



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

Interim report
September 2021

Ārewa ake te Kaupapa

Executive summary



The Future for Local Government Review is an independent Ministerial review established in April 2021 to consider how New Zealand's system of local democracy and governance will need to evolve over the next 30 years, in order to improve the wellbeing of New Zealanders, and actively embody the Treaty partnership.

The interim report sets out the broad direction and priority questions for the review, in order to support engagement about the future of local governance and democracy. This work will lead to a further report with draft recommendations in 2022.



Why this review matters

New Zealanders' lives are shaped by the places we live in – including the local environment, community connections, economic, social and educational opportunities, and sense of place or identity. The big issues affecting all New Zealanders will have local impacts and require local responses. This means that effective local governance is critical to New Zealanders' wellbeing, now and into the future.

Current local governance structures and systems were designed many years ago, and are under considerable pressure. This review is an opportunity to create a new system of local governance that can respond to complex challenges and create conditions in which communities thrive.

Why have a review now?

It's been more than 30 years since the last comprehensive reorganisation of local governance, and a lot has changed in that time. Local government has become much more complicated and demanding, placing the sector under pressure. Recent reviews have raised significant questions about the roles and functions of local government, and about financial sustainability and the strength of local democracy. Planned resource management and three waters reforms, along with reforms of the health and education systems, also call into question the broader functions and roles of local government and have implications for local governance and wellbeing.

Over the next 30 years, New Zealand will change and evolve, and new challenges will emerge. The impacts of climate change, demographic change, information and technology systems change, and changing relationships among central government, local government, and iwi and Māori will all have implications for local governance in the future.

By reviewing now, it is possible to develop a new system that is ready to meet these challenges and strengthen community wellbeing.

How is the review being conducted?

The review is being conducted in three stages. During the first stage, from April to September 2021, the review panel has conducted early soundings with local government, some iwi representatives, and other community leaders and thought-leaders to identify key issues and lines of inquiry. During the next stage we will undertake research and collate best practice examples internationally and from around New Zealand. We will also engage with New Zealanders about the future of local governance.

This will include engagement with the local government sector, iwi and Māori, the business community, community organisations, youth, and many others. The panel will then report to the Minister of Local Government with draft recommendations for reform in late 2022. After public consultation on our draft recommendations, the panel will present its final report to the Minister in April 2023.

What we've heard so far

Initial soundings suggest that there is a strong interest in new approaches to local governance, along with a view that change should build on existing and inherent strengths and enhance connections between communities and governance.

There is a widely held view that local authorities have a vital and continuing role to play in creating the conditions in which communities can thrive. But change is likely to be needed to create a new system of local governance – one that is agile, flexible and sustainable enough to meet future challenges; offers the right mix of scale and community voice; harnesses the collective strength of government, iwi, business, communities and others; and is financially viable and sustainable.

Our discussions have highlighted a number of tensions and opportunities that exist within the system and some of the common themes emerging include:

- ▶ The current system of local government is under pressure with variable performance of local authorities across the range of functions they deliver. This includes funding, capacity and capability pressures and pressures they are experiencing from the reforms impacting on the sector.
- ▶ Despite this, local government is already finding innovative ways, in collaboration with others, to improve the wellbeing of their communities.
- ▶ The current relationship between local and central government is characterised by misunderstanding and mistrust and needs significant work.
- ▶ Current arrangements place too many consultation and engagement demands on iwi and Māori without improving Māori wellbeing, and there are lost opportunities for working together in place between local authorities and iwi.

We have heard that the local government sector feels hopeful about this review and agree that there needs to be reform.

What are the issues?

As we embark on reimagining the future system of local governance, we have identified five key questions which will provide a basis for further engagement, research and policy development.

1 How should the system of local governance be reshaped so it can adapt to future challenges and enable communities to thrive?

Community wellbeing depends on the actions of local government and many others – central government, iwi, business, communities, and others. In order to address critical challenges (such as climate change) and enable communities to thrive, a future system of local governance will need to move beyond current structures and siloes, creating a system approach to local governance that supports greater coordination, alignment and collaboration between these various players.

2 What are the future functions, roles and essential features of New Zealand's system of local government?

Within any new system of local governance, local authorities will continue to play an important role in creating conditions for local wellbeing. But that does not mean existing local authority structures, functions, roles, and boundaries will necessarily be the best fit for the future. On the contrary, it is likely that new local authority structures will be needed, potentially with new functions, roles and boundaries. Determining the best structures will depend, among other things, on finding the right balance between local voice and other factors such as national equity, the benefits of scale, and rights under Te Tiriti o Waitangi.

3 How might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?

The relationship between local government and iwi / Māori will inevitably evolve over coming decades as the broader Treaty partnership enters a new phase. Within the framework of a fully functioning Treaty partnership, there is potential for local

government and iwi to operate as natural partners and allies, collaborating and sharing pursuit of local wellbeing and prosperity.

There is also potential for iwi to play new roles in local governance, consistent with Treaty guarantees. Any future system of local governance will need to embody authentic partnership, consistent with the aspirations of hapū, iwi and Māori.

4 What needs to change so local government and its leaders can best reflect and respond to the communities they serve?

Within a future system of local governance, local authorities will continue to play an important role in leading and reflecting the views of their communities. There is scope for local democracy to be strengthened, to rebuild trust and confidence, provide for more effective community involvement in local decision-making, ensure that all communities and interests are fairly represented, and ensure effective leadership and governance.

5 What should change in local governance funding and financing to ensure viability and sustainability, fairness and equity, and maximum wellbeing?

Local authorities vary considerably in financial strength, and many already face significant financial pressures. Any future system of local governance will need to be funded and financed in ways that ensure viability and sustainability. The review will consider the appropriate mix of funding tools available to local authorities, and the principled basis on which funding decisions are made, including the balance between beneficiary/exacerbator pays principle and other principles such as efficiency and equity. More broadly, it will consider how funding can most effectively be used across the local governance system to advance community wellbeing.



Early opportunities

This review will conclude in 2023. In the interim, we have identified several opportunities for early collaboration between central government, local government, iwi, and others which can bring potential benefits:

- ▶ **Resource Management Reform**
We have commented on the regional governance and decision-making structures for spatial and natural and built environment planning, suggesting regional and unitary councils are best placed to host the committees intended to develop these plans, but only on a transitional basis until this review is complete and decisions are made about future local governance structures;
- ▶ **Health Reform**
Local government's significant role in public health, as an enabler of community wellbeing and as a community advocate should be fully considered as part of the health reforms through a joint central/local government steering committee;
- ▶ **Iwi capability and capacity building**
A co-designed national framework for building iwi/hapū ability and capacity to exercise rangatiratanga in their relationships with local government, and ensuring appropriate resourcing on an ongoing basis;
- ▶ **Māori wards**
Preparing the way for the new cohort of Māori elected members so they are well supported within councils as well as improving local authority cultural competence;
- ▶ **Supporting innovation**
Leveraging the “better-off” three waters investment to support innovative projects that enable community wellbeing, by broadening the current investment criteria;
- ▶ **Digital capability and capacity**
To prepare for the quantum shift in customer experience, data security and digitisation of data required for three waters and resource management reform, and beyond, a framework to identify common opportunities and possible co-investment with Central Government is needed;
- ▶ **Local government impact statement**
A jointly developed statement that relates to the “in place” and cumulative impacts of all proposed legislation that relates to local government.

Our engagement programme

Our engagement programme is likely to include online and in-person workshops and wānanga, online surveys, stakeholder conversations, and local government meetings. There are several ways to connect with the review and share your views:

Keep connected

Join the conversation on social media.
Instagram – [@futureforlocalgovernment](#)
Twitter – [@futureforlg](#)
Facebook – [facebook.com/TeArotake](#)
LinkedIn – [linkedin.com/company/te-arotake](#)
Sign up for our newsletter [here](#).
Share your thinking with us, by making a submission online [futureforlocalgovernment.govt.nz](#)
Email us at futureforlg@dia.govt.nz

