



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

Interim report
September 2021

Ārewa ake te Kaupapa

Raising the platform



The Future for Local Government Review provides an opportunity to rethink local governance for the future.

It is an opportunity to look beyond fixed structures and roles, to design a system of local governance that is built on relationships; is agile, flexible and sustainable enough to meet future challenges, even those that are large and unpredictable; has the right mix of scale and community voice; harnesses the collective strength of government, iwi, business, communities and others; maximises common benefit and wellbeing; and creates the conditions in which communities can thrive into future generations.

Over the next 30 years, New Zealand will change a great deal.

The country will have a larger, more diverse population. Technology will change the way people live, work, move around, do business, and relate to each other. Climate change will require us to adapt and reshape our economy and lives. The Treaty of Waitangi partnership will move into a new phase with increasing focus on enduring, mutually beneficial relationships.

Much else is likely to change in ways that cannot yet be predicted.

All of these trends have implications for New Zealanders' quality of life, for the places and communities we live in, and for the ways in which those places and communities are governed.

Change can create challenge, and also opportunity. It invites us to ask: how might things be done better, in order to build trust in local democracy and improve New Zealanders' wellbeing and prosperity?

About this report

The title draws inspiration from Pacific traditions about the importance of communal gathering places, in particular marae ātea (ceremonial spaces) and ahurewa (ritual spaces) where important activities and discussions are undertaken.

‘Ārewa ake te Kaupapa’ can be literally translated as ‘raising the platform’.

‘Kaupapa’ is often used in Aotearoa to reflect a platform for, or topic of, discussion, though it also has associations with the body of a korowai (feather cloak). The raising of the kaupapa can reflect the purpose of the mahi (work).

In these ways, the title alludes both to the place-making and community building functions of local government, and to the place of this report as a foundation for future discussion.

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

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

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Introduction

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

This report is the beginning of a conversation about how that might occur. Over the next 12 months there will be many opportunities for public input about what creates wellbeing for communities, and how local governance might operate to support wellbeing.

Why review local governance?

The system of local governance and democracy is under review for several reasons.

Local government responsibilities and demands have increased greatly since the 1989 reorganisation and the Local Government Act 2002, resulting in significant funding and capability challenges. Over the next 30 years those pressures will increase further as local authorities respond to complex issues such as the local impacts of climate change.

Planned resource management and three waters reforms also call into question the broader functions and roles of local government, while other reforms in health and education have implications for local governance and wellbeing.

The relationship between local government and Māori is being re-examined, as the country moves towards a new phase in the Treaty of Waitangi relationship.

Although most New Zealanders enjoy good quality of life, existing governance structures – including local and central government – are not delivering wellbeing for all. Many issues that are felt at a local level, such as poverty and inequity, and environmental degradation, can be expected to worsen if not addressed in a coordinated manner.

This review provides an opportunity to address all of these issues and ensure that the system of local governance is fit for the future. More broadly, it is an opportunity to consider how local democracy and governance might change in order to maximise wellbeing and prosperity for all communities.

Local government and local governance

Our terms of reference ask us to consider the future of local governance in New Zealand.

Local *government*, in the context of this review, refers to the local authority structures established by statute.

Local governance refers more broadly to 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, iwi, hapū and Māori organisations, business and community organisations, and others.

What are we reviewing?

This review is taking a broad look at New Zealand’s system of local democracy and governance.

In that context, we are considering the functions, roles, and structures of local government; relationships between local government, central government, iwi, Māori, businesses, communities, and other organisations that contribute to local wellbeing; how the local governance system might authentically embody the Treaty partnership; whether current funding arrangements are sustainable, equitable, and maximise wellbeing; and what might need to change so that local government and its leaders most effectively reflect and respond to the communities they serve.

In accordance with our terms of reference, we are not reviewing the Government’s planned resource management or three waters reforms, but we will consider the implications of those and other policy decisions for the local government sector.

Similarly, we will consider the implications of recent public sector reforms, Climate Change Commission advice, Productivity Commission recommendations, Waitangi Tribunal recommendations, and reports on local government elections and financing.

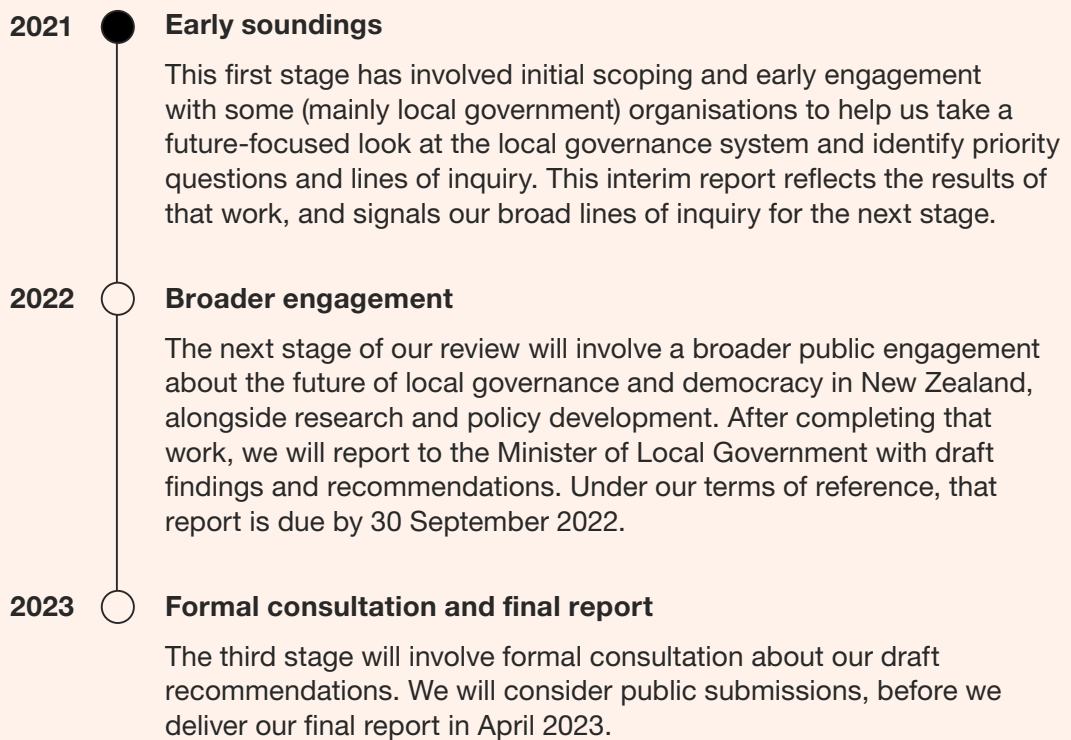
A three-stage review

The Future for Local Government Review is an independent, two-year Ministerial review.

The review panel comprises: Jim Palmer (chair), Penny Hulse, Gael Surgenor, Antoine Coffin, and Brendan Boyle. John Ombler served as a panel member from April to July 2021.

The review process is taking place in three stages, and will involve engagement with local and central government, iwi, the business sector, community organisations, young people, and the wider public. The three stages are as follows.

The review process



Why does this review matter?

Effective local governance is essential to New Zealanders' lives and wellbeing. Local authorities play a critical role in the country's system of democracy, providing for people's voices to be heard in the leadership of their communities and the delivery of local services and assets.

Local authorities also help create the environments we live in. Their activities determine the extent to which communities' basic needs such as clean air and water are met. They influence the places and homes we live in, the strength and cohesion of our communities, how we move from place to place, our health and safety, how prosperous we are, how we spend our time, the health of our democracy, the strength of Te Tiriti relationships, and our sense of shared identity.

The big issues facing New Zealand are all experienced at a local level. Inequity, climate change, employment and economic participation, housing, racism and discrimination, environmental harm, and challenges with physical and mental health and many other issues play out at local and sub-national levels, and solutions require local action.

Ineffective local governance can create or exacerbate challenges. Effective local governance can create the conditions in which communities prosper and thrive.

“Local government is one of the most important institutions our species has created for expanding human wellbeing.”

Professor Paul Dalziel¹

Priority issues

This review is an opportunity to rethink local governance, to find new approaches that can meet the challenges of the future and create conditions in which communities will prosper and thrive.

Successive reviews into aspects of local governance have found that some local authorities face significant financial and capability challenges; relationships and partnerships are not as strong as they could be; and the system as a whole is not set up to deliver the best outcomes for local communities.

Over the next 30 years these challenges are likely to grow and become more complex. The local governance system of the future will need to prepare for and respond to climate change, emerging technology, changing demographics and community expectations, earthquakes, floods, pandemics, social and economic inequities, and more.

This review is an invitation to look beyond existing structures

It is an opportunity to create a system in which the many organisations that contribute to local wellbeing can work together to more effectively address challenges and deliver shared goals and aspirations, now and into future generations.

It is an opportunity to consider how roles and responsibilities can best align with inherent strengths and capabilities, and to build a system that is agile and flexible, reflects local voices, embodies partnership under Te Tiriti o Waitangi, and delivers better lives for all of this country's diverse communities.

Planned reforms to resource management and three waters provide some indication of a possible future for local governance. But those reforms address only some of the issues facing communities, and provide only one possible direction for reform.

What we have heard so far

During this initial phase of the review we have met with representatives of local and central government, some iwi, business groups, central government representatives, experts in relevant disciplines, and others. These initial soundings have helped us to shape our priority issues and broad lines of inquiry. During this initial phase of engagement several themes have emerged.

With respect to the current system, we heard:

- ▶ The current system of local government is under pressure – some local authorities face significant funding and capacity issues, and all face onerous compliance requirements.
- ▶ The relationship between local and central government is characterised by misunderstanding and mistrust. It needs work to build trust, so both can maximise their contributions to local wellbeing.
- ▶ Current arrangements place too many consultation and engagement demands on iwi and Māori without improving Māori wellbeing.
- ▶ Current arrangements do not ensure that diverse communities are adequately represented or involved in decision-making. As a result, local authority decisions do not effectively represent all community interests.
- ▶ Current approaches to local governance are not fully meeting business sector needs, or effectively fostering innovation at a local level.

With respect to future systems of local governance, we heard:

- ▶ New and better systems of local governance are needed, in order to address challenges in the current system and maximise wellbeing.
- ▶ Any reforms should build on existing and inherent strengths, including local knowledge and the place-making role of local authorities.
- ▶ Local voice and community leadership will continue to be important, even if some functions are delivered at a larger scale.
- ▶ One size does not fit all – any new local authority structures should be tailored to meet the needs of diverse communities and circumstances.
- ▶ The system of local governance should foster innovation at a local level by businesses, community organisations and other partners.
- ▶ In a reshaped system of local governance, iwi and local authorities can be stronger partners – by working together at local and iwi rohe levels they can boost shared prosperity and wellbeing.
- ▶ New approaches to funding and financing mechanisms will be needed to ensure local authorities are viable and sustainable, and to improve equity.
- ▶ Changes to representation and electoral arrangements should be considered in order to strengthen local democracy, decision-making, and leadership.

Priority questions

In designing the most effective system of local governance for New Zealand's future, several key questions will need to be considered:

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

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

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

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

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

In coming months, we will engage with communities and organisations around the country about these questions as we consider how the future system of local governance might most effectively create conditions that maximise wellbeing and prosperity.

Local government at a glance

New Zealand has 78 local authorities who are responsible for democratic local decision-making and community wellbeing.

These local authorities vary widely in territory, population and capacity – from large urban authorities, such as Auckland Council, to district councils serving small town or rural populations.

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Regional Councils

Regional councils are primarily focused on the physical and natural environments within their boundaries. They have power to make by-laws over regional forests, parks, reserves, recreation grounds, and water supply, and have statutory responsibilities for environmental regulation, resource management planning, land and maritime transport, regional biosecurity, and other environmental activities. Regional councils can take on other functions, but only with the agreement of the territorial authorities in their region.

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Territorial Local Authorities (not including unitary authorities)

Territorial local authorities include district and city councils which have broad functions relating to local wellbeing. They own and manage local infrastructure such as roads, drinking water, wastewater, and stormwater networks, local parks, libraries, and sport and community facilities. Typically, they also undertake economic and community development functions, run community events and programmes, and support community organisations.

They have significant regulatory functions relating to land use, building, food safety, liquor control, and other matters, and they have power to make by-laws over matters of public health and safety, public nuisance, and offensive behaviour.

In some cases, investments and infrastructure assets are managed through council-controlled organisations. Such structures seek to create separation between the political bodies and entities dedicated to furthering their shareholders' objectives and investment returns.

6

Unitary Authorities (including Auckland Council)

New Zealand's six unitary authorities are responsible for both regional council and territorial authority functions. The unitary authorities are Auckland, Gisborne, Marlborough, Nelson, Tasman, and Chatham Islands.

Auckland Council is Australasia's largest local authority, with a population exceeding 1.7 million (about one third of New Zealand's population).

Auckland has 21 local boards, several of which serve populations that exceed 100,000. The Independent Māori Statutory Board assists the Auckland Council by promoting issues of significance to mana whenua and mataawaka, and monitoring the Council's compliance with statutory provisions referring to the Treaty of Waitangi.²

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Community Boards

Many of New Zealand's territorial authorities have community boards which represent the interests of particular communities and advocate on their behalf. They have been established for a range of reasons, and vary in size, functions, delegations, and geographical coverage.

\$11.8 billion

Annual Operating Spending (June 2020 Year)

The local government sector is large. Total expenditure represents about 4.8% of New Zealand's GDP, and total rates income represents about 2.6% of GDP.³

The sector has more than 1600 elected members and 25,000 full-time equivalent staff. Many others, such as iwi, contractors, volunteers, businesses and community organisations also contribute to local government activity.

² Auckland Council Act 2009, section 81

³ Statistics New Zealand (2021), Local Authority Statistics March 2021; Statistics NZ (2020), Gross Domestic Product June 2020

Local Authorities by Population

Statistics NZ Sub-national Population Estimates
June 2020

Largest

Auckland
1.7m

Median

Horowhenua
36,000

Smallest

Chathams
760

Local Authorities by Land Area (km²)

Statistics NZ Land Area by Territorial Authority 2020

Largest

Southland
29,600km²

Median

Whāngārei
2,700km²

Smallest

Kawerau
24km²

Local authorities range greatly in size, land area, financial capacity, and by many other measures – from Auckland, serving a population of 1.7 million, with an annual operating budget of \$4.4 billion, to the Chatham Islands, serving a population of 760, with an annual operating budget of \$8 million.⁴

4 Operational expenditure: Auckland Council Annual Report 2019/20; Chatham Islands Council Annual Report 2019/20.

The context for change



New Zealand's current local government structures deliver significant value to their communities, but they are under pressure.

Even though wellbeing is a statutory purpose of local government, local authorities do not possess all of the levers they need to maximise wellbeing in their communities. They operate in a framework that does not encourage collaboration or innovation, or authentically embody Te Tiriti o Waitangi. Some local authorities are facing significant financial and capacity challenges.

Local authorities are striving to create communities that are thriving and prosperous, to protect the delicate balance of natural ecosystems, to build towns and cities that people love, to support social cohesion, to reflect identity and create belonging, to provide leadership and coordination, and to effectively manage community assets and services. If they are to fulfil these roles with maximum effect, now and into the future, change will be needed.

The wellbeing dimension

The future wellbeing of New Zealand communities depends at least in part on effective local governance. Under the Local Government Act 2002, one of the purposes of local government is to promote social, economic, environmental and cultural wellbeing in local communities.

This review is being conducted to determine how local authorities might need to evolve in order to deliver on that purpose over the next 30 years.

Under current local governance arrangements, local authorities make significant contributions to local wellbeing, but neither they nor central government on their own can address the most significant wellbeing issues facing local communities, or to address all of the challenges that might emerge in the future.

A more collaborative approach will be necessary in future to meet these challenges and create conditions in which communities can thrive over the next three decades.

Current local government contributions to wellbeing

Local authorities contribute to wellbeing in their communities in many ways, most visibly by creating and sustaining the environments in which people live, work, do business, and connect with each other.

The vast bulk of local government spending is focused on infrastructure, the environment, and facilities and services – including roading and transport services, drinking water and wastewater, waste management, planning and urban development, natural and ecological enhancement, and provision of parks, gardens, sports fields, and facilities such as libraries, and community and recreation centres.⁵

These facilities and services play critical roles in local wellbeing. They provide for basic needs; keep people healthy and safe; allow people to move around and connect with each other; enable work and business activity; support family, neighbourhood and community connections; and create environments in which people can exercise and relax. An attractive, well-functioning physical and natural environment can lift mood, reflect identity, create a sense of belonging, and attract skills, tourism and commerce.

Some local authorities also support wellbeing in other ways – for example, through economic development and tourism promotion, housing and homelessness programmes, and community building activities or partnerships.

While local government creates an environment and conditions, much of what contributes to local wellbeing depends on the actions of others – including central government, businesses and industries, iwi and Māori organisations, non-government organisations, and communities.

To address challenges and create thriving communities, aligned and coordinated action will be needed.

What do we mean by ‘wellbeing’?

Although the Local Government Act provides that local authorities are responsible for social, economic, cultural and environmental wellbeing, none of these terms is defined.

There are many perspectives on what ‘wellbeing’ means, and many frameworks for understanding and measuring wellbeing. When we use the term, we intend it to be understood broadly, to include 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, among other things, 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.

In many cultures, these dimensions are understood in collective or communal terms, or through the lens of ancestral connections with the human, natural and spiritual worlds. For some, wellbeing will depend on ability to nurture and care for those connections – for example (in Te Ao Māori) by exercising kaitiakitanga, manaakitanga, and rangatiratanga.

All elements of wellbeing are interconnected – influencing one will have impacts on others, and influencing the wellbeing of one person will have impacts on their relatives and those they are connected to.

Current challenges to local wellbeing

By global standards New Zealand is an affluent nation with high wellbeing. Even after the impacts of Covid-19, many New Zealanders continue to live comfortable and relatively prosperous lives.

In global surveys, New Zealand and its cities consistently rank among the highest in the world for happiness and overall quality of life.⁶ And in surveys of New Zealand cities, the vast majority of residents see their city or local area as a great place to live, and have positive views of their overall quality of life and their family/whānau wellbeing.⁷

But that broad picture masks some major challenges and inequities in the economic, social, cultural, and environmental wellbeing of New Zealanders and New Zealand communities. Some examples follow, all of which involve wellbeing challenges that are felt at a local level and can be influenced at least to some degree by local governance.

6 New Zealand ranked 14th in the world in the 2020 United Nations’ Human Development Index, and 9th in the 2021 World Happiness Report. In Mercer’s annual Quality of Living Survey, Auckland and Wellington consistently rank among the world’s most liveable cities.

7 Quality of Life in New Zealand’s Largest Cities Survey 2020

Climate change

Impacts of climate change are already being felt in many New Zealand communities – through rising average temperatures, increasing frequency of severe storms and flooding in some parts of the country, and increasing incidence of droughts and wildfires in other places. These impacts reduce economic output and impose significant costs on local communities.

Environmental degradation

New Zealand faces significant environmental challenges. Many indigenous species are threatened, indigenous habitats are declining, and pollution of the environment is growing. Many of the country's lakes and rivers are polluted due to runoff from urban areas, farms, and forestry.⁸

Economic performance

New Zealand was once among the world's most prosperous nations. But since the 1960s, relative incomes have been declining, and average incomes are now below the OECD average. This is despite relatively high levels of employment and education.⁹

Poverty and Inequity

Wellbeing and prosperity are not shared equitably among New Zealand communities. Just over 129,000 children live in households that experience material hardship, which means they cannot afford basic needs.¹⁰ Māori are, on average, more likely to experience social and economic deprivation, as are people from New Zealand's Pacific communities.¹¹ There are also significant inequities across age, gender, family type, and region.¹²

Housing

New Zealand house prices have been rising steadily since the early 1990s. While property owners have grown wealthier, others have been shut out of home ownership while facing housing insecurity and steadily growing rental costs. Overcrowding is an increasing issue, and nearly 1% of New Zealanders are homeless or otherwise severely housing deprived.¹³ Rates of home ownership are now at their lowest level since the 1950s.¹⁴

8 Ministry for the Environment (2020), *Our Freshwater 2020*

9 OECD Better Life Index (2021): New Zealand

10 Statistics New Zealand (2021), *Child Poverty Statistics: Year ended 30 June 2020*

11 Statistics New Zealand (2021), *Child Poverty Statistics: Year ended 30 June 2020*; Te Puni Kōkiri (2019), *An Indigenous Approach to the Living Standards Framework*, pp 4, 33-36

12 New Zealand Treasury (2020), *Living standards Framework Dashboard: Multidimensional Wellbeing*

13 Statistics New Zealand (2021): *Housing in Aotearoa: 2020*, pp 12, 101-103

14 Ibid

Health

Most New Zealanders regard their health as relatively good, and life expectancy is above the OECD average.¹⁵ But 30% of adults are obese, and many New Zealanders face health challenges such as heart disease, diabetes, and cancer.¹⁶ There are significant inequalities in health outcomes (including longevity), and some people cannot afford basic health care.¹⁷

Mental Wellbeing

Many New Zealanders have experience of mental distress, ranging from everyday stresses and anxieties to acute episodes of depression and other severe mental wellbeing challenges. Experience of poor mental health is becoming significantly more common among young New Zealanders.¹⁸ Social connections, exercise, new experiences, and opportunities to give can all be significant factors in supporting mental wellbeing.¹⁹

Some of these issues have local causes, and all have local impacts on environmental, cultural, social and economic wellbeing. There is considerable variance from place to place, particularly for material deprivation.

New Zealand's local authorities have statutory responsibility for promoting wellbeing, but they don't control all of the policy and other settings necessary to address these issues. For example, with respect to housing, local authorities' planning and infrastructure decisions can influence supply of land but they have limited influence on demand factors such as population growth, changes in household composition, and incentives to invest in housing.²⁰

Similarly, local authorities can create environments that are attractive to skilled staff, businesses and investors, and tourism, but they cannot control the broader market and regulatory forces that determine national economic performance and prosperity. The environments created by local authorities can also support healthy lifestyles, social connections, and mental wellbeing, but local authorities have little involvement in other aspects of public or community health.

Effective responses to these issues will require coordinated or at least aligned action at national, sub-national, regional, and local or community levels, involving central and local government, and also iwi, the business community, community organisations, and others. Though there are exceptions, current responses to these issues do not typically take this 'ecosystem' approach, but rather focus on single issue responses at national or local level.

15 OECD Better Life Index (2021): New Zealand

16 Ministry of Health (2021), New Zealand Health Survey 2019/20

17 Ministry of Health (2019), Wai 2575 Māori Health Trends Report; Ministry of Health (2021), New Zealand Health Survey 2019/20

18 Government Inquiry into Mental Health and Addiction (2018), He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction; Richelle Menzies and others (2020), Youth Mental Health in Aotearoa New Zealand: Greater Urgency Required

19 Government Inquiry into Mental Health and Addiction (2018), He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction; Mental Health Foundation (2021), Five ways to mental wellbeing

20 Productivity Commission (2012), Housing Affordability Inquiry; Tax Working Group (2018), Future of Tax: interim Report; Welfare Expert Advisory Group (2019), Whakamana Tangata: Restoring Dignity to Social Security in New Zealand

Future trends and local wellbeing

Over the 30-year timeframe of this review, some future trends can be discerned, though long-term impacts on local wellbeing are not necessarily predictable.

Impacts of climate change mitigation and adaptation

Existing forecasts tell us that the impacts of climate change are likely to become more severe, with increased risk and severity of floods, droughts, wildfires and extreme weather events. On those forecasts, coastal inundation will create risks to tens of thousands of homes and buildings, as well as to roads, airports and rail networks. The economic, social, and cultural costs of adaptation are likely to be high.²¹

New Zealand communities also face a major economic and social transition as we implement mitigation measures and adapt to a low carbon future. The Climate Change Commission has laid out a pathway which includes (among other things) reducing emissions from transport, energy, building, agriculture and waste; strengthening market incentives; and enabling emissions reductions through changes to urban form and infrastructure.

The Commission has noted that there are potential long-term economic benefits from innovation, and nearer term health and environmental benefits from insulating homes, shifting transport modes and reducing air pollution. But the transition will also impose costs, particularly to people working in high emissions industries, and people living in places that are directly affected by climate change. People who experience material deprivation have less capacity to cope with environmental risks such as climate change and natural hazards.²²

But these forecasts do not factor in all potential impacts of or responses to climate change. Impacts could worsen or lessen depending on many factors including political and economic decisions at a global scale. Under more severe global scenarios, food and water scarcity could drive mass population movement with unpredictable but significant implications for countries like New Zealand.

Natural hazards and other shocks

Many parts of New Zealand are susceptible to hazards including earthquakes, floods, wildfires, and risks associated with volcanic eruption. These events can have severe and ongoing impacts including loss of life, impacts on property and livelihood, and ongoing stress. While the timing of such events is not necessarily predictable, the risks are known and can be prepared for.

Likewise, recent experiences have shown the risks and impacts on local wellbeing of pandemics and economic shocks arising from global events.

21 Ministry for the Environment (2018), *Climate Change Projections for New Zealand*, p 13

22 Massey University Environmental Health Intelligence New Zealand (2021), *Socioeconomic deprivation profile*

Impacts of demographic change

New Zealand’s population is projected to grow to about 6.2 million by 2048, and to become increasingly diverse. Growth is projected across most regions, but is forecast to be highest in Auckland and Waikato – regions that already face significant pressures on infrastructure, housing, and their environments. Some regions with relatively high levels of socio-economic deprivation are forecast to grow, including parts of South Auckland.²³ Conversely, in some regions there is a possibility of population loss.²⁴

New Zealand’s population is forecast to age significantly, particularly for New Zealanders of European descent. This has potential implications for housing and the built environment, health and disability services, economic performance, financing of national and local services, and overall wellbeing.²⁵

New Zealand’s population is already very diverse with many cultures, languages, and countries of origin. In the next 30 years that diversity will increase. For example, by 2043, people from New Zealand’s Asian communities are forecast to make up 26% of the population, Māori 21%, and Pacific communities 11%.²⁶ As the century progresses these more youthful populations will provide increasing shares of New Zealand’s labour force and tax revenue. Supporting these communities to thrive therefore has major implications for New Zealand’s long-term wellbeing. Conversely, without appropriate support, existing disparities might worsen.²⁷

160+

Number of ethnic or cultural identities among New Zealand people.

Statistics NZ Ethnic group summaries

Impacts of science and technology

Changes in science and technology will likely have significant impacts on future wellbeing – including where, how, and whether we work; how we travel; how energy is generated and used; how we communicate and connect with others; how we entertain ourselves; how we learn and earn; how people shop and do business; how we maintain health; how we feed ourselves; and much more.²⁸

23 Statistics New Zealand (2020), National population projections 2020(base)-2073; New Zealand Deprivation Index
 24 Statistics New Zealand (2020), National population projections 2020(base)-2073
 25 Treasury (2019), The economic and fiscal impacts of our ageing population; Natalie Jackson (2019), The implications of our ageing population;
 26 Statistics New Zealand (2021), Population projected to become more ethnically diverse; Statistics New Zealand (2021), Subnational population projects 2018(base)-2048
 27 Te Puni Kōkiri (2019), An Indigenous Approach to the Living Standards Framework, p 4
 28 For discussions about technological change and how it might impact people’s lives, see New Zealand Productivity

While some future trends are difficult to foresee, others are clearly discernible. There will very likely be much greater use of renewable energy, with potentially significant implications for energy networks. The vehicles of the future are not only likely to be fuelled from renewable sources but also self-driving, with implications for future design and delivery of transport networks.²⁹

The long-term trend is towards even greater digital connectivity and rapid advances in computing power – including further advancements in augmented and virtual reality, artificial intelligence, the internet of things, and brain-computer interface. These changes are likely to have significant impacts on many areas of life, including how we work, do business, shop, access services, and engage with one another.³⁰

What are the implications for local governance?

In order to maximise social, economic, environmental and cultural wellbeing now and into future generations, new approaches to local governance will be needed. Conventional approaches and techniques for policy-making are not responsive enough for an increasingly fast paced, complex environment where societal values are rapidly evolving and new challenges regularly arise.

Under the current system, local authorities hold few of the levers that drive wellbeing and prosperity in their communities. Many of those levers are held by central government, the business sector, iwi, or others. Future responses will require new approaches that bring together the many organisations that contribute to local wellbeing, to align and coordinate their responses to wellbeing issues.

Other reviews have already drawn this conclusion, in respect of particular issues. The Climate Change Commission placed particular emphasis on the need for partnerships between local and central government, iwi and Māori, the business community, communities and others, in order to manage the transition to a low carbon future and adapt to climate change impacts.³¹

Recent social policy reviews have emphasised the importance of coordination at a community level in responding to issues such as child poverty, health, mental health, welfare dependency, and crime. Consistently, these reviews have pointed out that social issues are interconnected, and have argued that responses should be led by communities.³²

The Productivity Commission has also referred to the need for a closer relationship between central and local government, involving agreed principles for the relationship and a ‘genuine co-design approach’

Commission. (2020). Technological change and the future of work: Final report; OECD. (2019). OECD employment outlook 2019: The future of work; McGuinness Institute (2021). Mission Aotearoa: Mapping our future, Discussion Paper 2021/01

29 Ministry of Transport (2018). Public Transport 2045: A working paper on urban transport in the shared mobility era

30 McKinsey & Company (2021). The top trends in tech (www.mckinsey.com)

31 Climate Change Commission (2020), Ināia Tonu Nei, p 225

32 Welfare Expert Advisory Group (2019), Whakamana Tangata: Restoring Dignity to Social Security in New Zealand; Government Inquiry into Mental Health and Addiction (2018), He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction; Department of Prime Minister and Cabinet (2019), National Engagement on New Zealand’s First Child Youth Wellbeing Strategy; Te Uepū Hāpai i te Ora Safe and Effective Justice Advisory Group (2020): Turuki! Turuki: Transforming our criminal justice system

when central government is developing regulations that local authorities will have to implement.³³

Recent public sector reforms have aimed at breaking down siloes and creating a unified public service which responds to social, economic, environmental and cultural challenges in an integrated way. As yet, those reforms have not taken account of the full potential of local government in developing co-ordinated responses to community wellbeing, though they are aiming to build a stronger central government presence and relationships at regional levels.³⁴

“Central government needs to work closely with local government to deliver low emission outcomes.”
Climate Change Commission³⁵

The need for agile, sustainable, and anticipatory approaches

Some of the issues that will influence future wellbeing in New Zealand communities can be foreseen and planned for. The Climate Change Commission has emphasised the importance of coordinated planning for the transition to a low carbon economy, and for adaptation measures including managed retreat from coastal areas.³⁶ Transition planning is also possible for future urban growth or decline, to take account of matters such as future housing and infrastructure needs, and workforce and skills requirements. It is important to prepare for earthquakes, floods, pandemics, eruptions, and economic shocks, even though it is not possible to know when and where they might strike, or how severe they might be.

As well as planning and preparing for foreseeable trends and events, a future system of local governance will need the agility and capacity to respond to what cannot be foreseen, drawing on the capabilities of local authorities, central government, and others as needed, and adapting as new challenges and issues arise. While major reforms are sometimes needed, a more agile and adaptive approach is preferable in an increasingly complex and fast-paced world. A future system of local governance will also need capacity to gather and effectively analyse wellbeing data at national and community levels, and to anticipate and share knowledge about future trends. The Living Standards Framework and He Ara Waiora provide ways of understanding and measuring wellbeing, as do other frameworks such as Te Whare Tapa Whā, Pacific Fonua and Fonofale models, and United Nations Sustainable Development Goals. The OECD’s anticipatory innovation governance model also provides one possible approach to understanding and responding to new trends as they are emerging.³⁷

33 Productivity Commission (2021), *Insights into Local Government*, p 29

34 Te Kawa Mataaho Public Sector Commission (2020), *Public Service Reforms*

35 Climate Change Commission (2020), *Ināia Tonu Nei*, p 226

36 Climate Change Commission (2020), *Ināia Tonu Nei*, p 226, 230-231

37 OECD (2021), *Anticipatory Innovation Governance: What it is, how it works, and why we need it more than ever before*

Challenges to local government

The current system of local government is under pressure. Even without planned reforms, the local government sector was facing significant pressures, which were raising questions about structures, roles, funding, and relationships.

Since the 1989 reorganisation, and since the Local Government Act 2002 was enacted, local government and the environment within which it operates has changed greatly. Local authorities have greater responsibilities. They must meet higher regulatory and community standards, and more complex engagement, decision-making and accountability requirements. They must respond to rapid evolution of technology. And they are also required to deal with increasingly complex social, cultural, economic, and environmental issues.

Some local authorities are experiencing significant funding and financing pressures. Many face capacity constraints, and many see their relationship with central government as strained or virtually non-existent at a national level. These pressures constrain local and central government in their ability to support thriving communities.

The main pressures on local government

The local-central government relationship

One of the most common themes in our early engagement has been that the local-central relationship needs work. This partly reflects statutory, structural and financing issues, which are discussed below, but it also reflects a culture of mistrust between central and local government.

At governance, management and staffing levels there is little cross-pollination between central and local government, and much mutual misunderstanding about respective roles.

The Productivity Commission has reported that central government “needs to substantially increase its understanding of the local government sector”, and that central government fails to acknowledge local authorities’ independence, frequently treating them as agents of central government who can be expected to unquestioningly implement national policies.³⁸

Existing structures can contribute to the lack of mutual understanding. It is difficult for central government to effectively engage with 78 local authorities, and equally difficult for those authorities to engage with and respond to the 30 or more government agencies.

Varying capacity and capability

Local authorities vary a great deal in size and scale, from Auckland Council with an annual budget exceeding \$4.4 billion to small rural councils with a few dozen staff and budgets in the low millions.³⁹

Even for smaller local authorities, responsibilities include management of large infrastructure, financial management, governance, land use planning, environmental impact assessment, economic modelling, and engagement with diverse communities.

To carry out their roles, local authorities require not only financial capacity, but also the ability to attract and retain the necessary skills and competencies among elected members and staff. One common theme of recent reviews is that some local authorities (in particular those serving smaller populations) lack the capacity and capability to carry out all of these functions effectively, and can struggle to attract and retain the necessary staff.⁴⁰ We heard similar concerns in some of our early engagement. On occasions local authorities have attempted to address these issues by proposing amalgamation with neighbouring authorities, but these proposals have not won community support.

Financial pressures

Local authorities are under constant pressure to manage growing demand while maintaining rates at levels that are politically acceptable to their communities.⁴¹

Local authorities face varying demands. Some have rapidly growing populations or demand from tourism, while others are responsible for large geographic areas and have small and shrinking populations. Cost pressures also arise from community demands, age and quality of existing infrastructure, and threats from earthquakes and other hazards. Local authorities' ability to manage these pressures can be hampered by regular headlines about rates increases and negative perceptions about their financial management.⁴² This fails to reflect a reality that council spending has increased broadly in line with household incomes and has continued to mainly focus on services that are seen as the traditional domain of local government, such as transport, drinking water and wastewater, planning, and local facilities.⁴³

39 Auckland Council Annual Report 2019/20; Chatham Islands Council Annual Report 2019/20.

40 Resource Management Review Panel (2020), *New Directions for Resource Management in New Zealand*; Review of the Three Waters Infrastructure Services (2017), Initial key findings

41 Productivity Commission (2019), *Local Government Funding and Financing*; Review of the Three Waters Infrastructure Services (2017), Initial key findings

42 Local Government New Zealand (2015), *A Survey of New Zealanders' Perceptions of Local Government*

43 Productivity Commission (2019), *Local Government Funding and Financing*, pp 32-33, 42-43

The combination of cost pressures and community perceptions has meant that necessary infrastructure upgrades have not always been carried out, and that towns and cities have not developed new infrastructure to accommodate growth.⁴⁴ Delays in funding infrastructure can limit business activity, contribute to growth in house prices, and have other negative impacts.

The ‘unfunded mandate’

One source of cost pressures is the so-called ‘unfunded mandate’, in which central government imposes obligations or transfers responsibilities to local authorities without means to fund those activities.⁴⁵

This includes costs arising from new health or environmental standards, such as those requiring drinking water treatment or stormwater and wastewater network upgrades, or earthquake strengthening of buildings. It also includes pressures that arise when central government delegates regulatory enforcement responsibilities to local authorities without providing means for them to recover their costs.

Overlapping and conflicting responsibilities

Local authorities have responsibilities under numerous Acts of Parliament, all with differing objectives and processes. Alongside a general (but undefined) responsibility for social, economic, environmental and culture wellbeing, they are charged with managing land use planning, food safety, building, and much else.

Many of these Acts impose distinct consultation and engagement requirements, including the highly prescriptive requirements in the Local Government Act. Altogether, in the view of the Productivity Commission, the sector operates under “a complex web of legislation which is poorly integrated, hard to administer, and not delivering the intended outcomes”.⁴⁶

This statutory complexity is reflected in on-the-ground relationships. In order to advance wellbeing in their communities, local authorities deal with many government agencies, each with their own structures and objectives. Many agencies have regional structures which do not align with regional or local authority boundaries, or iwi rohe.

For some of their functions local authorities are autonomous and directly accountable to their communities; for others they have little or no discretion and are accountable to central government. More broadly, the Local Government Act provides for powers of Ministerial intervention in local government under some circumstances.

Some see this ‘dual accountability’ system as raising questions about local government autonomy, and about the constitutional relationship between local and central government.⁴⁷

44 Productivity Commission (2019), Local Government Funding and Financing, pp 41-42

45 Productivity Commission (2019), Local Government Funding and Financing, pp 6-7, 201; Local Government NZ (2020), Local Government Funding and Financing, pp 4-5; David Shand (2019), Local Government Role and Autonomy: some additional perspectives (The Policy Observatory, Auckland University of Technology), p 8

46 Productivity Commission (2019), Local Government Insights, p 13

47 For example, Local Government NZ (2017), LGNZ’s plan for a prosperous and vibrant New Zealand, p 34. Mike Reid (2018), Saving local democracy: an agenda for the new government, Auckland University of Technology, p 17

“Local government is not an ‘agent of central government’, and central government should stop approaching things in this way.”
Productivity Commission⁴⁸

Representation and engagement

Most New Zealanders neither vote in local elections nor take part in local authority decision-making. Participation in local elections has declined in the last two decades to just over 40%.⁴⁹ Elected councils are not fully representative of their communities, and do not always possess the range of experience needed to provide effective governance. Despite some improvements in recent elections, Māori remain under-represented.⁵⁰

Very few people take part in formal consultation processes, and those who do are skewed towards older people with property interests.⁵¹ In some areas, iwi and Māori have raised concerns about lack of involvement in decisions that affect their rights of tino rangatiratanga and kaitiakitanga. Current arrangements do not deliver on the full potential of the Treaty partnership.

Overall levels of public satisfaction are low: in one 2019 survey of five major cities, only 30% said they were confident in council decision-making, and only 31% believed the public had influence on council decisions.⁵²

While some local authorities go to considerable lengths to engage with their communities, the overall evidence is that local decision-making is not as democratic as it could be, that some sectors of the community cannot make their voices heard, and that decisions may not be as representative or effective as they could be.

Impacts of climate change on local authorities

Several emerging trends are likely to increase pressures on local authorities, and, in particular, to challenge their financial sustainability.

The Climate Change Commission has warned that cost pressures are likely to grow as local authorities respond to climate change. Demand on stormwater networks will increase, and rising sea levels will threaten buildings and infrastructure (such as roads and water networks) in low lying coastal areas. In its view, local authorities will need central government funding to manage this transition.⁵³

48 Productivity Commission (2019), Local Government Insights, p 29

49 Department of Internal Affairs, Local Authority Election Statistics 2019; Local Government New Zealand, Final voter turnout 2019; Jack Vowles (2021), Local Government’s Māori Representation Gap

50 Vowles (2021), Local Government’s Māori Representation Gap

51 Productivity Commission (2019), Local Government Funding and Financing, pp 93, 113, 118

52 Quality of Life Survey 2020

53 Climate Change Commission (2021), Ināia Tonu Nei, pp 230-231; Productivity Commission (2019), Local Government Funding and Financing, pp p 227

The Commission has also emphasised the importance of central and local government pursuing the same climate objectives – which requires a closer and more effective working relationship, statutory alignment, clarity around roles, and central government supporting local authorities and building capacity where needed.

Information and Communications Technology

The local government sector is also likely to face major challenges in managing future information technology requirements. Local authorities are complex organisations which manage multiple databases and information systems, and engage with their communities online in numerous ways.

In coming years there will be considerable demand on the sector to align systems, digitise records, manage increasingly complex cybersecurity issues, and develop systems that provide customers and residents the best and most seamless online services. This can be expected to impose significant costs and demands on local authorities, including those which already face staffing and capacity constraints.

Local government reforms since 1989

Since a major reorganisation in 1989, the local government sector has been through several further reforms which have included changes of purpose and introduction of numerous new consultation and financial requirements.



What are the implications of proposed reforms?

The government has a significant reform agenda across several policy areas, including resource management, three waters, health, education and other sectors, all of which have significant local implications.

The resource management and three waters reforms have particular impacts on local government. The reviews that preceded the resource management and three waters reforms highlighted significant challenges facing the local government sector, including issues with capacity, capability, and misalignment.

The Resource Management Review Panel found that the current system is too complex, involving too many agencies which serve different constituencies and have conflicting responsibilities. It found that the current system fails to adequately provide for Māori interests or values, and does not provide incentives for good decision-making. It also found that some local authorities lack the capacity and capability to manage complex planning and compliance roles.⁵⁴

Similarly, a 2017 review of three waters found that many local authorities were struggling to meet regulatory responsibilities, with the result that 20% of New Zealand's drinking water supplies did not meet required standards. Some local authorities also lacked the capability and financial capacity to maintain and upgrade large water infrastructure assets, and made trade-offs between affordability, resilience, and public safety.⁵⁵

The question of scale

Both reviews sought to address these issues by transferring responsibilities from local authorities to sub-national bodies. The three waters reforms, if implemented as planned, will transfer management of water assets to multi-region bodies. A new layer of national regulatory oversight has already been established.

The resource management reforms propose to transfer planning and regulatory responsibilities to regional levels. The Resource Management Act Review Panel expressed a clear preference for local government "rationalisation along regional lines", which, in its view, would bring improved efficiency, economies from pooling of resources, and better coordination.⁵⁶

These reforms, if implemented as planned, will have significant implications for all local authorities, and could threaten the financial sustainability of some.

While these reforms propose to transfer functions to sub-national bodies, other reviews have emphasised the importance of local voice in responding to health and social issues. Reviews of mental health, welfare, crime reduction, and child and youth wellbeing have all called for power to be transferred to communities so they can tailor services to their needs.

54 Resource Management Review Panel (2020), p 6

55 Review of the Three Waters Infrastructure Services (2017), Initial key findings for discussion with the Minister of Local Government

56 Resource Management Review Panel (2020), p 6

Planned health reforms highlight the tensions that must be balanced in determining how to allocate services to national, sub-national or local levels. The reforms involve establishment of Health New Zealand and a new Māori health authority in place of regional health boards, with the aim of improving quality of care and national consistency. They also involve the establishment of a new national public health agency within Health NZ.

Yet the reforms also promise that communities, including iwi and Māori, will have greater roles in shaping and designing primary health services to meet their needs. Local authorities already have responsibilities for community engagement and planning, and already play important roles in community health through many of their roles – from provision of recreation facilities to regulation of alcohol sales. Their roles should be considered in the design of community health services.

Implementation of the planned reforms

Implementation of the resource management and three waters reforms will impose significant pressure on local authorities, and will have implications for many aspects of their operations including leadership and culture, financial viability, information systems, and much more.

It is vital that local authorities are supported through the transition period, to ensure, for example, that they have sufficient capability to manage the necessary changes and any new responsibilities.

It is also important that there is coordination between the various reform programmes, including this review. Coordination is needed to ensure that:

- ▶ reforms (especially in resource management) do not close down options before there has been adequate time for broad consideration about the future structures and functions of local government;
- ▶ reform programmes do not place unnecessary pressures on local authorities, or on other partners such as iwi which will be heavily involved in new three waters and resource management systems; and
- ▶ reforms leverage existing strengths from local government reform – for example, by building on existing contributions of local government to public health, and by creating opportunities for local government to support community-led design of local health services.

What are the implications for local governance?

Any redesigned system of local governance will need to address current and emerging pressures, and take account of the impacts of planned reforms. Addressing these pressures will mean:

- ▶ Taking steps to break down mistrust between local and central government, and instead building a culture based on mutual respect and collaboration, consistent with a spirit of unified public service.
- ▶ Designing the system to allocate local government functions and roles at the most appropriate scale, whether that is community, town or city, sub-national, or national levels, while providing flexibility and supporting collaborative approaches, and acknowledging that local authorities may still vary in scale.
- ▶ Ensuring the statutory and policy framework clearly defines functions, roles and expected wellbeing impacts; aligns objectives; simplifies processes and responsibilities; and provides clear direction and accountability for all agencies involved in local governance and service delivery.
- ▶ Improving alignment of boundaries for agencies involved in sub-national or local governance, including central and local government, and iwi rohe.
- ▶ Ensuring that all local authorities have sufficient capability and financial capacity to carry out the roles and functions allocated to them. This might involve central government providing some services to support effective local governance. It might also involve funding or other support for local authorities to address major challenges such as climate change, or to implement national policy priorities.
- ▶ Seeking representation and engagement arrangements that more effectively reflect all interests and communities including iwi/Māori, provide voice for those whose interests are currently under-represented, and support effective governance and decision-making.
- ▶ Exploring new approaches to local democracy that have potential to build public trust and confidence, and support all communities to be involved in decision-making and have their interests represented.

Te Tiriti o Waitangi at a local level

How can New Zealand’s system of local governance most effectively embody the Te Tiriti o Waitangi partnership? One of the purposes of this review is to identify ways in which local government can actively embody Te Tiriti o Waitangi / the Treaty of Waitangi partnership over the next 30 years.

The partnership is likely to evolve a great deal in that time, as New Zealand’s population changes, the country moves beyond settlement of historical grievances, and iwi become increasingly influential over wellbeing and economic development within their rohe.

In a fully functioning Treaty relationship, local government and iwi are natural partners: both are intimately concerned with wellbeing of people and places, and both have intergenerational responsibilities. With new approaches, they can become powerful allies in creating conditions for mutual benefit and shared prosperity that endure into the future.

The Treaty partnership

On one level, Te Tiriti o Waitangi was an agreement to share authority in Aotearoa. It recognised the existing rights of iwi and hapū to manage their own affairs, including full authority over environmental, social, cultural, and economic relationships. And it recognised the Crown’s right to govern for the benefit of all New Zealanders.⁵⁷

On other levels, Te Tiriti was about relationships, and about expectations of prosperity. It was an agreement to establish new relationships, or deepen existing ones, in ways that would create conditions for commerce, trade, and sharing of knowledge and ideas, to the benefit of Māori and non-Māori alike.⁵⁸

Through much of New Zealand’s history, the Treaty relationship has not lived up to that original promise. Instead, the government progressively asserted authority over Māori communities, undermining their systems and institutions of self-government, transferring land and other resources out of Māori hands, denying Māori economic opportunities, and leaving a legacy of entrenched inequality.⁵⁹

57 Waitangi Tribunal (2011), *Ko Aotearoa Tēnei* (2011), Te Taumata Tuarua, vol 1, pp xxiv-xxv, 17; Waitangi Tribunal (2018), *Te Mana Whatu Ahuru*, Part I, p 181; Waitangi Tribunal, *He Maunga Rongo* (2008), vol 1, pp 166, 173

58 Waitangi Tribunal (2018), *Te Mana Whatu Ahuru*, part 1, pp 180-181, 182-183

59 Waitangi Tribunal, *Te Mana Whatu Ahuru* (2018), Part I, pp 190-191; Waitangi Tribunal, *Te Urewera* (2017), vol 1, p 140; Belich, *Making Peoples: A History of the New Zealanders*, pp 277-278; John Williams, *Politics of the*

Local authorities are a significant part of this colonial story. As the non-Māori population grew and expanded after 1840, local councils and boards followed. Many of their responsibilities overlapped with Māori rights and responsibilities in relation to land, rivers, harbours, fisheries and other parts of the environment.

These early local authorities were dominated by non-Māori, and typically showed little interest in Māori rights or views. Alongside the activities of land court and land purchase agents, rating and local taxes became a means of dispossessing hapū of their lands and economic base.⁶⁰ The Waitangi Tribunal has found that the Crown's devolution of powers to local authorities without appropriate safeguards harmed Māori communities and was in breach of rights under Te Tiriti.⁶¹

For long periods in New Zealand's history Māori communities have sought to maintain self-governing institutions at hapū, iwi and national levels, even as local authorities and government institutions were exerting authority. In the early and mid-20th century, the government recognised Māori Councils with rights of local self-government including by-law making powers.⁶² Those councils continue to operate today, alongside iwi authorities and other Māori organisations.

Much has changed in the last 50 years, including establishment of the Waitangi Tribunal, incorporation of Treaty principles into numerous statutes, settlement of most historical claims, and increased political representation.

Māori-owned businesses form a major and rapidly growing part of New Zealand's economy, producing an estimated \$17 billion in GDP in 2018. Much of this business activity is generated by self-employed Māori businesspeople or Māori-owned small and medium enterprises.⁶³

Māori labour force participation is also increasing at a far faster rate than the rest of the population, in part reflecting a much younger demographic profile.⁶⁴

Many iwi operate major business operations which provide employment in their rohe and also support initiatives in education, training, housing, the environment, marae development, and much more.⁶⁵

Changes to the political system since the 1990s have resulted in significant increases in Māori representation and influence, particularly at a national level.

Nonetheless, at national and local levels, the partnership remains well short of what was originally agreed, both in terms of Māori rights and in terms of expectations of mutual benefit, equity, and shared prosperity.

New Zealand Maori 1891-1909

60 Waitangi Tribunal, *Te Mana Whatu Ahuru* (2019), Part IV, chapter 19.1; Waitangi Tribunal, *The Wairarapa ki Tararua Report*, p 888; Waitangi Tribunal (2008), *He Maunga Rongo*, p 1405

61 Ibid

62 These events are described in several Waitangi Tribunal reports; in Aroha Harris and others (2015), *Tangata Whenua: A History*; Vincent O'Malley (1998), *Agents of Autonomy*; and John A Williams (1968), *Politics of the New Zealand Maori*. Twentieth century laws providing for some degree of local self government by Māori communities include the Maori Councils Act 1900; Maori Social and Economic Advancement Act 1945; and Maori Community Development Act 1962

63 BERL (2018), *Te Ōhanga Māori 2018: The Māori Economy 2018*, pp 14-15, 17

64 Ibid, pp 13, 21

65 For example, see Waikato Tainui Annual Report 2019/20

For example, Māori continue to experience considerably higher levels of social and economic deprivation than non-Māori;⁶⁶ and to experience far greater levels of racism and discrimination.⁶⁷

Te Taiao (the natural environment), for which hapū throughout New Zealand have kaitiaki responsibilities, is also in a poor state. Many species are endangered, rivers and waterways are polluted, and greenhouse gas emissions have risen steadily in recent decades.⁶⁸

Local government and Māori

At a local government level, the Treaty relationship still falls short of meeting Māori aspirations and expectations. Current statutory and institutional arrangements do not provide for adequate Māori representation or input into decision-making, or for sufficient protection of Māori rights, interests, and wellbeing.⁶⁹

Māori representation

Over the course of New Zealand's history, local authority representation and decision-making has been dominated by non-Māori voices. Despite recent improvements, there is evidence that Māori remain under-represented on a population basis.⁷⁰

Since 2001, local authorities have had the power to establish Māori wards or constituencies, but most attempts to do so have been overturned. A law change in 2021 leaves decisions about wards and constituencies in the hands of local authorities.

As a result, more than 30 local authorities are now planning to introduce Māori wards to increase representation and ensure a Māori voice in local decision-making. The Waitangi Tribunal has recommended that all local authorities have provision for Māori representation.⁷¹

Tino rangatiratanga and local authority decision-making

Te Tiriti provides for hapū, iwi and Māori to exercise tino rangatiratanga (full authority) in relation to their own affairs.⁷² It encompasses rights to manage relationships in accordance with tikanga (Māori law and norms), and therefore in accordance with values such as manaakitanga (care for people), and kaitiakitanga (care for the natural and physical worlds).⁷³

66 Te Puni Kōkiri (2019), *An Indigenous Approach to the Living Standards Framework*; Te Uepū Safe and Effective Justice Advisory Panel, *Turuki! Turuki! Transforming New Zealand's Criminal Justice System*

67 Cheryl Smith, Rāwiri Tinirau and others (2021), *Whakatika: A Survey of Māori Experiences of Racism*; Jagadish Thakur (2021), *Aotearoa-New Zealand Public Responses to Covid-19*, Massey University; Human Rights Commission/Nielsen Research (2021), *Te Kaikiri me te Whakatoihara i Aotearoa i te Urutā Covid-19: Experiences of Racism and Xenophobia in New Zealand during Covid-19*

68 Te Puni Kōkiri (2019), *An Indigenous Approach to the Living Standards Framework*

69 Waitangi Tribunal (2008), *He Maunga Rongo*, pp 1575, 1591; Waitangi Tribunal (2018), *Te Mana Whatu Ahuru*, part IV, chapter 19.1; Waitangi Tribunal (2010) *The Wairarapa ki Tararua Report*, pp 897, 1062

70 Jack Vowles (2021), *Local Government's Māori Representation Gap*

71 Waitangi Tribunal (2010) *The Wairarapa ki Tararua Report*, chapter 15.11.2

72 Waitangi Tribunal (2018), *Te Mana Whatu Ahuru*, part I, pp 155-156, 187-189

73 Waitangi Tribunal (2018), *Te Mana Whatu Ahuru*, part I, pp 34-39, 156-158; Waitangi Tribunal, *Ko Aotearoa Tēnei* (2011), *Te Taumata Tuarua*, pp 22-23

Current statutory provisions applying to local government – including the Local Government Act, Resource Management Act, the Land Transport Management Act and other statutes – do not provide for the exercise of tino rangatiratanga or application of tikanga to local decision-making. Rather, most provide for local authorities to consult and engage with Māori while balancing tino rangatiratanga alongside other interests.⁷⁴

Co-governance arrangements have emerged in recent decades, but usually in the context of Tiriti settlements, and then in relation to specific geographical features such as the Whanganui and Waikato Rivers.

At times, local authorities and iwi have adopted other mechanisms for iwi input into decision-making, including relationship agreements, and iwi representation on committees. Again, these have often applied to resource management, though there are some examples of broader council-iwi partnerships to create regional plans and pursue wellbeing initiatives.

In our early engagement with iwi, we heard that local government currently does things that iwi and Māori could do. Current arrangements limited Māori autonomy, which also limited the ability of iwi and Māori to take steps that would secure wellbeing for future generations.

Planned reforms to resource management and three waters create much stronger statutory obligations to give effect to Te Tiriti, along with provisions for joint decision-making and statutory protection for Te Mana o te Wai (the health and mauri of fresh water) and Te Oranga o te Taiao (the health of the natural environment). If implemented as currently planned, these reforms will apply specifically to water and resource management, rather than the whole local government system.

Consultation demands on iwi and Māori

In practice, consultation and engagement obligations can impose significant burdens on iwi without necessarily leading to better outcomes for Māori, or effectively responding to Māori concerns. In our early engagement we heard that the government and local government sectors needed to be more ‘joined up’ in their relationships with iwi and Māori.

The Waitangi Tribunal has recommended that the government should fund capacity building among iwi and Māori to ensure they are able to participate in council decision-making. It has also recommended “concentration of functions in fewer local authorities, so the burden of Māori having to form effective relationships with many different bodies is lessened”.⁷⁵

While the planned reforms to resource management and three waters appear to strengthen Treaty rights, they will also increase the demand on iwi and Māori communities.

74 Waitangi Tribunal (2008), *He Maunga Rongo*, pp 1575, 1591; Waitangi Tribunal (2010) *The Wairarapa ki Tararua Report*, pp 897, 1062

75 Waitangi Tribunal (2010) *The Wairarapa ki Tararua Report*, pp 1062-1063

“Current generations are only able to plant seeds for future generations.”

Quote from iwi engagement

Relationships and cultural competence

Iwi representatives and Māori have told us that some local authorities are unable to form effective partnerships, because councillors and staff lack the necessary cultural competence, or lack understanding of Te Tiriti and New Zealand’s history.

We also heard that local governance structures can create barriers to long-term relationships. The nature of political cycles can mean that relationships form but are not sustained across time, and that policies or agreements are not always followed through to implementation.

The place of local government in Te Tiriti partnerships

Under current laws, local government is not regarded as a partner in the Treaty relationship.⁷⁶ Yet local authorities are creatures of statute, and, in many respects, they act on behalf of central government. During our early engagement, some iwi representatives told us that they see central and local government as “one and the same”, especially when they are carrying out delegated functions.

The Waitangi Tribunal has found that any statute that devolves powers or functions to local authorities must impose clear Treaty obligations and ensure that those obligations are met.⁷⁷

What are the implications for local governance?

Any future local governance arrangements will need to give authentic expression to the Te Tiriti relationship at a local level, and also support iwi and Māori aspirations for the wellbeing and prosperity of their people, and the health of the natural environment. Among other things, this could mean:

- ▶ Considering how the statutory framework for local governance might recognise and give effect to tino rangatiratanga, and incorporate Te Ao Māori values and principles.⁷⁸
- ▶ Clarifying the place of local government in the Te Tiriti partnership.
- ▶ Considering structures and mechanisms for partnership and shared decision-making over matters that are significant to Treaty rights and iwi and Māori wellbeing.
- ▶ Creating opportunities for local authorities and iwi / Maori to collaborate in order to advance wellbeing in their communities.
- ▶ Providing for community-led and ‘by Māori for Māori’ approaches to address social and economic development.

76 Local Government Act 1977, section 4; Waitangi Tribunal (2010) The Wairarapa ki Tararua Report, p 891

77 Waitangi Tribunal (2011) Ko Aotearoa Tēnei, Te Taumata Tuatahi, p 110

78 Waitangi Tribunal (2018), Te Mana Whatu Ahuru, part IV, chapters 21.5.4, 21.7

- ▶ Ensuring that iwi and Māori have sufficient representation in any local governance structures to protect their rights and advance their aspirations.
- ▶ Taking steps to increase the capacity of iwi and Māori to share in local authority decision-making.
- ▶ Recognising that one size does not fit all – iwi, hapū, Māori organisations and rūpū (groups) vary in size, capacity, territories, and interests and aspirations.
- ▶ Taking account of iwi and Māori rights and interests when determining local authority structures and boundaries.
- ▶ Training and upskilling local authority elected members and staff to ensure that local authorities provide a culturally safe and respectful environment for Māori.⁷⁹

Where to from here?



The Future for Local Government Review provides an opportunity to rethink local governance for the future.

It is an opportunity to look beyond fixed structures and roles, to design a system of local governance that is built on relationships; is agile, flexible and sustainable enough to meet future challenges, even those that are large and unpredictable; has the right mix of scale and community voice; harnesses the collective strength of government, iwi, business, communities and others; maximises common benefit and wellbeing; and creates the conditions in which communities can thrive into future generations.

Rethinking local governance

How might a future system of local governance more effectively contribute to community wellbeing? Many organisations contribute to local governance and wellbeing.

Local authorities create the spaces in which people live their lives. They shape the conditions in which people live, work, relax, play, and do business, and their services determine whether local environments are healthy, safe, easy to navigate, and attractive; and whether they create conditions in which people and communities can thrive.

Local authorities also represent their communities and reflect local voices. Because of their place-based focus, they can ‘see across’ issues that affect their communities and locations.

Businesses and industry provide employment and incomes, and access to goods and services including food, clothing, homes, and utilities. Their activities are of fundamental importance to wellbeing in their communities, and of particular importance to the wellbeing of their employees.

Business activity also plays a central role in creating the environment and atmosphere in town and city centres. Businesses build new communities and homes.

Iwi, hapū and Māori play vital and growing roles in advancing wellbeing within their rohe. Some iwi are major employers, and play critical roles in supporting education and training, housing, environmental restoration, and other activities that support wellbeing.

Some are leaders or partners in the governance and management of rivers, waterways, and other environmental features. Iwi, hapū and Māori bring knowledge, perspectives and values that support care for people and places, and healthy balance in all relationships.

Community organisations play many roles in their communities – connecting people for shared activities such as sport and recreation or artistic expression, providing vital support services during times of need, uniting communities to address common causes, and creating opportunities to contribute and experience a sense of meaning and purpose.

Family, whānau, friends and relatives, and neighbours all play critical roles in personal, social and cultural wellbeing.

Central government activities are of critical importance to local communities – providing schooling, health care, transport, income support, policing, and much more.

Communities thrive when all of these organisations play their roles to maximum effect. Current and future challenges – climate change, housing, mental health, or responses to technological change – cannot be addressed by individual agencies, but only through new and collaborative approaches.

Any future system of local governance will need to move beyond existing structures and siloes, and consider governance as a shared endeavour in which many players contribute and deserve a voice.

This will require new, more flexible ways of organising, and new ways of relating, in order to build trust, and act in common cause.

New approaches to collaboration

Our early soundings, and other research, suggests there is considerable interest in the local government sector for pursuing new and collaborative approaches in order to maximise wellbeing.

We have heard that local leaders want to play greater roles in dealing with pressing issues such as climate change and social deprivation in their communities, by building more effective partnerships in which central and local government, iwi, businesses, community groups and residents all collaborate to identify priorities and implement solutions.

International research suggests that collaborative approaches can be more effective than conventional responses to complex and rapidly evolving policy issues. ‘Mission-led’ approaches, for example, can allow communities (with sufficient funding and support) to find innovative and effective solutions that central government agencies would not have considered.⁸⁰

Building on these approaches, the Organisation for Economic Cooperation and Development has championed ‘anticipatory innovation governance’, which encourages continuous local adaptation and experimentation as a means of addressing complex policy problems as they are emerging, and, in particular, as a means of addressing issues that are too complex or evolve too quickly for orthodox policy responses.⁸¹

Research also suggests that collaborative approaches are most effective when they are supported by ‘anchor’ or ‘backbone’ partners who bring others together and guide action. Other key enablers include influential leaders and champions, adequate and sustainable funding sources, and consensus on urgency for change and direction of travel.⁸²

80 Mariana Mazzucatto and Georgia Gould (2021), *Mission-Driven Localities* (Project Syndicate)

81 OECD (2021), *Anticipatory Innovation Governance: What it is, how it works, and why we need it more than ever before*

82 Government Inquiry into Mental Health and Addiction (2018), *He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction*, p 120

Within the right framework and sufficient support, local authorities can be well placed to play cornerstone or anchor partner roles, because of their broad view across places and communities. Similarly, iwi and Māori, or community organisations, might choose to play such roles.

Collaborative approaches are already emerging in New Zealand, even in a local governance environment that is not conducive to supporting it. Local authorities, iwi, community organisations, central government and businesses are finding ways to work together, share decision-making, and try new approaches to resolve challenging issues.

Some examples include:

- ▶ Iwi and community leadership of integrated planning approaches which bring whole communities together to determine future goals and priorities – for example, Te Tauihu Intergenerational Strategy and the Waikato Wellbeing Project
- ▶ Pacific Skills Shift, a partnership between MBIE, Auckland Council (UpTempo), Auckland Unlimited, and Pacific non-government organisation The Cause Collective supporting Pacific people to gain job skills and micro credentials to help them move into higher quality and more sustainable employment
- ▶ Social procurement that leverages local authorities' purchasing power for positive social and economic outcomes, for example, through the supplier diversity intermediary Amotai which supports fair inclusion of Māori and Pacific-owned businesses in public sector supply chains
- ▶ Integrated approaches that take advantage of place-based redevelopment projects to also advance economic development, civic innovation and social connectedness
- ▶ Iwi led wellbeing initiatives that bring together local authorities, business, and communities to tackle pressing social issues such as housing deprivation and crime – for example, the Ruapehu Whānau Wellbeing Initiative
- ▶ Collaborative business/council/government projects to create jobs in rural areas
- ▶ Co-design and participatory democracy approaches to development of council strategies, policies and programmes.

These collaborative approaches have typically relied on highly motivated local leadership, and on willing support partners – hence the involvement of iwi in many projects. While such 'green shoots' initiatives have emerged in New Zealand, not all are sustainable in the current operating environment. Leadership, shared vision, culture, relationships, and sustainable funding are all likely to be important ingredients in a more adaptive and collaborative system of local governance.⁸³

The future for local governance

This review is an opportunity to step outside existing structures and systems, and consider what wellbeing might look like for New Zealand communities in the future, and how that best might be delivered.

It is an opportunity to look beyond local government and consider local governance, encompassing all organisations with rights and responsibilities to guide their communities.

It is an opportunity for local and central government to build mutual understanding and trust, and find new ways to align objectives and collaborate on the basis of shared commitment to public service.

It is an opportunity to consider how New Zealand's business sector can innovate together with local government to contribute to local wellbeing.

It is an opportunity for New Zealand's system of local governance to embody Treaty partnership and draw on the strengths of all cultures to find uniquely New Zealand ways of working together and making decisions that advance the wellbeing of present and future generations.

It is an opportunity for communities to lead in creating solutions that meet their needs.

Our early engagement suggests a strong interest in new approaches, along with a commonly held view that change should build on existing and inherent strengths, and enhance connections between communities and governance.

There is common agreement that local authorities have a vital and continuing role to play in creating the conditions in which communities can thrive. But that role is likely to change. Planned reforms have raised questions about local authority functions and structures, and have therefore created an opportunity to innovate.

We have an open mind about future local authority functions, structures, and boundaries. We do, however, see local governance as an ecosystem with many contributors and moving parts, which is likely to be most effective when there is collaboration for common purpose.

Any redesigned system is likely to have certain key features:

- ▶ It will be built on open and respectful relationships.
- ▶ It will be aligned – the organisations involved in creating local wellbeing will have shared missions and will operate in an environment that supports collaboration.
- ▶ It will be effective and sustainable – the organisations involved will have sufficient funding, capability, and support to carry out their missions.
- ▶ Functions and roles will be allocated at the right scale, reflecting inherent strengths and capabilities, taking account of the subsidiarity principle, and acknowledging that one size does not fit all.
- ▶ It will be flexible and agile, capable of scaling up or down and transferring functions as new challenges emerge.
- ▶ It will build on Te Ao Māori and mātauranga Māori, and embody genuine Treaty partnership based on shared wellbeing for future generations.

- ▶ It will be inclusive – providing for diverse voices to be heard, and all with interests in local wellbeing to participate in decision-making.
- ▶ It will be fair – taking account of all needs and interests, delivering benefits for whole communities, and protecting the interests of future generations.
- ▶ It will be transparent and accountable – decision-makers will be answerable to their communities.

Over the next year we will be seeking the views of communities, iwi, business, local authorities, government agencies and others on how such a system might be designed.

Priority questions

What are the broad themes that will guide our engagement and work on the future for local governance and democracy? Over the next year we will be engaging with New Zealand communities and organisations over the future of local governance and democracy.

This will include engagement with the local government sector, business and industry, iwi and Māori, youth, communities, and central government.

The following broad themes reflect our terms of reference, and will provide a foundation for our engagement and future work.

In broad terms – and consistent with our terms of reference – we expect to consider what the future system of local governance might look like, and then to consider related questions about functions, representation arrangements, funding, and so on.

We intend these priority questions to open conversations about the future system of local governance, and how it might most effectively create the conditions in which New Zealand communities can thrive even while addressing the significant changes and challenges that are likely to arise in future.

We are open to hearing about other possible lines of inquiry or emphasis as we continue our engagement.

1

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

The future wellbeing of New Zealand communities will depend on the actions of many people and organisations – including individuals and their whānau, businesses, iwi and Māori organisations, community organisations, local and central government, and many others.

In line with numerous other recent reviews, we see greater coordination, alignment and collaboration between these various players as essential in order to advance common goals such as shared prosperity, environmental health, and resilience to future shocks and challenges.

We also see considerable potential for that coordination and alignment to occur through community-led and place-based approaches. Current approaches are all too often disjointed and misaligned, and fail to take full advantage of strengths of the various players involved, including local authorities, iwi and Māori organisations, businesses,

and community groups. New approaches will be necessary to meet the complex challenges that are likely to arise in future.

During the next phase of our review, we will be considering what might be required to create a system of local governance that is fit for the future, and can adapt to future challenges and create conditions in which communities and businesses can thrive.

We expect this to have implications for every aspect of the local governance system. We will be asking, for example, what might be needed to create a system in which all players can effectively work together towards common goals, and how the system might genuinely embody the Treaty partnership. We will also be asking what the answers to these questions might mean for local governance structures; functions and roles; funding and financing mechanisms; lines of accountability; mechanisms for community representation and involvement in decision-making; and planning and decision-making processes.

Just as importantly, we expect to explore questions about culture and leadership, and how relationships are fostered. For example, what conditions might be needed to build trust and mutual understanding between the many organisations that contribute to local governance and wellbeing? And what conditions might be needed to create more effective working relationships between government and business, local and central government, local government and iwi/Māori, and local government and communities? In particular, what will be needed to rebuild trust between local and central government, and build more effective working relationships that contribute to common objectives and reflect a shared spirit of public service?

We are also interested in exploring other themes – for example, what might be needed to support agility, flexibility and responsiveness across the local governance system, so new challenges can be addressed in a coordinated and effective manner, and at appropriate scale; what conditions might best support innovation and purposeful experimentation so solutions can be tailored for local circumstances and then learnings shared across the whole system; and what roles might businesses, community organisations, local authorities and others play in supporting innovation.

In broader terms: what systemic changes are needed so local governance can best create conditions that maximise social, economic, cultural and environmental wellbeing?

2

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

Within a future system of local governance, local authorities will continue to play an important part in creating conditions for local wellbeing. But that does not mean existing local authority structures, functions, roles, and boundaries will necessarily be the best fit for the future.

In broad terms, as discussed above, this review will need to consider how local government might best complement and align with other organisations that contribute to community wellbeing. Within the local government system, we will also have to consider the best structures, and best allocation of functions and roles so that local authorities can maximise their contributions to community wellbeing and adapt to meet future challenges.

This will require determination of which current functions should be retained and which should not; what new functions and roles local government should take on (for example, in housing, health or other social service provision); whether any functions or roles would be better carried out by central government, iwi, or communities; or others; and how these matters might evolve over time.

It will also require consideration of the scale at which any functions might be carried out, the relationships between different functions, what scope there is for shared or collaborative approaches and for flexible approaches that can adapt as circumstances change, and how allowance might be made for the diversity of New Zealand's communities and local authority structures.

Existing reviews and reform programmes have variously prioritised economies of scale and scope, sub-national and regional coordination, national equity and standards, capacity and capability, rights under Te Tiriti o Waitangi, and community-led design and delivery as factors in determining the appropriate scale at which functions should sit.

Determining appropriate structures, and allocation of functions and roles, will require careful balancing of these and potentially other criteria, along with acknowledgement that New Zealand's communities are very diverse, and that one size will not fit all. It is important that existing reform programmes leave room for these matters to be appropriately considered across the local governance system as a whole.

In practice, most issues are likely to require a mix of national, sub-national and local or community action, and the challenge will therefore be to allocate responsibilities in ways that take advantage of inherent strengths, while also ensuring alignment and collaboration across the whole system.

One important element of a future system of local government will be the statutory framework, including the purpose and responsibilities of local government, accountability arrangements, and clarity about the relationship between central and local government.

Also important will be the roles of national organisations that support local governance (such as the Local Government Commission, the Local Government Financing Agency, and the Department of Internal Affairs); as well as the national or shared support services available to local government, for example, through information systems, financing mechanisms, training and advocacy, and innovation and learning.

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

Te Tiriti o Waitangi can be viewed as an agreement to share authority in New Zealand, as a guarantee of Māori rights, and as an agreement to found a relationship based on expectations of shared benefit and prosperity. To embody partnership under Te Tiriti, a future system of local governance would need to respond to all three levels.

How the partnership might evolve necessarily depends on the aspirations of hapū, iwi and Māori, and on their future relationships with central government. It can also be expected to evolve over time, as the Māori population and economy grows.

Within the framework of a fully functioning Treaty relationship, we see local government and iwi as having potential to operate as natural partners. Both are intimately concerned with places and communities, both have potential to exercise significant influence on local wellbeing, and both – with new approaches – might therefore become powerful allies in creating conditions for mutual benefit and shared prosperity.

During the next year we will be engaging with iwi and Māori organisations, and seeking to understand how the partnership might evolve at a local level. We expect to hear about and consider many elements of the relationship including how tino rangatiratanga might be exercised at a local level over matters affecting the wellbeing of Māori communities and rohe (territories); how the responsibilities of iwi / Māori and local authorities might co-exist; what future partnership or co-governance arrangements might develop; how relationships between iwi / Māori and local authorities might most effectively be managed; how capacity might be built and resourced in iwi and Māori organisations to support effective engagement with local authorities; and how statutory processes for engagement and iwi / Māori involvement in decision-making might be aligned and be made more coherent so they do not create unnecessary burdens on iwi and Māori, or on local government.

We would also expect to hear about and consider matters such as how Māori communities and interests can most effectively be represented on local authorities and in local authority decision-making; how Māori rights, interests and values (such as manaakitanga and kaitiakitanga) can most effectively be protected in local authority decision-making; how Māori members might be effectively supported to fulfil their roles as elected representatives; and how all local authorities might ensure that they build sufficient cultural competence to provide culturally safe and respectful working environments for Māori members and staff.

Most broadly, we would expect to consider what scope there is for iwi / Māori and local authorities to work together in order to meet shared objectives for prosperity, environmental health, equity and equality, and social and cultural wellbeing.

4

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

Within a future system of local governance, we expect local authorities to continue to play an important role in leading and reflecting the views of their communities.

At this stage of our deliberation we have an open mind about future local authority structures, and about representation and governance arrangements. Scale, functions and roles might all be important considerations in determining those arrangements.

Whatever arrangements we ultimately recommend for local authorities, we expect leadership to play an important role. Leadership and coordination will be important in the long term, and during the transitional period in which resource management and three waters reforms are being implemented.

With respect to local democracy and governance, we expect to pursue four broad themes:

- ▶ how the system of local democracy can provide for more effective and meaningful community involvement in decision-making, given current low levels of trust, confidence and involvement;
- ▶ how the system can ensure that all communities and interests (including Māori, Pacific and Asian peoples, younger people, and renters) are more fairly and equitably represented in local authority decision-making and leadership;
- ▶ how the system can provide for effective leadership and governance, including stewardship over assets and finances; and
- ▶ how confidence and trust in the system can be rebuilt.

These broad themes are not particular to local governance in New Zealand, but rather are common to governance arrangements across the country and internationally.

Addressing these broad themes will require consideration of the implications of demographic change and diversity, and economic trends such as changing patterns of property ownership. It will also require consideration of the potential impacts of new technology on citizen participation and engagement, and potentially on the operation of future elections – bearing in mind that the available technologies are likely to change a great deal over 30 years.

We will consider whether there are potential benefits to be gained from new models of community engagement and participation, including active citizenship approaches, and participatory or deliberative models; And, if so, when and how those options might be effective, and what conditions would be required to make them effective.

We will give broad consideration to local authority electoral arrangements, including the recommendations made by Parliament's Justice Committee in its 2016 and 2019 reports concerning the local electoral system and the operation of local elections.

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

Local authorities vary considerably in financial strength. Many face financial pressures – some arising from growth, some from having small populations with high per capita asset costs, and some from central government decisions that impose additional costs without commensurate funding.

Any future system of local governance is likely to face greater tests – from climate change adaptation, future infrastructure and information technology requirements, and shocks such as disasters, pandemics, and global recessions.

Future local authorities will need to be designed and sized in a manner that ensures financial viability and sustainability, including sufficient capacity or support to absorb shocks and respond to local challenges, while also continuing to contribute to community-led governance and local well-being. They will also need to be adaptive, resilient, and wise stewards of community assets.

These factors will all contribute to our consideration of the future shape of the local governance system, including the appropriate functions and roles of local authorities at different scales.

Having addressed functions and roles, we will then be concerned with ensuring that local authorities have the right mix of funding and financing tools available to meet their responsibilities in the long term.

This will include principled consideration of the mechanisms available, including rating, user charges, taxes and other sources. It will also include consideration of funding and financing sources. This might include consideration of when local authorities' funding obligations should be shared across local government, or with other partners; and when central government co-funding of local government activity might be justified – as recommended by the Productivity and Climate Change Commissions for large challenges or shocks, and for local services with national benefits.

More broadly, the next phase of our review is likely to include high level consideration of the principled basis on which funding decisions are made, including appropriate balance of the beneficiary and exacerbator pays principles alongside others such as efficiency, transparency, equity, and impacts on local government autonomy.

We are interested in the place of equity in this mix, including inter-generational equity, and horizontal equity within and between communities including matters such as ability to pay. We are also interested in how benefits are determined and allocated; and in the incentives created by funding decisions and the resulting impacts on prosperity and wellbeing.

Future local authorities will continue to require appropriate mechanisms for financial planning and accountability. We see scope to consider whether transparency and accountability can be assured in more flexible and meaningful ways than at present.

Finally, we reiterate that we see local authorities as one part of a future system of local governance, alongside other partners such as iwi and Māori organisations, businesses, community organisations, and many others. There are broad questions to be answered about how central and local government funding might most effectively be used within that system to maximise overall prosperity and wellbeing. Other reviews have advocated for local communities to be resourced and supported to design and develop their own initiatives, especially for disadvantaged communities where current programmes and services are not achieving significant impact.

Our decision-making principles

The following principles will guide our responses to these priority questions and engagement.

How we will approach our work

We will seek to:

- ▶ Be bold, looking beyond traditional responses and instead address the systemic or root causes of issues with local governance.
- ▶ Build open, honest and respectful relationships.
- ▶ Base recommendations on high-quality analysis and insights, informed by evidence including the lived experiences of the people we engage with.
- ▶ Use strengths-based thinking, which acknowledges and builds on inherent strengths and capabilities, and considers appropriate scale and scope relative to these strengths.
- ▶ Be inclusive, providing for diverse voices to be heard.

Principles to shape the system change

We will pursue ideas that:

- ▶ Maximise positive impact at a system level.
- ▶ Draw on the strengths of the existing system of local government and democracy.
- ▶ Strengthen conditions to enable iwi/Māori and other partners to take action with local government.
- ▶ Build greater resilience, supporting local government to adapt to future challenges so they can create the conditions in which their communities can thrive.
- ▶ Are inclusive and equitable, delivering benefits for whole communities, and protecting the interests of future generations.
- ▶ Draw on Te Ao Māori and mātauranga Māori.
- ▶ Provide a clear, sustainable and affordable pathway.

Early opportunities

What early opportunities are there to build on existing strengths and address current challenges in a context of reform? During the coming year we will be engaging widely to seek input on New Zealand's future system of local governance.

We expect that to lead to broad recommendations for reform, applying to structures, functions, and many other elements of the system. It is important that this work takes place in a broad and coordinated manner that takes account of the whole local governance system.

Nonetheless, we see opportunities for immediate steps that can benefit the local governance system and local communities while paving the way for future reform. These include opportunities to build capacity and trust among partners in local governance, to strengthen innovation across the local governance system, and to leverage existing local government strengths.

We also see it as important that existing reform programmes take place in a coordinated and aligned manner that take account of potential implications for future local governance reforms.

Resource management reforms

Planned resource management reforms provide for the establishment of new regional governance and decision-making structures for spatial planning and natural and built environment planning. We acknowledge the need for central government to press ahead with resource management reforms, and see potential for significant benefits from spatial planning approaches that bring central government, local government, and iwi together and support collaborative action. However, we caution that any new structures should be transitional, since we believe that local government reform will see new structures recommended.

The transitional arrangements must be designed with appropriate political accountability and funding mechanisms in place for plan-making, approval, legal defence, and implementation and enforcement, a strong role for iwi and hapū in decision-making, along with sufficient space for diverse local community voices and views in decision-making processes.

It will take a number of years and considerable staff and planning resources to prepare a new regional plan that incorporates all existing regional and district plans. This will require technical staff expertise and considerable effort from the political representatives and iwi involved. Capacity is not currently present at either a regional or local level, nor with iwi. Collaboration and partnership will be required to deliver the

plans, and the structures adopted should build on the learnings from the operation of regional land transport committees and the emerging urban growth partnership models.

Until this review is completed and decisions made about future local governance structures, we consider that regional and unitary councils will be best placed to host their regions' Regional Spatial Committees (that includes representatives of territorial authorities, Iwi and central government) and a Natural and Built Environment Committees. To fund the region's share of these processes, there will need to be agreement among the respective parties.

Health reforms

Central government cannot solve some of our key public health issues alone – for example, obesity, mental illness, pandemics, and misuse of substances. Greater coordination and collaboration will be required between central and local government, health providers and consumers, Iwi and others.

The planned health sector reforms have a significant local component which provides an early opportunity for greater local government involvement, in order to provide for strong community voice and participation.

The reforms aim to achieve national consistency in health care and public health, while also ensuring that primary and community services are tailored to local needs. Locality networks (including health providers and consumers) and Iwi-Māori partnership boards will have input into design and decision-making about local services.

Local authorities currently play significant roles in public health, through activities that support healthy lifestyles (such as recreation and sports facilities, parks and reserves, active transport networks, and land use and place-making functions); mitigate harm (for example, through regulation of alcohol, gambling, food safety, and hazardous substances); support social cohesion (for example, through provision of community facilities and programmes). Some local authorities already partner with central government on programmes to promote active communities.

Local authorities are therefore well placed to support community participation in design of and decision-making about locality networks, and more broadly to work with central government in shaping a public health system that leverages existing local authority contributions and takes account of community aspirations and needs. One option is to establish a joint central-local government steering committee which could have input into the design of public health services and locality networks.

Supporting digital capability and capacity

Independent local authority investment decisions have created an environment of dispersed information and communications technology (ICT) systems, with little or no regard to interoperability or sharing of applications or platforms. This is true of both the back office or enterprise systems as well as any customer-facing applications. We are concerned that the proliferation of systems and the lack of

interoperability is impacting effectiveness and efficiency, and might also be a barrier to future integration opportunities, both data and otherwise. The different timetables of local authority ICT investment mean that combined investment does not occur.

In coming years, local authority ICT systems are likely to require significant investment to support the transition to new three waters and resource management systems, ensure better data security, and meet growing community expectations. This is likely to include a need for significant digitisation of council information. In addition, effective responses to climate change will require councils to capture and share data at levels beyond current capacities. Current systems of data collection, storage, security and retrieval vary widely and in many cases are not fit to manage for future demands. This exposes local authorities, and the whole country, to significant risks and unnecessary costs.

Central government has recognised the benefits of joined-up investment in systems and capabilities for information-sharing, digital identity and security, and to establish stronger evidence bases for decision-making and prioritisation. Opportunities exist to extend this across the wider system to local government. Adopting shared systems approaches at national or sub-national levels could take advantage of scale, increase efficiency, align and strengthen systems, address digital inequities across the country, and meet future needs. Apart from the potential cost benefits, we see gains in effectiveness and in presenting a unified view both to, and for, the citizen.

We note that any system change must be matched by appropriate governance mechanisms and incentives for individual agencies to work collectively.

Future investment in enterprise systems should be made with regard to an accepted standard ICT architecture across local government so that over time there is alignment of systems - ideally a common architecture will enable maximum flexibility across local and central government and enable decisions about function and form to be independent of any ICT system constraints.

Central government is currently facing this issue as part of the health and vocational education reforms - there is an opportunity to learn from and potentially leverage off, any future investment decisions that seek to create a unified ICT environment for these sectors. Few existing local authorities have the funding and leverage to justify significant investment in new systems. Therefore, this should be explored in a partnership funding model between central and local government to find the 'investment sweet-spot' where both effectiveness and efficiency can be balanced. Similarly, there will be lessons to learn from Auckland Council's ICT rationalisation process on what is needed to achieve large scale, complex but vital system change.

In the short term, there should at the very least be an initial stocktake of existing systems and preparation of a roadmap for transition together with an appropriate business case. In addition, there is an opportunity for local government to work with the Government Chief Digital Officer (Department of Internal Affairs) to identify common opportunities and possible co-investment.

Supporting new and collaborative approaches to local wellbeing

Some local authorities are already experimenting with collaborative, community-led approaches to local wellbeing.

Working alongside iwi, community organisations, businesses, and others, they have (among other things) sought to address issues such as housing deprivation, sustainable employment, and supplier diversity, or to develop shared visions for future development. Collaborative approaches of this nature can uncover new, locally-led solutions to complex policy problems, which can then be shared across the local governance system.

Such approaches do not need to wait for major systemic, structural or legislative change. Rather, they can develop now. Effective and innovative leadership is a key ingredient, alongside clarity of vision, sustainable resourcing, and sufficient willingness and incentive to experiment.

We see potential to stimulate locally-led collaboration and innovation of this nature by leveraging a portion of the planned three waters transitional funding. Current criteria would need to be broadened for this purpose.

In addition to the potential for direct benefits and learnings from such projects, there is potential to build community and local governance capability to adapt as new challenges emerge; to build stronger relationships between local government, business, iwi and other partners to support innovation and wellbeing goals; and to develop a culture that enables and encourages innovation – all of which are likely to be important ingredients in an agile system of local governance that can meet the needs of future generations.

Iwi capability and capacity building

Iwi and hapū participation in local government processes, structures and functions is essential, yet current approaches place great strain on their ability to participate effectively at the level required.

There are numerous statutory provisions requiring local government engagement with tangata whenua (including iwi authorities) and Māori. These provisions differ from statute to statute, and operate in isolation from one another, creating engagement processes that are demanding and disjointed, even when for iwi the interconnections are clear.

Planned reforms (including resource management, three waters, and Māori wards) will further increase the roles of iwi and hapū in local authority representation, governance, decision-making and participation, adding to existing demands.

We see a need to address the capacity of iwi and Māori organisations to take part in these engagement processes. This will require dialogue between central government, local government, iwi and Māori, with a view to developing a national framework for capacity building. This framework could map out what would be required for iwi to exercise rangatiratanga in their relationships with local government, and options to enable and appropriately resource this, including capacity and capability building.

Issues to consider would include where a larger role for iwi might be desirable and how this can be supported, and where the right interface might be with central and local government.

Māori wards

At the 2022 local elections there will be a significant influx of councillors representing Māori wards. To ensure they are supported and can maximise their contributions, several steps would be helpful, both within councils and across the local government system.

At a council level, further training is needed to lift the cultural competence and knowledge of elected members and staff well beyond current levels, and to support a culturally safe, respectful and effective working environment for new elected members. A national support network could help to ensure that new councillors can share experiences and are effectively supported by their peers. National support may be needed so local authorities can build the competence and knowledge they need to work effectively with hapū, iwi and Māori organisations.

At present there is no single organisation with responsibility for providing that national support, or more broadly for overseeing local authorities' relationships with iwi and Māori or building bridges between local government and Māori.

While relationships will necessarily differ from place to place, we see potential for benefit from national support. Possible options include Te Maruata (the Māori Committee of Local Government NZ), Te Arawhiti – The Office for Crown-Māori Relations, or another provider.

Local government impact statements

A common view among local authorities is that central government regularly imposes costs or obligations on communities without adequate consideration of the impacts. More broadly, we have heard that the local-central relationships are characterised by mutual misunderstanding.

As one element of a more collaborative and trusting working relationship, central and local government could build on existing regulatory impact statements, by jointly developing local government impact statements that assess the impacts of government decisions on local authorities.

Joint development of these statements could:

- ▶ increase transparency about the impacts of new regulatory requirements, and about cumulative impacts;
- ▶ build trust and mutual understanding between central and local decision-makers;
- ▶ create potential for dialogue about how local government might contribute to solutions, and about innovative approaches that could achieve desired outcomes without imposing unfunded cost burdens on local authorities.

As part of our broader work programme, we will be considering how trust can be built between local and central government, and how the two sectors can work together more effectively and with greater alignment of purpose.

Our approach to engagement

We'll be actively seeking a diverse range of views as we develop our recommendations for the future of local governance and democracy. In the coming months we will be engaging widely about the future of local governance and democracy. We want to understand the issues, and hear a diverse range of perspectives that stretch our thinking about what is possible.

We want to hear about people's hopes for the future of their communities and how their local places can be enhanced to improve their wellbeing, as well as their ideas about how decisions should be made, how they can participate more easily in local democracy, and how local services are delivered.

We will be engaging with iwi and Māori, community leaders and groups, business people, young people and a wide range of other diverse communities in our cities, towns and rural areas, as well as those who are already part of the local government system.

Local governance and democracy affects everyone, so it's important to us that everyone can have a say.

Alongside our research and policy work, the voices and experiences we hear will inform us as we develop options and recommendations for our draft report to the Minister of Local Government in 2022.

Our commitment

We want to hear from a diverse range of voices. We will be open to what we hear. We're ready to be challenged and to engage in hard conversations.

We'll use innovative approaches to ensure that our engagement processes are accessible, actively seek out new or less frequently heard voices, and do not impose undue pressure on diverse communities, including iwi and Māori.

Our engagement programme

Our engagement programme will include online and in-person workshops and wānanga, webinars, online surveys and crowd sourcing opportunities, stakeholder conversations, and local government meetings, so that we encourage widespread participation.

- ▶ September 2021 to April 2022 will be a time for broad exploratory kōrero about our priority questions through wānanga, workshops and online, with a range of groups and communities.
- ▶ In early 2022 we'll release an online tool to help people share ideas and views.
- ▶ In March/April 2022 we will also connect with local authorities to share our thoughts and get feedback on key ideas and opportunities.
- ▶ From April to August 2022 we will be focused on testing and refining key ideas and approaches for the future for local governance and democracy.

Our programme will evolve over the year. We'll need to be flexible and try to use digital channels, work with existing networks and draw on the innovative engagement approaches of others, as we manage the challenges of changing Covid-19 Alert Levels.

After this initial phase of engagement we will be preparing a draft report for the Minister of Local Government, containing options and recommendations. The draft report is currently due by 30 September 2022. We will then undertake formal consultation and receive submissions before completing our final report to the Minister in April 2023.

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