardship gaps and advance the Panel's recommendations.

12. Develop a broader and bolder definition of system stewardship that moves beyond the status quo to completely redefine what is needed to support and enable the system of local government to realise its vision for the future.
13. Develop an entrenchment clause in the Local Government Act so that substantive changes to local government must attract a higher threshold of parliamentary support. This would include changes to local government's purpose, roles, functions or structure .
14. Include local government in the Constitutional Act 1986 to strengthen its constitutional status.
15. Create a stronger requirement in the Local Government Act 2002 that councils enable, promote and support local and neighbourhood networks, including community boards and residents' associations.
16. Set out how to give neighbourhood governance a greater role in the future structure of local government.
17. Review elected member remuneration to recognise this role's increasing complexity and encourage a more diverse range of people to stand.
18. Remove the proscription against elected members receiving support for superannuation and/or KiwiSaver.
19. Change the immediate loss of remuneration when elected members no longer have a seat.

### **Strengthened local democracy**

20. Review the Local Government Act 2002 by the end of 2025 so that it:
  - Enables more direct and deliberative forms of democratic participation such as citizens assemblies and participatory budgeting;
  - Replaces the Long Term Plan with a more dynamic and strategic planning framework that allows communities to develop local wellbeing priorities and reflects the changes made through other reform programmes; and
  - Strengthens Code of Conduct accountability mechanisms and sanctions to provide a safer environment for members.
21. Develop an engaging, participatory civics curriculum or education initiative with suggested steps for implementation.
22. Shift to a four-year local electoral term.

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# Roles, functions and enhancing local wellbeing

## Overview

**We want to see a local government system where councils support communities to shape local wellbeing priorities, and work collaboratively with their partners to co-invest in and deliver to those priorities.**

This section responds to **chapters four, five and six** of the Panel's draft report.

## Our recommendations to the Panel

1. Introduce a legislative or regulatory mechanism for establishing city or regional deals, which allows departments to effectively transfer services and funding to those councils or regions that show they can deliver the service more effectively.
2. Sign a memorandum of understanding between central and local government after each general election to set out values, priorities, communication protocols and commitments to work together on specific initiatives.
3. Make specific recommendations about which roles and functions could be reallocated from central government to local government, along with the structural change and funding model needed to deliver on them.
4. Explore the potential for councils to work with regional public service commissioners (RPSCs) as a mechanism for aligning local wellbeing outcomes with central and local government investment.
5. Introduce a requirement for local government, iwi and communities to develop local place plans that agree on local wellbeing priorities.

## Wellbeing and placemaking come first

Enhancing community wellbeing and making our towns and cities great places to live are fundamental to the purpose of local government. To really deliver on this purpose, we need to rethink the roles and functions councils are responsible for delivering. This includes how councils work with other partners, including iwi/hapū and central government, to deliver, facilitate or enable services that will enhance their community's wellbeing.

Local government in New Zealand is responsible for a relatively narrow range of functions compared to other local government systems around the world. This range will narrow further as the delivery of water services and resource management shift away from territorial authorities. Given one of

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local government's greatest strength is its proximity to communities, we see an opportunity for councils to take on additional roles that could be better delivered at place. There's good evidence from the US and UK that empowering local communities to determine priorities and services can shift the dial on 'wicked issues' that state and central governments have failed to address.

## Re-allocate roles and functions

We would like the Panel to take a much stronger position on the question of what a future local government system's roles and responsibilities need to be, so that councils can better fulfil their wellbeing and placemaking purpose. The existing top-down approach to delivering services to communities is failing on multiple fronts. It's time to take a more nuanced approach that utilises the skill and experience of communities and their local councils.

Providing councils with a broader range of options to influence local wellbeing has associated benefits like increasing interest in local government, increasing voter turnout and diverse participation – and making councils more attractive to a wider range of candidates.

LGNZ has asked NZIER to develop a practical framework for determining where roles and responsibilities should be placed. This is attached in Appendix 2 and we encourage the Panel to make use of the methodology. We have looked at a range of public functions and recommend that the following three roles are transferred, either fully or partly, to local government:

- vocational training
- managing the conservation estate
- social welfare navigators (who help people access the right social services)

This transfer should be contingent on a revenue sharing approach, as set out in the next section.

These are not the only roles and responsibilities that might benefit from more local input, whether through full transfer, joint provision or delegation. Other possibilities that should be looked at closely include:

- Social housing
- Public health, including participation in locality planning
- Community-based mental health services
- Services for older citizens
- Services for youth
- Migrant resettlement services
- Stronger role in arts and culture
- Stronger role in sport and recreation
- Community policing.

A more detailed discussion is included in Appendix 2.

Re-allocating more of these roles and functions to local government would create the opportunity for subsequent transfer of responsibilities from the council to iwi/hapū, depending on local context, capacity and capability. It would also balance an increasing tendency for all services to be run from the centre and delivered top down, which removes influence from the communities themselves.



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In addition to re-allocating roles and functions, existing facilities should be enabled and resourced to deliver different services locally. For example, public libraries are already evolving their services to deliver community wellbeing. They are trusted providers of government services extending well beyond their core services.

Our survey of 39 public libraries found that 92% are delivering additional services on behalf of local government, and 97% are delivering additional services on behalf of central government. Examples include a community kitchen, children's play area, and community hub (Te Paataka Koorero o Takaanini, Auckland); a digitisation centre and archive for collecting migrants' stories (Dunedin Public Libraries); a learning hub for services like finding employment and renewing a driver's licence (Te Huinga Wai, Central Hawke's Bay); and children's health care services (Te Aka Mauri, Rotorua).

However, they operate on a significant unfunded mandate, meaning that libraries receive no funding support for 16% of the services they deliver for local government and 45% of the services they deliver for central government. While two in three libraries agree that they are a good vehicle for delivering these services, these useful and effective evolved hubs are not sustainable without additional resourcing.. Libraries are one discrete and concrete area that could benefit from clear mechanisms for central and local government co-investment in agreed local wellbeing priorities, as discussed in the next section. We'd like to see public libraries and the services they are delivering specifically recognised and supported in central and local government planning and budgeting.

We also believe that the Panel's current thinking about roles and functions must be much more integrated with its thinking about structure and funding. We think that form should follow function: the structure and funding of local government must be determined by the services it's responsible for delivering.

For example, if the structure of local government is to change, what would this mean for environmental roles and functions that currently sit with regional councils? The role of regional councils was largely overlooked in the draft report but it is crucial that there remains a local-level focus on the natural and built environment.

## Councils as convenors of wellbeing priorities

For councils to effectively deliver on their wellbeing and placemaking responsibilities, the future system of local government must shift away from a top-down, institutional approach to determining local priorities and outcomes. Councils work hard at consultation to avoid this but acknowledge that community engagement and participation is often low. This means shifting towards giving communities themselves more voice, choice and control over decisions affecting their place – including setting local priorities and determining the services they receive. We want to see councils doing more to facilitate participation in community decision-making, which will enable communities to be more resilient.

To deliver on local wellbeing priorities set by communities, there must be systems established that enable local government and central government to align their investment with these priorities. As the Panel has identified, co-investment happens already but is very ad hoc. Specific mechanisms are

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needed to develop an empowered and integrated public service that can work for and with our communities.

One potential mechanism is a memorandum of understanding between central and local government, signed after each general election. This would set out the values, priorities and communication protocols agreed to by both parties, and commitments to work together on specific initiatives. These commitments could cover the delivery of services and outline how the services would be delivered, funded and monitored. We'd like to see the Panel include this recommendation in its final report.

City or regional deals allow departments to transfer services and funding to councils or regions that can deliver the service more effectively. We strongly recommend the development of a legislative or regulatory mechanism that would allow government departments and councils to initiate a negotiation process for establishing a city or regional deal. This which would allow departments to effectively transfer services and funding to councils or regions that show they can deliver the service more effectively locally or regionally. Any deal should set out mutual obligations for matters like funding, expected outcomes, collaboration and evaluation.

Another option could be to examine the regional system leadership framework, including regional public service commissioners (RPSCs) as a vehicle to facilitate the delivery of local priorities. RPSCs have a mandate to convene cross agency decision-making for the purpose of planning and delivering wellbeing outcomes for communities. They provide an existing option for central and local government collaboration in the interests of the communities they serve, with the flexibility to recognise local and regional differences and avoid a one-size-fits-all approach to developing policy and priorities. In essence, there's an opportunity for councils to be the gateway between communities and RPSCs, acting as a place-maker and convenor. Councils are a logical fit for this role because they can bring together input from individual communities to inform RPSCs.

Another option is to develop a lever for local leaders to be involved in central decision-making. This would make sure central decisions integrate agreed local wellbeing outcomes and can be adapted to local places. This could be achieved through a house of mayors and iwi chairs that convene at an agreed frequency.

It could also be enabled through an integrated planning process – for example, introducing a requirement for central government, local government and iwi to develop a local place plan that delivers to agreed local wellbeing priorities, which would then be used to determine funding and delivery. This would be similar to the Community Planning Partnership (CPP) model in Scotland, where services come together to take part in community planning and focus on where partners' collective efforts and resources can add the most value to their local communities and reduce inequality. An important question for the Panel to consider would be whether to make these plans mandatory or discretionary.

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# Building an equitable, sustainable funding and financing system

## Overview

We want to see a local government system where funding and financing are determined by the functions local government delivers, the unfunded mandate is brought to an end, and councils can access funding that equitably supports communities to thrive.

This section responds to **chapter eight** of the draft report.

### Our recommendations to the Panel

6. Adopt a revenue-sharing model under which local government receives an automatic share of national taxation. This could be in the form of an annual general grant, based on each district or region's population, need and unique circumstance.
7. Introduce an equalisation scheme to ensure that councils representing low socio-economic communities can provide comparable services to councils representing wealthier communities.
8. Recommend that central government expands its regulatory impact assessments to include the impacts on local government and makes funding provisions to reflect those impacts (in order to end unfunded mandates).

## Sustainable sources of funding

Our members unanimously agree the funding and financing of local government must change so that councils can optimally deliver community wellbeing and placemaking outcomes. They are best placed to do this – and it relieves pressure on central government.

There have been 18 reviews into the funding and financing of local government – and all agreed that property taxes are not a sustainable funding source for local government, making recommendations for change. The most recent reviews, such as the LGNZ review of 2014 and the Productivity Commission's review of 2019, have also highlighted a need to remove constraints on councils' ability to raise capital, particularly in the face of population growth and climate change.

Despite all these reviews and all the recommendations, none have resulted in change.

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Our challenge to the Panel is: what will make this Review different? Funding will not change without political will, and buy-in from central government. This buy-in needs to be sustainable and removed from the whims of the electoral cycle.

Funding will only become more urgent as current reform programmes take effect, particularly Three Waters and Resource Management reform. As councils lose assets, they lose the ability to raise revenue to finance other investments – and their ability to enhance intergenerational wellbeing. This is an essential circumstantial difference from previous reviews of funding. It can't be overlooked and is why an equalisation scheme must be implemented and prioritised in the short- to medium- term.

We support the Panel's recommendation that councils retain rating as a primary funding mechanism, because this maintains and reinforces the autonomy of local government, alongside the recommendation to add new funding mechanisms. However, we'd like to see the Panel's list of alternative funding tools developed and narrowed further to provide specific recommendations about implementation and prioritisation.

LGNZ recommends a revenue-sharing model, under which local government receives an automatic share of national taxation, in the form of an annual general grant, based on each district or region's population, need and unique circumstance.

If central government allocates new roles or functions to councils in the future, we recommend an equalisation scheme be introduced to ensure that councils representing low socio-economic communities can provide comparable services to those councils representing better off communities. However, there is also a need for some form of equalisation grant now, in response to the changes already happening through Three Waters and Resource Management Reform.

LGNZ has previously undertaken extensive work on funding and financing mechanisms and would be happy to provide assistance.

## Ending the unfunded mandate

The significant number of unfunded mandates imposed by central government on local government is unfair and unsustainable. An unfunded mandate is where councils are given additional roles and responsibilities without any funding to deliver. Greater accountability is key to resolving this situation.

We strongly support of the recommendation to require Government Regulatory Impact Statements (RIS) to include any impacts on local government – a recommendation which we included in our [Vision for the Future](#) paper.

To prevent unfunded mandates, funding must follow function, as we highlighted earlier. It is also essential to anticipate any impact reform programmes will have in terms of functions and funding. Councils will probably be expected to shoulder new costs – for example, establishing secretariats to support the new regional planning committees. This is why LGNZ recommends a revenue sharing model. We ask that the Panel take these impending changes into account in developing its final recommendations and report.



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Further consideration should also be given to arrangements like City and Regional Deals, which could prevent the unfunded mandate by forming a model for services to be transferred to councils where appropriate, or shared service agreements with funding attached.

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# A Tiriti-based partnership between Māori and local government

## Overview

We want local government to embody Tiriti-based partnerships with Māori, and develop the capacity (both elected members and council staff) to work with iwi/hapū/runanga to invest in the wellbeing of future generations.

This section responds to **chapter three** of the draft report.

### Our recommendations to the Panel

9. Review all statutes pertaining to local government's obligations under Te Tiriti o Waitangi to develop a clear and consistent legislative framework that directs councils how to give effect to the principles of Te Tiriti.
10. Recommend the development of a cultural competency framework for councils to guide and measure progress in areas like increasing understanding of Te Tiriti, the practice of tikanga, kawa and te ao Māori values, and the use of te reo. This framework should apply to both elected members and council staff.

## Clarifying local government's Te Tiriti's implications in legislation

Creating a system of local government that gives effect to the articles and principles of Te Tiriti o Waitangi requires a clear and consistent legislative framework to underpin and guide the relationship between iwi/hapū/Māori and councils.

We've heard from our wider network of members as well as Te Maruata Roopu Whakahaere and Whānui that there's strong support to revisit the legislative framework for Te Tiriti in local governance. We've consistently heard that enshrining Te Tiriti in local government legislation is fundamental, as it creates the statutory obligation for councils to work with iwi/Māori. But for councils to carry out that obligation, there also must be clear and consistent direction across statutes, which is not currently the case.

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We support the Panel's recommendation to develop a new legislative framework for Tiriti-related provisions in the LGA. But to drive genuine partnership and explicitly recognise te ao Māori values, a wider review of the legislative framework is needed. In our [Vision for the Future](#) paper, we recommended reviewing legislation giving roles and responsibilities to councils by the end of 2025. This review would ensure the legislation provides clear and consistent direction to councils about how to give effect to the articles and principles of Te Tiriti o Waitangi. However, given potential changes through the Three Waters and Resource Management reform programmes, we think a broader review across the suite of statutes pertaining to local government is essential.

Since different statutes relate to different articles of Te Tiriti, any revision of the legislative framework would need to avoid taking a blanket approach. For example, the Resource Management Act 1991 gives councils duties towards mana whenua, reflecting Article 2 obligations, whereas the Local Government Act 2002 sets out requirements to provide for equal citizenship to Māori as individuals, including maata waka, taura here, and urban Māori (Article 3). Treaty clauses in other statutes, such as the Land Transport Management Act 2003, are different again.

## Building council capability

We strongly support the recommendation to develop and maintain the capacity and capability of council staff to grow understanding and knowledge of Te Tiriti, the whakapapa of local government and te ao Māori values. We'd like to see this recommendation extended to include both staff *and* elected members.

We also want more detail about how this could be implemented. While the draft report includes plenty of emphasis on the need to grow capability and capacity, there's little detail around the infrastructure that would enable and underpin this shift, such as the policies, processes and cultural competencies that are needed. We suggest that the Panel recommend the development of a cultural competency framework that could be adopted by councils. This could be a practical way to monitor and increase cultural capability in local government by guiding and measuring progress in areas like increasing understanding of Te Tiriti, the practice of tikanga, kawa and te ao Māori values, and the use of te reo. The education and health sectors already have similar frameworks. Some members have suggested a cultural audit process could be developed alongside a framework to monitor councils' practices when engaging and partnering with Māori.

This recommendation can't be implemented without new funding. Members were generally supportive of a central government fund to subsidise building both Māori and council capability and capacity, with a number saying this should be a given. We'd like further detail in the final report to ensure that any funding is sustainable and doesn't pit councils against each other. One option is Te Maruata being funded to lead the development of the framework.

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# Stewardship, structure and capability

## Overview

**We want to see a local government system prepared to embrace a new future with strong leadership, well-supported elected members and staff that reflect the diversity of their communities, and a structure that enhances local voice.**

This section responds to **chapters seven, nine and ten** of the draft report.

## Our recommendations to the Panel

11. Establish a Local Government Centre of Excellence, jointly owned and funded by central and local government, that promotes good practice and innovation across local government. In the interim, to support transition, LGNZ and Taituarā should be funded to undertake relevant aspects of this role, recognising our current work in support of local government to address stewardship gaps and advance the Panel's recommendations.
12. Develop a broader and bolder definition of system stewardship that moves beyond the status quo to completely redefine what is needed to support and enable tomorrow's system of local government.
13. Develop an entrenchment clause in the Local Government Act so that substantive changes to local government must attract a higher threshold of parliamentary support. This would include changes to local government's purpose, roles, functions or structure.
14. Include local government in the Constitutional Act 1986 to strengthen its constitutional status.
15. Create a stronger requirement in the Local Government Act 2002 that councils enable, promote and support local and neighbourhood networks, including community boards and residents' associations.
16. Set out how to give neighbourhood governance a greater role in the future structure of local government.
17. Review elected member remuneration to recognise this role's increasing complexity and encourage a more diverse range of people to stand.
18. Remove the proscription against elected members receiving support for superannuation and/or KiwiSaver.
19. Change the immediate loss of remuneration when elected members no longer have a seat.



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## System stewardship

We view stewardship, structure and capability as very interconnected.. For tomorrow's local government to be able to realise its vision for the future, we need bold and innovative stewards who aren't afraid to reimagine the current structures, roles and functions and funding of local government. Increasing the capability also requires stronger and more cohesive stewardship of the system as a whole.

We want to see a broader definition of stewardship in the Panel's final report and much, much stronger recommendations. The current stewardship chapter reflects a tweaked status quo rather than boldly redefining what will support and enable local government's transition to a new future in the short, medium and long term. The Panel's definition of stewardship focuses overly on the functions of monitoring, capability and compliance. We already lack cohesive stewardship, as the current, disjointed programme of reforms impacting local government demonstrates. Good stewardship in a context of total change to an arm of government doesn't just include supporting local government transition into a new future. It also means ensuring that the fundamental purpose and value of local democracy is nurtured and strengthened, that the reputation of local government is enhanced and that there is a proportionate, responsive, sector-led accountability process.

Aotearoa New Zealand needs an overarching and arm's-length body to take responsibility for aspects of system stewardship but first we have to determine the best model. Options could include a local democracy commissioner, an independent crown entity, a Ministry for Local Government or the Danish approach, where the local government association acts as the Ministry of Local Government and distributes part of the Government's budget to its members. Any overarching entity should receive baseline funding reflecting the scale of its responsibility to support local government's 1600 elected members and 30,000 staff.

This entity could liaise with local government roles spread across multiple central government agencies. For example, staff in Ministers' offices, existing departments and agencies, and any future bodies such as the new water services entities. These all have roles focused on local government but there's no meaningful coordination or collaboration.

To completely reimagine system stewardship, there must be a transition period. During this time, those currently working within the system must be much better and more consistently enabled and resourced to fill the gaps. LGNZ does much more than the small number of roles outlined in chapter ten. For example, in addition to those roles and our advocacy and policy function, we:

- promote local government through our media and political engagement;
- have recently launched a modern and holistic learning and development programme;
- are developing the early stages of an elected member accountability/complaints and resolution framework;
- have begun reconfiguring CouncilMark to drive performance recruitment;
- developed template policies on parental leave and childcare allowances to support people from a range of diverse backgrounds to stand for office;
- provide clear and consistent communications about the Government's reform programmes to fill major gaps;
- are developing a diversity, equity and inclusion work programme;

- led a Vote 22 campaign;
- are considering innovative ways to support and demonstrate different ways for Councils to drive increased democratic participation.

With greater resourcing consistently directed to stewardship (as opposed to member advocacy, which is member funded), LGNZ could do much more to bolster and strengthen the foundations of local democracy to ensure it thrives. For example, in terms of council accountability, modern regulation and accountability systems work on the basis that sectors, industries and systems can and should do much to triage, pre-empt and resolve conflict and disputes before they escalate. LGNZ does some informal work in this area and is developing an elected member complaints and resolution framework. Support for this stewardship role would accelerate this work in real time.

We're committed to working closely with the system's current players to both reimagine the future and activate some of the key shifts that will be vital in transitioning to it.

## Strengthening the constitutional status of local government

Without a written constitution, constitutional court or upper house, local government plays a critical role in New Zealand's system of government. LGNZ wants the constitutional status of local government to be strengthened. At the moment, parliament can change the LGA with a 50.1% majority. We want the Panel to recommend a higher threshold for substantive changes – for example, to the purpose, roles, functions or structure of local government. This could be achieved through an entrenchment clause.

The constitutional status of local government could also be strengthened through inclusion in the Constitutional Act 1986 to recognise local government as a formal part of New Zealand's constitutional arrangements, which would make it more difficult for a simple parliamentary majority to significantly change the role of local government or abolish it completely.

## Getting local government's structure right

When it comes to structural change, councils generally support the Panel's design principles. However, the principles' order of priority isn't right. Principles one (local voice and decision-making) and four (partnership) are the most important.

There was no clear consensus from our members on a preferred model. We heard that the joined-up approach and economies of scale in the unitary model (example one) were a strength, but the potential reduction of local voice was a concern. There was some interest in the combined authority model (example three) but concern that an overarching mayor was not practical given the workload this would entail. An independent chair was suggested as an alternative.

Structural change is necessary to realise local government’s vision for the future. There are obvious examples where services could be delivered much more effectively if joined-up or done at scale. For example, smaller provincial councils have told us that they struggle with resourcing and can end up competing with other councils in their region. In the Wellington region, many people commute between council jurisdictions; while these councils deliver the same services to potentially the same people, they don’t benefit from any economies of scale or scope. In other areas, connecting specific services across a larger area could deliver better outcomes – for example, a larger unitary authority to deliver regional transport between smaller districts and larger towns or cities in the region.

However, increasing the size of councils lowers voter turnout<sup>1</sup>. The real challenge is to improve both democratic participation and the effectiveness of council services. Our recommendations below on neighbourhood governance models are designed to maintain local democratic participation within more efficient structures.

Any structural change will require clear leadership and the right mandate, as the 1989 reforms demonstrated. Those reforms had clear mandate from the Minister and government of the day that was carried out by the Local Government Commission within a specific and relatively short timeframe. The Panel’s final report must set out a clear roadmap for structural reform and how it would be implemented.

## Enhancing neighbourhood governance models

Members want neighbourhood governance (like community boards or local boards) retained and strengthened to elevate local voice and increase participation. These neighbourhood governance structures can help deliver active and inclusive local democracy if they’re well supported by their governing body. Bringing decision-making closer to communities means all city, district and regional councils need structures at the neighbourhood level.

There’s general consensus that community boards and other neighbourhood governance structures could be doing more. Councils need incentives to give them decision-making authority and resources. Alternatively, these structures need a clearer mandate that spells out their role.

CBEC has recommended<sup>2</sup> that the Local Government Act 2002 be amended to recognise the role of local governance organisations and enhance their status. This includes specific decision-making responsibilities and the power to draft their own locality plans that set out community aspirations. It also includes subsidiarity requirements, like those found in the Auckland Council legislation. Subsidiarity is the concept that functions of government should be performed at the level of

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<sup>1</sup> In ‘Attachment 2: The relationship of voter turnout to council size’ a part of the ‘Vision for the Future’ paper LGNZ prepared for the Panel in May 2022.

<sup>2</sup> In a paper prepared by the Community Boards Executive Committee (CBEC) for the Panel on the role of community boards and other governance bodies in May 2022.

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government closest to affected communities as possible. We strongly support CBEC's recommendation.

## The relationship between form and function

We're concerned by how much the draft report separates structure and roles. Any change to the structure of local government must be informed by its roles and functions. This is reflected well in the Tasmanian Future of Local Government Review Options Paper, which sets out three options for change:

1. Significant (mandated) sharing and consolidation of services;
2. Significant boundary consolidation to achieve fewer larger councils; and
3. A 'hybrid' model combining both service and boundary consolidation.

This approach recognises that while economies of scope might drive geographical consolidation in some areas, this won't be right everywhere. Sometimes a consolidation of services rather than boundaries might be a better approach. This could be achieved through city or regional deals as discussed above. We encourage the Panel to consider this framework as a more joined-up approach to changing both form and function rather than treating both separately, as much of the draft report does.

Current reform programmes are establishing new boundaries. Water services entity areas, regional planning committee boundaries and health reform localities are unlikely to match. Having different boundaries for every service is complex and inefficient for councils, their communities and Aotearoa New Zealand as a whole.

As we highlighted in the first section of this submission, we'd like to see the Panel present clear recommendations about local government's future roles and functions along with the structural change (and funding model) needed to deliver on them.

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## Fairer elected member remuneration

We strongly support the Panel's recommendation to review elected member remuneration. This would both recognise the increasing complexity of these roles and encourage a more diverse range of people to stand. A healthy democracy reflects the diversity of its citizens.

Current remuneration levels put many people off from standing for election, inhibiting diversity of representation. The very low remuneration for elected members can particularly affect people who support extended family members, parents or disabled people, for example. These people may need to work multiple jobs or forego significant income to take on the position of an elected member. Often being an elected member is only viable for those who have time on their hands and/or other income or assets, which limits diversity.

We also strongly recommend that the proscription against elected members receiving support for superannuation and/or KiwiSaver is removed. Similarly, elected members should not immediately lose remuneration when they no longer have a seat is changed. These are real barriers to diversity of representation and put people off standing. They also create a double standard given they do not apply to members of parliament.

## Prioritising professional development

To attract and retain skilled leaders who can realise local government's vision for the future, more investment in training and professional development opportunities is essential. This applies not just to elected members but also council staff.

Before developing any additional programmes, there should be a stocktake of current offerings. LGNZ, Taituarā, and the Local Government Commission provide professional development and training in various forms. In January 2023, LGNZ launched our new holistic and modern professional development programme, Ākona, which focuses on our members' development needs. It is an interactive, user-friendly tool that can be responsive and will evolve. Topics range from management versus governance and running council meetings to financial stewardship, relationships with iwi, community engagement, working with media, te reo and tikanga as well as providing resources around wellbeing, and insights and tips from members. This programme is voluntary. For a professional development programme to be mandatory, it would need to be embedded in legislation and clearly delegated.

We support the recommendation of a shared professional development and secondment programme across central and local government. This could be implemented in the short to medium term. It would build relationships and increase mutual understanding.

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# Strengthened local democracy

## Overview

**We want to see a diverse range of citizens actively participating in local democracy through a range of democratic mechanisms that provide simple and accessible ways to have a say in their community's vision, and enable councils to uphold the principles of Te Tiriti.**

This section responds to **chapters two and seven** of the draft report.

### Our recommendations to the Panel

20. Review the Local Government Act 2002 by the end of 2025 so that it:
  - Enables more direct and deliberative forms of democratic participation such as citizens assemblies and participatory budgeting;
  - Replaces the Long Term Plan with a more dynamic and strategic planning framework that allows communities to develop local wellbeing priorities and reflects the changes made through other reform programmes; and
  - Strengthens Code of Conduct accountability mechanisms and sanctions to provide a safer environment for members.
21. Develop an engaging, participatory civics curriculum or education initiative with suggested steps for implementation.
22. Shift to a four-year local electoral term.

## Boosting participatory and deliberative democracy

There's clear consensus from our members on increasing citizens' participation in local democracy. Many councils are open to deliberative and participatory democracy methods, with some using them already.

We strongly support the Panel's recommendation that local government adopts greater use of deliberative and participatory democracy tools. However, research is needed to understand why councils aren't using these tools more widely, given there's nothing structural stopping their use now. When we asked our members, the most frequent barrier was capacity and resourcing. For many smaller councils, these tools aren't viable because something like a citizen's assembly takes so much support to set up, facilitate and implement. There's also a perception that participatory or deliberative democracy means "handing over power", which reflects a need to build elected members' understanding of these tools' purpose and value. This is a role that the Local Government Centre of Excellence could fulfil in time but LGNZ is ready to step into now during the transition.

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For these methods to be used more widely, they need to be resourced. Members have told us that “resourcing is more important than legislating”. This is a key question to address in the Panel’s final report.

While we’re in favour of exploring deliberative and participatory methods, they depend on public willingness to participate. If New Zealanders don’t understand what their local council does and how this provides value for their community, they’re unlikely to participate. That’s one driver for our recommendation of a Centre of Excellence to carry out research and drive uptake of innovative approaches to engagement and local government generally, but we cannot wait for that. In the meantime, much can be done by resourcing LGNZ and Taituarā.

## Better civics education

To bridge the gap in public understanding about the role and value of local government, education is critical. We’re disappointed the draft report lacked specific recommendations about the need for civics education or what role local government might play in this.

An engaging civics education curriculum could cover topics such as the rights and duties of New Zealand citizens, how civic processes work, and what it means to live in a democratic society. Ideally this would be an interactive and participatory model. This would cover topics such as how laws are made and how voting works. It could also address what services councils are responsible for delivering, and how they provide value for communities. For example, services like public libraries, vocational training/job support initiatives, community infrastructure and emergency response.

In our ‘[Vision for the Future](#)’ paper, we suggested civics education should be included in the national curriculum, with councils a partner in its delivery. Tamariki and rangatahi must learn about the role of democratic institutions, the value of voting and how they can have a voice in the future of their communities. If the voting age is lowered to 16, most young people would still be at school, making civics education more immediately relevant, and providing opportunities for the voting process to be embedded into the curriculum.

In the Panel’s final report, we want to see a civics curriculum or education initiative as a specific recommendation, with suggested steps for implementation.

## Election cycles and voting

Chapter seven of the Panel’s draft report contains helpfully specific and tangible actions about elections and voting. We’ve heard general support for the recommendation to shift responsibility for the administration of local body elections to the Electoral Commission. LGNZ has previously suggested that the Electoral Commission could fill some specific roles that are gaps in the current system, such as providing advice (including legal advice) to candidates, promoting elections and education about voting systems. We are very mindful that there have already been a series of

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Justice Select Committee recommendations and reviews – with little action or change. The process of voting needs to be made much easier for the public.

We've also called for an independent review into local body elections, after the low turnout in many areas in 2022. The first step of the review would be to stocktake existing recommendations to generate change and ensure w elections will be delivered more consistently. We are also interested in the key and broader question of how we can increase engagement and accessibility – and diverse participation.

LGNZ supports a four-year electoral term.

LGNZ's view is that all ways of increasing the voter turnout need to be looked seriously. We note there are a wide range of views among our members about lowering the voting age to 16. Should it be lowered, we would want to see a greater focus on engaging youth in civics.

## A mix of elected and appointed members

We don't support a shift towards a hybrid model of elected and appointed members. While some members recognised the value of co-opting specific skills, there was real concern about the impact on local democracy. For example, how would any lack of capability be defined, assessed and filled? Where would these appointed members come from? They might need to be brought in from outside a local area, affecting local voice and place-based decision making. The potential impact on voter turnout is another consideration: why vote if your choice can be undermined by appointed members without a popular mandate?

Councils aren't convinced there is a problem to solve. They've told us that their current abilities to 1) appoint people to committees and 2) contract in specific expertise give them sufficient tools to address capability gaps. Some of the perceived problems around local democracy capability and culture would be better addressed through other mechanisms like professional development and a clearer and proportionate accountability framework.

A hybrid model has been touted as achieving Tiriti-partnership in council governance. LGNZ agrees that decision-making processes must be responsive to the mana whenua and Māori citizens' concerns, with tikanga upheld. However, there are existing mechanisms to enable this, such as the appointment of iwi/hapū onto council committees and the introduction of Māori wards. We want to see further research about how this would work in practice.

While a hybrid model could work well in some areas, it would be very complex where there are many iwi/hapū within a council's boundaries. We wonder what would happen if iwi/hapū opt out, and whether there is a difference between appointing to territorial authorities versus appointing to regional councils given their difference in mandate. Any proposals for iwi or mana whenua appointments must be sensitive to local circumstances, respect long-standing relationships that already exist, and most of all respect the preferences of mana whenua.



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## Māori wards and tikanga

We support central government retaining the Māori wards and constituencies mechanism, which are currently being reviewed. We would like to see more options that create stronger, Tiriti-based partnership at the council table.

We strongly support councils incorporating an agreed, local expression of tikanga whakahaere in their standing orders and engagement practices. This should be extended to all councils, not just those with Māori wards.

The Māori wards mechanism should be reviewed in six years' time, with input from first-term Māori ward councillors.

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# Appendix 1: LGNZ's engagement on this review

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

1. National workshops for elected members and council staff on some of the draft report's key themes. These includes separate sessions on strengthening local democracy, the future structure of local government, and councils' non-negotiables for future change. Each of these three workshops were attended by 60-100 mayors, chairs, elected members, chief executives and council officers.
2. Hosting the Panel at our Sector meetings. Each of the Rural and Provincial Sector, Metropolitan Sector and Regional Sector had an opportunity to provide feedback and ask questions about the draft report and the Panel's future direction. We also held discussions with both the Te Maruata Roopu Whakahaere and wider Whānui to receive their feedback on the draft report.
3. 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. These workshops informed our Vision for the Future paper that we shared with the Panel in May 2022.
4. 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.
5. 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.



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# Appendix 2

[This appendix is currently being finalised and will be inserted in the final version.]

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