

Local government position statement on localism

Local government is calling for a shift in the way public decisions are made in New Zealand by seeking a commitment to localism. Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. Strengthening self-government at the local level means putting people back in charge of politics and reinvigorating our democracy. We are calling for an active programme of devolution and decentralisation.



**We are.
LGNZ.**

Te Kāhui Kaunihera o Aotearoa.

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Introduction

< Effective local governance has a vital role to play in tackling social, economic and environmental problems. It calls for a new localism- a strategic approach to devolution- to allow local communities and governments to involve themselves in the decisions that affect their social, economic and political environment (Stoker 2009). >

This is a joint project between LGNZ and The New Zealand Initiative, with the support of a broad range of organisations, is calling for a shift in the way public decisions are made in New Zealand by seeking a commitment to localism. Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. This means strengthening local self-government, putting people back in charge of politics and reinvigorating our democracy. We are seeking an active programme of devolution and decentralisation.

Guiding principles

The Localism Project is guided by the principle that public services should be provided by the sphere of government which is as close as possible to the people who use and benefit from the services, unless there are reasons they should be provided by governments

at a regional or national sphere. When applying this principle the following values will apply:

- that the allocation of responsibilities to councils will be designed to ensure accountability is clear and elected members incentivised to act in the best interests of their communities;
- that citizens will have a meaningful say about the range and nature of local services in their communities;
- that the decentralisation of services will be accompanied by financial resources commensurate with the cost of providing those services; and
- that localism will ensure a “place-based” and integrated approach to the provision of services and local governance.

Local government’s commitment

Playing a larger role comes with responsibilities. Shifting power and responsibility from central government to councils and their communities must include duties and obligations to ensure the new responsibilities are exercised fairly and effectively. Therefore local government commits to:

- ensure its performance will be externally and independently reviewed through programmes, such as CouncilMARK™;
- subject our expenditure and policy decision-making to rigorous scrutiny to ensure community needs and preferences are met in an efficient and effective manner;
- ensure decision-making is open and transparent in order to strengthen community understanding and trust in local government;
- provide opportunities for citizens to contribute in decision-making processes and participate in the governance of their areas.

To be an effective partner in governance councils must be prepared to put their record on the line and be held accountable for their performance.

Key dates

- The Localism project launched at the LGNZ conference 2018 **15 July 2018;**
- Localism reference group meets to review evidence for localism and prepare draft discussion paper **Oct/Nov 2018;**
- **Localism Summit:** The findings of the Localism reference group presented for comment and feedback **February 2019;**
- The **Localism discussion paper** launched at the 2019 LGNZ Conference **July 2019;**
- Analysis of submissions and preparation of final report **2019;**
- Publication of LGNZ’s **Localism Proposal** to “rebalance” governments to put communities back in charge and the pathway for getting there **March 2020;** and

The beginning of a conversation about the importance of distributing power, authority and the right of people to be active participants in making decisions about their communities.

Questions and Answers

1. What is localism?

Put very simply, localism involves shifting power and decision-making back to citizens and their communities – an approach which requires public services to be provided by the level of government that is closest to citizens unless there are reasons, such as effectiveness, efficiency and equity, for not doing so – a principle also known as subsidiarity. Localism in practice means:

- devolving tangible power, resources and control to local governments;
- unlocking the power of community and strengthening our local institutions;
- incentivising councils and communities to make investment decisions from which they will receive the benefit;
- strengthening opportunities for citizens to participate in making the decisions that affect their lives and communities; and
- delivering the culture change necessary for local innovation to thrive.

Localism involves a new approach to governing New Zealand, one in which citizens and communities, working with and through their local governments, have a more active and meaningful role.

2. Why are we promoting localism?

We are advocating for localism because the issues facing New Zealand are simply too complex, varied and “multi-faceted” to be successfully addressed by a single government based in Wellington. “Top down”, “one size fits all” approaches to policy and decision-making will simply not work given the challenges that New Zealand is facing.

Our current governing arrangements are failing us, resulting in disillusionment with traditional forms of political participation and continued growth in regional disparities. New Zealand is not alone in experiencing these problems but solutions are not found in “more of the same”, instead we need to:

Bring power closer to ordinary people, partly by vesting more of it in local institutions that voters can really influence, but also by engaging citizens themselves more in everything from healthcare to house building. A call for decentralisation is a demand for a different way of doing government” (Parker 2015).

3. What would localism mean for New Zealand?

A localist future is one in which public policies and programmes are designed from the “bottom up”, rather than “top down”. Instead of a “one size fits all” approach, public policies and programmes should be designed to be sensitive to local needs and circumstances. This requires re-distributing roles and function between central and local government. New Zealand is unusual for the large share of public expenditure spent by central government in comparison to the small share spent by local government. Economists refer to this as a high level of fiscal centralism – amongst the highest in the OECD.

Shifting more decision-making to the local level means that local citizens, iwi/Māori organisations, businesses and community groups will have greater ability to influence the design of local services to ensure they address the issues that matter most. This means that services will be more responsive, better focused on local issues and delivered in a manner which is consistent with local values and cultures.

LGNZ is looking to restore the balance so that each sphere of government (local, regional and national) contributes to the governance of New Zealand in an integrated way according to its unique strengths and competence.

4. Just how centralised is New Zealand?

Centralisation has three dimensions, an administrative dimension, a political dimension and a fiscal dimension. LGNZ’s localism programme involves all three. We are seeking:

- the right of councils to govern and administer their responsibilities within a clear and stable set of rules and without arbitrary intervention from central government;
- a transfer of political functions and responsibilities from central to local government accompanied by an authority for councils to set levels of services appropriate to the needs of communities; and
- a fiscal re- balancing so that taxes and other forms of public revenue are allocated commensurate to the revenue needs of each sphere of government.

While New Zealand councils have a relatively high level of administrative and political decentralisation, the level of fiscal decentralisation is small. Fiscal decentralisation is calculated by working out the ratio of taxation controlled and allocated by local government in comparison to that controlled and allocated by central government. New Zealand is one of the most fiscally centralised countries in the developed world, see below:

Country	Central government’s share of public expenditure
New Zealand	88 per cent
United Kingdom	72 per cent
Republic of Ireland	72 per cent
Iceland	55 per cent
Greece	54 per cent
United States	54 per cent
Korea	41 per cent
Denmark	31 per cent
Finland	29 per cent
Germany	19 per cent
Switzerland	13 per cent
OECD average	46 per cent

Not only does our central government dominate the allocation of public expenditure that domination shows no sign of diminishing.

Questions and Answers

5. Why is centralism a problem?

Some public decisions need to be made by central government because they concern the welfare of the nation as a whole, such as decisions about defence and foreign affairs. There are also classes of decisions which involve policy areas where there is national agreement on service levels or values, such as human rights and access to services like health and education. However, there are many decisions that do not need to be made by Ministers and Cabinet. We do not need the Government to micro-manage the day-to-day life of our communities, yet that is occurring at an increasing rate, as local discretion in some policy areas declines.

< “Centralism overloads politicians, creates unrealistic expectations of what they can achieve for their voters, and encourages hubris” (Simon Parker 2015). >

Dependence on a single government to make decisions about the allocation of our public revenue (our taxes), can make countries vulnerable – the classic case of putting all your eggs in a single basket. Distributing power, decision-making responsibilities and the right to raise and allocate taxes allows for new ideas and policies and is the essence of a sustainable approach. It also creates a competitive tension that incentivises communities to take responsibility for their own situation and seek to improve.

Localism is a political system that brings “government” closer to citizens and their communities. By decentralising decision-making local policies and programmes will be informed by the people they are designed to assist and thus be more effective.

The arguments in support of bringing government closer to communities are extensive but some of the major ones are that it strengthens our democracy; improves the efficiency of government by taking a place-based approach, and addresses complexity.

In a recent report on “Constitutional localism”, the authors describe their objective as rebuilding “confidence in American democracy, not by insisting on a singular national answer to each problem, but by celebrating the ability of America’s varied communities to find solutions that work best for them”. Their view is based on the way localism permits diverse opinions and actions to flourish without undermining belief in a nation’s common democratic values and defining processes. The same is true of New Zealand.

The prescription to declining trust in democracy is not to make it harder for citizens to have a say by centralising government but to encourage more democracy by embracing localism.

As a general rule, countries that are centralised tend to be less wealthy and have lower standards of living than countries which are decentralised. There are certainly exceptions due to unique factors, but localism can incentivise local politicians and their communities to take a more proactive approach to economic and social development. Centralisation can often be paternalistic (we know what is best for you) and encourage citizens to assume that the government will “fix things”.

Without local knowledge it is difficult for government to design policies that work in different situations. Localism offers a more effective response for the scope it gives for local capacity building and the development of local solutions, recognising that these will take place within the context of a national framework. Self-government works best when important and significant matters work to inspire civic participation at a level where it can actually matter.

If you would like more information, or would like to be involved in the project, please contact:

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