



THE FUTURE BY LOCAL GOVERNMENT

// A consensus outcome paper based on Choosing Localism

// NOVEMBER 2023



It's time for a brighter future

Local government sees growing momentum for change and wants to drive that shift. The status quo faces huge funding pressure, with councils navigating difficult decisions as they deliver for communities while fulfilling unfunded mandates from central government. Current funding models are unsustainable; debt is increasing but so are infrastructure deficits.

Over the past three years, an independent panel identified ways to transform the local government system, with the Review into the Future for Local Government releasing its final report in June 2023. In July 2023, LGNZ's AGM resolved to develop a consensus position or positions on this report, to create a powerful advocacy platform. Together we've developed this consensus outcome paper through a series of in-person meetings and engagement. It sets parameters for conversations with the new Government and future governments.

To better serve our communities, the whole system of government needs to change, not just local government. An integrated system, with local government as a key strategic partner, would transform Aotearoa New Zealand's democratic landscape. Central government would focus on national direction, regulation and responses, while local government grows local delivery on the ground. Public money would be shared in a way that increases efficiency, delivering better outcomes for the communities we all serve. This would supercharge local government's ability to deliver the social, economic, environmental and cultural needs our communities are demanding at place – ultimately delivering future-proofed infrastructure and a more prosperous country.

Choosing localism sits at the heart of this work. To choose localism means central and local governments commit to working together and entrust communities with a greater role in decision making. It also means allowing communities and councils to try different things, specifically tailored to their region, sub-region or place. When done well this pays huge dividends, as demonstrated around the world. Progress would not be instant but span across years and decades. The changes also rely on LGNZ's work to lift the capability of local government, and on a commitment from central government to genuinely support local government in addressing the challenges our communities face.

Local government wants communities to succeed through empowered local leadership, genuine partnership and locally led delivery. These proposals would drive towards that:

1. Build a new system of government that's fit for purpose;
2. Rebalance the country's tax take between central and local government;
3. Create stronger, more authentic relationships between local government and iwi, hāpu and Māori;
4. Align central, regional and local government priorities; and
5. Strengthen local democracy and leadership.

This paper sets out the outcomes from a consensus building process that local government can stand behind.

What are we aiming for?

Our vision

This vision articulates where local government wants to go and what we are ultimately trying to achieve:

Thriving, resilient communities throughout Aotearoa New Zealand.

What does this mean?

- Every New Zealander belongs to a community that's sustainable, safe, resilient to the impacts of our changing climate, prosperous, full of opportunities for all, and inclusive.
- New Zealand is a network of communities where people feel connected to each other and their place.
- Local government is the key driver of this vision because it's the only part of government that has specific responsibility for our communities and their wellbeing – social, economic, environmental and cultural.
- Communities are fundamental to the future and role of local government.

Our purpose

Our purpose articulates why local government exists and what we are here to do:

To help communities succeed through empowered local leadership, genuine partnership and locally led delivery.

What does this mean?

- Councils are led by strong, capable and well-supported leaders who have the mandate to make good, long-term decisions for their local communities.
- Councils work in genuine, authentic ways with central government, iwi and hapū, NGOs and the community to identify specific local and regional issues and design appropriate solutions.
- Councils work with their communities and partners to deliver services that meet the unique needs of the various groups in their rohe.

Our way forward

1. Build a new system of government that's fit for purpose

We need a fit-for-purpose system of government that meets communities' unique, local needs while addressing the complex challenges facing New Zealand. To do both, we must collectively determine which services and activities are best delivered locally, regionally and centrally – and how best to fund them. The *form* of a future local government system should follow these *functions*.

While we need clarity on function first, after that local government is up for the conversation on form – and wants to lead it. There's an opportunity to transform the system as long as this is driven locally, with different places able to come up with their own solutions. Reorganisation might be right for some areas but not for others: one size doesn't fit all.

These are essential elements of the transformed system:

- Power is devolved to local communities where that makes sense;
- A four-year term of local government
- Infrastructure investment that's fit for the future
- Continuous learning and system improvement;
- Performance measurement and accountability;
- System stewardship is enhanced, including improving how local government honours and gives effect to Te Tiriti o Waitangi; and
- Opportunities to test out different governance and delivery approaches. This means recognising different areas need to be able to come up with their own solutions and approaches.

As well as working together to design and build a new system of local government, central and local government must build a more effective working relationship. However, establishing a dedicated Crown agency – as proposed by the FFLG Panel – is not the best way forward. Rather than creating a new layer of bureaucracy, existing institutions could fulfil this role.

Specific actions

- Provide dedicated funding that allows local government to transition to a future system; and
- Agree to including the Minister of Local Government in Cabinet to make it clear local government is a strategic partner.

Areas for central and local government to work together on

In the short term (12 months)

- Create a joint working group with cross party support to develop a roadmap for change, with commitment from Treasury and the Department of Prime Minister and Cabinet to invest in local government system changes;
- Rationalise the scope and requirements on councils in their financial planning, particularly for long-term plans, to reduce cost and enable councils to focus on the aspects that make the most difference for communities and their accountability to them.
- Amend the Local Government Act to set the local government term at four years from the 2025 elections.

In the medium term (two-three years)

- Determine, via the joint working group, which services and activities are best delivered locally, regionally and centrally, with the objective of devolving more powers to a local level;
- Undertake experimental approaches in different regions to test out different governance and delivery approaches, potentially through city and regional deals;
- Establish a transition unit, or similar, to support capability development in local government while we build a system that is fit for purpose;
- Support local government leaders by investing in adaptive leadership capability so they can lead effectively through a period of system renewal, with a focus on innovation, experimentation and partnership;
- Improve local government data collection and introduce benchmarking to support performance measurement and a focus on continuous learning and improvement;

In the long term (three-seven years)

- Have determined, in consultation with communities, what structures and funding models are needed; and
- Design the necessary legislative and regulatory framework.

2. Rebalance the country's tax take between central and local government

Local government needs sufficient funding to deliver locally led solutions to the big issues facing our communities.

The current funding model for local government is unsustainable. It means local government cannot address the range of complex issues facing our communities, including providing infrastructure to support growth and dealing with climate change mitigation and adaptation.

A successful, sustainable system of local government requires a new approach to funding, where central government and local government commit to working together to agree a way forward. The

flow of money between central and local government needs to be rebalanced so we can deliver more efficiently for communities rather than competing with each other for funds.

With the status quo increasingly under strain, inaction is an inefficient and counterproductive choice. Solving the funding challenge will create greater prosperity and better economic outcomes. It also opens the door to place-based solutions like city and regional deals.

Specific actions

- Increase central government investment in local government through:
 - returning revenue equivalent to GST charged on rates; and
 - paying rates on Crown property.
- Incentivise regional economic growth by returning a proportion of all GST to its point of origin.
- Cabinet specifically considers the funding implications of proposed policy decisions for local government, and fund or negotiate the costs that councils are mandated to meet by central government policies.
- Allow a toolbox approach to funding so that, where appropriate, local government can set and determine local taxes such as local fuel tax, bed tax, and congestion charging.

Areas for central and local government to work together on

- Develop sustainable funding models for infrastructure investment; and
- Develop funding arrangements for climate change mitigation and adaptation.

3. Create stronger, more authentic relationships between local government and iwi, hapū and Māori

Any fit-for-purpose system of local government will honour and give effect to a Tiriti-based partnership between local government and iwi, hapū and Māori. Many councils have well-established relationships with iwi and hapū, which are delivering broader benefits for their communities. Other councils are in the early stages; they need capacity and capability support to grow these relationships.

To create stronger, more authentic relationships, all councils need to work in partnership with iwi, hapū and Māori within their respective rohe and takiwā, and ensure te ao Māori, mātauranga Māori and tikanga are an everyday part of local government.

- To support and strengthen these relationships, we need a new legislative framework for Te Tiriti-related provisions in the Local Government Act 2002. We also need to address the funding and capacity challenges facing both local government and iwi, hapū and Māori.

Specific actions

- Introduce new provisions in the Local Government Act 2002 that explicitly recognise local government as a partner to Te Tiriti o Waitangi and te ao Māori values;
- Introduce a statutory requirement for councils and iwi, hapū and Māori to develop partnership frameworks to give effect to Te Tiriti o Waitangi provisions; and
- Introduce a statutory requirement for councils to prioritise and invest in developing and strengthening local government capability and capacity in the areas of Te Tiriti o Waitangi, te ao Māori values, mātauranga Māori, and tikanga to improve local government as a Te Tiriti o Waitangi partner.

Areas for central and local government to work together on

- Undertake a comprehensive review (jointly by central government, local government and iwi/hapū) of requirements for engaging with iwi, hapū and Māori across all legislation that impacts local government to find opportunities to streamline or align those requirements.

4. Align central, regional and local government priorities

We want to work with central government to develop a process for determining shared priorities at a regional level and aligning these with the priorities of central government. This could include these steps:

1. Councils determine their priorities, in partnership with hapū/iwi and local communities, and identify which priorities cannot be implemented with existing revenue;
2. All councils in a region agree their shared local priorities and develop a 'regional package';
3. Central government and regions negotiate the priorities included in the regional package, including roles and responsibilities, funding, accountabilities and any partnerships with NGOs or the private sector; and
4. Councils and central government finalise their Plans based on the agreements reached.

Areas for central and local government to work together on

Ensure that (through statutory provisions or other means):

- Central government and local government commit to aligning wellbeing priorities and agreeing place-based investment plans;
- Budgets and planning documents, other local/regional strategies, and central government plans and strategies are aligned and cohesive;
- Intergenerational accountability is embedded through an outcomes framework; and
- Budgets and planning documents and place-based investment plans are tracked and measured to assess progress and effectiveness.

5. Strengthen local democracy and leadership

Local government wants its communities to actively participate in local democracy. But voter turnout has been decreasing and engagement meets the needs of some groups better than others. Local government elections need the same degree of focus and promotion as general elections.

A more engaged society leads to better solutions and decisions. Local government is committed to developing and investing in democratic innovations, including participatory and deliberative democracy processes. But further changes are needed to strengthen local democracy.

Specific actions

- Amend Part 6 of the Local Government Act 2002 to support and encourage greater use of participatory and deliberative democracy processes (such as citizens' assemblies or using a representative sample of the population to respond to a particular question) that can be easily tailored to meet communities' unique needs and circumstances;
- Task the Electoral Commission with investigating options for online or electronic voting, so that the way people vote is fit for the future. New modes of voting could be tested in local body elections;
- Invest in civics education, particularly in secondary schools, to encourage greater participation in local decision making.
- Have the Electoral Commission run and invest in the promotion of all elections to the same standard as central government elections. That should include design and oversight, standard setting, promotion of elections (while allowing local councils to customise campaigns to suit local needs), specific initiatives to encourage diversity of candidates, determination of the election method, and conduct of the election process.