



# Local Government briefing

**Hon Nanaia Mahuta**  
**Minister of Local Government**

**Title:** Work programme to support local government funding reform

**Date:** 8 February 2018

## Key issues

The Department has prepared a local government funding work programme, in order to ensure the Government is well positioned to respond to the Productivity Commission's recommendations on local government funding reform in November 2019. This briefing accompanies the Governance for Wellbeing briefing, as these two work programmes are closely linked.

## Action sought

**Note** the contents of this briefing  
**Agree** to the high-level outline of the work programme  
**Direct** officials to focus on any specific work areas

## Timeframe

At your convenience

Contact for telephone discussions (if required)

Name	Position	Direct phone line	After hours phone	Suggested 1 <sup>st</sup> contact
Michael Lovett	Partnership Director	04 474 8192	021 243 9756	✓
Ben Goodchild	Senior Policy Analyst	04 494 0511		

Return to	Ben Goodchild
Cohesion reference	3W2DU3RAJ5R2-477757174-122
Ministerial database reference	LG201900076

## Purpose

1. The purpose of this briefing is to outline the Department of Internal Affairs' (the Department's) intended work programme to support reform of local government funding.

## Background

### ***You will have a significant role in responding to the Productivity Commission's inquiry***

2. The Productivity Commission (the Commission) will release its final report on local government funding and financing reform in November 2019. The inquiry is canvassing a number of issues, including:
  - 2.1 what factors are driving local government costs and whether rates are affordable;
  - 2.2 what are the options for new local government funding and financing tools;
  - 2.3 what are the current frameworks for capital expenditure decision-making; and
  - 2.4 whether changes are needed to the regulatory arrangements overseeing local authority funding and financing.
3. As Minister for Local Government, you will have a significant role in the Government's response to the Commission's final report. The Commission's draft report, due for release in mid-2019 is also expected to generate significant public interest. The Department is therefore preparing a programme of work to support you in this role.

### ***Advice on funding and financing must be considered within the context of wider local government reform, and vice versa***

4. In order to support you when the Commission's final report is released, the Department needs to be well placed to comment on local government funding and financing issues. The Department therefore intends to begin a work programme that will seek to analyse the funding and financing challenges facing the local government sector and to better understand the views of the sector representatives and interest groups.
5. This work programme will ensure that officials are well placed to begin advising you on the Commission's findings, following release of its draft report (expected in June) and immediately after the Commission's final report is released in November 2019. This will in turn support the implementation of meaningful reforms.
6. Your portfolio already contains an ambitious programme of work that seeks to reform many aspects of local government including water infrastructure, governance arrangements for community wellbeing and resilience to natural hazards and climate change. Within this context, it is necessary that the ongoing sustainability of the local government funding system be carefully examined. The design of local government funding and finance will have a significant impact on the success of changes to the wider system of local government.
7. The Productivity Commission inquiry provides an important opportunity to begin a public conversation on what the future local government funding system should look like within the context of these wider challenges.

8. To provide you with timely advice on these and other matters, the Department first needs to develop its understanding of the potential impacts of reform proposals. By beginning this work programme now, the Department will be well placed to build on this conversation to ensure that our advice will coalesce with other areas of the local government work programme and wider government reforms (e.g. the Tax Working Group's findings). This work programme will also enable us to advise you of the local government sector's views.

### **What will the local government funding work programme involve?**

9. We see the programme split over three key workstreams (see Appendix A – front page A3) – an initial system diagnostic, the development of principles and criteria for assessing the funding and financing options, and an assessment of a range of options for reform.

#### ***The System Diagnostic***

10. The system diagnostic will review two core aspects of local government funding and finance: cost drivers; and financial management systems. The Department will seek to complete the system diagnostic and brief you on the results and key findings by the end of May 2019.
11. As part of the system diagnostic, the Department will review the local government funding and financing system to determine what cost drivers exist in the system, and where they fall. This would include assessments of:
  - 11.1 how the cost-drivers affect different kinds of councils (e.g. high growth, rural, provincial etc.);
  - 11.2 the effectiveness of existing local government entitlements and whether take-up is reflective of eligibility, and
  - 11.3 whether or not the changing inequalities in household income are reflected in the distribution of rates paid by households.
12. The system diagnostic will also review the local government financial management system and existing controls and obligations facing councils. This would include assessments of:
  - 12.1 what discretion councils have in the design of their funding regimes, and what are the barriers to the use of this discretion;
  - 12.2 how this discretion leads to different outcomes in terms of rates paid across different types of councils;
  - 12.3 whether the current powers, controls and obligations are consistent with the issues, opportunities and risks within the system and importantly lead to good financial management; and
  - 12.4 the current operation of depreciation charging, and the impact that this has on councils' ability to fund infrastructure renewal.

#### ***Once the system diagnostic is complete, the Department will establish sector reference groups to consider the results and assess options for reform.***

13. In April 2019, the Department will look to establish a series of sector representative reference groups. The reference groups will have several purposes including:

- 13.1 providing feedback and advice on officials' work to design the principles and criteria that will be used to assess the local government funding system (to be finalised by June 2019);
  - 13.2 testing the results of the system diagnostic with different types of councils (e.g. high growth, rural, provincial etc) when it is finalised in May 2019. This will help officials to better understand what aspects of the system diagnostic generate interest and contention; and
  - 13.3 assessing who will likely benefit and who will pay as a result of different packages for reforming the status quo (during the second half of 2019).
14. The Department will continue to engage regularly with these sector reference groups throughout the work programme. Our ultimate intention in establishing these reference groups is to build a final package of reform that delivers real benefits for the majority of local authorities. The Department will seek your agreement to any finalised criteria and options for reform that are developed following engagement with the reference groups.
15. The Department has already begun a regular meeting with central government agencies to identify where work is being advanced that has implications for local government funding. This includes the Ministry of Business, Innovation and Employment (for the Urban Growth Agenda), the Treasury (the Infrastructure Funding and Financing work programme) and the Tax Working Group.
16. The Department will also seek to continue engagement with sector representatives such as Local Government New Zealand and the New Zealand Society of Local Government Managers. The Department will also work to engage with other interest groups, such as Infrastructure New Zealand, Local Government Business Forum and ratepayer groups.

***The Work programme will be internally funded, but is reliant on the 2019 Budget Bid***

17. The core aspects of the work programme will be undertaken by the Department and funded from within existing baselines. However, the work-programme outlined for the 2019/20 financial year is dependent on the outcome of the 2019 Budget bid. If the Budget bid is unsuccessful, the Department will need to significantly scale back the extent of our intended analysis of potential funding and financing reforms.

**The Department will provide you with support during the work**

18. Several aspects of the work programme will require ministerial directives and decisions. The Department will brief you and seek your agreement regarding:
- 18.1 the composition of the sector reference groups (in April 2019);
  - 18.2 the objectives and criteria used to measure success (in June 2019);
  - 18.3 the work programme's scope, including any options that are off the table (in July 2019); and
  - 18.4 the Department's high-level findings on the local government funding system and options for reform (in November 2019).
19. Additionally, the Department will brief you on the progress of the Commission's review, particularly after the release of the draft report (currently scheduled for July) and the final report in November.

20. Given that the Commission's inquiry was agreed in the Government's Coalition Agreement, you may wish to consult with the Government's coalition partner and ministerial colleagues when we seek your agreement on key aspects of the work programme outlined above. The Department will provide you with briefings and talking points to support these discussions.
21. If you agree to the general direction of the Department's proposed work programme on local government funding and financing, we will provide further detail on the proposed programme workstreams, including the approach to engaging with the local government sector.

### Recommendations

22. We recommend that you:
- a) **note** the high level contents of the Department's intended work programme for local government funding reform;
  - b) **agree** to the general direction of the programme of work, including: **Yes/No**
    - i. the system diagnostic (to be completed by June 2019);
    - ii. the establishment of sector reference groups to support the development of criteria and objectives for the work programme (to be finalised by June 2019)
    - iii. the investigation of options for local government funding and financing system reform (by November 2019); and
    - iv. the provision of advice on the Productivity Commission's final report (by December 2019).
  - c) **direct** officials to focus on any specific areas of the system diagnostic outlined in this paper.

Michael Lovett  
Partnership Director

Hon Nanaia Mahuta  
Minister of Local Government

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Released under the Official Information Act 1982

**Appendix A: Local government funding and financing programme of work**

Released under the Official Information Act 1982

February 2019

March 2020

## System Diagnosis

January – June 2019

### Key issues and questions

- 1) What are the cost drivers in the system – and where do these costs fall?
- 2) How fair and affordable is the rating system (who pays, where, and how)?
- 3) Is the current model of infrastructure funding and financing fit for purpose, and if not, why not?
- 4) Are councils wellbeing aspirations funded appropriately?

## Objectives

April – December 2019

### Key issues and questions

- 1) What are the principles that ought to be used to assess the system?
- 2) What does an assessment of the current system against these principles tell us about its current performance?
- 3) What are the outcomes and objectives that we are trying to achieve?

## Options

July – September 2019

### Key issues and questions

- 1) How are local government systems funded and financed elsewhere? How comparable are they to the issues faced by New Zealand?
- 2) What are the options to respond to the problems identified in the system diagnosis?
- 3) How does the PC's draft report approach possible reform?
- 4) What are the impacts of reform options on wellbeing?

## Assessment

October – December 2019

### Key issues and questions

- 1) What is the Department's assessment of the current funding and financing system?
- 2) What does the Department recommend and how does this differ from other agencies and stake-holders?
- 3) What is the assessment of various sector groupings?

## Decisions

December 2019 – March 2020

### Key issues and questions

- 1) What are the Government's major decision points?
- 2) What is the preferred timing of reforms?
- 3) Identify and integrate connections with other initiatives
- 4) Ministerial groupings and committees
- 5) Engagement with national councils and appropriate stakeholder groups

### Engagement focus

regular, ongoing discussion and engagement with the local government sector, including LGNZ, SOLGM, LGFA, individual district, regional and unitary councils, and representative groups of local government authority types (e.g. high growth, rural, declining population)

### Supporting work programme:

- Review of cost drivers and current responses (inc. affordability)
- Review of LG financial management system, controls and obligations
- Assess Productivity Commission submissions

### Supporting work programme:

- Reference groups and steering groups consider system diagnosis, principles and current performance
- Government agrees scope of funding review work

### Supporting work programme:

- Identification and review of alternative funding tools
- Identification and review of alternative financing rules, controls and reporting obligations
- Evaluation of alternatives
- **Review of CG support / welfare payments for Local Government costs**

### Supporting work programme:

- Assessment of perspectives: Sector, CG and SIGs
- Development of Departmental Advice

### Supporting work programme:

- Preparation of briefings and Cabinet Papers to allow decisions
- Communications plan

Issues Paper

Public consultation on Issues Paper (Nov 2018 – Feb 2019)

Draft report (estimated June release)

Feedback on draft report

Final report (by 30 Nov)





# Local Government Funding and Financing



February 2019 → March 2020

**LGNZ / SOLGM**  
Special Interest Groups

Engage, keep informed, monitor views and reactions

**Outcomes sought**

Recognise a better deal for local government

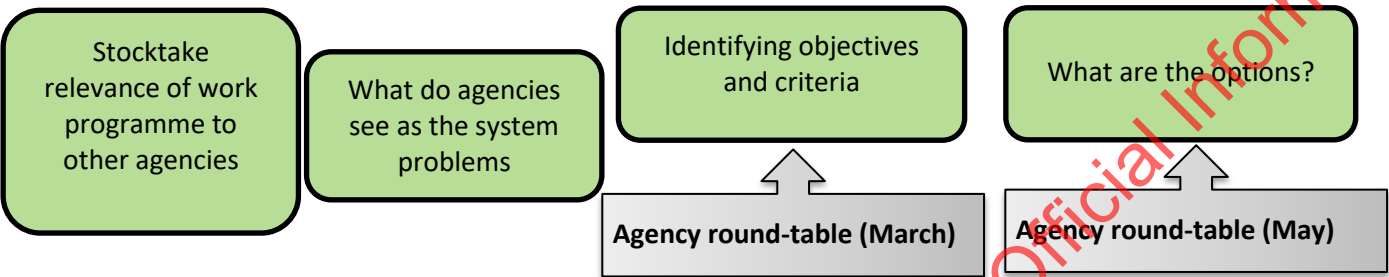
**Local Government Sector groups**

Establish sector groups to represent the interests of different types of local authorities

- Sector group 1 (high growth councils)
- Sector group 2 (councils facing de-population issues)
- Sector group 3 (Rural provincial)
- Sector group 4 (Medium Growth Urban areas)

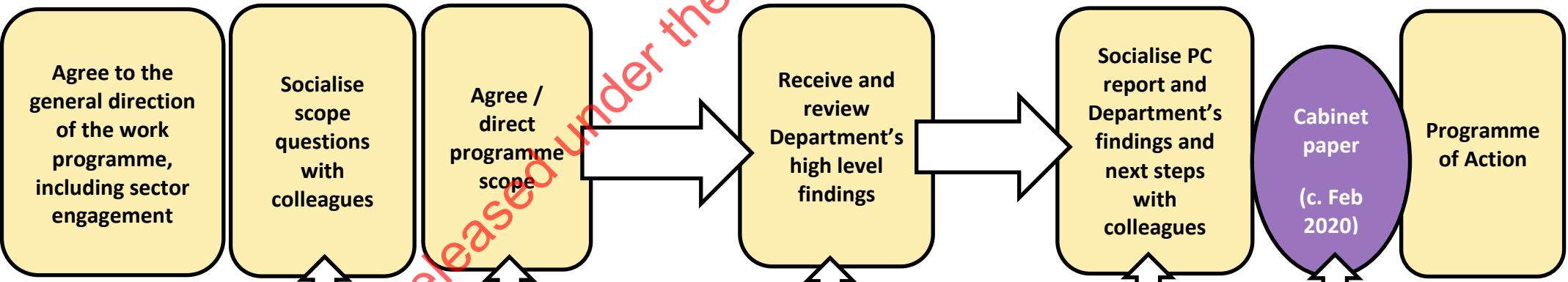
The balance of authorities support reforms, as they ensure real benefit for the majority

**Government agencies**



Support for reform programme, particularly from central agencies

**Minister of Local Government**



Satisfaction and ownership of reform programme

**Senior Ministers**



Cabinet agreement to reforms, support across diverse portfolios



# Local Government briefing

Hon Nanaia Mahuta  
Minister of Local Government

Title: **Local Governance for Community Wellbeing – Strategy and Mechanics**

Date: 8 February 2019

## Key issues

This briefing:

- further frames the Local Governance for Community Wellbeing work;
- outlines some mechanics of the policy process;
- notes next steps; and
- seeks your direction on elements of scope.

It accompanies the Funding and Financing briefing as these programmes of work are closely linked.

Action sought	Timeframe
a) <b>Note</b> the information set out in this report; b) <b>discuss</b> the proposed kaupapa and scope with officials in February 2019; and c) <b>approve</b> the proposed work plan and direction.	February 2019

Contact for telephone discussions (if required)

Name	Position	Direct phone line	After hours phone	Suggested 1 <sup>st</sup> contact
Helen Wyn	Deputy Chief Executive	021679655		✓
Justine Smith	Partnerships Director	0272829976		

Return to	Justine Smith, Level 9, 45 Queen Street, Auckland
Ministerial database reference	LG201900077

## Purpose

1. This briefing further frames the Local Governance for Community Wellbeing (Governance for Wellbeing) work; outlines some mechanics of the policy process; notes next steps; and seeks your feedback on elements of scope and process.

## Background

2. On 29 October 2018, Cabinet agreed to consider the future role of local governance in New Zealand in delivering intergenerational wellbeing for all New Zealanders. At that time you agreed to report back to Cabinet in April 2019 on "...a set of guiding principles anchored in the goal of intergenerational wellbeing..." [CAB 18-MIN-0527 refers].
3. In December 2018, you received a briefing that set out a high level approach to shaping the work programme, including some key themes for discussing governance with the sector and how we intended to engage with the sector [briefing LG201801452 refers].

## Talking to the Local Government Sector

4. Since the December briefing, we have talked to Northland local government Chief Executives and senior officials and tested our thinking on the four themes (inclusive regional economic growth, environmental responsiveness, social cohesion and community infrastructure), as well as our intended operating approach (discussed below). The conversations were a useful way to 'road test' our narrative and draw out sector views on the barriers preventing them from expanding further into the broader 'wellbeing space'.
5. The approach taken (i.e. informal high trust conversations on our draft thinking and approach) reflects the way we propose to approach sector engagement on this work programme. This is discussed further later in this briefing.

S 9(2)(ba)

7. The four themes articulated have held up as a way to anchor the objectives of this work programme in real-life examples. The conversations with the Chief Executives did emphasise for us that to make this programme enduring and relevant to our diverse local authorities and communities, intergenerational system change will come from a new approach to governance.
8. We are starting to progress policy thinking on the objectives, scope and deliverables of the kaupapa. We will continue to test our thinking with the sector as we further explore the issues and build the work programme.

## This Briefing

9. This briefing follows on from our December 2018 advice by fleshing out the work programme (i.e. more detail on the objectives and framing of the work programme, the policy considerations that inform the work and areas for your feedback and direction).
10. Attached to this briefing is:
  - a. an A3 of how this work strategically relates to overall local government system reform to drive wellbeing (Attachment A: *Local Government System Approach to Deliver on Wellbeing 2019*); and
  - b. an A3 on the flow and timing of the Governance for Wellbeing work i.e. programme timing, Cabinet decisions and local government sector engagement (Attachment B: *Governance for Wellbeing Work Flow and Engagement 2019*).

## Framing the Kaupapa

11. Attachment A, *Local Government System Approach to Deliver on Wellbeing 2019*, shows how we see this work aligning with the two other strategic plays (Three Waters Review and Local Government Funding and Financing) and broader government reform work programmes that impact on local government. The attachment frames the work as follows.
12. This Government is a Wellbeing Government. The release of the Wellbeing Budget in 2019 will confirm that commitment and underpin a broad agenda to improve wellbeing outcomes for all New Zealanders.
13. A key component of this will be ensuring that current and future governance arrangements can promote and safeguard intergenerational wellbeing in New Zealand's diverse communities. You are giving effect to this by driving a strategic work programme to strengthen the local government sector's ability to understand and contribute to wellbeing, and to empower communities to determine what their wellbeing is and how to best improve it.
14. There is also a gap in leadership of work around the intergenerational and system/governance aspects of this Government's wellbeing focus (which to date has understandably focused on establishing national-level strategic priorities and related measurement). This programme could help to fill that gap at the local level.
15. Reinstating community wellbeing into the purpose statement of the Local Government Act 2002 (LGA02) will help to elevate wellbeing as a focus for the local government sector. However, the amendment will not in itself drive significant changes in the governance or operations of councils to enable wellbeing. Nor will it address inherent tensions between the local government sector and the wider community sector regarding where solutions to wellbeing lie, and who should take responsibility for these. Or, fundamentally, how to reposition the relationship and respective accountabilities' of the two main players of the public sector - central and local government.
16. Wellbeing is at heart, about the quality of life and the lived experience we have as individuals and as part of a community. But what that means for any person or community at any point in time, can change. The goal of *intergenerational wellbeing* involves making decisions and taking action in the present, to identify and secure

wellbeing now and into the future, including building capacity to identify and adapt to changing needs and circumstances.

17. That means we need to work in a meaningfully different way to think about and address issues. Otherwise, we risk only addressing point-in-time issues, not driving the adaptable and sustainable change we need in the system, to be equipped and ready to address future issues.
18. Local government is not solely responsible for community wellbeing. Communities themselves need other mechanisms, and central government will always have a profound impact on community wellbeing. The intended outcomes need to acknowledge these impacts, and build in the imperative for all players, including iwi, to partner and collaborate.
19. This means exploring models of governance that exist outside of our current institutional arrangements and that potentially demonstrate different ways of operating for all the parties involved (central and local government, Maori/iwi, community). Some of these models are already being explored in 'pockets' around the country (e.g. 'eco-system' multi-party collaborations in delivering services) others are system change models that other countries are assessing (e.g. community participatory budgeting).

#### *Objectives and Deliverables*

20. The objectives of the work programme will be understanding how new ways of governing at the local level can maximise community wellbeing, what changes are needed to achieve this, and how we instigate that change.
21. There are also underlying/second tier objectives that we intend to build into our policy framework and test our thinking against. Our approach will need to: include mechanisms for growing capability and capacity in communities so they are in a position to determine and identify how to improve outcomes. We also need to be constantly thinking about civic participation so that engagement is genuinely inclusive and reflective of the demographics of our communities.
22. As we work towards the update to Cabinet in April 2019 on guiding principles, it would be helpful to crunch the objectives of the Local Governance for Community Wellbeing kaupapa down into one clear statement. An early starting point could be something like, "*local governance in the delivery of public goods and services is arranged to improve community wellbeing now and in the future*". We will test our thinking on the objective/s and outcome statement as we further work with our sector partners. We would welcome your feedback on this kaupapa.
23. We recommend that the tangible deliverable of the Governance for Wellbeing work programme is, by November 2018, a *Local Governance for Community Wellbeing Strategic Action Plan* (the Plan). We would like to discuss with you the following proposal.
24. We propose the Plan is a pragmatic functional framework that does several things:
  - a. Sets out a framework for the future state of local governance.
  - b. Contains immediate working cases for testing of new governance approaches e.g. potentially governance and management of three waters and priority cases identified under our four themes.

- c. Provides a set of strategic, policy and regulatory changes required to the local government system to embed an intergenerational wellbeing approach.
  - d. Sets out a proposed work programme of priority actions post 2019, in conjunction with other reform work such as resource management, housing and resilience.
  - e. Sets out a process through which further proposals for change can be socialised, tested and developed with the sector as part of a long-term change programme.
25. We look forward to discussing this proposed Plan further with you.

### The Mechanics of the Policy Process

26. To give effect to your objectives, we may need to action strategic, policy and regulatory change. Assessing this will be part of the policy process and we will seek your direction at each stage on any implications in terms of the 'mechanics' of how we implement change.
27. For example, the systems, structures and processes of local government are definitely in scope, but also potential changes to governance arrangements and approaches involving central government, local government and community, including Māori/iwi entities.
28. All models and approaches for strengthening the delivery of wellbeing outcomes are in scope. That includes co-partnership, co-production, decentralisation, subsidiarity and localism. This scope will narrow as options are analysed and assessed for viability in the New Zealand context, but initially, we are keeping an open mind. Early case studies and models we are considering include the Southern Initiative, the Te Hiku iwi-Crown Accord (a social accord 'redress' arrangement with collaborative governance and strong links between their social foundation and their capability and economic initiative development) and community planning models in Northern Ireland that are embedding wellbeing through community ownership of the kaupapa.
29. We noted in our December 2018 briefing that we were proposing to approach the Governance for Wellbeing work programme by shaping the conversation through wellbeing themes, rather than attempting to look across every function delivered by central or local government. Functions and processes, however, will undoubtedly be raised in discussions as potential options take shape. Therefore, we propose to concurrently undertake a 'quick cut' of functions across government to support the thematic conversation.
30. We will also be assessing any legislative and regulatory constraints and/or opportunities. The LGA02 already has some flexibility and provision to allow for governance development, e.g. co-governance and expanded roles of community boards and committees. The LGA02, however, is still prescriptive in some areas, and was designed on the basis that every part of New Zealand should have similar forms of local and regional governance and community accountability. S 9(2)(g)(ii)
31. Parts of the broader legislative and regulatory framework relevant to local government are also currently under review e.g. the Resource Management Act 1991. These reviews will need to be closely followed, to align any changes in these frameworks with your overall objectives for governance for wellbeing.



## Draft Guiding Principles and Governance for Wellbeing work programme

32. Attachment B *Governance for Wellbeing Work Flow and Engagement 2019* shows the more detailed workflow for the Governance for Wellbeing work stream and has a detailed description of how we will work with the sector.
33. In April 2019, you are due to report back to Cabinet on guiding principles anchored in the goal of intergenerational wellbeing. Below, we sketch out our early thinking on the draft principles. We welcome your feedback on these.
- a. *Local choice and voice is reflected.* This is not only a two-way central and local government conversation or change process. Communities and the people who live in them are the primary beneficiaries of governing activities. Citizens, communities, iwi/Māori speak for themselves and their expertise and needs must be incorporated.<sup>1</sup>
  - b. *Reflect what is uniquely important to New Zealand.* We acknowledge that there are things that make New Zealand unique (for example, the relationship between tangata whenua and the Crown under the Treaty of Waitangi/Te Tiriti) and the growing diversity of our communities (as one of the top five most diverse nations in the OECD). Recognising our uniqueness forms part of the wellbeing of New Zealanders and so should be reflected in options developed.
  - c. *Governance that is fit-for-purpose.* As our communities are diverse they require options and approaches that meet their individual needs. We will give due regard to the breadth of the lived experience in New Zealand. We are approaching this from a 'menu for change' perspective rather than one size fits all.
  - d. *Provide for the Future:* New Zealand communities will develop and evolve and this impacts on the nature and extent of their reliance on, and relationship to, governance arrangements. We will design change with regard to the needs of New Zealand's communities and the optimal nature and role of local government throughout the next 50 years. This is at the heart of the goal of *intergenerational wellbeing* - making decisions and taking action in the present, to identify and secure wellbeing now and into the future.

### How we are working

34. Based on what you want achieve through and from this work, we have developed the following 'operating protocols' for how we will support this work. We intend to be:
- a. *Internationally aware.* Other countries are moving towards better local/community governance for wellbeing and are exploring emerging and innovative approaches. This is a significantly advanced discussion from the last time central and local government in New Zealand debated wellbeing outcomes

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<sup>1</sup> We do not intend a formal consultation process in communities. We are already aware there is considerable 'consultation fatigue', particularly from those groups that are asked for input on a regular basis e.g. Māori/iwi entities. Central and local government have both asked questions of New Zealanders about wellbeing and related issues. We intend to listen to those answers, rather than asking the questions again e.g. the input of community to wellbeing has been extensive through the Statistics New Zealand Wellbeing indicator work and SOLGM's Community Wellbeing Framework. Local government also work closely with its communities and working in partnership with local government will provide a wealth of understanding.

- (when wellbeing was added to the LGA02) with an international movement and discipline to draw on. We will engage with, and learn from, international experience.
- b. *Domestically focused.* We will ensure we do not overlook the work already done at home in driving good governance and community-bespoke solutions. This includes public sector (central and local)-led initiatives and community and place-based initiatives. We will also ensure that any future options developed for your consideration are appropriate for New Zealand's context.
  - c. *Working in Partnership.* The 'how' of how we work together is as important as 'the what'. Credibility is likely to be enhanced if the options are designed through working partnerships that utilise expertise and experience, in particular with the local government sector. We are committed to a relationship that is based on the guiding principles of respect, reciprocity and trust, as agreed at the Central Local Government Forum 2018 [Cab-18-MIN-0527 refers]. We will work closely with the sector from the outset. We discuss this further below.
  - d. *Open minds.* We will keep an open mind on the direction of travel and will not narrow conversations prematurely. The four themes that will be initially explored are guiding themes only and need to be understood as case studies or examples to anchor and operationalise the thinking. Communities define their own wellbeing and this changes across time and place.

### Sector Engagement

- 35. As noted in paragraph 34.c. above, we want to work closely with the local government sector<sup>2</sup>, and others, on this work. We consider that we can run a transparent and inclusive process that is genuine in its partnership approach, without formally establishing co-decision points at each stage. Ultimately, the decisions involving central government will need to be made by Cabinet. We also will ensure early Māori/iwi engagement.
- 36. As noted in our December 2018 advice, we are working in a high-trust engagement model, this involves sharing all our thinking in draft with 'Critical Friends', seeking out specific expertise, encouraging broad and diverse input, and utilising working groups and a range of forums to encourage conversation. All advice that we bring to you, and ultimately to Cabinet, will have been developed and tested with the local government sector and related parties.

S 9(2)(f)(iv)

<sup>2</sup> While the local government sector provides visible and practical scope for collaboration, avenues for effective engagement across the wider range of community level stakeholders are less obvious. Our initial engagement will therefore be predominantly with the local government sector while avenues for more inclusive and wider involvement are explored.



S 9(2)(f)(iv)

38. Regarding sector engagement, we propose establishing a formal Reference Group in June 2019. We think that this formal (elected members/senior officials) group is better served by coming together when we have concrete material for them to engage on, rather than during the iterative ground-up working stage. We welcome your feedback on this.

### **Delivering system change**

39. In December 2018, we also noted that we would investigate further across central government how to leverage and align with broader reforms that impact on wellbeing.
40. Current reform programmes across government could significantly impact at local government level over the next few years e.g. the review of the Resource Management Act, addressing urban housing pressures and environmental and resilience responses. In addition, other priority areas such as child poverty, youth, mental health and education reform will all likely require local government support and/or involve community level choices and actions. All of these are likely to have governance (and management) implications for local government and potentially other community and non-government partners.
41. Therefore, how we design and deliver the Plan is relevant to not just our own local government work programme, but to how wider government successfully delivers reform and ultimately improves intergenerational wellbeing.
42. Governance (like funding and financing) is at the core of how the public sector, central or local, functions and delivers goods and services, and defines and shapes community experience.
43. There is a unique opportunity through your work programme on Governance for Wellbeing to deliver a platform that can support cross-government work in terms of local governance. This is significant in its scale, however. We will need to work closely alongside broader system reform processes to ensure that we leverage any opportunity, identify barriers and constraints, and manage any risk resulting from the pace and scale of change. We will ensure you are advised regularly on this and would welcome a discussion with you on the scale and alignment of wider government reform.

### **The Next Steps**

#### *April 2019 Cabinet paper*

44. You are due to speak at the SOLGM Gala Dinner on 11 April, 2019. SOLGM are intending to focus on wellbeing as a key theme at this dinner. If you agree, we would like to time your update to Cabinet on the guiding principles for early April (or late March). This will mean you will have had Cabinet agreement/feedback that could support your messages around this kaupapa at the dinner.

#### *Ministerial Oversight Group*

45. Prior to the Cabinet update, you may also have an opportunity to discuss with your colleagues in the proposed Ministerial Oversight Group the scope of this project (and the draft guiding principles).

46. If the Group does not meet prior to Cabinet in April, your colleagues will be consulted during the Cabinet paper consultation process. We are preparing an A3 on the overall approach and the draft principles for Cabinet (pending your feedback on this briefing). This A3 could also touch on the implications of the broader government reforms we have mentioned, and emphasise the need for connectivity to maximise opportunity for successful local government sector change. We welcome your feedback on this.

*Education advice*

47. We will be advising you shortly on some of the review work underway in the education portfolio (particularly proposals around the governance role of School Boards and Regional Hubs) and how this may align with our work. There may be opportunities to align with potential education system changes. We will work with the Ministry of Education to assess this.

*Communications*

48. We are preparing a communications package (pending your feedback on this report) that would support official discussions of the work programme in the local government sector, and in the public domain. This will also cover potential forums and opportunities this year to promote and engage on the work programme.
49. We look forward to discussing with you the proposed kaupapa and considerations set out in this briefing and agreeing the direction of the work programme.

**Recommendations**

We recommend that you:

- |   |        |
|---|--------|
| a) <b>note</b> the information set out in this report;                                |        |
| b) <b>discuss</b> the proposed kaupapa and scope with officials in February 2019; and | Yes/No |
| c) <b>approve</b> the proposed work plan and direction.                               | Yes/No |

Helen Wyn  
Deputy Chief Executive  
Central Government/Local Government Partnerships

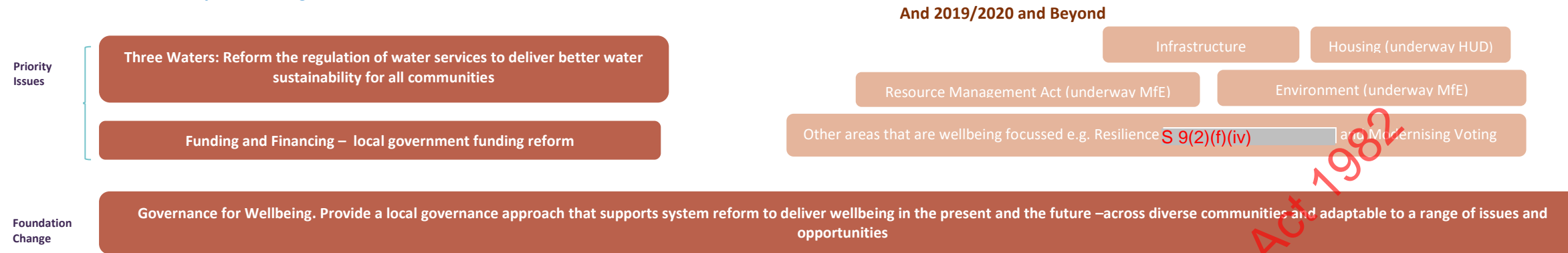
**Hon Nanaia Mahuta**  
**Minister of Local Government**

/ /

This Government is a Wellbeing Government. The release of the Wellbeing Budget in 2019 confirms that commitment and will underpin a broad agenda to improve wellbeing outcomes for all New Zealanders. The Minister of Local Government is giving effect to this by driving a strategic work programme to better enable local government and communities to improve their wellbeing. Re-introducing the wellbeing into the Local Government Act helps to elevate wellbeing as a focus, however, a system approach is needed to realise intergenerational change. Currently in the local government system we know there are pressure points impacting on wellbeing. S 9(2)(f)(iv)

Across broader government there are also a range of proposed reforms that could significantly impact at local government level over the next few years. Governance is at the core of how the public sector, central or local, functions and delivers goods and services, and defines and shapes community experience. We have a unique opportunity to deliver a platform that can support cross-government work in terms of local governance.

Local Government System Change 2019



Understanding how new ways of governing at the local level can maximise community wellbeing, what changes are needed to achieve this, and how we enact that change.

Proposed objective:

Local governance in the delivery of public goods and services is arranged to improve community wellbeing now and in the future.

S 9(2)(f)(iv)

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How Are We Engaging?

Working closely with 'Critical Friends' across elected officials, local government sector management, community leaders, and Māori/iwi

Thought leaders  
Free and frank tyre kicking through informal conversations in a high trust environment  
Wellbeing or governance expertise helpful, but critical thinking more the priority  
To continue throughout the life of work programme

Engaging with Subject Expertise

Expertise/institutional knowledge key  
Input will be fluid as the programme develops.  
Likely to continue throughout life of work programme  
Starting with the four themes:

- Regional development (inclusiveness, social procurement)
- Social cohesion (youth engagement in democracy, civics participation etc)
- Environmental responsiveness (likely to have an initial focus on waste)
- Community infrastructure (shared spaces like parks, community centres, potentially school property)

Working partnership with SOLGM (Community Wellbeing Framework and Indicators)  
Broader central government engagement and working partnerships across portfolios

Ensuring broader input

Working with communities as the project develops

Academics and wellbeing experts

International networks and working groups

Reference Group

Formal group at governance level  
Non-elected/elected i.e. Mayors/Chairs/CEs  
Will meet quarterly  
Will advise/engage with the Minister  
In place for length of work programme from June 2019

Genuine working relationships based on sharing policy development in draft, building in sector expertise and ideas, feeding back and sharing the sector voices at every stage. Working together like this, builds a shared understanding of the issues, opportunities and options. It is part of the process of strengthening governance.

S 9(2)(f)(iv)

S 9(2)(f)(iv)

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## Local Government briefing

Hon Nanaia Mahuta  
Minister of Local Government

Title: **Local Elections projects in the context of the wider Local Government Work Programme: Options for discussion**

Date: 12 February 2019

### Key issues

This briefing provides options on local elections policy projects for discussion with officials in the context of the wider Local Government work programme.

S 9(2)(f)(iv)

### Action sought

**Review** this paper in preparation for discussions with officials about the Local Government work programme.

### Timeframe

27 February 2019

Contact for telephone discussions (if required)

Name	Position	Direct phone line	After hours phone	Suggested 1 <sup>st</sup> contact
Nick Law	Policy Manager	04 460 2264	027 5941719	✓
S 9(2)(a)				

Return to	Matthew Walker, Level 9, 45 Pipitea Street
Cohesion reference	3W2DU3RAJ5R2-1674971004-1
Ministerial database reference	LG201900026

## Purpose

1. This briefing will inform your discussion with officials about a Local Government work programme for 2019 and beyond that can:
  - facilitate and improve elections beyond 2019;
  - S 9(2)(f)(iv) [REDACTED]
  - provide a basis and context for officials' advice to the Justice Committee in our role as advisors to the Committee's Inquiry into the 2017 General Election and 2016 Local Elections (the Inquiry).
2. This briefing recommends taking a multi-year view on local electoral projects, including considering links to wider issues relating to community participation in local government.

## Executive summary

3. You will shortly be discussing the Local Government work programme with officials. Local electoral projects will compete for resources within the Local Government work programme. We are therefore seeking your view of the local electoral work to be undertaken and the overall priority of local electoral work in that context.

S 9(2)(f)(iv)

## Drivers for the local electoral policy projects

6. A local electoral project could address the operational issues that are priorities for the local government sector. These are:
  - a) postal voting becoming unsustainable;
  - b) issues with the local electoral framework (some longstanding). These issues are being raised in the Inquiry and through other avenues; and
  - c) opportunities to enhance the electoral process.
7. Additional examples of the current drivers of the work programme are:
  - a) the Local Electoral Matters Bill. S 9(2)(f)(iv) [REDACTED]

- b) representation of Māori on councils continuing to be a challenging issue for councils and their communities; and
  - c) potentially, the Electoral Access Fund Bill (currently before the Governance and Administration Committee). This Bill proposes that financial support be provided to disabled people to participate in parliamentary elections as candidates and members of political parties. The Bill is likely to prompt interest in similar changes applying to local elections.
8. More detail on these drivers is provided in **Appendix A.** S 9(2)(f)(iv)

S 9(2)(f)(iv)

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S 9(2)(f)(iv)

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S 9(2)(f)(iv)

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S 9(2)(f)(iv)

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**Recommendation**

33. We recommend you **review** this paper in preparation for discussions with officials about the Local Government work programme. **Yes/No**

Nick Law  
Policy Manager

Hon Nanaia Mahuta  
Minister of Local Government

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
\_\_\_\_\_

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## **Appendix A: Current drivers for changes to the local electoral regulatory framework**

### ***Justice Committee Inquiry***

1. The Inquiry into the 2017 General Election and 2016 Local Elections is before the Justice Select Committee. Officials from the Department will need to provide advice to the Committee. The Government response to the Committee's report will be due within 60 working days.

### ***Local Electoral Matters Bill***

2. The Local Electoral Matters Bill was reported back to the House by the Justice Select Committee on 7 December 2018 and is awaiting second reading. The Bill makes changes that would support regulations for a new voting method, but it also makes a change to clarify access to age-group and Māori ethnicity demographic information, which would be helpful for the 2019 elections.

### ***Online Voting***

3. Many local authorities are keen to move to offering an online voting option in local elections. The Online Voting Working Group is not proceeding with a trial in 2019. The Group wrote to you seeking Crown funding on 23 November 2018. The Group wishes to stay involved in future work on developing a trial. We understand that Local Government New Zealand is likely to approach you soon proposing one or more options for a joint local and central government project to progress online voting.

### ***Modernising voting***

4. The Modernising Voting Review, to consider the wider issues with voting, was put on hold while work towards an online voting trial was taking place. Many of the issues to be considered as part of the review will be raised in the Inquiry into the 2017 General Election and the 2016 Local Elections.

### ***Representation of Māori in local elections***

5. Several issues relating to Māori representation in local elections, and proposals for changes, have arisen in recent years. The general concerns are that the Local Electoral Act 2001 processes have proven to be too great a barrier to establishing Māori wards and constituencies. More specific current issues with Māori representation include:
  - a) providing appropriate representation for Ngāi Tahu on the Canterbury Regional Council - the Canterbury Regional Council (Ngāi Tahu Representation) Bill is currently awaiting first reading;
  - b) Auckland Council has requested changes to its unique requirement for the Council's governing body to have 20 members, plus the mayor. The introduction of Māori wards to establish Māori councillor roles has been considered by the council. This change has not been possible because changes to current legislation are required before introducing such roles; and
  - c) if the proposed changes to the Local Government Commission proceed, the future of the review responsibilities for Māori representation decisions.

***The Electoral Access Fund Bill***

6. The Electoral Access Fund Bill is currently before the Governance and Administration Committee. Article 29 of the United Nations Convention on the Rights of Persons with Disabilities confirms the right of disabled people to participation in political and public life.
7. The Bill would establish a fund, administered by the Electoral Commission, to be used by any:
  - a) disabled candidate to cover disability-related costs of standing in a general election;
  - b) not-for-profit body running an election education event or producing an election publication to cover costs of making election education events and materials accessible; and
  - c) registered political party to support the needs of any of their members to allow them to participate internally within the party.
8. We anticipate that this will create an expectation that similar funding is provided for participation in local elections.

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S 9(2)(f)(iv)

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S 9(2)(f)(iv)

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