

# LOCAL GOVERNMENT BUSINESS FORUM

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28 February 2023

Jim Palmer  
Chair, Future for Local Government Review Panel  
By email: [futureforlg@dia.govt.nz](mailto:futureforlg@dia.govt.nz)

## REVIEW INTO THE FUTURE FOR LOCAL GOVERNMENT DRAFT REPORT

Dear Mr Palmer,

The Local Government Business Forum welcomes the opportunity to provide a submission to the Draft Report of the Review into the Future for Local Government.

The Local Government Business Forum was established in 1994 to promote greater efficiency in local government and to contribute to debate on policy issues affecting it.

The Forum's members comprise national business organisations with vital interests in the activities of local government and central government policies and legislation influencing the role of local government, its funding and structure, and resource and environmental policies.

As well as being significant representatives of ratepayers, Forum members are motivated to advance community and ratepayer wellbeing through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient and effective provision of public goods at a local level.

We acknowledge any individual submissions made by Forum members. This submission is made by the Forum and does not necessarily represent the views of each and every one of its members.

We would welcome the opportunity to meet with the Review Panel to discuss points made in this submission.

Yours sincerely,



Michael Barnett  
Chair, Local Government Business Forum

## **SUBMISSION**

### **REVIEW INTO THE FUTURE FOR LOCAL GOVERNMENT DRAFT REPORT**

#### **INTRODUCTION**

The Local Government Business Forum ('the Forum') welcomes the opportunity to provide a submission on the draft report of the Review into the Future for Local Government ('the Review').

The Forum notes that the Review was prompted by challenges and changes facing local government and local communities, both now and in the future.

The Forum agrees that it is important to review local government to ensure it is and remains fit for purpose. We also agree that a future system of local government needs "the agility and capacity to evolve and respond to an ever-changing environment, drawing on the capabilities of local authorities, central government, hapū, iwi, Māori, business, communities and citizens as needed".

The Forum is, however, concerned that the Review is being undertaken at the same time as a series of significant and controversial policy and legislative reforms that will (if they are politically enduring) disrupt local government and up-end its place in communities, most notably Three Waters and Resource Management. We reiterate our previous comment that the Review should have been undertaken prior to these reforms so it could have informed and guided them. It might also have built greater support for the reforms. There may be merit in the current environment to delay these reforms until after this review has been completed.

The Forum considers the review's draft report to be useful in setting out the challenges facing local government and suggesting responses to them. Its discussion on funding and financing, although very high level, has some good elements.

However, there is a strong dissonance between the Review's vision for local government and that of the Forum. We are concerned about the draft report's signalling of a shift away from the efficient and effective delivery of local infrastructure and public services in favour of being an activator of 'wellbeing', which without clear boundaries is much less tangible. The Forum's view is that wellbeing can best be advanced by local government through the efficient and effective delivery of its core responsibilities of local public services and infrastructure.

We fear that the Review may not result in local government that is more responsive to or any better perceived by communities. If councils poorly perform in areas of core responsibility where it is relatively easy to measure outcomes, will ratepayers or central government trust them to deliver services whose outcomes are more difficult to evaluate?

The remainder of this submission provides comment on each of the chapters in the draft report.

## CHAPTER 1: THRIVING LOCAL GOVERNMENT IS VITAL FOR AOTEAROA NEW ZEALAND

This chapter sets the scene for the rest of the draft report. It strongly endorses the focus on wellbeing and local democracy, with a strong emphasis on Māori approaches to wellbeing. It identified five 'key shifts' for the future of local government:

1. Strengthened local democracy: **From** low public trust and participation in local governance **to** citizens participating in local decision-making: councils being trusted and reflecting community diversity.
2. Authentic relationship with hapu/iwi and Māori: **From** variable relationships between councils and hapu/iwi/Māori **to** strong, authentic relationships between councils and hapu/iwi/Māori that enable self-determination and shared authority.
3. Stronger focus on wellbeing: **From** councils often narrowly focused on delivering services and infrastructure **to** councils focusing on holistic strategies to improve wellbeing of their communities.
4. Genuine partnership between local and central government: **From** low trust between local and central government **to** genuine partnership to co-invest in and deliver wellbeing outcomes for communities.
5. More equitable funding: **From** an over-burdened and constrained funding system **to** an equitably funded system that enables communities to thrive.

*Forum Comment: These are highly aspirational 'shifts' and may not be realistic.*

*While all would agree with the starting points (i.e., the 'from's'), not all are necessarily 'bad'. For example, in relation to (3) the Forum believes local government should be focused on delivery of services and infrastructure as the best way to focus on wellbeing. We are content with that starting point and we would not be keen on councils losing that focus.*

*Meanwhile, for other shifts there might be agreement with the broad ambitions (i.e., the 'to's') but less agreement on how they might be achieved. For example, in relation to (2), improving engagement with Māori and having Māori wards would probably be more widely supported than co-governance where iwi representatives are appointed to councils to sit alongside elected representatives. Rather than a co-governance model requiring iwi to be involved in every decision of a council (regardless of their interest or capacity) devolution of some services to iwi might be a better option<sup>1</sup>.*

*For others the devil will be in the detail. For example, in relation to (5) no one would dispute the need to improve local government funding. However, the review envisages local government moving away from providing services to properties in favour of more people-based activities, it wants to move away from the beneficiary pays principle, and although it suggests some new funding tools it thinks property value rates should remain the primary funding mechanism. The combination could result in ratepayers with high value properties (e.g., businesses, farmers, and many elderly 'asset rich, cash poor' people) paying far too much for activities they get little benefit from.*

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<sup>1</sup> Some examples might include:

- Iwi as a building consenting authority for buildings constructed on Māori land, with final signoff on building approval certificate.
- Iwi as resource consenting authority over Māori-held land, with guardrails/oversight around spill-overs.
- Iwi as potential water service provider – e.g., setting up stormwater holding marshes near town and developers could opt to connect to their infrastructure if it were more cost-effective than council's.

## CHAPTER 2: REVITALISING CITIZEN-LED DEMOCRACY

### Key Findings

- Local government needs to become more an ‘enabler’ of democratic decision-making, not the holder of it.
- The use of deliberative and participatory practices can lead to greater citizen empowerment in decision-making. This is critical, especially when tackling major challenges such as intergenerational equity, long-term planning, and social cohesion.
- Nothing in the Local Government Act 2002 (LGA) prevents the use of deliberative or participatory mechanisms or the adoption of more empowering frameworks; decisions to take more participatory approaches built on community relationships sit with each council.
- There are a range of actions that local government needs to take, including increasing its capacity and its understanding of deliberative and participatory democracy practices.

*Comment: Satisfaction surveys show that most people have low confidence in local government performance, leadership, communication, and interaction. This is a likely explainer for low and declining civic participation, though it would need to be demonstrated that confidence in local councils has been declining alongside civic participation.*

*Another important factor will be reducing levels of home ownership which means fewer people receiving rates invoices and paying rates directly, so not experiencing the cost of local government.*

*Increasing community participation would be a good thing. The question is how it could be achieved and whether changing methods of engagement would result in more and (crucially) better quality participation to inform decision-making. We believe that councils performing their core functions more efficiently and effectively and more people experiencing the cost of local government would do more to improve satisfaction and therefore civic participation.*

*As the report acknowledges there is nothing stopping councils from adopting more deliberative and participatory mechanisms and many already do to a greater or lesser extent, including through their long-term plan and annual plan processes. Ultimately though local government, like central government, is a representative democracy where elected representatives are the decision-makers. This should continue to be the case.*

*Participatory practices, such as citizens assemblies, could be useful for providing decision-makers with better information but there are risks they might not be truly representative of communities, might not include enough ratepayers, or could be poorly facilitated, making them vulnerable to highly motivated groups or individuals promoting costly dreams and schemes.*

*These practices should not rely solely on digital interfaces for engagement. As the draft report acknowledges online platforms are not accessible to everyone – and not just those ‘disadvantaged’ from a socio-economic perspective. Many rural and/or elderly people might not be ‘disadvantaged’ in that sense, but they often have worse connectivity or less ability or confidence to interact online.*

*For these reasons, making greater use of participatory practices should not be allowed to usurp elected decision-makers who are accountable to voters (i.e., they should be informative rather than deliberative).*

*Finally, the Review should consider the possibility that civic participation is simply tedious and burdensome for many people who are time poor and have other things to take their attention.*

Recommendations:

R1: That local government adopts greater use of deliberative and participatory democracy in local decision-making.

*Comment: Acceptable as long as it is informative rather than deliberative and restricted to areas where it could add substantial value - in recognition of the fact that participants' time is not without cost.*

*Mechanisms must ensure ratepayer perspectives, including farms and businesses, are adequately represented.*

*If not designed or undertaken carefully deliberative processes can yield polarising results<sup>2</sup>.*

R2: That local government, supported by central government, reviews the legislative provisions relating to engagement, consultation, and decision-making to ensure they provide a comprehensive, meaningful, and flexible platform for revitalising community participation and engagement.

*Comment: Not sure this is necessary considering the Local Government Act 2002 is already empowering and councils have tried many ideas to boost participation from pop-up drop-in sessions, on-line portals, and simplified consultation documents.*

*What is needed is greater transparency along the lines of the value-for-money principle as a motivator for participation, such as through itemised rates assessments which show people where their rates money is being spent.*

R3: That central government leads a comprehensive review of requirements for engaging with Māori across local government-related legislation, considering opportunities to streamline or align those requirements.

*Comment: This objective is laudable and it should also apply to engagement with all people.*

*We note that the Local Government Act 2002 (and other legislation, including the Resource Management Act) already provides principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.*

R4: That councils develop and invest in their internal systems for managing and promoting good quality engagement with Māori.

*Comment: As above.*

R5: That central government provides a statutory obligation for councils to give due consideration to an agreed, local expression of tikanga whakahaere in their standing orders and engagement practices, and for chief executives to be required to promote the incorporation of tikanga in organisational systems.

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<sup>2</sup> See Schkade, D, C Sunstein and D Kahneman, 2000. "Deliberating about Dollars", Columbia Law Review.

*Comment: If councils wish to operate in this way, then that should be their choice. Such an approach could be beneficial in areas with high Māori populations, and therefore high proportions of councillors, staff, and stakeholders.*

*An important question is whether the compulsory nature of this recommendation would result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori? Or would it just be more compliance, not just for councils but also for hapu/iwi and other Māori organisations, which could need significantly more resources to engage?*

*It seems contradictory and counter-intuitive to trust local councils with a vast increase in responsibility while viewing them as needing strict central guidance in this particular area.*

Questions:

Q1: What might we do more of to increase community understanding about the role of local government, and therefore lead to greater civic participation?

*Answer: Keeping local government focused on tangible infrastructure and services and ensuring all people pay for them through user charges and rates that reflect benefit would do most to sharpen people's understanding. Changing local government to 'wellbeing' agencies with most of the costs hidden from most of the people would only make matters worse.*

*More civics education sounds laudable until one considers the proportions of children who leave school with poor literacy and numeracy. The education system should focus on the basics and not try to social engineer young people.*

*A 2020 report by the New Zealand Initiative, one of our member organisations, found that it is surprisingly difficult to see links between civics education and civic outcomes. For example, US states with compulsory civics education at high school do not have noticeably higher scores on AP Government exams. And Australian reforms to add civics education to the curriculum did little to affect political knowledge<sup>3</sup>.*

*Finally, civic participation is not an unmitigated good. It has costs for those participating. Should greater civic participation be the goal, or greater ratepayer and resident satisfaction with the quality and value of council-provided services?*

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<sup>3</sup> See Crampton, E. and N. Smith. 2020. "Democracy in the Dark".

## CHAPTER 3: TIRITI-BASED PARTNERSHIP BETWEEN MĀORI AND LOCAL GOVERNMENT

### Key Findings

- The system needs to ensure a more meaningful expression of rangatiratanga and a more culturally specific exercise of kawanatanga by councils – with te ao Māori values reflected at all levels of the system.
- In some instances, this means Māori having a lead role in decision-making, or the design or delivery of local government functions or services. In others, such decisions will still need to be exercised collaboratively, or by local government via good quality engagement with Māori, but in all instances Māori citizens should be able to make culturally specific contributions to local governance.
- There needs to be a greater level of direction and accountability within local government–Māori relationships, while leaving enough flexibility to respond to local context and acknowledge that specific relationships are at different stages in their journey.
- To respond to these challenges, this chapter and associated parts of the report propose fundamental change to the Te Tiriti o Waitangi provisions of the LGA; a strategic role for Māori in identifying and addressing priority outcomes that will lift community wellbeing; and strengthened specific mechanisms for partnership and engagement (including the incorporation of tikanga Māori).
- It also proposes improvements to Māori representation at the council table, and a concerted investment in the capability and capacity of both local government and Māori to build and maintain a Tiriti-based partnership in local governance

*Comment: This chapter is by some distance the largest in the report (40 pages), which reflects the importance the review has placed on developing a Tiriti-based partnership between Māori and local government.*

*What is proposed is arguably an erosion of liberal democracy and the principles of equal representation and governance (regarded as 'Western concepts').*

*As well as the principles at stake a more practical question is whether such an approach would result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori?*

*Dismissal of 'western concepts' risks outcomes of less rigorous and less objective decision-making, less efficient and less effective local government, higher spending, lower value from that spending, and higher rates burdens, especially on those with higher value property, like farmers and businesses (many of whom are themselves Māori).*

*An emphasis on co-governance also leaves under-explored alternatives expressing rangatiratanga such as devolution of some services.*

### Recommendations

R6: That central government leads an inclusive process to develop a new legislative framework for Tiriti-related provisions in the Local Government Act that drives a genuine partnership in the exercise of kawanatanga and rangatiratanga in a local context and explicitly recognises te ao Māori values and conceptions of wellbeing.

*Comment: We question whether this would it result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori?*

*The Local Government Act 2002 (and other legislation, including the Resource Management Act) already provides principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.*

R7: That councils develop with hapū/iwi and significant Māori organisations within a local authority area, a partnership framework that complements existing co-governance arrangements by ensuring all groups in a council area are involved in local governance in a meaningful way.

*Comment: It is certainly important for councils to develop good relationships with hapu/iwi and significant Māori organisations, just as they should for all parts of the community.*

*The Local Government Act 2002 (and other legislation, including the Resource Management Act) already provides principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.*

*An important question is whether the compulsory nature of this recommendation would result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori? Or would it just be more compliance, not just for councils but also for hapu/iwi and other Māori organisations, which could need significantly more resources to engage?*

*An emphasis on co-governance also leaves under-explored alternatives for expressing rangatiratanga such as devolution of some services.*

R8: That central government introduces 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 values.

*Comment: If councils wish to operate in this way, then that should be their choice. Such an approach could be beneficial in areas with high Māori populations, and therefore high proportions of councillors, staff, and stakeholders.*

*An important question is whether the compulsory nature of this recommendation would result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori? Or would it just be more compliance, not just for councils but also for hapu/iwi and other Māori organisations, which could need significantly more resources to engage?*

*One risk here is that central government's views on Te Tiriti, the whakapapa of local government, and te ao Māori values can differ. If a local council and iwi/hapu have come to arrangements that all find highly satisfactory, but are out of step with views held in Wellington, how would that conflict be resolved?*

*It seems incongruous to set a localist agenda within a framework demanding national homogeneity of views on this one issue.*



R9: That central government explores a stronger statutory requirement on councils to foster Māori capacity to participate in local government.

*Comment: The Local Government Act 2002 (and other legislation, including the Resource Management Act) already provides principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.*

*Beyond that existing requirement, if councils wish to go further that should be their choice. Such an approach could be beneficial in areas with high Māori populations, and therefore high proportions of councillors, staff, and stakeholders.*

*An important question is whether the compulsory nature of this recommendation would result in more effective and efficient local government that delivers better outcomes for all residents and ratepayers, including Māori? Or would it just be more compliance, not just for councils but also for hapu/iwi and other Māori organisations, which could need significantly more resources to engage?*

R10: 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.

*Comment: If councils wish to operate in this way, then that should be their choice. Such an approach could be beneficial in areas with high Māori populations, and therefore high proportions of councillors, staff, and stakeholders.*

R11: That central government provides a transitional fund to subsidise the cost of building both Māori and council capability and capacity for a Tiriti-based partnership in local governance.

*Comment: If a stronger 'Tiriti-based partnership' is to be built, it would be appropriate for the cost to be met by central government. Otherwise, it becomes an 'unfunded mandate'.*

Questions:

None.

## CHAPTER 4: ALLOCATING ROLES AND FUNCTIONS IN A WAY THAT ENHANCES WELLBEING

### Key Findings

- The nature and mix of roles and functions should be allocated in a way that delivers maximum value to communities and benefits the country as a whole.
- It is not about a binary allocation – local or central – but rather how the design, accountability, influence, and delivery could sit across many actors, with subsidiarity being a key principle.

*Comment: This should be a crucial chapter, especially considering the implications of major reforms of three waters and the RMA, but it is very short (12 pages). The draft report promotes local government focusing on wellbeing, putting local first. It wants local government and central government, in a Tiriti-consistent manner, to review future allocations of roles and functions.*

*The draft report correctly acknowledges that local government has had more responsibilities imposed on it, while other responsibilities have been or are in the process of being centralised or regionalised.*

*It is good that the draft report proposes a starting point for allocating roles and functions at the level of government closest to affected communities – reflecting the principle of subsidiarity. This is a well-established and internationally recognised principle.*

*The draft report also wants this underpinned by te ao Māori values. In this context it notes that the allocation of roles and functions should not rest solely on “westernised concepts of public policy or westernised interpretations of concepts like equity or efficiency”. This thinking should raise questions for anyone concerned about the performance of local government or its cost to ratepayers.*

*The draft report considers there could be changes to roles and functions for activities like housing and urban development, public health, economic development, waste management, climate change, transport, and building consenting. These could be regionalised or centralised, but it considers the local tier could still play roles.*

*The draft report also suggests that even for activities that remain local there could be greater use of shared services (it mentions libraries as an example). Shared services models have been available to councils for some time and exist in many regions. In the Bay of Plenty for example, BOPLASS has been established as a jointly owned company by councils. The model is a good one, but councils don't do enough with it. Local Government New Zealand published useful analysis on shared services in a 2011 report.<sup>4</sup>*

*There could well be cases for local councils to take up additional responsibilities, with the support of their communities, and under tight accountability frameworks. One potential mechanism similar to the City-Accord model was described in a 2015 report from the New Zealand Initiative.<sup>5</sup>*

### Recommendations:

R12: That central and local government note that the allocation of the roles and functions is not a binary decision between being delivered centrally or locally.

<sup>4</sup> See Shared Services for Local Government, Local Government NZ, June 2011

<sup>5</sup> See Crampton, E and Acharya, K. 2015. “In the zone: Creating a toolbox for regional prosperity.”

*Comment: Although subsidiarity should be the starting point, there will always be grey areas that will need to be resolved on a case-by-case basis.*

R13: That local and central government, in a Tiriti-consistent manner, review the future allocations of roles and functions by applying the proposed approach, 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.

*Comment: The Forum agrees with the first point that subsidiarity should be the starting point.*

*The second point where it would be appropriate to depart from 'local-first' (e.g., where cannot be done at scale, skills not available locally, large risks and liabilities, lack of appetite for local variation, need for equality of service, consistency) is not unreasonable, at least in theory. However, much would depend on how it would be implemented and a case-by-case analysis of the ability for local government to deliver (either individually or partnered with central government and/or the private sector).*

*The third point depends on where 'te ao Māori values' sit in the hierarchy of principles and the extent to which te ao Māori values differ from the other two principles. That the role and functions are to be 'underpinned by te ao Māori values' strongly suggests it would be the most important principle. Unfortunately, comments in the chapter dismissing 'western concepts' of public policy, equity and efficiency suggests a different approach. It would be concerning if this resulted in local government becoming less efficient, more costly, and less effective, with poorer performance and worse outcomes. The Forum would appreciate assurances that this is not what is meant.*

#### Questions:

Q2: What process would need to be created to support and agree on the allocation of roles and functions across central government, local government, and communities? What conditions will need to be in place to ensure the flexibility of the approach proposed does not create confusion or unnecessary uncertainty?

*Answer: Central and local government should convene a joint working group to undertake a first-principles review of roles and functions applying the core principles (subject to our reservations expressed above). The working group should then consult the public, including Māori and ratepayer representatives, on its proposals.*

*At the same time, however, one size may not fit all. If a council came up with a rigorous proposal that followed a Manchester City Deal style of approach, with community support, an accountability framework, and proposed devolved funding lines, that proposal should be evaluated seriously. The appropriate role for local government may vary from council to council.*

Q3: What conditions will need to be in place to ensure the flexibility of the approach proposed does not create confusion or unnecessary uncertainty?

*Answer: Clear role definition will be important for reducing confusion and uncertainty. Local government should be focused on its core roles and functions and on doing them effectively and efficiently. We therefore opposed the 2002 and 2019 'four wellbeings' purpose statements and supported the 2012 purpose statement, that councils should "provide for the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses"*

Q4: What additional principles, if any, need to be considered?

*Answer: Consistency with public policy concepts, such as efficiency and equity, should be an important principle. This will better ensure that the business community and public have an element of certainty when it comes to local government decision-making.*

## CHAPTER 5: LOCAL GOVERNMENT AS CHAMPION AND ACTIVATOR OF WELLBEING

### Key Findings

- Putting wellbeing at the core of council's purpose and all its roles and functions using existing relationships, infrastructure, assets, and levers will unlock greater wellbeing outcomes for communities.
- Councils have an opportunity to strengthen and expand their role as an anchor institution, systems networker and convenor, and place-maker, to enable more social, economic, environmental, and cultural wellbeing.
- Councils are already taking on a greater wellbeing role. However, this is inconsistent across local government. A significant shift in councils' mindsets, investment capability and relationships with central government, hapū/iwi, business, and communities will unleash community value and local wellbeing.

*Comment: The purpose of local government has been a contested issue over the past 20 years. The LGA's 2002 purpose statement required councils to promote social, environmental, economic, and cultural wellbeing. In 2012 it was amended to "provide for the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses". In 2019 it was amended again to restore the 'four wellbeings'.*

*The Forum considers that local government should be focused on its core roles and functions and on doing them effectively and efficiently. We are sceptical about 'place shaping' and 'feel good' initiatives that dilute councils' focus and increase spending and rates for little tangible benefit. In contrast we think focusing on core roles and functions is the best way for councils to promote wellbeing. We therefore opposed the 2002 and 2019 'four wellbeings' purpose statements and supported the 2012 purpose statement.*

*The Forum has a very different view to that of the draft report. We believe the best way for local government to improve wellbeing is through councils performing their core roles and responsibilities efficiently and effectively.*

### Recommendations

- R14: That local government, in partnership with central government, explores funding and resources that enable and encourage councils to:
- a. Lead, facilitate, and support innovation and experimentation in achieving greater social, economic, cultural, and environmental wellbeing outcomes
  - b. Build relational, partnering, innovation, and co-design capability and capacity across their whole organisation
  - c. Embed social/progressive procurement and supplier diversity as standard practice in local government with nationally supported organisational infrastructure and capability and capacity building
  - d. Review their levers and assets from an equity and wellbeing perspective and identify opportunities for strategic and transformational initiatives
  - e. Take on the anchor institution role, initially through demonstration initiatives with targeted resources and peer support
  - f. Share the learning and emerging practice from innovation and experimentation of their enhanced wellbeing role.

*Comment: As above, the Forum supports a very different purpose for local government, focusing on core roles and functions and doing them effectively and efficiently as the best way to promote wellbeing. In general, social equity objectives are better pursued by central*

*government than by local government (through initiatives referred to in the recommendation above), if for no other reason that local councils vary drastically in fiscal capacity.*

Questions:

Q5: What feedback do you have on the roles councils can play to enhance intergenerational wellbeing?

*Answer: Local government should be focused on its core roles and functions and on doing them effectively and efficiently now and into the future, including the provision of infrastructure with long lives.*

*Funding and financing arrangements, including for capital investment, should also take the needs of future generations into account. This is the best way for councils to promote intergenerational wellbeing.*

Q6: What changes would support councils to utilise their existing assets, enablers, and levers to generate more local wellbeing?

*Answer: Local government should be focused on its core roles and functions and on doing them effectively and efficiently. This is the best way for councils to promote wellbeing.*

## CHAPTER 6: A STRONGER RELATIONSHIP BETWEEN CENTRAL AND LOCAL GOVERNMENT

### Key Findings

- Communities need and deserve collaborative and cohesive effort from both central and local government that utilises their collective strengths and resources.
- A reset is required to create a relationship between central and local government that enables a unified approach to tackling deep-seated, complex intergenerational issues. It will require a mindset shift from both central and local government.
- There is no consistent approach to collaboration, with systems being fragile and reliant on individuals. Stronger, more systemic collaboration mechanisms are required for better alignment, partnering, and co-investment for the benefit of communities.

*Comment: A degree of tension is inevitable between tiers of government. It can be healthy to have disagreement if it is resolved in a way that results in better information and better decisions leading to better outcomes. However, we agree that the current relationship is bad with very low trust, which makes getting positive outcomes much more difficult.*

*New Zealand local government is a creature of central government statute which is reflected in the relationship between the two. It is often claimed by local government that central government 'lords it over' councils and neither understands, nor adequately considers, the impacts of (for example) new regulatory functions it assigns to councils. On the other hand, many councils' performance in delivering against roles and functions has been variable to say the least, reinforcing central government's negative perceptions of local government.*

*Concerns about the relationship between central and local government have been longstanding and other inquiries and reviews have made similar findings. The Productivity Commission's 2012/13 Inquiry into Local Government Regulatory Performance made a number of sensible recommendations to improve arrangements, yet the problems remain acute.*

*One root of the problem may be a misalignment of incentives. Central government and the economy as a whole benefit from strong population and economic growth. But local governments experience population growth as a cost to be mitigated and avoided. This inevitably leads to conflict between central and local government. Ensuring that local government shares in the benefits that central government experiences from growth could help reduce conflict while also leading to stronger council performance.*

*Some of the tensions are structural, which in theory could have policy fixes, while some are interpersonal, which require changes in mindsets of the actors to put aside political and personal differences and seek to work together. The latter is harder for any review to fix.*

### Recommendations:

None

### Questions:

As we work towards our final report, we want to consider the merits of the different examples. We are interested in your views as to how to rewire the system of central and local government relationships through developing an aligned and cohesive approach to co-investment in local outcomes.

Q7: To create a collaborative relationship between central and local government that builds on current strengths and resources, what are:

- a. The conditions for success and the barriers that are preventing strong relationships?

*Answer: Clearly an improvement in relationships is desirable. It would be naïve to expect there not to be some tension or disagreement, but it is how these are resolved that is important. It should not be about central government simply imposing its will whenever it disagrees. Structural and interpersonal tensions are both significant barriers.*

- b. The factors in place now that support genuine partnership?

*Answer: Is it even possible to have a 'genuine partnership' when the structure allows, and political incentives encourage, central government to impose policy and legislation affecting local government without having to consider its views?*

- c. The elements needed to build and support a new system?

*Answer: Short of giving local government a constitutionally protected place such as in federal systems, some formal structures could be agreed, such as greater clarity of roles and functions (discussed in Chapter 4), an enhanced Central-Local Government Forum, stronger rules for consultation with local government on policy and legislation, regulatory impact analyses having specific consideration of impacts on local government, and funding to address concerns about 'unfunded mandate' (discussed in Chapter 8).*

*These are all structural elements.*

- d. The best options to get there?

*Answer: Central and local government should come together to develop a programme to advance the structural changes such as those suggested in (c). It might need legislation to codify structural changes so they are enduring and enforceable.*

- e. Potential pathways to move in that direction and where to start?

*Answer: As above in (d).*

- f. The opportunities to trial and innovate now? How can central and local government explore options that empower and enable a role for hapū/iwi in local governance in partnership with local and central government?

*Answer: The suggested structures in (c) could be advanced without having to codify them, in fact some of them are already happening on a case-by-case basis. In terms of actors beyond central and local government (e.g., hapū/iwi, business, and other groups), they should be consulted and involved, but they should not be decision-makers.*

- Q8. How can central and local government explore options that empower and enable a role for hapū/iwi in local governance in partnership with local and central government?



These options should recognise the contribution of hapū/iwi rangatiratanga, kaitiakitanga and other roles.

*Answer: Refer to our answers to similar questions in Chapter 3.*

## CHAPTER 7: REPLENISHING AND BUILDING ON REPRESENTATIVE DEMOCRACY

### Key Findings

- Councils remain predominantly made up of older European/Pākehā elected members. There needs to be more diverse representation and increased governance capability at the council table.
- While Māori wards and constituencies are a positive feature, they were not designed to provide for Tiriti-based representation of mana whenua or significant Kaupapa-based groups.
- Councils need to increase their capability in, and understanding of, Te Tiriti o Waitangi and te ao Māori.
- Elected members' conditions, remuneration, training, and support need to improve to attract a wider pool of potential candidates and increase the quality of governance.
- Aspects of the current electoral and representation review provisions and processes need revision.

*Comment: Diversity is to be encouraged, and councils are becoming increasingly diverse with each passing election. However, efforts to promote more diverse representation should not be at the expense of governance capability. The knowledge and experience of experienced and knowledgeable people (regardless of age, race, and gender) should be welcomed and encouraged.*

*Māori wards and constituencies are supported as the representatives are democratically elected and they are accountable to voters<sup>6</sup>. However, representatives appointed to councils by unelected bodies would undermine local democracy, at least the 'western concept' of liberal democracy that we are used to in New Zealand. We would agree that councils should increase their capability in and understanding of the Treaty of Waitangi and te ao Māori, but councils should be free to do this to suit local circumstances.*

*Improving elected members' conditions, remuneration, training, and support would be supported.*

*The review correctly identifies problems with on-line voting (e.g., access, security, integrity) which would need to be resolved before it could be implemented.*

*An idea not mentioned in the draft report is publication of councillor voting records. Depending on how it is done (such as providing context), this could improve transparency and accountability.*

### Recommendations:

R15: That the Electoral Commission be responsible for overseeing the administration of local body elections.

*Comment: No objection to this in theory but in practice the Electoral Commission would need to have the capacity to administer local elections, including having people 'on the ground'.*

R16: That central government undertakes a review of the legislation to:  
a. Adopt Single Transferrable Vote as the voting method for council elections

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<sup>6</sup> We recognise however there is a potential for Māori wards and constituencies to have the opposite result of that intended by reducing rather than increasing Māori representation, by way of corraling Māori voters and candidates into a small number of wards and constituencies.

*Comment: This should continue to be a matter for councils to determine. If the objective is a simple, easy to understand electoral system STV might not be the best system to choose.*

- b. Lower the eligible voting age in local body elections to the age of 16.

*Comment: The Forum does not have a position for or against lowering the voting age, but we believe that any move to lower the voting age for local elections would have to be done in step with the voting age for general elections.*

*We note that the 'research' draft report includes to justify its position in support of lowering the voting age contrasts starkly with scientific polls which have indicated strong public opposition to reducing the voting age.*

- c. Provide for a 4-year local electoral term.

*Comment: The Forum does not have a position for or against increasing the electoral term. A four-year term has its advantages and disadvantages, but it would need to be considered alongside general elections for central government. Otherwise, the two sets of election would in some years clash. In addition, long-term plans, which are undertaken every three years, would presumably need to be made four-yearly.*

*Four-year terms might usefully be accompanied by provision for recall election so that an underperforming mayor or councillor could be removed from office before a four-year term had concluded.*

- d. Amend the employment provisions of chief executives to match those in the wider public sector and include mechanisms to assist in managing the employment relationship.

*Comment: No comment.*

- R17: That central and local government, in conjunction with the Remuneration Authority, review the criteria for setting elected member remuneration to recognise the increasing complexity of the role and enable a more diverse range of people to consider standing for election.

*Comment: The Forum is not opposed to reviewing the criteria to see whether it is fit-for-purpose. On the face of it, councillors are not well paid for the work they do, especially compared to MPs.*

- R18: That local government develops a mandatory professional development and support programme for elected members; and local and central government develop a shared executive professional development and secondment programme to achieve greater integration across the two sectors.

*Comment: LGNZ already provides a range of development modules for elected members. The value of additional professional development would depend very much on its content. Making development mandatory might be heavy handed and might be hard to enforce.*

R19: That central and local government:

- a. Support and enable councils to undertake regular health checks of their democratic performance.

*Comment: The Forum supports this recommendation in principle, but it would depend on what things are being checked for.*

- b. Develop guidance and mechanisms to support councils resolving complaints under their code of conduct and explore a specific option for local government to refer complaints to an independent investigation process, conducted and led by a national organisation.

*Comment: The Forum supports this recommendation.*

- c. Subject to the findings of current relevant ombudsman's investigations, assess whether the provisions of the Local Government Official Information and Meetings Act 1987, and how it is being applied, support high standards of openness and transparency.

*Comment: The Forum supports this recommendation, but it should also apply to central government, which has been very poor in this respect.*

R20: That central government retain the Māori wards and constituencies mechanism (subject to amendment in current policy processes) but consider additional options that provide for a Tiriti-based partnership at the council table.

*Comment: The Forum supports the retention of Māori wards and constituencies, but consistent with support for principles of liberal democracy we would not support additional appointment-based options.*

*An emphasis on co-governance leaves under-explored alternatives for expressing rangatiratanga such as devolution of services.*

Questions:

Q9: How can local government enhance its capability to undertake representation reviews and, in particular, should the Local Government Commission play a more proactive role in leading or advising councils about representation reviews?

*Answer: Councils seem capable to undertake representation reviews, with existing advice from the Local Government Commission, without the need for stronger interventions by the Commission.*

Q10: To support a differentiated liberal citizenship, what are the essential key steps, parameters, and considerations that would enable both Tiriti- and capability-based appointments to be made to supplement elected members?

*Answer: The Forum does not support the concept of 'differentiated liberal citizenship' as it is not consistent with individuals being treated equally and having an equal voice or vote.*

*Council governance should comprise of elected representatives only, with no appointments. We do not appoint people to be Members of Parliament – all MPs are elected. Furthermore, all Cabinet Ministers are MPs, so they are accountable to Parliament and ultimately to voters.*

## CHAPTER 8: EQUITABLE FUNDING AND FINANCE

### Key Findings

- The absence of a sustainable and equitable co-investment model is undermining the potential for central and local government and iwi to partner for better community outcomes.
- Decisions on regulatory interventions are being made without sufficient regard for the impacts on local government, resulting in significant unfunded mandates.
- Rating as the primary funding mechanism is appropriate, but the rates setting and planning processes need to be simplified.
- Councils are unreasonably constrained in their ability to introduce appropriate funding mechanisms.
- Councils will have a significant and growing role in driving mitigation and adaptation responses to climate change, but an intergenerational national funding mechanism is needed.

The draft report observes that despite numerous reviews into local government funding, very few resulting recommendations have been implemented. It believes that if any real change is to occur then there must be a genuine commitment to explore and resolve issues raised.

The view panel does not think the funding system will be sufficient for the future considering population and demographic changes; central government imposing responsibilities without allocating funding to cover the costs; pressure from tourism levels; impacts of climate change; lack of incentives for growth and development; volatile income from investments; specific challenges from flooding, earthquakes, etc.

The review panel believes a successful funding system is one “where community outcomes and priorities are equitably funded by central government, local government, and other parties, reflecting respective national and local outcomes, objectives, and priorities”. It sees several opportunities for this:

- There should be co-investment in public goods, with co-funding by central government and local government in partnership with Iwi, against an agreed set of outcomes and objectives.
- The passing of unfunded mandates to local government should end.
- New funding mechanisms should be established (e.g., road congestion charges, bed taxes and visitor levies, value capture using targeted rates, revenue bonds, and volumetric charging for water).
- Rating should be retained and simplified, including processes for developing, consulting, and auditing long-term plans and annual plans.
- Intergenerational fund to tackle climate change – for both adaptation and mitigation.

*Comment: There have indeed been numerous reviews of local government funding, none of which have resulted in significant changes. The most comprehensive and arguably best review was undertaken in 2018-19 by the Productivity Commission. Although it disappointed in finding that the funding system was fit for purpose it did make many useful findings and recommendations which would have improved the system.*

*The draft report is less sanguine on whether the funding system will be sufficient for the future, and we would agree. We would also agree that there are public concerns about the rating system, with businesses and farmers paying more their fair share (i.e., more than the degree of benefit received) due to the nature of property value-based rating systems and punitive*

*business rating differentials<sup>7</sup>. Any new funding system needs to preserve the principle that people should bear and be aware of the cost of local government to hold councils to account.*

*The draft report is sceptical about the benefit principle, saying that people and groups have different ideas about public versus private benefit that councils must measure and identify who benefits over specified time horizons, which can be complicated. It also notes affordability concerns about the beneficiary principle. Businesses and farmers tend to support the beneficiary principle as it is a way to ensure they pay a fairer share. The problem from our perspective is that in many areas it has not been applied appropriately and councils have not always been transparent on how decisions have been made and what the impacts are (e.g., it is hard work extricating from councils relatively simple information like how much different categories of rateable property pay or how much individual ratepayers pay for specific council activities). The repeal in 2002 of the Local Government Amendment Act 1996's three step process for identifying benefits was most unhelpful.*

*The review panel wants 'a more equitable funding system' that delivers both vertical equity (right balance between local and national funding) and horizontal equity (where some councils will require more support than others to get a similar outcome). That is fine between the tiers of government and between councils, but it is also important that there is equity between those funding councils – i.e., ratepayers should be paying their fair share. That means, in our view, that the beneficiary principle should be maintained and if anything strengthened. There is not much about this in the draft report.*

Recommendations:

R21: That central government expands its regulatory impact statement assessments to include the impacts on local government; and that it undertakes an assessment of regulation currently in force that is likely to have significant future funding impacts for local government and makes funding provision to reflect the national public-good benefits that accrue from those regulations.

*Comment: The Forum agrees with this recommendation. However, for this to be successful it would require a significant improvement in central government regulatory impact analysis. Also necessary is a fundamental change in culture from regulators to reduce the regulatory burden generally (including on local government). Both the quantity and quality of regulation needs to be examined. A Regulatory Standards Bill would assist by requiring regulation to be consistent with principles for good regulation.*

R22: That central and local government agree on arrangements and mechanisms for them to co-invest to meet community wellbeing priorities, and that central government makes funding provisions accordingly.

*Comment: The Forum agrees in principle. However, if it means discrete time-limited funding pots to be applied for on a case-by case basis it would be little different from the 'low trust' status quo.*

*One approach, which would provide certainty and reduce deadweight costs, would be for a permanent revenue share based on a formula which would provide an ongoing revenue stream for councils to use for activities that will advance their desired outcomes (like the*

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<sup>7</sup> An information request made by the Local Government Business Forum to councils in 2021 found that businesses and farms paid around 30 percent of total rates revenue, with nine councils having percentages of more than 50%.

current NZTA Funding Assistance Rate). We note that there is an extensive literature on what in North America is called 'fiscal federalism'. In Canada, central government provides transfers to provinces enabling them to provide an equitable level of social services. The funding formula is complex and is not uncontentious. But were the Review to pursue further work that would see local governments take on more responsibilities traditionally allocated to central government it would do well to closely examine the literature on the Canadian system.

R23: That central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making input.

*Comment: The Forum considers that adaptation is an appropriate role for councils and funding for projects like flood protection and water storage would be supported, but mitigation is a central government responsibility.*

*One useful option would enable owners of at-risk properties to set a local special rating district to finance flood protection works, subject to a referendum of affected property owners. The annual levies on protected properties would finance the debt used to fund the works.*

R24: That central government reviews relevant legislation to:

- a. Enable councils to introduce new funding mechanisms
- b. Retain rating as the principal mechanism for funding local government, while redesigning long-term planning and rating provisions to allow a more simplified and streamlined process.

*Comment:*

(a) *New funding mechanisms: The Forum agrees in principle, but different people will have different perspectives on the ideas suggested (e.g., hospitality and accommodation businesses are often opposed to 'bed taxes' or 'visitor levies'). Good to see revenue bonds included as an innovative financing tool. We would urge that funding mechanisms based on special levies on particular properties be backed by referendum of the affected property owners. We also encourage the Review to consider whether Canadian-style equalisation payments could prove useful in a New Zealand context.*

(b) *Simplify rating: The Forum agrees in principle, but it will be important for the benefit principle to be retained and this often means more granular rating systems with more use of targeted rates rather than a 'simple' general rate. It is also important that LTP and annual plan processes be retained to enable people to have a say. Councils should also provide more information on how much different categories of rateable properties pay in rates (e.g., residential vs business vs farming) and itemised rates assessments so individual ratepayers can see what they are paying towards council activities.*

R25: That central government agencies pay local government rates and charges on all properties.

*Comment: The Forum strongly agrees with this recommendation. This has been a longstanding recommendation from previous reviews of local government funding.*

Question:



Q11: What is the most appropriate basis and process for allocating central government funding to meet community priorities?

*Answer: The best approach, which would provide certainty and reduce deadweight costs, would be for a permanent revenue share based on a formula which would provide an ongoing revenue stream for councils to use for activities that will advance their desired outcomes (like the current NZTA Funding Assistance Rate).*

*Where a community has demonstrated support for a Manchester-style devolution-by-contract agreement, devolved funding lines can be appropriate where accompanied by strong accountability frameworks. It can also be appropriate for central government to share the benefits that central government receives if the community's innovation results in higher tax revenues or lower costs to central government.*

## **Chapter 9: System design**

### Key Findings

- There is a need to keep the ‘local’ in local government, enabling communities to have their voices heard and their needs met locally.
- To ensure better value spend, minimise duplication, and get the best use of people and resources, more effective collaboration, innovation, and shared services are required. This should also extend to how central and local government can work together to have a more joined-up public sector.

The review panel does not believe the current structure of local government will be sufficient for the future, with many issues and challenges facing councils. While wanting to keep the local in local government it wants to strike a balance between centralism and localism.

It has developed five core design principles for a new system: Local, Subsidiarity, Resourced, Partnership, and Economies of Scope. It also wants any system design to be ‘Tiriti-consistent’.

The draft report had three examples of structural models:

1. One council for the region supported by local or community boards.
2. Local and regional councils with separate governance.
3. Local councils and a combined council with shared representation

The review panel has not proposed a new structure but will consider feedback on principles before deciding whether to propose a new structure or leave that to a further process to determine.

*Comment: The Forum agrees that it is important to keep the ‘local’ in local government. It can also be argued that bigger is not always better, as confirmed in a research note recently produced by the Infrastructure Commission<sup>8</sup>.*

*An appropriate structure for local government will depend very much on the allocation of roles and functions to local government.*

*Although it has laid out three structural options, without more information it is hard to grasp what the structure of local government will look like and how many councils there will be – we will have to wait for the final report.*

*We agree that there are benefits in shared services, including common systems for corporate functions and business customer facing systems. Councils seem best placed for identifying opportunities for cost-saving through shared services.*

### Recommendations:

R26: That central and local government explore and agree to a new Tiriti-consistent structural and system design that will give effect to the design principles.

*Comment: There was not a lot in this chapter specific to ‘Tiriti-consistent structural and system design’, with it instead referring to the framework set out in chapter 3. This submission commented provided comment on chapter 3’s draft recommendations.*

<sup>8</sup> ‘Does Size Matter? The Impact of Local Government on Cost Efficiency’, New Zealand Infrastructure Commission, July 2022, <https://www.tewaihang.govt.nz/assets/Uploads/July-2022-Research-Insights-Final-1.pdf>

R27: That local government, supported by central government, invests in a programme that identifies and implements the opportunities for greater shared services collaboration.

*Comment: The Forum agrees with this recommendation.*

R28: That local government establishes a Local Government Digital Partnership to develop a digital transformation roadmap for local government.

*Comment: The Forum agrees with this recommendation.*

Questions:

Q12: What other design principles, if any, need to be considered?

*Answer: The 'concept of community of interest' is a factor which recurs consistently in discussions about local government structure. Community of interest includes a sense of belonging to an area, an ability for an entity to meet the community's requirements for services, and the ability of an entity's elected representatives to represent and reconcile the views and at times conflicts of members of the community. It probably fits within the 'Local' design principle, which should be renamed 'Community of Interest' to reduce the confusion between 'Local' and 'Subsidiarity'.*

Q13: What feedback have you got on the structural examples presented in the report?

*Answer: Much will depend on individuals' preferences.*

*Those who favour unitary councils would support Option 1 (one council for a region supported by local or community boards) but the unitary model will not work for smaller councils with low population size and limited resources. Although three current unitary councils have populations in the mid-to-high 40,000s the draft report oddly suggests this model would only be viable in regions with a minimum population of 70,000 to 100,000.*

*Option 2 (local and regional councils with separate governance) is closest to the status quo. It has an advantage in enabling clear separation of functions between the two tiers and more direct accountability between councils and communities.*

*That said, the original vision from 1989 was that regional councils would be environmental regulators and districts/cities would be service providers. This is now somewhat lost with the availing in 2002 of the power of general competence to all councils - such that regional councils promote for example economic development, as well as the districts. Regional councils do the transport strategy yet have no responsibility for maintaining local roads.*

*Option 3 (local councils and a combined council with shared representation) would have less clear accountability between the combined council and contributing councils' communities.*

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

### Key Findings

- Currently system stewardship is delivered through a range of ways across central and local government including the Minister of Local Government, the Secretary for Local Government, and entities such as the Local Government Commission, LGNZ and Taituarā. The investment made in the system is small relative to the overall size of local government.
- There needs to be an approach to identifying opportunities and facilitating action for system-wide improvement. The architecture, relationships and enabling conditions need review, so that all actors are aligned towards the system outcomes that maximise its strengths, resources, and collective effort.

*Comment: This sounds good in theory but how actions would play out in practice is another matter. The Forum considers it would be important to ensure that in a quest for improved performance that one-size-fits-all uniformity is not imposed on councils from the top down.*

*Another important point is the need for local government to have clear roles and responsibilities, to have simple structures and processes, and a more fit-for-purpose funding system. Without these features system stewardship and support will be made more difficult than it should be.*

### Recommendations:

R29: That central and local government considers the best model of stewardship and which entities are best placed to play system stewardship roles in a revised system of local government.

*Comment: As above.*

### Questions:

Q14: How can system stewardship be reimagined so that it is led across local government, hapū/iwi, and central government?

- How do we embed Te Tiriti in local government system stewardship?
- How should the roles and responsibilities of 'stewardship' organisations (including the Secretary of Local Government (Department of Internal Affairs), the Local Government Commission, LGNZ, and Taituarā) evolve and change?

*Comment: As above.*