



Te Arotake i te Anamata
mō Ngā Kaunihera
Review into the Future for
Local Government

Draft report
October 2022

He mata whāriki, he matawhānui



**MORRISON
SOLUTIONS**

Palmerston North City Council Workshop – towards a Council Submission

19 December 2022

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Extracts from Foreword by Jim Palmer, Chair, Future for Local Government Panel

“Local government has a critical role to play in Aotearoa New Zealand’s governance, building strong, healthy, and prosperous communities, now and into the future.

Significant change is needed...fundamentally different and new ways of thinking and working are imperative. This Review provides a significant ‘once-in-a-generation’ opportunity for us all to reimagine our future and think about how local government should evolve over the next 30 years and beyond

This report traverses a broad and sometimes complex range of issues. It is not a ‘draft’ of our final report. Rather, it’s a provocation that also asks questions and hopefully prompts further vigorous debate, that will help us shape our final report which is due to be completed in mid-2023”.

The FfLG Panel's Journey – From Questions, to Shifts, to Proposals

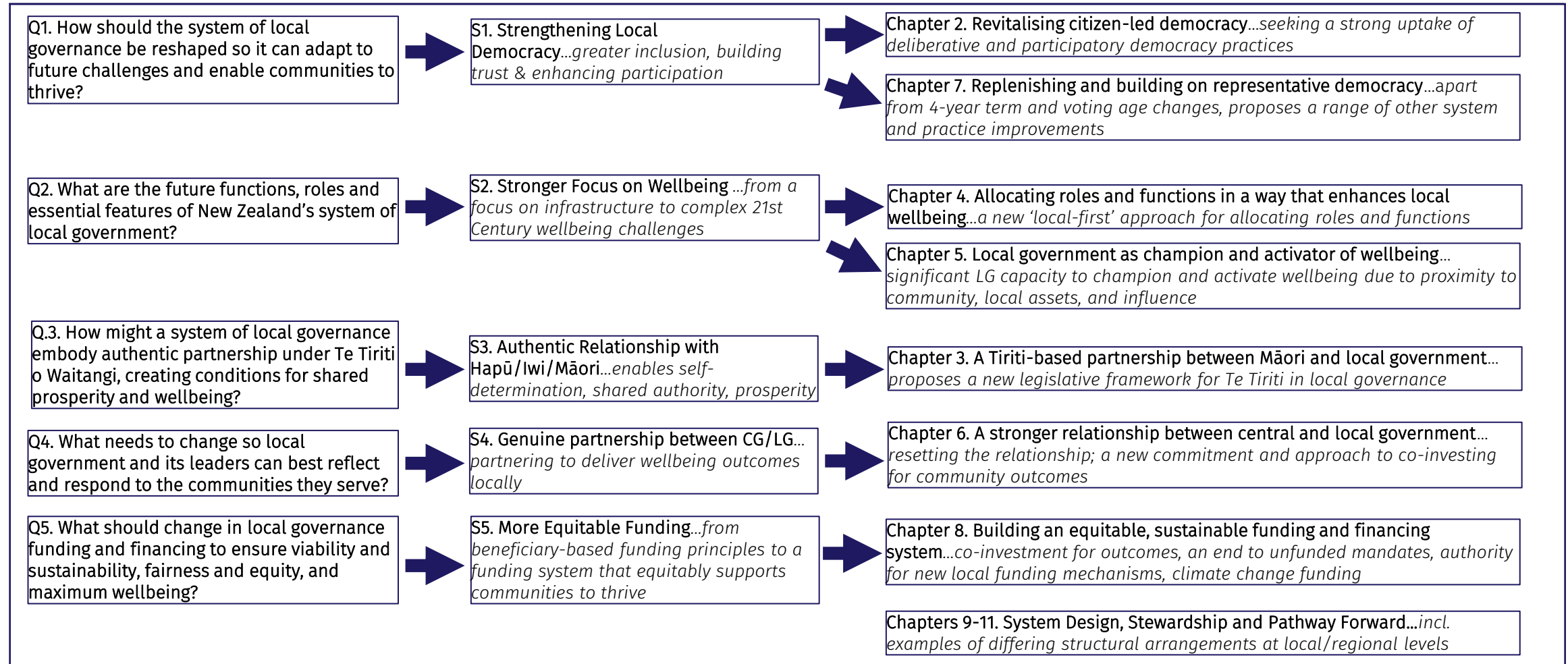
Five Key Questions – August 2021



Five Key Shifts – February 2022



Draft Report Chapters...29 Recommendations – October, 2022



Shift 1: Strengthening Local Democracy

(Chapters 2 & 7) – summarised recommendations

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- 1.&2. Greater use of deliberative and participatory democracy tools in local decision-making, and review relevant LGA provisions to enable
 3. Streamline/align requirements for engaging with Māori through review of all LG related legislation
 - 4.&5. Councils invest in internal systems for promoting engagement with Māori...an obligation to implement an agreed, local expression of *tikanga whakahaere* in standing orders and engagement practices
 - 15.&16. Electoral Commission to oversee elections based on a 4 years term and STV voting from age 16
 17. Review the criteria for setting elected member remuneration to recognise the increasing complexity of the role
 18. Mandatory professional development and support programme for elected members
 19. Democratic performance 'health checks'...support councils to resolve complaints under their code of conduct...assess if LGOIMA is supporting high standards of openness and transparency
 20. Retain Māori Wards but consider additional options for providing for a Treaty-based partnership at the council table...mix of appointed and elected members
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Shift 1: Strengthening Local Democracy

Chapter 2 - Revitalising citizen-led democracy

Chapter 7 - Replenishing and building on representative democracy

What PNCC said to the Panel in March 2022 about Shift 1:

- *Key issue was an overall lack of participation...a more active (local) role in building awareness and education about what Council does and why*
- *Did not favour appointed expertise to Council with voting rights*
- *Align CG/LG electoral cycles, 4-year term to assist participation, reconsider the basis for boundary definition to reflect contemporary challenges and provide 'flex'*

New Panel Questions relating to Shift 1:

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

**previous
Panel
engagement**

**...and new
Panel
questions**

Shift 2: Stronger Focus on Wellbeing (Chapters 4 & 5) summarised recommendations

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12. CG/LG to note that the **allocation of the roles and functions is not a binary decision** between being delivered centrally or locally.
 13. LG/CG **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.**
 14. LG/CG partner to **explore funding and resources that enable and encourage councils to:**
 - lead, facilitate, and support **innovation and experimentation in achieving greater wellbeing outcomes**
 - **build relational, partnering, innovation, and co-design capability and capacity across their whole organisation**
 - **embed social/progressive procurement and supplier diversity as standard practice in LG with national support in capability and capacity building**
 - **review their levers and assets and identify opportunities for strategic and transformational initiatives**
 - take on the **anchor institution role, with targeted resources and peer support**
 - **share the learning and emerging practice from innovation and experimentation of their enhanced wellbeing role.**

Shift 2: Stronger Focus on Wellbeing

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

Chapter 5. Local government as champion and activator of wellbeing

What PNCC said to the Panel in March 2022 about Shift 2:

- Sees it as important we move further into wellbeings, but be clear about what that is and means and consider wellbeing and equity together*
 - It will require significant change; we need community involvement in defining wellbeing and preparedness to contribute rates for wellbeing*
 - Strongly favours developing new and improving on existing regionalised interagency networks...both enhance responsiveness and enable links with local government's stronger focus on wellbeing*
 - Centralised approach is too detached in many instances...local delivery with stronger tools that is better resourced would deliver better outcomes*
 - Active CG/LG collaboration on significant issues and CG responsiveness to Council-led community vision development*
 - In considering roles and responsibilities in delivering local community wellbeing services, suggested the Panel promotes starting with a blank sheet to ask, 'what needs to be governed and who is best to do it'?*
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Shift 2: Stronger Focus on Wellbeing

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

Chapter 5. Local government as champion and activator of wellbeing

New Panel Questions relating to Shift 2:

- 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**?
- What **additional principles**, if any, need to be considered?
- What **feedback** do you have on the **roles councils can play to enhance intergenerational wellbeing**?
- What **changes** would **support** councils to **utilise their existing assets, enablers, and levers** to generate **more local wellbeing**?

**...and new
Panel
questions**

Shift 3: Authentic Relationship with Hapū/Iwi/Māori (Chapter 3) – summarised recommendations

6. CG 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 a local context and explicitly recognises te ao Māori values and conceptions of wellbeing.
7. Councils develop with hapū/iwi and significant Māori organisations *within a local authority area* a partnership framework that complements existing co-governance arrangements.
8. A statutory requirement for LG CEs to develop and maintain the capacity and capability of council staff to grow understanding and knowledge of Te Tiriti and te ao Māori values.
9. A stronger statutory requirement on councils to foster Māori capacity to participate in local government.
10. LG leads the development of coordinated organisational and workforce development plans to enhance the capability of local government to partner and engage with Māori
11. CG 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.

Shift 3. Authentic Relationship with Hapū/Iwi/Māori

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

What PNCC said to the Panel in March 2022 about Shift 3:

- *proud of its developing relationship with Rangitāne including (e.g., reps on Steering Groups, involvements in co-governing, Māori ward/two seats)*
- *We are 'getting there', but progress must be paced...Te Ao Māori not yet embraced, and it is crucial we take the Council organisation and the whole community on this journey with us*
- *'Going further' and 50:50 representation in some circumstances is appropriate*
- *Next step up is greater representation on Council/committees to recognise partnership ...anything else is sugar coating the status quo, but need to maintain community support*

New Panel Questions relating to Shift 3: nil

**previous
Panel
engagement**

Shift 4: Genuine partnership between CG/LG

(Chapter 6) - no specific recommendations

LGNZ Chapter Summary: *“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 (e.g., the social sector trials, the Southern Initiative, Urban Growth partnerships).*
- 2. Broader, approaches that set requirements at a national level while enabling local specificity (e.g., 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”.

Shift 4: Genuine partnership between CG/LG

Chapter 6. A stronger relationship between central and local government

What PNCC said to the Panel in March 2022 about Shift 4:

- *Place/city making for community wellbeing is a legitimate lead role of Councils leadership in setting vision; clear mandate to lead and coordinate LG/CG alignment*
- *CG LG relationship not currently helpful; unfunded mandates deliver devolved decision making but without funding...LG viewed more as local administration that governance*
- *LG mandate to empower local communities and with CG agencies required to respond to LG vision*
- *A genuine CG LG partnership will require a hard and honest conversation about who is best to do what*
- *Suggested an “Interagency Government Office” in PNCC with regional leaders in social wellbeing focused departments with a co-mandated relationship on community wellbeing delivery to promote greater integration and cost effectiveness*

Note: PNCC expressed interest in March in advancing a trial of local and CG agency reps to form a collaborative round table with a co-mandated relationship on enhancing community wellbeing delivery

**previous
Panel
engagement**

Shift 4: Genuine partnership between CG/LG

Chapter 6. A stronger relationship between central and local government

New Panel Questions relating to Shift 4:

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.

- 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?
 - b) the factors in place now that support genuine partnership?
 - c) the elements needed to build and support a new system?
 - d) the best options to get there?
 - e) potential pathways to move in that direction and where to start?
 - 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? These options should recognise the contribution of hapū/iwi rangatiratanga, kaitiakitanga, and other roles?

**...and new
Panel
Questions**

Shift 5: More Equitable Funding

(Chapter 8) – summarised recommendations

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21. Expand regulatory impact statement assessments to include the impacts on local government; 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.
 22. CG/LG agree on co-invest to meet community wellbeing priorities, and CG makes funding provisions accordingly.
 23. CG develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local input.
 24. Review 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.
 25. CG agencies pay local government rates and charges on all properties.

Shift 5. More Equitable Funding

Chapter 8. Building an equitable, sustainable funding and financing system

What PNCC said to the Panel in March 2022 about Shift 5:

- *Equitable funding for wellbeing will require addressing the current 88%:12% CG:LG funding split...the Panel should look beyond UK to all of the OECD in considering funding and the typically higher local tax take than in NZ*
- *Waka Kotahi model of co-investment ('\$ for \$') relevant and could be applied elsewhere...but to be successful requires longer-term partnership certainty*
- *Funding and resourcing needs to be matched to function (including regulatory)...ensure councils have sufficient capability and capacity, in contrast to currently unfunded mandates*

New Panel Question relating to Shift 5:

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

**previous
Panel
engagement**

**...and new
Panel
question**

Chapter 9: Designing the local government system to enable the change we need – summarised recommendations

This chapter recommends that **structural change is needed** to ensure better value spend, minimise duplication, and get the best use of people and resources.

There's not yet a firm view on what the specific future structure of local government should look like; but outlined are five 'design principles' to guide the future structure, which the Panel are seeking feedback on.

Also outlined are three examples of what a future structure could look like that put the design principles into practice, and three recommendations:

26. CG&LG to agree on a new Tiriti-consistent structural and system design that will give effect to the design principles
27. LG with CG support investing in a programme that identifies and implements the opportunities for greater shared services collaboration
28. That LG establishes a Local Government Digital Partnership to develop a digital transformation roadmap for local government

Proposed Future System Design Principles

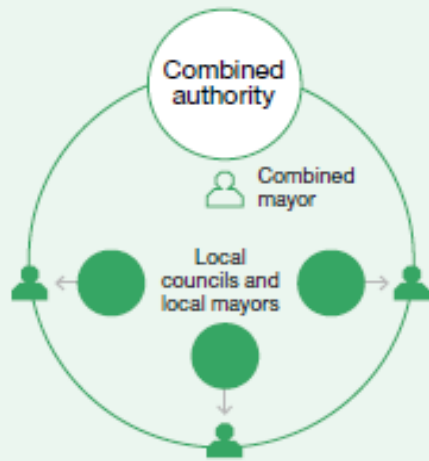
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- 1. Local**
There is local place-based decision-making and leadership, and local influence on decisions made about the area at a regional and national level
 - 2. Subsidiarity**
Local government entities support and enable roles and functions to be allocated adopting the principle of subsidiarity
 - 3. Resourced**
Local government entities have the people, skillsets and can generate the funding and have the resources needed to effectively deliver services
 - 4. Partnership**
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. Economies of scope**
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
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Examples of Potential New Structures

Example three

Local councils and a combined council with shared representation

In this example, there are local and combined councils that share some representation at the governance level.



Local councils provide place-based leadership for their local area and carry out functions that lift the wellbeing of their communities. A combined council carries out functions that affect the whole region or require specialist capability, and provides appropriate economies of scale. It also provides 'backbone' support for the local councils by providing shared services. Communities elect councillors and a mayor to their local council. The combined council is formed by representatives from each local council and a combined mayor, elected at the same time as local mayors and councillors. In some circumstances it may be appropriate to also have local or community boards.

Example one

One council for the region supported by local or community boards

In this example, there is one single council for the region that is responsible for delivering all the local government functions.



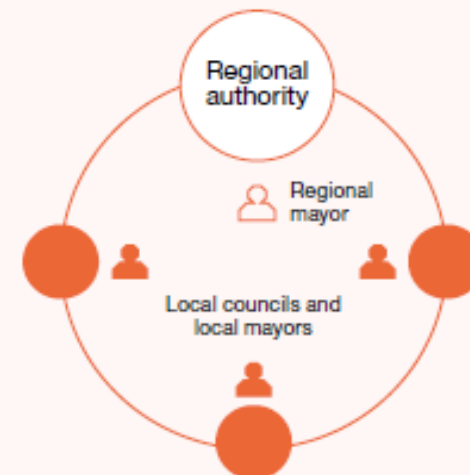
This unitary council is accompanied by localised subsidiary entities like local boards, community boards, and ward committees, to which some roles and functions can be delegated. This model significantly simplifies the local government system with a 'one-stop-shop' approach that eliminates complexity and confusion across levels of government.

Of the three examples, this one would be most structurally similar to the unitary model adopted by six councils, including Auckland Council.

Example two

Local and regional councils with separate governance

In this example, there are local and regional councils that each have separate governance.



Local councils provide local functions and services like community facilities and place-making. They also partner with local hapū/iwi, agencies, and community groups to facilitate and advocate for community wellbeing outcomes. Regional councils carry out roles that are mandated to be delivered regionally, albeit councils can transfer functions between regional and local tiers. Local communities elect councillors and a mayor to their local and the regional council. In some circumstances it may be appropriate to also have local or community boards.

Overview of the Three Potential Structure Examples

Example One: One Council for the Region supported by local or community boards

- Implies 13-16 Unitary Councils, depending on how existing regional boundaries and unitaries are treated...maybe more...seen by the Panel to *'reduces complexity and confusion across levels of government...and create a strong, unified local government for an area'*.
- They acknowledge the risk *'of a loss of visible localized leadership, and the potential to 'blanket' diverse communities if there is not substantive recognition of the role that subsidiary bodies should play, particularly in rural and provincial areas'*.

Example Two: Local and regional councils with separate governance

- Of the three examples, most like the status quo, but implies RCs would carry out specifically mandated functions that are best considered to be delivered regionally.
- Seen as *'ensuring that place-making can be retained in small towns and communities, while there are resources to carry out roles through their delivery at a regional level'*.
- clear separation in a two-tier system *'enables more direct accountability to communities...but there may be some disconnect and tension between the two'*.

Example Three: Local Councils and a combined council with shared representation

- Some similarity to the pre-1989 'United Council' model before RCs were directly elected...*This model aims to retain the best of 'local' and 'regional', enabling decision-making close to local communities while facilitating region-wide delivery of some services that benefit from the combining of resources.*
- It is acknowledged that *'the model does present challenges with ensuring that combined councils are accountable to local communities, as their members (other than the mayor) will not be directly elected by the region'*.

Chapter 10: System stewardship and support – recommendation and final questions

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.

The Panel see LGNZ and Taituarā as well placed to play a greater role in strong sector leadership through any change but proposes a nationally coordinated stewardship function that cares for the health of the system

Recommendation:

29. CG & LG considers the best model of stewardship and which entities are best placed to play system stewardship roles in a revised system of LG

New Panel Questions

- How can system stewardship be reimaged 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?**

Chapter 11: The pathway forward

This chapter **briefly discusses a pathway forward for the changes proposed in the report**, including the process for reform and providing clarity on the purpose of local government.

It identifies **cultural shifts across the system as being needed, along with a strong process for change and system reform**. As part of this, consideration will need to be given to who would lead such a change programme. This process will not just be a legislative programme.

The Panel acknowledge that **LG cannot embed a wellbeing approach** if the purpose as set out in the LGA is subject to regular change and inconsistently given effect...

"there needs to be greater certainty and stability around the purpose of local government, either through cross party support or constitutional change".

Chapters 9-11. System Design, Stewardship and Pathway Forward

What PNCC said to the Panel in March 2022 about structures:

- *Consideration should be given to the merits of the Unitary Council model with place-based boundaries, but acknowledged boundaries not aligned with catchments may create issues for some resource/river management functions*

New Panel Questions relating to structures and system stewardship:

- What other design principles, if any, need to be considered?
- What feedback have you got on the structural examples presented in the report?
- 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?

**Previous
PNCC
engagement
with the Panel**

**...and new
Panel
Questions**
