

LOCAL GOVERNMENT BUSINESS FORUM

Local Government Spending Referendums

August 2025

Executive Summary

This paper by the Local Government Business Forum¹ proposes a structured framework for referendums on major local government spending to restore democratic accountability and fiscal discipline. It recommends transformational reform through binding referendums for significant non-core capital projects exceeding defined thresholds.

Spending referendums offer a democratic alternative to top-down rate capping, preserving local autonomy while delivering the fiscal discipline both central government and ratepayer advocates seek. Switzerland's mandatory financial referendums and Colorado's Taxpayer Bill of Rights demonstrate that spending referendums can work, while New Zealand's ad hoc approach through significance and engagement policies lacks consistency and enforceability.

The Forum recommends a Local Government (Spending and Accountability) Amendment Bill requiring binding referendums for major non-core capital projects exceeding proportional thresholds (e.g., \$500 per ratepayer or 5% of annual operating expenditure). International experience shows such mechanisms can significantly reduce wasteful spending and council taxes while enhancing democratic legitimacy.

1. Introduction

Prime Minister Christopher Luxon's August 2024 call for councils to "do the basics brilliantly" included proposed rate caps for non-core expenditure, and most recently the Taxpayers' Union has been campaigning for implementation. Rates increased by an average 12% in the current 2024/25 year and many councils are seeking double digit increases for the upcoming 2025/26 year. With the 2025 local elections looming, there have been calls across the country for council candidates to promise to freeze rates and end wasteful spending.

The issue of citizen control over government spending goes to the heart of democratic theory. While we generally elect representatives to make decisions on our behalf, many places overseas have experimented with mechanisms allowing direct citizen input on fiscal matters, especially at local level. Spending referendums, giving people a direct vote on major expenditures, can constrain spending and contain rates increases.

This report examines how various places implement local government spending referendums, with particular focus on New Zealand developments. It touches on international experience, and New Zealand initiatives, including Rodney Hide's proposed Ratepayer Bill of Rights and referendums in Whanganui, Tauranga and Whangarei.

¹ Please refer to section 13 at the end of this paper for information about the Local Government Business Forum.

There is an inherent tension at play. How do we balance representative governance with direct democracy? How do we ensure fiscal discipline without hampering necessary infrastructure development? This tension has become particularly acute in New Zealand, where large rates increases have been causing public concern and political pressure, with calls for top-down rates caps to be imposed on councils.

Spending referendums offer a democratic 'third way' between seemingly uncontrolled local government spending and centralised rate capping. They would enhance democratic participation while providing the fiscal discipline that both central government and ratepayer advocates seek.

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2. Political and Policy Developments

The political landscape for local government reform has shifted significantly since the change of government in late 2023.

With rates increases high for many councils across the country (averaging 12% in 2024/25), and the cost-of-living remaining top of mind, local government fiscal discipline has become a political issue both locally and nationally.

In August 2024, Prime Minister Christopher Luxon urged councils to "do the basics brilliantly" and rein in their spending and rates increases.² He announced a series of reforms called 'systems improvements', including "Limiting rate increases for non-core expenditure - to protect ratepayers from excessive rate increases and to limit council spending on non-core activities."³ In June 2025 the New Zealand Taxpayers' Union launched a campaign urging the Government to proceed with implementing rate caps for non-core spending.⁴

Rates capping is a top-down regulatory approach to controlling local government expenditure. It is similar to the UK's centralised council tax referendum requirements and some Australian states' rates caps. Rates caps are blunt instruments and not without downsides (see the

² Rt Hon Christopher Luxon, Prime Minister (2024), *Speech to LGNZ SuperLocal conference*, <https://www.beehive.govt.nz/speech/speech-ignz-superlocal-conference>

³ Hon Simeon Brown, Minister of Local Government (2024), *Back to basics for local government*, <https://www.beehive.govt.nz/release/back-basics-local-government>

⁴ New Zealand Taxpayers Union (2025), *Join the campaign to Cap Rates Now*, https://www.taxpayers.org.nz/cap_rates_now_2025

discussion in section 3 below). Referendums provide a more democratic check on non-core spending.

ACT leader David Seymour announced in March 2025 that the party would be fielding candidates during the 2025 local elections, marking the first time that the party would contest local body elections. Seymour said that the party would focus on lower rates, ending 'wasteful spending'.⁵

In July 2025 the government introduced a Local Government (Systems Improvements) Amendment Bill. It will refocus the purpose of local government, better measure and publicise council performance, prioritise core services in council spending, strengthen council accountability and transparency, and provide regulatory relief to councils. Although the Bill does not provide for rates capping, the Minister of Local Government indicated that work is being undertaken on it.⁶

These developments bring spending restraint directly into local politics, potentially creating pressure for systematic reform. The timing appears particularly advantageous, as central government considers rate capping while councils demand continued control over spending decisions. Referendums provide an alternative that should satisfy both central government concerns about fiscal discipline and local government's desire to preserve local democracy.

Federated Farmers has advocated for more direct democratic input in its February 2025 document *Restoring Confidence in Local Decision-Making*. It wants the Government to redefine the purpose of local government to focus on necessary infrastructure, local public services and regulation. It has suggested local referenda on commercial facilities and ventures (e.g., stadiums and conference centres) where costs exceed \$500 per rateable property, but not for expenditure on essential network infrastructure.⁷

The New Zealand Initiative has also advocated for more direct democratic input on local government spending, including through two recent reports.

"Making Local Government Work" (2024)

The Initiative's December 2024 report *Making Local Government Work: Improving democratic oversight* identified a fundamental flaw in New Zealand's system: mayors and councillors lack power to deliver on promises, with real authority residing with unelected officials. Among their proposed solutions was "giving communities direct votes on major projects" to address what they termed a "democratic void" in local governance.⁸

The report's recommendations were influenced by international models, particularly reforms in the German state of North Rhine-Westphalia, which implemented citizens' petitions and referendums as part of a comprehensive reform package. However, the report did not consider exact financial thresholds or project criteria that would trigger these referendums.

⁵ ACT (2025), *ACT looks to stand candidates in local council elections*, https://www.act.org.nz/act_looks_to_stand_candidates_in_local_council_elections#:~:text=For%20the%20first%20time%20ever%2C%20ACT%20is%20looking.for%20their%20local%20council%20under%20the%20ACT%20banner.

⁶ Hon Simon Watts, Minister of Local Government (2025), *Refocusing local government to deliver for Kiwis*, <https://www.beehive.govt.nz/release/refocusing-local-government-deliver-kiwis>

⁷ Federated Farmers of New Zealand (2025), *Restoring Confidence in Local Decision-Making*, <https://fedfarm.org.nz/FFPublic/Policy2/National/Restoring-confidence.aspx>

⁸ The New Zealand Initiative (2024), *Making Local Government Work: Improving Democratic Oversight*, <https://www.nzinitiative.org.nz/reports-and-media/reports/making-local-government-work/>

"Funding the Future" (2023)

The Initiative's 2023 report *Funding the Future: The case for special purpose bonds* provided additional context for their vision of democratic local spending decisions. The report used New Zealand's history to provide a model for democratic input on infrastructure funding.⁹

Key recommendations included ratepayer assent mechanisms modelled after the former Local Bodies Loans Act 1913, which allowed affected property owners to vote on whether to pay levies over time to fund infrastructure projects, often requiring a super-majority to proceed. The report also proposed community-initiated infrastructure projects, enabling local groups to propose projects with democratic approval for costs spread over benefiting properties.

This approach would be a shift from communities having to 'beg' councils to build infrastructure to empowering them to initiate and approve their own projects through democratic processes similar to referendums.

3. International Frameworks for Local Spending Referendums

3.1 Switzerland: The Global Benchmark

Switzerland stands as the exemplar for financial referendums. All 26 cantons (their equivalent of states) have established mandatory referendums requiring public votes on expenditures exceeding specified thresholds. Their system cleverly combines automatic triggers for large expenditures with optional referendums allowing citizens to force votes on smaller spending items through petition.¹⁰

The Swiss system includes several noteworthy features:

1. **Clearly defined monetary thresholds** – The Canton of Zurich, for instance, requires mandatory referendums for one-time expenditures exceeding 6 million Swiss francs (NZ\$12 million) and annual recurring expenses over 600,000 Swiss francs (NZ\$1.2 million).
2. **The "referendum threat"** - Even when votes do not actually occur, their mere possibility creates discipline in government spending. Officials know unpopular proposals will face public scrutiny.
3. **Established democratic tradition** - Switzerland's direct democracy culture dates back centuries, meaning spending referendums exist within a broader framework of citizen participation.
4. **Empirical effectiveness** - Research by Feld and Matsusaka found that cantons with mandatory financial referendums spent approximately 19% less than those without such requirements. The mechanism creates genuine fiscal restraint.¹¹

The Swiss system shows how institutional rules combining mandatory thresholds with optional citizen-initiated votes can check government spending without paralysing necessary governance functions. Its system is particularly effective because it combines referendums with small cantons. They can learn from each other's successes and failures. People can easily vote with their feet if they dislike outcomes. People sort to the places that provide the bundles of public amenities and tax rates they most prefer. The Swiss system would probably

⁹ The New Zealand Initiative (2023), *Funding the Future: The case for special purpose bonds*,

<https://www.nzinitiative.org.nz/reports-and-media/reports/funding-the-future-the-case-for-special-purpose-bonds/>

¹⁰ Wikipedia, *Financial Referendum*, https://en.wikipedia.org/wiki/Financial_referendum

¹¹ Feld, L. P., & Matsusaka, J. G. (2003). *Budget referendums and government spending: evidence from Swiss cantons*. *Journal of Public Economics*, 87(12), 2703-2724.

<https://www.sciencedirect.com/science/article/abs/pii/S0047272702001408> b

not work as well if Switzerland were a unitary state that had nationwide referendums on the same matters.

3.2 United States: Colorado's Taxpayer Bill of Rights (TABOR)

The United States features varied approaches across different states and municipalities. While bond referendums (votes on government borrowing) are common throughout the country, Colorado's TABOR represents the most comprehensive state-level constraint on government spending.¹²

Approved by Colorado voters in 1992, TABOR has a constitutional entrenchment that sets it apart from ordinary legislation. Unlike standard laws, TABOR sits in the state constitution, making it extraordinarily difficult to modify or repeal. It caps government spending growth at inflation plus population growth, creating a simple yet powerful mathematical constraint.

TABOR requires voter approval for any tax increases or spending beyond the formula's limits. Excess collections above the TABOR limit must be returned to taxpayers - over US\$3.25 billion (NZ\$5.6 billion) since it came into effect.

Whether it has worked depends on who you ask. Supporters credit TABOR with Colorado's economic growth and efficient government. Critics argue it has hampered infrastructure investment and created funding challenges for education and transportation. By 2005, even business leaders campaigned to temporarily suspend aspects of TABOR when it began impeding infrastructure and education investments.

The TABOR experience illuminates both the power of mandatory spending controls and their potential unintended consequences. Unlike Switzerland's more nuanced approach, TABOR lacks mechanisms for distinguishing between different types of spending.

3.3 United States: California's Propositions

California's referendum system is commonly referred to as the 'propositions' process. Through this system, citizens and the legislature can propose new laws, constitutional amendments, or repeal existing statutes by placing measures on the statewide ballot for voter approval. Propositions can originate either through a petition process (requiring a set number of signatures from registered voters) or be referred directly by the state legislature.¹³

Propositions allow voters to have a direct say in shaping public policy, bypassing legislative gridlock and enabling grassroots movements to address issues that may be ignored by elected officials. The system can act as a check on the legislature, allowing citizens to challenge or overturn unpopular laws through referenda.

However, the high cost of qualifying and campaigning for propositions means that well-funded special interests and corporations can dominate the process, often sidelining ordinary citizens. Ballots frequently contain numerous and complex propositions, leading to voter fatigue and confusion. Many voters struggle to understand the implications of each measure, sometimes resulting in poorly informed decisions.¹⁴

¹² Wikipedia, *Taxpayer Bill of Rights*, https://en.wikipedia.org/wiki/Taxpayer_Bill_of_Rights

¹³ Georgetown Law Library, *California Resources*, <https://guides.ll.georgetown.edu/c.php?g=275786&p=6845119>

¹⁴ Jack Jacobs in Davis Political Review (2024), *Hijacking the Ballot: The Problem with California's Ballot Initiative System*, <https://www.davispoliticalreview.com/article/hijacking-the-ballot-the-problem-with-californias-ballot-initiative-system>

Propositions can therefore create conflicting or inflexible laws that tie the hands of legislators, making comprehensive policy making and budget management more difficult. Adding to the problem, once passed it is often very challenging to amend or repeal initiatives. Even if they prove problematic this typically requires another statewide vote.

While California's proposition system was designed to empower citizens and enhance democratic participation, it has become susceptible to manipulation by special interests, voter confusion, and policy gridlock. The resulting system often undermines representative democracy and effective governance.

A particularly relevant example for any discussion on rates capping is Proposition 13, passed by California voters in 1978.¹⁵ It fundamentally changed the state's property tax system. It capped property tax rates at 1% of a property's assessed value and, crucially, tied that assessed value to the time of acquisition. After purchase, the assessed value could only increase by a maximum of 2% per year, regardless of how much the property's market value rose.

While Proposition 13 was intended to protect homeowners from large local tax increases, it has produced severe unintended consequences: entrenched tax inequities, reduced public funding, and distorted housing and land-use markets. These effects have led many to conclude that Proposition 13 has been deeply problematic.

3.4 United Kingdom: Centralised Control Through Referendum Requirements

The UK employs a quite different approach through council tax referendum requirements established via the Localism Act 2011. This is centralised control of local government taxation rather than grassroots fiscal restraint.¹⁶

Its system features centrally determined thresholds. The national government establishes the ceiling (currently 5% for most authorities) above which local tax increases require referendums. Unlike the varied systems across Swiss cantons or American states, the UK applies uniform requirements throughout England.

Of note are the exceptional approval mechanisms. Central government may approve higher thresholds for councils in financial difficulty. Birmingham got an additional 2.5% and Windsor & Maidenhead 4% in the 2025/26 financial year.

The UK approach creates a nationwide ceiling on local tax increases unless explicitly approved by voters. It functions effectively as a political constraint while maintaining central authority over the system's parameters.

3.5 Australia: Rate Capping Without Referendums

Australia provides an instructive contrast to referendum-based approaches, with two states, New South Wales and Victoria, implementing comprehensive rate capping systems that constrain local government spending through regulatory limits rather than democratic votes.

New South Wales has operated a rate capping system since 1977, making it the longest-running example globally. The Independent Pricing and Regulatory Tribunal (IPART) annually

¹⁵ Wikipedia, *1978 California Proposition 13*, https://en.wikipedia.org/wiki/1978_California_Proposition_13

¹⁶ UK Parliament, House of Commons Library, *Council tax: local referendums*, <https://commonslibrary.parliament.uk/research-briefings/sn05682/#:~:text=In%202025%2F26%2C%20local%20authorities%20with,or%20to%20mayoral%20combined%20authorities>

sets a 'rate peg' that limits the maximum increase councils can apply to their general income from rates and charges. For 2025-26, this ranges from 3.7% to 7.6% depending on each council's circumstances, incorporating factors for base cost changes, population growth, and emergency services levy adjustments.¹⁷

Councils seeking to exceed the rate peg must apply to IPART for 'special rate variations', demonstrating community need and often requiring public consultation. However, an IPART report found that 63% of local councils were not fiscally fit for the future, due to decades of rate-capping in NSW diminishing the ability of councils to raise their own rates. NSW councils on average only spent 55% as much as other states did on capital expenditure, resulting in a capital cost backlog for future generations.¹⁸

Victoria's Labor government introduced rate capping in 2016, limiting council rate increases to the Consumer Price Index (currently 3.00% for 2025-26). The Essential Services Commission assesses applications for higher caps, which must demonstrate community support and critical need.¹⁹ Victorian local government unanimously opposed the rate capping policy, and evidence is emerging of under-investment in capital infrastructure and councils choosing to opt out of discretionary community services due to budget constraints.²⁰

South Australia attempted to introduce rate capping in 2018, but it was voted down by Labor, SA-BEST and the Greens in the Upper House in 2019.²¹ This was after 53 councils said they rejected the state government's proposed rate-capping legislation, with just two councils supporting it.²²

The Australian experience demonstrates the limitations of top-down regulatory approaches compared to democratic referendum mechanisms. Australian rate capping systems provide for centralised regulatory control over council spending. External agencies set maximum rate increases without direct voter input. Evidence suggests rate capping creates infrastructure backlogs.

Our proposed referendum system differs fundamentally by providing democratic legitimacy through local voter decisions. This would allow project-specific choices rather than blanket rate caps, preserving local flexibility in spending priorities, and creating positive incentives for councils to justify major spending to voters rather than simply constraining overall expenditure levels. With core spending excluded from referendums this should reduce the risk of referendums leading to underinvestment in network infrastructure.

¹⁷ Independent Pricing and Regulatory Tribunal (IPART) (2025), *The rate peg for 2025-26. Information Paper*, <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Ratepayers/The-rate-peg>

¹⁸ Prosper Australia, *Local Government Rates Primer*, <https://www.prosper.org.au/primers/local-government-rates-primer/>

¹⁹ Essential Services Commission Victoria (2025), *Annual council rate caps*, <https://www.esc.vic.gov.au/local-government/annual-council-rate-caps>

²⁰ Municipal Association of Victoria (2023), *Rate capping*, <https://www.mav.asn.au/news-resources/campaigns/previous-campaigns/rate-capping>

²¹ City of Mount Gambier(2021), *LGA Rate Capping FAQ*, <https://www.mountgambier.sa.gov.au/council/rates/rate-capping-faq>

²² Government News (2018), *Local governments in South Australia oppose rate capping*, <https://www.governmentnews.com.au/local-governments-in-south-australia-oppose-rate-capping/>

4. New Zealand's Current Framework

New Zealand lacks any standardised financial thresholds that automatically trigger referendums for local government spending. Instead, we operate through council-specific 'Significance and Engagement Policies' established under the Local Government Act 2002 and its amendments.²³

Under this Act, each local authority must develop its own policy determining which decisions are 'significant'. Councils establish criteria for significance, which typically include financial impact alongside community interest, consistency with existing policies, and operational impacts.

When financial measures exist, they typically express significance as percentages of annual expenditure rather than fixed monetary amounts. The determination of significance influences the level of community consultation required, which may include referendums but more commonly involves less direct forms of engagement.

Referendums, when utilised, are legally classified as 'indicative' or 'consultative' rather than binding. The Local Electoral Act 2001 provides the legal framework for conducting non-binding referendums, but the decision to hold one generally remains at each council's discretion.²⁴

The New Zealand approach, while emphasising local autonomy and context-specific determination of significance, lacks the clarity and citizen-enforced discipline found in systems with explicit financial thresholds for referendums.

5. Rodney Hide's Ratepayer Bill of Rights

An attempt to change this came during the 2000s. ACT Party leader Rodney Hide championed a 'Ratepayer Bill of Rights' that would have dramatically reshaped local government financing in New Zealand by empowering ratepayers through binding referendums and spending caps.²⁵

While never formally introduced to Parliament under that name, the concept evolved through several legislative efforts. Hide proposed restricting councils to core services only, limiting local government activities to essentials such as road maintenance, rubbish collection, water infrastructure, and basic regulatory functions.

He advocated for a rates cap tied to inflation plus population growth, similar to Colorado's TABOR, with binding referendums required for any spending beyond the cap or for major projects outside core services.

Hide's concept evolved through several legislative vehicles, including the two attempts at a Local Government (Rating Cap) Amendment Bill (both defeated at first reading stages, in 2004

²³ Local Government Act 2002, section 76AA Significance and Engagement Policies, <https://www.legislation.govt.nz/act/public/2002/0084/latest/whole.html#DLM6236805>

²⁴ Local Electoral Act 2001, Part 2 Local Elections and Polls and Part 3 Conduct of Local Elections and Polls, <https://www.legislation.govt.nz/act/public/2001/0035/latest/DLM93301.html>

²⁵ The Newman Letter (2005), A Ratepayers' Bill of Rights, <https://www.scoop.co.nz/stories/PO0510/S00035/a-ratepayers-bill-of-rights.htm>

and 2006) and the Spending Cap (People's Veto) Bill, which passed its first reading in September 2011.²⁶²⁷²⁸

The latter Bill never progressed beyond select committee stage. Hide stepped down as ACT leader in April 2011 and retired from Parliament at the 2011 general election. With his departure the Bill was discharged in 2012. ACT's reduced parliamentary representation for the following three terms of parliament, meant the Bill was not revived, let alone enacted.

6. Case Studies: Councils Using Referendums in New Zealand

Despite the absence of a comprehensive legal framework requiring spending referendums, several New Zealand councils have experimented with referendums for major decisions, offering instructive case studies.

6.1 Whanganui's Annual Referendums Under Michael Laws

Perhaps the most ambitious experiment with local referendums in New Zealand occurred in Whanganui (then spelled Wanganui) from 2004-2010 under Mayor Michael Laws.

Laws was a former National and New Zealand First MP who implemented what he called 'yearly referenda' as a cornerstone of his governance philosophy. Unlike other councils that occasionally used referendums for specific issues, Laws instituted annual referendums covering multiple topics.²⁹

Voter turnout was impressive, ranging from 48% to 67%, demonstrating significant public engagement. The referendums addressed infrastructure priorities, city naming, representation structures, social issues like gang insignia bans, and public services such as water softening.³⁰ These referendums were entirely non-binding, influencing council decisions only to the extent that elected officials chose to implement results. Some referendum results, like the gang patch ban, were implemented but later struck down by courts; others like the Sarjeant Gallery extension cancellation resulted in lost outside funding; and the spelling referendum results (favouring 'Wanganui' without an 'h') were overruled by central government.

Laws' approach polarised the community, with supporters viewing it as empowering citizens while critics saw it as a political tool allowing Laws to claim mandates while bypassing normal council deliberation. When Laws left office in 2010, his successor discontinued the annual referendum.

²⁶ New Zealand Parliament (2004), *Local Government (Rating Cap) Amendment Bill*, <https://bills.parliament.nz/v/6/891057f6-a389-404d-bf64-9fc88170038c?Tab=history>,

²⁷ New Zealand Parliament (2006), *Local Government (Rating Cap) Amendment Bill*, <https://bills.parliament.nz/v/6/905cd1da-4094-47be-94d1-9917d2cf5f91?Tab=history>

²⁸ New Zealand Parliament (2011), *Spending Cap (People's Veto) Bill*, <https://bills.parliament.nz/v/6/5234affc-5dfd-4f11-b609-88c76d4d9324?Tab=history>

²⁹ Wikipedia, *Michael Laws*, https://en.wikipedia.org/wiki/Michael_Laws

³⁰ Victoria University of Wellington, Elizabeth McLeay & Jonathan Boston (2013), *Michael Laws and his Direct Democracy Experiment in Wanganui: The effects of referendums on voter turnout and political participation in New Zealand*, https://www.academia.edu/5426757/Michael_Laws_and_his_Direct_Democracy_Experiment_in_Wanganui_The_effects_of_referendums_on_voter_turnout_and_political_participation_in_New_Zealand

6.2 Tauranga's Referendums on Water Metering and New Museum

6.2.1 Water Metering: In the mid-1990s Tauranga District Council (which became a city council in 2003) faced significant challenges from rapid population growth and increasing water demand. To address potential future shortages and defer expensive infrastructure upgrades, the council proposed implementing universal water metering and volumetric charging for water use.

The council's proposal was opposed by residents and a (non-binding) citizens-initiated referendum was triggered. A majority voted against water metering. However, following further public consultation and debate, the council made the politically challenging decision in 1999 to proceed.³¹

After the introduction of water meters, billing for water use began in 2002. Volumetric charging led to a reduction in peak water demand by about 30% and average demand by about 25%. The need for a new water supply scheme was delayed by at least 10 years, resulting in substantial cost savings for the council and its residents.³²

Under our proposed framework, this decision would not have been subject to referendum requirements, as water supply falls clearly within core network infrastructure functions. The fact that residents initially opposed the measure – despite its ultimate success – illustrates why technical infrastructure decisions may be poorly suited to direct democracy but are appropriately handled through professional expertise within representative governance.

6.2.2 New Museum: Tauranga is unusual for a large city in not having a city museum and for decades there were frequent calls for one. Supporters claimed it would transform Tauranga's city centre into a vibrant space that celebrates the region's history and fosters community engagement. On the other hand, those opposed thought other priorities were higher and were concerned about the cost to ratepayers.

In 2006 the council decided to hold a referendum for a \$21 million downtown museum. However, later in the year the council cancelled the referendum (which would have cost \$120,000) in favour of a telephone survey of 1,000 residents. It found 50% support, 31% opposed, and 19% undecided.³³ This led the council to continue consulting rather than abandon the project. However, the project stalled.

The issue flared up again in 2018. The council revived the project (now estimated to cost \$55–70 million) and held a non-binding referendum. Voters rejected the proposal, with 59.4% opposing and 40.6% supporting. However, that was not the end for the museum, with a low voter turnout (30%) used as an argument for the project staying alive.³⁴

³¹ Bay of Plenty Times (2006), *Referendum on controversial \$21m museum*, <https://www.nzherald.co.nz/bay-of-plenty-times/news/top-story-referendum-on-controversial-21m-museum/ZZTQIINCYC7WRZWWYEWYQ755I/#:~:text=There%20have%20been%20at%20least,you%20want%20to%20overturn%20this>

³² Beacon Pathway Ltd (2008), *Best practice water efficiency policy and regulations*, https://beaconpathway.co.nz/wp-content/uploads/2021/12/Final_Report_WA7060_Water_Efficiency_Best_Practice.pdf#:~:text=6,10%20years%20and%20has%20meant

³³ Bay of Plenty Times (2006), *Majority want museum - but for free*, <https://www.nzherald.co.nz/bay-of-plenty-times/news/top-story-majority-want-museum-but-for-free/RGOIR3E5MRJJTDQLI2BTZHAAJA/#:~:text=Of%20the%201000%20participants%20in,50>

³⁴ Sunlive (2018), *Voters reject museum in referendum*, <https://sunlive.co.nz/news/178633-voters-reject-museum-referendum.html#:~:text=referendum%20held%20in%20conjunction%20with,election>

From 2021-24 Tauranga was under the control of government-appointed commissioners. In 2022 they decided to proceed with the city museum and construction commenced in 2023. In late 2024 the restored elected councillors voted 7-2 for the \$128 million project to continue. The new museum is expected to open in 2028.³⁵

The museum saga strengthens the case for binding referendums on major non-core spending decisions:

- Non-binding referendums lack enforcement power: Despite clear public opposition in 2018, the museum proceeded, undermining democratic accountability.
- Council discretion enables evasion: The 2006 cancellation shows councils can avoid genuine consultation when convenient, substituting cheaper but less democratic alternatives.
- Cost escalation: The final cost of \$128 million was more than double the \$55-70 million referendum proposal, suggesting inadequate initial planning and the need for comprehensive cost disclosure.

These cases demonstrate why referendums for major non-core projects should be:

- Mandatory (triggered automatically by threshold criteria).
- Binding (councils cannot override clear results).
- Comprehensive (covering full project costs, not just initial phases).

The Tauranga experience shows that advisory referendums provide democratic theatre rather than genuine accountability. Only binding mechanisms can ensure that major discretionary spending reflects community priorities rather than council or bureaucratic preferences.

6.3 Whangarei's Hundertwasser Art Centre Referendum (2015)

Whangarei District Council conducted a binding referendum in 2015 on a proposed \$13 million art centre project. This provides a good example of a council-initiated referendum on a specific high-profile spending decision.

The council spent approximately \$80,000 to conduct the referendum. Unlike most New Zealand local referendums, the council committed to being bound by the result (though this was by council resolution rather than statutory requirement). Voters chose between building the Hundertwasser centre, developing an alternative project, or demolishing the building.

The Hundertwasser project received 51% support—a narrow margin that was nonetheless sufficient to proceed.³⁶ Following the referendum, the council capped its contribution at \$2.8 million. The remaining funding was to come from private sources but there were also contributions from the Northland Regional Council and from central government.

The Art Centre opened in 2022 after cost increases and delays. It has since struggled financially, with fewer visitors than expected. It made a \$1.36 million loss for the year to June 2024 (\$703,000 worse than expected) and remains reliant on ongoing financial support from the District Council.³⁷

³⁵ Sunlive (2025), *Meet the people behind Tauranga's \$128m museum*, <https://www.sunlive.co.nz/news/359332-meet-the-people-behind-tauranga---s-128m-museum-.html#:~:text=Part%20of%20Tauranga%20City%20Council%E2%80%99s%C2%A0%24306,structure%20were%20finished%20in%20December>

³⁶ The Big Idea (2015), *Whangarei votes for Hundertwasser arts centre* <https://thebigidea.nz/stories/whangarei-votes-for-hundertwasser-arts-centre#:~:text=In%20a%20FPP%20binding%20referendum%2C,for%20demolition%20of%20the%20building>

³⁷ Northern Advocate (2025), *Hundertwasser Art Centre in Whangārei battles losses, hopes for visitor boost*, <https://www.nzherald.co.nz/northern-advocate/news/hundertwasser-art-centre-in-whangarei-battles-losses-hopes-for-visitor->

This case illustrates how a referendum can resolve a politically contentious spending decision while providing democratic legitimacy for a significant investment in a non-essential service. However, the narrow margin of approval also demonstrates that referendums may not fully resolve community divisions over controversial projects. Nor did it guarantee the project would be successful or a financially prudent use of ratepayers' money.

7. Strengths and Limitations of Spending Referendums

The international and New Zealand experiences with spending referendums reveal several consistent strengths and limitations.

7.1 Strengths

International experience suggests spending referendums effectively constrain government expenditure growth. Major spending decisions approved by referendum carry greater legitimacy, reducing political backlash even when projects prove controversial.

Referendums typically achieve higher participation rates than normal local elections, indicating heightened public interest in direct fiscal decisions. The requirement to present spending proposals for public vote encourages clearer explanation of costs, benefits, and trade-offs.

Perhaps most importantly, financial referendums create a direct link between taxpayers and spending decisions, enhancing accountability for outcomes.

7.2 Limitations

Conducting referendums involves significant costs and logistical complexity, particularly for smaller councils. Immediate voter preferences may not align with long-term needs, potentially undermining strategic planning.

Many spending decisions involve technical considerations that may not be easily communicated in referendum campaigns. Referendum decisions may not adequately protect minority interests or address distributional equity concerns.

Financial referendums may disproportionately impact capital projects with high upfront costs but long-term benefits. This is particularly concerning in the New Zealand context, where infrastructure deficits already pose significant challenges (but this will be ameliorated by our proposal excluding core spending on network infrastructure).

7.3 Implementation Considerations

The effectiveness of spending referendums depends significantly on their design. Key considerations include threshold determination – setting appropriate monetary thresholds that balance democratic input with governance efficiency – and determining whether referendum results should legally bind authorities or provide non-binding guidance.

Policymakers must also decide which types of spending decisions warrant referendums, and which remain within normal representative processes. They should establish whether certain types of essential or emergency spending should be exempt from referendum requirements.

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And they must ensure voters receive accurate, balanced information about proposals and their implications.

8. Toward a New Zealand Model

While some councils have experimented with referendums for specific decisions, New Zealand lacks a standardised framework for local government spending referendums. This has made referendums toothless and an ineffective constraint on non-core spending. There are three options to address this problem.

Option 1: Minimal Reform

- Improve significance and engagement policies by encouraging clear thresholds (e.g. percentage of annual spend or per-ratepayer dollar triggers).
- Promote voluntary best practices and transparency.

Option 2: Moderate Reform

- Statutory guidance on triggers (e.g. capital projects over \$X per ratepayer).
- Provide template processes for binding/non-binding referendums.
- Allow targeted mechanisms (e.g. referendums in specific areas for targeted rates).

Option 3: Transformational Reform (Our preferred approach)

- Enact a Local Government (Spending and Accountability) Amendment Bill.
- Mandate binding referendums for major non-core capital projects exceeding defined thresholds.

Option 3's approach recognises that the status quo has failed to address the fundamental accountability deficit in local government spending and that minimum and moderate reform will only go so far to address it. We consider that comprehensive reform with binding mechanisms is needed to restore the balance between representative governance and citizen control over fiscal decisions, particularly on non-core spending.

9. How Could Mandatory Referendums Work?

Within Option 3, we propose a structured referendum framework that provides genuine democratic accountability while respecting the practical needs of local governance.

9.1 Determining what spending could be subject to spending referendums

Referendums should be for non-core spending projects. A distinction between core and non-core services recognises that while councils must provide essential infrastructure and services for community functioning, discretionary amenities should be subject to direct democratic approval when they involve significant ratepayer investment. This aligns with Prime Minister Luxon's call for councils to "do the basics brilliantly".

It is important to define what is 'core' and what is 'non-core'. This is not as simple as it might appear.

In 2010 the Local Government Act was amended to include a new section 11A. It required *local authorities, in performing their roles, to have particular regard to the contribution that the following core services make to their communities:*

- *Network infrastructure (the provision of roads and other transport, water, wastewater, and stormwater collection and management);*
- *Public transport services;*
- *Solid waste collection and disposal;*
- *The avoidance or mitigation of natural hazards; and*
- *Libraries, museums, reserves, recreational facilities, and other community amenities.*³⁸

Section 11A was repealed in 2019 but in July 2025 a Local Government (Systems Improvements) Amendment Bill was introduced. If passed it will, among other things, reinstate section 11A, albeit with some modifications. Rather than 'having particular regard' the new section will be a more directive 'the following services are the core services of a local authority'. It also made some changes to the list. The avoidance or mitigation of natural hazards will be changed to 'civil defence and emergency management' and 'community amenities' was deleted from the list.³⁹

The Bill is currently being considered by Parliament's Government Administration Select Committee and the proposed section 11A could yet be amended.

Although a list of core services is potentially helpful, this particular list comprises the vast majority of council spending. Some of those listed in section 11A might still be considered by many to be non-core or at least 'less core' than others. For example, it will include footpaths and cycleways (as network infrastructure) as well as libraries, museums, reserves, and recreational facilities.

Furthermore, it is important to recognise that some unambiguously core spending, if done extravagantly, can also be wasteful – for example, most people would consider public toilets to be a council's core activity but Wellington City recently opened a block of public toilets with a ribbed timber façade and rainbow lighting exterior, costing \$2.3 million.⁴⁰ Wellington's new sludge plant should have been compared to continuing to truck solid waste to landfill – not ideal but a lot cheaper. Similarly, some people might consider green waste/kitchen waste collection as essential solid waste collection but it is hard to see how it is cost-effective.

Determining what spending projects will be 'core' versus 'non-core' will not always be straightforward, so work will be needed to ensure there is a clear and logical distinction between core and non-core spending projects. Simply relying on a new section 11A might not be sufficient.

The same issues of defining core vs non-core spending would be needed for any rates capping for non-core spending.

9.2 Determining appropriate financial thresholds

It will be important to have thresholds to ensure that referendums are on material projects.

Rather than arbitrary dollar amounts, threshold-setting should follow principled approaches based on Swiss methodology. Swiss cantons like Zurich employ thresholds of 6 million Swiss francs for one-time expenditures and 600,000 for recurring expenses, guided by

³⁸ Local Government Act 2002, section 11A (inserted in 2010, repealed in 2019)

³⁹ Local Government (Systems Improvements) Amendment Bill,
<https://www.legislation.govt.nz/bill/government/2025/0180/latest/LMS1454338.html>

⁴⁰ NZ Herald (2025), *Wellington public toilets cost \$2.3 million, transform into light show at night*,
<https://www.nzherald.co.nz/nz/wellington-public-toilets-cost-23-million-transform-into-light-show-at-night/53LEKETEMZEZ3K7SHVNTMXWGFI/>

proportionality to canton size, distinction between capital and operating expenses, and democratic balance.

For New Zealand, we recommend either a per-rateable property threshold or a percentage-based threshold. These are shown in tables below with example councils. Referendums would be triggered when project costs exceed either of these thresholds, ensuring requirements scale appropriately across New Zealand's diverse local government landscape while preventing councils from gaming the system.

There will always be some arbitrariness with any threshold chosen. Below we model a project capital cost threshold of \$500 per rateable property or 5% of operating expenditure (coupled with a 2% threshold for recurring costs) would provide for a meaningful scalable threshold that would capture projects of significance for large and small councils alike.

How these thresholds might look for a sample of councils, from the largest to smallest is shown in the tables below.

Per-Rateable Property Threshold (\$500 per rateable property):

| Council | 2024 Population | Rateable Properties | Capital Cost Threshold (\$ million) |
|-------------------------|-----------------|---------------------|-------------------------------------|
| Auckland Council | 1,798,300 | 630,000 | \$315.0 |
| Christchurch City | 415,100 | 179,000 | \$89.5 |
| Wellington City | 215,300 | 82,600 | \$41.3 |
| Hamilton City | 192,000 | 65,600 | \$32.8 |
| Tauranga City | 162,800 | 62,000 | \$31.0 |
| Dunedin City | 136,000 | 56,500 | \$28.3 |
| Lower Hutt City | 115,500 | 43,100 | \$21.6 |
| New Plymouth District | 90,000 | 37,100 | \$18.6 |
| Far North District | 74,900 | 39,300 | \$19.7 |
| Napier City | 67,500 | 26,900 | \$13.5 |
| Invercargill City | 58,600 | 27,100 | \$13.6 |
| Marlborough District | 52,300 | 27,700 | \$13.9 |
| Taupo District | 42,600 | 23,500 | \$11.8 |
| Horowhenua District | 37,700 | 19,200 | \$9.6 |
| South Taranaki District | 30,400 | 14,300 | \$7.2 |
| Central Otago District | 26,500 | 15,400 | \$7.7 |
| Clutha District | 19,300 | 11,900 | \$6.0 |
| Rangitikei District | 16,650 | 8,000 | \$4.0 |
| Carterton District | 10,250 | 5,200 | \$2.6 |
| Kawerau District | 7,610 | 3,000 | \$1.5 |
| Kaikoura District | 4,410 | 3,200 | \$1.6 |

Percentage-Based Threshold (project capital cost of 5% annual operating expenditure, 2% recurring operating expenditure):

| Council | Operating Expenditure 2024/25 (\$million) | Capital Cost Threshold (\$ million) | Recurring Operating Expense Threshold (\$ million) |
|-----------------------|---|-------------------------------------|--|
| Auckland Council | \$6,140.1 | \$307.0 | \$122.8 |
| Christchurch City | \$1,161.0 | \$58.0 | \$23.2 |
| Wellington City | \$912.5 | \$45.6 | \$18.3 |
| Hamilton City | \$464.7 | \$23.2 | \$9.3 |
| Tauranga City | \$573.2 | \$28.6 | \$11.5 |
| Dunedin City | \$401.1 | \$20.1 | \$8.0 |
| Lower Hutt City | \$323.7 | \$16.2 | \$6.5 |
| New Plymouth District | \$240.1 | \$12.0 | \$4.8 |
| Far North District | \$189.2 | \$9.5 | \$3.8 |
| Napier City | \$200.6 | \$10.0 | \$4.0 |

| | | | |
|-------------------------|---------|-------|-------|
| Invercargill City | \$155.2 | \$7.8 | \$3.1 |
| Marlborough District | \$187.9 | \$9.4 | \$3.8 |
| Taupo District | \$143.6 | \$7.2 | \$2.9 |
| Horowhenua District | \$89.1 | \$4.5 | \$1.8 |
| South Taranaki District | \$98.3 | \$4.9 | \$2.0 |
| Central Otago District | \$49.3 | \$2.5 | \$1.0 |
| Clutha District | \$74.3 | \$3.7 | \$1.5 |
| Rangitikei District | \$57.2 | \$2.9 | \$1.1 |
| Carterton District | \$29.1 | \$1.5 | \$0.6 |
| Kawerau District | \$19.8 | \$1.0 | \$0.4 |
| Kaikoura District | \$19.7 | \$1.0 | \$0.4 |

Another issue with thresholds is that they could result in councils splitting projects, so their individual components are below its threshold and therefore not subject to a referendum. For example, rather than a package of cycleways costing \$30 million a council might decide to split them into individual route projects to fall below a \$20 million project cost threshold. There would need to be safeguards to minimise this risk.

9.3 Mandatory and Binding Requirements

Based on the failures of New Zealand's current ad hoc approach we recommend mandatory binding referendums with the following features:

- **Automatic Triggers:** Referendums automatically triggered when non-core spending exceeds established thresholds, removing council discretion to avoid democratic scrutiny through alternative "consultation" methods.
- **Binding Results:** Referendum outcomes legally binding on councils, with enforcement mechanisms including judicial review, Audit Office oversight, and potential personal liability for councillors who vote contrary to referendum results.
- **No Exemptions:** No discretionary exemptions for 'urgent' project. Genuine emergencies involving core infrastructure can proceed through existing emergency powers, while non-core projects can wait for proper democratic approval.

9.4 Council-Initiated Process

We recommend council-initiated referendums as the primary mechanism, rather than citizen-initiated processes, for several practical reasons:

- Councils have better access to technical expertise and accurate costings required for informed voter decisions.
- Council initiation ensures referendums occur at optimal timing in project development cycles.
- Administrative efficiency is higher when councils manage the process rather than responding to citizen petitions.
- Integration with existing local electoral processes is simpler.

However, councils would have no discretion over whether to hold referendums. The triggers would be automatic based on project thresholds.

Another option would be to enable citizen-initiated processes. There is currently no statutory mechanism that allows citizens to compel a local council to hold a referendum by collecting signatures, as is possible at the national level through the Citizens Initiated Referenda Act 1993 (CIRA).⁴¹ The CIRA's petition threshold is 10% of registered voters.

⁴¹ New Zealand Parliament (2020), *What is a citizens-initiated referendum?* <https://www.parliament.nz/mi/get-involved/features/what-is-a-citizens-initiated-referendum/>

Amending the CIRA to include local government would be possible. However, the process to initiate a petition, gather the required number of signatures, have them verified, and then hold a referendum would be lengthy – likely to be at least the 16-28 months typical for national referendums. This makes the citizen-initiated process unsuitable for approving or rejecting a council spending project.

An exception could be for a project for a small, tightly defined subset of ratepayers, for example a seawall. In this case concerned ratepayers would petition the council for a referendum of ratepayers that would benefit. If passed this would enable a loan to be made and the maintenance and debt service costs repaid through a targeted rate on those property owners.

9.5 The Franchise: Who Should Vote in Local Spending Referendums?

A key design issue for local spending referendums is the scope of the voting franchise. Should all residents be entitled to vote, or should voting be restricted to ratepayers (property owners)?

Below is an analysis of the pros and cons of each approach.

Option 1: Universal Franchise (All Residents)

| Pros | Cons |
|--|--|
| <u>Democratic Legitimacy</u> : Includes all adult residents who are affected by local government decisions, aligning with the principle of “no taxation without representation” since renters indirectly pay rates through their rent. | <u>Dilution of Ratepayer Interest</u> : Property owners bear the direct financial burden of rates, so their interests may be diluted if non-ratepayers (who do not pay rates directly) can outvote them |
| <u>Social Equity</u> : Ensures that groups who are not property owners (e.g., young people, lower-income households, long-term renters) have a voice in decisions that shape their communities. | <u>Potential for Short-Termism</u> : Non-ratepayers may be less sensitive to long-term fiscal impacts or capital costs, as they can move more easily or are less affected by changes in property values. |
| <u>Consistency</u> : Matches the existing practice for local elections in New Zealand, where all residents on the electoral roll can vote, simplifying administration and public understanding. | <u>Perceived Unfairness</u> : Some argue it is unfair for those who do not directly pay rates to have equal say over spending decisions funded by ratepayers. |
| <u>Broader Buy-In</u> : Increases the legitimacy of referendum outcomes by reflecting the preferences of the entire community, not just property owners. | |

Option 2: Restricted Franchise (Ratepayers Only)

| Pros | Cons |
|---|--|
| <u>Direct Financial Stake</u> : Restricting the vote to ratepayers ensures that only those who directly fund local government through rates decide on significant spending, aligning costs and decision-making. | <u>Exclusion of Residents</u> : Excludes a significant portion of the community, including renters and non-property owners, who are nonetheless affected by council decisions and often pay rates indirectly through rent. |
| <u>Fiscal Discipline</u> : May encourage more prudent spending decisions, as those voting are directly responsible for paying for the outcomes. | <u>Reduced Legitimacy</u> : May undermine the democratic legitimacy of referendums, especially for large projects with community-wide impacts. |
| <u>Historical Precedent</u> : Some previous New Zealand mechanisms (e.g., Local Bodies Loans | <u>Roll Maintenance</u> : Ensuring the accuracy of the ratepayer roll (e.g., changes in ownership, trusts, |

| | |
|---|---|
| Act 1913) and international models have used ratepayer-only franchises for specific funding referendums | companies) requires ongoing diligence, but this is a current responsibility for councils. |
| <u>Existing Mechanism:</u> Ratepayer voting is already used for local authority elections and polls, so the administrative burden is not novel or untested. | |

The choice between a universal and a restricted franchise involves trade-offs between democratic inclusiveness and direct financial accountability. International practice varies, and the best approach may depend on the specific goals of the referendum framework and the values prioritised by the community.

One important constituency is disenfranchised under both models: people who would like to live in a place but cannot yet because a council has not allowed sufficient housing. Their interests can also matter.

9.6 Voter Turnout Thresholds

A turnout threshold requires a minimum percentage of eligible voters to participate for a referendum result to be valid.

Turnout thresholds ensure decisions are made with broad participation, reducing the risk of a major spending project being approved (or rejected) by a small, unrepresentative group. They make it harder for organised minorities to push through controversial measures with low turnout.

However, if turnout is consistently low, important decisions may never be made, leading to policy paralysis. Opponents may boycott the referendum through campaigns for non-participation to invalidate the result, undermining the democratic process

The challenge is to set a threshold that ensures broad participation without making it too easy to invalidate the referendum result.

In New Zealand, a referendum turnout threshold could be set to be at least as high as the average voter turnouts for local elections (i.e., around 40%).

9.7 Majority Requirements

Simple Majority (50%+ of votes cast)

A simple majority is easy to understand and administer. It aligns with standard democratic practice for most elections and referendums. On the other hand, a simple majority provides a thin mandate. Major decisions may be made with support from only a slim majority of a potentially small turnout. Frequent changes are possible if majorities shift slightly between referendums.

Super-Majority (e.g., 60%+)

A super-majority provides a stronger mandate by ensuring only proposals with broad support pass, increasing legitimacy for major fiscal decisions. It reduces the risk of frequent reversals or policy swings. However, requiring a super-majority would make it harder to approve necessary but potentially controversial projects, possibly stifling progress. A determined minority can block action, even if a clear majority is in favour.

In New Zealand, projects advanced under the former Local Bodies Loans Act 1913 often required super-majorities to proceed. For most special loans, a three-fifths (60%) majority of ratepayers voting in a poll was needed for approval. For projects where the costs and levies applied to only a subset of properties (rather than the whole district), an even higher threshold applied: three-fourths (75%) of affected ratepayers had to agree, and the capital value of agreeing properties had to exceed that of dissenting properties.⁴²

Plurality (most votes, even if below 50%)

A plurality approach might be appropriate if there are more than two options. It ensures a decision is made, even if no option gets a majority. It avoids deadlock by preventing repeated, inconclusive votes.

On the other hand, the winning option may have support from only a small fraction of voters, undermining legitimacy. It can encourage more, narrower options, splitting the vote and making consensus harder. A way around this might be to have a run-off referendum between the two highest options (which would add cost and time for a decision) or use a ranked choice voting system.

Simple majorities are most democratic and practical for routine decisions but may be too weak for major, long-term commitments, especially for those applying to a subset of properties. The choice should reflect the scale and impact of the spending decision, and the community's appetite for risk versus stability. The previous Local Bodies Loans Act 1913 provides for a useful starting point.

Turnout and Majority Example: Wellington's Business Improvement District

Wellington City Council has a policy for Business Improvement Districts (BIDs). BIDs are partnerships between a local authority and a defined local business community to develop projects and services that benefit the trading environment and which align with the local authority's objectives. They are supported by targeted rates, levied on and collected from non-residential properties within defined boundaries.

The Council's June 2025 Policy sets out how BIDs are to be established, dissolved, or boundaries amended. This includes running a poll of registered voters (commercial ratepayers) for the BID,

"It is a goal of the BID poll to achieve a 25% voting return from the eligible voters for that poll; and with the majority of those votes to be in favour of the proposition. (This majority must be by number of eligible voters voting in the poll, and those voting in favour must also represent the majority of rating valuation of those voting). This ensures that the vote has a high level of participation and has majority support by both larger and smaller entities within the district.

"The higher the level of the voting return achieved by the poll, the greater the level of assurance for the Council in any decision to support, or not support, a targeted rate."⁴³

9.8 Statutory Framework

We recommend comprehensive legislative reform through a Local Government (Spending and Accountability) Amendment Bill rather than voluntary improvements to existing policies:

⁴² The New Zealand Initiative (2023), *Funding the Future: The case for special purpose bonds*.

⁴³ Wellington City Council (June 2025), *Wellington City Business Improvement District Policy*, <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/plans-and-policies/a-to-z/bidpolicy/bidpolicy.pdf?la=en&hash=76F82B12D61AD40659D072BD8247749AA52BBB02>

- **Clear Legal Authority:** Statutory requirements that cannot be ignored or circumvented by councils, unlike current discretionary significance and engagement Policies.
- **Uniform Standards:** Consistent thresholds and processes across all councils, preventing the current postcode lottery of democratic accountability.
- **Enforcement Mechanisms:** Legal remedies for ratepayers when councils breach referendum requirements, including judicial review and potential central government intervention.
- **Implementation Timeline:** Staged implementation over 2-3 years to allow councils to adapt systems and processes.

9.9 Information and Campaign Standards

To address concerns about voter competence and information quality, we recommend statutory requirements for referendum campaigns:

- **Independent Technical Reviews:** Mandatory independent assessment of project costs, benefits, and alternatives, presented in accessible formats alongside campaign materials.
- **Balanced Information:** Council-funded neutral information campaigns presenting both supporting and opposing arguments, similar to Electoral Commission practices for constitutional referendums.
- **Disclosure Requirements:** Full disclosure of project costs, funding sources, ongoing operational expenses, and alternative options considered.
- **Campaign Finance Limits:** Spending limits on advocacy campaigns to prevent wealthy interests from dominating debates.

This framework would balance democratic participation with practical governance needs, drawing on both international best practice and lessons from New Zealand's experiences. It provides clear, enforceable standards while maintaining local flexibility within democratic boundaries.

10. Strategic Considerations

10.1 *Technical Expertise versus Democratic Input*

A critical tension exists between professional advice and popular opinion in local government decisions. Complex projects often require technical knowledge that may not be readily accessible to voters in referendum campaigns.

Effective referendum design could bridge this gap through independent technical reviews, citizen juries for complex projects, staged approval processes (concept first, detailed design later), and mandatory disclosure of professional advice alongside referendum materials. The goal should be informed democracy.

10.2 *Infrastructure Investment and Long-term Planning*

Perhaps the most significant concern about spending referendums is their potential impact on essential infrastructure investment. New Zealand faces substantial infrastructure deficits that require sustained investment over decades.

Referendum frameworks should distinguish between different types of spending: essential network infrastructure (water, transport, waste) warrants different treatment than discretionary facilities (stadiums, convention centres, etc.). Time-limited exemptions for infrastructure

programmes identified in long-term plans could preserve strategic planning while maintaining democratic oversight for major deviations.

Our proposal excludes essential network infrastructure from referendums,

10.3 Regional Coordination and Cross-boundary Projects

Some significant projects span multiple council boundaries or require regional coordination (for example, regional stadiums or museums). Referendum mechanisms designed for single councils may poorly serve regional needs.

Solutions might include regional referendum authorities for multi-council projects, weighted voting systems reflecting different councils' contributions, or central government coordination of referendums for projects of national significance. The key is ensuring democratic input without fragmenting essential regional planning.

11. How Referendums Might Work in Practice

To illustrate how spending referendums might operate across different types of local government projects, we present four enhanced hypothetical case studies. These demonstrate the application of referendum mechanisms at varying levels of scale and community impact.

11.1 Coastal Seawall — Localised Targeted Rate Referendum

In the coastal settlement of Moa Bay, severe erosion threatens 12 beachfront properties. In response to concern from the affected property owners, the local district council proposes constructing a \$2 million seawall. The project would be financed by a loan taken out by the council, with funding to come from a targeted rate averaging \$167,000 per affected property over 10 years.

Referendum trigger: The Local Government (Spending and Accountability) Amendment Act's threshold is \$500 per affected property, so this proposal automatically triggers a referendum limited to those bearing the cost.

Process: The affected ratepayers receive detailed engineering reports, cost-benefit analyses, and alternative options (including managed retreat). A binding referendum is held with 92% turnout, resulting in 10 of 12 votes (83%) in favour.

Outcome: The project proceeds with strong democratic legitimacy. The high cost per property is accepted by those directly bearing it, while the broader community avoids subsidising private coastal protection.

Key insight: Targeted referendums ensure those paying for benefits can make informed trade-offs about costs versus alternatives.

11.2 Suburban Swimming Pool — Community-Level Non-Core Facility

In the suburb of KIWITOWN (population 20,000 with 9,000 rateable properties within Takahē City), the city council proposes a \$12 million aquatic centre. The facility would serve primarily the suburb, funded through a targeted rate adding \$275 annually per property in the catchment area.

Referendum trigger: The Local Government (Spending and Accountability) Amendment Act's threshold is \$500 per rateable property, which is a project cost of \$4.5 million.

Process: A six-week campaign includes public meetings, facility tours of comparable centres, and independent cost estimates. The binding referendum achieves 45% turnout with 61% opposition.

Outcome: The council could respond by revising the project scope to a \$4 million outdoor swimming pool (below the referendum threshold demonstrating responsiveness to community feedback while preserving core objectives).

Alternatively, it could decide that the pool would charge a differential entry fee for those who live in properties levied to build it compared to those who live outside the catchment area. This would then be tested by a further referendum.

Key insight: A failed referendum can create political pressure for councils to modify unpopular proposals rather than override clear public opposition.

11.3 City Museum — Metropolitan-Wide Civic Project

Kakapo City Council (population 400,000, with 180,000 rateable properties and \$1 billion operating expenditure) proposes a \$180 million museum and cultural centre intended to elevate the city's profile and attract tourism. Funding would come from general rates plus external grants and sponsorship.

Referendum trigger: The Local Government (Spending and Accountability) Amendment Act mandates city-wide referendums for capital projects exceeding \$500 per rateable property or more than a 5% of annual operating expenses (and 2% recurring expenses).

Process: An extensive 10-week campaign includes architectural exhibitions, economic impact studies, and public debates. The binding referendum achieves 52% turnout citywide, with the project gaining 61% support.

Outcome: The referendum provides a clear mandate to proceed, with the turnout threshold and 60% super-majority both achieved. Post-referendum polling shows that even many who voted against the museum accept the result as democratically legitimate, reducing ongoing political controversy.

Key insight: Binding referendums for major civic investments can resolve contentious debates and provide political cover for significant spending decisions.

11.4 Regional Stadium — Multi-Council Infrastructure Project

Four councils in the Tui Region jointly propose a \$380 million covered regional stadium, with contributions ranging from \$40-120 million per council based on population and expected usage patterns.

Referendum trigger: Under the Local Government (Spending and Accountability) Amendment Act's each council holds its own referendum using harmonised questions and timing.

Process: Councils coordinate campaign materials and independent economic analysis. Three councils achieve super-majority support (60-65%), but Kea District votes narrowly against (48-52%).

Outcome: The cost-sharing formula is revised to reduce Kea's contribution from \$45 million to \$25 million, with cost savings identified and other sources of funding found from the private sector. A second referendum in Kea the following year achieves 60% support.

Key insight: Regional projects require flexible approaches to referendum design, with mechanisms for renegotiation when initial proposals lack universal support.

Additional practical lessons from these scenarios:

- **Information quality matters:** Successful referendums require neutral, comprehensive information about costs, benefits, and alternatives
- **Timing considerations:** Complex projects may need staged referendums (concept approval, then detailed design approval)
- **Threshold effects:** Setting appropriate thresholds prevents minor projects from triggering expensive referendum processes while catching major spending decisions
- **Franchise design:** Targeted rate projects work well with affected-ratepayer-only votes, while general rate projects need broader franchise consideration

12. Conclusion

Infrastructure pressures are mounting and public trust in councils continues to be tested, putting both councils and their ratepayers under increasing pressure. A better system for democratic approval of large, non-core council spending could enhance accountability, encourage community buy-in, and restore public faith in local government decision-making.

Drawing from both international best practice and New Zealand's experiences, the time is right to establish a clear, proportionate, and effective referendum framework, one that respects the principles of representative democracy while giving citizens a greater voice over the big-ticket items that shape their communities.

The case for transformational reform is compelling. Switzerland's spending reduction through mandatory referendums demonstrates fiscal effectiveness, while New Zealand's ad hoc approach through Significance and Engagement Policies lacks both consistency and enforceability. With the Government keen to encourage councils to rein in non-core spending and large rates increases and with local elections looming, the political opportunity exists to implement comprehensive reform.

We recommend immediate legislative action to establish binding referendum requirements for major non-core spending, proportional thresholds that work across diverse council sizes, and clear statutory processes that provide certainty for both councils and communities. The alternative, continued ad hoc approaches and rising rates without democratic accountability, serves neither good governance nor community interests.

13. ABOUT THE LOCAL GOVERNMENT BUSINESS FORUM

The Forum was established in 1994 to promote greater efficiency in local government and to contribute to debate on policy issues affecting it.

As well as being significant representatives of ratepayers, Forum members are motivated to advance community and ratepayer wellbeing through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient and effective provision of public goods at a local level.

The Forum's members comprise national business organisations with vital interests in the activities of local government and central government policies and legislation influencing the role of local government, its funding and structure, and resource and environmental policies.

Members include Business New Zealand, Federated Farmers of New Zealand, Infrastructure New Zealand, New Zealand Forest Owners' Association, The New Zealand Initiative, New Zealand Chambers of Commerce, and Retirement Villages Association of New Zealand.

More information on the Forum can be accessed from its website:

<https://www.localgovtforum.org.nz/>

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