

Submission to the Future for Local Government Review



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

New Plymouth District Council (NPDC) supports the primary purpose of the Future for Local Government Review to ensure that local government remains well-positioned to build strong, healthy and prosperous communities into the future. We also agree that significant change is needed to ensure this continues. We are concerned that the Draft Report is not bold or creative enough to address the challenges of the next 30 years, does not place subsidiarity at its core and does not reflect the scale of change that central government needs to undertake to rebuild the relationship.

Revitalising citizen-led democracy

We are supportive of the intention for greater participatory and deliberative democracy and processes *where the benefits of doing so outweigh the costs*. This assessment needs to factor in that local authorities are representative democracies where the community elects people to represent them and look after their views. It also needs to take into account the timing requirements of the decisions given that participatory democracy takes more time.

We understand that the costs and resourcing requirements of citizens' assemblies and juries can be significant. A small jury approach may require \$100-\$150,000, whereas a more significant assembly approach will likely have costs in the millions. They can also place significant pressure on the community members who participate (both directly and indirectly).

A high threshold should be established before undertaking these approaches and it should be generally reserved for highly contentious complex and future focussed issues requiring a decisive solution.

While your report is right that there are no limitations on local government using these models now, it should be noted that these groups can *only be advisory in nature* under the existing law. The Local Government Act specifies obligations onto local authorities to undertake decision-making and limits delegation to within the local authority group. Local authorities must separately consider the report in line with all their legal obligations. This can mean, for instance, further consultation as part of a Long-Term Plan is still required, and the local authority must remain open to changing its position on the basis of those submissions (in accordance with the principles of consultation under the Local Government Act and common law).

We recommend that you support a more enabling Local Government Act that means local authorities can initiate and then implement the outcomes from citizens' assemblies and juries without the need to undertake further consultation on the matter, even if other legislation prescribes such consultation.



When to use these mechanisms should be left to the discretion of each local authority, through its Significance and Engagement Policy, to determine. This ensures that local authorities can tailor the use of these mechanisms to the most appropriate issues and avoid community engagement fatigue (which is already a serious issue for some). What we do need to do is reach those currently not feeling engaged.

We do note, however, that some of the most contentious issues in our society are central government initiatives. While it may be outside of the scope of the Panel, we recommend that central government should apply the same principles to itself. Consultation processes of central government agencies and Parliamentary select committees leave much to be desired with some of the biggest divisive societal changes in recent years only subject to select committee submission processes.

We note that in order to improve community participation in local government decision making, a long-term approach to high quality and on demand civics education must be considered for all citizens. Purely getting more individuals involved will have a limited impact on community outcomes, there is a need for a greater understanding in the role of local government and the democratic decision making process.

A Tiriti-based partnership between Māori and local government

We support the Panel's recommendations as strengthening relationships with Tangata Whenua is a priority for NPDC. However, we have concerns around the timing of the recommendations and the risk this presents to local authorities.

We are concerned that creating new legal requirements for iwi and hapū engagement *before* addressing the capacity and capability issues (for both local authorities and mana whenua) will create significant legal risk. We face the unfortunate reality already that iwi, hapū and ourselves (both officers and Elected Members) do not have the capacity and capability to engage. Having local authorities subject to a law that increase requirements that cannot reasonably be implemented would result in councils being non-compliant to any such law and therefore create significant legal risk.

We recommend that you clearly specify that iwi hapu engagement issues must be addressed on a 'best endeavours' basis first. Only when capacity issues are resolved should consideration be given to further legal compliance changes.

We strongly commend your recommendation about funding from central government to support the capacity and capability building. However, we recommend that this should not just be a transitional fund as it will be needed in the

long-term for each generation. We also recommend that the fund be set in consultation with local authorities, iwi, hapū and tertiary education providers to ensure it is sufficient.

Allocating roles and functions in a way that enhances local wellbeing

We note a lack of focus on subsidiarity principles in this report. It is not yet clear from this report what local government will be asked to deliver. For us, this is one of the most glaring gaps in the report and needs to be rectified in your final report.

Ultimately, you were established as a result of concerns raised by the local government sector that the Three Waters Reforms would result in local authorities lacking economies of scale to adequately perform. On that premise, we would have expected a list of functions to transfer from central to local government with the requisite funding streams. We recommend you re-look at local government functions in other countries and question why New Zealand has centralised many of those functions. New Zealand has significantly more centralised service delivery than almost every other OECD member. The justification that New Zealand is a small country does not stand up to scrutiny given the physical size of New Zealand, the diversity of communities and the challenges different parts of the country face. Scotland and Finland provide two examples of countries with similar populations and relatively far greater devolution (based on the subsidiarity principle) than ours.

We note your position that roles and functions can be non-binary choices. We are cautious about this position. Fundamentally, a non-binary system enables each level to blame each other for problems and not take responsibility to fix it. We have seen this clearly as a country with housing. There needs to be clear lines and delineation about roles and functions within any subject-matter.

Local government as champion and activator of wellbeing

We recognise and support the increased focus on community wellbeing threaded throughout this report, however this is linked to a closer working relationship with central government and a sharing of both responsibilities and benefits.

If local councils continuously increase wellbeing within their communities, there is a direct benefit to other sectors such as a reduced demand on health and other social services. Government needs to fund for its benefit.

We would like to see a closer partnership with local authorities to quantify these benefits, and mechanisms for how these benefits can be shared by investing back into the communities that created them included in the final report.

A stronger relationship between central and local government

This, to us, represents the one of the most important parts of this report. No other changes will be meaningful, or likely to occur, without addressing this relationship. We recommend that more discussion is included in the final report regarding how central government can change to improve this relationship.

The key issue is the willingness of central government agencies to let go. The Three Waters Reforms are a key example of the problem. While the new Water Services Entities (WSE) are on paper part of local government, the legislation includes numerous control points for central government. Ultimately, the Government-of-the-day will have significantly more control over the WSE than their 'owners'.

We have several recommendations for your consideration.

Planning and budgeting cycles

We recommend that central government planning and budgeting cycles need to align to those of local government. In effect, what is good for the gander is good for the goose.

Government needs to be able to commit to 10 year planning cycles and 30 year infrastructure cycles where central and local government work together. This provides greater certainty for local authorities and limits shocks of changed approaches. This means that central government must find ways to de-politicise infrastructure issues to create more certainty.

This recommendation has a positive side effect for central government. It introduces greater budgeting discipline for infrastructure planning and considering the long-term implications of financial decision-making. It may help to address some of the affordability concerns around superannuation for instance.

Funding arrangements need to suit local government as well as central government

We would like to acknowledge that the Government has, in recent years, been committing additional funding to local government to assist local authorities to improve community wellbeing. However, the process and approach that central government agencies have undertaken has not always suited local government as much as it could or should.

We have encountered a range of problems over recent years:

- There is regularly a requirement that the work being undertaken cannot already be in the Long-Term Plan. This ignores that the Long-Term Plan is a prioritisation process so that the programmes and projects with the best

impact on wellbeing are planned for. This means central government ends up funding second tier projects that do not have the impacts of other projects.

- The timeframes for applications can be short. Two recent applications had two week periods from announcement to closing, followed by several months of central government assessment. This does not provide sufficient time for due diligence on which projects to put forward, determining the budget required (adding to the issues noted above about not funding projects already in the LTP) and internal approval processes.
- Timing of applications and funding decisions also appears to lack consideration of LTP and annual plan budgeting decisions creating challenges for resource allocation and capex delivery.
- Combined, those two issues mean that projects put forward have had insufficient detail in the budget meaning that the true cost has been significantly higher than funding is provided for. There is also a lack of willingness to share in paying those additional costs.

We recommend that the new system steward (as you recommend) be tasked with co-developing a framework with local government to assist central government agencies in how to undertake one-off funding for local government.

Reporting on regional outputs

We recommend that central government start to report on its outputs on a regional basis. Taranaki, along with a number of other regions, often feels underserved by central government. However, it is difficult to find out information on whether this is the case or not. Having regional reporting on service delivery would enable communities to assess whether or not they do receive a fair level of service from central government.

Where a region finds a service lacking, then local government should have the ability to tender for the delivery of services. This will provide local government the ability to bid for functions and have some real 'skin in the game' and directly encourage central government to improve delivery in the regions.

Replenishing and building on representative democracy

We note that earlier in your report you seek the fundamental move away from a representative democracy towards a more participatory and deliberative democracy. Does having a more representative and deliberative democracy means that there is a lesser requirement to focus on participatory processes? This needs to be spelled out.



In terms of the recommendations surrounding a review of legislation, we strongly recommend the four year term be implemented.

We do not support the proposed amendments to Chief Executive employment provisions as this will result in a centralisation of the most important appointment by Council. If decisions are legitimately going to remain 'local first', this decision needs to be made at the local level, considering local issues and the capability best to support community outcomes.

We support using the Single Transferable Vote (STV), and have used it for the past two elections. However, we do not recommend it be compulsory across all local authorities. We recommend that, instead, local authorities may continue to use First-Past-The-Post (FPP) in *single member seats only*. This is because FPP can work relatively fairly in a single-member seat, but not so in a multi-member seat (where it becomes particularly disproportional in impact). This approach means electoral decisions remain in the hands of local communities whilst limiting the worst aspects of FPP. We also consider that a review of other non-party based electoral systems may also be appropriate to consider rather than limiting to just two systems.

We are strongly supportive of the recommendations around Elected Member remuneration and professional development. We note that a backbench list MP earns more than all Mayors bar two, and about 60 per cent more than the average Mayor. The Remuneration Authority need to stop sending signals that only people with existing wealth can go into local government. This is also relevant for Community Board members.

We also note that one hurdle for potential candidates is the online abuse and harassment. We recommend this is included as a key consideration in the final report as the level of online abuse and harassment may prevent a more diverse array of candidates from standing.

We are concerned about the recommendation around appointing members to local authorities. Greater professional development should limit the need for appointments. Further, appointments need to be done in a de-politicised manner, and should focus on the skills not the political views of those appointees. Ultimately, we are comfortable with appointed members being on committees but not on the Council itself.

We are neutral of the voting age being shifted to 16 years old. If you continue to recommend this, we believe this recommendation be paired with strong civics education and a single approach to the age of majority across all civil and legal issues. We believe such a wider review may be timely.

Finally, we recommend that you continue the push for online voting. We understand the security concerns being raised, however this does not take into account the

serious failings of postal voting (including security concerns as well). Postal voting has had its day, and a new voting method is clearly required. Given the 30-year outlook for your report, we do not consider it unreasonable that a secure online voting system will be available within that outlook.

Building an equitable, sustainable funding and financing system

An equitable, sustainability funding and financing system is critical to enable any and all other aspects of this report. In our opinion, the draft report does not tackle this core issue.

Central government funding needs to be less project specific with more flexibility around how it is best applied to meet local needs.

There needs to be a base level of funding from central government that is constitutionally formalised. There are plenty of examples overseas of funding models that work and incentivise good practice that the final report can draw upon.

We do note that such funding needs to come with long-term security. Central government must make such a commitment because otherwise there is a strong risk that funding will be pulled. This could leave significant budget shortfalls, leading to significant rate rises in the short-term. We also note that unstable payments will negatively impact on the credit rating of local authorities under S&P Global Ratings' methodology.

We strongly support the recommendation around an intergenerational climate change fund. Put simply, local authorities cannot afford the significant mahi in this space without central government funding support. The recent events of summer highlight the scale of the challenge.

Economic and urban growth

Fundamentally, the approach for funding urban growth is broken. Central government receives significant additional revenue from greater economic performance while local government often receives the costs of it. Local government should be rewarded for its efforts to promote economic and urban growth in order to ensure that the right incentives are in place.

Long-Term Plan and Annual Plan processes and issues

We support your recommendation that the Long-Term Plan process be simplified. However, we are concerned that the recommendation is underdone and requires greater detail.



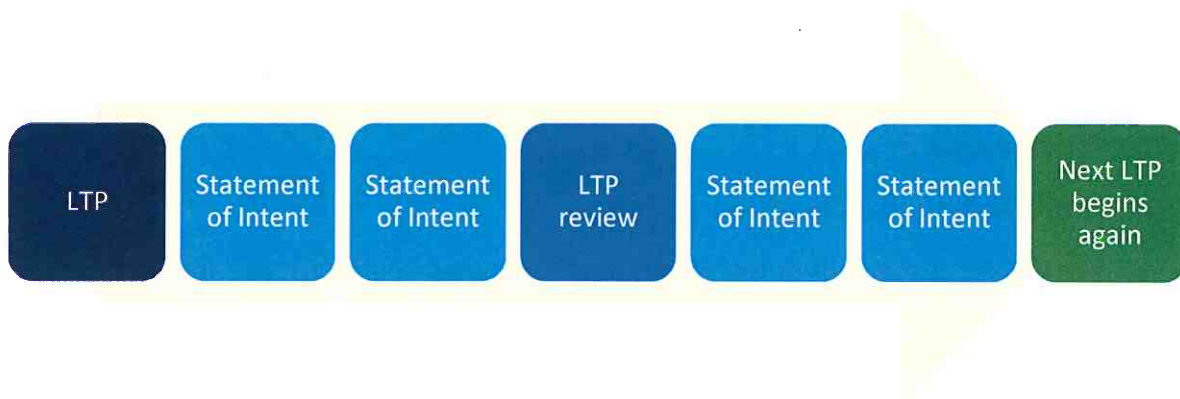
The fundamental premise of the Long-Term Plan is sound. Local authorities should consider the impact of decisions being made today on the future. However, the process to develop a Long-Term Plan, and some of the Annual Plan approach are no longer fit for purpose.

Some of the issues we have encountered:

- Unrealistic Audit requirements on detail in outer years. We are also concerned about the workload on Audit New Zealand itself, with difficult windows to manage across local authorities to ensure a robust and fair audit approach.
- The process to develop and requirements to develop each Long-Term Plan is simply too high. Councils are now spending at least 18 months to develop each Long-Term Plan, meaning at least half of the lifespan is spent reforecasting. The high workload on Elected Members and staff is a significant problem for something with such a short shelf-life.
- Having an effectively three year plan, there is significant re-litigation of the Long-Term Plan. The continual renewal means that the Long-Term Plan is not achieving its intended impact. Projects have moved in and out of different Long-Term Plans, and the financial envelope has changed significantly. Parts of our community now view that "if it's not in the first three years of the LTP then it isn't really in there". This has meant our LTPs have been front-loaded with projects as a result of community pressure.
- The ability to make minor multi-year changes through an Annual Plan process is limited and difficult. We have a significant number of projects that will take a number of years to complete. The current inflationary environment means we are needing to commit to multi-year funding changes in order for contracts etc. to be signed now. However, the Annual Plan only allows for annualised adjustments to project budgets, rather than approving the full budget change.

We submit that you should rebuild the process for Long-Term Plans and Annual Plans in your recommendations.

We recommend that each Long-Term Plan have a life of two election cycles (i.e. to move to eight years if your recommendation for longer electoral cycles is implemented). In between, an annual Statement of Intent be completed each year, which budgets for one year and then re-forecasting the next two years. There would also be an LTP review midway through that re-forecasts the remaining years of the LTP and provides an opportunity for some amendment on priorities. The Financial Strategy and Infrastructure Strategy would not be amended.



This approach provides greater stability to the community and would help the LTP to achieve its purpose better.

We recommend that this be brought in so that half of local authorities be undertaking a full review of the LTP in any triennium (with an even mixture of size, scale and location). This would reduce the workload on the sector overall, as well as the workload on Audit New Zealand.

Designing the local government system to enable the change we need

The function of local government needs to be confirmed before any structural formats can be considered. Form should follow function.

None of the proposed design examples will achieve the desired outcomes included in the draft report.

We do not support the implicit statement within each model towards greater regionalisation of services, or the hierarchical approach between regional local authorities and territorial authorities.

The principle of subsidiarity with clear proposals should be given more weighting in your final report in considering these models.

System stewardship and support

We strongly support significantly stronger system stewardship and support.

We do not consider the Department of Internal Affairs (DIA) as an appropriate system steward. We suggest that the system steward should be separate from the day-to-day policy advice function to the Government on local government matters. An enhanced Local Government Commission (LGC) would appear to be a sensible option. By enhanced, we suggest that this includes greater separation from the

Government-of-the-day as an independent Crown entity, an independent de-politicised appointment panel (including local government and mana whenua representatives on the panel) and greater funding. The enhanced LGC could also receive some of the Crown intervention powers under the Local Government Act instead of the Minister (although the establishment of a commission should be done by Order-in-Council to reflect the gravity of replacing a democratically-elected council).

We also recommend a wider consideration of the appropriate department to undertake the policy advice function for Government on local government. We recommend you assess whether DIA is the appropriate agency for this or whether a stand-alone department (or a new department with related functions) be established.

Conclusion

We acknowledge the work done in this draft report. We recommend that you be bolder in your recommendations and seek to provide an overall approach that promotes local communities being in charge of their affairs, greater certainty from central government to local government in behaviour and funding, and focuses local government on improving community wellbeing.

We also endorse the LGNZ submission in general.



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**New Plymouth
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