



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

**Draft report**  
October 2022

# He mata whāriki, he matawhānui

Executive summary



He mata whāriki is a term used to describe a harakeke bush that can be used for making special mats for people to sit on. This variety of harakeke is long and durable.

He matawhānui is a term for a broad vision that is inclusive of the diversity of views. Mata denotes the eyes, being watchful and prophetic, and whānui is an inclusive term for everyone, a broad view. It also relates to the star Vega, so has a celestial connotation of looking distantly.

Together, he mata whāriki, he matawhānui is a metaphor for a welcoming place for people to gather and set a broad vision.

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# Today's communities face a host of challenges – climate change, pandemics, biodiversity loss, and growing social and economic inequity.

We are at a time of change, a moment in history where we need to shift to new ways of working, to living our lives more sustainably, to transition to a greener economy, to utilise new technologies and to fully acknowledge our social and Te Tiriti responsibilities.

Through the Panel's research and engagement, it is clear that significant change is required to many aspects of the local government system to maximise the wellbeing and resilience of communities now and into the future and strengthen local democratic decision-making. Facing these challenges, combined with the pace of change, is causing many of our communities to lose trust in democratic institutions and to disengage. As the layer of government closest to community, local government holds the key to rebuilding trust and confidence in civil society. The challenge is that the current system does not support local government to take full advantage of the important role it holds.

## **Fit for the future local government**

**While the ‘unfunded mandate’ of additional responsibilities continues to grow, compounding funding pressures, the potential impact of proposed reforms is creating further uncertainty for the role of local government in communities.**

Engagement in local government is declining, with low levels of voter turnout. There is limited representation and an undervaluing of hapū/iwi and Māori as a critical partner, in the absence of a fit-for-purpose legislative framework inclusive of Te Tiriti o Waitangi in local governance.

The wellbeing challenges facing Aotearoa New Zealand are too big for central government to address alone – local government has an important role to play. We need to see shifts in mindsets and approaches with greater collaboration and innovation so that communities and local and central government have the tools, funding, and resilience to face the challenges ahead.

A future system of local governance will need agility and capacity to evolve and respond to an ever-changing environment, drawing on the capabilities of local authorities, central government, hapū/iwi and Māori, business, communities and citizens as needed, and adapting as new challenges and issues arise, from social cohesion to new patterns of work, migration, and travel.

Local government has a fundamental role in responding to these increasingly complex issues and raising the wellbeing of communities. Renewal and change are required to ensure that the sector is ready and able to play this critical role.

## **The pathway ahead**

**The Panel, in its lead up to this draft report, has signalled five key shifts that are needed to make this change: strengthened local democracy; authentic relationships with hapū/iwi and Māori; a focus on wellbeing; genuine partnership between central and local government; and more equitable funding. In addition, system design and stewardship will also need reconsideration.**

When thinking about these shifts, the Panel has had to grapple with many complex and challenging issues. Exploration of these issues has been aided greatly by the knowledge, expertise, and experience shared by the many contributors to our review so far. Because our thinking is still evolving, this report is not a 'draft' of our final report. Rather, it reflects our thinking to date, and acts as a provocation, posing questions that, with further input from others, will help the Panel shape our final report.

While some of the Panel's recommendations can be implemented without a major reform agenda, we do not think that one piece of the puzzle can be executed in isolation and expect it to achieve all the change we need to see. For example, when considering the roles and responsibilities of local government, the reform agenda will need to take account of many things, such as how central and local government intend to partner with each other, funding implications, organisation form and associated strengths and resources of partners, and importantly, the local and regional context.

Delivering on the recommendations contained in our final report will require a well-considered and well-supported reform and implementation plan that is resourced appropriately, so that action is taken in a logical, sustainable, and agreed manner.

# Revitalising citizen-led democracy

Local government is responsible for facilitating democracy – ensuring that it reflects our increasing diversity, embodies Tiriti-based partnerships, and seeks out innovative ways of ensuring the voices of the whole community are heard and reflected in local decisions. Internationally, citizens’ participation in local government decision-making has evolved considerably and practices should be improved and updated.

We see the opportunity for local government to utilise innovative participatory and deliberative practices to advance meaningful opportunities for community-led decision-making. While all of the mechanisms and initiatives are important, building capability and capacity is vital for councils to facilitate citizen-led democracy. Both central and local government need to invest in building the skills and experience to make this a ‘business as usual’ way of working.

Being well informed and connected to decisions that impact us, our whānau, and our whole community can help sustain and grow resilience and trust. However, the local government sector, the community, and Māori have expressed some frustration at the challenges that prevent everyone from having the ability to participate authentically in local decision-making. We believe councils need to be the ‘enablers’ of local democracy, not the ‘holders’ of it.

There are opportunities to review statutory provisions for enhancing the use of deliberative mechanisms, and to review, align, and improve the requirements for engaging with Māori across all local government legislation. In addition, we see the need for local government, in conjunction with hapū/iwi, to incorporate expressions of tikanga in council protocols.

There is a need to consider ways in which we might, through the amplification of digital tools and civics education, increase community understanding about the role of local government that leads to greater civic participation.

### Recommendations

- 1 That local government adopts greater use of deliberative and participatory democracy in local decision-making.
- 2 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.
- 3 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.
- 4 That councils develop and invest in their internal systems for managing and promoting good quality engagement with Māori.
- 5 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.

### Question

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

# Tiriti-based partnership between Māori and local government

In the Panel's Interim Report, *Ārewa ake te Kaupapa*, we asked ourselves and others the question 'How might a system of local governance embody an authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?' We have explored this question broadly and deeply, meeting with hapū/iwi, Māori organisations, and rōpū to listen and to learn.

One of the first responses to this was 'how can there be a partnership where there is no authentic relationship to build on?' We have heard, and agree, that the current local government–Māori relationship falls short of expectations and importantly, its potential.

We have heard from both local government and Māori an acknowledgment of the need for change. Change to the way the system mandates, supports, drives, and ensures opportunities for the relationship to be successful. Change in the actions and behaviours of all those involved to be mana-enhancing and reflect a sharing of values and priorities of place and people.

This report considers the current state of the overall local government–Māori relationship, summarises what we heard about the issues and opportunities, and makes proposals for change. It proposes a framework as the basis for the future relationship and an architecture for change that is woven throughout this report that:

- ▶ creates a new legislative framework for Te Tiriti in local governance
- ▶ establishes a strategic role for Māori alongside local and central government in identifying and addressing the priority outcomes that will drive community wellbeing
- ▶ establishes and embeds specific mechanisms for partnership and co-governance
- ▶ improves Māori participation in local government processes
- ▶ improves Māori representation in council governance
- ▶ builds local government and Māori capability and capacity to strengthen and maintain a Tiriti-based relationship.

Together, we consider that the framework and architecture for change provides a path towards a stronger Tiriti-based partnership, one that results in mutually beneficial outcomes for each other and importantly, for local communities.

### Recommendations

- 6 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 kāwanatanga and rangatiratanga in a local context and explicitly recognises te ao Māori values and conceptions of wellbeing.
- 7 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.
- 8 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.
- 9 That central government explores a stronger statutory requirement on councils to foster Māori capacity to participate in local government.
- 10 That local government leads the development of coordinated organisational and workforce development plans to enhance the capability of local government to partner and engage with Māori.
- 11 That central government 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.

# Allocating roles and functions in a way that enhances wellbeing

Compared to other OECD countries, the scope of responsibilities for local government in Aotearoa New Zealand is relatively small, as is its proportion of government expenditure.

We know that many councils are struggling to effectively deliver their current roles, functions, and obligations due to limited capacity and capability, financial pressures, and conflicting responsibilities.

While some roles and functions have been added in recent times, major reforms underway will see the removal of some significant roles and functions through greater centralisation and regionalisation. As councils grapple with that uncertainty, there is also a lack of clarity about their roles in the more complex problems we face. Climate change is a key example. Local government has an essential role to play in supporting local mitigation and adaptation efforts and promoting environmental wellbeing and sustainability.

We consider there is a much deeper role for councils to expand beyond the current infrastructure focus to facilitate and deliver wellbeing.

Any discussion about roles and functions at a local level must also consider the role of hapū/iwi entities, building on the many examples of mana whenua entities adding significant value.

It is time to take a fresh look at how roles and functions are allocated and how the strengths of different actors can be realised. We don't think it's about binary allocation (local or central), but rather how the design, accountability, influence, and delivery could sit across many actors.

Recognising local government's role in wellbeing, we have proposed a framework that could be used when allocating roles and functions – one that is underpinned by the subsidiarity principle and te ao Māori values.

At the heart of the framework is the notion that local comes first, with local government showing leadership in shaping the conditions for communities to thrive, being an important connector, harnessing its role as anchor institution, and creating space for hapū/iwi to pursue self-determination.

The framework also reflects our acceptance that there are justifications for departing from the local-first approach, including effectiveness of scale, access to skills, risks and liability, consistency, and equality.

Using the framework, we consider that local and central government, in a Tiriti-consistent manner, should review the future allocations of roles and functions.

### Recommendations

- 12 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.
- 13 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.

### Questions

- ? 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?

# Local government as champion and activator of wellbeing

Local government has a crucial role in championing and activating local wellbeing due to its assets, influence, and proximity to communities. Local government has a systems leadership role within the wider interconnected system that includes social networks, workplaces, community institutions, community spaces, and conditions that interact to affect and foster the local wellbeing of people, place, and the environment.

Hapū/iwi and Māori organisations are fundamental to the Kaupapa of wellbeing. Councils must develop sustainable partnerships with hapū/iwi and Māori organisations. This will require councils to take a more holistic, tikanga-based approach that considers intergenerational outcomes when solving complex problems.

The Panel has identified three ways councils can enhance and champion wellbeing: as an anchor institution, as a place-maker, and as a systems networker and convenor.

We have seen a number of examples where councils are already putting wellbeing at the core of their purpose and shifting the way they work in and with their communities. However, this is not consistent or implemented sustainably across all councils. It will require a significant shift in councils' mindset, investment, capability, and relationships with central government. Competing demands and budget constraints make it challenging to fully realise this enhanced role without the other changes in the report. Having said that, there are a range of ways councils can take action now.

### Recommendations

- 14 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.

### Questions

- ? 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?

# A stronger relationship between central and local government

The Panel has heard clearly that the current relationship ranges from strained to broken, with a lack of trust in both directions being a common theme. Communities are not benefiting from a cohesive, mutually reinforcing relationship that harnesses the strengths of both local and central government.

Both central and local government need to reset the relationship. Tackling the wellbeing challenges of the 21st Century requires partnering at place with a strong focus on agreed outcomes and priorities.

While the people relationships will always trump systems and models, we are concerned that there is system fragility and reliance on individuals. We believe that the optimal combination is strong leadership and relational practice, backed up by a strong system that creates a more sustainable and predictable environment for everyone. This will require a mindset shift from both central and local government, acknowledging the value and strength that each brings.

A key element of any future model must be an approach and a process for identifying shared priority outcomes and commitment to co-invest for community outcomes. Within this process there is an explicit role for Māori alongside local and central government in identifying and addressing the priority outcomes that will drive community wellbeing. Understanding the nature and extent of funding and spending is critical to determine where there are opportunities to reprioritise and ensure resources are applied to best effect.

Our report outlines examples of collective/interdependent models that provide for co-investment, underpinned by a focus on building and maintaining productive relationships.

### 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.

- ① 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?
- ② 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.

# Replenishing and building on representative democracy

**Local government needs to ensure that diverse voices are heard. The most effective way to do this is to make sure that every effort is made to reflect diversity around the council table.**

Key to this is ensuring that diversity is reflected and that members of council have the necessary skills, experience, and support to lead with confidence, help develop solutions to complex intergenerational problems, and facilitate inclusive and effective participatory democracy.

However, there are still significant barriers to more diverse representation on councils. Participation in local government has continued to decline over the past three decades and a significant proportion of people, due to a number of factors, do not see the value of standing for a position or even voting in local body elections, which limits engagement and confidence in local government decision-making.

Māori wards and constituencies (whilst a positive way of providing representation for Māori as citizens) were not designed to provide for Tiriti-based representation of mana whenua or significant Kaupapa-based groups at the council table. People in councils need to build their capability and understanding of Te Tiriti o Waitangi and te ao Māori.

To promote innovative, strategic, and future-focused leadership, support and capacity building for elected members is recommended. With this in mind, the Panel is also exploring the merits of models for democracy that enable both capability-based and mana whenua appointments to supplement elected members. The Panel is interested in your feedback on this concept.

The Panel has received and considered a lot of ideas about how to strengthen representation and electoral processes. Accordingly, our draft report promotes a number of changes. This includes looking at more proactive support for representation reviews, centralised administration of local electoral processes, stronger direction on the choice of electoral system, the voting age, and the electoral term.

The Panel has considered conditions that could promote success, such as remuneration and workplace support for elected members, as well as mechanisms to promote a healthy relationship between council and staff, transparency and continuous improvement in democratic processes.

## Recommendations

- 15 That the Electoral Commission be responsible for overseeing the administration of local body elections.
- 16 That central government undertakes a review of the legislation to:
  - a. adopt Single Transferrable Vote as the voting method for council elections
  - b. lower the eligible voting age in local body elections to the age of 16
  - c. provide for a 4-year local electoral term
  - 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.
- 17 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.
- 18 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.
- 19 That central and local government:
  - a. support and enable councils to undertake regular health checks of their democratic performance
  - 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
  - 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.
- 20 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.

## Questions

- ? 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?

# Equitable funding and finance

Local government has been under significant funding pressure for several years, with many suggesting to the Panel that the system is ‘broken’ and that we have reached ‘peak rates’.

Concerns about growing community expectations, unfunded mandates being passed down from central government, along with meeting the impacts of growth, tourism, and significant infrastructure failures have placed huge rate pressures on councils.

Successive funding reviews have highlighted the problems and proffered solutions; however, few have been enacted.

To move from the currently constrained funding system, there needs to be a meaningful change in the way local and central government address issues of sustainable funding, and that also enables councils to establish new funding mechanisms.

While the Panel considers that rates are still the best means of funding council activities, they need better support from central government. The continuing impact of unfunded mandates, the significant future challenges of climate change, environmental restoration, and matters of social and economic inequity are all going to be felt locally, but need central government funding support.

As mentioned earlier, the Panel believes central and local government must partner more effectively and co-invest in community outcomes and priorities. It will require central government to commit funding to those priorities and work with local government in the application of that funding.

The Panel also considers that central government needs to assess the impacts of proposed regulatory changes on local government and then provide funding for them. Only then will the issue of unfunded mandates be addressed. We also think central government needs to start paying rates and other charges on its property, as well as creating a significant intergenerational climate change fund.

Local government will also benefit from long-term planning and rate-setting processes being more flexible and from having greater ability to establish new funding tools, such as congestion charging and bed taxes.

### Recommendations

- 21 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.
- 22 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.
- 23 That central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making input.
- 24 That central government reviews relevant legislation to:
  - 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 That central government agencies pay local government rates and charges on all properties.

### Question

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

# System design

**The success and sustainability of local government requires a system design that can support the needs of our communities and foster wellbeing both now and in the future.**

The issues that councils face are increasingly challenging and complex, and the current structures and systems need to be strengthened and enhanced to ensure that they are fit for the future.

A successful future system and structure for local government will enable communities to have their voices heard and their needs met locally, while leveraging strong regional connections and resources.

The Panel has developed a set of design principles against which future structures should be evaluated. Our draft report contains examples of structures that could give effect to the principles. As we develop our final report we are very interested in your feedback on the principles and structural examples.

Following our review, local and central government will need to work together to determine the best structural options to give effect to the design principles and that also take account of the best way various roles and functions are delivered.

No matter what the future system design looks like, there needs to be greater collaboration across local government and increased use of shared services. The Panel considers that there are significant opportunities to deliver better value and ensure resources are applied to best effect, especially having shared information systems and support services in place. The Panel also believes there is great potential for central and local government to work more closely together to create a more joined-up public sector.

**Recommendations**

- 26 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.
- 27 That local government, supported by central government, invests in a programme that identifies and implements the opportunities for greater shared services collaboration.
- 28 That local government establishes a Local Government Digital Partnership to develop a digital transformation roadmap for local government.

**Questions**

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

# System stewardship and support

The sum of all the changes proposed in this draft report requires us to consider what is needed at a system stewardship level to embed, drive, and support the system of local government to successfully navigate and adapt to change over the next 30 years.

System stewardship can be defined as holding the responsibility for the long-term quality, sustainability, and outcomes of the wider system of local government. It's about guiding and supporting local government to be the very best it can be. It includes a focus on the relational (people) aspects of a system, as well as the processes and enabling conditions needed to ensure all actors are aligned towards the system outcomes.

Local government stewardship is currently provided by people and organisations in central and local government. At a central government level, this primarily includes the Minister of Local Government, the Department of Internal Affairs (along with the Secretary of Local Government), and the Local Government Commission. At a local government level, membership organisations Local Government New Zealand and Taituarā have important roles.

While there are strengths in the current approach, we consider there are gaps and limitations, and that significant change is needed to support the shifts proposed in this report. In particular, we consider that a specified stewardship function is required that can support the system holistically in the long term, including driving the capabilities, processes, actions, and legislation that will lift performance across local government and maximise its strengths and resources and collective impact.

As such, we recommend that central and local government consider which entities are best placed to play system stewardship roles in a revised system of local government that proactively promotes and cares for the health of the local government system, including:

- ▶ oversight and monitoring of relevant legislation administered by agencies
- ▶ care for the system's long-term capability and people
- ▶ maintenance and enhancement of institutional knowledge and information
- ▶ supporting partnerships, co-design, and innovation.

We also seek feedback on how we embed Te Tiriti in local government system stewardship.

### Recommendations

- 29 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.

### Questions

- ? 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?

## Share your thoughts

This report is the culmination of more than a year of engagement, research, and thinking about how to build a local government system to serve communities now and into the future. With your feedback, we will be able to robustly test our thinking and improve our proposals.

You can share your thoughts on our recommendations and the future for local government by [participating in our consultation](#).

**Submissions close 28 February 2023.**

To hear more about the draft report, please check the [Review into the Future for Local Government](#) website for details of upcoming engagement opportunities and [sign up for our newsletter](#).

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