



# SUMMARY OF THE FUTURE FOR LOCAL GOVERNMENT DRAFT REPORT

// This document provides a summary of the key points and recommendations in the draft report released by the Review into the Future for Local Government Panel.

// OCTOBER 2022



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# What is it all about?

The Review into the Future for Local Government is focused on understanding how local democracy needs to change over the next 30 years to be fit for the future. The Review is being led by an independent Panel, who released its draft report on 28 October.

This report builds on the key findings set out in its Interim Report and includes a series of options and recommendations about some of the changes that are needed for the future.

This summary provides an easy-to-read guide to the main themes of the report and the recommendations the Panel has made, to help bring you up to speed.

This Review matters because it's an opportunity for us to work together to set local government up for a very different future. It's positive to see many of the recommendations we outlined in our paper to the Panel on behalf of councils earlier this year have been picked up in the report. LGNZ are committed to working with councils to bring to life your vision for the future.

# Where to next?

The Panel are inviting submissions on its draft report until 28 February 2023. We're encouraging councils to make submissions of its own and will also develop our own submission to bring together the key themes we're hearing from members.

We'll hold a series of workshops throughout November and December to discuss the report's recommendations, which will inform our submission. Keep an eye on your inbox for calendar invites in the next two weeks. We'll then share a draft submission with you in the early new year for further feedback.

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# Report Summary

The 11 chapters of the draft report cover the following topics:

- // 1: Thriving local government is vital for Aotearoa New Zealand
- // 2: Revitalising citizen-led democracy
- // 3: A Tiriti-based partnership between Māori and local government
- // 4: Allocating roles and functions in a way that enhances local wellbeing
- // 5: Local government as champion and activator of wellbeing
- // 6: A stronger relationship between central and local government
- // 7: Replenishing and building on representative democracy
- // 8: Building an equitable, sustainable funding and financing system
- // 9: Designing the local government system to enable the change we need
- // 10: System stewardship and support
- // 11: The pathway forward

## Chapter 1: Thriving local government is vital for Aotearoa New Zealand

This chapter sets out the key players with important roles in local governance decision-making, and the five key shifts that the Panel thinks are needed to the way that local governance operates.

These five key shifts, which the Panel shared in early February are:

1. Strengthened local democracy – Citizens participate in local decision-making, councils are trusted and reflect community diversity
2. Stronger focus on wellbeing – Councils are focused on broad strategies to improve the wellbeing of their communities
3. Authentic relationship with hapū/iwi/Māori – strong, authentic relationships between councils and hapū/iwi/Māori that enable self-determination and shared authority
4. Genuine partnership between local and central government – Genuine partnership to coninvest in and deliver wellbeing outcomes to communities
5. More equitable funding – Equitable funded system that enables communities to thrive.

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The chapter sets out a summary of what will be required to make these shifts, and how to get there. There's not a lot in this first chapter that's new – it's more or less a summary of how the Panel's thinking has developed since publishing its Interim Report in September 2021. It's a high-level introduction, but more detail is given in some of the later chapters.

What the Panel is clear on is that realising some of these shifts will require systematic and structural change to local government. It will also require changes to the legislation underpinning local government.

## Chapter 2: Revitalising citizen-led democracy

This section responds to the decline in citizen participation in local democracy. The Panel states that the current mechanisms for participation in local democracy are inadequate and often misunderstood.

Some of the key issues with current practices include councils not conducting engagement in a manner, place or format that works for diverse groups, people feeling intimidated by formal proceedings, and elected members showing concern about how to balance their role as representative decision-makers with citizens' participation.

Part of the chapter sets out examples of participative and deliberative tools used internationally and in New Zealand, such as referendums and citizen's assemblies, and the Panel have asked for feedback on whether the Local Government Act (LGA) should better enable the use of these tools.

This chapter also recommends wider use of tikanga in council meetings, interactions between local authority staff, and in local government engagement with Māori.

The Panel is also seeking feedback on what could be done to increase community understanding about the role of local government that could lead to greater civic participation.

### The recommendations from this chapter:

1. That local government adopts greater use of deliberative and participatory democracy in local decision-making.
2. That local government, supported by central government, review the legislative provisions relating to engagement, consultation and decision-making to provide a platform for revitalising community participation.
3. That central government leads a comprehensive review of requirements for engaging with Māori across local government related legislation to streamline or align those requirements.
4. That councils develop and invest in their internal systems for managing and promoting good quality engagement with Māori.
5. That central government provide a statutory obligation for councils to give consideration to an agreed, local expression of tikanga whakahaere in their standing orders and engagement practices, and for chief executives to promote the incorporation of tikanga in organisational systems.

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## Chapter 3: A Tiriti-based partnership between Māori and local government

The Panel acknowledges that while there's a lot of positive examples of change, the relationship between Māori and local government often falls short of a Tiriti-based relationship. This chapter sets out a framework for achieving a Tiriti-based partnership between Māori and local government with six parts:

- a new legislative framework for Te Tiriti in local governance
- establishing a strategic role for Māori in identifying community wellbeing outcomes
- mainstreaming and consolidating specific mechanisms for partnership and co-governance
- improving Māori participation in local government processes
- improving Māori representation at the council table
- building local government and Māori capability and capacity to build and maintain a Tiriti-based relationship.

Currently there's not a clear framework for Te Tiriti in local governance. Specific arrangements between local government and iwi/hapū have been developed ad-hoc across the country. The Panel's view is that there needs to be a greater level of direction and accountability within the system, including at the legislative level since the multiple pieces of legislation that underpin the relationship between Māori and local government are not all consistent.

This chapter suggests there could be a general clause or specific clause about Te Tiriti in the Local Government Act, or the introduction of a set of principles that describe how councils must give effect to Te Tiriti principles, to provide specific guidance (as well as flexibility). There's no clear recommendation here, but the Panel has asked for further feedback on how this could be reflected in the Local Government Act (LGA).

The Panel's also clear that existing arrangements between Māori and local government that are provided for in legislation should be respected and maintained, with a focus on moving to a more consistent approach in the future.

It's positive to see the acknowledgement that there needs to be additional funding and support to develop the capability and capacity to build these partnerships at a local level.

### The recommendations from this chapter:

6. That central government develops a new legislative framework for Te Tiriti-related provisions in the Local Government Act that drives genuine partnership in a local context and explicitly recognises Te Ao Māori values and wellbeing concepts.

7. That councils develop in partnership with iwi/hapū a partnership framework that complements existing co-governance arrangements to ensure that all groups in a council area are involved in local governance in a meaningful way.
8. That central government introduce a statutory requirement for local government Chief Executives 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.
9. That central government explore a stronger statutory requirement on councils to foster Māori capacity to participate in local government.
10. That local government leads the development of coordinated organisational and workforce development plans to enhance the capability of local government to partner and engage with Māori.
11. That central government provide a transitional fund to subsidise the cost of building both Māori and council capability and capacity for a Tiriti-based partnership in local governance.

## Chapter 4: Allocating roles and functions in a way that enhances local wellbeing

This chapter sets out a proposed framework that could be used to guide the allocation of roles and functions across central and local government as well as iwi/hapū entities and community organisations.

The framework is underpinned by the subsidiarity principle (that the issue should be addressed at the level as close to the relevant community as possible) and te ao Māori values.

The report recognises that councils have been given additional functions to deliver without additional resources (often referred to as the unfunded mandate), will potentially have some functions moved to a more centralised model (eg, Three Waters and Resource Management), and that some roles and functions are very unclear – for example, councils' role in responding to the effects of climate change.

The framework suggests starting with a 'local-first' approach that always considers what local parties can do to deliver to a role or function, then departing from this approach when a role or function:

- can only be effective when done at scale
- requires access to ongoing skills that cannot be provided for locally
- has large risks and liabilities that cannot be effectively managed at the local level
- requires national level agreement on outcomes
- has a need for equality of service delivery.

The framework would also be underpinned by te ao Māori values and the practice of tikanga.

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The Panel acknowledges they don't know what this framework would look like in practice, but suggest this framework is used by local and central government to review the current allocation of roles and functions. They're asking for feedback on what type of process would be needed to agree the allocation of roles and functions across central government, local government, Māori and potentially community organisations.

There's also suggestion of some areas that would be better done at scale – including climate change mitigation and adaptation, transport and waste management and regulatory responsibilities across animal control, sale of alcohol and building regulations.

### **The recommendations from this chapter:**

12. That central government and local government notes that the allocation of the roles and functions is not a binary decision between being delivered centrally or locally.
13. That local government and central government, in a Tiriti-consistent manner, review the future allocations of roles and functions by applying the Panel's proposed framework, which includes three core principles:
  - the concept of 'subsidiarity'
  - local government's capacity to influence the conditions for wellbeing is recognised and supported
  - te ao Māori values underpin decision-making.

## **Chapter 5: Local government as champion and activator of wellbeing**

This chapter focuses on local government's role in promoting community wellbeing. This section of the report is more conceptual, and it's difficult to get a sense of what this would really mean for councils. However, the following chapter on roles and functions does provide some clarity.

The Panel identified three main ways that local government can champion local wellbeing:

- As an anchor institution (an organisation with a long-term commitment and connection to a place)
- As a systems networker and convenor (bringing people together across organisations, sectors and cultures)
- As a placemaker (strengthening the connection between people and the places they share to strengthen community identity).

The Panel's main recommendation from this chapter is that there's a need for local and central government to explore funding and resources that enable and encourage councils to innovate, experiment, share learnings, and build their capability and capacity to influence local wellbeing more intentionally.

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### The recommendations from this chapter:

14. That local government, in partnership with central government, explore funding and resources that enable and encourage councils to:
  - Lead and support innovation to achieve greater social, economic, cultural, and environmental wellbeing outcomes
  - build partnership and co-design capability and capacity across their whole organisation
  - embed social/progressive procurement and supplier diversity as standard practice
  - review their levers and assets from an equity and wellbeing perspective
  - take on the anchor institution role initially through demonstration initiatives with targeted resources and peer support
  - share learnings and emerging practice from innovation and experimentation.

## Chapter 6: A stronger relationship between central and local government

The Panel recognises change is required from both central and local government to reset the relationship between the two and suggests that a key outcome needs to be a commitment to co-investment in community outcomes – that is aligning efforts to plan, fund and execute projects to maximise wellbeing at place.

The chapter outlines a set of outcomes for what a strengthened relationship would look like, and also outlines some of the key tensions in the current relationship.

It also explores several approaches to developing an interdependent relationship between central and local government, and current examples of each. These include:

1. Place-based initiatives that are developed for a specific geographic area (eg, the social sector trials, the Southern Initiative, Urban Growth partnerships).
2. Broader, approaches that set requirements at a national level while enabling local specificity (eg, the Welsh Wellbeing Model).

It's somewhat disappointing to see there aren't any specific recommendations in this chapter, and it's another area of the report that remains quite conceptual. The Panel have asked for feedback on potential pathways to build and support a more collaborative, joined up relationship.

## Chapter 7: Replenishing and building on representative democracy



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This chapter is focused on what is needed to achieve more diverse representation and increased governance capability at the council table. Most of the report's more tangible recommendations are found in this chapter, many of which pick up on the recommendations we made in our [Vision for the Future paper](#) to the Panel earlier this year.

To shift towards a more robust representative democracy in the future, the Panel has made recommendations for better representation and electoral processes, better remuneration and support for elected members, changes to the local electoral term and new models for council governance.

However, there's also some proposals that need further critique and discussion, such as a number of hybrid governance models to address Tiriti-partnership and capability issues. Some of these models include a mix of appointed and elected members. We think some of the proposed models could have significant implications for representative local democracy and require further consideration. This is one area we'll look to explore with you through our upcoming workshops and address in our submission.

### **The recommendations from this chapter:**

15. That the Electoral Commission be responsible for overseeing the administration of local body elections.
16. That central government undertakes a review of the legislation to:
  - a) introduce Single Transferrable Vote as the nation-wide voting method in local body elections
  - b) lower the eligible voting age in local body elections to the age of 16
  - c) provide for a four-year local electoral term
  - d) amend the employment provisions of chief executives to match those in the wider public sector.
17. That central government and local government, with the Remuneration Authority, review the criteria for setting elected member remuneration to recognise the increasing complexity of the role.
18. That local government develops a mandatory professional development and support programme for elected members.
19. That central government and local government:
  - a) support councils to undertake regular health checks of their democratic performance
  - b) develop guidance and mechanisms to support councils to resolve complaints under their code of conduct and explore a specific option for local government to refer complaints to an independent investigation process led by a national organisation
  - c) Assess whether the provisions of the Local Government Official Information and Meetings Act 1987, and how it is being applied, supports high standards of openness and transparency.
20. That central government retain the Māori wards and constituencies mechanism (subject to amendment in current policy processes), but consider additional options for providing for a Treaty-based partnership at the council table.

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## Chapter 8: Building an equitable, sustainable funding and financing system

The key points from this chapter are that the current funding mechanisms for local government are unsustainable, and that while rating should remain a primary funding mechanism, the process for setting and planning rates should be simplified, and councils also need to have the ability to introduce additional funding mechanisms.

It also highlights the need to recognise the role councils will play in climate change mitigation and adaptation, which will require national intergenerational funding to tackle.

In a nutshell, this section calls for:

- Co-investment in public goods
- The end of 'unfunded mandates' being passed to local government
- New funding mechanisms established
- Rating remains and is simplified
- An intergenerational fund to tackle climate change.

It sets out some principles that could guide what a local government revenue system should be: workable, fair, sustainable, incentivised and nationally consistent. The Panel has assessed a range of potential revenue streams against these principles, including road congestion charges, bed taxes and visitor levies, and revenue bonds. There's not clear analysis on which of these options the Panel recommends, or what the implications of them would be.

The Panel also recommends streamlining the requirements to develop and adopt long-term plans in response to feedback that the current requirements and need for an audit add huge cost without value.

The recommendations are consistent with the 2019 Productivity Commission report on *Local Government Funding and Financing*, and somewhat disappointingly don't really extend beyond that report's findings.

### The recommendations from this chapter:

21. That central government expands its regulatory impact statement assessments to include the impacts on local government; and undertakes an assessment of regulation currently in force that is likely to have significant future funding impacts for local government and makes funding provisions to reflect those impacts.
22. That central government and local government agree on arrangements and mechanisms for them to co-invest to meet community needs and priorities, and that central government makes funding provisions accordingly.
23. That central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making input.
24. That central government reviews relevant legislation to:

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- enable councils to introduce new funding mechanisms, and
  - retain rating as the principal mechanism for funding local government, while simplifying long-term planning and rating provisions to allow a more holistic and responsive process.
25. That central government agencies pay local government rates and charges on all properties.

## Chapter 9: Designing the local government system to enable the change we need

This chapter recommends that structural change is needed to ensure better value spend, minimise duplication, and get the best use of people and resources. Once again, there's not yet a firm view on what the specific future structure of local government should look like, but the report outlines five 'design principles' to guide the future structure, which the Panel are seeking feedback on.

The five design principles are:

1. There is local place-based decision making and leadership, and local influence on decisions made about the area at a regional and national level.
2. Local government entities support and enable roles and functions to be allocated adopting the principle of subsidiarity.
3. Local government entities have the people, skillsets and funding they need to deliver services effectively, and address the complex current and future challenges facing communities.
4. Local government entities have flexibility to partner with each other and with other parties to share decision-making and delivery of services, in order to advance community outcomes effectively and efficiently.
5. Local government entities make use of economies of scope and combine resources and expertise where appropriate to ensure services and functions are delivered to a high standard.

There are also three possible models of what a future structure could look like that are outlined. These aren't intended to be final models but starting points that the Panel are seeking feedback on. While there's some variation, some of the models don't move far beyond the status quo. This is another area we'll look to discuss through our upcoming series of workshops.

The three models outlined are:

1. One council for the region supported by local or community boards. This model is the most similar to a unitary model, where there's one council supported by smaller entities that are delegated some roles and functions. In this model the unitary council carries out the roles and functions currently delegated to a regional council and territorial authority, while the community or local boards would be delegated specific functions. Elected members would

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represent the entire region, and the local/community boards would also have elected members.

2. Local and regional councils with separate governance. This would mean local councils provide local functions and facilitate partnerships with local hapū/iwi, community groups and agencies. Regional councils would carry out specific roles best delivered at the regional level – eg, current regional council functions with additional areas such as transport, civil defence and building and consenting. Communities would elect members for both the local and regional councils separately.
3. Local councils and a combined council with shared representation. This would mean that communities elect members to their local council, and a combined council for the region is made up of representatives from each local council and a combined mayor. The local councils would focus on activities that achieve wellbeing outcomes, while the combined council would carry out current regional council functions, and other roles and functions that the local councils agree would be better delivered regionally. This model is similar to the Greater Manchester Combined Authority.

### **The recommendations from this chapter:**

26. That central and local government explore and agree to a new Tiriti-consistent structural and system design that will give effect to the Panel’s proposed design principles.
27. That local government, supported by central government, invests in a programme that identifies and implements the opportunities for greater shared services collaboration.
28. That local government establishes a Local Government Digital Partnership to develop a digital transformation roadmap for local government.

## **Chapter 10: System stewardship and support**

This chapter focuses on how stewardship of the local government system is currently delivered. The Panel sees gaps and limitations in the current approach that is split across a range of partners, including the Minister of Local Government, the Secretary for Local Government, and entities such as the Local Government Commission, LGNZ and Taituarā.

There’s an outline of some of the key stewardship roles that currently exist and who carries them out, and some findings for further consideration.

Two key takeaways are that the Panel see LGNZ and Taituarā as well placed to play a greater role in strong sector leadership through any change, but question whether the current structure of these organisations is sufficient for the future. It’s not too clear what this means, and will be an area for us to discuss further with the Panel.

The other key takeaway is recommending a nationally coordinated stewardship function that cares for the health of the system by convening multiple central government agencies to resolve cross-



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cutting issues, to drive greater knowledge and practice of local governance and set standards for integrity and conduct.

**The recommendations from this chapter:**

29. That central and local government consider which entities are best placed to play system stewardship roles in a revised system of local government.

## **Chapter 11: The pathway forward**

The final chapter gives a brief outline of next steps. If the proposals from the draft report are accepted, they will need to be supported by a strong process for change and system reform. There's a question of who would lead this programme, since it will impact central government, local government and iwi/hapū, and will go beyond legislative change to whole-of-system change. The final report will provide more detail about this process and who would lead it.