



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

# He piki tūranga, he piki kōtuku

The future for local government



He piki tūranga denotes a succession or a new role and he piki kōtuku, the beautiful white heron. He piki tūranga, he piki kōtuku engenders the idea that the renewed local government will be a beautiful thing to behold, perhaps an unexpected surprise.

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Local government  
must now own  
and drive the change  
to make it fit  
for the future.

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# Foreword

**As a Panel we are firmly committed to the role that local government has in creating the conditions for and building community resilience, intergenerational wellbeing and strong local democracy.**

The Auckland floods and Cyclone Gabrielle highlighted the importance of local leadership. Local government must adapt and change to meet the complex challenges of the future.

The series of compounding crises we are experiencing are unlikely to abate – climate change, the ongoing fallout from Covid-19, disruptive technological advances, and the economic and geopolitical impacts of global conflict. Extreme weather events, persistent inequity, and low social cohesion are already affecting communities here. All of these challenges are felt at place and will only intensify over the next 30 years.

These events weigh heavily on the political environment and reinforce the need for strong leadership, authentic relationships, and new ways of thinking, behaving, and operating at all levels of government.

The current local government system is not set up for future success. Decisions by successive governments have marginalised local government and left it in a precarious position in terms of focus, resourcing, and viability. We don't see either the mature relationship or the mechanisms and systems necessary to deal with these challenges between central and local government.

The Panel believes local government is a Tiriti partner and our report recommends changes to recognise and enable a more authentic partnership and relationship.

Despite the systemic challenges, people in councils around the country are doing innovative and impactful work in their communities. However, day-to-day pressures deplete the bandwidth to think and operate more strategically to adapt and create sustainable change.

Multiple simultaneous reforms have left both central and local government stressed and struggling to implement major change. Advancing the recommendations in this Review will require a reorientation of effort and strong commitment from both local and central government to re-examine operating models and build a new culture of working together.

This Review has provided a rare opportunity to step back and consider what it will take to create a world-leading local government that has the ability and confidence to embrace this challenge.

Central government – Ministers, members of parliament and officials – must get behind this report, use the levers at their disposal and support local government to implement the recommendations.

*Local government must now own and drive the change to make it fit for the future.*

Ngā mihi nui

Jim Palmer  
(Chair)

Penny Hulse

Antoine Coffin

Gael Surgenor

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Future for Local Government Review Panel



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# About the Review

**This is the final report of the Panel for the Review into the Future for Local Government. It presents our final findings and a package of recommendations.**

The Review was established by the Minister of Local Government in 2021 at the request of the local government sector.

As we publish *He piki tūranga, he piki kōtuku*, we have reflected on the approach we have taken during this Review in order to present the findings and recommendations in this report.

The Panel has listened to a range of perspectives about what needs to change. As a Panel we had diverse views on many issues, and this has been one of our strengths.

## Our engagement approach

Throughout the Review we met with every council around the country, hapū and iwi representatives, Pacific leaders, public sector and local government leaders, business and community representatives, and rangatahi. We attended community workshops, hosted public webinars, and sought input through online surveys.

The Panel had conversations with democracy and governance experts from New Zealand and overseas and commissioned research from experts relating to key issues that shaped, tested, and stretched our thinking for the Review.

In October 2022 we released our draft report, [\*He mata whāriki, he matawhānuī\*](#), which posed questions and made recommendations across 11 chapters. That report reflected the five key shifts the Panel identified as necessary to reform the future of local government:

- ▶ strengthened local democracy
- ▶ authentic relationships with hapū/iwi and Māori
- ▶ a focus on wellbeing
- ▶ genuine partnership between central and local government
- ▶ more equitable funding.

The draft report also looked at issues of system design and stewardship.

We are grateful for all the submissions we received, many of which are quoted from and reflected in this final report. The Panel's full response to submissions is contained in our [Submissions Summary Report](#).

## About this report

This report builds on our two previous reports – [Ārewa ake te Kaupapa](#), our interim report from September 2021, and *He mata whāriki, he matawhānui*, our draft report from October 2022.

*He piki tūranga, he piki kōtuku* presents our final recommendations and findings about critical changes needed to ensure local government can best support local democracy, intergenerational wellbeing, and Te Tiriti partnership now and in the future.

Our report is supported by a suite of documents that provide additional thinking, analysis, and evidence to support the thinking set out in this report:

- ▶ [Technical Report](#)
- ▶ [Submissions Summary Report](#)
- ▶ [reports and expert advice](#).

Readers may also find it useful to see the Review's [Terms of Reference](#), available on the Department of Internal Affairs website.

## Acknowledgements

This report is only possible because of the many people who generously shared their thoughts, expertise, and time with us over the past two years.

We would like to thank LGNZ, Taituarā, Te Maruata, Young Elected Members, Ngā Kairapu, the Local Government Commission and elected members and staff from all councils around the country.

We would also like to acknowledge the support from the Secretary for Local Government and other public sector leaders.

Our thanks go to the many iwi and hapū from across the motu for their generous and considered feedback during our engagements.

Our thanks also go to the Māori Thought Leaders Rōpū and Business Reference Group, two groups established to provide us with specific advice throughout this process.

We sincerely appreciate the time that individuals and many organisations have taken to engage in the Review, including the secretariat that supported the Panel. We hope this report is a catalyst for the change we believe is necessary.

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# Executive summary

An aerial photograph of a mountain valley. The foreground shows green fields and a dirt road. The middle ground is filled with thick, white clouds that fill the valley. In the background, there are brown, rocky mountains under a clear blue sky. The overall scene is bright and scenic.

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# Quality local governance is critical to navigate the challenges we face over the next 30 years and ensure people, place, and the environment thrive.

Local government must play a critical role in building place-based resilience that supports communities through the times ahead. This will not be possible under the current system of local government, which faces significant financial pressures, strains on capacity and resourcing, fragmented relationships with central government, and an uncertain mandate to fulfil its purpose.

There are no simple solutions to the problems with the current system. Historically, the local government sector only makes significant change when central government imposes its will through significant reform. There is a better way.

Local government has the opportunity to determine its own future and lead the reform process. This will require a major shift for central government as well. Agencies and ministers must adapt how they operate and relate to local government and enable the change through commitment and resourcing.

The Panel is recommending a package of significant change that touches on all aspects of the local government system. The recommendations should be viewed as an interdependent and mutually reinforcing set of actions that should be implemented together.

Our history and culture are unique – we cannot replicate models developed elsewhere and hope to be successful. The report presents a specifically Aotearoa New Zealand vision of local government that centres Te Tiriti o Waitangi partnership, intergenerational wellbeing, and strengthened local democracy.

## Local government needs certainty about its mandate

The Panel considers the legislative purpose of local government as set out in the Local Government Act 2002 (LGA) is appropriate. Councils can do much more to facilitate intergenerational wellbeing and local democracy if they fully commit to this purpose. Putting wellbeing at the centre of councils' day-to-day work will require them to use all their existing relationships, infrastructure, assets, and levers to unlock greater community wellbeing.

Councils need certainty that the dual wellbeing and local democracy purpose will not be subject to regular change. The Panel recommends that Parliament entrench the purpose of local government into the LGA. The Panel also recommends statutory provisions to reinforce and give effect to the wellbeing purpose. These will require councils to set wellbeing goals and priorities each term in conjunction with community and hapū/iwi and Māori, supported by a commitment from central and local government to align wellbeing priorities and agree place-based investment plans.

## Local government embracing Te Tiriti o Waitangi and te ao Māori

Local government is a Te Tiriti partner and the system needs to change to honour and give effect to Tiriti-based partnerships between local government and Māori. Local government must embody a more culturally specific exercise of kāwanatanga, where te ao Māori, mātauranga Māori, and tikanga are woven into its fabric.

The Panel recommends adding new provisions to the LGA that explicitly recognise local government as a partner to Te Tiriti o Waitangi and te ao Māori values. These changes will help to strengthen authentic relationships in the local exercise of kāwanatanga and rangatiratanga. The Panel also recommends requiring councils to develop partnership frameworks with hapū/iwi and Māori to give effect to Te Tiriti provisions. These frameworks will create new governance arrangements and complement those that already exist.

Legislative frameworks alone are not sufficient to build and maintain relationships. There are many examples of strong relationships between local government and hapū/iwi and Māori at both an individual and institutional level, but this is inconsistent across the country. There needs to be significant capability built across local government around Te Tiriti o Waitangi, te ao Māori, tikanga and the whakapapa of local government, and resources prioritised to support the change.

## Local and central government alignment

The challenges facing communities present profound complexities for local governance. Local government and communities must be empowered to build local solutions for national-level problems, with collaboration and funding from central government. This includes local government supporting a wide range of functions like housing, economic development, and response to climate change. What this looks like in each area would need to be decided over time with central government.

The mechanisms for local and central government to align on place-based priorities and coinvest in mutually agreed outcomes do not currently exist and previous efforts to strengthen the relationship haven't been sufficient. The Panel recommends establishing a new Crown department to facilitate the relationship between central and local government and coordinate and align resources. We heard from all stakeholders that the local–central government relationship must be reset. This department will play a fundamental role in building a stronger and more effective relationship. There must also be a focus on building leadership capability as well as a new culture and mindsets across central and local government to support the relationship and to deliver greater value for communities.

### **Sustainable funding for local government**

The current local government funding and finance system is already under pressure and is not sustainable. While taxation as a percentage of GDP has risen over time, local government's share has stayed at around 2% of GDP – even as it has increasing responsibility for delivering the public good.

The Panel thinks rates should remain the main funding mechanism for councils, along with a range of new tools to raise revenue locally. This must be accompanied by significant central government funding to support locally specific wellbeing outcomes. The Panel believes this will lead to a fundamental reset of the funding and commissioning relationships between central and local government.

In addition to central government paying rates on its property, there should also be an annual transfer of revenue to local government equivalent to the annual GST charged on rates (currently around NZ\$1 billion). Councils should use this transfer to build their capability and capacity and deliver more for their communities. A significant fund is also needed to support climate change adaptation activities.

### **New tools for thriving local democracy and strong, effective governance**

Local democracy needs strengthening. Voter turnout has decreased over the past few decades and engagement doesn't meet the needs of increasingly diverse communities. Some improvements have been made in recent years but older, Pākehā people remain over-represented in elected members' demographics. Broad citizen participation in local government decision-making is critical, and the use of citizens' assemblies and deliberative and participatory democracy is vital as councils embrace their role as enablers of democracy.

The Panel recommends a range of interventions to replenish local democracy. Local government needs new citizen-led democracy tools and approaches to fully embody its role as an enabler of democracy. The threshold for Māori wards needs to be reduced, and Tiriti-based appointments to councils also need to be enabled for iwi and hapū who want to participate in the kāwanatanga sphere. Councils need to attract diverse and capable candidates with a broad range of skills. Elected members need to be valued, supported, and upskilled. Rangatahi live with and will inherit the decisions made now, and 16- and 17-year-olds should be eligible to vote.

## Leading change and system renewal

Councils will need new operating models and to review their structures to fully enact their purpose in the face of increasing wellbeing challenges. The Panel recommends a reorganisation of local government. This process must be led by local government and supported by central government. It will include a redesign of councils' operating models, new approaches to leadership, and new council structures.

The Panel has proposed two models, both of which require councils to focus on delivering for local communities in a responsive and effective way, while taking advantage of the strengths of a regional approach. Ultimately local government has the opportunity to lead the design process, working alongside their communities and hapū/iwi and Māori. All decisions made by councils in this process should be geared towards ensuring they can fulfil their purpose and Te Tiriti partnership responsibilities. This reorganisation is not optional – if councils don't lead the change, there will need to be provisions for decisions to be made on their behalf. The change process should use the resource management reform boundaries as a starting point for discussions.

Effective system stewardship is needed to embed, drive, and support the success of the new system of local government over the next 30 years. The current stewardship landscape is not sufficient. While many groups play important roles, a steward of the stewards is needed. The Panel recommends establishing a new local government stewardship institution to strengthen the health and fitness of the system.

## New culture, mindsets, and leadership approaches are essential

Changes to funding, the structure of local government, and legislative frameworks is not enough to realise a new fit-for-purpose local government system. There needs to be more innovation, experimentation, and learning along with collaborative approaches to solving problems. Leaders need a broad range of skills to navigate uncertainty. Capability must be built across the sector, particularly around understanding Te Tiriti o Waitangi and te ao Māori, citizen-led democracy, and governance skill sets. New mindsets are needed to support a holistic, intergenerational approach to local government.

## Making the transition to a new system a success

The Panel considers some guidance and signposting is needed on the reform process, so has provided suggestions for the first critical steps of a transition to a new system of local government. There is also an opportunity to make sense of the current reform programme including resource management and affordable water.

The transition process will require sufficient funding to build capability and capacity and implement the wider changes outlined in the Review.

The package of change is significant. Implementing it will take time, and coordination. Some things can and must start now. The Panel urges local and central government to get started immediately.

It will require widespread political will and commitment to have a world leading local government system. Bold decisions must be made.

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# Whakarāpopototanga Matua

An aerial photograph of a mountain range. The peaks are covered in snow and are illuminated by a low sun, creating a warm, golden glow. Below the mountains, a thick layer of white clouds fills the valley. In the foreground, a green valley floor is visible, with a river winding through it. The overall scene is majestic and serene.

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# He whaitake te kāwanatanga ā-rohe kounga ki te urungi haere i ngā wero kei mua i a tātou ā ngā tau 30 e tū mai nei me te whakarite anō i te tōnuitanga o te tangata, te wāhi, me te taiao.

Me whai tūranga whaitake te kāwanatanga ā-rohe ki te whakapiki i te manawaroatanga ā-wāhi e tautoko ana i ngā hāpori i ngā wā kei mua i a tātou. Kāore e taea tēnei āhuatanga i raro i te pūnaha kāwanatanga ā-rohe o te wā nei, otirā he nui ngā pēhanga ahumoni kei runga i a ia, e aupēhi ana i te raukaha me ngā rauemi, e whakawehe ana i ngā hononga ki te kāwanatanga matua, ā, me te pāhekeheke o te mana ki te whakatinana i tana kaupapa ake.

Kāore he otinga ngāwari ki ēnei raru o te pūnaha o te wā nei. I mua, kitea ai ngā huringa nui i te rāngai kāwanatanga ā-rohe i te wā ka whakahau ake te kāwanatanga matua kia pērā, mā roto i ngā whakahoutanga ture nui. Tērā tētahi huarahi kē atu.

He arawātea kei mua i te kāwanatanga ā-rohe ki te whakatau i tōna ake huarahi whakamua, me te ārahi i te tukanga whakahou. Me nui hoki te nekehanga a te kāwanatanga matua. Me urutau ka tika ngā tari me ngā minita i te āhua o ā rātou whakahaere me te whai pānga ki te kāwanatanga ā-rohe, otirā me te whakamana i ngā panoni mā te manawa-ū me te tuku rauemi.

E tūtohu ana te Pae i tētahi mōkī panoni nui e whai wāhi ana ki ngā āhuatanga katoa o te pūnaha kāwanatanga ā-rohe. Ko te whakaaro ake

ki ngā tūtohu nei, hei huinga mahi taupuhipuhi, taunaki whakaae-tahi hoki, me whakatinana ngātahi.

He ahurei tō tātou hītori me te ahurea - kāore e taea e mātou te tukuruia i ngā tauira i hangaia i wāhi kē, me te tūmanako ake ka whai hua. Ko tā te pūrongo nei he whakaatu i tētahi tirohanga matawhānui motuhake ki a Aotearoa o te kāwanatanga ā-rohe, e noho pū ai te rangapūtanga o Te Tiriti o Waitangi, te oranga tuku iho me te manapori ā-rohe pakari ake.

### **Ko te hiahia o te kāwanatanga ā-rohe kia tino mōhio ki tana tuku mana**

E whakaaro ana te Pae, e takoto ana te kaupapa ā-ture hāngai o te kāwanatanga ā-rohe i roto i te Ture Kāwanatanga ā-Rohe 2002 (LGA). Ka nui kē atu te mahi e taea ana e ngā kaunihera ki te whakarite i te oranga tuku iho me te manapori ā-rohe ki te tino ū rātou ki tēnei kaupapa. Ki te noho o te oranga hei pou mō ngā mahi o ia rā a ngā kaunihera, me whakamahi rātou i ngā hononga kua tuia kētia, ngā tūāhanga, ngā rawa me ngā kauwhiti katoa ki te wete i ngā here o te oranga ā-hapori.

E hiahia ana ngā kaunihera kia tino mōhio rātou, e kore e auau te panoni i te kaupapa takirua o te oranga me te manapori. E tūtohu ana te Pae kia tāmāu te Pāremata i te kaupapa o te kāwanatanga ā-rohe ki te LGA. E tūtohu ana hoki te Pae kia whakaturehia ētahi whakaritenga hei whakakaha, hei whakamana hoki i te kaupapa o te oranga. Ki te pēnei, me whakatau ngā kaunihera i ētahi whāinga oranga me ngā whakaarotau hei ia huringa wā pōti, i te taha o te hapori, ngā hapū/iwi me te Māori, e tautokohia ana e te takohanga a te kāwanatanga matua me te kāwanatanga ā-rohe kia tīaroaro ake ki ngā whakaarotau oranga, me te whakaae anō ki ngā mahere haumi ā-wāhi.

### **Ko te kāwanatanga ā-rohe e whakahiapo ana i Te Tiriti o Waitangi me te ao Māori**

Ko te kāwanatanga ā-rohe he hoa Tiriti, otirā me panoni te pūnaha ki te whakamana i ngā rangapūtanga i poua ki Te Tiriti, i waenga i te kāwanatanga ā-rohe me te Māori. Me whakatinana te kāwanatanga ā-rohe i tētahi huarahi ahurea motuhake ake o te kāwanatanga, e rarangatia ai te ao Māori, te mātauranga Māori me te tikanga ki roto i tōna kākahu.

E tūtohu ana te Pae kia tāpiritia he whakaritenga hou ki te LGA e tino whakanui ana i te kāwanatanga ā-rohe hei hoa rangapū Tiriti, tae atu ki ngā uara o te ao Māori. Mā ēnei panoni e āwhina ki te whakakaha i ngā hononga motuhenga i te whakatinana i te kāwanatanga me te rangatiratanga. E tūtohu ana hoki te Pae, kia herea ngā kaunihera ki te whakawhanake i ngā anga rangapū ki ngā hapū/iwi me te Māori ki te whakamana i ngā whakaritenga o Te Tiriti. Mā ēnei anga e hanga i ngā whakaritenga mana whakahaere hou, me te taunaki hoki i ngā whakaritenga o te wā nei.

E kore e rawaka ngā anga ā-ture anake ki te hanga me te pupuru i ngā hononga. He nui ngā tauira o ngā hononga pakari i waenga i te kāwanatanga ā-rohe me ngā hapū/iwi me te Māori i te taumata takitahi, ā-rōpū whakahaere hoki, engari he hārakiraki puta noa i te motu. Me nui te whakapiki i te āheinga puta noa i te kāwanatanga ā-rohe e pā

ana ki Te Tiriti o Waitangi, te ao Māori, te tikanga me te whakapapa o te kāwanatanga ā-rohe, me te whakaarotau i ngā rauemi hei tautoko i te panonitanga.

### **Te tīaroaro i te kāwanatanga ā-rohe me te kāwanatanga matua.**

He nui ngā āhuatanga tuatini o ngā wero kei mua i ngā hapori e pā ana ki te kāwanatanga ā-rohe. Me whakamana te kāwanatanga ā-rohe me ngā hapori ki te kimi otinga paetata mō ngā raru ā-motu, otirā me āwhina, me tautoko ā-pūtea hoki te kāwanatanga matua. Ka uru ki tēnei te tautoko a te kāwanatanga ā-rohe i ētahi āhuatanga whānui pēnei i te rapu whare, te whanaketanga ōhanga me te urupare ake ki te hurihanga āhuarangi. Me whakataua rawa te āhua o tēnei i ia rohe hei te taka o te wā, i te taha o te kāwanatanga matua.

Kāore he tikanga o te wā nei mā te kāwanatanga ā-rohe me te kāwanatanga matua ki te tīaroaro i ngā whakaarotau ā-wāhi me te haumi-ngātahi ki ngā putanga kua whakaaetia ngātahitia, ā, kāore i rawaka ngā mahi whakapakari i ngā hononga i mua. E tūtohu ana te Pae ki te whakatū i tētahi tari Karauna hou hei whakarite i te hononga i waenga i te kāwanatanga matua, ā-rohe hoki, me te ruruku me te tīaroaro i ngā rauemi. I rongo mātou i ngā kōrero i ngā kiripānga kia whakahoutia te hononga kāwanatanga ā-rohe ki te kāwanatanga matua. Ka whai tūranga taketake te tari nei ki te whakapakari ake i ngā hononga, kia whaihua ake ai. Me aro hoki ki te whakapiki i te āheinga hautūtanga, me te ahurea hou me ngā aro hinengaro puta noa i te kāwanatanga matua, ā-rohe hoki, hei tautoko i te hononga me te whakarato i te uara pai ake ki ngā hapori.

### **Te pūtea toitū ake mā te kāwanatanga ā-rohe**

E pēhitia ana te pūnaha tuku pūtea me te ahumoni mō ngā kāwanatanga ā-rohe o te wā nei, ā, e kore e toitū ake haere ake nei. Ahakoa kua piki te GDP hei ōrau o te tāke i te taka o te wā, kua noho te wāhanga ki te kāwanatanga ā-rohe i te āhua 2% tonu o te GDP - ahakoa e piki haere ana āna haepapa ki te tuku i te painga tūmatanui.

E whakaaro ana te Pae, me noho te rēti hei tikanga whiwhi pūtea matua mō ngā kaunihera, me ētahi atu taputapu whānui hou hei hiki i te moniwhiwhi. I te taha o tēnei, me whiwhi hoki i tētahi pūtea nui i te kāwanatanga matua hei tautoko i ngā putanga oranga ā-rohe motuhake. E whakapono ana te Pae, ko te ahunga o tēnei, ko tētahi whakahoutanga taketake o ngā hononga tuku pūtea, tuku komihana hoki i waenga i te kāwanatanga matua me te kāwanatanga ā-rohe.

Tāpiri ake ki te kāwanatanga matua e utu rēti ana mō ōna ake papanoho, me whakarite hoki i tētahi whakawhitinga moniwhiwhi ā-tau ki te kāwanatanga ā-rohe e rite ana ki te GST ā-tau i runga i ngā rēti (i te wā nei he āhua NZ\$1 piriona). Me whakamahi ngā kaunihera i tēnei whakawhitinga moni ki te whakapiki i te āheinga me te raukaha, me te tuku ratonga nui ake ki ō rātou hapori. E hiahiatia ana hoki tētahi pūtea nui hei tautoko i ngā mahi urutau ki te hurihanga āhuarangi.

## Ngā taputapu hou mō te manapori paetata tōnui, me te mana whakahaere pakari, whaihua hoki

Me whakapakari te manapori paetata. Kua heke haere te hunga e pōti ana i ngā tau rua tekau kua hipa, ā, kāore i te tutuki ngā hiahia kanorau ake a ngā hapori i ngā mahi whakawhiti kōrero. Kua kitea ētahi whakapainga i ngā tau tata nei, engari he maha tonu rawa ngā kanohi Pākehā pakeke ake kei roto i ngā hangapori mema kua pōtihia. He waiwai te whakaurunga kirirarau whānui i ngā whakataunga take kāwanatanga ā-rohe, ā, he waiwai hoki te whakamahinga o ngā huihuinga kirirarau me te manapori ā-hakune, ā-whai wāhi hoki, i te wā e kauawhi ana ngā kaunihera ki tā rātou mahi hei kaiwhakamana i te manapori.

E tūtohu ana te Pae i ētahi tūmomo hāpaiora whānui ki te whakaora ake i te manapori paetata. E hiahia ana te kāwanatanga ā-rohe i ngā taputapu me ngā huarahi manapori hou e ārahitia ana e ngā kirirarau, e whakatinanatia nuitia ai tana tūranga hei kaiwhakamana i te manapori. Me whakaiti te tuapae mō ngā wāri Māori, me whakamana hoki ngā tūranga i poua ki Te Tiriti i runga i ngā kaunihera mā ngā iwi me ngā hapū e hiahia ana ki te whakauru ki te ao kāwanatanga. Me whakamanea e ngā kaunihera ngā kaitono kanorau, mātau hoki, kua whai pūkenga whānui. Me whakanui, me tautoko, me whakapiki hoki i ngā pūkenga o ngā mema kua pōtihia. Ka tukua iho ki ngā rangatahi ngā whakatau o nāianeī, otirā me āhei ngā rangatahi 16 me te 17 tau ki te pōti.

## Te ārahi i te panonitanga me te whakahoutanga pūnaha

Me whiwhi tauira whakahaere hou ngā kaunihera, me arotake hoki i ō rātou hanganga hei whakatinana i tō rātou kaupapa, i te wā e piki ana ngā wero ki te oranga. E tūtohu ana te Pae kia whakariteritea anō te kāwanatanga ā-rohe. Mā te kāwanatanga ā-rohe tēnei tukanga e ārahi, ā, mā te kāwanatanga matua e tautoko. Ka uru ki tēnei te hoahoatanga anō o ngā tauira whakahaere o ngā kaunihera, ngā huarahi hou ki te hautūtanga me ngā hanganga kaunihera hou.

E rua ngā tauira kua marohitia e te Pae, ko ngā mea e rua e whakahau ana ki ngā kaunihera kia aro ki te whakarato kaupapa mā ngā hapori paetata i runga anō i te wairua urupare, whaihua hoki, i te wā e whakamahia ana ngā pakaritanga o tētahi huarahi ā-rohe. I te mutunga iho, he arawātea tēnei ki ngā kāwanatanga ā-rohe ki te ārahi i te tukanga hoahoa, te mahi ngātahi me ngā hapori, ngā hapū/iwi me te Māori. Ko ngā whakatau katoa a ngā kaunihera i roto i tēnei tukanga, me whakarite kia taea e rātou te whakatinana i tō rātou kaupapa ake, me ngā haepapa rangapū ā-Tiriti. Ehara i te whakariteritenga anō i te take kōwhiringa - ki te kore ngā kaunihera e ārahi i te panonitanga, me whakarite i ētahi whakaritenga ki te whakatau take mōna. Me whakamahi te tukanga panoni i ngā roherohenga whakahoutanga ture whakahaere rauemi hei wāhi tīmata i ngā kōrerorero.

E hiahiatia ana te kaitiakitanga ā-pūnaha whitake ki te tāmau, te kōkiri me te tautoko i te angitu o te pūnaha hou o te kāwanatanga ā-rohe puta noa i ngā tau 30 e tū mai nei. Kāore i rawaka i te horanuku kaitiakitanga o te wā nei. Ahakoa he nui ngā rōpū kei ngā tūranga whai take, ko te mea e hiahiatia ana ko tētahi kaitiaki o ngā kaitiaki. E tūtohu ana te Pae kia whakatūhia tētahi rōpū kaitiaki kāwanatanga ā-rohe hou hei whakapakari i te hauora me te mārohirohi o te pūnaha.

## He tino waiwai te ahurea hou, ngā whakaaro hou me ngā huarahi hautū hou, e toitū ai te panonitanga.

Kāore e rawaka i ngā panoni tuku pūtea, te hanganga o te kāwanatanga ā-rohe me ngā anga ā-ture ki te whakatinana i tētahi pūnaha kāwanatanga ā-rohe whaitake hou. Me auaha ake, me nui ake ngā mahi whakamātautau me ngā akoranga, tae atu ki ngā huarahi mahi ngātahi, ki te whakatau i ngā raruraru. Me whiwhi ngā kaiārahi i ngā tūmomo pūkenga whānui ki te urungi haere i ngā pāhekeheketanga. Me whakapiki i te āheinga puta noa i te rāngai, ina koa te mārama ki Te Tiriti o Waitangi me te ao Māori, te manapori e ārahitia ana e ngā kirirarau, me ngā huinga pūkenga mana whakahaere. E hiahiatia ana ngā whakaaro hou ki te tautoko i te huarahi torowhānui, tuku iho hoki ki te kāwanatanga ā-rohe.

## He huarahi e angitu ai te whitinga ki tētahi pūnaha hou

E whai whakaaro ana te Pae e hiahiatia ana ētahi ārahitanga me ētahi tohu mō te tukanga whakahou, nā reira kua tukua mai ētahi huatau mō ngā hātepe waiwai tuatahi o te whakawhitinga ki tētahi pūnaha hou o te kāwanatanga ā-rohe. He arawātea hoki tēnei kia mārama ake ai ki te hōtaka whakahou ture o te wā nei tae atu ki ngā whakahaere rauemi me te Affordable Water.

Ko te hiahia o te tukanga whakawhiti, ko te pūtea rawaka, hei whakapiki i te āheinga me te raukaha, me te whakatinana i ngā panoni whānui kua whakatakotohia ki te Arotake.

He tino nui te āhua o te mōkī panoni. E whakatinanatia ai tēnei, me manawaroa, otirā me ruruku. Ka taea ētahi āhuatanga te whakahaere ināia tonu nei, otirā me tīmata ināia tonu nei. E whakahau ana te Pae kia hohoro tonu te kōkiritia o tēnei kaupapa e ngā kāwanatanga ā-rohe me te kāwanatanga matua ināia tonu nei.

E riro mai ai he pūnaha kāwanatanga ā-rohe rongonui i te ao, me ngākau titikaha ā-tōrangapū whānui, me te pūmautanga ki te kaupapa. Me whakatau i ngā whakatau māia.

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# Recommendations



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# The Panel makes the following recommendations

Theme	Recommendations
<b>Embedding local government's purpose and wellbeing focus</b>	<ol style="list-style-type: none"> <li>1 Entrench the purpose of local government, as set out in the Local Government Act 2002, to embed intergenerational wellbeing and local democracy at the heart of local government.</li> <li>2 Introduce statutory provisions to reinforce and give effect to the purpose of local government in the Local Government Act 2002, by: <ul style="list-style-type: none"> <li>▶ councils setting wellbeing goals and priorities each term, in conjunction with community and hapū/iwi and Māori</li> <li>▶ central and local government committing to align wellbeing priorities and agree place-based investment plans.</li> </ul> </li> </ol>
<b>Growing authentic Te Tiriti-based partnerships</b>	<ol style="list-style-type: none"> <li>3 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 to strengthen authentic relationships in the local exercise of kāwanatanga and rangatiratanga.</li> <li>4 Introduce a statutory requirement for councils to develop partnership frameworks with hapū/iwi and Māori to give effect to new Te Tiriti provisions in the Local Government Act 2002 that create new governance arrangements and complement existing ones.</li> <li>5 Central government leads a comprehensive review of requirements for engaging with Māori across legislation that impacts local government, considering opportunities to streamline or align those requirements.</li> <li>6 Amend the Local Government Act 2002 to require councils (elected members and chief executives) to prioritise and invest in developing and strengthening their capability and capacity in the areas of Te Tiriti o Waitangi, te ao Māori values, mātauranga Māori, tikanga, and the whakapapa of local government in order to make local government a better Te Tiriti partner.</li> </ol>

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Theme	Recommendations
<b>System renewal</b>	<p data-bbox="501 309 1315 443">7 Initiate a reorganisation of local government to strengthen, support, and resource councils to plan for and respond to increasing challenges and opportunities, and to set local government up for a more complex future.</p> <p data-bbox="501 454 1337 555">8 Establish a dedicated Crown department to facilitate a more effective working relationship between local and central government that focuses on:</p> <ul data-bbox="580 566 1398 824" style="list-style-type: none"> <li data-bbox="580 566 1398 633">▶ a relational-based operating model to align priorities, roles, and funding</li> <li data-bbox="580 645 1343 712">▶ brokering place-based approaches and agreements to address complex challenges and opportunities</li> <li data-bbox="580 723 1343 824">▶ research, development, and innovation capability that equips local government to maximise intergenerational wellbeing for its communities.</li> </ul> <p data-bbox="501 846 1324 947">9 Establish a new local government stewardship institution to strengthen the health and fitness of the system. This entity should:</p> <ul data-bbox="580 958 1378 1249" style="list-style-type: none"> <li data-bbox="580 958 1378 1059">▶ provide care for and oversight of the local government system, including the health of local democracy and local government's future-fit capability and capacity</li> <li data-bbox="580 1070 1181 1104">▶ foster common purpose and relationships</li> <li data-bbox="580 1115 1267 1182">▶ support and enable the health of the Māori-local government relationship</li> <li data-bbox="580 1193 1343 1249">▶ incorporate the current roles and responsibilities of the Local Government Commission.</li> </ul>
<b>Strengthening local democracy and leadership</b>	<p data-bbox="501 1305 1398 1406">10 Local government and councils develop and invest in democratic innovations, including participatory and deliberative democracy processes.</p> <p data-bbox="501 1417 1308 1485">11 Enhance local democracy in order to increase access and representation by:</p> <ul data-bbox="580 1496 1398 1731" style="list-style-type: none"> <li data-bbox="580 1496 1171 1529">▶ providing for a 4-year local electoral term</li> <li data-bbox="580 1541 1398 1608">▶ adopting ranked voting (also known as single transferrable vote or STV) as nationwide method for local elections</li> <li data-bbox="580 1619 1398 1653">▶ lowering the threshold for the establishment of Māori wards</li> <li data-bbox="580 1664 1273 1697">▶ enabling Te Tiriti-based appointments to councils</li> <li data-bbox="580 1709 1251 1742">▶ lowering the voting age for local elections to 16.</li> </ul> <p data-bbox="501 1753 1286 1821">12 Local and central government coinvest to build adaptive leadership capability focusing on:</p> <ul data-bbox="580 1832 1184 1989" style="list-style-type: none"> <li data-bbox="580 1832 1104 1865">▶ leading change and system renewal</li> <li data-bbox="580 1877 1184 1910">▶ valuing civic leadership and public service</li> <li data-bbox="580 1921 1024 1955">▶ partnership and collaboration</li> <li data-bbox="580 1966 1056 1989">▶ innovation and experimentation.</li> </ul>

Theme	Recommendations
<b>Increasing funding</b>	<p data-bbox="501 311 1401 376">13 In order to prioritise and deliver on wellbeing, central government makes a greater investment in local government through:</p> <ul data-bbox="580 389 1385 528" style="list-style-type: none"><li data-bbox="580 389 1385 454">▶ an annual transfer of revenue equivalent to GST charged on rates</li><li data-bbox="580 465 1385 528">▶ significant funding to support local priorities, place-based agreements, and devolution of roles.</li></ul> <p data-bbox="501 555 1219 582">14 Central government pays rates on Crown property.</p> <p data-bbox="501 595 1315 698">15 Central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making.</p> <p data-bbox="501 712 1315 777">16 Cabinet is required to consider the funding impact on local government of proposed policy decisions.</p> <p data-bbox="501 790 1401 855">17 Central government commits to enabling the future transition with funding to:</p> <ul data-bbox="580 869 1372 1308" style="list-style-type: none"><li data-bbox="580 869 1372 934">▶ resource a transition unit to support the change and system renewal of local government</li><li data-bbox="580 945 1372 1010">▶ supplement local government capacity funding to enable hapū/iwi and Māori to partner with councils</li><li data-bbox="580 1021 1372 1308">▶ support councils to:<ul data-bbox="660 1061 1353 1308" style="list-style-type: none"><li data-bbox="660 1061 1353 1126">▶ build Te Tiriti and te ao Māori capability and grow hapū/iwi and Māori relationships</li><li data-bbox="660 1137 1353 1240">▶ lift their immediate capacity and capability to innovatively deliver wellbeing priorities for their communities</li><li data-bbox="660 1252 1353 1308">▶ trial and grow participatory and deliberative democracy practices.</li></ul></li></ul>

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# The future for local government



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# The work of local government is fundamentally important to the future of Aotearoa New Zealand.

Councils are embedded in communities and have a deep understanding of the local impact of systemic issues and broader policy decisions. They have a democratic mandate to lead on civic issues and play a vital role in creating the conditions for people, place, and the environment to thrive in good times and bad.

As the layer of government closest to community, local government holds the key to rebuilding trust and confidence in civil society and fostering the conditions for intergenerational wellbeing. However, the current system of local government is not resourced or set up to support these goals.

Communities will face significant challenges over the next 30 years. From climate change to increasing inequity, from low social cohesion to infrastructure deficits, it is clear the structures and systems in place now to support community wellbeing will not be sufficient for the future.

The stress of dealing with these challenges, and the pace at which they are coming, is causing many of our communities to lose trust in democratic institutions and to disengage.

Now is the time for change – a moment in history where councils and communities need to shift to new ways of doing things. This means designing more sustainable neighbourhoods, transitioning to a greener economy, using new technologies and fully acknowledging social and Te Tiriti o Waitangi responsibilities.

Through the Panel's research and engagement, it is clear that significant changes to many aspects of the local government system are needed to ensure it can maximise the wellbeing of communities now and in the future and strengthen local democratic decision-making. The current system does not support local government to take

full advantage of the important role it holds. Continuing to operate in the same way and expect a different result is futile.

This chapter covers:

- ▶ the current challenges to local government
- ▶ why local government needs to lead the change
- ▶ how to give local government certainty about its purpose.

## The current challenges

Local government faces significant challenges in fulfilling its unique role in stewarding community wellbeing and enabling local democracy.

The lack of certainty around local government's permanent place in our democracy is a concern for many in the sector. Uncertainty and lack of clarity around the wellbeing aspect of local government's purpose in the Local Government Act 2002 (LGA) has left councils without the strong mandate they need to fully embody this purpose.

The current legislative framework for local government is highly prescriptive, reflecting low central government trust in the sector.

The relationship between local government and hapū/iwi and Māori is inconsistent across the system and often falls short of expectations and the potential of a Tiriti-based partnership.

Significant funding challenges constrain local government's ability to deliver services to their communities and mean there is limited capacity or resource to work with communities on more complex challenges. These pressures are exacerbated by the unfunded mandate from central government to perform more roles without additional funding.

The local–central government relationship is strained and competitive, in part due to misalignment of operating environments and decision-making processes. Collaboration between central and local government is inconsistent and fails to harness the strengths of both.

Citizen participation in local democracy is declining, and people have lost confidence and trust in the current democratic process and institutions. Engagement between councils and communities is often transactional rather than relational.

Council systems are under pressure due to constrained resources and challenging political environments which makes change difficult and slow. Silos and top-down approaches to decision-making reduce opportunities to make an impact for communities.

Without a commitment to a new way of working, these problems will persist and our ability to tackle current and future challenges will continue to diminish.

## Empowering local government to lead change

Quality local governance is critical to navigate the challenges we face over the next 30 years. The vital role of local government in responding to recent weather events highlights the need for a more place-based approach to mitigating risk and building resilience. The solutions cannot be centrally driven from Wellington alone.

Historically, major change to the local government system has only occurred when central government imposes its will through top-down reform. By embracing the Panel's recommended changes, local government has the opportunity to determine its own future. Central government can provide clarity and support with an unambiguous legislative framework and place-based investment.

Aligning and agreeing national and local priorities must be matched by investment in a stronger local government sector. A stronger, fit-for-the-future local government will be a more compelling investment proposition for central government. For local government to commit to the major changes necessary, central government also needs to commit to significant change.

Change will require strong leadership and a culture that values and rewards innovation and collaboration. Local government will need to be ambidextrous enough to build an operating model that works locally and at scale, playing to the strengths of both. It needs strong relationships with hapū and iwi underpinned by Te Tiriti o Waitangi. It needs political will, exceptional leadership, resourcing, and community support.

A series of modest interventions and incremental changes will not be sufficient. It is time to be purposeful and intentional, and design a new system for local government that supports people, place, and the environment to thrive.

In the next sections of the report, the Panel lays out the key actions and areas of intervention that will help achieve our vision for the future of local government. This package of change will move us towards a local government system where:

- ▶ the intergenerational wellbeing of people, place, and the environment is at the core of council's work
- ▶ there is a mutually beneficial relationship between councils and hapū/iwi and Māori that is underpinned by Te Tiriti o Waitangi partnership
- ▶ there is strong, trusted local democracy that enables communities to participate in ways that work for them.



## Giving certainty to local government to fulfil its purpose

### Confirming local government's constitutional place

Many people in local government have expressed concern that local government's place in Aotearoa New Zealand's democracy could be eroded, dramatically changed, or eliminated by a simple majority of Parliament. The Panel received submissions that advocated for constitutional recognition of local government to formalise – permanently – its role and position.

In addition, some perceive local government as just an arm or agent of central government, even though local government has separate accountability to its communities and to Parliament.

The Panel believes that if Aotearoa New Zealand develops a formal written constitution, the place and role of local government is one of the many core elements that should be embedded in it.

In the interim, there is a need to provide greater certainty and stronger mandate to local government. The Panel recommends achieving this through the entrenchment of the purpose of local government into legislation.

### Entrenching local government's purpose

Over the course of this Review, the Panel has given significant attention to what the purpose of local government should be for the next 30 years.

The Panel believes that local government's core purpose should be enabling local democracy and promoting intergenerational wellbeing.

This aligns with the legislative purpose laid out in Section 10 of the LGA:

- a. to enable democratic local decision-making and action by, and on behalf of, communities, and
- b. to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

### Simple entrenchment and double entrenchment

When a clause within an Act is entrenched, a new clause is added to the Act to achieve that entrenchment. Double entrenchment is when that new clause is also entrenched, and this prevents the entrenchment itself from being undone by simple majority.

In order to embed intergenerational wellbeing and local democracy at the core of local government, the Panel recommends the purpose of local government, as set out in the LGA, is double entrenched (Rec 1).

The LGA is the cornerstone from which councils' roles, investment priorities, and long-term strategic focus is derived. However, the definition of local government's purpose in the LGA can – and has been – changed depending on the government of the day's political focus. These changes have created uncertainty about central government's intentions, eroding trust between central and local government.

Councils will never be able to give full effect to their purpose if it is subject to regular change.

To entrench the purpose, a Parliamentary supermajority of 75% is required to pass it into law and to make changes in the future. The Panel is mindful of the tension inherent in entrenchment provisions binding future governments, and the fact it should be used very sparingly in order to respect the supremacy of Parliament. In the Panel's view, this is one of the rare, merited exceptions.

The entrenchment of local government's purpose must be done through proper process that is transparent and acknowledges the fundamental constitutional nature of legislative entrenchment.

Entrenching local government's purpose will provide a very strong signal from Parliament of the constitutional importance of local government. It will also provide local government the certainty and mandate needed to create long-term strategies, make intergenerational decisions and investments, and partner effectively with central government.

### **Reinforcing the wellbeing purpose of local government**

While the Panel considers the entire purpose of local government must be entrenched, there has been particular uncertainty about the wellbeing purpose of local government. The purpose of local government was significantly amended in 2012 to effectively remove the wellbeings. It was further amended in 2019 to reinstate the original purpose set out in the 2002 Act.

There are measures in addition to entrenchment that could help reinforce the importance of councils being wellbeing leaders at place and working effectively with central government for the greater benefit of their communities.

To this end, the Panel recommends the introduction of statutory provisions to reinforce and give effect to the wellbeing purpose (Rec 2). These provisions will require:

- ▶ councils to set wellbeing goals and priorities each term, in conjunction with the community and hapū/iwi and Māori
- ▶ a commitment from central and local government to align wellbeing priorities and agree place-based investment plans ([Chapter 2](#)).

### **Recommendations**

- 1 Entrench the purpose of local government, as set out in the Local Government Act 2002, to embed intergenerational wellbeing and local democracy at the heart of local government.
- 2 Introduce statutory provisions to reinforce and give effect to the purpose of local government in the Local Government Act 2002, by:
  - ▶ councils setting wellbeing goals and priorities each term, in conjunction with community and hapū/iwi and Māori
  - ▶ central and local government committing to align wellbeing priorities and agree place-based investment plans.

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# A strong local government system



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# A strong local government system is necessary to support communities through the challenges ahead and ensure intergenerational wellbeing.

The Panel heard that wellbeing is already at the heart of everything councils do. Local government builds and shapes the physical, social, and civic infrastructure communities need, and works with other players in the system to develop solutions at place.

**“Community wellbeing and placemaking are the beating heart of local government’s purpose and value.”**

**– Local Government New Zealand**

However, the local government system needs to be strengthened, aligned, and resourced for councils to truly give effect to this core part of their purpose.

Giving effect to intergenerational wellbeing requires coherence across the wider system, including the regulatory environment and relationships with central government. It will also require significant investment in councils and local activities.

In this chapter, the Panel makes a series of recommendations to help build a stronger local government system that centres and gives

effect to intergenerational wellbeing, works effectively with central government, and has the capacity and funding to fulfil its roles and tackle big issues at place.

These interventions will also support a Tiriti-based partnership between local government and Māori ([Chapter 3](#)) and help strengthen local democracy ([Chapter 4](#)).

This chapter covers:

- ▶ giving full effect to councils' wellbeing purpose
- ▶ aligning central and local government to support community wellbeing
- ▶ taking a fresh look at local government roles and functions
- ▶ a sustainable, equitable local government funding and finance system.

### **Giving full effect to councils' wellbeing purpose**

Local government is a champion and activator of wellbeing at a local level. Councils play a vital role in supporting the social, environmental, cultural, and economic wellbeing (the 'four wellbeings') of citizens and communities, now and for the future. Putting wellbeing at the centre of councils' day-to-day work means using all its existing relationships, infrastructure, assets, and levers to unlock greater outcomes.

**“Council services and facilities do more than simply promote wellbeing, by addressing a wide range of social, cultural, environmental and economic issues we improve and protect wellbeing through our planning, investments and actions – all intended to enhance the lives of people who live, learn, work and play within our communities.”**

*– Canterbury Mayoral Forum*

Some councils have the mindset that delivering wellbeing can be done through traditional physical infrastructure services like roads, water, and waste management. However, tomorrow's challenges require a more holistic and intergenerational approach, considering the civic and social infrastructures that provide for cultural expression and democratic participation along with the pipes, roads, and assets communities will continue to rely on.

Other councils are already embracing a more expansive role in intergenerational wellbeing and place-shaping and looking beyond today's infrastructures – and beyond the needs of today's ratepayers – to make decisions with and on behalf of current and future generations.

The future local government system will need all councils to embrace their role leading intergenerational wellbeing and place-shaping. This is especially vital in the face of climate change and other challenges like persisting inequity and the rising cost of living.

Many councils will need to make major changes to their operations and mindsets to be an effective anchor institution that strategises and partners with other local organisations to invest in and amplify

wellbeing. For example, a transformational mindset sees local libraries as anchor institutions and multi-use community hubs that can strengthen community identity and create opportunities for civic and economic participation.

Local government can champion all aspects of intergenerational wellbeing and place-shaping through:

- ▶ building an inclusive local economy
- ▶ supporting strong social capital and connectedness
- ▶ fostering a healthy local environment and a local community mobilised for climate change action
- ▶ supporting vibrant local arts and cultural activities and organisations.

The Panel considers that supporting intergenerational wellbeing needs to be woven into everything councils do, up to and including business processes like budgets and finances, procurement, planning, and property management. Adequate resourcing, stronger relationships, and working effectively with central government, Māori, business, and community will be central to enabling this.

The rest of this section outlines specific areas councils can focus on, or do more of, to put wellbeing at the centre of their work.

## A strengthened focus on wellbeing

Councils have a range of roles in their community to support social, economic, environmental, and cultural wellbeing. Councils are:

- ▶ **an anchor institution** with a long-term and enduring commitment and connection to place, partnering with other institutions and groups for collective impact
- ▶ **a place-shaper**, using their powers and influence creatively to promote wellbeing, including by strengthening the connection between people and the places they share
- ▶ **systems networkers and convenors**, connecting people from across organisations, sectors and cultures, and facilitating innovative solutions that respond to local needs.

These roles are described more fully in Chapter 5 of the [draft report](#).

**“... local government already plays a critical role in the building of strong, healthy, and prosperous communities. It is already a champion, networker, activator, and enabler of community wellbeing. It is already a place-maker, anchor institution and convenor of the system.”**

– *Taituarā*

There is an opportunity for local government to further step into these roles, especially as an anchor institution, and change how they deliver their core business to maximise community impact. This requires councils to shift their attention to activities like social procurement and local supply chain strategies, place-based impact investment, growing

local affordable housing, and active collaboration with other anchor institutions. While it is great to see some councils leading in this area, many others must make major changes to deliver more impact and community wellbeing.

Being an effective anchor institution includes taking a relational approach to working with local people and businesses, understanding local needs and preferences, maintaining community cohesiveness, and working collaboratively to understand and respond to big challenges like climate change.

Local government's role as systems networker and convenor also helps foster this focus on wellbeing. By connecting and bringing people together from across organisations, sectors, and cultures, councils can facilitate innovative solutions and grow community-led civic innovation that responds to complex and emerging issues.

**“We are doing the hard work in the Community and Voluntary Sector, with a long-term vision and interest in ensuring social infrastructure for all New Zealanders 'in place'. While this will continue regardless, we can do so much more, and have more collective impact, when we partner meaningfully with local (and central) government.”**

*– ComVoices*

### **Using council purchasing power to support wellbeing**

Local government has significant purchasing power in the community. Its spending decisions can be targeted towards realising as many wellbeing outcomes as possible. One way to do this is by embedding social procurement and supplier diversity as standard practice. It is the strongly held view of the Panel that this needs to be resourced and supported across all levels of government. Purchasing power is a key lever to creating wellbeing within communities.

Social procurement is about achieving additional benefits from investment, and is typically achieved by including social, economic, or environmental outcomes in the planning, assessment, or contracting stages of the procurement process. It can also be achieved by deliberately choosing to purchase from organisations that are likely to deliver those outcomes through the way they conduct their business.

**“We believe that procurement decisions in local government need to look wider than simply the price of the service, and take a holistic view of what they offer to the community. Our members working in local government strongly support social procurement, with around 90% of those surveyed agreeing that there should be greater use of it by local government.”**

*– Public Service Association*



### **Amotai – Supplier Diversity Aotearoa**

Amotai is an intermediary organisation nested in Auckland Council that works with central and local government, corporations, and iwi organisations to unlock procurement opportunities for Māori and Pasifika businesses. Twenty-three councils have registered with Amotai as buyers. Amotai has a national database of 1,600 Māori- and Pasifika-owned businesses and supports supplier diversity by connecting buyers like councils with these businesses. It also provides buyers with advice and online training in supplier diversity.

### **Prioritising and budgeting for wellbeing**

Councils can increase their impact by using wellbeing budget processes, which incorporate environmental, social, and cultural wellbeing priorities.

Central government introduced its first Wellbeing Budget in 2019, which presented a significant change from how budgets have previously been designed, developed, and presented. It focused on breaking down agency silos and working across government to assess, develop, and implement policies, and focusing on outcomes that meet the needs of present generations while considering the long-term impacts for future generations.

The Wellbeing Budget approach acknowledges that complex problems like child poverty, inequality, and climate change cannot be meaningfully addressed through traditional ways of working.

The Panel sees significant value in councils adopting wellbeing budgets. Budgets are an important tool for councils to set their priority spending areas and intended outcomes for the coming year or years. Traditionally budgets have tended to focus on specific outputs and achieving value for money. Adopting a wellbeing budget can also focus investment priorities on a broader range of outcomes.

## Making the most of local government infrastructure

Local government has a role across three infrastructure types:

- ▶ **physical infrastructure**, including roads, ports, water and waste, energy, transport, and telecommunication networks
- ▶ **social infrastructure**, including libraries, parks, pools, and community and sports facilities
- ▶ **civic infrastructure**, which relates to the places, policies, programs, and practices that scaffold the development of strong communities and peoples' engagement in public life. It includes having civic spaces to support engagement in arts, hold public events, and create cultural connection. It also includes civic education, civic innovation, and place-making.

Through these roles and services, local government enables a robust prevention infrastructure that helps keep communities safe and healthy, socially connected, and democratically engaged. These infrastructures provide the upstream conditions for improving intergenerational wellbeing at a local level. They are also a national public good, helping prevent pressure on our national health and social support systems.

Traditionally, central government investment in infrastructure focuses on physical assets – for example, roading and transport funding from Waka Kotahi. In the future, social and civic infrastructure will be equally important for community resilience and wellbeing.

The Panel considers that central government should coinvest in social and civic infrastructure that supports wellbeing and further prevents adverse social, environmental, economic, and health outcomes.

## Making the change happen

For intergenerational wellbeing to be at the heart of communities, change is needed. We have heard this during submissions.

**“The wellbeing of our whenua and wai is essential to the wellbeing of everyone in Aotearoa New Zealand, across the generations. We need to ensure long-term things to ensure we implement strong climate policies and initiatives that will protect people and whenua for generations to come.”**

– *Gen Zero*



**“What cannot happen is that one centrally conceived and mandated model of wellbeing is displaced by another which is just as alien to local communities. Wellbeing is not something to be handed down from on high.”**

– *Waikato Wellbeing Project*

Many recommendations in this report cover aspects of this necessary change.

- ▶ entrenching the wellbeing purpose of local government to give councils certainty that wellbeing is central to their work ([Chapter 1](#))
- ▶ introducing statutory provisions in the LGA to reinforce and give effect to local government’s wellbeing purpose. This includes requirements for councils to set wellbeing goals and priorities each term and a commitment from central and local government to align wellbeing priorities and agree place-based investment plans ([Chapter 1](#))
- ▶ an annual transfer of funds from central to local government to support wellbeing outcomes, including for capability building and supporting relationships with hapū/iwi (this chapter)
- ▶ strengthening the relationship between central and local government to ensure both are aligned to deliver wellbeing outcomes at place (this chapter)
- ▶ building te ao Māori values, tikanga and mātauranga Māori into the fabric of local government and ensuring our places reflect the stories and histories of the area ([Chapter 3](#))
- ▶ new mindsets focused on how to partner to create more community value and positive impact for communities now and in the future ([Chapter 5](#)).

### **Understanding wellbeing**

Concepts of wellbeing have evolved over time and will continue to change and vary between cultures. This is not unique to Aotearoa New Zealand – it is happening all over the world.

The way we understand wellbeing should draw from existing approaches, including te ao Māori perspectives, and be guided by our unique culture and environment. The Panel has found the following description, shared in both our interim and draft reports, to be useful.

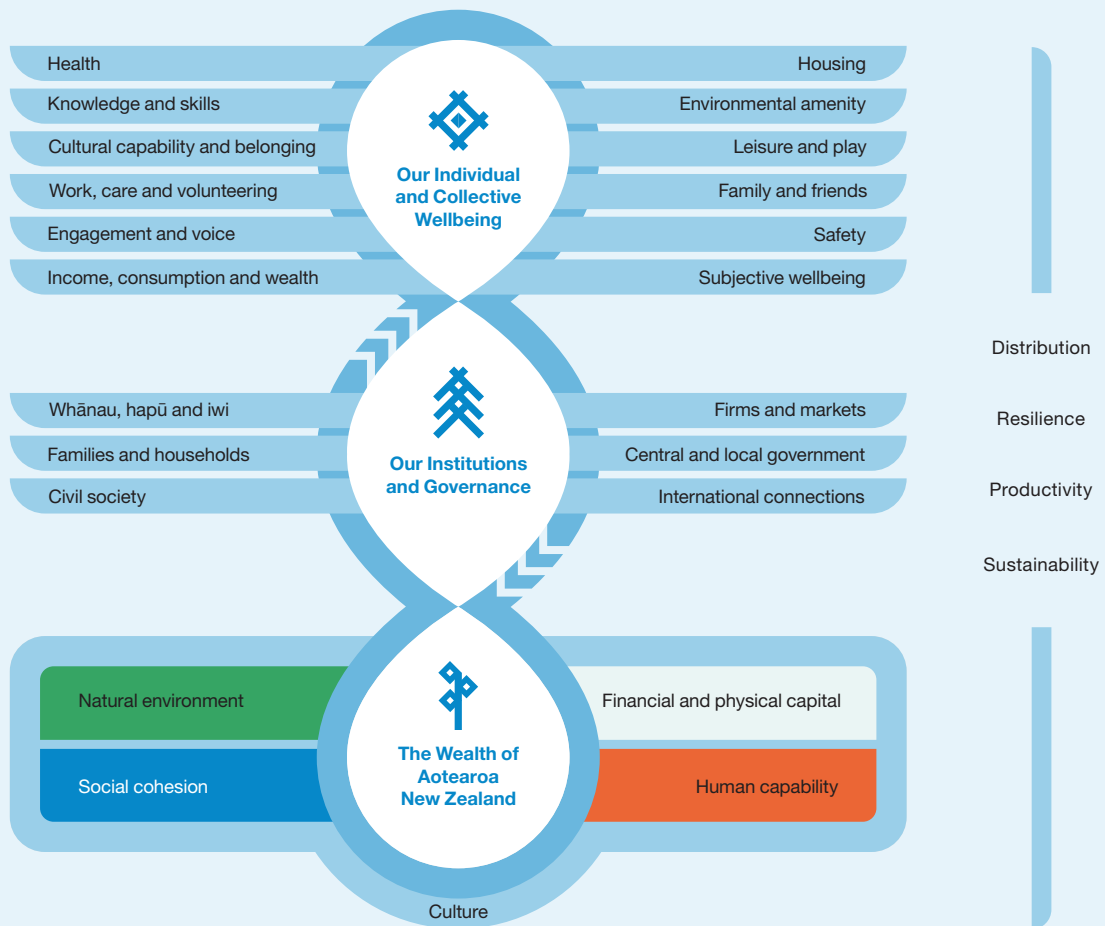
“In general, wellbeing includes everything that makes a good life, not only for individuals, but also for their whānau and families, their neighbourhoods and communities, and for future generations.

This includes living in a clean and healthy environment, having basic needs met, being physically safe and secure, experiencing connection with others and a sense of belonging, being able to participate and contribute, being able to express yourself and your identity, experiencing yourself as valued and valuable, and having opportunities to prosper and live to your full potential.”

## The Treasury’s Living Standards Framework provides a useful framework for thinking about the contributors to wellbeing.

The framework was designed to centre wellbeing in conversations about policy and decision-making. It prompts thinking about short- and long-term policy impacts across the different dimensions of wellbeing. Local government is a contributor to all aspects of individual and collective wellbeing expressed in the framework.

**Figure 1: Living standards framework**



Adapted from Treasury’s *The Living Standards Framework 2021*.

**“We support the idea of a wellbeing framework for local and central government. This could build off existing framework such as the Living Standards Framework, He Ara Waiora, Te Whare Tapa Wha, incorporating more global frameworks such as the Sustainable Development Goals, Planetary Boundaries and Kate Raworth’s Doughnut model, to name just some.”**

*– Waikato Wellbeing Project*

He Ara Waiora is another framework used by the Treasury which provides a more culturally specific approach to wellbeing based in te ao Māori. It uses the concept of waiora – often translated as a Māori perspective on wellbeing – to build a holistic, intergenerational approach. It articulates both the ends (the important elements in Māori perceptions of wellbeing) and the means (the values or principles that help to achieve the ends).

There are also diverse approaches to and frameworks for understanding Pacific wellbeing, reflecting the diversity of Pacific peoples in Aotearoa New Zealand (see, for example, Ola Manuia: Pacific Health and Wellbeing Action Plan 2020–2025 from the Ministry of Health, or reports from the Ministry for Pacific Peoples). Further links between He Ara Waiora and the Pacific Wellbeing Strategy have been made in recent reports (NZPC 2023).

### **Aligning central and local government to support community wellbeing**

Central and local government have distinct but intertwined roles and responsibilities to support community wellbeing. However, their very different operating environments and decision-making processes makes it difficult to work together. This misalignment has resulted in constrained and poor relationships between agencies and councils.

Throughout our engagement, we heard that people want to see a better relationship between local and central government. People across local and central government are frustrated. Community groups and hapū/iwi are tired of living in the shadow of a dysfunctional central–local government relationship which impacts their own ability to work effectively.

Currently, opportunities to realise real value for communities are being missed. Local government’s convening power and local expertise is undervalued or underutilised. Central government agencies’ high-level view and policy perspective isn’t always deployed well at place.

**“It is time for central and local government to have a shared north star – the wellbeing of communities and whānau at place. We need a solid platform, and an agreed plan to get there.”**

*– Taituarā*

The known and unknown challenges of the future require dramatically different and more effective collaboration to support local wellbeing.

The existing central–local government relationship is multi-layered and multifaceted, with many central government agencies and 78 councils with roles that affect outcomes in local communities. While there are examples of successful collaboration, these often rely on relationships between individuals rather than enduring relationships across organisations at a system level.

**“We need to build strength across the system that isn’t just reliant on individual relationships and that doesn’t become too bureaucratic.”**

*– Feedback from Central–Local Government CE workshop February 2023*

Now is the time for local and central government to commit to improving their relationship in a systemic way – no more piecemeal solutions.

**“To truly deliver local wellbeing, we need to line up policy intent, planning and funding – three legs of the stool. That requires all levels, and all agencies, of government working together in partnership.”**

*– Hamilton City Council*

**“Councils have been given more and more unfunded mandates from central government pushing responsibility down to local government, with no or little additional funding. This needs to be addressed.”**

*– Raukawa Charitable Trust*

Specific areas where the Panel considers ongoing collaboration is needed are:

- ▶ coordinating and allocating roles and functions, especially those related to activities that sit across local and central government like climate change, economic development, public health, and social housing
- ▶ setting priorities at a local level and aligning resources to achieve community outcomes
- ▶ developing new ways of working that involve experimentation, innovation, and system learning. This should include investigating new models for delivering wellbeing for communities, like mission-led approaches.

To support these outcomes, the Panel recommends establishing a dedicated Crown department to facilitate the relationship and coordinate and align resources (Rec 8).

A new department alone will not be sufficient to ensure a strong relationship. Legislative, cultural, and process changes are also necessary. However, a stronger relationship will enable central and local government to understand what their roles and differences are, be better partners to each other, and clearly see and understand the value the other brings.

## **A new Crown department to support the central–local government relationship**

To address complex wellbeing challenges, central government agencies and councils need to find opportunities to collaborate at place to identify and coinvest in joint wellbeing priorities. At a system level, planning processes and investment need to be aligned so resources can be directed where they are needed.

The new Crown department will help enable the shift to a new way of operating and working together. It will provide space for collaboration and help to break down structural barriers to working together. It will help quantify and communicate the value that civic and social infrastructure create for communities. It will also be an integration point for the many government departments and councils involved in local outcomes.

If done well, the department has the potential to be one of the catalytic entities for a more joined-up public service. Within the context of the Te Tiriti-based partnership in Chapter 3, this would deliver a more aligned and coherent exercise of kāwanatanga.

The functions of the department will include:

- ▶ supporting agencies to join up on regional priorities and issues so there can be a single and consistent central government presence when working at place with councils
- ▶ building leadership capability across central and local government to enable and support a culture of collaboration as a default
- ▶ expediting the use of approaches like place-based agreements as a mechanism for councils and agencies to agree on and deliver locally specific priorities and actions in partnership with iwi and hapū and alongside communities. For more information, see the [Place-based agreements section](#) of this chapter
- ▶ providing a forum for ongoing discussion and resolution between central government and councils about allocating roles and functions. Further information about the process for making decisions is outlined in the [Roles and functions section](#) of this chapter
- ▶ supporting consistent and more deliberate data collection and analysis at a place-based level
- ▶ developing research and innovation capability that maximises local government's contribution to intergenerational wellbeing for its communities
- ▶ assessing and informing policies that impact local government and where local government can make a greater contribution to national priorities.

To carry out these functions effectively, the new department must have the status and authority to convene multiple central government agencies to resolve strategic policy or cross-cutting issues in the relationship between central and local government.

The specifics of delivering the functions outlined above would be developed as part of the establishment process for the new department. However, the approach will need to reflect that the relationships are inherently complex and there are many moving pieces.

### **Other changes needed to support collaboration**

Other changes are needed to support a joined up public sector that can deliver place-based outcomes for communities. These include:

- ▶ making amendments to the Public Finance Act 1989 to provide for more flexible application of Crown funding to meet place-based priorities and agreed coinvestment approaches
- ▶ aligning planning cycles between central and local government so decisions about significant priorities and investments can be made in a joined-up way
- ▶ facilitating staff exchanges and secondments between central government agencies and councils to build knowledge and understanding between the two levels of government.

Place-based agreements and mission-oriented innovation are two examples of how central and local government could collaborate more intentionally.



### **Place-based agreements**

Place-based agreements are bespoke packages of funding and decision-making powers negotiated between central and local government and other local bodies as part of the exercise of *kāwanatanga*. They are designed to drive long-term, large-scale wellbeing improvements at place in a way that shines light on local priorities.

Agreements may be organised around a specific place – for example, with one or more region, city, or town – working to achieve a long-term vision for the area. They can also be sector specific – for example, an agreement around conservation across multiple regions.

Place-based agreements are part of a broad framework for central and local government strategic alignment, collaboration, and coordination. They are known by a range of names including city deals, town deals, region deals, community agreements, and growth deals.

Different forms of place-based agreements are already happening across the country. However, current agreements lack ongoing commitment from all parties.

The Panel sees opportunities to design and implement place-based agreements in a consistent and strategic way in collaboration with communities. Effective place-based agreements will align priorities, responsibilities, and funding across different parties and ensure benefits are felt by communities at place (Beca Limited 2021).

Place-based agreements can be refined and adapted over time as milestones are achieved and next steps are agreed. The agreement can be periodically reviewed and updated.

The development of place-based agreements is challenging and will take time. There will need to be room for some trial and error and a way to share learnings across the field.

### Exploring mission-oriented innovation

Achieving intergenerational wellbeing for communities is beyond local government's power and influence if it works alone. Delivering outcomes to improve community wellbeing requires partnering with a wide range of businesses, NGOs, communities, and central government.

One way to improve community wellbeing is through mission-oriented innovation. These approaches break up big, complex challenges into concrete missions with specific targets, designed to stimulate innovation and collaboration. The mission-oriented approach aims to join-up diverse participants and thinking to leverage each other's resources, with both long-term visions and actions for immediate impact.

Mission-oriented innovation presents an opportunity for government to use all its powers and levers to support purpose-driven economic growth. It can help business and trade to thrive and maximise opportunities for a thriving green economy and just transition to net zero.

Places like Valencia in Spain or Camden in London provide well-developed examples of mission-oriented innovation approaches. Local examples include the Southern Initiative in Auckland, Te Tihi in Palmerston North, Ruapehu Community Learning and Tech Hub, and Te Taihū Intergenerational Strategy in the Nelson region.

Mission-oriented innovation can provide direction and permission for partners to play their role in achieving the outcomes missions encompass. For instance, in Camden two of their four missions are:

- ▶ by 2030, everyone eats well every day with nutritious, affordable, sustainable food
- ▶ by 2025, every young person has access to economic opportunity that enables them to be safe and secure (UCLIPP, nd).

Missions are selected based on local needs and opportunity. Participants design projects and develop prototypes or approaches for delivering a mission, test to make sure they work, and decide how they are to be rolled out. They do not require complete agreement on what to do or who should do it – a thin consensus is all that is needed to begin. Finding ways through disagreement and anchoring responsibilities are a part of the mahi.

Developing and delivering mission-oriented innovation needs skills and perspectives that don't always exist in central and local government organisations. Local government can be best placed, and already has a mandate, to develop the capability and networks needed to develop and deliver wellbeing missions. Shaping missions involves mapping the systems that effect outcomes and designing projects that integrate people and resources in innovative ways. It means living with complexity and non-linear progress.

The Panel thinks councils should embrace mission-oriented innovation as one of the tools in their toolbox, and thinks this approach could be complementary to the place-based agreements discussed above.

### **Local government as a climate-action leader**

Local government has a frontline role in the response to climate change. Councils are embedded in communities and have a deep understanding of the local impact of systemic issues and broader policy decisions. They are ideally placed to collaborate with communities, hapū/iwi, business, and other organisations to devise and execute climate adaptation and mitigation plans that make sense at a local level.

**“Impacts of climate change, while global, will be experienced in a hyper localised way and so [we] need hyper local planning and prevention.”**

– *Individual submitter*

Aotearoa’s climate is warming as a result of greenhouse gas emissions from human activities, and this warming will have significant impacts on the weather and many people’s wellbeing. These impacts are already being felt as the country faces increasingly intense weather events like Cyclone Gabrielle which displaced over 10,000 people (McConnell 2023) and killed 11 earlier this year (Stuff 2023).

New Zealand needs to transition to a low-emissions society to help slow further warming and adapt our ways of living to be more resilient through increased extreme weather events and other environmental changes. Making these necessary changes will involve some difficult decisions and require significant investment by local and central government and communities themselves.

**“Councils have a critical role to play in creating a just transition for people affected by climate, technology and other change. A just transition requires partnership between government, unions, iwi, community groups, education and business.”**

– *Public Service Association*

A number of the recommendations and suggestions in this report will support local government-led work to mitigate climate change impacts and transition to lower carbon approaches.

- ▶ **Supporting and enabling community-led action:** Councils can support and enable hyperlocal, neighbourhood, and community-led responses to climate change. They can share expertise, help adapt projects to local conditions, and provide infrastructure and funding for initiatives that support net-zero lifestyles and responses to climate-related disasters. Community-led climate initiatives can include community recycling, repair cafés, tool libraries, community gardens, micro energy projects, food resilience projects, and mutual aid organisations.

- ▶ **Citizen-led democracy practices:** Citizen-led processes, especially deliberative processes, can engage community members in decisions about how to care for the land, homes, and public areas at risk of flooding and other climate impacts. Community decision-making can help ensure hard decisions are made in a way that engages a broad range of voices and builds community trust and buy-in. [Chapter 4](#) describes these practices in greater detail.
- ▶ **Te Tiriti partnership for better local outcomes:** Many hapū/iwi and Māori organisations and rūpū have deep knowledge of local ecology and the way climate has affected the environment over time. In times of emergency and crisis, marae have a critical role in responding to and providing for communities. The recent floods in Auckland and the east coast of the North Island clearly demonstrated this. By strengthening local government relationships with hapū/iwi as outlined in [Chapter 3](#), there is significant opportunity to co-design better and more culturally appropriate local climate strategies. Incorporating te ao Māori values and learning from mātauranga Māori can help local government build a more holistic and inclusive approach to climate action at place.
- ▶ **Place-based climate adaptation supported by an intergenerational fund:** Different parts of the country experience the impacts of climate change in different ways and on different timescales. Some regions need urgent mitigation action, others will feel the effects more acutely in a decade. The [intergenerational climate fund](#) can help fund major climate adaptation work. Local government will have a role in providing input on decisions about priorities and, as appropriate, the application of the fund.

## Taking a fresh look at local government roles and functions

Regional councils, territorial local authorities, and unitary authorities carry out a wide range of different roles and functions. While many are the same across councils, some vary from place to place depending on the type of council, community size, and local needs.

We have heard from councils that they want to localise the delivery of some roles currently carried out by central government. Many councils believe they have the expertise and local knowledge to deliver these effectively. Further, councils see themselves supporting intergenerational wellbeing as much as providing physical infrastructure, and many are keen to grow their local role as an anchor institution in their communities.

Councils face funding pressures that affect their capacity to carry out their current roles and functions. These are exacerbated when central government adds roles without additional funding streams. The proposed affordable water and resource management reforms have also created uncertainty. Some council submitters are seeking a transfer of central government roles and functions to local government, realising that these reforms create opportunities and raise the issue of devolution from central government to local government as part of setting priorities and coinvestment.

### What we mean by roles and functions

A **function** is a broad area of responsibility. This could include things like transport provision, system stewardship, or environmental monitoring. **Roles** are the different actions or jobs that contribute to a broader function. For example, in the function of transport, councils have the role of building and maintaining local roads, and regional councils have the role of providing public transport.



Another example is the function of public health. Within this function, central government agencies have a range of roles and responsibilities. For example, the Ministry of Health has roles around public health strategy, policy, regulation setting, and information and intelligence collection. A regional provider might have roles around planning and commissioning hospitals and providing primary and community health services. Councils would likely have roles around food safety, health homes initiatives, and the provision of recreation facilities and services to improve peoples' wellbeing.

The breadth of local government's activities in New Zealand is less than in other OECD countries. Internationally, the primary areas of sub-national spending internationally are education, social protection, public service provision, and health. Some submitters suggested a similar approach, extending local government's mandate to provide some services currently delivered by central government. The Panel does not think a straight transfer of roles is appropriate – it is less binary than a simple reallocation of roles and functions from central to local government. The Panel considers that a culturally nuanced approach, tailored to the Aotearoa New Zealand context, is needed.

The Panel suggests a review of roles and functions, starting with those already carried out by local government. Over time, councils must work with central government, hapū/iwi, and communities to review how roles and functions are delivered. The Panel suggests using the local-first framework (set out in Figure 2 below) to guide decision-making.

The Panel's suggested approach intentionally avoids being prescriptive in order to enable flexibility and innovation, and recognises the

complexity associated with the delivery of certain roles and functions. The approach outlined in this section supports what we have heard consistently from local government – that one size does not fit all and the importance of self-determination.

### **Impact of proposed reforms**

While a number of councils' roles and functions have changed since the late 1980s, the proposed affordable water and resource management reforms are driving the most significant changes in decades.

If implemented as proposed, they will significantly impact the structure, funding, resource allocation, and roles of councils.

Given the whole-of-system intent of our review, the Panel considers there is an opportunity for a much-needed alignment exercise across all aspects of the proposed reforms. The reorganisation of local government, incorporating a new operating model (as recommended by the Panel in [Chapter 5](#)), should recognise the impact and opportunity that the proposed reforms present. Further reforms and significant change underway include recent reforms to the health system, actions relating to climate change mitigation and adaptation, discussions around growing social inequity, and significant investment to upgrade and maintain national infrastructure.

### **Evolving local government's roles and functions**

In addition to wanting greater clarity about the future roles and functions of local government, some submissions argued that roles and functions must be defined before choices about council operating model and structure can be made.

In the Panel's view, there is a high degree of interdependence between local government's roles and functions and its structure and funding.

## **Decisions relating to the allocation of roles and functions cannot be made without understanding how they will be funded, and whether local government has the capacity and expertise to carry them out.**

On balance, the Panel believes it is best to consider changes to roles and functions once decisions about the future structure and operating model of councils have been made (see [Chapter 5](#)). This approach will provide clarity about the form, capacity, and capability of local government before roles and functions are allocated. It will also:

- ▶ provide more certainty as decisions are made about how local and central government can work together and understand what roles and functions are best undertaken nationally, regionally, or locally
- ▶ better respond to the priorities and needs of different parts of the country and the relative strengths of local and central government in each area.

To logically work through these issues, the Panel suggests that a review of roles and functions is carried out in two parts.

1. Current roles and functions of local government should be assessed as part of the broader process of structural reorganisation described in [Chapter 5](#). As councils in a region come together to consider their structural choices, they must consider how to best deliver current roles and functions. Many will stay local, while others might be best delivered regionally.
2. Over time, councils must work with central government, hapū/iwi, and communities to decide how to deliver roles and functions. As noted earlier in this chapter, functions relating to big wellbeing challenges facing communities like climate change, public health, economic development, and social housing need more thorough analysis and consideration. Roles across these complex, multi-faceted functions cannot be delivered by just one arm of government. They will require central government and councils to agree on their investment priorities and how to apply their resources, and work with others such as hapū/iwi.

Working through issues related to these functions may also highlight at what stage and under which conditions it is appropriate for some roles to be devolved from central to local government. When councils agree on regional and local wellbeing priorities and the associated funding contributions with central government, it will also help clarify what their respective roles should be.

For councils, additional roles will most likely be reflected in arrangements and agreements such as place-based deals (which were discussed earlier in this chapter). They must focus on how to apply the resources of local and central government for the maximum benefit of communities. Given the evolving needs of communities and the challenges they face, these conversations must be ongoing – it is not just a one-time process.

When councils develop partnership frameworks with local hapū/iwi and Māori as part of this process (as outlined in [Chapter 3](#)), they should consider what roles and functions could be devolved to iwi and hapū to benefit communities and give effect to Te Tiriti.

**“Tangata whenua organisations are increasingly taking on roles and functions (including quasi-planning and regulatory) that traditionally local government would perform and this can be expected to continue and expand. Those functions are not performed as a simple contracting out of local government functions but as expressions of the tino rangatiratanga of local hapū and iwi.”**

*– Whakatāne District Council*

Councils will also need to work closely with communities in their area and consider whether and how some roles, activities, and services, such as community-led development and community-led place-making, can be delivered in more effective ways by community and business organisations.

## Local government's regulatory role and responsibilities

Local government is responsible for a range of significant plan-making and regulatory functions and roles, such as building consenting, monitoring and certifying food premises, resource consenting and enforcement. The regulatory responsibilities of local government are diverse and significant, involving areas that are fundamental to the wellbeing of New Zealanders. Councils' work affects the environment, biosecurity, food safety, and building and water quality, along with a host of other issues.

Given the quasi-judicial nature of many of these roles, it is important to carefully consider how to maintain regulatory separation and independence in both organisation design and the allocation of regulatory roles, duties, and responsibilities. This will need to account for the impacts of the proposed water and resource management reforms. The balance required in providing both monitoring (eg, environmental impact) and delivery roles is discussed in [Chapter 5](#).

Many of these regulatory roles require specific technical specialists and scientific expertise. How to effectively collaborate, partner, or possibly aggregate this expertise, including national or sub-national options, will need further consideration. Given the proposed resource management reforms and the implications flowing from new national planning frameworks, there will be a need to consider how best to discharge these roles and responsibilities.

## Applying the local-first framework

When considering the future allocation of local government's roles and functions, choices must be made about what activities should be delivered nationally, regionally, and locally, as well as what can be shared across different councils. Decisions should be guided by the local-first framework outlined below, based on who can best deliver the service in a way that provides value, uses local resources, and genuinely meets local needs.

The Panel does not anticipate that the application of the framework will result in the wholesale transfer of government services to local government. Local government should not become an agent delivering central government services. Rather, allocation should focus on strengthening and leveraging councils' civic and social infrastructure and the benefits that accrue from councils' close proximity to their communities.

The assessment will vary for each local area. A large metro community will have different priorities and functions than a smaller community.

### The local-first framework

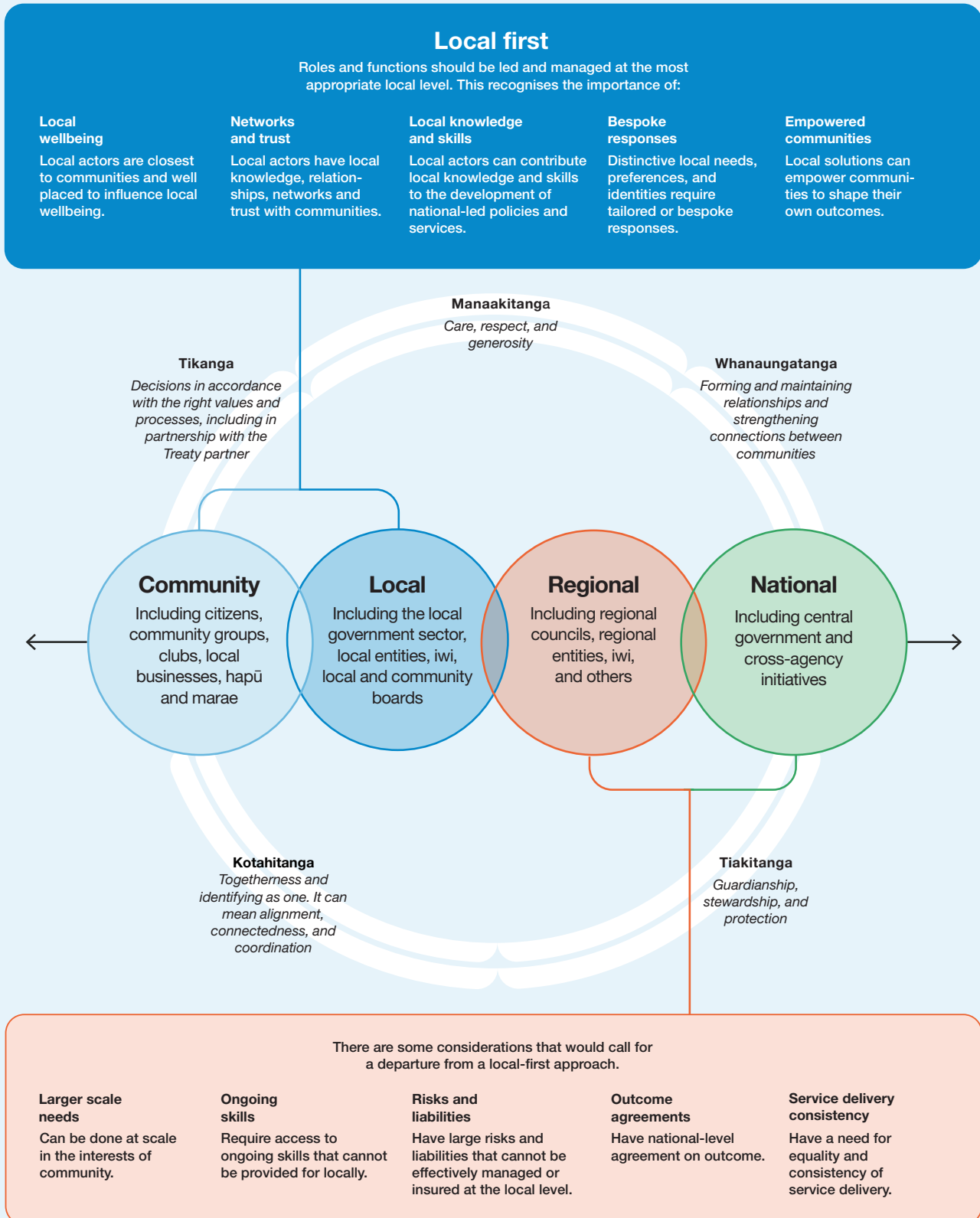
The Panel developed the local-first framework to help guide decisions about the allocation of roles and functions to a range of different local, community, regional, and central actors.

The framework is an iterative guide, not a formula, and it is intended to be flexible to respond to different circumstances and future challenges.

## Figure 2 Local-first framework

The allocation of roles and functions is not binary. Many roles and functions will sit across local, national, regional, and community spheres, harnessing collaboration and partnership.

This framework sits within the broader context of systems governance and local government's role as systems networker and convenor. The framework is an iterative guide, not a formula.



The local-first framework starts from the position that roles and functions should be led and managed as close to communities as possible, unless there is a good reason not to. A number of actors from different layers of delivery may be involved in a role or function. For example, while a role may be delivered at a local level, community and business groups have an opportunity to shape and prioritise the outcomes and service delivery.

The application of these concepts must be iterative and flexible to account for local context and relationships. How they are applied and understood will look different from place to place depending on the local kawa and tikanga.

Any decision-making on how roles and functions are delivered must also be informed by the aspirations of local hapū/iwi. It should also be influenced by hapū/iwi relationships with te taiao and their whakapapa to place.

As discussed in [Chapter 3](#), te ao Māori values should be woven into the fabric of local government. This includes the allocation of roles and functions.

The Panel expects it will be appropriate under the framework for some roles and functions currently carried out by local government to be aggregated to a more central delivery model. This could mean a central government entity takes responsibility where there are not specific local needs or hapū/iwi aspirations to perform the role locally and centralising would allow for greater consistency of service delivery. A potential example is in the nationwide delivery of the building consenting function. Another option could be for one council to pick up responsibility for the delivery of a role or function on behalf of other councils, either in their region or nationally (this option is discussed further in [Chapter 5](#)).

In some cases, consideration across central government will be needed, such as when decisions:

- ▶ relate to allocating multi-faceted roles and functions to local government where more than one central government agency is involved
- ▶ are about the potential devolution of central government roles and functions.

The Panel recommends that the new Crown department described in this chapter would coordinate decision-making on central government's behalf and have a key role in working with councils to confirm arrangements.

### **Considerations in applying the local-first framework**

Any review of roles and functions should consider the following.

- ▶ Many roles and functions sit across community, local, regional, and national actors, and will require collaboration and partnership between them. This is not a binary matter of functions being delivered centrally or locally. A more collaborative local approach may be required in the design and decisions for commissioning and delivery.

- ▶ Functions that respond to complex wellbeing challenges like climate change, natural disasters, and intergenerational poverty will require ongoing collaboration between local and central government, hapū/iwi, and communities.
- ▶ There are opportunities for hapū/iwi to collaborate with central and local government on the design and delivery of roles and functions. The allocation of roles and functions needs to recognise and be flexible to the evolving capabilities and future aspirations of hapū/iwi.
- ▶ Councils, along with community groups, NGOs, and the business sector, should have input into activities that have a direct impact on them, and direct involvement in locally specific initiatives.
- ▶ Opportunities to enable community-led initiatives, including place-making, services delivered by community, and exploring community ownership and management of assets.
- ▶ Opportunities to centralise (either nationally, sub-nationally, or regionally) the delivery of some roles and functions when, for example, there is likely to be little variation in how they are delivered from place to place.

### Funding considerations

The allocation of roles and functions should be accompanied by clear discussions about where funding will come from. For roles and functions which contribute to national-level outcomes, central government should make a funding contribution. This will manifest itself in arrangements and agreements between the Crown and councils about what roles and functions local government will perform, how they will be commissioned, and the associated funding. As discussed later in this chapter, the Panel envisages that this will lead to a fundamental reset of the funding relationships between central and local government.



## **A sustainable, equitable local government funding and finance system**

Local government has been under significant funding pressure for several years. Councils face growing community and government expectations and the impacts of growth, tourism, and significant infrastructure failures. Many people have suggested to the Panel that the system is ‘broken’ and that we have reached ‘peak rates’.

**“The financing of local government is a major barrier, local government needs a much-improved system of funding. In addition to an inefficient financing system, the pressures of inflation, increasing cost of living, skills shortages and climate change add to the challenge of funding for growth and delivering community aspirations.”**

*– Upper Hutt City Council*

The current funding and financing approach is not sustainable in the context of complex wellbeing challenges and increasing community expectations.

Numerous previous reviews of local government funding have highlighted the problems and recommended changes to the system to ensure that councils can more sustainably fund their activities (NZPC 2019). However, central government has failed to enact these recommendations and the issues are compounding.

The Panel recommends some significant changes to the local government funding and finance system that will coincide with the new system of local government. This time, change must happen. Without it, local communities and future generations will be the ones missing out.

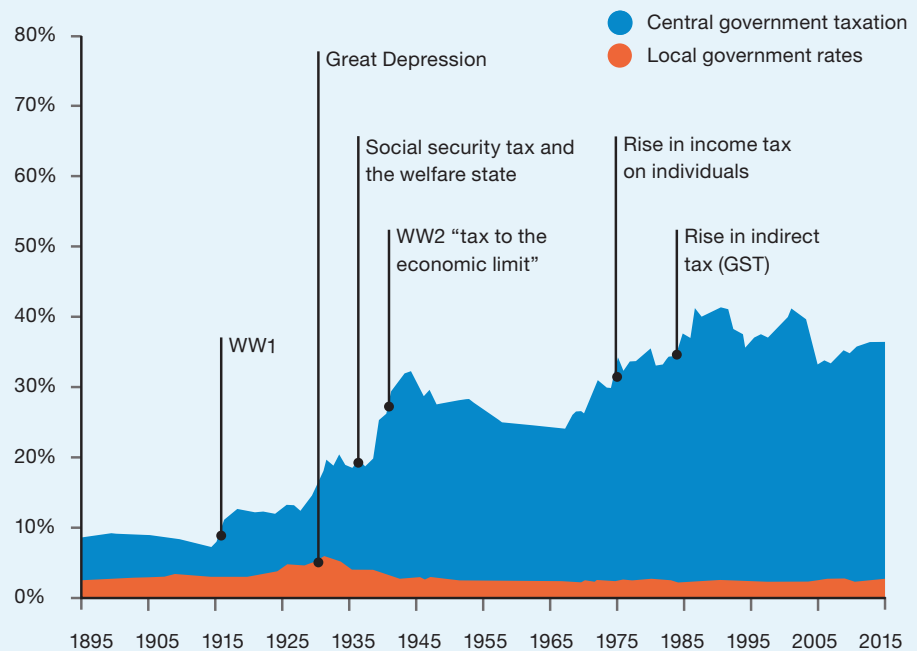
Many local government activities directly support national-level wellbeing priorities and outcomes. These have been allocated to local government by central government over the past few decades, often without the provision of additional funding (the unfunded mandate).

**“While trust is expressed by central government in the responsibilities delegated to local, the lack of support financially and logistically suggests local government has facilitated the transfer of many functions and costs from taxpayer to ratepayer.”**

**– Federated Farmers**

While taxation as a percentage of GDP has risen over time, local government's share has stayed at around 2% of GDP – even as it has responsibility for an increasing share of the national public good.

**Figure 3: Taxation as a percentage of GDP**



Adapted from New Zealand Productivity Commission, Local government insights (2020).

The pressures mentioned above have led councils to increase rates at levels consistently higher than the Consumer Price Index. These increases are unpopular and have a significant influence on election campaigns and financial decision-making. As a result, there has been historical underinvestment in the services and infrastructure that communities need and central government requires.

Proposed infrastructure reforms would see some responsibilities removed from local government's direct responsibility, but many of the underlying problems will remain.

### **Actions for a future funding and finance system**

The Panel's funding and financing recommendations are designed to address current pressures and near-future challenges. Funding and financing approaches will require continual review and adaptation as new methods and technologies emerge.

In a future funding system, the Panel considers rating should continue as the primary revenue tool for councils, although the rates-setting process needs to be simplified. Councils should also be enabled to use a wider range of revenue tools.

Rating and new revenue tools alone will not be sufficient, however. The Panel recommends central government invests significant funding to deliver locally specific community outcomes.

Without central and local government aligning efforts to plan, fund, and execute projects, opportunities to deliver better outcomes for communities will be missed. Alignment will require central government to meaningfully invest in place. In return, central government and the country will benefit from increased economic productivity, better social and civic infrastructure, and an enhanced environment. There is also a significant opportunity to reduce duplication of effort and deliver greater value for money through a more effective and efficient central and local government system.

This central government investment in local outcomes will go hand-in-hand with other changes to local government, including:

- ▶ the transition to a new structure and operating model for local government (see [Chapter 5](#))
- ▶ strategic use of shared services to deliver better value and realise economies of scope and scale (see [Chapter 5](#))
- ▶ the alignment of local and central government processes and investments and agreement of shared priorities at place, supported by a relational Crown department (as outlined in this chapter).

**The panel expects central government will not be pitching more money into the current system – it will be investing in a new system that will be better equipped and joined-up to address complex problems and build community wellbeing.**



## Increased central government investment

The Panel heard overwhelmingly from councils and many other submitters that there needs to be greater central government investment in local government. Many observed that councils often bear the cost associated with activities that facilitate economic development like tourism, providing for growth and infrastructure development. However, they do not receive any share of the resulting tax growth.

Submitters from the business community also told us they were bearing an unfair share of the costs associated with responding to new regulation, growth, and increased standards without additional benefits being clear. In these cases, submitters considered part of the costs should be borne nationally. Future challenges, like the increasing impacts of climate change, will add to the calls for change.

The Panel recommends four main ways central government can address the imbalance:

- ▶ funding to support local priorities, place-based agreements, and devolution of roles
- ▶ an annual funding transfer to councils to support local outcomes
- ▶ an intergenerational climate change fund
- ▶ central government agencies paying rates on their properties.

### **Funding to support local priorities, place-based agreements, and devolution of roles**

Earlier in this chapter, the Panel highlighted the importance of central government and councils developing a new way of partnering and working together. This includes:

- ▶ aligning wellbeing priorities and developing place-based investment plans
- ▶ developing and implementing place-based agreements
- ▶ devolving and transferring roles and responsibilities to local government
- ▶ investing in new ways of working with councils and communities to deliver community wellbeing.

It is not possible for the Panel to quantify the amount of funding required to support these activities. However, the Panel observes there is already significant central government funding applied to community wellbeing in current budgets. The combination of the approaches proposed is likely to result in better use of the current spend and may not require new money to be found.

As part of agreeing each arrangement, funding and resource allocation decisions will need to be made. Over time, as new ways of working evolve and local wellbeing outcomes improve, the Panel anticipates that this will be the new norm of operating. The new Crown department would play a significant role in facilitating and agreeing funding between central and local government.

Introducing these changes will provide a significant source of funding for local government to strengthen community wellbeing.

## Annual funding transfer to councils to support local outcomes

To address existing financial pressures and create capacity for local government to pursue urgent local priorities and invest in its capacity and capability, the Panel recommends an ongoing annual transfer of funds from central government to councils (Rec 13).

Further work is needed to determine the appropriate amount on an ongoing basis. As a starting point, the Panel suggests that central government establish a \$1 billion per annum funding transfer to local government, with the amount to be reviewed annually.

The Panel suggests \$1 billion a year for two main reasons. It is a large enough sum to make an impact when distributed to councils – it is approximately equivalent to the Provincial Growth Fund, which distributed about \$3 billion over three years (OAG nd). It is also roughly equivalent to the annual amount that property owners paid in GST on their rates during 2021/22 (Stats NZ 2022).

This funding will be for councils to pay for locally defined priorities and projects that support intergenerational wellbeing and local democracy, but might not otherwise be funded. This could include building capacity and capability for innovation and collaboration and supporting local hapū/iwi to contribute to work alongside councils on shared priorities. The funding should not be used to offset rates.

While the specifics of the funding allocation and design are beyond the scope of this Review, the Panel suggests applying the following principles.

- ▶ **Funding provided by right:** central government does not impose requirements on councils to receive the annual funding.
- ▶ **Locally specific priorities:** councils determine what activities are funded annually based on their specific local needs and priorities.
- ▶ **Additionality:** the funding is used for activities that contribute to wellbeing or local democracy over and above standard business-as-usual activities. Using funding to offset rates by applying the funding to usual council business would not be acceptable.
- ▶ **Equitable distribution:** funding should be distributed to councils on a consistently applied basis, potentially similar to the current Transport Financial Assistance Rate. Specifically, the fund should be allocated to councils in a way that accounts for population, geography, deprivation, and tourist/non-resident impacts.
- ▶ **Accountability:** a mechanism should be in place for councils to demonstrate they are applying the funding to appropriate activities.

## An intergenerational climate change fund

The climate change challenge facing Aotearoa New Zealand and the rest of the world is huge, and councils have a significant role in helping communities and businesses adapt to climate impacts in their areas.

The future climate challenge for local government will exacerbate the existing challenge of addressing the infrastructure deficit of the past 30 years. To ensure both central and local government are well placed to meet the challenge, there needs to be a joined-up and sustained approach.

Investment is required in climate change adaptation, especially in areas prone to flooding or vulnerable to the impacts of sea-level rise.

Without a comprehensive and sizeable fund to enable the country to respond to these challenges, we will be constantly caught responding to the next crisis.

The Panel recommends establishing a fund for climate change adaptation efforts across the country (Rec 15). This fund, combined with the resources of local government, insurers, and private property owners, will need to bear the brunt of climate adaptation costs. The Productivity Commission has also recommended a fund, and this is consistent with other calls for change (NZPC 2019).

While the specific details are out of scope of this Review, the Panel envisions:

- ▶ significant local input into decisions about priorities and, as appropriate, the application of the fund
- ▶ the fund taking a holistic view of needs across the country
- ▶ the fund's administration recognising that different areas will have significantly different adaptation needs and may require investment at different levels and timescales.

Climate change mitigation efforts will also require funding at a local and national level. Whether this should form part of the fund is something that needs further consideration. The Panel considers that while the fund should be dedicated to adaptation and addressing significant community climate challenges, there may be reason for it to also address some mitigation matters. While local government will have a role in climate mitigation, it will be increasingly baked in to business-as-usual for all government and non-governmental entities. However, there may be circumstances where use of such a dedicated fund for mitigation activities is warranted.

There are a variety of ways this could be funded, including through the Emissions Trading Scheme (ETS), specific levies, or general taxation. It is beyond the scope of this Review to provide recommendations in this respect.

### **Central government agencies pay rates on their properties**

Central government agencies pay limited or no rates and charges on their properties. Successive reviews have recommended this change (see NZPC 2019 and LGRI 2007) but it has yet to be implemented. In a limited number of locations some central government agencies pay targeted rates only for sewerage (wastewater), water, and rubbish collection if they are separately charged by the local council.

The Panel recommends central government pays rates and charges on its land and capital improvements (Rec 14). There is nothing to stop this from being enacted now – all that is needed is political will. Central government paying rates would be a signal of good faith and a sign of central government commitment to a more equitable funding model.

## Other changes to the funding and finance system

The Panel believes the following interventions would address some of the other issues we found that earlier funding and financing reviews also identified:

- ▶ widen the toolbox of revenue streams available to local government
- ▶ address issues specific to rating on Māori land
- ▶ enable financing for community outcomes.

The Panel also recommends Cabinet be required to consider the funding impact on local government of proposed policy decisions (Rec 16). This would be a step towards stemming the flow of additional responsibilities placed on local government without additional funding.

### Widen the toolbox of revenue streams available to local government

The Panel considered potential revenue streams councils could use to supplement rates and increase the diversity and sustainability of funding to support wellbeing outcomes (for more detail, see Chapter 8 of the draft report).

The Panel suggests making legislative and policy changes to make additional funding tools broadly available to local government and easier to implement. Most of the tools listed below are currently used in some places in some capacity, but implementation can be challenging.

- ▶ **Road congestion and tolling charges** which contribute to the cost of providing new infrastructure and can provide incentives for road users to consider other transportation options. These changes can potentially reduce demand on roads and contribute to lowered emissions.
- ▶ **Bed taxes and visitor levies** that are charged to visitors. These levies would help fund the additional infrastructure needed to accommodate peak tourist demand, beyond the needs of locals.
- ▶ **Value capture targeted rates**, which would allow local authorities to capture some of the increase in property values resulting from infrastructure investments. However, it is challenging to craft fair and equitable value capture provisions.
- ▶ **Volumetric charging** to businesses and households helps with the recovery of costs and enables councils to manage demand. At the moment, these charges are used for water in some places, but could also be applied to kerbside waste.

### Address issues specific to rating of Māori land

The design of the rating system does not respond effectively to issues and circumstances associated with Māori land (New Zealand Government 2020). These circumstances include the historical context of land takings by the Crown and by extension, local government. This also includes land that has been locked up in planning or by encumbrances, and abandoned property that has been transferred in Treaty settlements and other mechanisms.

The rating system needs to provide tools and flexibility for councils to adjust rating to address issues specific to Māori land. Councils, landowners, land trusts, and post-settlement governance entities need to work together to determine and agree what is fair and reasonable in setting and collecting rates.

These changes will require revision of the Local Government (Rating) Act 2002.

### **Enable financing for community outcomes**

In addition to the revenue streams listed in this section, councils rely on financing (usually through borrowing) to pay for large investments like infrastructure. An increasing number of councils have signalled they are reaching their prudent borrowing limits. This is usually because they have needed to borrow heavily to meet new infrastructure and growth challenges, or to meet changing community expectations.

Most councils rely on the Local Government Funding Agency (LGFA) to secure part or all of their financing. The LGFA is an important vehicle which helps ensure capital is available to councils on very competitive terms and conditions. In the future, local government needs to work with others in addition to the LGFA to support place-based investment. Examples of approaches to enable funding and financing for local community outcomes include:

- ▶ **a ratepayer financing scheme**, which has been conceived by LGNZ in consultation with a financial advisor
- ▶ **community, business, and philanthropic organisations** coinvesting in public good and community priorities
- ▶ **revenue bonds**, which are a class of local government bonds issued to fund public projects which then repay investors from the income created by that project. These are currently used in the United States to raise debt for specific projects.



## Recommendations

- 8 Establish a dedicated Crown department to facilitate a more effective working relationship between local and central government that focuses on:
  - ▶ a relational-based operating model to align priorities, roles, and funding
  - ▶ brokering place-based approaches and agreements to address complex challenges and opportunities
  - ▶ research, development, and innovation capability that equips local government to maximise intergenerational wellbeing for its communities.
- 13 In order to prioritise and deliver on wellbeing, central government makes a greater investment in local government through:
  - ▶ an annual transfer of revenue equivalent to GST charged on rates
  - ▶ significant funding to support local priorities, place-based agreements, and devolution of roles.
- 14 Central government pays rates on Crown property.
- 15 Central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making.
- 16 Cabinet is required to consider the funding impact on local government of proposed policy decisions.

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# Local government embracing Te Tiriti and te ao Māori



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Aotearoa New Zealand's history, culture, natural environment, and constitutional basis is different from any other nation. Its system of local democracy should reflect this.

Hapū/iwi have governed their respective rohe and takiwā for hundreds of years through the exercise of rangatiratanga. A number of Māori organisations and rūpū have been formed to meet the contemporary challenges of colonisation, health and social deprivation, and economic opportunities. They have a vital role in leading and supporting whānau to achieve intergenerational wellbeing.

Te Tiriti o Waitangi provides context and grounding for the relationship between local government and hapū/iwi and Māori.

A future local government system needs to honour and give effect to Tiriti-based partnership between local government and Māori at a system-wide and individual council level. Local government must embody a more culturally specific exercise of kāwanatanga, where te ao Māori, mātauranga Māori and tikanga are woven into its fabric. This will support councils to create a safe place for Māori and deliver enhanced wellbeing outcomes for all communities.

This chapter covers:

- ▶ a distinctive system of local democracy that embraces te ao Māori
- ▶ a Te Tiriti-based partnership between local government and Māori.

The actions described in this report support the move to a partnership relationship and a system of local democracy that embraces te ao Māori in many ways.

### **What do we mean by rangatiratanga and kāwanatanga?**

Conceptions of rangatiratanga are far from uniform, reflecting the varied histories and customs of different hapū/iwi, but at a high level, we have understood rangatiratanga as a concept of political, social, and cultural authority – closely linked to self-determination – through which Māori exercise control or influence over their own institutions, communities, property, and overall wellbeing (including the public goods and services they receive for their benefit).

We understand it to function at both a collective level (in terms of hapū/iwi), and at a whānau/individual level – as in the relationship between a parent and a child or in the choice individuals exercise about how they lead their lives. In this sense, rangatiratanga is fundamentally contextual in meaning – it evolves over time in Māori communities and its application or exercise takes different forms in different situations.

Most importantly, as with any concept related to self-determination, we understand the exercise of rangatiratanga to be critical to achieving better and equitable outcomes for Māori, and to maximising overall wellbeing for communities.

Kāwanatanga, the ethic of governorship, is historically derived from the term ‘Kawana’ or Governor, who in 1840 was the Crown representative in Aotearoa New Zealand that signed Te Tiriti o Waitangi. In contemporary times, Kāwanatanga refers to the Governor and authority delegated to and vested in Parliament, the judiciary, and the executive of government. Local government is often referred to by Māori as an agent of Kāwanatanga as it carries out roles and functions enshrined in legislation that give practical exercise of Te Tiriti o Waitangi at place.

### **Te Tiriti o Waitangi and local government**

Te Tiriti recognises shared authority and the existing rights of iwi and hapū to manage their own affairs, including tino rangatiratanga (full authority) over environmental, social, cultural, and economic relationships. There is a growing understanding and recognition that local government has responsibilities to Māori to give effect to Te Tiriti, and to work in partnership with hapū/iwi within their respective rohe and takiwā.

Māori citizens are also entitled to make culturally distinctive contributions to council decisions and have their voices represented in governance or activities in the kāwanatanga sphere. Still, Te Tiriti will be foundational to how local government partners with and works in relation to hapū/iwi in matters of local governance.

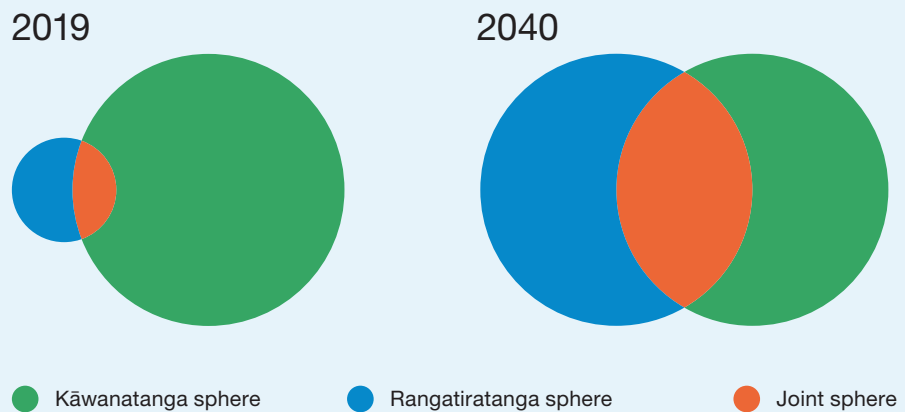
## Te Tiriti o Waitangi The Treaty of Waitangi

The Panel uses the term ‘Te Tiriti’ in this report to refer to Te Tiriti o Waitangi/The Treaty of Waitangi. ‘Te Tiriti’ is used to refer to the combined effect of the English and Māori texts and how that affects the relationship between Māori and local government. See the [Te Tiriti-based partnership between local government and Māori](#) section below for further information about Te Tiriti articles in the context of local government.

The combined effect of Articles One and Two of Te Tiriti leads to what previous scholarship (IWGCT 2016) articulates as two distinct ‘spheres of influence’ – different and overlapping forms of public authority. The rangatiratanga sphere represents Māori governance over people and places, and the kāwanatanga sphere represents Crown (and its statutory delegates’) governance. There is also a relational sphere, the overlapping space where the parties share governance on issues of mutual concern.

To date, assumptions by the Crown have meant that the kāwanatanga sphere is considerably larger than either the relational or rangatiratanga spheres. Over time, the goal should be to move to equitable rangatiratanga and kāwanatanga spheres and a larger relational sphere.

**Figure 4: The spheres of kāwanatanga and rangatiratanga**



Source: He Puapua – Report of the Working Group on a plan to realise the UN Declaration on the Rights of Indigenous Peoples in Aotearoa New Zealand.

Te Tiriti is not the totality of the relationship between councils and hāpu/iwi and Māori. The Panel has heard that many relationships with iwi and hapū precede Te Tiriti, for example through He Whakaputanga o te Rangatiratanga o Nu Tirene (the Declaration of Independence of the United Tribes of New Zealand, signed in 1835).



### **Māori, hapū/iwi, taura here, mātā waka**

In the course of our Review, we have given much thought to the role in local governance for:

- ▶ hapū/iwi groups exercising mana whenua
- ▶ other Māori organisations, such as pan-tribal entities, urban Māori authorities or marae, Māori service providers, and other Kaupapa-based groups
- ▶ Māori as citizens and whānau, including communities such as taura here and mātā waka.

We respect the fact that the collective, political authority component of rangatiratanga is predominantly held and exercised by hapū/iwi. Rangatiratanga is derived from the whenua, through genealogical interests, often whakapapa-based and/or through recognised active leadership. For this reason, we expect hapū/iwi to play a lead role in the strategic co-governance or decision-making processes we discuss in these sections.

At the same time, we expect there will be instances where other Māori organisations can add essential value to the local governance process, particularly in the design and delivery of local services.

In addition, we think cultural identity for the purpose of local governance is a very personal, self-determinative concept. Where someone identifies as Māori but lives outside their rohe or chooses not to affiliate with a hapū/iwi, we think they are still entitled to make culturally distinctive contributions to local governance, and for the system to specifically consider their interests.

## A distinctive system of local democracy that embraces te ao Māori

As a nation, we are making significant strides in better recognising our shared history, the role of Te Tiriti o Waitangi and the value of te ao Māori. Councils and communities are starting to see how governing differently can support the needs and aspirations of everyone.

The Panel supports a new system of local government that has te ao Māori, mātauranga Māori and tikanga woven into its fabric. This will enable local government to become a better Te Tiriti partner, be a safe place for Māori to work, and deliver enhanced outcomes for all communities in the face of significant wellbeing challenges.

Bringing the strengths of te ao Māori and Western forms of democracy together provides a base from which all cultures can be better represented in local governance. We are not proposing a loss of anything, but the shift to a more diverse and culturally responsive approach to local democracy.

The Panel has benefited from generous contributions of mātauranga from hapū/iwi, who have shared how a diverse range of values define the relationship of iwi and hapū with their people and whenua. These values include whakapapa, mana, mauri, tapu/noa, kaitiakitanga, whanaungatanga, manaakitanga, rangatiratanga, and many others.

Some councils are already embracing Māori culture and values, and this is reflected in their processes and activities. Other councils are still in the early stages of their journey or are yet to get started. The Panel heard from many councils that they wanted to do more.

Barriers to change include a lack of understanding, awareness, or appreciation of te ao Māori. Some people fear the unknown or don't want to get it wrong. The Panel has also heard some people expressing hostility and racism when it comes to making changes. Addressing these issues will require a capability lift and mindset shift across all levels of local government, and in communities more generally.

While all steps towards incorporating te ao Māori perspectives are worth celebrating, change must go beyond tokenistic approaches and be embedded into the way councils do things and relate to others.

Local context is vital: councils will need to work alongside hapū, iwi, and Māori to identify how to give effect to this more culturally specific exercise of kāwanatanga in their area. Some common threads will emerge as practices are embedded and mature. We would expect to see – and in some cases are already seeing:

- ▶ tikanga incorporated into council operating and engagement practices
- ▶ te ao Māori values underpinning council decision-making
- ▶ concepts like collective wellbeing and the interconnectedness of all aspects of hauora guiding how councils think about and carry out their work
- ▶ mātauranga Māori sitting alongside Western science to inform how councils carry out their roles and functions

- ▶ te reo Māori being used within councils and being championed in communities
- ▶ towns and cities with distinct identities reflecting and embodying the histories and stories of the area and those who have lived, and continue to live, there.

To give effect to this change, the Panel recommends that councils prioritise and invest in developing and strengthening their capability and capacity in the areas of Te Tiriti o Waitangi, te ao Māori values, mātauranga Māori, tikanga, and the whakapapa of local government (Rec 6).

### **Embedding tikanga**

Tikanga includes the Māori ways of doing things – the customary processes and protocols that guide interactions and decision-making between people and the environment they live in. One example is opening and closing meetings with karakia, which brings people into space together and sets a tone and intention for the meeting. Tikanga also can inform the ways councils carry out their roles and functions in a holistic way to consider impacts on other people and the environment.

### **Reflecting whakapapa and local stories**

Many councils are working with iwi and hapū to help create spaces and places that reflect and acknowledge the unique histories and stories of people and place. Te Pono New Plymouth Airport terminal was designed to have a specific sense of place and connection to the land it is built on (Lukid Media 2021). The site holds significant value to Puketapu Hapū, who collaborated on the project, and their origin story is woven throughout the airport design.

### **Steps to get there**

A more culturally specific exercise of kāwanatanga will require a significant lift in capability and shift in mindsets across the sector. Councils need to prioritise and allocate funding and staff time to grow the necessary skills and cultural competency.

This shift is a vital part of designing and implementing new council operating models (as discussed in [Chapter 5](#)). Councils will need to support and embed tikanga, mātauranga Māori and te ao Māori perspectives into their day-to-day work. This includes leadership, values and culture, mindsets, organisational design, processes, and policies.

In particular, the Panel expects:

- ▶ accountability to be embedded within council organisations and governance. Chief executives and elected members should be required to promote and incorporate tikanga within their organisations

- ▶ councils to develop workforce plans to increase their capability and capacity. Councils should also recognise and value existing staff cultural expertise.

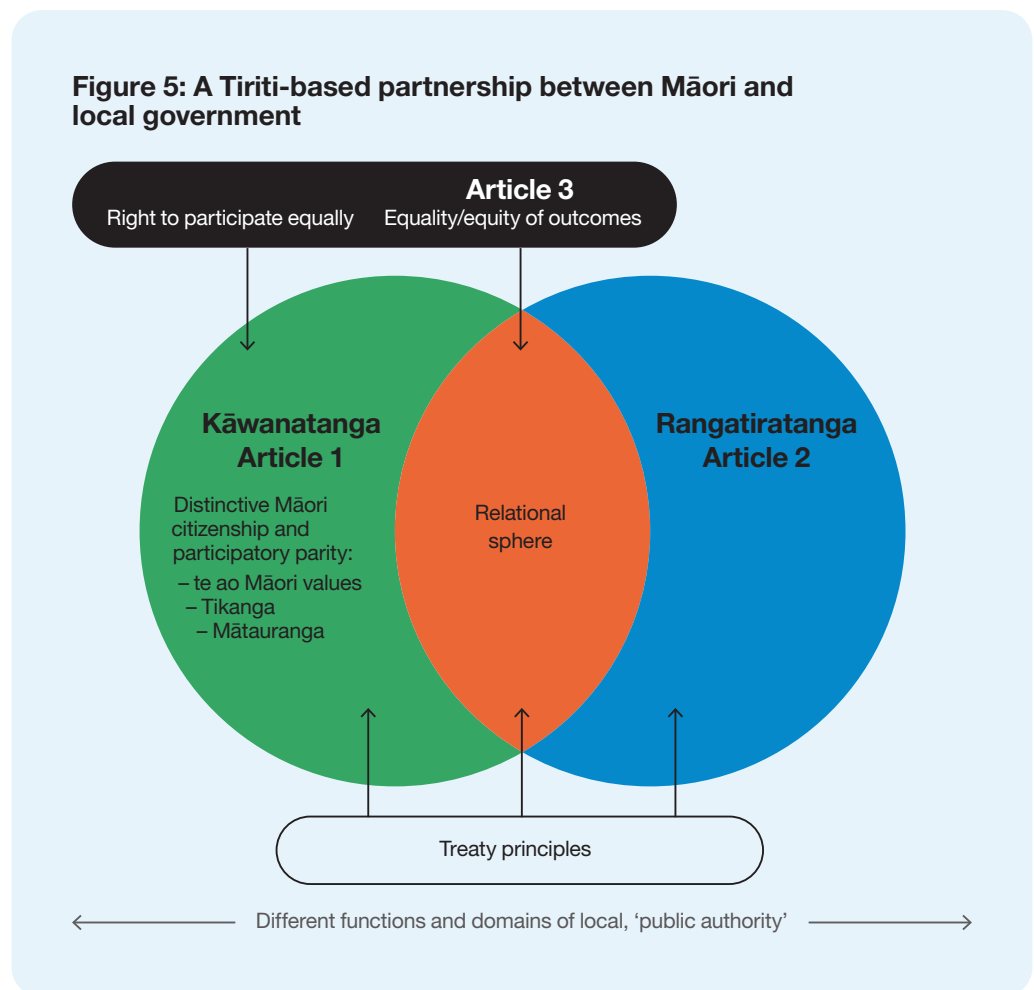
To ensure operational change is embedded into the fabric of local government, we think legislative change is required. The Panel recommends amending the Local Government Act 2002 (LGA) to give councils a statutory obligation to recognise and embed te ao Māori, mātauranga Māori, and tikanga in their operating models (Rec 6).

### A Te Tiriti-based partnership between local government and Māori

The future system of local governance needs to bring together the strengths of local government, hapū and iwi to help drive positive change for communities at place. This will require enduring, mutually beneficial, reciprocal relationships between local government and Māori, supported by the wider system.

The nature of partnership and understandings of Te Tiriti have evolved significantly in the past decade. As a result, the ways central and local government consider their obligations to Te Tiriti, to hapū and iwi at place, and to Māori citizens more broadly, is changing.

**Figure 5: A Tiriti-based partnership between Māori and local government**



The local nature of both councils and hapū and iwi means there is a big area where their interests and activities overlap. This offers an opportunity to improve wellbeing outcomes for communities by building stronger Māori–local government relationships and a more holistic approach to governance.

The relationships should be underpinned by Te Tiriti o Waitangi articles and principles. Local government should enable the local expression of kāwanatanga (Article 1) through increased opportunities for active and consistent Māori participation and representation in governance. Under Te Tiriti, hapū and iwi maintain rangatiratanga and rights to manage their own affairs (Article 2). However, relationships between local representatives of the Crown and Māori extend beyond and in some cases precede Te Tiriti. Since the signing of Te Tiriti, the Crown and Māori have continued to navigate the complex coming together of two parties. More broadly, Māori also have the right to be actively involved as citizens (Article 3).

### **The current state of hapū/iwi–local government relationships**

Many councils already have established relationships with iwi and hapū. These relationships are expressed in many different formal and informal ways. They include voluntary arrangements that provide for iwi/Māori membership on committees of council or a specific advisory role in the local authority structure, formal agreements for sharing or involving hapū/iwi in specific statutory functions, and wider co-governance models established via settlement legislation.

Some councils are already building strong reciprocal relationships and really trying to embody a Te Tiriti partnership and approach to governance. This includes strengthening their local relationship, improving internal capacity and capability, resourcing hapū and iwi for their contribution to local government activities, and developing local spaces that tell the story of people and place.

**“Waikato District Council supports a more Te Tiriti-centric approach to local government based on the understanding that Te Tiriti o Waitangi is a partnership between Tangata Whenua (the indigenous people of Aotearoa New Zealand) and Tangata Tiriti (all non-indigenous New Zealanders).”**

*– Waikato District Council*

For inspiration we can look to Te Pā Auroa nā Te Awa Tupua – the framework for the Whanganui Awa. This settlement legislation provides not just a role for iwi in decision-making, but wider recognition of the personhood of the awa itself and a values framework that centres the importance of caring for the whenua and wai.

While some councils are welcoming the growing partnership, others are challenged by the nature of shared authority and what it means in practice, leading to a huge variety of relationships across the country.

The current system conditions do not support a consistent and sustainable approach to partnership for a number of reasons.

- ▶ Relationships often rely on specific council members or staff rather than an embedded organisational approach that is reflected across the layers of governance and roles in councils. If council members or staff change, it can have a significant impact on the relationship between the council and hapū or iwi.
- ▶ Capacity and capability challenges constrain the ability of local government and Māori to engage constructively or to their greatest effect in local governance. Councils are often constrained in their capacity to truly partner with Māori, and initiatives to lift cultural and Te Tiriti capability are often not broad or sustained enough to ensure lasting change.
- ▶ Many hapū/iwi groups are under-resourced to meet the range of advisory and engagement requests they receive, or feel the level at which this engagement happens is not meaningful.
- ▶ In urban environments, many Māori organisations and rōpū (including marae) provide a range of social and cultural services, community outreach, education, and advocacy. They are not always afforded the mana or status to be successful.
- ▶ Council staff and elected members often do not recognise that local government has a whakapapa and a historical relationship with Māori at place.
- ▶ There has been a long-standing debate around local government's responsibilities to Te Tiriti in its local exercise of kāwanatanga. Legislative conditions and provisions are not sufficient to guide councils or set clear expectations and ensure accountability. As a result, arrangements aimed at achieving a measure of shared authority or enabling substantive hapū/iwi input into local government systems and processes have evolved in an ad hoc and piecemeal way.

While legislation cannot define or provide for a relationship, it can set (or fail to set) a framework to ensure the relationship strives for partnership. The current legislative baseline for the Māori–local government relationship is spread across a number of statutes, including the core requirements in the LGA and specific obligations in a range of local government-related statutes (including the Resource Management Act 1991, The Reserves Act 1977, the Heritage NZ Pouhere Taonga Act 2014, Local Electoral Rating Act 2002, Marine and Coastal Area (Takutai Moana) Act 2011 and specific Treaty Settlement Legislation). As a result, there is a diverse range of practices, agreements, and other arrangements in place across the local government system to facilitate the relationship between councils and Māori. This is outlined in greater detail in Chapter 3 of our draft report, *He mata whāriki, he matawhānui*.

### **The future we want to see**

To give effect to local government's responsibilities, obligations, and opportunities as a Te Tiriti partner, it must embrace and support iwi and hapū to exercise rangatiratanga.

The way local government operates and makes decisions going forward can either undermine or enhance hapū and iwi ability to exercise rangatiratanga. Committing to a respectful and mutually beneficial relationship is an important step.

**“Alongside Te Tiriti obligations, the fact of the matter is co-governance with Māori at the local government level just makes sense.”**  
– Whakatāne District Council

The Panel believes a future system of governance that centres on partnership will need to look quite different from what we know today. It will enable the strengths of te ao Māori and the strengths of a western system of local government to weave democratic systems and an approach to place-shaping that are uniquely Aotearoa.

This will include:

- ▶ shared decision-making between hapū/iwi and councils in relation to areas of shared priority that relate to Māori rights and interests
- ▶ growing hapū/iwi capacity and opportunity to identify areas of greatest interest and aspiration and enact the change
- ▶ creating the right conditions and spaces for councils and iwi and hapū to collaborate, tell stories of the places they are connected to and passionate about, and build a shared understanding of local whakapapa
- ▶ Māori citizens expressing their culturally specific preferences for services, representation, and participation
- ▶ creating a greater level of transparency and accountability for both partners.

**“I would like to emphasise the importance of genuine partnership between local and central government with Māori communities. It is only through working together and recognising the unique perspectives and experiences of all New Zealanders that we can build a stronger, more inclusive and equitable society.”**

– Individual submission from a councillor

The Panel considers a range of actions can support the move to a more enduring, mutually beneficial relationship. Some of these are agreements and legislative requirements to support partnership. Culture and practice shifts are also needed to build and cement relationships. For this reason, other recommendations focus on capability, capacity, and leadership.

## Steps towards stronger relationships

### Developing a new legislative framework for Te Tiriti-related provisions

The Panel recommends creating a new legislative framework for Te Tiriti in the LGA (Rec 3). While core requirements in the LGA fall well short of a Tiriti-based partnership, there is a real willingness from many in local government to deepen the relationship and deliver better outcomes for Māori if only the framework provided greater clarity and guidance.

**“If this legislative change were to cement local government formally as a Te Tiriti partner, it would create a shared responsibility and significant anchor for the ongoing partnership between central and local government that we believe must be recognised and supported by central government”**

*– Kāpiti Coast District Council*

Currently, the LGA includes core requirements for councils to maintain and improve opportunities for Māori to contribute to decision-making processes, and to consider ways they may foster the development of Māori capacity to contribute to decision-making processes (see Section 4, referring to provisions in Parts 2 and 6 of the LGA). However, current requirements provide little guidance as to the impact of Treaty principles on the role of Māori in local governance, failing to reflect the breadth or depth of obligations needed to provide for a meaningful expression of rangatiratanga.

The Panel recommends that legislative changes should explicitly recognise local government as a partner to Te Tiriti o Waitangi to strengthen authentic relationships in the local exercise of kāwanatanga and rangatiratanga (Rec 3). The new framework should drive a genuine partnership in the exercise of kāwanatanga, including by recognising te ao Māori values. Central government would lead this legislative change process, but must do so inclusively with local government, iwi, hapū, and Māori.

There are a number of design considerations for such a legislative framework, which should explicitly recognise te ao Māori values and conceptions of wellbeing. It could also provide principles for involving Māori in the exercise of decision-making authority and service design, and make specific provision for equity in local outcomes, cultural specificity of local services, and the incorporation of mātauranga Māori.

### Developing partnership frameworks

The Panel recommends introducing a statutory requirement for councils to develop and agree partnership frameworks with hapū/iwi and significant Māori organisations in their area (Rec 4). These would be comprehensive, integrated frameworks that act as a platform for rounding out or filling gaps in existing arrangements between councils and hapū/iwi. They can be established now, but will need to evolve as new council structures and approaches to roles and functions develop.

Partnership frameworks are an opportunity for the parties to consider, within the broader change package recommended by the Panel, what the greatest opportunity for the Māori–local government relationships are in their rohe.

The frameworks would be formal and binding, yet adaptable. They would complement existing agreements and ensure all groups in a shared rohe are involved in local governance in a meaningful way.

**“We have distinct settlement and co-governance mechanisms in place with both the Crown and councils that must be recognised and embedded in any new system of local government.”**  
– **Raukawa Charitable Trust**

Partnership frameworks – and the process for developing them – would give partners an opportunity to:

- ▶ outline the working relationship between councils and hapū/iwi and Māori
- ▶ voice individual priorities and agree on joint priorities. This could include opportunities for iwi, hapū, or Māori organisations to deliver services relating to their values or priorities
- ▶ confirm ways of working together to streamline council engagement practices, complement and strengthen existing and evolving arrangements such as Treaty settlements, and collectively deliver greater outcomes to and for the community
- ▶ confirm appropriate governance arrangements, including but not limited to hapū and iwi representation on the council outlined in Tiriti-based appointments (see [Chapter 4](#)).

In almost all cases, Māori and local government would not be starting from scratch. Any existing formal agreements or Treaty settlements would stay in place, but could potentially be incorporated into the framework where appropriate.

Resources, including guidance and funding, will need to be provided to support the establishment of local frameworks. The stewardship institution described in [Chapter 5](#) could help with guidance and transitional funding to help establish the process. It would be up to future councils and hapū/iwi partners to fund and develop partnerships on an ongoing basis.

### **Building local government capability**

For local government to build relationships in mana-enhancing and enduring ways, council staff and elected members will need to develop and maintain their capability and capacity. This includes building knowledge of Te Tiriti o Waitangi, the whakapapa of local government, and te ao Māori values.

No relationship can flourish if the parties do not have the time or the ability to nurture it and to fulfil their obligations to each other in the fullest sense. To ensure this essential capability is built and maintained, the Panel recommends giving councils and chief executives specific responsibility to develop and maintain the capability of council staff and elected members in these areas. This capability-building requirement is mentioned further within [Chapter 5](#) and the transition funding recommendations discussed there.

### **Reviewing engagement requirements**

Fundamental to a more meaningful expression of rangatiratanga in local governance is pushing past what has been described to us as the ‘contribution paradigm’ in hui with hapū/iwi and by Māori working in the local government sector. Currently, many hapū/iwi groups are overburdened by advisory and engagement requests from central and local government. The current principle of providing opportunities for Māori to contribute to decision-making processes does not set an aspirational standard that equates to partnership.

**“Genuine engagement with iwi Māori results in better decision making, more robust and lasting solutions and more engaged people and communities.”**  
– [Dunedin City Council](#)

The Panel recommends 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 (Rec 5).

### **Funding the change**

The changes outlined above will require funding. In the long term, an empowered, stable system of local government and hapū/iwi and Māori partners may be able to invest in and maintain their own capability and capacity for this purpose. However, the current system is insufficient to enable the quick ramp-up of capability and capacity that is needed for these changes to stick. Treaty settlements were never intended to put Māori in a position to fully exercise their role as a contemporary Treaty partner in local governance, and small councils with low rating bases are not able to fund an immediate increase in their own capability or support for Māori.

**“Resource and capacity constraints are already a significant barrier to meaningful participation and partnership, particularly for pre-settlement iwi (though we note capacity issues do not disappear after settlement).”**

– *Horowhenua District Council*

To build, strengthen and maintain relationships in the long term and secure confidence in a new system, transitional funding from central government for at least five years is required. This will include money for councils to build Te Tiriti and te āo Māori capability and relational funding for building mana whenua relationships. It will also include funding for hapū/iwi and Māori to engage with councils on designing and advising on these capabilities. The requirement for ongoing funding will need to be assessed to maintain these new and enhanced capabilities in the future.

For the recommendations in this section to succeed, local government, Māori, and central government need to navigate complex relational and legal settings. Together, they will need to pave a way forward that can be built and strengthened over time as trust grows, opportunities change, and learnings are shared across the country.

### **Other changes are needed to support the relationship**

Many recommendations and suggestions elsewhere in this report also support the relationship between local government and Māori, including:

- ▶ addressing issues specific to rating on Māori land ([Chapter 2](#))
- ▶ potential to devolve roles and functions to iwi and hapū ([Chapter 2](#))
- ▶ reducing the threshold for establishing Māori wards ([Chapter 4](#))
- ▶ enabling Te Tiriti-based appointments to councils ([Chapter 4](#)).

The Panel explores the relationship between local government and Māori broadly and deeply in both the interim and draft reports. Understanding the current context and how the system of local governance has evolved is critical to ensure decisions made in the future respond appropriately to recommendations outlined in this final report. We continue to support the ideas expressed in the draft report, which promote a strengthening of the Māori–local government relationship across all levels of the system.

## Recommendations

- 3 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 to strengthen authentic relationships in the local exercise of kāwanatanga and rangatiratanga.
- 4 Introduce a statutory requirement for councils to develop partnership frameworks with hapū/iwi and Māori to give effect to new Te Tiriti provisions in the Local Government Act 2002 that create new governance arrangements and complement existing ones.
- 5 Central government leads a comprehensive review of requirements for engaging with Māori across legislation that impacts local government, considering opportunities to streamline or align those requirements.
- 6 Amend the Local Government Act 2002 to require councils (elected members and chief executives) to prioritise and invest in developing and strengthening their capability and capacity in the areas of Te Tiriti o Waitangi, te ao Māori values, mātauranga Māori, tikanga, and the whakapapa of local government in order to make local government a better Te Tiriti partner.

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# Replenishing local democracy



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# Citizens' participation in local government decision-making is not just as a tool that contributes towards growing local democracy but a vital part of the essence of democracy itself.

Traditionally, local councils' mandate to govern relies on the convention that local government fully represents the community. It is challenging for increasingly diverse communities to be fully represented with the current form of local governance. For local government to fulfil its democratic purpose and potential, it needs to enable broad citizen participation through a range of democratic tools and not rely solely on elected members to provide democratic voice.

Currently, Aotearoa's local democracy is hampered by low rates of participation in local elections, engagement processes that do not meet the needs of everyone in the communities, and elected officials that don't always have the capability or training they need to thrive in their roles and build courageous, innovative leadership.

**“It is a challenge to encourage engagement with Council. There seems to be an increasing mistrust of governments which is not a phenomenon unique to Upper Hutt or even New Zealand. More will need to be done at an all of government level to build trust and encourage participation in all Civic matters.”**

*– Upper Hutt City Council*

A system of local government that is fit for the future will ensure robust, representative, and inclusive local democracy.

In this chapter, the Panel makes a series of recommendations to help build the capability of local government, ensure voting and elections are effective and inclusive, and expand the opportunities for people to have an active say in how their communities are governed.

In this chapter, we discuss:

- ▶ building greater citizen-led democratic participation through the expanded use of deliberative and participatory democracy tools
- ▶ ensuring more representative local democracy with diversity around the council table
- ▶ ensuring effective council governance through increasing capability and accountability.

## **Greater citizen-led democracy**

Active community participation is a feature of any robust democracy. It is important for people to feel connected to decisions that impact them, their whānau and community, and future generations.

Voting in elections is the main way people currently participate in local democracy. However, elections are just one tool for making sure local decision-making is representative of communities' needs and aspirations. There are emerging and innovative ways for people to have their voices heard in order to shape the places they live.

Guided by provisions in the Local Government Act 2002 (LGA), current council engagement and consultation processes can often be reduced to a compliance exercise, rather than deeper engagement and collaboration. Councils often struggle to engage meaningfully with diverse groups during their engagement processes, leaving Māori, Pacific peoples, youth, and lower socio-economic whānau underrepresented.\*

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\* We can see this through Auckland Council's plan 2050, in which analysis from RNZ showed three quarters of submissions were from Pākehā or European descent, two thirds from high income areas and 70% were aged 35 or older. 7% of submissions were from Pacific peoples, while they represent 15% of the population. In this scenario the importance of place-based participation was jeopardised by over-representation of submissions from outside the area being discussed (Newton 2018).

Local government needs to be an *enabler* of democratic decision-making, not the *holder* of it. This means local democracy needs to expand beyond voting and traditional forms of engagement towards greater citizen-led democratic participation and innovation. People need the opportunity to fully participate in decision-making on policies and issues that affect their futures and future generations.

The Panel recommends that local government and councils develop and invest in democratic innovations, including participatory and deliberative democracy processes (Rec 10).

## Across the world, public authorities are increasingly using representative deliberative processes to involve citizens more directly in solving the most pressing challenges.

Citizen-led democracy practices in Aotearoa New Zealand should be designed in a way that reflects our increasing diversity, embodies Tiriti-based partnerships, and seeks out innovative ways to hear and reflect the voices of the whole community.

Deliberative and participatory tools can increase trust between councils and communities. Local government trusting citizens to make decisions on community issues is critical to tackling challenges such as intergenerational equity, long-term planning, and climate change resilience and mitigation.

To get there, the Panel suggests:

- ▶ local government and councils invest in and lead development of a citizen-led democracy framework and an implementation and action plan
- ▶ establishing a Centre of Excellence model for participatory and deliberative democracy in local government
- ▶ reviewing the legislative mandate around engagement processes.

To support this change, transitional funding will be required for local government to trial participatory and deliberative democracy processes.

The next review of the LGA should review the description of engagement and consultation methods in light of the desired shift towards more use of citizen-led tools and practices.

If citizen-led democracy is expanded and implemented around the country, it is expected that tick-the-box consultation and engagement exercises will decrease over time. However, retaining some baseline engagement requirements for councils will still be important, especially for significant decisions.

### **Understanding deliberative and participatory practices**

With both deliberative and participatory democracy practices, citizens are trusted to have a say on what decisions are made and how to make them.

#### *Participatory practices*

Participatory practices enable people to voice their opinions on a topic, such as council priorities and budgets. They usually involve self-selected groups and enable participation from all citizens who are willing and able to engage (Willis 2020). Town hall meetings, council engagement processes, long-term planning consultation, and participatory budgeting are examples of participatory practices.

#### *Deliberative practices*

Deliberative practices involve a representative sample of the population responding to a particular question. Participants are randomly selected to remove the bias that can come with self-selection. The technical term for this process is sortition. Participants are provided with all relevant information and expert advice on a specific issue. They then discuss and deliberate the issue to reach consensus and make decisions. Citizen assemblies and citizens juries are examples of deliberative practices (Lodewijckx 2020).

### **Growing citizen-led democracy in communities**

The use of deliberative tools is emerging in Aotearoa New Zealand to enable communities to have a more direct role in strategic direction-setting and making decisions with intergenerational impact.

The specific tools that councils decide to use will depend on their needs and what will be most effective for the issue at hand.

Research across the field has shown that a well-facilitated group of citizens can make better decisions than a group of experts, even on issues with technical elements. Citizen groups come to the topic with an open mind, and the cognitive diversity and range of views can lead to smarter, more legitimate decision-making (Hartz-Karp and Carson 2013).

In developing and expanding citizen-led democracy processes there is a lot we can learn from existing practices in our own communities. Across the motu, Māori and Pacific peoples' communities have long used their own collective decision-making and considered deliberation processes. Local government can learn from existing Māori and Pacific tools for decision-making, such as embedding wānanga and talanoa as ways to reach consensus on decisions that have intergenerational impact. These tools are often based on discussion and/or consensus and often occur over a longer timeframe.



### **Koi Tū and Watercare Citizens Assembly**

In 2019, the team at Koi Tū: The Centre of Informed Futures were awarded an MBIE Endeavour SmartIdeas Grant to develop and test an Aotearoa New Zealand adapted deliberative democratic model (Bukiljas et al 2023). They collaborated with Watercare to design and implement a deliberative democracy process that would answer the question ‘What should be the next source of water for Auckland, post-2040?’. The project also aimed to explore how to make deliberative democracy consistent with Te Tiriti o Waitangi and the rights of mana whenua while also recognising the increasingly multicultural nature of Tāmaki Makaurau Auckland.

A citizens’ assembly of 40 Aucklanders was brought together to deliberate and make recommendations. Participants were selected as a sample that reflected the city’s adult population in the 2018 Census, with regard to age, gender, education, ethnicity and home ownership. Over four days in 2022 and in three short online meetings, these citizens came together to learn from experts across various disciplines and institutions. They deliberated and made recommendations which were presented to Watercare leadership. Overall, the project indicated that deliberative democracy has great potential for advancing public participation and good decision-making in Aotearoa New Zealand.

### **A framework and implementation plan**

Enabling and incorporating citizen-led democracy will require investment in capability and capacity for specialist planning and facilitation. Councils will need to learn participatory and deliberative democracy practices and implement them in a way that incorporates te āo Māori and Pacific processes such as wānanga and talanoa.

To build the field and related best practices, a participatory and deliberative democracy framework and an implementation and action plan should be developed. They would include information on deciding what citizen-led democracy tools are appropriate for which issues, advice on ensuring processes are compliant with or responsive to Te Tiriti, and other topics.

To support local government, it will be necessary to grow the capability for delivering citizen-led democracy. This could involve a group of experts who can advise councils directly, and help councils build their skills and develop appropriate practices – for example, sortition. Access to this expertise could be through a distributed model.

### **Reviewing the legislative mandate around engagement processes**

Along with the broader shifts towards enabling more use of citizen-led democracy tools, the Panel suggests that the next review of the LGA considers 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. This would include:

- ▶ providing a more comprehensive and contemporary set of community engagement principles to inform council approaches to community participation, including a general direction to include the use of more deliberative decision-making and participatory mechanisms
- ▶ requiring a comprehensive review of requirements for engaging with Māori across local government-related legislation, considering opportunities to streamline or align those requirements.

### **Supporting greater access and participation in local body elections**

Local voter turnout has declined over the past three decades and a significant proportion of people are not engaged in local body elections. In the 2022 local body elections, eligible voter turnout was 42% (DIA nd).

The Justice Select Committee inquiry into the 2019 local elections considered that ‘one of the main reasons for voter turnout decreasing since 1989 is the poor coordination and resourcing of local election campaigns’ (House of Representatives 2021).

The Panel considers if the recommendations and suggestions made elsewhere in this report are implemented, local government will become more relevant to eligible voters and support a higher turnout. However, the current way local elections are run is not fit for purpose, and certainly will not support local democracy for the next 30 years.

The Panel suggests the following changes to improve local body elections:

- ▶ ensuring the way people cast their votes is fit for the future
- ▶ having the Electoral Commission administer local elections.

### **Ensuring the way people cast their votes is fit for the future**

The current postal voting system for local body elections is not adequate for the next 30 years. Through submissions and media reports (RNZ Sept 2022) we heard that postal delays during the 2022 local government elections prevented voters from receiving ballots, and that some people did not find it easy to vote. In some areas, post boxes are being systematically removed, making access difficult.

As reliance on the postal system reduces, the Panel encourages decision-makers to explore a range of alternative options for distributing and receiving votes in local body elections. This will help to make voting in local body elections fit-for-purpose and accessible to everyone. As technology develops, the opportunity to adopt electronic and online voting systems needs exploration. However, the Panel recognises that there are risks in online voting relating to security and electoral integrity. These must be able to be appropriately managed while maintaining trust in the system before this method is adopted.

### **The Electoral Commission to administer local elections**

Local authorities are currently responsible for administering local elections in their areas. While a few councils undertake this function themselves, most engage an independent contractor to be the electoral officer and run the election process.

There are benefits from the localised delivery of elections, including the ability to better tailor election processes to local circumstances. However, the current approach also means:

- ▶ electoral law may not be interpreted and applied consistently across the country
- ▶ there are different levels of voter support and promotion activities across the country depending on each council's budget
- ▶ it is not always possible for councils to acquire the specialised surge capacity they need to engage fully with electoral issues
- ▶ there is often little incentive for incumbent members to support efforts to increase the number of candidates standing for election.

The Panel suggests the administration of local elections should be conducted by the Electoral Commission. This includes design and oversight, standard setting, promotional activity, specific initiatives to promote diversity of candidates, determination of the election method, and the conduct of the election process.

We are mindful of concerns previously expressed about the ability of a central entity like the Electoral Commission to attract and maintain relevant staff in the regions. However, we think this problem would be overcome if the Commission had a clear mandate, appropriate funding, and took account of local conditions.

## A more robust, representative local democracy

The way the current system works means elected councils are not always representative of the views, demographics, and backgrounds of their communities.

While ethnic diversity is increasing, councils remain predominantly made up of older European/Pākehā members. The average age of elected members is 56–60, and only 13.9% of members are under 40 (LGNZ 2020).

**“When people can see themselves reflected in the local council governing body they can also see the relevance of local government to them.”**

– *Canterbury Mayoral Forum*

The Panel recommends changing some specific features of representation and electoral processes (Rec 11):

- ▶ adopt ranked voting (STV) as nationwide method for local elections
- ▶ lower the threshold for the establishment of Māori wards
- ▶ enable Te Tiriti-based appointments to councils
- ▶ lower the voting age for local elections to 16.

The Panel also suggests reviewing remuneration for local members. Alongside the other recommendations in this chapter, the Panel considers these changes will help to build a stronger system of local democracy.

### **Adopt ranked voting (STV) as nationwide method for local elections**

Councils currently get to choose between two voting methods for local elections.

- ▶ **First Past the Post (FPP)**, where voters use a tick to indicate their chosen candidate/s. The candidate/s with the most votes are elected.
- ▶ **Single Transferable Vote (STV)**, where voters use numbers to rank candidates in order of preference. Only 15 councils used the STV voting method in 2022, up from 11 in 2019.

STV can be more representative of voters’ choices because a vote can be transferred if a preferred candidate does not meet a certain threshold. This transfer of votes avoids wasted ballots. Early research demonstrates that STV leads to improvements in the representation of women (Vowles and Hayward 2021). However, the representative benefits of STV work best when there is a large pool of candidates and wards with more than one seat being contested.

When legislative change is made, the Panel also suggests changing the public-facing name of STV to be more understandable to voters – it is sometimes called ranked choice voting, which may be a clearer option.

### **Lower the threshold for establishing Māori wards**

Māori wards and constituencies provide an opportunity for Māori to have culturally specific, proportionate representation in their area. It is mandatory for councils to consider whether Māori wards should be established in their areas, although it is not mandatory to have them. At the 2022 local body elections, 35 councils had Māori wards or constituencies.

The Panel supports the retention of Māori wards and considers they should be an ongoing part of the local government system. The Panel recommends amending the threshold formula in the Local Electoral Act 2001 to reduce the threshold for establishing Māori wards.

While Māori wards help to support proportional representation, they are not sufficient to provide for Te Tiriti-based partnership at the council table. This is because Māori wards and constituencies were not designed to provide for representation of hapū and iwi or significant Kaupapa-based groups.

### **Enable Te Tiriti-based appointments to councils**

To support Te Tiriti-based partnership between local government and Māori, it is important to have mechanisms through which iwi and hapū can influence council decision-making. This is particularly important while the relational sphere (described on [page 71](#)) is still developing and strengthening.

The Panel considers that Te Tiriti-based partnership will be significantly enhanced if iwi and hapū are represented at the council table. We recommend legislative change to allow for Te Tiriti-based appointments to councils and the development of policy and processes to help support this change.

This recommendation reflects that representative mechanisms based solely on the Western ideal of proportional democracy cannot always provide a level of influence consistent with a Te Tiriti-based partnership. We also acknowledge that the collective, political authority aspect of rangatiratanga is predominantly held and exercised by hapū/iwi, and that Māori wards were not designed to ensure representation of mana whenua or Kaupapa-based groups.

Te Tiriti-based appointments are not unprecedented. Under the Canterbury Regional Council (Ngāi Tahu Representation) Act 2022, Te Rūnanga o Ngāi Tahu can appoint up to two members of the Environment Canterbury Council. These members have full decision-making powers.

In relation to appointing members, the Panel considers:

- ▶ appointed members should receive remuneration at the same level as other members
- ▶ hapū and iwi should determine who is appointed (although the numbers of members may be set through a different process)
- ▶ hapū and iwi participation in the kāwanatanga sphere should not be mandatory, but the invitation should be extended.

Decisions about how to better enable these changes will need to be made as part of the change and renewal process. For a more detailed discussion of this concept, see the *Coordinated Incident Management System* (DPMC 2019), LGNZ's *Mana whenua at the decision-making table* (LGNZ nd), and Chapter 7 of our [draft report](#).

## Lower the voting age for local elections to 16

The current minimum voting age for both local and general elections is 18.

There are a number of jurisdictions internationally where the voting age for local body elections is 16. They include Austria, Scotland, and Wales. There is a growing movement to lower the age to 16 locally, including through the 'Make it 16' campaign and related Supreme Court Case (see *Make It 16 Incorporated v Attorney-General [2022] NZSC 134*).

The Panel sees fundamental value in ensuring youth are represented in local democracy. Rangatahi will inherit the impacts of decisions made by councils today. They are passionate about complex issues like climate change, poverty, housing, and education. They want to have their views recognised and have a say on the big issues that will impact their future (Tokona te Raki 2022).

**“Lowering the voting age to 16 gives life to intergenerational decision-making.”**  
– Selwyn District Council

The Panel has heard arguments against lowering the voting age, including through the Review's engagement and submissions process. These include that 16- and 17-year-olds may be subject to parental coercion, lack the maturity needed to make voting decisions, and can already participate in our local democracy through other mechanisms like protesting, lobbying, petitioning, and making submissions to councils.

However, the Panel thinks the benefits of lowering the voting age outweigh these concerns. We recommend lowering the eligible voting age for local body elections to 16. This would help to empower young people to take ownership of their future, advocate for their communities and have a say in who makes decisions on the issues that matter to them.

The Panel acknowledges the views from experts and some submitters that appropriate civics education should accompany lowering the voting age and we agree this would be beneficial for all ages.

## Review the remuneration for elected members

The new structure and operating model for local government proposed in this report will see elected members working alongside communities, hapū/iwi, and central government to address a broad range of complex and interlinking challenges at place. Ensuring members are paid appropriately for the size and scope of their roles in this new system of local government will be critical to ensuring representative and capable councils.

The Remuneration Authority has responsibility for setting members' remuneration in line with rules set out in the Remuneration Authority Act 1977 and the LGA. The Panel acknowledges the Authority must consider a range of factors in their decision-making, and the effort it has made to date to achieve fairness in a system with highly varied roles.

However, there is a fixed cost (in terms of time and effort) to being an effective elected member. Below a certain point, this does not decrease with population. For example, facilitating community consensus on how to address issues like climate change or inequity is just as complex and time consuming at a local level as it is at the central level.

We heard in our engagement that some people can't 'afford' to be an elected member – the opportunity cost is too high. This is especially the case for younger people, caregivers, or those who are less financially secure, effectively limiting the pool of potential candidates.

The amount elected members get paid varies from place to place. In 2022, the base salary of a councillor ranged from \$19,580 in Kaikōura to \$100,278 in Christchurch.

The Panel suggests that as part of the change to the local government structure proposed in [Chapter 5](#), the total remuneration paid to councillors, mayors and board members is reviewed to ensure it reflects the complexity and size of their roles. This should include a review of members' base salary, as well as other benefits such as contributions to Kiwisaver and childcare allowances.

## Ensuring skilled and accountable council governance

The Panel considers there are a number of actions that will help to improve the capability and accountability of elected members, helping to ensure that councils can make good long-term decisions on behalf of their communities. These actions are:

- ▶ training and development for elected and aspiring members
- ▶ moving to a 4-year electoral term for local body elections
- ▶ ensuring councils actively foster healthy local democracy
- ▶ ensuring appropriate conduct and behaviour of members
- ▶ reviewing and refreshing relevant bylaws, local legislation, and statutes.

The capability-based appointments we suggested in our draft report were conclusively opposed in the submissions we received. Reasons included the current ability to fill knowledge gaps through advice from officials and the potential to increase current apathy towards local government. While strong governance capability is still vital, the Panel is not recommending appointed members to council in this report. The Panel does support capability-based appointments to council committees, and in advisory roles at the council table.

## Training and development for elected and aspiring members

Elected members need a wide range of skills and capabilities to make good long-term decisions for communities in an increasingly complex operating environment.

We have heard and observed that many elected members feel unsupported in their roles. In the survey informing LGNZ's elected member profile for 2019–2022, members identified a strong desire for more training and skill development opportunities, particularly in relation to the ability to engage with communities, local organisations, and iwi/Māori (LGNZ 2020).

There is already some training and capability-building available for elected members. For example, many councils run training or information days for elected members, and LGNZ offers induction programmes for elected members. LGNZ also established a programme to support Māori members elected in the 2022 elections. However, training is not comprehensive or consistent across the country, and there is no training opportunity for aspiring members.

The Panel thinks there is a case for significant change in offering elected members training and development to increase their capability and confidence in making effective decisions.

The Panel thinks a new formal training and development programme is required to support current, new, and aspiring members to have access to accredited development on a voluntary basis. The programme should be tailored to the specific needs of members and could include a range of relevant modules, including:

- ▶ complex intergenerational decision-making with communities and the role of democracy and representation
- ▶ understanding and empowering diversity and understanding a range of cultural frames
- ▶ Te Tiriti o Waitangi
- ▶ subject-specific education and training, which could include fiscal management, wellbeing frameworks, and the specific regulatory roles of local government
- ▶ governance skills, including how to lead, collaborate, and steward effectively with others.

The Panel thinks there should be a requirement for councils to disclose the amount of training and development members have completed. While the mechanisms and timing would need to be developed further, this could potentially be on an annual basis or once per term.

### **Provide for a 4-year electoral term**

Councillors, mayors and local or community board members are currently elected to represent their communities for a 3-year term.

There is ongoing international debate about the optimal term length for politicians and governments. While term lengths for local members range from one to five years, the most common length in comparable jurisdictions is 4 years (Scotland, England, most of Canada and other Australian states).

The Panel believes that extending the term for local members to 4 years will improve members' abilities to make decisions for the long term by providing a longer window to get things done.

**“Currently the 1st year is doing previous council stuff, slowly get an understanding. 2nd year is planning for things you’d like to achieve, 3rd year starting to implement and 99% of the time you don’t get to see those finalised and then you’re up for re-election.”**

*– Elected member during Council Roadshow*

A secondary benefit is cost and time savings from less frequent elections. These savings could be reprioritised.

The Panel recognises there are some potential drawbacks of a longer term. For example, shorter terms can help the public hold councillors accountable and give the public regular opportunities to vote out incompetent politicians (Gersbach et al 2021). A longer term might deter potential candidates who are unwilling to commit to office for a longer period.

On balance, the Panel considers there is a strong case for a longer term, and recommends it is extended to 4 years.

### **Councils to actively foster healthy local democracy**

Councils need to be proactive in fostering healthy local democracy in their areas and building or maintaining citizens' trust. There are many ways to do this, including delivering local civics education for all ages, building robust civic infrastructure, and facilitating community conversations about issues of local importance.

**To improve their practices over time, councils need to be reflective and curious about the health of local democracy and identify areas for enhancing citizen participation into decision-making.**

The Panel suggests councils regularly review whether democratic and participatory practices are working as they should and take opportunities for continued improvement. The Panel encourages councils to build regular reviews into their operating model. This could include a deeper assessment of:

- ▶ current community trust and confidence in the council as an institution
- ▶ the effectiveness of a council's representation arrangements in delivering diversity
- ▶ the level of transparency in local government decision-making
- ▶ how effectively a council is making use of participatory and deliberative methods in combination with other decision-making tools
- ▶ how elected members are supported to carry out their roles.

There are a range of potential methodologies available to carry out this type of assessment. The Panel suggests going beyond a strict audit and including a component of self-reflection.

### **Ensure appropriate conduct and behaviour of members**

Local authorities are responsible for creating and enforcing their own code of conduct that sets out how elected members should behave towards the public, each other, and staff. Despite the aim of codes of conduct, we have heard that the behaviour of elected members does not always meet the expectations of council staff or the public.

**“The comments we heard from some of our members working in local government indicate that bullying from elected members is considered a far too common reality of working in local government that workers are often told they need to just accept.”**  
– Public Service Association

In 2021, the Local Government Commission produced a report for the Minister of Local Government about codes of conduct, which expressed concern about a range of issues, including:

- ▶ wide variation in how councils approach the more complex areas of codes like materiality, complaints processes, penalties, staff interactions, and social media
- ▶ wide variation in practices for informing newly elected members of the code and re-adopting codes after each election (LGC 2021).

To help ensure effective codes of conduct and supporting resolution processes, the Panel believes the new recommended local government stewardship institution (see [Chapter 5](#)) should take a stronger role in providing guidance and advice to councils about their codes of conduct and supporting processes. The stewardship institution could also play a role in delivering resolution services as necessary when complaints are made about members' behaviour.

### **Review local accountability and transparency statutes**

Two pieces of legislation are in place that aim to ensure councils are transparent and accountable to the public:

- ▶ the Local Government Local Government Official Information and Meetings Act 1987 (LGOIMA)
- ▶ the Local Authorities (Members' Interests) Act 1968 (LAMIA).

The Panel has heard that the current provisions in LGOIMA lead to perverse outcomes that do not support the transparency intended by the Act. Although two reports have identified issues with LAMIA (released by the Office of the Auditor General in 2005 and the Department of Internal Affairs in 2011), no formal review has been initiated since 1968. It has a number of provisions the Panel considers are worth revisiting to ensure they reflect the current environment.

As part of the system changes, the Panel anticipates that a review of these statutes will be required. The intention is to enable earlier identification of problems and accountability within the system, in order to reduce the number of reactive or response activities required.

The Panel is also aware of the need for a comprehensive review and update to local government legislation including by-laws. These are matters for the local government sector to lead.

## Recommendations

- 10 Local government and councils develop and invest in democratic innovations, including participatory and deliberative democracy processes.
- 11 Enhance local democracy in order to increase access and representation by:
  - ▶ providing for a 4-year local electoral term
  - ▶ adopting ranked voting (also known as single transferrable vote or STV) as nationwide method for local elections
  - ▶ lowering the threshold for the establishment of Māori wards
  - ▶ enabling Te Tiriti-based appointments to councils
  - ▶ lowering the voting age for local elections to 16.

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# Leading change and system renewal



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# In the course of this Review, the Panel has concluded that the structure and operation of councils will need to be renewed to ensure local government is fit for the future.

The Auckland floods and Cyclone Gabrielle in early 2023, the Covid-19 pandemic, and the other significant natural disasters that have occurred in recent history have demonstrated the stress a crisis puts on the system, and we are approaching some of the biggest wellbeing challenges in our history.

At the moment, councils are not set up to partner effectively with central government to achieve integrated wellbeing outcomes at place. We have heard from some councils that they are under severe financial strain. There are big capability gaps in many places and expertise is stretched thin. There is duplication within the system, where joining up would make more effective use of resources.

The Panel recognises there are some benefits in consolidating the current units of local government, such as economies of scope, and scaling of expertise and resources. However, we also support the importance of proximity to the locally specific wellbeing needs of communities – keeping the local in local government.

Many of the recommendations in this report so far will help to address these issues. However, without structural, operational, and leadership

change, those interventions will not stick. The future wellbeing of communities will be at risk.

This chapter sets out the Panel's recommendations for how to anchor all the changes suggested in this report with structural, operating, and leadership change to councils. This change will be supported by system-wide stewardship to ensure the system develops, adapts, and thrives for decades to come.

The Panel recommends:

- ▶ a reorganisation of local government is initiated to strengthen and resource councils' ability to plan for and respond to complex challenges and opportunities, including changes to council structures and operating model
- ▶ strong leadership of the new local government system
- ▶ a new institution to support the stewardship of the local government system.

This chapter also outlines the Panel's high-level proposal for the change process. The detail of reform processes and timing is beyond the scope of this report, however we considered it would be helpful to provide an indication of our thinking on this topic.

## Councils need new operating models

A critical component of the change process as councils determine future form and structure will be a clear understanding and articulation of their target operating model.

If strategy sets the why and where and a business model provides the what, an operating model is about the how. A council's operating model addresses how it structures its people, functions, activities, and infrastructure to deliver on its strategy and give effect to its purpose. In essence, it's the nuts and bolts – from the teams and reporting lines required, to the processes deployed from start to end.

The most important element of any operating model is recognising the interaction between people, process, and infrastructure.

Designing an operating model is about:

- ▶ aligning and organising the system to strongly give effect to local government's purpose
- ▶ structuring it in a way that gives effect to the proposed five principles for a new local government system
- ▶ securing the skills, resources, and systems needed to be future-fit.

The above factors all influence and support each other.

The changes recommended in this report are based on the premise that many elements of councils' current operating models are not fit for the future and will require a deliberate and conscious reset. In implementing the changes to governance and local democracy and renewing their focus on wellbeing, councils will need to change many significant elements of the way they operate.

This is a major transition for local government and will require innovation, experimentation, and learning.

A key focus of the operating model will be aligning new councils around shared values and purpose. It will also help create a culture and environment that enables people to give their best and embrace innovation, community, and public service.

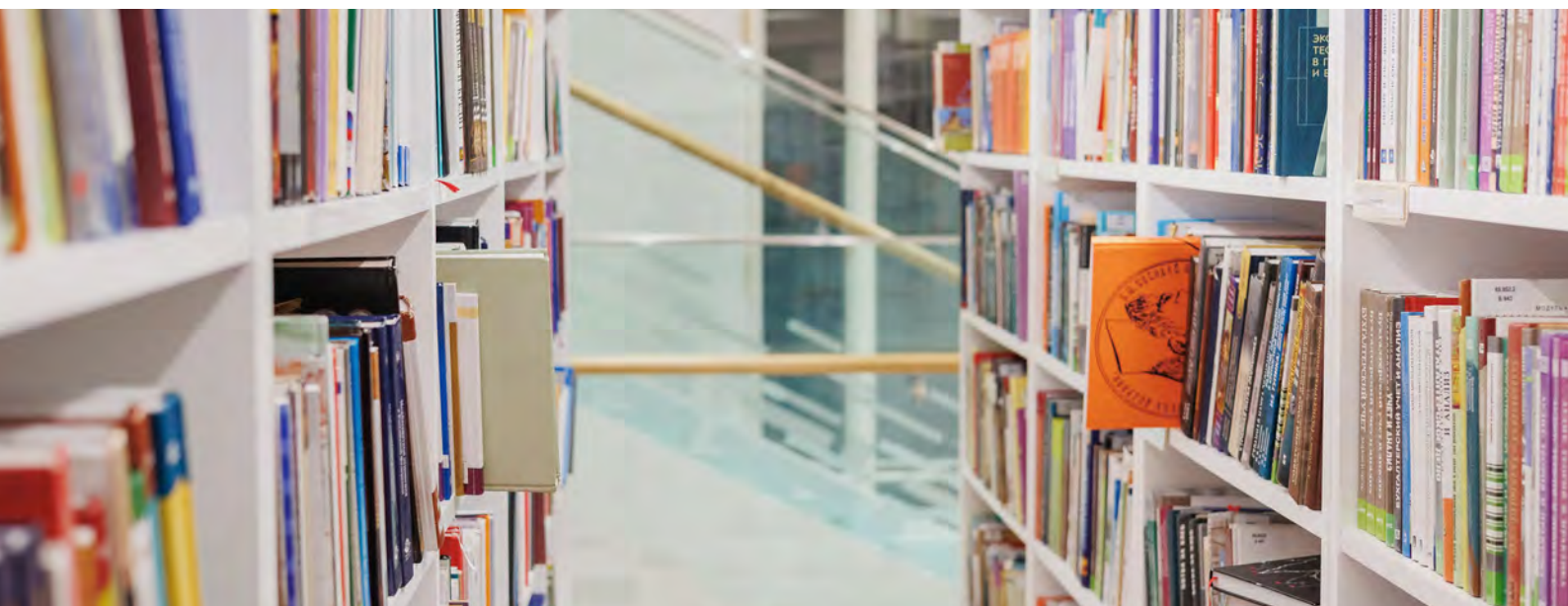
**People, structure, property utilisation, recruitment, procurement, development, and people-related policies and practices will all need to be re-examined to support and give effect to the changes and to build the necessary culture shift we envisage.**

Councils need to simultaneously manage scale and build capability to ensure focus and intimate connection with their communities. For example, localism requires an operating model that is resourced and structured to facilitate community connection, engagement, and voice. Where a council geographically positions itself – including the location of staff – sends signals and messages to community as to priorities and ease of access.

The opportunity for shared and managed services is a further example of a move to stronger cohesion and leveraging investment beyond current council boundaries.

These are all choices that must be deliberately and purposefully made to support and give effect to the recommended changes.

The remainder of this chapter examines some critical components of the operating model, with particular emphasis on principles for a new system and structural choices that need to be made to give effect to the purpose of local government and to ensure ongoing viability and establish a compelling investment proposition.



## Principles for a new system of local government

Our draft report, *He mata whāriki, he matawhānui*, introduced five principles to guide any new structure of local government. They are designed to help navigate the tension between centralism and localism and should be applied to all parts of a new operating model, including local government reorganisation. The principles are briefly described below, with more detail about each principle available on page 214 of the draft report.

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, with a distributed democratic model and operating system that supports local communities.
2. **Subsidiarity:** Local government entities support and enable roles and functions to be allocated adopting the principle of subsidiarity. This means as a starting point, decisions about and delivery of roles and functions should be undertaken as close to community as possible, and the structure should enable this.
3. **Resourced:** Local government entities have the people, skillsets, and resources or ability to generate the funding needed to be resilient and 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 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.

In addition to these principles, any future system design needs to be Te Tiriti-consistent. This is a fundamental parameter for any future system design. As discussed in Chapter 3, a Te Tiriti-based framework means that any structure of local government needs to ensure the local authorities can provide opportunities for Māori to:

- ▶ engage in decision-making processes
- ▶ exercise decision-making authority
- ▶ be meaningfully involved in the design and/or delivery of local services.

## Reorganising local government

To have resilient institutions that can also work at place for communities, the Panel recommends a reorganisation of local government. This reorganisation includes the types of council structure, the roles and functions they will carry out, and their governance arrangements.

In the draft report, we used the following definition for local government structure.

When we talk about structure in this report, we are talking about the governance and organisational arrangements that make up local government. This includes types of councils and other local government entities such as local boards or council-controlled organisations, what responsibilities they have (including what roles and functions they carry out), and how members are elected or appointed.

**Figure 6: Current local government by the numbers**

Councils must lead the change – it will not work if centralised decisions are made about which structure should be implemented in a particular area. The Panel suggests that as a starting point, councils in each region work together alongside hapū/iwi and communities to determine which structure and operating model will best meet local needs. While regional discussions are a starting point, we expect some new councils may end up forming around sub-regional clusters.

Any system design will need to acknowledge and potentially be developed in conjunction with other structural reforms. The Panel notes that the resource management reforms propose 15 regions and water reforms currently propose 10 new entities and considers that the proposed resource management reform boundaries should act as a starting point for discussions.

Decisions about councils' structure and operating model must ensure they can support local government's purpose of ensuring local democracy, promoting intergenerational wellbeing, and building Te Tiriti partnerships.

The process of council reorganisation will include reviewing and making decisions about how best to deliver regulatory roles and functions. The system design should take the quasi-judicial nature of many planning and regulatory activities into account, as well as addressing conflicts inherent in organisations that have both regulatory and service delivery responsibilities. The balance between monitoring and evaluation activities and service creation or delivery activities is one that every new council will need to consider and navigate. They should also consider how to use and maintain relevant technical and scientific expertise. This is also discussed in [Chapter 2](#).

The Panel is confident that the proposed models will provide a more compelling investment proposition for central government while ensuring a strong place-based presence and voice.

### **Two models for new council structures**

The Panel recommends two models for the structure of new councils: a new unitary model and a combined network model. Both models meet the principles described above in different ways.

The option of two models gives regions the flexibility to choose the entity type most appropriate for their needs and aspirations. Both require significant structural and operational change for councils to operate successfully as complex businesses, while being attuned to and serving local communities.

The new unitary council has a simple structure, however, it will take more work to ensure that councils can deliver well at place for their communities. The combined network model has more concrete entities to support place-based approaches, however, strong relationships will be required between all councils in a network to maximise benefits.

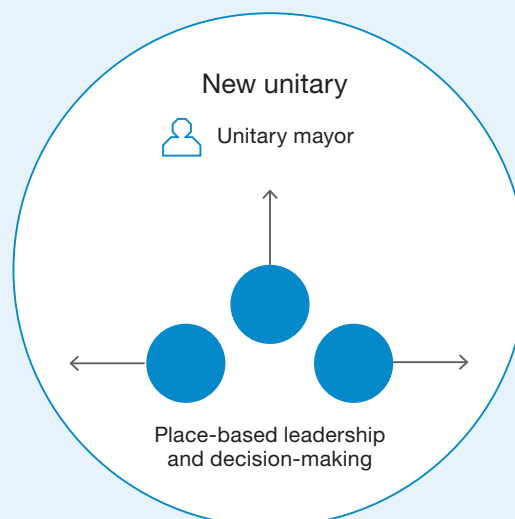
The Panel considers all councils must go through the process of choosing a new council structure – even unitary councils, where there are structural similarities with the new unitary model. This reform will need to include Auckland Council, even though it is established under its own legislation, to ensure it is included in the changes sought through this Review.

This process will give councils and their communities an opportunity to consider if current arrangements are meeting local needs. The process of council reorganisation will include reviewing and making decisions about roles and functions carried out by the council. This is discussed in greater detail in [Chapter 2](#).

## New unitary

*One council for the region supported by place-based leadership and decision-making*

**Figure 7: New unitary model structure**



In this model, one council has responsibility for all the local government roles and functions across an agreed region or sub-region, including those currently carried out by regional councils and territorial authorities. This one-stop-shop approach allows for joined-up back-office processes and systems, and for activities that are not locally specific to be delivered at scale.

New unitary councils must operate in a way that supports locally specific decision-making, place-shaping, service delivery, and resource allocation. This will include locating staff and resources in local communities rather than concentrating them at the centre. Councils will also be able to devolve roles and functions to local or community actors as appropriate, including to hapū and iwi.

New unitary councils will have a range of tools to support place-based decision-making and governance. These include, but are not limited to:

- ▶ deliberative and participatory democracy tools
- ▶ local or community boards
- ▶ ward committees.

Any place-based governance will need to consider decision-making rights, delegated roles and functions, and resourcing. This means local and community boards as they exist today will need to be reassessed and new forms of local governance designed by councils will need to be evaluated during the implementation phase. In addition, the role and place of council-controlled organisations need to be reviewed in light of changes to the operating model.

## Governance

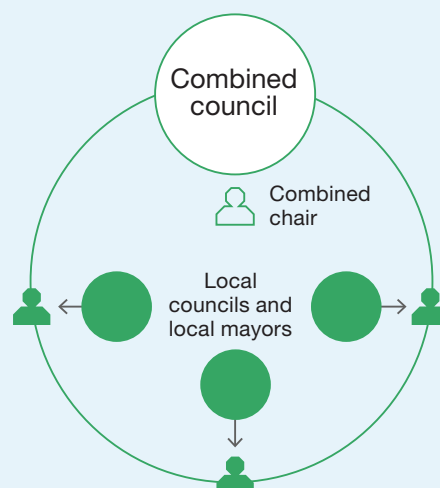
Community members will elect ward councillors and a mayor to the new unitary council. There may also be members appointed by hapū or iwi in the rohe if agreed as part of Te Tiriti-based appointments (see [Chapter 3](#)).

Locally specific representation decisions will need to be made, including about the number of councillors, the number of general and Māori wards, and the number of members there will be in each ward.

## Combined network

*Local councils and a combined council with shared representation*

**Figure 8: Combined network model structure**



In this model, local councils retain focus on place-based delivery and decision-making and work with others to address opportunities and challenges in their areas. 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 where agreed.

Local councils have responsibility for:

- ▶ activities that have a place-shaping component and raise the wellbeing of their communities
- ▶ providing leadership on local issues
- ▶ facilitating collaboration to address opportunities and challenges in their locality and the region
- ▶ delivering local services and local infrastructure
- ▶ setting local rates.

Combined councils have responsibility for:

- ▶ current regional council functions, particularly those which have a strong environmental management focus, but also other issues that cross local borders. This might include aspects of transport, civil defence, regulation, and planning
- ▶ carrying out other roles or functions on behalf of the whole region where appropriate and agreed by local councils
- ▶ working with central government and hapū/iwi to determine regional priorities and make coinvestment decisions with local councils.

Roles and functions should be delegated to the combined council when regional coordination makes sense – for example, shared information and communications technologies (ICT) support or corporate services. This would be paid for by a levy on local councils. A local council may also carry out particular roles or functions on behalf of all councils in the network. In some cases there might be a national approach to the delivery of functions, discussed further in [Chapter 2](#).

Strong interpersonal and institutional relationships within a region (or sub-region) are required for this model to operate well. The combined council may be required to make tough decisions and trade-offs on behalf of the whole region.

Councils choosing the combined network model would need to consider whether all local councils in the network are kept as they are, or if some can be combined or changed. They will also need to move to a new operating model when becoming part of the wider network.

## **Governance**

### **Local councils**

Community members will elect ward councillors and a mayor to their local council. There may also be members appointed by hapū or iwi in the rohe if agreed as part of Te Tiriti-based appointments (see [Chapter 3](#)).

Locally specific representation decisions will need to be made, including about the number of councillors, the number of general and Māori wards, and the number of members in each ward. Local councils will also need to decide whether re-imagined community or local boards are appropriate, in which case decision-making rights, delegated roles and functions and resourcing will need to be considered.

### **Combined council**

Each local council would appoint elected members (usually including the mayor) to be on the combined council. There may also be members appointed by hapū or iwi in the rohe if agreed as part of Te Tiriti-based appointments (see [Chapter 3](#)). One member of the combined council will be appointed as chairperson.

The Panel acknowledges an alternative approach with a mayor elected by the region instead of a chairperson chosen by the combined council could have its merits, but on balance the Panel recommends the chairperson approach.

### **Towards a new structure**

Moving to a new structure will be complex and take time. The Panel has developed a proposed high-level process for moving to the new structure, which is outlined below.

When reorganisation happens, the Panel suggests using the following guidance.

- ▶ **Councils must lead the reorganisation process in their areas, in collaboration with communities and hapū/iwi** – it is vital to make decisions locally to ensure there is buy-in and that new structures meet the needs of people in each area.
- ▶ **The reorganisation should happen in tranches** – the Panel suggests a staged transition rather than all councils trying to embark on the process at once. This will make the process more manageable and enable councils to learn from each other's experiences. Once councils have started, we suggest they finish the structural and operating model changes within 12–18 months. We expect it will take about 5 years for all councils to transition to a new model.

The reorganisation process will have three stages, as outlined below. The [Approach to system renewal](#) section of this chapter explains in more detail how the Panel sees the reorganisation fitting into wider local government reforms.

### Figure 9: The reorganisation process

# 1

*Stage 1 – Up to 1 year*

#### **Establishing the process and mechanics**

In this stage, central and local government officials would work through the specific process and mechanics needed for undertaking a reorganisation process. Work would include securing central government funding and making required legislative changes.

# 2

*Stage 2 – Up to 2 years*

#### **A locally led process to decide which structure fits the needs of an area**

In this stage, local authorities collaborate with their communities to determine the structure that would best meet local needs. This will be done on a region-by-region basis, using the resource management reform boundaries as a starting point for discussions. Boundary discussions would also need to include direct engagement with hapū/iwi to consider existing rohe and takiwā boundaries. Economic and cultural communities of meaning will be another form of local identification to consider.

The Panel envisages that the new local government stewardship institution would guide the process and make final determinations where councils and communities are unable to agree on the preferred structure for their region, taking their feedback into account.

# 3

*Stage 3 – 3+ years*

#### **Implementation of new structures**

In this stage, councils implement the agreed changes. There will be significant change processes required to transition to the new structure and operating model, and supporting legislative changes may be required.



### **Shared and managed services to maximise community benefit**

The opportunity for shared and managed services is an example of where councils can leverage investment beyond their current boundaries, including with central government.

In the future system, there should be ongoing investment planning between councils and with central government about where shared services can be used. As part of the move to a new structure, the Panel suggests there will also be a process to determine which services can be carried out by one council on behalf of the wider network (this may be the combined or a local council).

Currently, the fragmented operating model results in a lack of consistency across the system, making collaboration difficult – there are currently at least 78 bespoke ICT arrangements across local government, and no two councils have the same business process or systems.

There is huge potential in building common systems and shared capability across the sector, including digital and data architectures and resulting services and systems. The Panel sees both back-office corporate functions and customer-facing systems as big opportunities for shared and managed service arrangements. Many of these opportunities can be harnessed now, while in other cases new opportunities will arise as council structures and operating models are updated.

For the local government sector to build relationships and identify shared services opportunities, it needs the resources, expertise, and mindset to start the process, with a clear programme and roadmap that recognises the steps that need to be taken.

Local government sector leaders (both elected members and executives) need to be strong advocates for change, and the sector needs to invest in this. However, this change also needs strong support from central government.

## Leadership of the new local government system

To lead the change outlined in this report and support new ways of working, leadership capability needs to be strengthened across both local and central government.

We have heard throughout our Review that leaders are under pressure in the public sector, both at political and executive levels.

Leaders of the future need to be more relational, Te Tiriti-competent, collaborative, and focused on the longer term needs of communities. Leaders must value public service, be able to navigate uncertainty and ambiguity, have critical-thinking skills, be emotionally mature, and be able to communicate with clarity and empathy (SSC 2016).

During our engagement, we heard more than once that the skills needed to get elected are not always those needed to lead and govern.

Local government needs strong community leadership and skilled strategic thinkers that can build and lead high-performing teams. These leaders recognise the difference between governance and management, can anticipate what's needed, and have the foresight and courage to make necessary changes.

Recent events, such as floods and cyclones, have demonstrated the critical role of local mayors, chairs, and chief executives. At a senior level, there should be a greater focus on leadership as opposed to management, with a stronger alignment between senior leadership and governance.

Councils and their chief executives need to invest more in their relationships (including recruitment) and performance management.

This section outlines areas where the Panel recommends local and central government coinvest to build adaptive leadership capability (Rec 12):

- ▶ leading change and system renewal
- ▶ valuing civic leadership and public service
- ▶ partnership and collaboration
- ▶ innovation, experimentation, and learning.

### Leading change and system renewal

Local government needs outstanding leadership and organisational capability to match the challenges it faces. We want local government leaders to have a greater role in shaping the future.

The renewed system of local government proposed in this report requires a new style of leadership. We heard in our engagement with local and central government chief executives that leaders will need to be open to learning, taking calculated risks, and trying new approaches. New leaders need to be supported and developed – this takes time, investment, and commitment. The approach across local government to developing leadership needs to be intentional in order to be successful.

The Panel also suggests reviewing provisions relating to the appointment of chief executives and how their employment relationship with councils is managed.

Local government needs greater investment in recruitment and retention of staff at a council and a sector level. As well as growing the people who already work for councils, people with new skills and experiences to support navigating future challenges will be needed. This includes people with expertise in facilitating deliberative democracy tools and leading climate change adaptation projects.

### **Valuing civic leadership and public service**

Local government needs to maintain, value, and recognise the importance of civic leadership and public service. This will require investment, especially to respond to future challenges such as climate change and social cohesion. The ethos of public service needs to be embedded in the culture and values of councils and local government. Behaviours that benefit the system as a whole should be recognised and encouraged.

Councils' operating model, culture and environment, recruitment, development, and performance systems need to reinforce the importance of these core components of local government leadership.

### **Partnering and collaboration**

A strong relational approach is fundamental to develop better outcomes for communities. A relational approach is important for all of local government's work, whether it's with communities, hapū, iwi, Māori, or central government.

Tailored development programmes and training are needed to build partnership and collaboration skills. These new skills and mindset shifts will need to be learned, practised, and honed through experience.

There is a great opportunity for more joined-up local and central government through shared people development and training, secondments, and exploring new ways of working together and partnering. This will deepen the understanding between people working in each system of government, build capability across the system, and strengthen relationships. Currently, the exchange of talent between central and local government doesn't happen to the extent that it should to support a more unified public service approach.

This should be extended to hapū/iwi and Māori and some critical community partners as well.

**“In terms of capability building, we encourage a broad range of approaches to be progressed. For example, going beyond training programmes and usual tool boxes to encourage short secondments of both local and central government staff into hapū, iwi, whanau and community groups, organisations and networks.”**

*– Inspiring Communities*

### **Continuing to embrace innovation and technological change**

Innovation is required in the way local government undertakes its business, drawing on the active, adaptive leadership described throughout this section. With rapid changes in technology and new

approaches to addressing complex challenges there is a need to embrace innovation and technology.

This will require new mindsets and building a culture and risk appetite that supports the new direction of local government.

**“What is needed is a political and community appetite for calculated and responsible risk taking, a willingness to lean into innovation and support new approaches, and a public attitude which judges experimentation not on its input costs and short-term outputs, but on its medium-long term impacts and the wider public value it creates.”**

– *Waikato Wellbeing Project*

There is a huge opportunity for local government to continue to embrace innovation. This is about experimenting and trying different approaches – including using new technology and ways of working – to improve processes and outcomes for councils and communities. As discussed in [Chapter 2](#), councils will need to work differently to give full effect to their wellbeing purpose. A key part of this mindset shift is shifting to a transformational approach where councils innovate and learn by doing.

Councils and their leaders will need to continue to adapt, innovate, and be curious to remain relevant and deliver for their communities. As they develop and adopt new approaches or technologies, councils must be mindful of their responsibility to ensure the benefits of technological uptake are equitably distributed.

Since these types of opportunities are not unique to local government, innovation and technological change present an obvious opportunity to work across sectors, for example to share systems, services, skills, and experience to create greater value for both central and local government.

### **New approaches to long-term planning**

Every three years, councils have to set their priorities and a 10-year budget through a long-term plan (LTP). The process for developing and adopting LTPs are set out in the Local Government Act 2002 (LGA). The current process is prescriptive, extensive, and expensive. LTPs are often technical and complex, which can make them inaccessible to the broader public.

The Panel advises redesigning the LTP process to significantly reduce the extent of statutory prescription and the associated cost of complying, make sure council resources are used well, and make the consultation process more meaningful and relevant to citizens.

Planning and reporting processes are important for ensuring councils are accountable to their communities. However, nearly all councils told the Panel the process, content, and audit requirements for LTPs have added significant cost without adding proportionate value to the council or public. The Productivity Commission also identified the need for long-term planning and performance reporting to be streamlined and readable to a wider range of people (NZPC 2019).

The redesigned process should:

- ▶ enable community input early in the planning stages, rather than relying on engagement once a draft budget is already in place
- ▶ genuinely include a wider cross-section of the community and consider use of tools like participatory budgeting. This will require a review of the Special Consultative Process set out in the LGA
- ▶ review the performance framework in the LGA so it focuses more on outcomes than outputs
- ▶ consider whether audit requirements for LTPs could be streamlined or disestablished.

## **Purposeful stewardship to support a healthy local government**

Effective system stewardship is needed to support the system of local government to be successful and navigate change over the next 30 years.

Currently, there are multiple layers of stewardship with distinct roles that enable and support the local government sector. A range of organisations and actors are involved, including the Department of Internal Affairs (DIA), the Local Government Commission (LGC), LGNZ, and Taituarā. They all play a different role, and the Panel acknowledges the contribution all these organisations make.

However, this current set of stewardship arrangements was established over time to address immediate issues and each organisation brings its own lens. There is no clear high-level picture of what is good for the local government system as a whole, but rather a complex, overlapping, and often disjointed web of responsibilities.

### **A new institution to support stewardship of the local government system**

The Panel recommends creating a new independent local government stewardship institution to strengthen the health and fitness of the system (Rec 9).

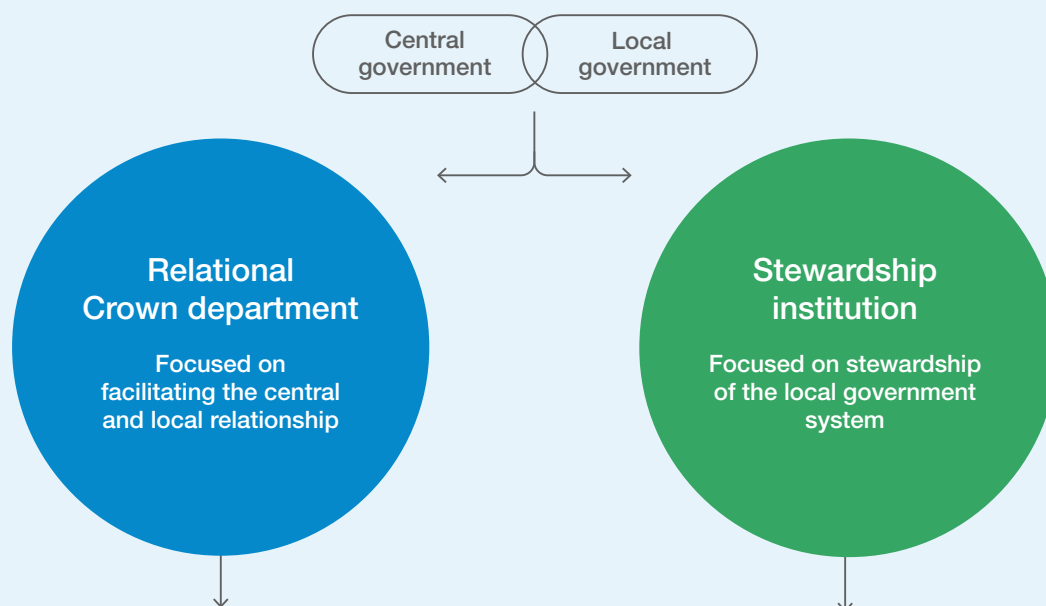
This nationally coordinated institution would build on current stewardship roles undertaken across central and local government. It would have the following stewardship priorities:

- ▶ providing care and oversight for the health and fitness of the local government system, including the health of local democracy
- ▶ building capability across the local government system, including by establishing and/or promoting centres of excellence
- ▶ fostering relationships across councils and growing the collective potential of local government towards a common purpose
- ▶ supporting and enabling the health of a hapū/iwi and Māori relationship
- ▶ taking on the current roles and responsibilities of the LGC.

The stewardship institution will be a vital part of enabling the broad changes to the system of local government this report describes. Its initial focus will be on driving the local government system towards the future vision and providing direction on structural change. Following that, the stewardship institution will continue to provide guidance and oversight to ensure the local government system succeeds at delivering wellbeing outcomes for communities over time. In submissions, the Panel heard calls for a centre of excellence for local government, which the Panel supports.

System stewardship cannot be carried out by the new institution on its own. Both local and central government actors have roles in the stewardship of the local government system going forward. Our recommendation to create a new stewardship institution reflects many of these ideas.

**Figure 10: New proposed entities**



#### Purpose

To provide for and improve the working relationship between central and local government.

#### Functions

- Facilitate and enable a joined up public service.
- Expedite and enable place-based agreements.
- Provide for better alignment of central and local government activity.
- Assess and inform policies that affect local government.
- Lead transition to the new system.

#### Purpose

To be a steward of the local government system by caring for the health of local government and the system it operates within.

#### Functions

- Monitor and review the health and performance of the local government system.
- Assess the cumulative impact of central government decisions on local government and the system.
- Inform the system reorganisation process.
- Design a governance framework to support the system.
- Provide policy advice.

### **The roles a new stewardship institution will serve**

Purposeful stewardship is needed to support the health and fitness of the local government system. The proposed stewardship institution will be dedicated to nurturing and advocating for the local government system and the outcomes it delivers for communities.

The new stewardship institution should be an independent body, empowered to act and advise without fear or favour. Some specific features of a new stewardship role are described below.

#### **Oversight and care for the health and fitness of the local government system**

The new stewardship institution will be central to understanding and supporting the local government system, both nationally and locally. This includes monitoring whether the system is healthy, strong, and adaptive in giving effect to its purpose. This could extend to assessing whether legislative provisions remain fit for purpose.

The institution will assess the strength of local democracy on an ongoing basis and consider how well the system is enabling and responding to evolving democracy challenges and opportunities. It should encourage innovation in democratic practices and share new ideas and processes to strengthen local democracy.

The institution's focus would include commenting on policy coherence with a systems view across local government.

#### **Building capability and capacity of the local government system**

The new stewardship institution will be a trusted advisor for local government, providing direction, support, and potentially resources. This includes building a better understanding of emerging trends and gaps or opportunities.

In collaboration with the local government sector, it will proactively monitor and review the overall capability and capacity of the system to ensure it is fit for purpose. This includes reviewing:

- ▶ the system's ability to respond to future challenges
- ▶ whether councils and the wider sector have expertise to undertake roles and functions
- ▶ leadership and governance quality across the system.

The institution will also help nurture the values of service and integrity in conduct across council representatives and staff.

#### **Fostering relationships and driving towards a common purpose**

The new stewardship institution will bring people together to build collective understanding of the local government system, the interdependent roles within it, and how to make best use of these insights and resources. Although this needs to be driven from a local government perspective, there will need to be a culture of collaboration towards a common purpose.

#### **Support and enable the health of a hapū/iwi and Māori relationship**

The new stewardship institution will support and enable the health of the Māori–local government relationship by championing change,

providing guidance, and holding the system to account. This includes providing for the role and influence of Māori at the system level. To achieve this, the institution will:

- ▶ articulate expectations of local government's role in upholding the Crown's Te Tiriti obligations
- ▶ establish frameworks to enable local government to measure their capabilities within te ao Māori, for example their Te Tiriti o Waitangi, te reo Māori, mātauranga Māori, and tikanga Māori understanding and capability
- ▶ help establish ways for hapū/iwi and Māori to measure local government's Te Tiriti responsibilities, relationships, and consideration of Māori communities in their decision-making.

### **Additional roles and functions of the new institution**

The Panel suggests that the new institution would hold other functions in addition to its stewardship role. Specifically, it would:

- ▶ incorporate the functions of the LGC
- ▶ take responsibility for guiding and supporting the proposed structural reform process outlined in this chapter
- ▶ provide governance support to councils, including support for code of conduct matters, and advice to ministers
- ▶ have a role in future representation reviews.

Within their current resources and mandates, we do not consider the existing sector roles and organisations (such as the Secretary of Local Government and DIA, the LGC, Taituarā, and LGNZ) are positioned to fulfil the functions and roles described above. In devising the new institution there is an opportunity to be innovative, and not limited to or bound by current institutional forms.

### **Forming and enabling the new institution**

The new stewardship institution will be an independent body. It should have a reputation and standing akin to a parliamentary officer, without necessarily being vested in an individual, leaving open the possibility of a new, innovative form.

This approach will ensure it has the authority to effectively steward and guide the local government system. As an institution, it also needs dedicated expertise and capability in stewardship and innovation, as well as embedding te ao Māori, mātauranga Māori, and tikanga.

The Panel envisages that current membership organisations such as LGNZ and Taituarā will have a place in a future stewardship system, however it will be up to them to determine their future role and form. In light of the stewardship-focused institution and the relationship-focused Crown department (described in [Chapter 2](#)), the current functions and location of the local government branch within DIA will need to be reviewed.

For example, the Panel notes that in the current system, the Secretary for Local Government is a statutory role held by the Chief Executive and Secretary of the DIA. These roles carry significant responsibilities and compete for executive attention and resources. As the stewardship

institution and Crown department are created and as local government legislation is reviewed, it is logical to review the role and function of the Secretary, along with the breadth of local government-related roles currently held across agencies in central government.

There will still be a need to maintain the regulatory and policy responsibilities currently undertaken by the Secretary for Local Government, but the way they are exercised and where the function is located should be considered alongside the other stewardship changes.

## Approach to system renewal

The Panel sees the recommendations and suggestions in this report as a package. They are mutually supportive interventions which together will form the basis for a strong local government system that can support intergenerational wellbeing, local democracy, and Te Tiriti partnership for the coming decades.

Some of the recommendations are for significant structural, legislative, and funding changes that will take time to implement and require facilitation by central government. There are also suggested actions that people in local and central government can take now to get things moving.

**“The Review has an opportunity to ensure the eventual re-shaping of local governance is cohesive and purposeful, rather than ad-hoc reform brought about through the slow attrition of councils’ functions and expertise.”**

*– Te Rūnanga o Ngāi Tahu*

Given the scale and magnitude of the proposed changes, it will be essential for local government, through LGNZ and Taituarā in conjunction with DIA, to lead and champion the change.

This section sets out the Panel’s suggested critical path – the timing and sequence for the first steps of the change programme. It also outlines potential actions that local and central government elected members and staff can get started on now.

The Panel recognises that providing this level of detail about a change programme is not something reviews normally do. However, the Panel wants to set a clear potential pathway for change given the significance and scale of the recommendations.

## Aligning with broader local government reforms

We have consistently heard from submitters that it is unclear how all the reforms and changes are going to fit together. They have been on the receiving end of a siloed reform agenda.

**“..we have major concerns that the opportunity for positive and aspirational change through the Review is at risk due to the current aggressive central government reform programme. KDC believes that the Review should have been undertaken and completed prior to the other reform agendas progressing beyond the point of no return.”**

*– Kaikōura District Council*

The Panel sees the Review as a significant opportunity to make sense of the reform programme (including resource management and affordable water) as a cohesive package. The critical path presented below is an opportunity to bring these changes together and put local government in the driving seat.

### **Conditions for success**

This reform programme for local government needs to be supported by a set of enabling conditions:

- ▶ **bipartisan buy-in to a multi-term reform programme** – this programme will spread over many years, so there needs to be broad buy-in across the political spectrum
- ▶ **local government leadership and ownership, enabled by central government** – this reform programme will not be successful if it is led purely by central government
- ▶ **change to central government's relationship with local government** – while reform focuses on local government, fundamental change is also needed in how central government operates with councils and the system as a whole
- ▶ **multi-year funding for a reform programme and implementation** – without secure and sufficient funding, the reform programme will fall over
- ▶ **iterative and responsive approaches** – the reform process cannot be linear and early learnings need to inform future stages.

### **Funding will be needed to support the changes**

The transition to a successful, sustainable future system of local government will require sufficient funding. Central and local government must commit resources and funding to support and enable the future transition (Rec 17), by:

- ▶ establishing a steering group and transition unit to support the change and system renewal of local government
- ▶ supplementing local government capacity funding to enable hapū/iwi and Māori to partner with councils
- ▶ supporting councils to:
  - ▶ build Te Tiriti and te ao Māori capability and grow relationships with hapū/iwi and Māori
  - ▶ lift their immediate capacity and capability to innovate and experiment in the delivery of wellbeing for communities
  - ▶ trial and grow participatory and deliberative democracy practices.

The critical path towards reform includes four key aspects, outlined below.

These are not the only actions required. Local government change needs to come together as a broader package across all recommendations. Without focus on the culture, capability, and mindset aspects of the recommendations and suggestions in this report, there is a risk that local government ends up with the entities and structure without the supporting mechanisms to really embed change.

While there are other possible ways to establish the reform programme, this critical path is the Panel's best advice on the sequencing that will best serve the local government system and communities.

## The four steps in the critical path

A

### Establish a steering group

*Proposed timing: starting mid-2023*

The first step following the release of the final report is to establish and resource an initial steering group. We expect the steering group would be chaired by a local government leader to scope the reform programme and establish the transition unit (outlined below). The steering group would play a governance role through the duration of the reform programme. It would also have a role in advising the incoming government following the 2023 General Election.

The steering group would need to:

- ▶ have people with strong skills and experience in the local and central government sectors
- ▶ have people with skills and experience in giving effect to Te Tiriti-based partnerships
- ▶ reflect a genuine partnership between central and local government
- ▶ be supported by a joint team from across central and local government.

B

### Establish a transition unit

*Proposed timing: starting early 2024*

The transition unit will be the formal entity that starts the reform programme and will pick up the path set by the steering group. Its roles will include leading the establishment of the two new entities recommended in this report and starting to set up the mechanics and legislative settings for the reorganisation and realignment process.

The transition unit will also start broader policy and budget changes and be instrumental in leading the new way of partnering between local government, central government, and hapū/iwi.



### **Establish two new entities**

*Proposed timing: starting mid-2024*

The first major machinery of government change will come with the establishment of two new entities:

- ▶ a new Crown department dedicated to the central–local government relationship
- ▶ a new local government stewardship institution.

The establishment of these entities will require work to secure budget funding and progress legislative change. This will be led by the transition unit.



### **Council reorganisation and realignment process**

*Proposed timing: starting late 2024*

The reorganisation and realignment will start as an iterative process, with changes to councils taking place in tranches. The lessons from the first few regions will inform subsequent tranches. This process is an opportunity for potential convergence and alignment with other reforms.

### **Broader changes to create the new operating environment and system**

A broader reform programme should start following the changes above. This will include legislative change to enable wider recommendations, but also the funding and capability changes needed to deliver on a future system.

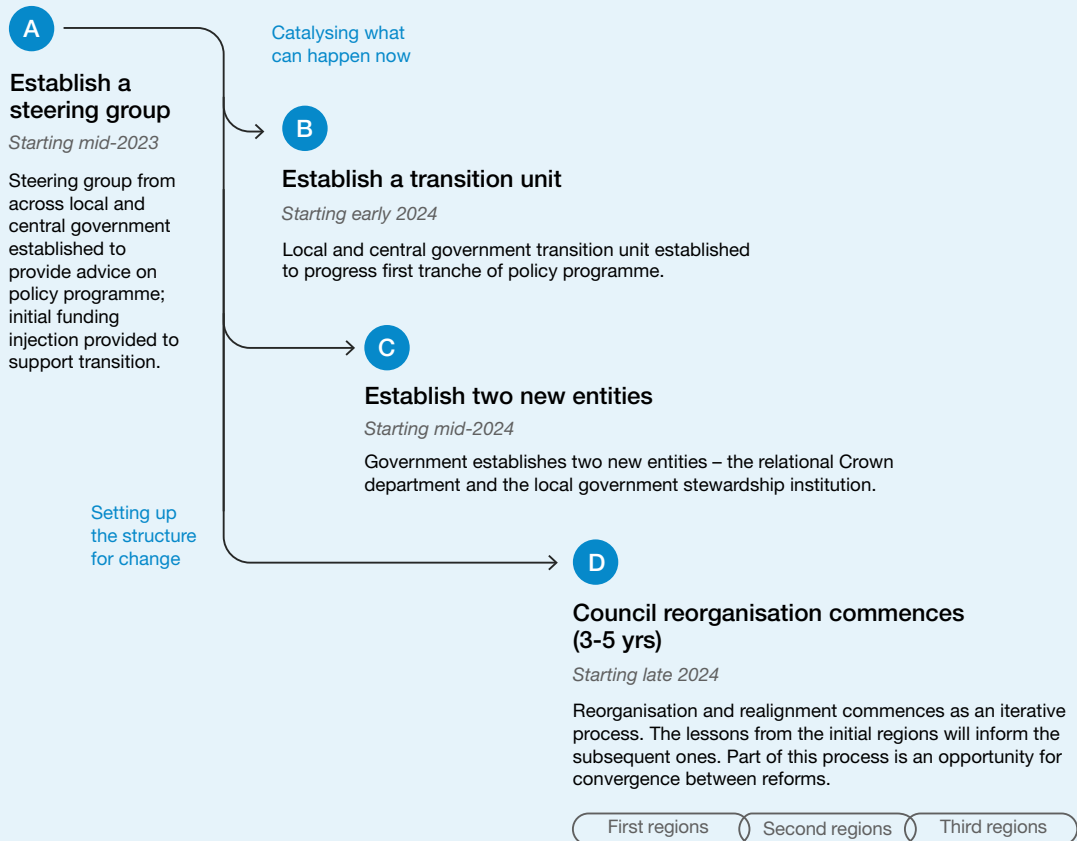
For more detail, see the [Appendix](#).

Figure 11: Initial timing and sequencing for key actions

# What would a critical path look like?

First phase → Second phase → Third phase →

Implementing a new way of partnering between local government, central government, and hapū/iwi



Ongoing funding secured

### **Actions that can get started now**

The success of the reform programme requires both immediate changes and legislative or structural changes.

We consider staff and elected members in local and central government can get started on the following actions now.

- ▶ Invest in building adaptive leadership capability focused on valuing civic leadership, partnership and collaboration, and innovation and experimentation.
- ▶ Establish, with support from LGNZ, ongoing development and capability building for elected members across councils.
- ▶ Explore options for councils to give effect to Te Tiriti-based partnership, including developing partnership frameworks with local hapū/iwi.
- ▶ Prioritise council resourcing for growing skills and cultural competency needed to recognise and embed te ao Māori, mātauranga Māori, and tikanga.
- ▶ Trial participatory and deliberative democracy tools amongst an opt-in group of councils to build experience and expertise.
- ▶ Share early knowledge from councils that already embrace their broader wellbeing role – including using the Taituarā Wellbeing Committee.
- ▶ Support the growth of social procurement and supplier diversity as standard practice in local government.

**Figure 12: Actions that can happen now****1**

Councils consulting with communities and hapū/iwi to **identify local wellbeing aspirations**

**2**

**Facilitating and enabling a more joined-up public service** between central and local government

**3**

Ongoing **development for elected members** and capability building/good governance across councils

**4**

Introducing **social procurement** and supplier diversity as standard practice

**5**

**Early knowledge-sharing** from councils that already embrace their broader wellbeing role – including utilising the Taituarā Wellbeing Committee

**6**

Local government **prioritises resourcing for growing skills and cultural competency** needed to recognise and embed te a Māori, mātauranga Māori and tikanga whakanaere

**7**

**Invest in building adaptive leadership capability** focused on valuing civic leadership, partnership and collaboration, and innovation and experimentation

**8**

Councils explore options for **Tiriti-based partnership at the council table**, i.e. develop partnership agreements with local hapū/iwi

**9**

**Trial participatory and deliberative democracy tools** amongst an opt-in group of councils, build learning and expertise

**10**

**Digital Future Local Government roadmap** gets underway as a cross-sector activity

**11**

**Create stronger partnerships** with the business and arts communities

**12**

Continuing education initiatives on **community wealth building and mission-led innovation**

## Recommendations

- 7 Initiate a reorganisation of local government to strengthen, support, and resource councils to plan for and respond to increasing challenges and opportunities, and to set local government up for a more complex future.
- 9 Establish a new local government stewardship institution to strengthen the health and fitness of the system. This entity should:
  - ▶ provide care for and oversight of the local government system, including the health of local democracy and local government's future-fit capability and capacity
  - ▶ foster common purpose and relationships
  - ▶ support and enable the health of the Māori–local government relationship
  - ▶ incorporate the current roles and responsibilities of the Local Government Commission.
- 12 Local and central government coinvest to build adaptive leadership capability focusing on:
  - ▶ leading change and system renewal
  - ▶ valuing civic leadership and public service
  - ▶ partnership and collaboration
  - ▶ innovation and experimentation.
- 17 Central government commits to enabling the future transition with funding to:
  - ▶ resource a transition unit to support the change and system renewal of local government
  - ▶ supplement local government capacity funding to enable hapū/iwi and Māori to partner with councils
  - ▶ support councils to:
    - ▶ build Te Tiriti and te ao Māori capability and grow hapū/iwi and Māori relationships
    - ▶ lift their immediate capacity and capability to innovatively deliver wellbeing priorities for their communities
    - ▶ trial and grow participatory and deliberative democracy practices.



Appendix

## Changes to Create the New Operating Environment and System

### What could a road to reform look like?

**It is important to note that:**

- this only one part of a broader change management programme that should predominantly focus on people, with some technical elements
- this diagram gives an overview of the process, but it will be iterative, and interdependencies, opportunities, and risks of other reform programmes will need to be considered.

**Reform programme established**

The first stage of a reform programme will need to be the overall agreement on the direction of a reform. Part of this could be the introduction of a transition unit that initiates the reform programme, establishes the two new entities (the relational Crown department and the local government stewardship institution) and commences the reorganisation.

**Broader reform programme**

Once the initial phase has been completed, a broader reform programme will commence. This will include legislative change to enable wider recommendations (ie, funding tools), but also funding and capability changes.

**Changes that don't need reform**

It is important to remember that not all changes will need to be part of a reform programme. Many recommendations can be implemented right now.

**Enabling conditions**



**bipartisan buy-in to a multi-term reform programme** – this programme will spread over many years, so there needs to be broad buy-in across the political spectrum



**local government leadership and ownership, enabled by central government** – this reform programme will not be successful if it is led purely by central government



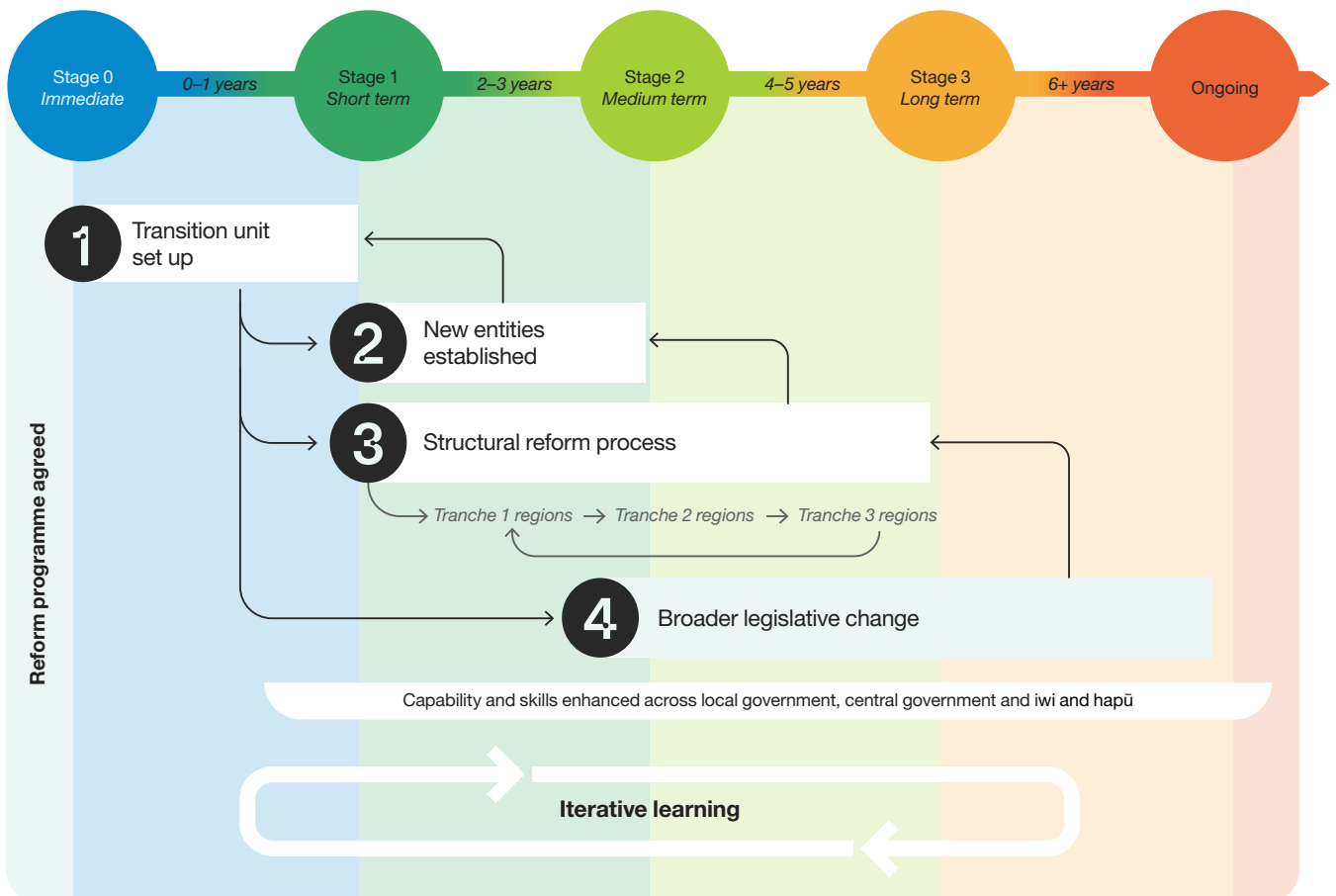
**change to central government's relationship with local government** – while reform focuses on local government, fundamental change is also needed in how central government operates with councils and the system as a whole



**iterative and responsive approaches** – the reform process cannot be linear and early learnings need to inform future stages.



**multi-year funding for a reform programme and implementation** – without secure and sufficient funding, the reform programme will fall over



# Glossary

We recognise that Te Reo Māori is a taonga that requires protection and nurturing. We acknowledge that terms expressed in this report are highly contextual. The terminology defined in this glossary is relative to the content of this report and are included to support understanding, not be exhaustive in their definition. These translations are subject to constant and necessary debate, and not one that the panel has the authority or intent to remediate within this report.

Term	Description
<b>Allocation (of roles and functions)</b>	Who does what in the system of local government. In other words, what local government should deliver and be responsible for.
<b>Anchor institutions</b>	Entities like councils, hospitals, universities, faith groups or other organisations based in a town, city, or defined region with a long-term and enduring commitment and connection to the place. Anchor institutions play a vital role in local communities and economies.
<b>Co-governance</b>	<p>In a local government context, co-governance is about decision-making partnerships between local government and Māori, built on trust and confidence, used to develop a vision and objectives for a Kaupapa to work together. It is about sharing information at the outset and bringing together different perspectives and knowledge systems in a conversation based on mutual recognition.</p> <p>It does not mean that final decisions can or should always be made ‘jointly’ – certainty and efficiency may still mean that final decisions fall one way or another, but it does mean that a high degree of dialogue may be required before a decision can be made, or that decision-makers must strive for a consensual approach before resorting to ‘hard’ democratic mechanisms like voting.</p>
<b>Coinvestment</b>	An approach where central and local government align efforts to plan, fund, and execute initiatives.
<b>Deliberative democracy processes</b>	These involve demographically representative groups selected by public lottery that weigh evidence, deliberate to find common ground, and develop an informed public judgement on a key issue which can then be directly adopted by council.

<b>Term</b>	<b>Description</b>
<b>Democracy</b>	This can be thought of as ‘power to the people’ and refers to a way of governing by public will. This means that the public are given power to rule the state, either directly or through elected representatives. Most commonly, we see this through elections, where the public vote for people to represent their interests. However, a fundamental and vital part of democracy is also the right to participate directly, not via an elected member. This is another, equally vital way power is given to the people.
<b>Economies of scale</b>	When services are delivered in larger quantities, resulting in lower overhead costs (as costs are shared more widely).
<b>Economies of scope</b>	These can occur when services that draw on specialist skills and resources can also be used for other services, reducing cost and sharing expertise.
<b>Function</b>	A broad area of responsibility. This could include things like roading provisions, system stewardship, or environmental monitoring.
<b>Kaitiakitanga</b>	The exercise of Tiakitanga by the tangata whenua of an area in accordance with tikanga Māori. Commonly this is related to natural and physical resources and includes the ethic of stewardship.
<b>Kawa</b>	Protocol -- customs of the marae and whareniui, particularly those related to formal activities such as pōhiri, speeches and mihimihi.
<b>Kāwanatanga</b>	The ethic of governorship, historically derived from the term ‘Kawana’ or Governor, who in 1840 was the Crown representative in Aotearoa New Zealand who signed Te Tiriti o Waitangi. In contemporary times, Kāwanatanga refers to the Governor and authority delegated to and vested in Parliament, the judiciary, and the executive of government. Local government is often referred to by Māori as an agent of Kāwanatanga as it carries out roles and functions enshrined in legislation that give practical exercise of Te Tiriti o Waitangi at place.
<b>Local governance</b>	The system by which communities are governed – in essence, who makes decisions, how they are made, and who the decision-makers are accountable to. In any place or community, local governance can involve many decision-makers including central government, local authorities, hapū/iwi and Māori organisations, business and community organisations, and others.
<b>Local government</b>	The local authority structures established by statute.

Term	Description
<b>Local government system stewardship</b>	<p>A function that promotes and cares for local government. This includes:</p> <ul style="list-style-type: none"> <li>▶ oversight and monitoring of relevant legislation administered by agencies</li> <li>▶ care for the systems' long-term capability and people</li> <li>▶ maintenance and enhancement of institutional knowledge and information</li> <li>▶ support for partnerships, co-design, and innovation.</li> </ul>
<b>Local wellbeing</b>	<p>This covers a wide spectrum of interconnected social, cultural, economic, and environmental outcomes. It includes everything that makes a good life, not only for individuals, but also for their whānau and families, their neighbourhoods and communities, and for future generations. This includes living in a clean and healthy environment, having basic needs met, being physically safe and secure, experiencing connection with others and a sense of belonging, being able to participate and contribute, being able to express yourself and your identity, experiencing yourself as valued and valuable, and having opportunities to prosper and live to your full potential. Local wellbeing includes diverse Māori and Pacific approaches to wellbeing.</p>
<b>Long-term Plan (LTP)</b>	<p>A 10-year plan which sets out the activities a council does and how these activities fit together. They cover what activities will be completed over the LTP's 10-year period, why the council chose those activities, and the costs of those activities to the community.</p>
<b>Noa</b>	<p>An absence of restrictions and limitations, common.</p>
<b>Mana</b>	<p>Authority to lead and organise, to make decisions and have influence.</p>
<b>Mātauranga Māori</b>	<p>This refers to the Māori way of being and engaging to examine, analyse, critique and understand the world. Mātauranga uses kawa, tikanga, values, concepts, philosophies and whakapapa, traversing contemporary and customary systems of knowledge to build understanding.</p>
<b>Mauri</b>	<p>Life principle and force, the essential vitality of a person or entity.</p>
<b>Participatory democracy tools</b>	<p>These involve self-selected groups and are focused on public opinion-oriented decision-making.</p>
<b>Participatory democracy</b>	<p>The way citizens participate directly or indirectly in policies and political decisions that impact them.</p>
<b>Place-making</b>	<p>Widely understood as the process of strengthening the connection between people and the places they share, in order to maximise shared value and strengthen community identity.</p>

<b>Term</b>	<b>Description</b>
<b>Rangatiratanga</b>	A concept of political, social, and cultural authority – closely linked to self-determination – through which Māori exercise control or influence over their own institutions, communities, property, and overall wellbeing (including the public goods and services they receive for their benefit). Rangatiratanga is derived from the whenua, through hereditary interests, often whakapapa-based and/or through recognised active leadership. In terms of political authority, rangatiratanga is predominantly held and exercised by iwi and hapū.
<b>Rates</b>	A form of tax on property. Rate means a general rate, a targeted rate, or a uniform annual general charge that is set under the Local Government (Rating) Act 2002.
<b>Remuneration</b>	The total compensation received by a person. This includes salary, fees, superannuation, reimbursements, allowances, and benefits.
<b>Rohe</b>	Can refer to an iwi boundary, traditional or customary district, geographical area, or region.
<b>Role</b>	The different actions or jobs that contribute to a broader function.
<b>Single transferable vote (STV, or ranked choice)</b>	Citizens rank candidates in their order of preference, which transfers votes and avoids wasted ballots.
<b>Social procurement</b>	Happens when organisations use their purchasing power to generate social or public value beyond the value of a good or service being procured.
<b>Systems networkers and convenors</b>	These connect and bring people together from across organisations, sectors and cultures, enable learning across boundaries and silos, and facilitate innovative solutions that respond to local needs.
<b>Takiwā</b>	Can mean a locality, district, area, region, or territory. Sometimes there are several takiwā within a rohe.
<b>Talanoa</b>	A term used within Tongan, Samoan, and Fijian cultures, referring to coming together for a conversation or exchange of ideas.
<b>Tapu</b>	A place or subject that has restrictions, limitations and special conditions.
<b>Taura here</b>	Meaning ‘ropes that bind’, this refers to Māori individuals or groups who join together to fulfil a common purpose to retain their identity and links back to their tribal homelands, and live outside their iwi territories.
<b>Te ao Māori</b>	The Māori world view.

<b>Term</b>	<b>Description</b>
<b>Te taiao</b>	Our interconnected and interrelated natural world, home to our native biodiversity and the plants and animals that define our local area. It also includes the whenua and awa that provide resources for the people who live there.
<b>Te Tiriti o Waitangi</b>	In this report, we use the term ‘Te Tiriti’ to refer to Te Tiriti o Waitangi/The Treaty of Waitangi. We use ‘Te Tiriti’ to refer to the combined effect of the English and Māori texts, and how we think that impacts on the relationship between Māori and local government.
<b>Tikanga</b>	Refers to the Māori ways of doing things, including protocols, practices, and behaviours that make up the system of values which have been developed and embedded over time. In the context of local government decisions in accordance with the right values and processes, including in partnership with the Treaty partner.
<b>Unfunded mandate</b>	These occur when a function or role is delegated from central to local government without associated funding.
<b>Voter turnout</b>	The proportion of all enrolled electors (both residents and ratepayers) who cast a vote.
<b>Wānanga</b>	A term used for a setting where discussion and an exchange of ideas takes place. It can also refer to the sharing of traditional knowledge including mātauranga, whakapapa and philosophy.

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