

Terms of Reference: Ministerial review into the Future for Local Government

Background

The traditional roles and functions of local government are in the process of changing. The work programmes the Government is advancing to overhaul the three waters sector and the resource management system are foremost among a suite of reform programmes that have the potential to reshape our system of local government.

These reform programmes also carry the potential to further compromise the sustainability of some local authorities' current financial arrangements. The Productivity Commission's report on local government funding and financing, issued in late 2019, highlighted the general fiscal challenges being faced by councils, which have subsequently been exacerbated by COVID-19. In addition, local government will have a crucial role in reducing greenhouse gas emissions and adapting to climate change for decades to come with significant financial implications.

A comprehensive review of local government roles and functions is supported by the local government sector, led by Local Government New Zealand and Taituarā – Local Government Professionals Aotearoa,¹ and central government agencies. The review will enable the building of a sustainable system that delivers enhanced wellbeing outcomes for communities.

It is also timely to consider the current role and functions of local government, given the technological and societal change that has occurred since the Local Government Act 2002 was enacted.

There are longstanding calls for reform from Māori and recommendations from the Waitangi Tribunal to ensure the Treaty relationship is fully provided for through the local government system. Consideration of the future for local government will provide an opportunity for central government to consider how to strengthen the Māori-Crown relationship and actively embody the Treaty partnership.

This is an opportunity to strengthen the important relationship central government has with local government. This relationship is critical as the major reform programmes progress, particularly given the local government sector's expectation for a 'parallel conversation' about the impacts of the reform. The sector is seeking certainty of the longer-term direction for local government.

¹ Taituarā – Local Government Professionals Aotearoa was formerly known as the Society of Local Government Managers (SOLGM).

The Government acknowledges local government's critical role in placemaking and achieving positive wellbeing outcomes for our communities. Stronger local democratic participation, active citizenship and inclusion will support local government in this role. There is an opportunity to strengthen the role of local participation in governance and continue to foster the strength of our open, transparent, and connected democracy.

Purpose and scope

The Minister of Local Government (the Minister) is establishing a Ministerial review into the Future for Local Government (the Review). The Review is to consider, report and make recommendations on this matter to the Minister.

The overall purpose of the Review is, as a result of the cumulative changes being progressed as part of the Government's reform agenda, to identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership.

The Minister is seeking recommendations from the Review that look to achieve:

- a resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities;
- public trust/confidence in local authorities and the local regulatory system that leads to strong leadership;
- effective partnerships between mana whenua, and central and local government in order to better provide for the social, environmental, cultural, and economic wellbeing of communities; and
- a local government system that actively embodies the Treaty partnership, through the role and representation of iwi/Māori in local government, and seeks to uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles through its functions and processes.

The scope of this matter comprises what local government does, how it does it, and how it pays for it. The scope should include, but not be limited to, a future looking view of the following:

- roles, functions and partnerships;
- representation and governance; and
- funding and financing.

The role and representation of iwi/Māori in the local government system should be across all aspects of the Review's consideration of this matter.

The Review should also recognise Aotearoa's increasing diversity, and give consideration to the relationship between strengthening social inclusion and improving the wellbeing of our communities.

The Review should appropriately consider reports relevant to the future for local government, including, but not limited to:

- relevant reports and findings of the Waitangi Tribunal;
- the Productivity Commission's report on local government funding and financing;
- the Justice Committee's recommendations in its Inquiry into the 2016 Local Elections,² the interim report for the 2019 Local Elections and any subsequent Justice Committee reports on local elections; and
- the Climate Change Commission's advice to Government.³

The Review should also be guided by the objectives of the Public Service Act 2020, in terms of building a unified, agile and collaborative public service, grounded in a commitment of service to the community.

The Review should not make any inquiries into any Government policy decisions, including but not limited to those related to programmes of reform. The impact of reform programmes on local government, such as those related to the three waters sector and resource management system, are within the scope of the Review.

Review Establishment

This Review is established by the Minister, with the agreement of the Prime Minister.

Appointments to the Review panel will proceed through the Cabinet appointments process and fees will be set in accordance with the State Sector Fees Framework. Should a panel member need to be replaced over the life of the Review, the Minister will follow the Cabinet appointments process to appoint new panel members. Local Government New Zealand and Taituarā - Local Government Professionals Aotearoa will be consulted during the appointments process.

Jim Palmer is the Chair of the Review. The other panel members are Antoine Coffin, Gael Surgenor, Brendan Boyle and Penny Hulse. John Ombler was originally on the panel however he chose to withdraw for health reasons in July 2021. Brendan Boyle was appointed in his place.

The Review may commence consideration of this matter from 3 May 2021.

Principles and methods of work

The Review will discharge its functions in accordance with the provisions and principles of these terms of reference. The Review has the power to determine its own procedure, unless otherwise guided by terms of reference.

Consideration of this matter should be characterised by a spirit of partnership between the Review, local government, and iwi/ Māori, while upholding the independence of the Review.

² The Inquiry into the 2016 Local Elections was merged with the Inquiry into the 2017 General Election with [the report](#) making recommendations for both.

³ The Climate Change Commission is consulting the public until 28 March 2021 on a draft of its first package of

advice to Government on the actions it must take to reach net-zero by 2050, and ensure a transition to a low-emissions, climate resilient and thriving Aotearoa.

The Review will operate according to principles that include (but are not limited to):

- a) working in partnership with iwi and Māori in good faith and in accordance with the principles of Treaty of Waitangi (Cabinet Office Circular CO(19)5, Te Tiriti o Waitangi/Treaty of Waitangi Guidance);
- b) engaging with local authorities, Local Government New Zealand, Taituarā - Local Government Professionals Aotearoa, other local government stakeholders, central government agencies and the public;
- c) ensuring timely production of documents, ensuring that information received is recorded appropriately and ensuring efficiency, transparency and accountability in its use of public funds;
- d) acting in an independent, impartial and fair way.

The Review will have two areas of focus

The Review's initial focus will be on how local government will be a key contributor to the wellbeing and prosperity of New Zealand and an essential connection to communities in the governance of New Zealand in the future.

This will enable scoping of the broader work to follow, including identifying the process and priority questions that will be of most benefit to furthering the outcomes outlined in these terms of reference.

The Review will then focus on answering the priority questions identified during its initial scoping work.

The Government will welcome the work of the Review but will not be pre-committed to the implementation of its findings. The Government will respond to the findings of the Review in due course.

Engagement

The panel members conducting the Review should meet with the Minister at least twice a year to provide status updates on its consideration of this matter. The Chair of the Review should meet with the Minister on a more regular basis, to be mutually agreed by both parties. These meetings will provide an opportunity to share early insight on the direction and findings of the Review.

In undertaking its consideration of this matter, the Review should undertake an engagement process, which must include iwi/Māori, other stakeholders impacted by changes in local government (e.g. rural communities), the public (including diverse communities), and local and central government representatives at a minimum. The Review must identify options for a collaborative approach with the sector, and advise the Minister in due course if any reference group/s will be required.

The engagement process should be robust throughout the duration of the Review to the extent that the work of the Review can be enduring beyond the current parliamentary term.

Engagement with iwi/Māori should be in accordance with the Office for Māori Crown Relations: Te Arawhiti guidelines on engagement.

Findings and recommendations

The Review will report to the Minister on this matter.

Key Dates

- 30 September 2021: an interim report presented to the Minister signalling the probable direction of the review and key next steps.
- 28 October 2022: draft report and recommendations to be issued for public consultation. This has been extended from the initial date of 30 September 2022, as agreed by the Minister of Local Government.
- 19 June 2023: Review presents final report to the Minister and Local Government New Zealand. This has been extended from the initial date of 30 April 2023, as agreed by the Minister of Local Government.

Operational Matters

The Review will be supported by a secretariat and the Department of Internal Affairs will provide administrative support in a way consistent to that of inquiries conducted under the Inquiries Act 2013. The Review must undertake regular financial, non-financial and resource planning and reporting consistent with public sector standards and timeframes.

Operational matters will be managed through a memorandum of understanding between the Department of Internal Affairs and the Review.