
WE PRESENT.

Localism discussion paper

**We are.
LGNZ.**

Background

What we are trying to fix and why

- > Decision-making in NZ is highly centralised
 - Few constitutional restrictions on CG
 - One-size fits all things
 - Restricts policy variety

- > CG's free lunch
 - LG a creature of statute
 - CG can and does pass on unfunded mandates
 - No checks and balances on CG

Background

Misaligned incentives

> Tax system

- Almost all CG taxes linked to economic cycle
- Rates (property tax) are LG's main source of funding
- Rates not linked to economic cycle, poor growth incentives
- Poor efficiency incentives
- BUT efficient

LGNZ's localism framework

1. Ending unfunded mandates

2. Contractual devolution

3. Financial incentives

4. Community engagement

1. Ending unfunded mandates

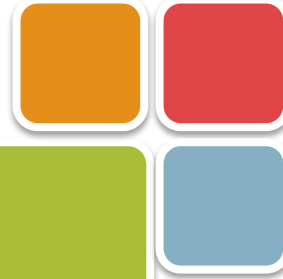
- > CG free lunch problem
- > Constitutional roots, but constitutional process unwieldy
- > Use legislation to separate CG & LG roles and responsibilities
- > Unfunded Mandates Reform Act
- > Politically durable



2. Contractual devolution

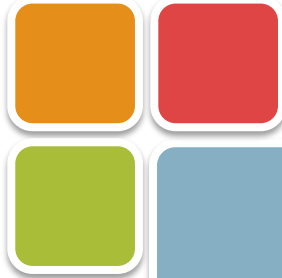
- > LG/ CG have different capabilities and capacities
- > Capacity and capability varies within LG sector
- > Allow councils to bid for services using BBC framework
- > Contractual terms





3. Financial incentives

- > Not linked to economic cycle
- > Rates system fails growth test, not linked to economic cycle
- > Political constraint
- > Local taxes:
 - Tourist, resource rents
 - Tax swap



4. Community engagement

- > Councils need:
 - Community directives
 - Using the right processes
 - Held accountable
- > Referenda, citizen juries
- > CouncilMARK(process
- > Well-being annual report

LGNZ's localism framework

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WE DISCUSS.

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