



# **REALISING THE POTENTIAL OF THE COMMUNITY OUTCOMES PROCESS**

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**A report prepared for a Consortium  
led by Local Government New Zealand**

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by  
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# Contents

	<b>Page</b>
1. Introduction .....	1
2. What We Did .....	5
3. Context .....	7
Changing International Practice .....	7
Changing Views of the Region/Locality .....	7
Governance Changes .....	10
The Government's Apparent Intention .....	18
Outcomes In A Public Management Context.....	22
Audit Office .....	23
4. Legislation .....	25
5. The Government's Role.....	31
DIA.....	31
Department .....	32
Activities .....	32
Tertiary Education.....	34
Social Development.....	34
Community Development.....	36
Regional Economic Development.....	37
Ageing Policy.....	40
Some Cautionary Comments .....	40
6. Local Authority Practice .....	42
7. Regional Versus Local.....	46
International Experience .....	46
England .....	46
The European Union: Subsidiarity.....	47
Addressing the Three Questions .....	49
What Approach Should be Used to Determine What Outcomes are Described at a Regional Level and What Outcomes are Described as a City/District Level? .....	49
What approach should be used to determine what outcomes are primarily contributed to by regional councils, city/district councils, central government and the community sector respectively? .....	53
What approach should be taken by regional councils and city/district councils respectively concerning engaging with central government on community outcome identification and monitoring processes? .....	55
Good Practice Suggestions .....	56
8. From Consultation to Strategic Planning.....	58
The Community As A Planning Entity .....	62
Preconditions .....	63
Stakeholders .....	66
Business.....	67
The Voluntary/Community Sector .....	68
Central Government .....	69
Tangata Whenua .....	70
"Public" Trusts .....	71
Incentives for Engagement.....	72

Economic Development.....	73
Health .....	74
Ageing .....	74
Other Possibilities.....	75
Generally .....	75
Conclusion .....	75
APPENDIX 2: Extracts from Regional Partnerships Programme Review .....	76

Appendix 1: Case Studies of three Australian Councils

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## 1. Introduction

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This report has its origins in a proposal prepared by McKinlay Douglas Limited (MDL) for Local Government New Zealand in April 2004.

That proposal had a number of themes including the potential of the community outcomes process, the changing role of central government in working with local government, the growing emphasis internationally on the region/locality as the focal point for the planning and delivery of significant services, and the challenge of bringing about major organisational change.

Drawing on work that had reviewed experience with developing the first round of long term council community plans (LTCCPs) the proposal argued the case for a project that would explore the potential of the community outcomes process as community based strategic planning.

The outputs were to include a report incorporating:

- A proposed template for the use of the community outcomes process as the basis for community strategic planning.
- Suggested processes/strategies for identifying and engaging the “other organisations and groups” whose involvement was contemplated by the legislation.

The project has been undertaken in a quite rapidly changing environment. First, central government itself has been firming up on the role of the outcomes process as a tool for promoting central government/local government collaboration (and for that matter collaboration amongst central government agencies that themselves deliver services at a local or regional level).

Next, many councils have themselves been focused on how best to work with the community outcomes process and to use it strategically.

All this has taken place in an environment in which there is a growing awareness that the outcomes process is not just another planning tool, or means of compliance, designed to increase local government’s accountability to its communities, or the quality of financial and asset management.

Rather, there is a growing awareness that, almost uniquely amongst the many changes that have taken place in local government legislation since 1989, the community outcomes process represents a genuine opportunity for a qualitative shift in the way New Zealand’s communities are governed.

As one example, we have found through the project a realisation that the kind of collaboration – of strategic partnerships – that the community outcomes process can enable should result in a marked improvement in the prospects for economic growth. The logic is not hard to find. At the heart of the community outcomes process is better collaboration/co-operation in the use of the community’s resources, and those resources

deployed within the community by outside stakeholders (for example government agencies). It is not necessary to look very far to see the extent to which under-utilisation of resources, frictions within local systems, and quite often simple ignorance of the potential that different stakeholders have to work together can be seen to have held back economic and, for that matter, social development.

This has given the project a very particular flavour. Although, of necessity, it is partly concerned with the intricacies of legislation and means of compliance, its major focus is on the very real opportunities that exist and how best to realise them.

The lead client for the project was Local Government New Zealand. Co-funding partners included Environment Bay of Plenty, Kapiti Coast, Kaipara, New Plymouth, Rodney and Wanganui District Councils, the Department of Internal Affairs, the Ministry of Culture and Heritage, the Ministry for the Environment, the Ministry of Economic Development, the Ministry of Social Development and Te Puni Kokiri.

The project was supervised by an overview committee chaired by Peter Tennent, the mayor of New Plymouth District Council, and including representatives of the Rodney District Council, the Office of the Auditor General, the Department of Prime Minister and Cabinet, the Department of Internal Affairs and the New Zealand Chambers of Commerce and Industry.

The overview committee, both as a body, and as individuals, played an important role in the development of the report acting as a sounding board, a source of ideas and an important part of the project's quality assurance processes.

As well as considering the terms of the legislation and current practice, the project has placed a considerable emphasis on putting the new legislation in context including:

- Developments in local government legislation since 1989, including the growing emphasis on robust long term planning.
- Changes in New Zealand government policy and practice.
- International experience – this has included quite extensive scoping of international research and practice, drawing on the closest statutory parallel to the New Zealand community outcomes process, community planning and the associated requirement for local strategic partnerships in England and Wales. It has also drawn extensively on Australian experience, including consultations in Australia with the UTS Centre for Local Government and three Sydney based local authorities recognised for their innovative approach to community planning, the Cities of Penrith, Blue Mountains and Waverley.
- The methodology has also included a quite highly interactive approach, with extensive exchanges between the project team, local authorities (both the co-funders and selected non-funders) and with a range of government agencies and national organisations representative of both the voluntary/community sector and the business sector.
- The potential for the outcomes process as a means for reflecting the aspirations of Iwi.

The opportunity to consider practice in different jurisdictions has helped sharpen the focus on both the nature and the importance of community based strategic planning.

The three principal jurisdictions considered, England and Wales, Australia (especially New South Wales) and New Zealand each have quite different statutory frameworks but each, in terms of practice, seems to be gravitating towards a broadly similar approach and a growing recognition of the pivotal role of community based strategic planning not just as a means of identifying the community's preferences but, crucially, the appropriate means for enabling the delivery of what the community seeks (within resource constraints and the particular circumstances of each community).

In England and Wales, the development of a community plan is a statutory obligation. The means for doing so are quite tightly prescribed through directions from the Secretary of State for local government.

In Australia, there is no statutory requirement for the development of a strategic plan but there are a number of specific planning requirements. New South Wales councils have statutory obligations to prepare an environmental plan and a separate social/community plan. Despite the lack of any statutory obligation, a number of councils have adopted community based strategic planning as the principal focus for the way the council conducts its own business, relates to its communities, and represents the interests of its communities to other stakeholders, both government and non government.

In New Zealand, as we shall see, views differ on whether the community outcomes process is intended to be strategic planning. Feedback in the course of this project has ranged from a comment from one central government official, now strongly supportive of the project, who, when it was first being considered thought it was totally unnecessary because it was so clear that the legislation required strategic planning, to a local authority chief executive who is adamant that "I cannot support your view that there are sufficient indications in the legislation to make it clear that the intention is to establish a strategic planning process. I believe that the circumstances and environment in which the legislation was promulgated would indicate a different direction".

Regardless of the starting point, what now seems to be happening is that at least some councils are now recognising that if any sense is to be made of community outcomes, then a strategic planning process is essential – without it, there is no means of determining what should be done, by whom or how to achieve the desired outcomes.

Another factor is also at work. There is a growing recognition that strategic planning is virtually a pre-requisite for those councils (communities) that want to improve access to or use of resources controlled by others (government or non government), or who want a better sense of direction for their community.

Against that background, the emphasis in this report is not just on a technical analysis of the legislation and surrounding context as making the case for community outcomes as enabling community based strategic planning. It also considers how to make this option an attractive interpretation of the legislation, recognising that if community based strategic planning is to become an effective reality, it will be because those who need to make it happen – local government, central government, other stakeholders and the community at large – are likeliest to do so if they can see genuine benefits from it.

The rest of this report covers the following matters:

- What we did – an overview of the research, consultation and analysis we undertook in preparing the report.
- Context – emerging international practice in local authority led strategic planning, the intention behind the legislation (what was government seeking to achieve), outcomes in a public management context, and Audit Office concerns regarding quality of information.
- The legislation – an analysis of the community outcomes and related provisions of LGA 2002 from a strategic planning perspective.
- The government role – how is central government as an entity, and government agencies as instrumentalities, responding to and seeking to work with the legislation.
- Local authority practice – what can be learnt from the first round of long term council community plans (LTCCPs) and the steps local authorities undertook to identify community outcomes in the lead up to preparing those LTCCPs.
- Regional versus local – a reflection on the fact that LGA 2002 requires both regional councils and territorial local authorities to identify community outcomes.
- From consultation to strategic planning. This is the substantive part of the report, considering both the potential for community based strategic planning and providing some recommendations for enabling that process.

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## 2. What We Did

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Our approach to this project recognised that both the significance and the role of the community outcomes process could only be assessed by placing it in context including:

- Changing understandings, internationally, of the role of local government and local governance.
- The series of reforms that had taken place within New Zealand local government since 1989.
- Central government's own objectives.

Accordingly, we took a broad approach to placing the community outcomes process in context which included:

- Using the Internet to identify current trends and research on the changing role of local government and local governance.
- Reviewing developments in local government jurisdictions with similarities to New Zealand, primarily England and Wales, and Australia. For England and Wales, we relied on Internet searching. For Australia, we supplemented this with discussions with key local government figures and a visit to Sydney for discussions with the UTS Centre of Local Government (whose director has played a central role in the development of local government based strategic planning since the original Integrated Local Area Planning (ILAP) initiative of the early 1990s discussed below) and with three different councils recognised for the innovative nature of their work on community based strategic planning.
- Reviewing the background to the current legislation including ministerial statements, discussions with officials and others who had been involved with the drafting of LGA 2002, analysis of currently evolving government policy on engagement with local government and a series of meetings and other exchanges with officials from individual government departments and entities themselves considering how best to work with local government in the context of the new provisions.

In addition to this, we reviewed emerging practice. This included considering the experience of individual councils in developing their first LTCCPs – what they did under the transitional provisions of the legislation to identify community outcomes. Sources included a report prepared for Local Government New Zealand, a sample of LTCCPs and entries in the SOLGM/New Zealand Post management awards, as well as meetings with the councils involved in co-funding the project and quite extensive discussions and other exchanges with them.

Crucially, we also analysed the relevant provisions of LGA 2002 seeking to consider what the legislation required of local authorities. This included consideration of advice on the community outcomes process contained in the KNOWHOW Guide to Decision-Making Under the Local Government Act 2002.

The work on the project was significantly assisted by input from the overview committee, both as a body and as individuals and by an intensive and ongoing series of exchanges with Local Government New Zealand and selected central government officials.

The project also benefited from discussions and meetings with a number of national level stakeholders including the Federation of Voluntary Welfare Organisations, the New Zealand Council of Social Services and a number of organisations representing the business community.

Finally, the work on the project was also assisted by discussions with people involved in the management of a number of Iwi based organisations. This provided a particularly useful perspective on the potential for the community outcomes process as a means for engagement between local government and Tangata Whenua.

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### 3. Context

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#### **CHANGING INTERNATIONAL PRACTICE**

##### **CHANGING VIEWS OF THE REGION/LOCALITY**

The past decade has seen a re-appraisal of the role of the region/locality in achieving the objectives of public policy, whether it is concerned with economic development or with the delivery of major social services.

Commentators, researchers, policy advisors and politicians have all recognised that conventional centrally determined top down policies will lack one vital dimension; the capacity to adapt to local conditions and integrate with local networks, knowledge and understandings.

One of the leading proponents of the case for a greater and different role for the region/locality has been the Organisation for Economic Co-operation and Development. Its 2001 publication ***Cities and Regions in the New Learning Economy*** is representatives of the new emphasis.

The following two paragraphs encapsulate both the argument, and the new challenges which the argument confronts; most importantly both the difficulty of generalising from the experience of individual regions, and the need to maintain a measure of equity in the support provided to different regions:

"More fundamentally, the sort of analysis which has been elaborated earlier with respect to regional systems of innovation and "learning regions" provides an intellectual basis for the development of particular forms of sub-national intervention. Specifically, emphasis has been placed upon regional capabilities for innovation precisely because of the potential resources provided by territorially embedded knowledge and the shared norms and values which permit effective organisational (and individual) learning (Maskell and Malmberg, 1999). Hence, the geographical areas in which learning is most effectively organised are not national states, but rather regions. It should be noted, however, that this analysis creates a paradox for policy makers. On the one hand, it suggests that localised learning policies are required. On the other, it shows that such localised learning policies cannot readily be transposed from one region to another, because not only are regions located within different national systems, but also such learning policies derive their efficacy precisely from the specificities of their regional context. Equally, of course, an appropriate balance needs to be drawn between meeting needs defined in terms specific to the region and fulfilling wider obligations to achieve equity between individual citizens living in different regions. In short, then, effective *policy learning* in this context requires the judicious application of general policy principles to the particular social and economic circumstances that characterise individual regions.

"It has also been suggested that the most effective strategies for realising the potential of localised learning policies are those based upon collaboration and consensus between organisations, including the state and its agencies (for example, Morgan *et al.*, 1999). The development of strategies based upon *partnerships* between the public and private sectors reflect this in concrete terms. More ambitiously, public-private *networks* of organisations, characterised by a greater intensity and higher quality of interaction (where good stocks of social capital may play a significant part), may provide a more effective framework within which to develop effective strategies. It has also been argued that such systems of "networked governance" require democratic legitimisation through some form of electoral representation at the regional or more local level, thereby ensuring that the social exclusion of particular groups is minimised (Amin and Thrift, 1995)."

More recently, the OECD has been undertaking significant work on issues such as devolution, deconcentration and the development of local partnerships between different levels of government and between the public and private (including community/voluntary) sectors.

Included in the work is an argument for what Mario Pezzini, head of the OECD's Territorial Reviews and Governance Division, refers to as "an ongoing change of perspective in territorial policies, more focused on the competitiveness of places, than on ensuring a traditional support to sectors or income redistribution".

In a 2003 paper ***Main Trends and Policy Challenges in OECD Regions: Metropolitan Regions in a Global Context***, Mr Pezzini argues the case for designing and implementing a governance reform in these terms:

"Across OECD there is a wide variety of institutional arrangements depending on the size, the geography, the institutional architecture of countries. Still a common feature that emerges from the first reviews is that local and regional governments have been brought more strongly into the picture. In several countries a number of responsibilities have been transferred to the regional and local level. Together with the empowerment of local communities, devolution is often multiplying the number of actors and contributing to recognise the complexity of regional and local systems. In many European countries there are up to five levels of government and one should add to them the private sector, unions, trade associations, NGOs and the various partnerships. Increasing the level of institutional fragmentation also increases the need for governing structures to establish new forms of co-operation. At the same time, local institutions become more aware that the production of public goods and services can benefit from economies of scale and scope and that many of the externalities produced have an impact beyond the local context.

"Local and regional policy-makers are increasingly invested with new mandates (policy design for economic development, regional planning, design and provision of producers' services) and have to cope with a wide range of issues. In particular, a capacity spending more inspired by subsidiarity principles, the reduction of the fiscal gap and a better matching of responsibilities, powers and resources, as well as an appropriate place based fiscal equalisation mechanism. However, decentralisation does not so much transfer responsibility away from the national

government as alter its responsibilities and require *Governance reforms*. Most of the knowledge needed to devise and to deliver local or locally relevant public goods is dispersed among many different local and national agents. This asymmetrical distribution of information and knowledge requires a high degree of co-ordination among administrations and improved co-operation between public and private bodies in policy design and implementation. Thus, the capacity to involve all relevant actors affects the impact of policies. In other terms, good governance is not only a matter of *efficient* use of resources. It contributes to *effective* policies too, including *in particular* territorial development policies. Questions about *what* policies should be adopted cannot be answered without addressing at the same time questions about *who* should design and implement these policies and *how*.

"Traditional policy-making is less and less capable to cope with the complexity of regional and local systems. Instead of pulling together all relevant actors so to share as much as possible the knowledge they have, the traditional methods assumes that everything is transparent, that policy-makers can decide in isolation, and that public officials in central administrations can implement decisions through hierarchical communication and rigid command. In this context, if something does not work, it is explained by general arguments against the public sector or about the heavy burden of bureaucracy, rather than by the need to design a new policy approach. The multi-level governance resulting from the process of decentralisation requires relations among actors less based on the old command/control approach, which for several reasons has revealed itself ineffective for regional development, and more oriented by vertical and/or horizontal co-operation. This could bring to produce new tools such as contracts, incentives (as in the so-called *new public management approach*) as well as enhanced vertical and horizontal partnership across level of governments. That in turn gives emphasis to increasing use of programme monitoring and evaluation procedures, both as a control and a learning mechanism. But it also implies efforts to improve central co-ordination of a wide range of policies through institutional arrangements for inter-departmental and inter-ministerial co-ordination, including 'policy proofing' to ensure that all such policies contribute to the over-arching goals, and that actual or potential conflicts are minimised."

In Canada, the Canada-West Foundation, a largely private sector funded think tank specialising in issues of regional economic development for Western Canada, has undertaken considerable work on the changing role of the city and the city-region as the consequence of globalisation. A 2001 paper ***Glocalism: The Growing Importance of Local Space in the Global Environment***, makes the case that with the impact of globalisation, citizens will place increased importance on local communities both as the place with which they identify, and as the locus for determining the services they seek. The following paragraphs set out the essence of the argument:

"Globalisation has a seemingly paradoxical impact on local space, and particularly on the local space occupied by major urban centres. At the same time that it orients individuals more and more to a transcendent global community and economy, globalisation also enhances the importance of local communities. The simultaneous emphasis on the global and local space is not coincidental for the growing importance of locality is in many ways a response to globalisation.

"Linkages among cities despite great geographic distance is an important aspect of globalisation, and the fact that cities are maintaining and promoting these linkages serves as one indication of the penetration of globalisation in Canada. As individuals participate in international economic flows, instantaneous global communication and increased global networks, they shrink the gap between the global and local spaces such that we now live in an era of 'localised globalism.'

"The complexity and uncertainty of engaging in a globalized environment increases the importance of a local place where individuals can find consistency and where they can have some direct involvement in shaping the economic, political and social events in their community. Thus, as the processes of globalisation deepen, intensify and strengthen, individuals will become more attached to the security and certainty of the local versus the uncertain and rapidly changing globalized world. However, this does not mean that local and global orientations are alternatives. Rather, they are two faces of the same glocalism coin, joint products of globalisation."

In essence, two separate things are happening. There is a growing recognition that the complexity associated with addressing significant economic, social, cultural and environmental needs argues against "one size fits all" policies or strategies developed at the centre and applied regionally or locally. Instead, although the centre can set general principles (and typically controls the resources required, especially through the tax system), the delivery and development of effective public policy interventions requires a partnership approach which can work with local and regional networks and tap into local knowledge. Typically this requires partnerships involving both the centre and the local, and both public and private.

The second factor is that, as economies and societies become increasingly integrated through globalisation, people are more and more looking to the community within which they live (the region or locality) as the place with which they identify, and the level at which decisions on matters that determine the direction of the community should be taken.

## **GOVERNANCE CHANGES**

These trends are being reflected in changes in the nature of governance itself as governments, at both a central and a local level, review the appropriateness of traditional approaches to meeting the needs of their citizens.

A number of countries have instituted formal or informal changes in governance to reflect the growing emphasis on the region/locality. In this part of the report we consider the two jurisdictions normally regarded as most similar to New Zealand in their arrangements for local government; England and Wales, and Australia.

In recent years, the United Kingdom has placed an increasing emphasis on both devolution and decentralisation (sometimes termed deconcentration – the practice of distributing authority for central government decisions from the centre itself to regional or local representatives of the centre).

Several years ago, the UK government started this process by the creation of the Scottish and Welsh assemblies – the former with very substantial powers for legislation in respect of Scotland; the latter with rather more limited powers in respect of Wales.

Following those two significant changes, the government has been moving towards a more regionally based governance structure for England itself beginning with the creation of nine Regional Development Agencies (RDAs) in 1998. These have a responsibility for creating and implementing regional development strategies and are supported by regional assemblies comprising, for the majority, representatives of local governments within the RDA's area.

More recently, the government has been experimenting with the concept of Elected Regional Assemblies. Currently this may be in some difficulty following the rejection, in a November 2004 referendum, of a proposal for an East of England regional assembly (of nearly 900,000 people voting, approximately 700,000 were opposed).

Of more importance for our purpose are recent reforms in English (and Welsh) local government law and practice. The Local Government Act 2000 includes statutory power for local authorities "to do anything which they consider is likely to achieve any one or more of the following objects-

- (a) the promotion or improvement of the economic wellbeing of their area, and
- (b) the promotion or improvement of the social wellbeing of their area, and
- (c) the promotion or improvement of the environmental wellbeing of their area."

The power is subject to constraints including<sup>1</sup> powers for central government to intervene to proscribe certain activities. The Act also includes a requirement that "every local authority must prepare a strategy (referred to in this section as a community strategy) for promoting or improving the economic, social and environmental wellbeing of their area and contributing to the achievement of sustainable development in the United Kingdom. In preparing or modifying their community strategy, a local authority must consult and seek the participation of such persons as they consider appropriate and must have regard to any guidance for the time being issued by the Secretary of State" (the relevant statutory provisions are set out in the appendix).

The Secretary of State issued ***Preparing Community Strategies: Government Guidance to Local Authorities*** in 2001. That document set out the following statement of the objectives of the community strategy and the components it must include:

"If this aim is to be realised, a community strategy will have to meet four objectives. It must:

- allow local communities (based upon geography and/or interest) to articulate their aspirations, needs and priorities;
- co-ordinate the actions of the council, and of the public, private, voluntary and community organisations that operate locally;
- focus and shape existing and future activity of those organisations so that they effectively meet community needs and aspirations; and

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<sup>1</sup> Reflecting standard practice in the United Kingdom.

- contribute to the achievement of sustainable development both locally and more widely, with local goals and priorities relating, where appropriate, to regional, national and even global aims.

"A community strategy must have four key components:

- a long-term vision for the area focusing on the outcomes that are to be achieved;
- an action plan identifying shorter-term priorities and activities that will contribute to the achievement of long-term outcomes;
- a shared commitment to implement the action plan and proposals for doing so;
- arrangements for monitoring the implementation of the action plan, for periodically reviewing the community strategy, and for reporting progress to local communities."

The guidance document places the development of local strategic partnerships in context, and provides guidance on coverage:

"The urban white paper places great emphasis on the importance of local strategic partnerships developing community strategies in order to achieve the government's vision of an "urban renaissance"; effective partnerships including local government, all service providers, local businesses, the voluntary sector and the full range of community groups are key to the government's strategy to deliver better towns and cities. Community strategies present an opportunity to build on success as well as to tackle failing urban areas; local people in all towns and cities need to act positively to take control their future in a changing world."

Consistent with that, the guidance document contemplates involvement of a wide range of organisations:

- "... an effective community strategy would need to involve the key public sector organisations that operate at the local level and control the majority of the resources going into the local area".
- "Business must be fully involved in the community planning process. The private sector is a significant user and supplier of local services as well as a key provider of local employment. Business activity contributes both directly and indirectly to the quality of life of local communities".
- "The voluntary and community sectors also have an important role to play in improving the quality of life for local communities.... Specific efforts should be made to involve representatives from under-represented groups such as ethnic minorities, women, faith communities, older people, young people and children, and disabled people".
- "The involvement of local people is central to the effective development and implementation of community strategies, and key to change in the longer term".

The guidance document does recognise that not everything can be done at once. Thus it states:

- "A community strategy cannot realistically attempt to cover every issue that may be relevant to a local community"; and

- "In order to meet long-term outcomes, community strategy partners will have to establish shorter-term priorities for action. Inevitably, different local communities will have different priorities. The community planning process should provide a forum in which differences of view can be properly articulated. As the democratically elected bodies in the local strategic partnership, councils will play a strong role in mediating between different interests, resolving conflict where possible and helping the partnership to make decisions about priorities".

The guidance document can, especially with hindsight, be seen as somewhat idealistic. The expectation that it would be possible, within a local authority district, to bring together all of the key stakeholders across the public sector, business and the voluntary/community sector and agree a strategic plan for the district could be seen as somewhat ambitious.

One factor in this is that, in practice, the guidance from the UK government for the establishment of local strategic partnerships, and the preparation of community plans, is somewhat inflexible; although it makes some gesture towards establishing priorities, there appears to have been quite a widespread expectation of broad based plans.

In this respect, the process is somewhat different from the New Zealand legislation with its greater recognition of the importance of giving communities discretion in terms of the process they adopt and explicitly recognising, in statute, the importance of establishing priorities.

In May 2004 the Office of the Deputy Prime Minister (the responsible department for local government) issued ***LSP Evaluation and Action Research Programme: Case-studies Interim Report: A Base Line of Practice.***

This document was the first evaluation of experience with establishing local strategic partnerships and developing community plans. In essence, it paints a picture of a much more complicated environment than had been anticipated. The complexities are relevant for outcomes planning at a community level within New Zealand. Problems included:

- Ambivalence and uncertainty about the role of the local authority – both on the part of many councils and of other partners within the strategic partnership.
- Lack of effective co-ordination/collaboration amongst central government agencies exacerbated by different regional/local boundaries and "silo" funding.
- With a number of local authorities, the lack of the resources and expertise required for effective community strategic planning.
- Lack of resources, and sometimes lack of commitment, on the part of other partners – especially from business and the voluntary/community sector.
- Difficulties occasioned by what was often seen as the overly prescriptive nature of central government guidelines.
- Frequently a failure on the part of organisations designating someone to attend meetings of the local strategic partnership to give them a mandate that would enable them to be a decision maker rather than simply a reporter.
- Failure to recognise the importance of ensuring consistency in representation – that the same person/people attends meetings on a regular basis, an essential part of building up trust and institutional knowledge.

In many respects, these difficulties can be seen as inevitable when implementing a new and quite significant organisational initiative. In a parallel with the New Zealand government's interest in working more closely with localities and regions, there is a recognition that a shift to working through a community strategic plan requires central government agencies (both departmental and non-departmental public bodies – the UK equivalent of Crown entities) to find new ways of working and to be prepared to devolve significant decision making authority to their representatives within local strategic partnerships.

What has been happening in England and Wales is consistent with the long standing tradition of central government direction (some would say micro-management) of local government, with virtually all significant local government activity being subject to detailed direction from the centre.

A contrasting example can be found in Australian local government, particularly in New South Wales (the main state considered in the preparation of this report).

The Australian experience contrasts with that in England and Wales as there is no equivalent statutory obligation for Australian local authorities to undertake community based strategic planning (although there are, as we shall see, some requirements for planning that extends beyond the core services of the local authority).

Instead, since the early 1990s, there has been evolving within parts of Australian local government a commitment to community based strategic planning as part of what the local authority should be doing in the interests of its community.

The first substantive development was an initiative led by the Australian Local Government Association which resulted, in 1993, in the publication of ***A Guide to Integrated Local Area Planning*** (ILAP). The guide describes ILAP in the following terms:

"ILAP is a path to better local area government. It offers a systematic approach to improving the overall wellbeing of communities, based on proper consideration of all relevant aspects of development, environmental quality and service provision.

"ILAP is concerned not only with achieving more broadly-based planning, but also more effective ongoing management of activities. It thus seeks to balance 'top down' policy-driven approaches often adopted by state and commonwealth governments, with a greater emphasis on single 'bottom up' implementation-driven processes."

The original vision for ILAP was as a genuinely integrated "whole of community" approach to planning which could serve as a preferred means of bringing together commonwealth, state and local governments and other key stakeholders such as the business and voluntary/community sectors.

The guide itself can be seen as an enlightened understanding of what would be needed to make such an approach work, including the adoption of a set of principles which were seen as essential if the full benefits of integrated approach were to be achieved. The stated principles were:

- Local areas and communities differ, and more emphasis should be placed on devising appropriate responses to distinctive local circumstances and needs.
- We should take a holistic view of local areas, linking related physical, environmental, economic, social and cultural issues, rather than treating them separately.
- We need a shared understanding of key issues amongst all those concerned with the well-being of local communities, and, as far as possible, a shared vision of desired futures.
- Related activities of different departments, organisations and spheres of government should be co-ordinated in order to address key issues and achieve desired futures.
- More efficient and effective use of available resources is essential, and unnecessary gaps or duplication between government programs should be eliminated.
- Community involvement in planning and management processes should be increased.
- Local government has a mandate to play a leading role in implementing these principles.

Recognising the diverse situations which integration might need to address, the guide stressed that integration may be required between:

- Departments or programs within a single council.
- Councils within a region.
- Agencies or programs within state or commonwealth governments.
- Spheres of government.
- Government and the community or private sectors.
- Organisations within the community or private sectors.

Despite (or perhaps because of) the visionary approach of ILAP, it was not widely adopted. A principal reason was the consequence of commonwealth government funding to assist with ILAP's implementation. Normally major projects undertaken by the Australian Local Government Association were overseen by a standing committee made up of elected members and local government officials drawn from the various states. With the provision of reasonably significant commonwealth government funding (\$A50,000 per project for a programme of 50 projects) oversight of implementation shifted to a committee comprising two representatives each from the local government sector, the commonwealth government, and the states.

Commonwealth government funding was not renewed. Following completion of the initial 50 projects – a change of government and departmental restructuring were factors contributing to this. Because of the way ILAP had become perceived, this was sufficient to bring the initiative to an end – not in the sense of a formal announcement that it was terminated, but in the loss of any formal mechanism for its continuing support.

It seems likely, from hindsight, that those within the local government sector who have been most involved in its development, would now argue that instead of allowing it to become reconfigured as a commonwealth government funded project, it should have remained as a local government initiated management philosophy – thus being seen not so much as a set of discrete projects, as part of the "way we do things around here".

Although ILAP has formally disappeared, it remains influential in local government thinking. Each of the three New South Wales local authorities interviewed for the purposes of this project acknowledged a debt to ILAP.

What we found in each of the three local authorities with whom we met, was a strong commitment to community based strategic planning, not as a statutory obligation, but as something that simply made good sense.

New South Wales local authorities (and those in other states) do have statutory obligations to undertake various types of planning activity in the sense of planning the operations of the local authority and planning aspects of what happens in the broader community. Of themselves, these do not amount to an obligation to undertake community based strategic planning.

The key statutory elements are the local government charter, and the obligation to prepare a management plan which must include a community social plan.

Section 8 of the New South Wales Local Government Act 1993 sets out the council's charter:

- "• To provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively.
- To exercise community leadership.
- To exercise its functions in a manner that is consistent with and actively promotes the principles of multiculturalism.
- To promote and to provide and plan for the needs of children.
- To properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development.
- To have regard to the long term and cumulative effects of its decisions.
- To bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible.
- To facilitate the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and co-ordination of local government.
- To raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants.
- To keep the local community and the state government (and through it, the wider community) informed about its activities.
- To ensure that, in the exercise of its regulatory functions, it acts consistently and without bias, particularly where an activity of the council is affected.
- To be a responsible employer."

The legislation also requires councils to prepare management plans with respect to the councils activities through at least the next three years and the council's revenue policy for the next year. Broadly, the requirements are not unlike an amalgamation of the

annual plan and long term financial strategy requirements of the Local Government Act 1974 as introduced by the so called "No.3 Act" of 1996.

There is one significant difference. Under the Local Government (General) Regulation 1999 a draft management plan must contain a statement of any proposed council activity relating to access and equity activities to meet the needs of residents in the council's area. In practice, this must be done in accordance with directions from the Department of Local Government and this part of the draft management plan has become known as the social or community plan.

The factors which led the three councils with whom we met to move beyond the formal draft management plan requirement, to community based strategic planning, differ, reflecting the individual nature of each council, its economic, social, cultural and environmental drivers, its scale, and the personal experience of the people involved. Each has created what appears to be a very effective process of community engagement/legitimation and each has clearly found that the process has considerable value notwithstanding the very considerable resource involved.

A major strength which has enabled the very positive results these three councils have achieved appears to be the fact that there is no statutory prescription of what is required. Instead, councils have been able to adopt their own approach, to meet the needs of their own communities – although each is consciously working within a strategic planning framework (and each had been influenced by the experience of ILAP).

There is a broad parallel with the New Zealand situation. As we shall see when considering the community outcomes legislation, formal compliance with the terms of the legislation need not involve strategic planning in any meaningful sense of that term. Whether to go beyond formal compliance, to genuine community based strategic planning is a decision for each council to take based on its judgement of the benefits of doing so. It is this parallel with New South Wales experience that looks to be so valuable in considering how New Zealand councils could respond.<sup>2</sup>

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<sup>2</sup> Brief case studies of the experience of each of the three councils concerned, the cities of Waverley (the council for the area of Sydney including Bondi Beach), Penrith and Blue Mountains is included in appendix 1.

## THE GOVERNMENT'S APPARENT INTENTION

The term "apparent" is used advisedly; primarily because there still do seem to be quite widely varying understandings of what government did intend. We have already cited two versions of this – a senior government official whose initial reaction to the proposal for this project was that it was so clear the Act intended to mandate strategic planning that the project had little purpose and on the other hand, a local authority chief executive arguing that the circumstances and environment in which the legislation was promulgated would indicate a different direction.

In contrast both to England and to the Australian states, New Zealand's government does not provide directions to local government on how it should comply with the legislation that regulates it. Instead, successive New Zealand governments appear to have adopted a practice of leaving it to local government itself to interpret government's intention and apply it as they see it appropriate.

In seeking evidence of what the government's intention was (and is) we have drawn on sources such as the consultation document ***Reviewing the Local Government Act 1974*** which was issued as part of the rewrite of the Act, Cabinet papers and ministerial statements, and interviews with and material provided by officials who were involved in the development of the legislation and subsequent decisions on how government would work with it.

The consultation document itself underpins the intention to give local authorities discretion on how they work with the legislation with its statement contrasting the prescriptive provisions of the previous Act with what was proposed for the new Act as "the new legislation gives councils scope to choose the activities they undertake and how they should undertake them (subject to public consultation processes)".

From the record it appears that giving councils greater scope was not intended primarily as a means of giving elected members (or officers) greater power over the communities they serve. Rather it was intended as part of a process of giving communities themselves greater power in determining how they are governed.

The consultation document itself included statements such as:

"One of the underlying objects of the review of the LGA is to encourage increased participation of citizens and communities in local government. In order to do this there will be some expectations for consultation provisions to be specified in the Act, to protect the right of people to be involved in decision making. Councils will also have the opportunity to develop their own consultation mechanisms that **best suit the needs of their communities** (emphasis added).

"Citizens and communities want to tell councils what their aspirations are and seek information from their councils about how these aspirations can be met. It is proposed that long term council plans will include the identification of desired community outcomes, the role of the council in achieving those outcomes through its services, activities and policies, and through partnerships with other bodies and organisations."

Part of the background to this emphasis on greater public participation was government's own awareness of public dissatisfaction with the special consultative procedure which had been introduced in 1989. Under the Act, councils were to use this procedure in taking certain significant decisions. Examples include adoption of the annual plan and the long-term financial strategy, and the sale of local authority trading enterprises.

The clear intention had been to give the public the ability to influence council decisions before they were taken. The reality proved extremely disappointing, not necessarily because local councils were resistant to public input, but because the special consultative procedure itself was deeply flawed. In essence, it required that consultation take place only once the council had developed a specific proposal which it was proposing to adopt. The annual plan provided the classic illustration of this. Typically consultation would take place in April or May with the plan itself due to come into effect at the beginning of July. With the best will in the world, this meant that of necessity much of what was in the plan would be adopted regardless.

Difficulties with the special consultative procedure were compounded by the decision in what is usually referred as the Wellington International Airport case. This case involved litigation over the obligation of an airport authority to consult users before increasing airport charges but it has been regarded as the definitive statement of the law on consultation. It has generally been embraced by entities required to go to public consultation.

What has been overlooked is that the decision of the High Court was concerned with the legal issue of what were the necessary elements to protect a decision against challenge on the grounds that the entity concerned had not properly consulted. The Court was not addressing, and was probably not qualified to address, the separate public policy question of whether the consultation process was legitimate in the sense that those affected by the decision would generally accept that the process followed by the entity in arriving at its decision was fair and reasonable – a very different issue from whether it met the legal test laid down in the Wellington International Airport case.

The message the government was receiving was that people wanted to be consulted not on the council's answer to the council's own question but on what the question should be.

Although the discussion document itself did not refer to this background, its emphasis on encouraging increased participation and protecting the right of people to be involved in decision making was clearly responding to this type of concern.

The intention of increasing public influence over council decision making was expressed much more strongly in the first reading speech by the then Minister of Local Government, the Hon Sandra Lee. She stated the intention in the following terms:

*"Mr Speaker this Bill is, above all, about "empowerment".*

*Not as some might imagine, the empowerment of councils to exert greater influence and authority over their electors, but rather, empowering New Zealanders within their local communities to exercise ever greater control over their lives and over the environments in which they live."*

It is hard to think of a more explicit statement of the purpose of the Act as being to increase the power that communities themselves had over decision making affecting them – in other words to increase citizen control over local authority decision making, something that clearly required a change in the way in which individual local authority decisions are taken, and local authority plans affecting their communities are developed.

The Act was to be not just about greater participation, and community influence over local authority decision making. The discussion paper suggests that it was also to be about better co-ordination of activity within the district of a local authority. The discussion document made this clear in the following words:

*"The government sees a more enabling law as an necessity if local government is to be more responsive to the needs of its communities, delivering on sustainable social, economic, cultural and environmental local development. For this development to take place, central government needs partnership with local government which interfaces closely with community organisations, a wide range of non-governmental organisations, and with Maori."*

The government's intentions, as outlined in the discussion document and in the first reading speech, were recently reaffirmed by the Minister of Social Development, the Hon Steve Maharey. In his speech to the Manawatu local government community outcomes forum, he set out the government's intentions as:

*"In developing the Local Government Act, the government intended to give communities – including disadvantaged groups in those communities – a stronger voice in their own development.*

*"We intended to strengthen the whole-of-government collaborative activity that is already happening in many local authority areas.*

*"We intended to promote a sustainable development approach – an approach that meets the needs of communities today, without compromising outcomes of future generations.*

*"And we intended to promote the value of regional demographic and social information as a vital tool for planning."*

Central government has not only been speaking about its intentions, but also developing policy on how to work with the community outcomes process. An important step in that was a paper to the Cabinet Government Policy Committee in May 2004 on ***Central Government Engagement in Community Outcomes Processes***. The paper identified the expected benefits from engagement as including:

- Progressing outcomes – government's aims and departmental outcomes will be advanced by being better informed about what communities want, and thinking about how they might work with communities, local authorities, and other departments around community outcomes;
- Improved policy – better policy development and strategy alignment is likely to result from engagement and gains a better understanding of local conditions and concerns;
- Efficiencies – a more co-ordinated approach is likely to streamline the provision of information, improve interagency communication and help avoid duplication, thereby resulting in more efficient use of public resources; and
- Reduced Costs – compliance costs of separate engagement with 86 local authorities and communities could be reduced as the result of the clustering of COPs and central government engagement.

As that paper itself recognises, from central government's perspective this engagement in the community outcomes process needs to be seen in the context of wider reforms in public management including initiatives such as the Review of the Centre, the Regional Partnership Program, the Growth and Innovation Framework, the Sustainable Development Programme of Action, the New Zealand Transport Strategy, the new urban affairs role within the Ministry for the Environment, and the new emphasis on Managing for Outcomes.

All of this reflects a resiling from the narrow output based focus of public management during the 1990s which is now seen as having inhibited the ability of government to act in a "whole of government" way and to develop long term coherent strategies around its areas of interest. A recent presentation by an official involved with the sustainable development programme of action identified weaknesses in the national-regional-local relationship as including:

- Short-term and output focus.
- Silo thinking and operating.
- Status quo bias/inertia.
- Lack of strategic direction.
- Wellington-centric policy focus.
- Weak relationship with local government and other sectors.

Collectively, the evidence suggests a distinct shift on the part of central government to a more strategic emphasis on the development and delivery of policy, including within this building a partnership relationship with local government and other key community stakeholders (the voluntary/community sector; business; Iwi/Maori). It provides strong underpinning for the argument that the intention of the community outcomes process is to enable community based strategic planning, if only because from central government's perspective this is a necessary prerequisite to the development of effective partnerships around the government's own major outcome areas.

## OUTCOMES IN A PUBLIC MANAGEMENT CONTEXT

In New Zealand, interest in outcomes, as the results of public sector activity, began with the Public Finance Act 1989. It is relevant for this report primarily as the source of what is now widely accepted as the appropriate definition, within the public sector, of outcomes. Under that Act the term "outcomes" is defined as "means the impacts on, or the consequences for, the community of the outputs or activities of the government".

The history, since the Public Finance Act 1989, of attempts to operationalise the concept of outcomes has been a somewhat chequered one. Under the Public Sector Reforms of the late 80s and early 90s, the theoretical construct was that ministers were responsible for purchasing outputs from departments in order to achieve the outcomes that ministers sought. In practice, ministers proved unwilling to be held accountable for outcomes, partly because of the political risks associated with stating, in advance, the outcomes for which they were purchasing outputs (carrying with it the risk that, if those outcomes were not achieved, the minister would have failed) and partly because of a genuine concern with causality. Typically governments operate in areas in which outcomes are complex and multi-causal, resulting in real difficulties in determining precisely what activities or interventions were responsible for what outcomes.

Ministers' concerns with being held accountable for outcomes were paralleled by a public sector, especially Treasury, concern that, whoever was responsible for outcomes, it should not be officials. Again, the underlying reason was a concern that public sector outcomes were complex and multi-causal, thus raising real difficulties of attribution.

More recently the public sector has come to accept that, although outcomes are inherently complex, there are sensible ways of addressing the question of the output/outcome linkage.

In order to ensure a closer linkage between outputs (the departmental activity) and outcomes, the Steering Group Managing for Outcomes issued ***Managing for Outcomes: Guidance for Departments*** in September 2003.

This began by posing the question what is managing for outcomes? and answered it in the following terms:

"Governments exist to make a tangible difference to the lives of their country's citizens and residents. Consequently New Zealand, like many other countries, is placing greater emphasis on management systems that demonstrate how the activities of government agencies contribute to the results, or outcomes, that the government is seeking for the community. This lays the foundation for considering and implementing changes to interventions that better contribute to government outcomes."

The effect and intent of LGA 2002 needs to be considered in that broader context of public sector concern to achieve better linkages between public sector activity and the impacts within the community of that activity. The outcomes emphasis in LGA 2002 is consistent with the changed emphasis within central government, emphasising that the importance of government interventions, whether at the central or the local level, is not the activity itself but the impacts that result from that activity.

There is, though, an important difference between the emphasis in LGA 2002 and that in central government's Managing for Outcomes Approach. In central government the requirement is that departmental activities have an outcomes focus. Under LGA 2002, the primary emphasis is not on the activities of the local authority as such but on the community's desired outcomes, regardless of who is undertaking the activity or activities that will contribute to those outcomes.

## **AUDIT OFFICE**

Successive auditors-general have had as one of their concerns in the audit of local government the quality of the information needed to determine the viability of individual councils.

The basis for this concern is a recognition that, for individual councils, their long term viability is crucially a function of the amounts they will be required to spend on the maintenance, renewal and development of infrastructure, coupled with the sources available to them to fund that activity.

Until the early 1990s, New Zealand local government reported on a cash rather than an accruals basis. One consequence of this was the virtual absence of any information on asset quality, maintenance and replacement requirements, and future demand.

The expressed concern of the Auditor-General, that it was difficult to express a view on the viability of a number of councils because of the lack of information on future infrastructure commitments, was one of the drivers behind the introduction of the new financial management regime brought in by the Local Government Amendment Act (No.3) 1996. A feature of this was the requirement for local authorities to prepare a long term financial strategy which was required to forecast, for at least ten years, the activities in which the local authority would be engaged, the rationale for those activities, and their expected operating and capital costs and sources of funds.

Almost by definition, it was expected this would require local authorities to prepare asset management plans detailing the assets held, their condition, the service levels required, and the relationship between those and the capability of assets, expected new investment and operating and capital costs. In practice, the auditor-general required local authorities to have asset management plans as part of their compliance requirements.

There was a separate debate about whether local authorities should also be required to undertake strategic planning for their communities. This debate focused on the fact that local authorities, as infrastructure providers, are really responding to decisions taken by others so that the requirement to provide and maintain infrastructure is essentially a function of the activities that will take place within the local authority's district – major activities such as roading, water, sewerage and stormwater are all driven by the decisions others take to develop land, establish businesses, take up residence, engage in recreational, cultural and other activity and so on.

At the time, it was decided on balance not to impose a statutory requirement for strategic planning. The reason was that other requirements, such as that of specifying

the forecasts and assumptions on which the long term financial strategy (LTFS) was based, could only be fully met if the local authority had a good understanding of what developments were likely to take place in its district over the period of the LTFS. In turn, it was recognised this could only happen if there was a reasonably robust strategic plan in place regarding the future development of the district.

By and large that did not happen. A number of local authorities developed what were described at the time as strategic plans but few, if any, had any direct relationship between the aspirations (outcomes) they described, and the practical objectives, strategies and actions involved in achieving them.

The result was a gap which meant that auditors-general still do not have the information base needed to be fully confident of the viability of individual local authorities.

This concern has influenced the drafting of LGA 2002, most significantly with the requirement for the inclusion in LTCCPs, from those to be prepared in 2006, of a report from the local authority's auditor on the extent to which the local authority has complied with the requirements of LGA 2002 in respect of the LTCCP, the quality of the information and assumptions underlying the forecast information provided in the LTCCP and the extent to which the forecast information and performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service provision.

On their wording, these requirements set a strict standard that will require local authorities to demonstrate that they have robust knowledge of expected levels of activity within the district or regions they govern over at least the next ten years.

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## 4. Legislation

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In this section we consider the terms of LGA 2002 and the extent to which they indicate an intention that the community outcomes/LTCCP process enable community based strategic planning (that is, strategic planning focused on the future direction of the community).

We start with a preliminary point; the term "community" is capable of a number of different meanings. Not infrequently, it can be used as though it was intended to encompass primarily those individuals who are relatively disadvantaged in terms of access to income, goods and services, and other essentials for leading a decent life.

No such connotation is intended by the use of the word community within the Local Government Act. Although there is no explicit definition, the only sensible meaning that can be attributed to the term "community" is all those persons, activities and interests encompassed within the boundary of the district or region for which the local authority is responsible.

The crucial provision in the legislation is obviously section 91 which sets out the requirements for identifying community outcomes in the following terms:

**"Section 91: Process for identifying community outcomes**

- (1) A local authority must, not less than once every 6 years, carry out a process to identify community outcomes for the intermediate and long-term future of its district or region.
- (2) The purposes of the identification of community outcomes are:
  - (a) To provide opportunities for communities to discuss their desired outcomes in terms of the present and future social, economic, environmental, and cultural wellbeing of the community; and
  - (b) To allow communities to discuss the relative importance and priorities of identified outcomes to the present and future social, economic, environmental, and cultural well-being of the community; and
  - (c) To provide scope to measure progress towards the achievement of community outcomes; and
  - (d) To promote the better co-ordination and application of community resources; and
  - (e) To inform and guide the setting of priorities in relation to the activities of the local authority and other organisations.
- (3) A local authority may decide for itself the process that it is to use to facilitate the identification of community outcomes under subsection (1), but the local authority:
  - (a) Must, before finally deciding on that process, take steps:
    - (i) To identify, so far as practicable, other organisations and groups capable of influencing either the identification or the promotion of community outcomes; and

- (ii) To secure, if practicable, the agreement of those organisations and groups to the process and to the relationship of the process to any existing and related plans; and
- (b) Must ensure that the process encourages the public to contribute to the identification of community outcomes."

In understanding the intent of the section, it is important to recognise that it has been drafted to give local authorities considerable discretion in terms of the process they adopt. Accordingly, the section does not prescribe either the process itself, or the relationship between outcomes and the steps necessary to realise (or even identify) the community's outcomes.

As already noted, it is not the practice of New Zealand governments to provide guidelines (directions) to local authorities on how to apply the legislation under which they operate.

In the case of LGA 2002, this gap has been partly filled by the KNOWHOW project which does provide some useful commentary on the outcomes process, together with suggestions of how the process might be applied.

This includes something missing from the legislation itself; a suggested definition of an outcome. An outcome "is the end result that is desired from engaging in an activity".

Of itself, this description is consistent with conventional strategic planning, the focus of which is on the interplay between desired outcomes, the objectives, strategies and actions required to realise those, and the resources, capabilities, constraints and opportunities that need to be taken into account in determining how best (and indeed if it is possible) to achieve the desired outcomes.

There are strong elements of this understanding in the wording of section 91 itself, especially in sub-section 2 which states the purposes of the identification of community outcomes.

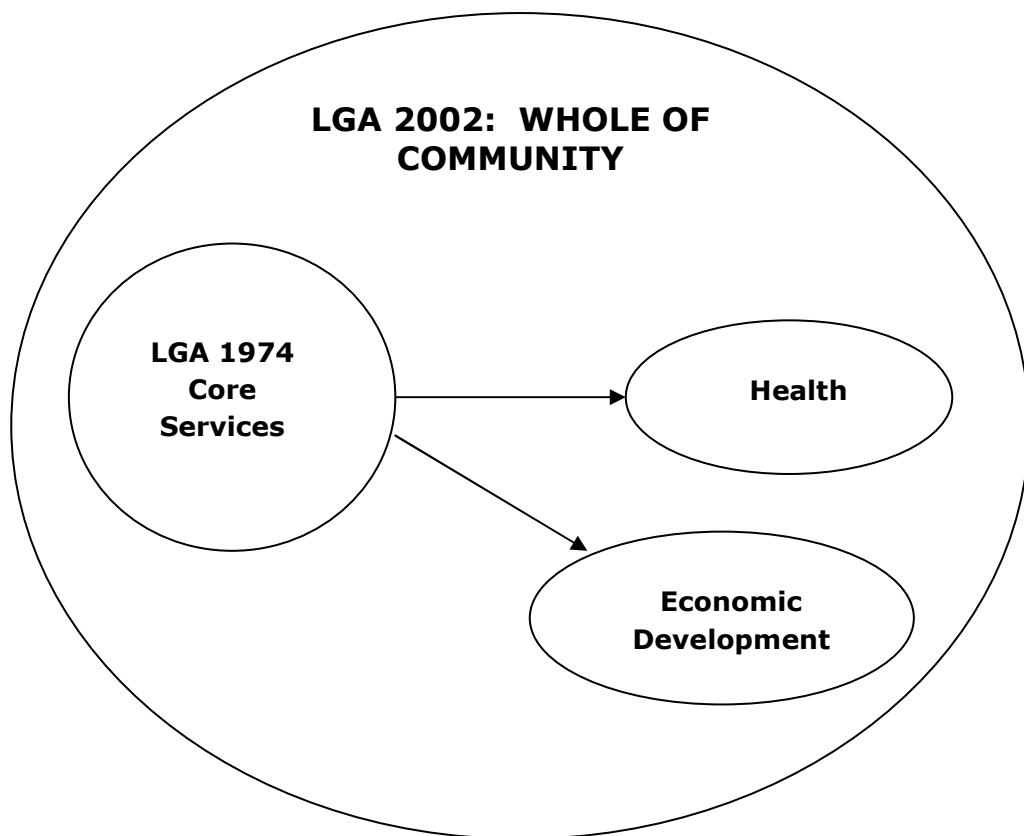
The sub-section makes it clear that the purpose of the outcomes process is not simply to identify community preferences in the abstract. Instead, the subsection makes it clear that the purpose of the process includes:

- Community discussion of the relative importance and priority of different outcomes.
- Promoting better co-ordination and application of community resources.
- Informing and guiding the setting of priorities in relation to the activities of the local authority **and other organisations** (emphasis added).

There is a clear emphasis on a "whole of community" approach involving all of those capable of having an impact on the community's future direction.

Where the statute may fall short is in not emphasising the extent to which this is a fundamental shift from conventional local authority planning and consultation.

The shift can be represented diagrammatically as follows:



Under LGA 1974, the core business of local authorities was primarily concerned with the provision of infrastructure, arts culture and recreation facilities and services and regulation (such as land use planning, health and building controls). There were some forays outside this range. As examples, many councils have been involved in research and advocacy on health related issues and most took an active interest in economic development. However, it was generally seen as being outside the scope of local government to be a significant player, either as a provider of services, or as a significant researcher/advocate on behalf of its communities in either major areas of social service provision and delivery or in business investment and development.

The crucial issue in interpretation is the extent to which local authorities themselves, and those with whom they work, regard the process as simply an extension of conventional local authority practice (recognising that, in recent years, many local authorities have prepared what have been described as strategic plans) or whether it should be seen as enabling a fundamentally different approach.

The KNOWHOW guide, in its advice on applying the community outcomes process, does recognise that the community outcomes process requires a different approach. It includes statements such as:

- Outcomes are a community judgement and therefore belong to the community not to the local authority. The local authority **does not** have to adopt them in the sense that it would adopt a LTCCP (though the outcomes must be recorded in this document) or an annual plan. The local authority may not necessarily agree with the outcomes.

- The Act is very clear that the role of the local authority is as a facilitator in the identification of community outcomes, and that the process is centred on communities discussing their desired outcomes and their relative importance and priority.
- The business sector should be involved in the community outcomes process. The private sector is a significant user and supplier of local services as well as a key provider of local employment and payer of rates. Business activity contributes both directly and indirectly to the quality of life of local communities.
- Community and voluntary groups also have an important role to play in improving the quality of life for local communities. They are often best placed to reach and involve those sections of the community that the mainstream public sector may find hard to reach, and to access funding that is not available to public bodies.

There is an important qualitative difference between recognising that community outcomes belong to the community, not the local authority, and that there is a need to engage widely and identifying them, and positioning the community outcomes process as genuinely community owned rather than local authority owned.

It is in this area that the KNOWHOW guide can be seen as underselling the potential of the legislation.

If it is to be genuinely community based strategic planning, then the outcomes process needs to be developed in a way that not only makes this very clear to other stakeholders (ranging from central government to business, to the voluntary/community sector and Iwi/Maori) but sets out to secure both their understanding and their commitment.

Here the crucial element in the legislation is section 91(3) with its requirements that, if practicable, the local authority should both identify "other organisations and groups" and secure their agreement to the process.

The KNOWHOW guide states "agreeing on the process itself should be reasonably straightforward. The initial approach should include some preliminary ideas for the process and a timeframe. These should be carefully framed as preliminary suggestions for the purposes of stimulating discussion at an initial meeting of interested parties."

There is an alternative approach. This is to see seeking agreement as more than simply getting a meeting of interested parties to "tick the box" on the local authority's suggested process. Instead, it can be seen as the point in the process at which the local authority secures the understanding and the buy-in of other stakeholders.

The difference is crucial. The KNOWHOW suggestions carries with it the probability that stakeholders will simply see themselves as contributing to what is essentially a local authority run process and will not make the effort to understand the potential, or commit the resources required. In turn, this is likely to deny the opportunity for genuinely strategic input and rely instead on the local authority's own resources as the principal driver not just of the identification and ranking of outcomes, but of developing the steps to implement them.

The alternative approach would involve working often one on one with each of the "other organisations and groups" seeking to get both their understanding of the purpose of the

process and their commitment to engage fully with it. This would probably need to include discussions of matter such as capability and capacity, resourcing, and overall management of the process to ensure that it was seen as community owned but local authority facilitated. Although more costly and time consuming, it is this alternative which carries with it the potential of building one or more strategic partnerships capable of bringing real commitment from other stakeholders.

International practice would suggest following the second approach – it would reflect what is happening with local strategic partnerships in England and Wales, and emerging practice in strategic planning within Australian local government, as councils there recognise that the real gains for their communities will come only as they do have genuine across the board commitment.

The reality, in a New Zealand situation, is that either approach will comply with the legislation given both its very general terms, and the discretion that local authorities have to determine their process.

What does seem clear is that it is hard to escape the conclusion that the section itself does require a strategic planning approach – in other words, the issue is not whether the section enables strategic planning, but how strategic that strategic planning is in practice.

This view is supported by recognising that matters such as promoting the better co-ordination and application of community resources, and informing and guiding the setting of priorities in relation to the activities that the local authority and other organisations can only be done in the context of agreed objectives and a good understanding of resources, constraints and the like.

Support for the view that the legislation is intended to enable strategic planning can be found in other provisions as well. Schedule 10 which sets out the information to be included in LTCCPs explicitly requires that the council “describe how the community outcomes relate **to other key strategic planning documents or processes**”.

The requirement for an audit report (referred to at page [ ] above) in the LTCCP on the quality of information and assumptions and the extent to which the forecast information and performance measures provide an appropriate framework for the meaningful assessment of the actual levels of service provision also clearly envisages that there will be more than just a set of outcomes – there will clearly be a hierarchy of objectives, strategies and outcomes if councils are to meet the standard implicit in the audit report requirement.

In this part of the report we conclude that the legislation is clearly intended to enable strategic planning but that:

- The nature of the strategic planning process itself is left unclear.
- Formal compliance could be achieved through a process which, in strategic planning terms, would fall far short of what is required to develop a community based strategic plan capable of genuinely making a difference.

We return to this issue in the last section of this report, ***From Consultation to Strategic Planning.***

## 5. The Government's Role

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In this section we look at the role of the government in engaging with the community outcomes process. We stress that this needs to be seen very much as "work in progress". Both the way in which government will engage with the process in a "whole of government" fashion, and how individual government departments and agencies will engage is still evolving.

The principal decisions, so far, on how government will engage on a "whole of government" basis were set out in the paper that went to the Cabinet government policy committee in May of this year.

The Cabinet paper makes it clear that it "does not require a specific level or type of community outcomes process engagement by departments".

What it does do is identify a specific role for the Department of Internal Affairs (DIA) as a combination of central clearing house and liaison between central government departments and agencies on the one hand and local government on the other. The paper outlines this as follows:

Table 1 Improving the CG/LG interface regarding COPs

<b>Department</b>	<b>Activities</b>
<b>DIA will</b>	<ul style="list-style-type: none"> <li>(a) continue to provide information to departments about the LGA;</li> <li>(b) work with Local Government New Zealand (LGNZ) to establish a directory for local authorities/communities about central government information and contacts;</li> <li>(c) provide a central contact point for local government to indicate problems or opportunities regarding central government engagement in COPs;</li> <li>(d) provide suggestions to departments regarding their COPs engagement difficulties;</li> <li>(e) receive and collate information from departments on their involvement in COPs;</li> <li>(f) establish mechanisms for departments to share good practice and overcome difficulties regarding COPs; and</li> <li>(g) convene an annual central/local government workshop to discuss COPs and share lessons.</li> </ul>
<b>Other departments will</b>	<ul style="list-style-type: none"> <li>(a) ensure relevant departmental staff are informed about the LGA;</li> <li>(b) provide information to DIA for the directory of central government information and contacts; and</li> <li>(c) provide information to DIA on their involvement in COPs and good practice examples.</li> </ul>

It is less clear on how actual engagement will take place either on a "whole of government" basis or by individual departments – recognising that a primary objective of government is to improve co-operation/collaboration both between the centre and the local and amongst central government departments as they engage with the local.

In terms of how central government will engage, the paper has this to say:

**Table 2      Regional-level participation of central government in COPs**

<b>DEPARTMENT</b>	<b>ACTIVITIES</b>
<b>DIA May...</b>	<ul style="list-style-type: none"> <li>(a) assist in establishing mechanisms for communication and information exchange among agencies regionally, e.g. a regional listserv of collaborating parties;</li> <li>(b) convene a senior officials group, in conjunction with LGNZ, to identify regional engagement opportunities; and</li> <li>(c) play a catalyst/broker role as required to facilitate inter-departmental and local government interface and networking in agreed regions.</li> </ul>
<b>Other departments<sup>3</sup> May...</b>	<ul style="list-style-type: none"> <li>(a) work cooperatively with relevant central government departments in participating in regional outcomes processes; and</li> <li>(b) ensure their representatives have the necessary information, a clear understanding of their authority, and lines of communication with their head office.</li> </ul>

There is a clear recognition that engagement will come at a cost – not just financial, but in terms of capacity, capability and the potential for a great deal of overlapping and potentially redundant activity.

There is an implication that, at least at a “whole of government” level, central government may prefer to engage on a regional basis. The paper notes:

“The Auckland and Wellington regions are currently designing regional processes that involve all the councils in these regions in a collaborative effort. The Auckland region has made an approach seeking ‘whole of government’ participation in its process, and Wellington region has indicated it will be making a similar approach. In response to these developments, DPMC has convened a group of deputy secretaries from DIA, MED, MSD, MfE, MCH, SSC, MOT and Treasury, some of which met informally with Auckland local authority chief executives. Discussions have begun on how departments might work together to better co-ordinate their various initiatives, particularly in Auckland and in the other ‘metro regions’.”

At the same time, there is also recognition that individual departments will wish to adjust their activities, as appropriate, in response to community outcomes identified by individual local authorities:

“When community outcomes have been identified and local authorities begin formulating their LTCCPs, central government agencies with local interests are likely to consider how they might alter their activities, possibly in co-operation with other departments, to promote community outcomes that correspond with government goals and departmental priorities. Community outcomes may also influence government goals and priorities over time. COPs will provide valuable input for departments and ministers, whether their functions are primarily around

<sup>3</sup> i.e. departments that have reason to engage regionally.

policy advice or include service delivery, programmes and funding. Most departments already consult communities and stakeholder groups extensively. COPs could in the long-run help reduce "consultation fatigue".

In parallel with the preparation of that paper, DIA was also restructuring its local government function, both increasing its capability, and preparing itself to undertake the clearing house/liaison role. As part of this, DIA has appointed three people, one each in Auckland, Wellington and Christchurch, with the primary responsibility of liaising between local government and central government departments and agencies over the outcomes process.

The paper itself is expressed in terms of generalities. The issue for central government is that its involvement in the community outcomes process will not in fact be about generalities, but specifics. Its interest in working with the community outcomes process is to determine how better to focus its own activities, especially in terms of service delivery. Several examples will illustrate both the potential and the complexity and will also make it clear that there can be no one preferred means of engagement – at what level and with whom to engage will be very much a function of the activity concerned.

Another factor is the relationship between government's outcomes and community outcomes. The Local Government Act makes it clear that community outcomes are exactly that – the preferences of the community concerned and not those of local government. It would seem logical that, by extension, the same should apply as between the community on the one hand and central government on the other – that although central government either on a "whole of government" basis or agency by agency may be involved with the community outcomes process, the outcomes are not those of central government but those of the community.

There is, though, a complicating factor. In contrast to local government, central government has traditionally had a strong interest in outcomes as such. It has clear views about the outcomes that should result from its activities in areas such as housing, employment, economic development, education, health and so on.

These, though, are normally expressed in terms of outcomes for New Zealanders as a whole, or particular categories of New Zealanders rather than as outcomes for communities. Indeed, one of the difficulties confronting any central government structure is the expectation that like cases will be treated in a like manner and that, generally, governments will make their decisions based on rules and precedents, rather than making discretionary decisions on a case by case basis.

Addressing this can be seen as one of the very real strengths of engagement with the community outcomes process from a central government perspective. If, as government has signalled, engagement takes place through a partnership approach, then it has the potential to allow the development of solutions that are tailor made to meet the needs of particular regions or localities without conflicting with the overarching obligation on central government to operate on a basis of precedent and treating like cases in a like manner.

Against that background, we now look at some of the emerging responses from individual departments or agencies, or opportunities that they could well take up, as they engage

with the outcomes process. The areas chosen are tertiary education, social development, community development, regional economic development and ageing.

## **TERTIARY EDUCATION**

Restructuring of tertiary education has been a major undertaking for the current government. One objective has been to shift from the basically market driven approach of its predecessor, where competition determined what services were delivered where and by whom, to a more collaborative approach. Government's tertiary education strategy is focused on funding (purchasing) programmes and services that will contribute to meeting both national and regional needs.

Currently, the Tertiary Education Commission's primary source of input for determining which programmes and services it should purchase are the charters and profiles prepared by tertiary education providers. While most providers clearly put significant investment into determining what programmes and services they should offer, and how those will contribute to meeting need within the areas they serve, there is good reason to believe that, on their own, the charters and profiles of tertiary education providers present only a partial picture. As examples:

- The information available to tertiary education providers on current and future labour market requirements appears, at best, to be patchy – certainly if comment from potential employers is any indication.
- There is a tendency for tertiary education providers to focus on the needs of current rather than future employers and industries.
- Often, little account is taken of the role that tertiary activity, as opposed to individual programmes and services, can play in the economic, social, cultural and environmental development of a region or area. The cumulative impact of tertiary activity, and of the presence of people engaged in tertiary activity, can contribute to major change in a region or district.
- Tertiary education providers may place less weight than the regions/localities in which they operate on factors such as the importance of significant tertiary activity as a determinant in firm location – and yet this may be critical from both a regional/local perspective, and from that of government through its other interests such as regional economic and social development.

The community outcomes process, and the associated potential for community based strategic planning, provides an opportunity for the Tertiary Education Commission to tap a complementary source of information from that it has through the charters and profiles process. Working directly with community stakeholders, there is potential to add a new and important dimension to future planning for tertiary provision with significant potential spin-offs in economic, social and cultural development.

## **SOCIAL DEVELOPMENT**

This is an area in which central government is already extremely active, through the Ministry of Social Development. In the speech to the Manawatu community outcomes meeting cited above, the Minister described his Ministry's role as:

"The Ministry's purpose is to lead social development to achieve better futures for all New Zealanders. Working with others to improve social outcomes is an intrinsic part of that purpose.

"Building strong communities is a key part of the Ministry's work towards social development. Working collaboratively with other agencies, with communities, and with local government is its established mode of operation.

"The Ministry has the infrastructure, the networks, the skills and knowledge, and the information base that will all help councils in their community planning. It can be involved in designing consultation, developing outcomes and joint projects, and giving feedback on Long Term Council Community Plans.

"With a presence in over 170 towns and cities throughout New Zealand, the Ministry has a strong connection to New Zealand's communities. Work and Income Regional Plans contain a wealth of information about regional demographics, issues, and social development strategies.

"Work and Income case managers know their clients, and know how to connect with them. They can help councils to consult with traditionally marginalised communities, and collect information in appropriate ways.

"Through its employment, community renewal, and capacity building programmes, the Ministry has extensive networks with Iwi, Maori, community organisations, business, employers, non-government organisations, and other social sector agencies.

"These networks and relationships are part of the Ministry fulfilling its mandate to lead whole-of-government social development at a national and regional level. They provide the ideal base for further collaboration, and make the Ministry the obvious point of contact for councils engaging with communities and central government agencies.

"Along with its strong regional presence, the Ministry has strong regional capability. Work and Income Regional Commissioners now have the mandate to lead social development in the regions, and the specific responsibility of co-ordinating central agencies' input into community plans.

"Social Development Managers support the Regional Commissioners in that role, and are responsible for ensuring that the views of traditionally disadvantaged groups are included.

"Regional Social Policy Advisors provide regional input into national policy, and help ensure that policy and services meet local needs. Regional Social Policy Advisors have a key role in community planning, promoting a good fit between regional social development strategies and the community outcomes process.

"The Ministry's regional strength and flexibility enables its involvement with councils on community planning to be led from the regions, rather than the centre."

This is a very strong statement both of capability and of intention. The Ministry takes a broad view of social development recognising that it is not something that can proceed on its own, but rather needs to move in concert with other initiatives such as regional economic development.

It has already played a significant role on a pilot basis in assisting selected local authorities develop their community outcomes. An example is Kaipara whose outcomes process received significant support from the Ministry.

What appears clear is that the Ministry wishes to focus its capability in areas which are relatively disadvantaged. Examples include Northland, the Eastern Bay of Plenty and the East Cape, Rotorua (which has a persistently high unemployment rate within a Bay of Plenty region which otherwise has one of lowest unemployment rates in the country), the central North Island [include other areas after consultation with the Ministry].

The dilemma for the Ministry is that its own capability has, in a number of respects, outrun that of other government agencies and of many local authorities and other community stakeholders. Its approach is one of working on a partnership basis with local government and other key stakeholders. To be effective, that requires equivalent commitment (both capability and capacity) on the part of potential partners to avoid the risk that the Ministry's social development approach becomes one of ongoing government intervention rather than one of government support/partnership. This issue will be taken up in the final section of this report.

## **COMMUNITY DEVELOPMENT**

Community development is the responsibility of the Department of Internal Affairs.

The Department's website describes the activities supported by its community development advisors in the following terms:

"The Department of Internal Affairs Community Development Group has trained Community Development Advisors working from 17 regional offices. We provide information to community groups, to enable them to more effectively meet the needs of individuals, groups and communities. Our Community Advisory Services are available to:

- Maori, Whanau, Hapu and Iwi
- Local community groups
- Community/ resource centres
- Sector groups, eg youth, kaumatau, women
- Councils of social services and other networks.

"Community Advisory Services are provided by government, at no charge to community groups, and include:

- Assistance with planning, including project planning
- Provision of funding information
- Advice on setting up legal structures
- Meeting training needs
- Project monitoring and evaluation
- Group facilitation."

This activity includes working with entire communities to assist them plan for their own future. As an example, the Department is currently undertaking a multi-year project with the community of Raetihi within the district of the Ruapehu District Council. The purpose is to support the community in developing its own community plan. In essence, it is not significantly different from the purpose of the community outcomes process as this encompasses working with the community to determine its preferences for its own future and the means of getting there.

The Department's initiative is of interest not simply because it parallels the community outcomes process but because it highlights another factor that will inevitably arise as the outcomes process shifts from a focus on high level outcomes statements to the practical what do we do, when where and how. This is that, when the focus shifts to a practical level, the action plans to deliver desired outcomes (and for that matter the outcomes themselves) will often be at a sub-district level rather than at the "whole of council" level recognising the different aspirations and characteristics of the different geographic parts of most communities.

Raetihi provides one obvious example. As a community, it is very different in character, and has very different drivers, from either Ohakune or Taumarunui, the other two principal settlements within Ruapehu.

The extremes are even more obvious in areas such as the Far North District Council whose communities range from the very wealthy tourist and retirement driven settlements such as Kerikeri and Paihia, to areas of significant disadvantage such as Moerewa, Hokianga/Rawene, or Kawakawa. The Department of Internal Affairs initiative highlights the fact that a meaningful community outcomes process, and the action plans that follow from it, will in many cases need to focus at the sub-district level. This will vary, of course, depending on the nature of the activity involved. For services such as housing or health, it is likely that the government agencies concerned will want to undertake their planning at a whole of district or (for DHBs) whole of region level with differences being recognised through developing policies so that they are applied evenly across the region or district but in the sense that condition X requires response Y rather than as a "one size fits all" approach).

A challenge, both for the Department of Internal Affairs and for the Ministry of Social Development, will be that, typically, those communities which will have the highest priority for social and/or community development initiatives will typically also be those communities which have the least formal capability/capacity.

## **REGIONAL ECONOMIC DEVELOPMENT**

The government's principal regional economic development policy is presented, explicitly, in partnership terms. It is the regional partnerships programme administered originally by Industry New Zealand and now by New Zealand Trade and Enterprise.

The programme is centred around the development of regional economic development strategies, with programme elements including:

- Funding for development of the strategy itself.

- Funding for capability development.
- Funding for what are referred to as major regional initiatives – accessible only once an economic development strategy has been adopted.

The approach originally taken by Industry New Zealand was to invite proposals from prospective “regions”. The objective was to bring together areas that had distinctive commonalities such that working together to develop an economic development strategy seemed appropriate. There was no implication that regions should necessarily match either regional or district local authority boundaries – although a number do. Some 137 proposals were originally received and, from these, 26 “regions” covering the whole of New Zealand identified.

Although the term “partnership” was used, in practice regions were required to follow quite detailed criteria laid down by Industry New Zealand and, subsequently, by New Zealand Trade and Enterprise for the preparation of economic development strategies. With the wisdom of hindsight, at least some participants now take the view that the adoption of a common approach, and the very broad based consultation requirements included, may not always have been appropriate. MDL has heard comment, from more than one region, that the output from the economic development strategy was much more in the nature of a wish list than a strategy and not appropriate as a guide for action which needed to focus on a few critical objectives.

Those comments need to be seen in context. The regional partnerships programme was put in place following years of relative neglect, at a central government level, of economic development. It is best seen as a “first cut” at building a relationship between central government, its lead agency for economic development, and the regions.

This is well recognised in a review of the regional partnerships programme undertaken for the Ministry of Economic Development in 2003 which recognises the success of the initiative in starting the process of developing partnerships. The review is of particular interest for this project for two reasons:

- What it has to say regarding the relationship between the regional partnerships programme and the community outcomes/LTCCP process.
- Lessons from experiences of building partnerships involving local government, business and other community stakeholders.

In terms of alignment with the community outcomes/LTCCP process, the review has this to say:

“There is also a need to assess existing strategies vis-à-vis their relationship to social development strategies and the yet to be developed local government LTCCPs which are likely to play an important role. International research suggests that strategies that are too narrowly focused on economic factors without wider consideration of social issues and/or linkages with other key strategies are likely to fail, particularly in disadvantaged regions, where economic strategy development cannot be divorced from social conditions. Both regional and sectoral strategy development processes have highlighted the need to include social factors when considering business growth.

"A key task for MED is to assess the risks around this and to work with NZTE and other parties to provide best practice for a way forward in the form of a number of pilot planning exercises that attempt to integrate local government requirements for long term planning with existing economic development strategies. The SSC's work on the *Review of the Centre*, in particular outcomes from one of the report's implementation measures, "mandated regional networks", will inform this work.

"Such pilot planning partnerships may also address another key concern emanating from the review: the size and number of regional partnerships. International evidence suggests that it is important not to change partnerships early in the process, just as trust and collaboration have begun to emerge. However, there is concern about the sustainability of 26 regional partnerships in New Zealand, given the lack of critical mass and capability in some of these partnerships. Rather than imposing programme changes that would force further consolidation, it may be best to work through these issues as part of pilot planning partnerships that look across boundaries. A more intensive NZTE brokering/facilitation role may be required here in some regions."

The Ministry of Economic Development has yet to respond formally to the review. However, in discussion with it, it appears that the Ministry is favourable to the idea of working through the community outcomes/LTCCP process, recognising this as an appropriate mechanism for, amongst other things, meeting the need to integrate economic and social factors as highlighted by the review.

MDL expects that MED will also consider the merit of revisiting the regional structure which the regional partnerships programme has created. Arguments for doing so include, as recognised in the review, the relative weakness of some regions and the need for a consistent basis for collecting data, both data needed for strategy development, and data needed for monitoring strategy implementation. MDL would argue that integrating the regional partnerships programme with the community outcomes/LTCCP process should be seen as a high priority. Economic development, and its integration with other activity (tertiary education; health; housing are obvious examples) seems essential to lift both economic performance and the quality of life in New Zealand's communities. Maintaining a separate structure, especially one which uses its own set of regions, was of obvious value in kick starting government's re-involvement in economic development but the case for better integration now seems much stronger than the case for continuing separation.

The report's discussion on the development of partnerships has some very interesting observations on what is involved in building partnerships which need to link together a number of different stakeholders, especially local government and the business community. It notes a number of difficulties that need to be addressed, including the relative lack of understanding each has of the other. There are also some very useful comments on matters such as capability/capacity, and the impact of the approaches different sectors have to the appropriate timeframe for planning and action.

Relevant extracts from the review are set out in appendix 2.

## AGEING POLICY

In 2002 the Treasury published, as a working paper, ***The Economics of Population Ageing***. In its concluding remarks the paper observed:

"Population ageing has the potential to become the single biggest economic and policy issue of the next 50 years. As such future policy needs to be developed within a framework that recognises the potential ramifications of population ageing."

The lead role in developing the government's ageing policy is held by the Office of Senior Citizens, a unit within the Ministry of Social Development. The Office's main function is the implementation of the New Zealand Positive Ageing Strategy including the development and publication of annual Positive Ageing Strategy Action Plans.

The Positive Ageing Strategy itself identifies ten goals for the strategy. These are stated as:

1. Secure and adequate income for older people.
2. Equitable, timely, affordable and accessible health services for older people.
3. Affordable and appropriate housing options for older people.
4. Affordable and accessible transport options for older people.
5. Older people feel safe and secure and can "age in place".
6. A range of culturally appropriate services allows choices for older people.
7. Older people living in rural communities are not disadvantaged when accessing services.
8. People of all ages have positive attitudes to ageing and older people.
9. Elimination of ageism and the promotion of flexible work options.
10. Increasing opportunities for personal growth and community participation.

Although these goals are national, in the sense that they have been adopted for New Zealand's older citizens wherever they live, it is very clear from the terms in which they are expressed that implementation will need to take place within the communities in which New Zealand's older people live and reflect circumstances within those communities.

There is a strong case for working with the community outcomes/LTCCP process not just as a means of advancing the goals of the Positive Ageing Strategy, as stated, but also to explore how communities can best respond to both the challenges and the opportunities created by an ageing population. Obvious examples include areas such as labour force participation, lifelong learning, independent living and the often vexed issue of managing the potential tensions between a group whose income opportunities are often limited, and the ongoing demands for investment in growing communities.

## SOME CAUTIONARY COMMENTS

As the beginning of this section emphasised, the nature of government involvement in the community outcomes/LTCCP process should be seen as very much "work in progress". It will clearly evolve differently depending on whether the engagement is at a "whole of government" level – where the role of DIA as an intermediary will be very

important – and where individual departments are wishing to engage through the outcomes process. This distinction will not be absolute as, in many instances, individual agencies will need to work collaboratively with others in order to achieve their own outcomes. An increasingly recognised example is the interdependence of economic and social development.

Another factor that government needs to keep in mind is the risk of public sector dominance of outcomes processes. Here the problem is that the public sector, because of its taxpayer rather than member subscription base, is much better placed than many other stakeholders to allocate additional resources to new activities. A good example is the investment that the Ministry of Social Development has made in building its capacity and capability in regional social development.

If the community outcomes process is to be a genuine partnership amongst key stakeholders, then it will be essential to resolve the issue of the relative capacity and capability of key stakeholders. This is an issue that we will return to in the final section of this report. For the moment we simply note that it is one of the most significant barriers to effective engagement with the very real risk that the outcomes process will be dominated by public sector organisations simply because they are better placed to find the resources to fund their engagement.

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## 6. Local Authority Practice

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In this section we examine local authority practice, so far, in the use of community outcomes.

As a starting point we note that the first round of LTCCPs (those prepared in 2003 or 2004) were adopted under the transitional provisions of LGA 2002 which include, in respect of community outcomes, the following:

“A local authority ... may, in adopting a long term council community plan for a period beginning on 1 July 2003 or 1 July 2004, use such information concerning community outcomes of the district or region as the local authority holds or can obtain in the time available and is not required, before adopting the plan, to first identify, under section 91, those outcomes.” (Section       )

Notwithstanding the option given by the transitional provisions, some local authorities did undertake a full outcomes process. Others relied on the transition provisions and simply used whatever information they already had to hand.

This will flow through into the preparation of the second round of LTCCPs, those to come into effect from 1 July 2006. Local authorities that have already undertaken a full community outcomes process will be able to use those outcomes for their next LTCCP (but may still decide to undertake a further outcomes process). Those which have relied on the transitional provisions will be required to undertake a full community outcomes process in the lead-up to the next LTCCP.

This flows from the wording of section 93 of LGA 2002, and of schedule 10, both of which make it clear that the LTCCP must be based on community outcomes developed through the process set out in section 91.

The most comprehensive overview of local authority practice is found in a report prepared for Local Government New Zealand in May of this year, ***Engaging With Communities Over Outcomes***.

The overview looks at nine different examples including among them:

- Single council examples where the council has sought to undertake a full community outcomes process.
- Single council examples where the council has, primarily, drawn on existing material, perhaps supplementing this with a measure of consultation.
- Regionally based examples where councils within a region have combined together.

Some common themes emerge which have also been reflected in discussions which MDL has had with councils in the course of this project (both co-funders and others). The first is that the process has been very substantially managed by the council or councils involved. Generally, there has been a conscientious effort to incorporate an understanding that the outcomes are the community's outcomes, and not those of the council(s). What is not clear is how successful this has been in practice.

The fact that, generally, it has been council officers who have been responsible for developing the process, undertaking the consultation, recording what was discussed at public meetings, writing up and analysing public input, and developing outcome statements has the potential to introduce a bias in at least four ways:

- Council officers may consciously or unconsciously allow their own preferences and understandings to influence their interpretation of public views.
- Inevitably, council officers will form something of a filter, necessarily interpreting what they hear in terms of their own knowledge, understandings, use and interpretation of language and the like.
- Willingness to engage with what are perceived as council led processes may vary, perhaps systemically, amongst different sectors. There is evidence for this in the review of the regional partnerships programme (see appendix 2). Similar concerns came through discussions that MDL held with business groupings with the CEO of one well-known business organisation commencing his response to a request for input on the project with "I'll be frank. Councils' consultation is rubbish!"
- The relative imbalance of resource between the council and other stakeholders may mean that information produced for scoping and background purposes, options reviewed, and the ways priorities are established could unintentionally be driven from a council perspective rather than reflecting a community view.

These comments do need to be kept in context. We are considering a relatively new process, but one which is embedded in a well-established culture of consultation. Shifting to a facilitative/enabling approach is a difficult challenge, requires strong leadership, and will almost certainly be gradual rather than sudden (as with most organisational change).

A next feature of local authority practice to date is that the focus has been, not surprisingly, on identifying community outcomes as the primary task, rather than regarding the outcomes as the end result of a planning process.

The typical process has been very much along the lines of:

- Develop the council's preferred process for identifying community outcomes.
- Clear this with "other organisations and groups", not on a one on one basis, but through a means such as a public forum, or a mail-out.
- Developing some background information to inform public debate (this varies from council to council – some have put quite an emphasis on this, others have relied on a combination of dialogue through the outcomes process itself and previous consultation and other activity).
- Undertaking a process of identifying community outcomes.
- Writing up and adopting outcome statements.
- Starting to consider action plans for implementation.

Through this general process, there have been significant differences. Thus:

- Some councils have been very successful in securing the understanding of staff and elected members that the outcomes belong to the community, not the council and that, to the extent councils participate, it is to demonstrate council commitment to the process but make it clear that their role is purely facilitative, not directive. In other councils, councillors have played a significant role in leading the outcomes process, almost to an extent that the outcomes themselves are the councillors' interpretation of what the community wants, rather than the community's statement.

- Some councils have relied on using staff to run their processes, including public meetings, surveys and other techniques. Some have taken the view that, to make it clear they are seeking objective information, they should use a process independent from the council. In the leading example of this approach, the Taranaki Councils employed external consultants and market researchers to develop and administer surveys intended to identify the outcomes and write up the results.

Councils generally, and certainly those which have been co-funders of this project, are now addressing the question of what to do with the community outcomes their processes have identified (this applies whether they went through a full community outcomes process, as some did, or whether they took advantage of the transitional provisions). They see themselves as facing two drivers:

- Community expectations that, having identified a series of outcomes, the council will now seek to realise them.
- Statutory obligations – to record in their LTCCPs what the council will do itself, and what it will expect of others, in realising the community's outcomes (from the LTCCPs we have reviewed, it seems that there is still much to do in this respect – hardly surprising given both the newness of the requirement, and the timeframe involved). Although councils can, in effect, pick and choose the extent to which the LTCCP picks up on community outcomes, they have a separate statutory obligation to monitor and, not less than each three years, report on progress made by the community in achieving the community outcomes – and this obligation applies to all outcomes regardless of how they have been dealt with in the LTCCP.

It seems clear that this is presenting councils, and other stakeholders, with a significant challenge. If action plans – the common term – are to be more than “motherhood and apple pie”, then they are going to need to be well grounded in a good understanding of the resources, constraints and opportunities within the community, on the potential of different interests within the community to contribute to realising the objectives of the action plan, and they will need broad based commitment. A critical factor is that, for most of the outcome sets within any community, the role of actually undertaking the design and delivery of the activities needed to produce the outcomes concerned will be the responsibility of others. The local authority can and should play a pivotal part as the community's representative (including within these activities such as research, advocacy and collision building). Generally, though, it will lack both the capability and the resource to be the prime actor. This is self evident from considering the nature of the actions required. As an example, it is common for outcome sets to include ones dealing with prosperous economy, a safe and healthy community, and a skilled population.

In areas such as economic development, health, community safety and education (whether compulsory or post-compulsory) councils either have a very limited role or are junior (albeit sometimes significant) partners as in the Crime Prevention Strategy.

In these areas, the tasks in any action plan will be substantially “all by others”. More than this, if they are to make a significant difference, they will need to be based on critical insights that will come from a combination of expertise, awareness of possibilities, and a considerable measure of lateral thinking. In this respect it is worth remembering that initiatives to improve economic, social, cultural and environmental outcomes have a long history world wide but at best a patchy record of success.

This suggests that the development of action plans is going to be more than just a linear function, extrapolating in some straightforward way from community outcome

statements. Instead, it is going to require high level skills in what is normally described as strategic planning.

This point was strongly made by one co-funding council which was critical of the practice of starting with outcomes and then working through to action plans. What we were told from this source was:

"From my perspective, strategic planning has a number of advantages vis-à-vis outcome identification that should be clearly set out in the report. These include:

- (a) There is little point in having outcomes/visions without an understanding of and commitment to how organisations and groups will work to make them a reality;
- (b) Strategic planning involves the identification of strategic issues that face us in getting from where we are now to where we want to be, whereas formulating outcome/vision statements alone does not identify the problems we face;
- (c) Strategic planning involves a structured approach of analysing a community's internal environment (strengths and weaknesses) and analysing a community's external environment (opportunities and threats), and this structure provides an opportunity to ensure that key aspects of our surroundings are not missed as a part of the outcomes process;
- (d) In his book Strategic Planning for Public and Non-Profit Organisations, John Bryson suggests that the process of describing the outcome/vision (where we want to be) may be best left until later in the strategic planning process, and this suggests that outcomes/visions may not be the best place to start to chart our community's futures, but may in fact be the end-point of a strategic planning process."

This issue will be taken up again in the last section of this report.

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## 7. Regional Versus Local

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In this part of the report we consider the issue of regional versus local outcomes (and note that similar issues arise when considering regional/local versus national outcomes). This section is adapted from a paper prepared, as part of the project, for Environment Bay of Plenty. It analyses the relationship between regional and district/city community outcomes, including the respective roles of regional councils and territorial authorities in the community outcomes identification process and seeks to answer the following questions originally developed by EBOP:

1. What approach should be used to determine what outcomes are described at a regional level and what outcomes are described at a city/district level? For example, should regional outcomes be an amalgam of the outcomes identified by the individual cities/districts within a region, or should they seek to emphasise aspects of regional well-being that potentially differ from local well-being?
2. What approach should be used to determine what outcomes are primarily contributed to by regional councils, city/district councils, central government and the community sector respectively? For example, given limited resources, should councils predominantly focus on their statutory obligations before venturing into contributions to other aspects of well-being, or should councils use some model such as pressure, state and response or market failure, to determine the extent of their contribution to each element of well-being?
3. What approach should be taken by regional councils and city/district councils respectively concerning engaging with central government on community outcome identification and monitoring processes. There is potential for significant duplication if both regional councils and city/district councils seek to separately engage with central government concerning outcome processes in the same geographic area.

The section concludes with some good practice suggestions.

### **INTERNATIONAL EXPERIENCE**

In considering the relationship between regional and district/city community outcomes, it is useful to look at experience elsewhere, where similar questions have arisen. The two that we look at are the experience with the development of local strategic partnerships in England, and the European Union's evolving practice with subsidiarity.

#### **ENGLAND**

One particular issue which has faced most local strategic partnerships has not yet been resolved. This is the issue of coverage. In a local government sector characterised by two-tier government (counties and districts), with the nine English regions emerging as significant players in economic development in particular but with other responsibilities as well, and with the dominance of central government, the question of who should be responsible for wellbeing/outcomes in what areas (both policy and geography) remains unsettled.

The English Local Government Association, in guidance that it issued early in the community strategic planning process, suggested for separating out county and district roles that "the county may be the appropriate level in which to engage other key public service deliverers, for example, the health service, police, learning and skills councils, the connections service and government departments and agencies. But it may be too remote to effectively engage with local communities ... on the other hand a small district may be too small to secure the involvement of other service providers".

The authors of the evaluation report itself, in respect of scale, have this to say:

"The evidence points to confusion both about which activities should be undertaken at which scale and about the relationship between bodies where issues either span levels or fall between them. LSP has to look both outwards to the region and inwards to its neighbourhoods – do stakeholders with different perspectives hold different views about the most important scale of analysis/intervention? There is thus a need for further thinking – centrally and locally - about the interdependence of regional strategies, sub-regional plans (e.g. regeneration zones), Community Strategies and Neighbourhood Plans, and about the implications of these for partnership structures and working."

### **THE EUROPEAN UNION: SUBSIDIARITY**

The European Union provides the leading example of a political grouping which has consciously adopted rules designed to allocate responsibility to the most appropriate level for action. The doctrine concerned is known as the principle of subsidiarity and is contained in article five of the European Community Treaty, introduced by the Treaty of Maastricht. Three conditions are laid down for the application of the principle of subsidiarity. The principle is applied:

- Within the context of the powers and objectives conferred upon the Community by the Treaty but does not concern the Community's *exclusive powers*.
- Insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States. This therefore involves establishing the *potential and sufficiency of action by the Member States*.
- If Community action is preferable by reason of the scale or effects of the proposed action. Community action must therefore *bring an added value* in terms of effectiveness.

In order to assist the EU institutions when examining the last two of the three conditions just quoted, the Protocol annexed to the Treaty of Amsterdam lays down the following guidelines: European community action is justified where trans-national issues are involved, where action by a Member State alone or lack of Community action would conflict with the requirements of the Treaty; or where action at Community level would produce clear benefits by reason of its scale or effects.

The protocol does not lay down rigid criteria, but also emphasises that: the principle of subsidiarity provides a guide as to how those powers are to be exercised at the community level. Subsidiarity is a dynamic concept and should be applied in the light of the objectives set out in the Treaty.

An annual review is carried out of the application of the principle of subsidiarity by the EU and its constituent institutions. The review for the 2002 calendar year shows as examples of the application:

- Action against the increase in illegal immigration justified on the basis that common rules were required for application throughout the EU and the rules applied by individual member states were variable.
- Safety of transport. In this issue the concern was with procedures with regard to third country airlines. The rationale was that not all member states subjected such airlines to the same checks thus both creating a risk to the safety of passengers and potentially distorting competition.
- Sustainable development and development co-operation. In this case the issue was the establishment of a common framework for the prevention and remedying of environmental damage with a principal concern being that in the absence of a common legislative framework, economic operators could exploit the differences between the Member States to escape liability.

A common theme running through these examples is that the impact of the issues concerned went beyond the boundary of individual Member States and affected the interests of all members. There was a perceived need to put common measures into place to avoid distortions and minimise the risk that an individual Member State, imposing strong regulation, could find its interests defeated by the weaker regulation of another Member State.

As described, the principle operates at a national/supra-national level whereas this report's concern is primarily with the district/regional level.

The application of the subsidiarity principle, in a New Zealand context, was considered in a New Zealand Treasury working paper published in March 2002.

That paper started with a somewhat simpler definition of subsidiarity, taken from the Concise Oxford Dictionary as "the principle that a central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level". As the paper's author notes, the definition can be recast as being the process of determining "at what level of governance decision-making should be carried out".

The paper includes a very useful table suggesting criteria for considering subsidiarity. It is copied below:

**Table 1 – Some Criteria for Considering Subsidiarity**

Goal for Decisions	Assumptions	Local Control	Regional Control	Central Control
Balanced	Allocation of powers is optimal if decisions are made by those who feel the effects and bear the costs.	No externalities exist.	Externalities can be internalised within region.	Significant externalities exist.
Informed	Whether the necessary information is objective or subjective (or specific/ idiosyncratic and non-specific/general) affects who is best placed and most capable to make decisions.	Info is held locally or is unimportant.	Regional scale data is important.	Info is held centrally and is important or complex.
Cost Effective	Economies of scale in decision-making may exist, particularly if preferences are homogenous.	Preferences varying and important. Low decision-making costs.	Medium decision-making costs.	High decision-making costs.

The table can be used to develop a series of criteria appropriate for determining whether outcome responsibility rests at a district, regional or national level. Thus:

- What is the area of impact of the activity concerned? The concept used in the table is that of “externalities”. If significant impacts of the activity concerned go beyond a district or regional level, then the outcome should be addressed at a regional or national level – in other words, at the level which encompasses the externalities.
- If preferences are highly variable, by district or region, then the outcome should be addressed at the level at which preferences are closest to being homogenous.

### **ADDRESSING THE THREE QUESTIONS**

#### **WHAT APPROACH SHOULD BE USED TO DETERMINE WHAT OUTCOMES ARE DESCRIBED AT A REGIONAL LEVEL AND WHAT OUTCOMES ARE DESCRIBED AS A CITY/DISTRICT LEVEL?**

The material reviewed in the preparation of this report suggests that there is no black and white answer to this question. Rather, there are a series of principles that can usefully be applied.

As well, there are factors inherent in the community outcomes process itself that will assist determine whether outcomes should be addressed at the regional or the district/city level.

One important factor will be the level at which it is feasible to develop genuine partnerships in identifying and monitoring community outcomes (including developing the plans etc required for their implementation).

This is an issue which central government has been considering in developing policy for engagement, by central government departments, with the community outcomes process. The paper that went to Cabinet Government Policy Committee includes the comment “Regional-level collaboration is an appropriate focus because various regionally based programmes have been implemented to address intractable problems. Cabinet

has made a commitment to strengthen central government's role in regional development, many regional clusters of local authorities are already working together to progress local and regional development, and several central government agencies are building up their regional capabilities."

This reflects a concern that has been widely discussed, in central government, since the introduction of LGA 2002; how feasible is it for central government agencies, many of whom themselves have only limited regional/local representation, to engage with 86 local authorities? Clearly working at the regional level represents a practical response within central government's limited resources and regional/local representation.

From a relatively slow start<sup>4</sup>, central government now appears to be much more focused, than local government itself, on how the co-ordination/collaboration elements of the community outcomes/LTCCP process should operate. As examples:

- The Ministry of Social Development has established a regional social development function within each of its regions with the specific intention of working through the community outcomes/LTCCP process as a principal means of co-ordinating social development initiatives.
- The review of the regional partnerships programme undertaken for the Ministry of Economic Development in 2003 stresses the importance of the community outcomes/LTCCP process. It also signals an intention to reduce the number of regions, for economic development purposes, broadly aligning them with local government regions (including unitaries).
- The Department of Internal Affairs (regarded as government's lead agency for the purposes of central government/local government collaboration) has created three positions, one each in Auckland, Wellington and Christchurch, to play a lead role in facilitating central government/local government collaboration.
- Current, but still confidential deliberations at cabinet level are reviewing machinery of government measures to facilitate central government/local government collaboration with a particular emphasis on ensuring that central government agencies themselves work collaboratively in their dealings with individual regions.

It should be noted, though, that central government's initiatives are a separate issue from the question of whether outcomes, for the purpose of section 91 and LTCCPs, should be seen as regional or local.

What the central government approach suggests, building on experience with regions such as Hawkes Bay, Taranaki, Canterbury, Southland and Waikato, is that there are very good logistical arguments in favour of councils working together in managing the outcomes process with the expectation that the resultant outcomes, themselves, may well be a mix of regional level and district/city outcomes.

At this point it is worth picking up on one of the criteria in the Treasury working paper; the nature of preferences. Treasury argued that if preferences are varying and important then this signals local control. Conversely if preferences are homogenous or unimportant, then regional or even central control is signalled.

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<sup>4</sup> For example, the pathfinder project led by Treasury and the SSC some 2-3 years ago, as part of rethinking the focus of the public sector, made only passing reference to the role of local government.

MDL expects this to be one of the most important criteria in determining the difference between regional and local outcomes. It is one that may also suggest the use of a hierarchy of outcomes.

Health provides one possible example. Within the Bay of Plenty region, the Bay of Plenty District Health Board covers the districts of five territorial local authorities, Tauranga, Western Bay of Plenty, Whakatane, Kawerau and Opotiki and the Lakes District Health Board the districts of the remaining two territorials, Taupo and Rotorua. Each is concerned with optimising health outcomes (wellbeing) across the whole of its district but priorities can be expected to vary.

Across the district of a DHB as a whole, its outcomes can be expected to reflect the various strategies the government has established for delivery of health outcomes weighted, to some extent, by the population mix for which it is responsible. However, at the level of the territorial local authorities, it is logical to expect a somewhat different approach. Within the district of the Bay of Plenty DHB, it is probable that Whakatane, Opotiki and Kawerau would give a much higher weighting to health outcomes for Maori than would Tauranga and Western Bay simply because of their different population mixes. Similarly, Tauranga and to a lesser extent Western Bay will be likely to give a greater weighting to health outcomes for older people.

This might see regional health outcomes described in terms of access, equitable funding, governance/consultation and other principles that would be applicable across the region generally. Associated actions for local government might then include research (such as the comprehensive analysis the Regional Council commissions following each census), advocacy for funding etc. At a district level, outcomes might focus more directly on the needs resulting from the demographic and socio-economic makeup of district communities. In other words, in a number of major outcome areas (other obvious ones include housing, education – both compulsory and tertiary – housing and employment) there is likely to be a mix between generalised outcomes where preferences may be relatively homogenous, and the Regional Council is able to take a lead role, especially in issues of research and advocacy, and district (or sub-district) outcomes where preferences are idiosyncratic and/or reflect the particular economic social and other circumstances of the community<sup>5</sup>.

This point is worth emphasising. In practice, especially given the way the legislation is drafted, it seems likely that LTCCPs at both the district/city and the regional level will have a significant amount of overlap. This follows from the fact that what is being described are the outcomes desired by the community within the district or region. If (say) affordable housing is seen as a significant outcome within each district within a region, then it is likely to be recorded as such in the outcomes statement for the region as well. The differences are likely to arise in terms of how the LTCCPs deal with the outcomes.

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<sup>5</sup> Note that this paragraph is discussing the local authority role in the outcomes concerned. At both the regional and district levels outcome statements and LTCCPs will also set out the responsibility of other participants – in health DHBs, PHOs, hauora etc.

Those at a district level might focus on how the council's regulatory and planning responsibilities support or inhibit affordable housing (for example the impact of development contributions). They may also include initiatives, possibly within the context of the current Housing New Zealand Corporation partnership programmes, designed to increase the supply of affordable housing. They may also include a significant weighting on advocacy to central government, recognising the need for taxpayer support.

At the regional level, whilst recognising the outcome, the LTCCP may indicate that most of the action will be "all by others" although its own regional planning and environmental responsibilities may also feature.

The key criteria developed in the Treasury working paper included:

- Externalities. In the outcomes context, this can be re-expressed as "area of impact". Within what boundary are the greater proportion of the costs and benefits of the initiative – the outcomes – likely to be experienced? The primary role for considering who should have outcome responsibility should rest at the level that encompasses the greater proportion of the costs and benefits (the 80/20 rule).
- Information. Where is the key information held/generated? Alternatively, is information relatively unimportant?
- Preferences. The more that preferences in the outcome area concerned vary by locality, the stronger the case for outcome responsibility being held at a low level.
- Cost. Are there significant economies of scale (note: this may not of itself be a key determining factor. As with the shared services initiatives being undertaken by many local authorities, decisions about the outcomes from an activity, and the logistical arrangements for delivering that activity, may have different geographic coverage).

As well as those considerations, other factors will be important. They include:

- What are the areas of responsibility of the key partners for the outcome concerned? This is one factor which has seen central government favour engagement at a regional level. It may also be important, for example, in developing outcomes that involve significant voluntary/community sector or business organisations. The areas of responsibility may be statutory in the sense of specific roles that a regional council or territorial local authority is required to undertake. It may be that a principal actor is a government agency operating through a regional arm so that direct engagement is best undertaken at a regional level. Here it may be important to draw a distinction between the way that the outcomes process is managed, and the coverage of the outcomes – regional engagement with Housing New Zealand may be the most effective means of bringing them into the outcomes process, but the outcomes themselves may be expressed as a mix of regional (minimum standards) and district or sub-district (reflecting particular district or sub-district circumstances).
- Capability. The expertise required to develop the community outcomes process, especially with a strategic planning emphasis, is probably scarce (this was certainly a factor in the English equivalent). This argues that it may be necessary, at least initially, for much of the resource to be concentrated at a regional level rather than

be distributed through district/city councils. This does not necessarily imply being held by the regional council. There are a number of examples of regional outcomes processes allocating a lead role to one or more councils depending on matters such as the nature of the issue and who has the needed capability/capacity.

Throughout the discussion in this section, we have put quite a strong emphasis on implementation issues. This is being done not because we see outcomes and implementation as interchangeable – they are not – but because the development of realistic outcomes requires an understanding of implementation. To put it bluntly, there is not a great deal of point in adopting unrealistic outcomes, and the realism of outcomes is a function of what is involved in their implementation.

**WHAT APPROACH SHOULD BE USED TO DETERMINE WHAT OUTCOMES ARE PRIMARILY CONTRIBUTED TO BY REGIONAL COUNCILS, CITY/DISTRICT COUNCILS, CENTRAL GOVERNMENT AND THE COMMUNITY SECTOR RESPECTIVELY?**

Two preliminary points may be worth making:

- As well as the identified parties, the business sector should also be recognised as a contributor to outcomes.
- Under LGA 2002, promoting the “four wellbeings” is a statutory responsibility of councils, both regional and district. In addressing the outcomes process, it may be helpful to draw a distinction between the conventional (pre LGA 2002) activities of different parts of local government, and the common statutory obligation which all councils now have in respect to outcomes.

With those points made, there is clearly a “horses for courses” issue involved. In a sense, this is captured by section 77 of LGA 2002 which spells out requirements in relation to decisions. They include that, in the course of the decision making process, a local authority must:

- (a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
- (b) Assess those options by considering:
  - (i) The benefits and costs of each option in terms of the present and future social, economic, environmental, and cultural well-being of the district or region; and
  - (ii) The extent to which community outcomes would be promoted or achieved in an integrated and efficient manner by each option; and
  - (iii) The impact of each option on the local authority’s capacity to meet present and future needs in relation to any statutory responsibility of the local authority; and
  - (iv) Any other matters that, in the opinion of the local authority, are relevant.

It should be affected, also, by the way in which the outcomes process itself is operated. As already noted, there has been a tendency in the first round of LTCCPs to treat the community outcomes process as a form of enhanced public consultation. If, as this report argues, the crucial part of section 91 is developing the process in agreement with “other organisations and groups”, MDL would expect to see much more of a focus on the

"vital few" outcome areas where it is expected both that making a difference will add real value to community wellbeing and that the difference can be made. In practice, MDL expects that decisions on who should have what roles would be made as part of the process of identifying community outcomes, interpreting that process to include developing the objectives, strategies and activities required to deliver on those outcomes. In other words, although there are general principles, such as those set out in section 77, or the criteria set out at page 52 above there are no hard and fast rules that will produce the one right answer. Instead, there should be a consistent and principal based approach to determining what is appropriate with each outcome set.

An example from the Bay of Plenty may help make the case. It can be argued that one of the most significant outcome areas, for the region as a whole, is tertiary education (that is post-compulsory education ranging from initiatives such as the modern apprenticeship scheme through to post-graduate study and research).

The fact that major tertiary institutions tend to have at least a sub-regional if not a regional or supra-regional catchment, and that issues of under-provision are generic across the region, points to aspects at least of this as being a regional outcomes area. The key stakeholders include the community in different guises – as potential students, as parents, as employers, as people interested in life-long learning opportunities and so on.

This highlights another aspect of the outcomes process, and one that needs to be recognised up-front. Outcomes are not invariant. Defining them is, in many respects, as much a value judgement as it is a result of an analytic process. Tertiary education provides a good example. Central government has what it regards as some quite clearly defined outcomes for the tertiary education sector and stated means for delivering those outcomes. Not all of the outcomes are ones that would necessarily have full support at a regional or local level. Thus, central government's outcomes appear to include or be underpinned by:

- A strong preference for the delivery of tertiary education services through publicly owned institutions.
- A strong discouragement of competitive supply.
- Opposition to the establishment of new tertiary institutions.
- Preferred processes for engagement with prospective users – employers etc.

Within the Western Bay of Plenty community (and probably through the region as a whole) there are concerns that the government's preferred outcomes are:

- Significantly restricting the development of educational opportunity – for example the restrictions on what has been Tauranga's dynamic private, including not for profit, sector.
- Limiting access to alternative providers with research, teaching and learning skills needed within the community – horticulture, and the potential for a focus on ageing are good examples.
- Entrenching a situation in which the delivery of tertiary services within the Bay of Plenty is significantly below the region's needs (with delivery in the Western Bay running at something like 40% of what it would be if it were at the New Zealand level on a per capita basis).

- Contributing to a significant and ongoing skills shortage issue because of the absence of effective means of engagement between potential employers and tertiary providers.

This example is intended to highlight the probability that treating the outcomes process as genuinely strategic planning at a community level will highlight differences around desired outcomes and who should have what responsibility. Ideally this will be seen as inherent in any worthwhile strategic planning process, and an opportunity for different participants to learn more of the needs and aspirations of others, rather than as a reason for failing to engage.

Finally tertiary education is clearly an example of something that, at least in a pre-LGA 2002 environment, was well outside the purview of the regional council. However, given its significance for each of the four wellbeings, and its regional dimension, arguably the region has a significant role to play – not as a deliverer but as an advocate and as a facilitator of a process to bring the regional community together with current and potential funders and providers. The same will apply in a number of other outcome areas.

**WHAT APPROACH SHOULD BE TAKEN BY REGIONAL COUNCILS AND CITY/DISTRICT COUNCILS RESPECTIVELY CONCERNING ENGAGING WITH CENTRAL GOVERNMENT ON COMMUNITY OUTCOME IDENTIFICATION AND MONITORING PROCESSES?**

Developing policy within central government makes it clear that central government has a preference for engagement at the regional level. This is not the same thing as engagement with regional councils.

It is clear from material being prepared for Cabinet that the practice, in a number of regions, of the regional council and the district councils coming together to identify community outcomes is seen as a valuable one.

From a central government perspective, it appears that the community outcomes process is seen as being, amongst other things, a very useful way of raising community understanding of what can be expected from central government, including limitations on its ability to intervene and that the community outcomes process should represent a very useful two-way communication mechanism. To quote from the Cabinet paper already cited:

"If departments do not engage in COPs there is a risk that communities will not have adequate information to appropriately identify their future wellbeing outcomes, and they might build up unrealistic expectations about what government can and should do to help achieve these outcomes. COPs provide opportunities for central government to collaborate and benefit from the process. All central government agencies will have the opportunity to communicate Government's goals and priorities from their relevant sector, provide information they may have about communities and their agency's activities, and raise awareness of particular issues. Those that participate directly in COPs can listen to community concerns, help clarify local issues, explain what agencies are doing

in the community, and manage expectations about what central government can and cannot do."

It is also clear that at least some regions within New Zealand have been proactive in seeking to ensure that the community outcomes process is used to engage central government actively in addressing the needs of those regions as with the Auckland and Wellington initiatives cited in the Cabinet paper (see p32 above):

## **GOOD PRACTICE SUGGESTIONS**

Experience so far suggests that there are some good practice matters that should be taken into account.

The first is the need to balance the different resources, capabilities, circumstances and perceptions of councils involved in a regional outcomes process. In most of New Zealand's regions, there are significant imbalances in capacity and capability between the regional council on the one hand and a number of territorials on the other, and between larger and smaller territorials. Obvious examples include:

- The scale difference between Environment Bay of Plenty on the one hand and Opotiki and Kawerau on the other.
- The scale difference between Christchurch City and a number of surrounding district councils.

If regional outcomes processes are to be effective, then it is incumbent on regional councils generally, and larger city/district councils, to be very aware of the circumstances of smaller districts – any suggestion that a regional outcomes process could be a "stalking horse" for the agenda of large councils will not assist the process.

A second good practice issue, and again one which is really no more than common sense, is the need to be very aware that, within a number of regions, the circumstances of district councils differ very substantially so that, even though there may be a measure of commonality in high level regional outcomes, action plans will necessarily be quite distinct. As one example, Wanganui District Council told us that they were more focused on district level than regional outcomes because of the nature of the Manawatu – Wanganui region. As the council put it to us, we do not have a great deal in common with Tararua District Council on the East Coast of the North Island.

One way of dealing with these sensitivities, and reaching some agreement on how community outcomes processes should function, is to treat this as one of the matters to be covered in the triennial agreements which all of the local authorities within each region must enter into before 1 March following each triennial election. The agreement is to cover "protocols for communication and co-ordination among them during the period until the next triennial general election members".

It is tempting to suggest that Local Government New Zealand, or the Society of Local Government Managers, should seek to develop a template which all regions could use as a basis for incorporating their approach to the regional outcomes process within their triennial agreements. On balance, it is a temptation which should be resisted as there appear to be sufficient differences in the makeup and circumstances of each region, and the approaches which individual regions have been taking, to suggest that a template

would not be helpful as opposed to recognising the principle of using the triennial agreement to framework the regional outcomes process.

What this strongly suggests is that, for effective engagement with central government by local authorities in other regions, the following would be desirable:

- Adopting a joint approach to identifying the community's outcomes, at least in terms of dealing with central government.
- Actively seeking involvement from central government in the development of outcomes at a regional and district level.

It is also clear, and becoming more so as central government moves to developing its machinery of government responses, that there is a very real need to ensure a similar level of preparation with other key stakeholder interests. If central government comes to the table well prepared and with its agencies working in unison, there is a very real potential that the outcomes process could be distorted if other sectors engaging in the process are not similarly well prepared – local government itself, the business sector, the voluntary/community sector, and Tangata Whenua. As English experience with local strategic partnerships shows, this places a real emphasis on the need to consider how best to resource the outcomes process, and to do so in a way that does not place undue burdens on sectors that have relatively limited resources.

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## 8. From Consultation to Strategic Planning

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In this section of the report we consider what needs to happen in order to realise the potential of the community outcomes process to enable community based strategic planning.

Our starting point is that effective strategic planning, of whatever kind, is necessarily the result of an informed understanding and a commitment to make it happen. No amount of legislative requirement, ministerial directives, or other forms of compulsion will be effective, in the absence of genuine understanding and commitment.

Conversely, there is also very good evidence that, even in the public sector, effective strategic planning can take place regardless of whether there is a statutory obligation or not.

Accordingly, this section of the report is written for councils, government departments and agencies, and other key stakeholders who themselves want to be part of a community based strategic planning process. Experience suggests that this will typically be the case when they see that there are potentially significant benefits, in terms of their own objectives, from doing so. This appears a perfectly sensible proposition; what is very clear both from New Zealand experience so far, and from experience in other jurisdictions such as England and Wales, and Australia, is that community based strategic planning involves a very considerable investment of time and other resources. In turn, this suggests that in order to secure the commitment of those who need to be involved (including elected members and staff for whom commitment is as much as anything else a significant change in the way they work) the expected returns must be commensurate. The obvious implication is that one pre-condition for community based strategic planning is the expectation that its impact will be significant. To put it another way, there must be an expectation that the results will be more than just "business as usual".

Against that background, and before considering the elements of good practice for community based strategic planning in New Zealand, we consider some of the barriers to implementing strategic planning within local government.

The first is the nature of strategic planning itself. Writers on strategic planning conventionally describe it as a process involving a series of steps, starting from setting an organisation's mission, reviewing the organisation's environment, identifying strengths and weaknesses, selecting strategic issues, formulating strategies, implementation, review and reassessment.

A good example of this is the model developed by John Bryson, Professor of Planning and Public Affairs at the University of Minnesota's Hubert H Humphrey Institute of Public Affairs. He puts forward a ten step strategic planning process. The following extract both outlines the process and provides some qualifying comment about the time and resource required to put it into practice:

- "1. Initiate and agree upon a strategic planning process.
  - 1. Identify organisational mandates.
  - 2. Clarify organisational mission and values.

3. Assess the organisation's external and internal environments to identify strengths, weaknesses, opportunities and threats.
4. Identify the strategic issues facing the organisation.
5. Formulate strategies to manage these issues.
6. Review and adopt the strategic plan or plans.
7. Establish an effective organisational vision.
8. Develop an effective implementation process.
9. Reassess strategies and the strategic planning process.

"These ten steps should lead to actions, results, and evaluation. It must be emphasised that action, results, and evaluative judgements should emerge at each step in the process. In other words, implementation and evaluation should not wait until the "end" of the process but should be an integral and ongoing part of it.

"The process is applicable to public and non-profit organisations, boundary-crossing services, interorganisational networks, and communities. The only general requirements are a "dominant coalition" (Thompson, 1967) that is willing to sponsor and follow the process and a process champion who is willing to push it. Many organisational strategic planning teams that are familiar with – and believe in – the process will be able to complete most of the steps in a two-or three-day retreat, with an additional one-day meeting scheduled three to four weeks later to review the resulting strategic plan. Responsibility for preparing the plan can be delegated to a planner assigned to work with the team, or the organisation's chief executive may choose to draft the plan personally. Additional time might be needed for further reviews and for sign-offs by key decision makers. Additional time might also be necessary to secure information or advice for specific parts of the plan, especially its recommended strategies. When applied to a network or community, however, the effort is likely to be considerably more time consuming due to the necessity of involving substantial numbers of leaders, organisations, or citizens."

A different view of strategic planning is presented by Henry Mintzberg<sup>6</sup> in a seminal Harvard Business Review article published in 1994, ***The Fall and Rise of Strategic planning***. Mintzberg launches a devastating critique of process based strategic planning and the role of planners.

He draws a sharp distinction between strategic planning and strategic thinking as can be seen from the following extracts from the article:

"True to the scientific management pioneered by Frederick Taylor, this one best way involved separating thinking from doing and creating a new function staffed by specialists: strategic planners. Planning systems were expected to produce the best strategies as well as step-by-step instructions for carrying out those strategies so that the doers, the managers of businesses, could not get them wrong. As we now know, planning has not exactly worked out that way.

"While certainly not dead, strategic planning has long since fallen from its pedestal. But even now, few people fully understand the reason: *strategic planning* is not *strategic thinking*. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers. And

<sup>6</sup> At the time of writing, Professor of management at McGill University in Montreal Quebec and visiting Professor at INSEAD in Fontainebleau France.

this confusion lies at the heart of the issue: the most successful strategies are visions, not plans.

"Strategic planning, as it has been practised, has really been *strategic programming*, the articulation and elaboration of strategies, or visions, that already exist."

"Strategic thinking, in contrast, is about synthesis. It involves intuition and creativity. The outcome of strategic thinking is an integrated perspective of the enterprise, a not-too-precisely articulated vision of direction, such as the vision of Jim Clark, the founder of Silicon Graphics, that three-dimensional visual computing is the way to make computers easier to use.

"Such strategies often cannot be developed on schedule and immaculately conceived. They must be free to appear at any time and at any place in the organisation, typically through messy processes of informal learning that must necessarily be carried out by people at various levels who are deeply involved with the specific issues at hand.

"Formal planning, by its very analytical nature, has been and always will be dependent on the preservation and rearrangement of established categories – the existing levels of strategy (corporate, business, functional), the established types of products (defined as "strategic business units"), overlaid on the current units of structure (divisions, departments, etc). But real strategic change requires not merely rearranging the established categories, but inventing new ones."

"Strategy making needs to function beyond the boxes, to encourage the informal learning that produces new perspectives and new combinations. As the saying goes, life is larger than our categories. Planning's failure to transcend the categories explains why it has discouraged serious organisational change. This failure is why formal planning has promoted strategies that are extrapolated from the past or copied from others. Strategic planning has not only never amounted to strategic thinking but has, in fact, often impeded it. Once managers understand this, they can avoid other costly misadventures caused by applying formal technique, without judgement and intuition, to problem solving."

Mintzberg is not arguing for the abolition of strategic planners or the planning function. Rather what he is arguing is that:

"Planners should make their contribution *around* the strategy-making process rather than *inside* it. They should supply the formal analyses or hard data that strategic thinking requires, as long as they do it to broaden the consideration of issues rather than to discover the one right answer. They should act as catalysts who support strategy making by aiding and encouraging managers to think strategically. And, finally, they can be programmers of a strategy, helping to specify the series of concrete steps needed to carry out the vision."

The Mintzberg critique will probably strike a chord with a number of readers; too often strategic planning has been seen as an exercise that produces a voluminous document that then gathers dust on the shelf, or simply proves to be relatively unhelpful because it proposes a static approach in a dynamic environment in the sense that it assumes certain future states that do not in fact eventuate.

The over-emphasis on planning as opposed to strategic thinking can certainly be an issue in a local government context. In the consultations we undertook in Sydney, we were advised to try and avoid the use of the word planning.

Two of the people with whom we met (separately) had both played significant roles in the development and implementation of ILAP. One commented that a real problem in selling ILAP had been the use of the word "planning". What it did was trigger a reaction in local government, as a first response, that anything that has the word planning in it should be given to the planners – and in Australia that had tended to mean a focus on data collection rather than on doing things. In that person's experience, over-analysis, data collection etc can be inimical to building partnerships (the "when is something going to happen" issue). It also creates another risk. If the process starts with significant data collection and analysis, the risk is that what you get is the views of the analysts/data collectors, as their version of the "truth" is advanced as the truth for the project.

The second informant made a different point. He was concerned that the use of the word "planning" distracted people from the fact that what was really at issue was strategic management – the need to inform an engaged management within the organisation.

The third informant commented on the importance of avoiding capture by built form planners – the people responsible for developing the district plan, land use rules etc. She said that her council saw planning within its community planning framework as being not so much about built form planning or anything of that kind as about clarity on where you are going and how you are going to get there – part of it is demystifying a process and making it open.

This can be seen as a dilemma for local government, both in formal compliance terms, and in terms of organisational culture. Councils as organisations are both rule bound and rule makers, certainly as compared with either the business or the voluntary/community sectors. LGA 2002 and other local government legislation is quite prescriptive in terms of how councils undertake their activities, report on them, and are held accountable by their communities. In comparison with other organisations, local authorities generally have a strong culture of working by the rules and expecting others to do so – reflecting the nature of their role as a public bureaucracy.

This suggests that one necessary part of the commitment to effective use of the community outcomes process is ensuring that whatever process a council adopts, it is specifically designed to encourage strategic thinking rather than simply strategic planning in the pejorative sense. To quote Mintzberg again:

"Formal procedures will never be able to forecast discontinuities, inform detached managers, or create novel strategies. Far from providing strategies, planning could not proceed without their prior existence. All this time, therefore, strategic planning has been misnamed. It should have been called strategic programming, distinguished from other useful things that planners can do, and promoted as a process to formalise, when necessary, the consequences of strategies that have already been developed. In short, we should drop the label "strategic planning" altogether."

LGA 2002 enables this for the community outcomes process – it is the one non-prescriptive part of the planning, reporting and accountability requirements within the Act.

The greatest difficulty for local government may be the culture shift, from leading and directing to facilitating. One highly regarded English local government think tank from which we sought input based on their experience with local strategic partnerships in England and Wales commented:

- Expecting councils to change to simply facilitating a process is asking a lot.
- There are still difficulties in England especially for elected members who are used to making decisions on their own based on their notions of representative democracy.

## **THE COMMUNITY AS A PLANNING ENTITY**

A further factor, unique to community based strategic planning, is the nature of the "entity" for which planning is being undertaken. Normally strategic planning – strategic thinking – takes place within an organisation which has known boundaries and where strategic thinking is very much focused on the relationship between the organisation and the others with whom it interacts – customers, suppliers, patients or whatever. There is also, usually, a sense of common identity within the organisation. People know that they are associated with it as employees, owners, and in other usually well understood categories.

There is no such commonality within the "community". As is well recognised, especially when the term is used to refer to a geographic entity, it encompasses a wide range of diverse interests who may or may not see themselves as having anything in common one with another other than the fact of location.

This does mean that care is needed in extrapolating from the understanding and practice of strategic planning within organisations to strategic planning for a community. In particular, it will mean that there does need to be a stronger emphasis on process, on providing leadership – in the sense of direction in identifying strategic issues – and in providing information to which people can respond.

At the same time, there are also commonalities. Mintzberg's critique of process based strategic planning, and emphasis on strategic thinking, is at least as important in community based strategic planning as it is in strategic planning within an organisation.

If anything, given the disparate nature of community, and the rule and process based nature of local government, the risk that strategic thinking could get displaced by process is a very real one.

One final point needs to be stressed, yet again. This is the importance of councils – and key stakeholders – consciously recognising that the role of the local authority is to facilitate the community outcomes process so as to maximise the opportunity for strategic thinking to emerge from where-ever it is held within the community, and not to confuse facilitation with the imposition of its own views or preferences (whether those of offices or those of elected members).

The reality is that responses will differ. Some councils, deliberately or otherwise, will treat the outcomes process as one of stating what they believe the community's preferences are. Other may understand that their role is intended to be facilitation but find it hard to make the shift from their established practice. Not all will understand that the real potential of the outcomes process lies in treating it as an opportunity for strategic planning (strategic thinking) and be prepared to make both the adjustments and the investment required for this to be effective.

The probability of different responses, including responses that do not recognise, or prove able to cope with, the potential of the community outcomes process should not be seen in negative terms. Rather, it is the normal pattern in any significant organisational change across a sector which includes a number of different organisations (there is a very loose parallel with the way in which the New Zealand business sector responded to the deregulation of the 1980s; some genuinely understood the potential and took full advantage of it, others attempted to do so in varying degrees and yet others virtually retreated into their shell and were left behind).

Experience is that this kind of change always has leaders and laggards. It can normally best be enabled by identifying and encouraging potential leaders in the expectation that others, witnessing the gains they make, themselves understand the benefits that can be gained from change.

The rest of this section is written on that premise – that the best way of realising the potential of the community outcomes process is to reinforce the work of those councils which are closest to treating the process strategically, and of those stakeholders who can contribute to encouraging councils to do so.

We now consider:

- The preconditions for establishing an effective process.
- Gaining the engagement of different stakeholders.
- Incentives.

## **PRECONDITIONS**

The first and most significant precondition is developing a shared understanding between the council and potential participants of what the process is about. It is for this reason that MDL regards the requirement in section 91(3) that councils seek the agreement of “other organisations and groups” to their proposed process as absolutely crucial. It should be seen not as a “tick the box” test of approval but as the point at which the council itself makes it clear to other potential participants that this is about enabling strategic thinking on the future of the community, gives its own commitment to the process (including its role as facilitator) and secures the commitment of other stakeholders.

This may not be straightforward. A number of potential stakeholders are either dubious about the role of local government or relatively uninformed (see the extracts in appendix 2 from the report on the regional partnerships programme). Councils may find that simply stating their intention is not in itself sufficient – that they will need to go out of their way to emphasise that this is not just another exercise in council consultation.

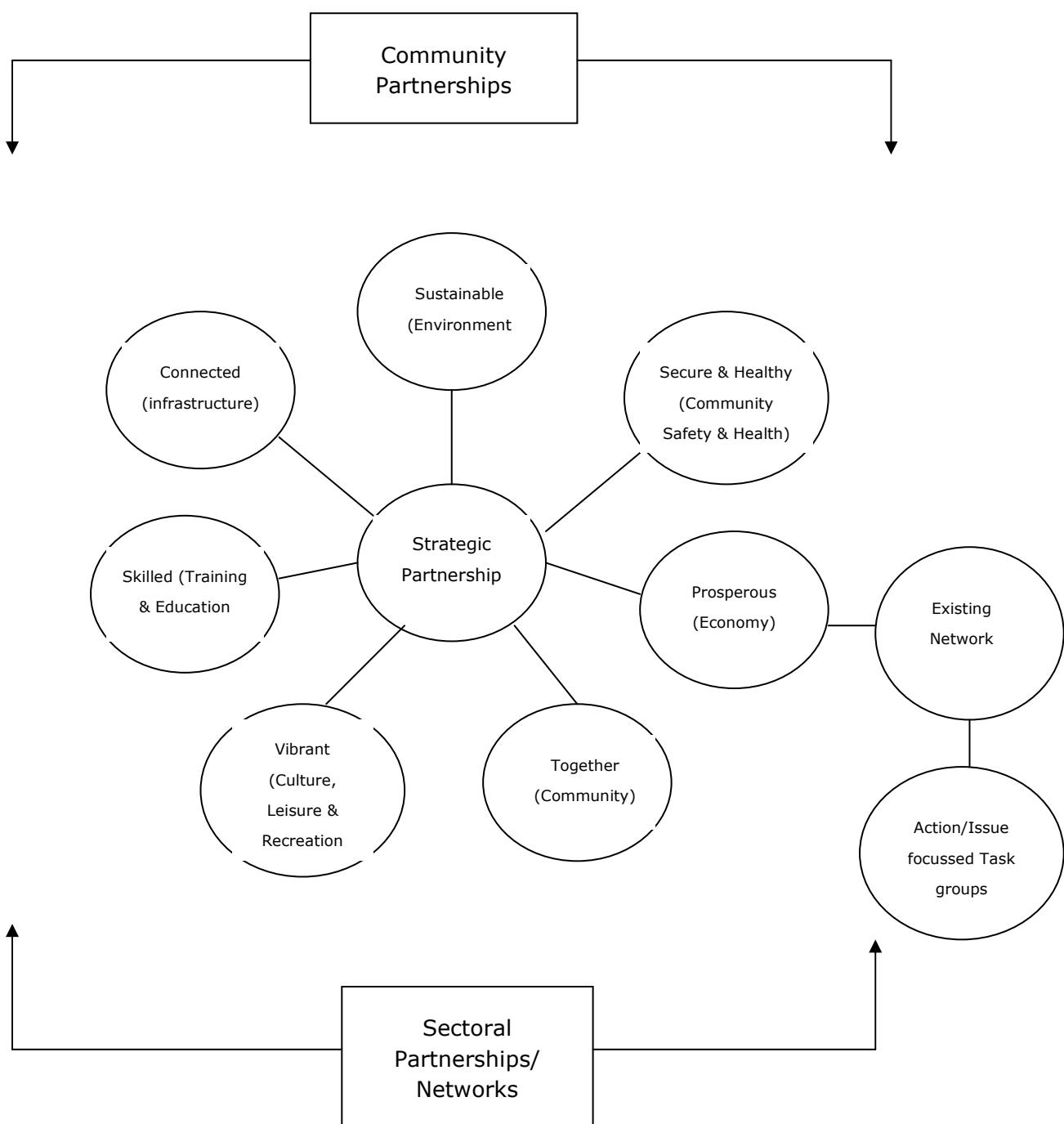
One important factor for councils to consider is who should lead the process. MDL’s view is that, if the full potential of the community outcomes process is to be realised, then it is the elected members, rather than officers, who must take the lead in explaining the process to other potential participants and securing their commitment. This will demonstrate that the process is not just another exercise in compliance, but genuinely about setting the future direction of the community.

As part of this, councils will need to be clear on what they are asking stakeholders to commit to, in the practical sense of the nature of the involvement and what they will be expected to do. To date, councils have concentrated on identifying community outcomes, rather than on the who, what and how of the measures that might result in their achievement.

In contrast, in England and Wales, councils in order to develop their community strategies have established local strategic partnerships – basically because the guidance from the Secretary of State required them to do so.

A similar approach is starting to emerge in New Zealand as councils start asking the question "we have identified the community's outcomes, what now?"

In a model that appears to have much to commend it, the four Taranaki councils are proposing the establishment of a single strategic partnership with seven sectoral networks. The structure is represented diagrammatically as:



This diagram aims to depict how the Strategic Partnership could relate to a series of outcome partnerships, existing sectoral networks and groups and/or a range of action/issue focused groups.

On the face of it, the approach seems the rational way to proceed. A single strategic partnership brings together all key stakeholders – and thus facilitates collaboration. The seven sectoral networks allow a measure of specialisation, drawing together people around each outcome set who are presumed to have the expertise, networks, knowledge and institutional backing needed to identify and drive strategies for that outcome set.

Experience with local strategic partnerships in England and Wales (as reported in the evaluation study cited at page 13 above) identifies a number of matters that must be addressed if strategic partnerships are to work effectively. They include:

- Clarity regarding the role of the local authority and other participants.
- Commitment – that generally the same people represent an organisation at successive meetings of the partnership, and have whatever authority is needed to make commitments that may be required at partnership meetings.
- Capability/capacity – both within the local authority in terms of strategic capability and in other stakeholders, especially non-public sector stakeholders. Typically, these stakeholders will have very limited resources and no readily available means of increasing them. This leads to the risk, already referred to in this report, that the outcomes process could become dominated by organisations that have access to taxpayer or ratepayer funding, whilst stakeholders who depend on membership funding (typical of both the business and the voluntary/community sectors) or otherwise have limited resources (many Iwi organisations) find they cannot afford to participate. This is an issue that must be addressed and cannot simply be brushed to one side on the argument that if the organisations think it is important enough, they will find a way of participating. What is being considered here is essentially a public good activity and it may need to be funded accordingly.
- Open lines of communication and a commitment to collaboration and timely response. English experience suggests that this may be a particular challenge for central government agencies. Ensuring that this happens – or looking for solutions if it does not – appears now to be the role of the Department of Internal Affairs.

We come now to what is something of a chicken and egg dilemma; the question of what kind of strategic partnerships and what interests should comprise them. At page 45 above we quoted a response from one contributor to the project who argued, in essence, that seeking to identify community outcomes, before considering strategic direction (including opportunities, constraints and the like) was to get the process back to front. We have some sympathy for that view but know also that the process of asking the community what its preferences are can be seen as the equivalent of the kind of scoping that would take place in a normal strategic planning exercise. Seen in this way, community outcomes become part of the information set which aids the process of considering what objectives/strategy/actions should have priority, and in determining what mix of interests should be required within the strategic partnership and any sectoral networks.

This leads on to one of the most important pre-conditions; ensuring that any strategic partnerships are structured to maximise potential both for strategic thinking and the action plans that must follow from that.

This highlights another dilemma. If, following Mintzberg, you believe that formalisation can be the enemy of strategic thinking, then a crucial question is how should a strategic partnership be designed so that it enables strategic thinking rather than inhibits it.

A degree of formalisation can clearly bring strategic benefits, especially if it can enhance collaboration and co-operation amongst key stakeholders who have previously worked past each other. With the right motivation, and terms of reference, formal working groups can be effective to achieve this.

The question is, can they be effective to enable the strategic insight which will lift the game to a higher level. Two points should be emphasised here:

- A community's expressed preferences, and the strategies needed to improve outcomes for the community, may not necessarily fit one with another.
- The most significant strategies may be those which are likeliest to clash with quite strong vested interests.

Each of these points can be illustrated by an example. Currently, there appears to be a strong preference within the community for increasing the penalties for criminal offending. The preference appears to be based on a community view – encouraged by politicians from most political parties – that increased penalties will reduce offending and increase community safety. Most research evidence suggests that this view is plainly wrong – that the strategy of increased penalties is likelier over the long term to increase criminal offending and make the community less safe.

This provides a classic example of a situation in which community preferences – community outcomes – could be at odds with the various strategies needed to achieve them.

The second example concerns the presence, within most communities, of significant institutions of local governance that may see the community outcomes process as a threat to what they regard as their independence. The obvious examples are the former Trust Bank Community Trusts, and Energy Trusts. Gaming Trusts fall into the same category. All are, to varying degrees, resistant to any suggestion that their decisions on how they deal with their income and capital should be taken within a broader context of overall community priorities, outcomes, and use of community resources.

## **STAKEHOLDERS**

Effective community based strategic planning will require a strong commitment from stakeholders including business, the voluntary/community sector, government agencies, Tangata Whenua and specialist groupings such as the major "public" trusts.

One element of securing this is the commitment which individual councils themselves make to secure the engagement of key stakeholders; this is one reason for the emphasis on the importance of the process of seeking agreement of "other organisations and groups" to the council's process for identifying outcomes.

Another element is the level of understanding, capability and capacity on the part of key stakeholders themselves. We now address this issue, drawing both on extensive discussions and input from stakeholder groups themselves, prior knowledge (especially in respect of "public" trusts) and experience from elsewhere.

We consider each of the five stakeholders groups mentioned in turn.

**BUSINESS**

Any approach to strategic planning at a community level recognises the pivotal role of business, but also the difficulty of achieving engagement. Reasons include:

- A relative lack of understanding by business, of local government, and by local government of business coupled with a suspicion, on the part of business, of local government led processes. Evidence for this includes the findings of the Regional Partnerships Programme review (see appendix 2) experience from other jurisdictions (eg local strategic partnerships in England and Wales) and feedback, especially from business, in the course of this project.
- A relative lack both of capability and capacity on the part of business. Discussions with various lead business organisations in preparing this report has identified this as a significant issue in a New Zealand context – most peak organisations have very limited policy/analytical capability and typically this is already over-committed.
- The relative absence of established channels for dialogue between business and local government.

MDL approached the issue of business engagement on the basis that it required both a 'top down' and 'bottom up' approach. Top down in the sense of peak business organisations playing a role in developing a business view on response to/involvement with the outcomes process and providing guidance for their membership. Bottom up in the sense that actual engagement will be at a regional or district level and thus, primarily, involve local businesses/business networks.

One business organisation, the Chambers of Commerce, has taken the policy decision to become actively engaged in the outcomes process and provided it guidelines to its member organisations on how to get involved. However, both from a 'top down' and 'bottom up' perspective, the Chambers' capacity is extremely limited. They simply lack the people resource needed at a regional or local level and, as member funded organisations, have limited or no potential to draw on member funding for what is inherently public good activity.

Other business organisations have shown varying levels of interest but have been inhibited, substantially, by a view of the nature and role of local government which suggests that there will be little or any positive engagement. Peak organisations appear to be inhibited in their dealings with local government by a combination of:

- An ideologically based view that the best government is small government so that anything which appears to extend the role of local government should be resisted.
- A history of experience from engagement with local government, especially through the special consultative procedure around annual plans, which has left a number of business organisations doubtful about the value of engagement – the already cited response of "I will be frank. Councils' consultation is rubbish!" makes the point.

Despite the obvious difficulties, it is crucial that means be found for enabling business sector engagement. In the current situation of business sector attitudes towards local government, the best options appear to be:

- Engagement with individual businesses/business groups at a local/regional level.
- Encouraging Economic Development Agencies (EDAs) to act as a voice for business in the outcomes process.

A review of experience of those councils that have sought to encourage active involvement (for example the Taranaki councils; Kapiti Coast District Council) suggests

that local business organisations and businesses will, within their limited resources, respond positively. They will, though, be limited by lack of resource and, in particular, the capability/capacity to deal with strategic thinking for the community – individual businesses and business organisations tend much more to be focused on the short term interests of their own businesses or their own members.

The second option may be more promising. Virtually all of New Zealand's local authority areas are now served by EDAs (sometimes as standalone entities, sometimes as in-house business units and variously serving either a single district or the district of a group of councils).

Typically, EDAs do have some capability/capacity in policy and strategy. They are also much more focused on the nature of the business environment, and the potential for development of the local economy. Encouraging them to play a role in the community outcomes process as the voice of business would require some specific measures. These would include:

- Establishing a specific understanding between funding councils on the one hand and individual EDAs on the other that this was an appropriate role even if it might involve putting forward views that the council itself could find it hard to accept (from MDL's work on economic development, it is clear that for many, perhaps a majority of EDAs, there are quite important "no go" areas because of council sensitivities).
- The question of resourcing would need to be addressed. Although EDAs receive most of their funding from the public sector, it is commonly through contracts which, increasingly, specify how the funding is to be applied. The potential of EDAs to play a role in the outcomes process will therefore be a direct function of the terms of their funding arrangements.
- Some upskilling on local government practice and processes.

There are good working relationships between local government as a sector and EDAs, especially through the relationship between LGNZ and EDANZ (the peak organisation for EDAs).

MDL recommends that these two organisations explore the potential for EDAs to act as a voice for business in the outcomes process with a view to developing guidelines/recommendations for individual councils and EDAs.

### **THE VOLUNTARY/COMMUNITY SECTOR**

The same issue of 'top down' versus 'bottom up' arises for the voluntary and community sector but from a very different background of ideology and experience.

Discussions were held both with the New Zealand Federation of Voluntary Welfare Organisations (NZFVWO) and the New Zealand Council of Social Services (NZCOSS). This year's NZCOSS conference had a major focus on the community outcomes process which included a presentation from MDL.

From both these networks there is a strong interest in being actively engaged with the community outcomes process recognising that, in practice, engagement will be at a regional and/or district level.

Both organisations are interested in exploring how best to enable their members to play an effective part. This is likely to include:

- Addressing the issue of capacity for organisations that, typically, are already over-committed.
- Up-skilling people so that they have the necessary understanding of the processes involved to play an effective part.

NZFVWO has suggested the establishment of a focus group as the means of further exploring with their members how best to become engaged and how to build the necessary understandings between them and local government on the role they can play.

NZCOSS also sees engagement with the outcomes process as an important part of its future focus. The means will be addressed as part of NZCOSS's own strategic planning work being undertaken in early December.

With both organisations, MDL sees merit in building a close working relationship between LGNZ on the one hand and the national executives of the two organisations on the other for purposes including sharing experiences, building networks, identifying issues that may need to be addressed, and developing good practice.

The second matter that is worth considering is one which applies also with EDAs. This is the question of how to up-skill the people who will actually be engaged within the community outcomes process, who will typically be executives of regionally or locally based organisations. From work MDL has done in the course of this project, it is clear that, to get best value from their involvement, there is a need to provide some basic training in the community outcomes process and other local government accountability mechanisms so that they have a clear understanding of how best to get engaged.

### **CENTRAL GOVERNMENT**

Central government, at a "whole of government" level has already taken significant steps to prepare for engagement with the community outcomes process. Certain individual agencies, of which MSD is probably the best example, have also individually put a great deal of effort into resourcing, and raising their understanding of, what is required to engage effectively both at a regional and at a district level (it is understood that MSD is currently preparing a good practice guide for its regional officers to assist with this).

What is clear from the discussions that MDL has had with a number of different government departments and agencies is that both knowledge of the process, and an understanding of how it could advance the interests of the departments and agencies concerned is highly variable. In part this reflects the relative lack of engagement of most agencies. In part, it may be a symptom of what one central government official has referred to as a "Wellington-centric policy focus".

Within the decisions taken by government, the lead responsibility for improving the understanding of individual departments and agencies rests with the Department of Internal Affairs in conjunction with LGNZ.

There would be obvious merit in DIA and LGNZ preparing and implementing what would amount to a positive education programme, targeting individual departments and agencies. It should be done not so much from a perspective of "here is a great new process, you should get to know about it" as from a focus on the needs and objectives of the individual departments and agencies, perhaps working through with them specific case study examples of how they could utilise the process to assist their objectives.

**TANGATA WHENUA**

The issue of engagement between Maori and local government is a somewhat sensitive one. There is clearly some ground to cover in building mutual understanding and, certainly within local government and quite probably amongst Tangata Whenua, developing a heightened understanding of the impact of their own practices and the way they are described.

In July 2004 Local Government New Zealand with the support of the Department of Internal Affairs and of Te Puni Kokiri published ***Local Authority Engagement With Maori: Survey of Current Council Practices***. The introduction to the report includes the statement:

"The report does not seek to assess or evaluate these practices [of engagement]. For this reason, councils were surveyed and asked for quantitative information about their current practices, Maori groups were not surveyed. The base line information in the report is useful for establishing the nature and extend of current practices."

MDL encountered some quite strong reactions to the document from Tangata Whenua groups, stating that they did not recognise themselves within the document and suggesting that it was a very council-centric description of what was actually happening. We qualify this by noting that the sample of responses was not large enough to be seen as representative but it does highlight the fact that the Maori view of engagement can be quite different from that of local government.

The Local Government Act 2002, in its various specific requirements for engagement with or facilitating participation on the part of Maori does not use the term Tangata Whenua. Accordingly, it does not discriminate between Maori who, as Tangata Whenua, exercise Mana Whenua within part or all of the district, Maori who, although not Tangata Whenua, are present within the Rohe under the protection of Manaaki, that is, they have been formally welcomed by Tangata Whenua and enjoy the status of guests within the Rohe, and Maori who have simply moved to the area.

We were told more than once – and in different districts – that Tangata Whenua believed that they held the exclusive right to be consulted by local government on matters that affecting Mana Whenua and that this included consultation with Manuhiri – one council with whom we spoke had a memorandum of understanding with the three Iwi in its district which made it quite explicit that if there was a case of consulting with a Maori group who were not Tangata Whenua, this would be done through the Iwi consultation mechanism.

Maori who were in the district as a result of individual decisions to move and settle we were told should be treated no differently than any other non-Maori residents.

Given the wording of the statute, this creates something of a dilemma as, on the face of it, councils do not have the power to discriminate when applying those provisions of LGA 2002 which deal with Maori.

The community outcomes process appears to offer a way in which Tangata Whenua can engage with local government without running into the problem that the Act refers to Maori and not Tangata Whenua.

We have discussed this possibility with a number of Iwi based groups. There is very clear interest on their part in explaining the potential of the community outcome process.

It is seen to be a process that could offer real potential for developing strategies in areas such as:

- Supporting Tangata Whenua in the development of under-utilised land.
- Development of Maori housing.
- Developing strategies in other areas of significance to Tangata Whenua including health, employment and education (areas in which there would be obvious spill overs for Maori who are not Tangata Whenua but where Tangata Whenua may well often be best placed to take the lead).

None of the Iwi based organisations with whom we discussed this matter had the time or resource to work through the implications in depth because of other and time bound constraints on their time and resources (the Foreshore and Seabed Bill; Fisheries allocation; Treaty settlement issues). All appeared very interested in further work being done to explore the potential.

A possible way forward is for Te Puni Kokiri and LGNZ to consider resourcing for one or more pilot projects and identify districts/regions in which they could be established. Criteria for identification should include:

- The willingness of councils and Iwi backed organisations to work together in exploring the potential of the outcomes process.
- The significance of Tangata Whenua within the district by population and by known issues – for example under-developed land; substandard housing etc.

### **"PUBLIC" TRUSTS**

This part of the report is more in the nature an "aide memoire" than of a specific recommendation.

In most regions/districts throughout New Zealand, "public" trusts (primarily the Community Trusts which resulted from the Trust Bank restructuring, Energy Trusts and Gaming Trusts) play a significant role in local governance in the sense that their decisions on how they manage distributions, and the capital under their control, can have a significant impact on the wellbeing and future direction of the community.

A few examples will make the point:

- In most districts Gaming Trusts are an important source of discretionary funding, especially for sporting clubs.
- In the Eastern Bay of Plenty, the Eastern Bay Energy Trust has the capability to distribute approximately \$4 million per annum as discretionary grants (within the terms of its trust deed), a sum that far exceeds the discretionary funding capability of the three district councils combined.
- In Taranaki the distribution capability of the TSB Trust is growing significantly as TSB Bank, which is 100% owned by the Trust, distributes an increasing proportion of its profits. More significantly, the Trust through the TSB Bank owns an extremely valuable but arguably under-utilised community banking business and franchise. It is interesting to note that, despite the otherwise thorough nature of the Taranaki regional outcomes process, initially neither the Trust nor the Bank were included amongst the "other organisations and groups" considered to have the potential to influence the identification or promotion of community outcomes.
- Within the Far North District Council, the ability to provide sewerage to meet minimum public health standards presents a major challenge for the council (partly because of the nature of its rating base, partly because of the inherent difficulties in

providing sewerage for a widely dispersed community where sub-soils do not favour septic tank and similar means of disposal). The local Energy Trust, and its associated Lines Company, have both the financial capability and almost certainly the technical capability to manage a broader range of infrastructure. Whether they should do so is clearly a matter of community wellbeing in the sense contemplated by LGA 2002.

- In Southland, the Community Trust of Southland has played a major strategic role in recent years identifying and supporting projects that have had a profound impact on the community, the best known of which is the zero fees policy for the Southland Institute of Technology which has seen an increase in equivalent full time student numbers from around 1,200 to in excess of 3,000.

There are considerable sensitivities regarding any relationship with local government. Last year when gaming legislation was being rewritten, the Gaming Trusts actively opposed any role on the part of local government in increasing their accountability to the communities in which they operate. Suggestions that the mandate for community trusts should be based within the community rather than, as is the moment, dependent on appointment by the Minister of Finance, have similarly seen strong opposition, usually expressed in terms of a concern that this could amount to an attempt by local authorities to capture trust funds for their own purposes. As the purpose of the community outcomes process is to shift significant matters of community direction away from the "purposes" of local vested interests, whether councils themselves, trusts or other stakeholders (including central government) to a more broad based process, engaging trusts within the community outcomes process seems particularly appropriate.

Similar questions arise with energy trusts, with a number of these being concerned at the "risk" that wealth which was originally created through the electricity sector might get diverted to unrelated activities such as water, sewerage or roading.

No recommendation is made in the role of trusts in the outcomes process other than that councils should be very conscious of the current and potential role of these trusts and seek to engage them fully within the community outcomes process (an approach that would have the support of the current government; at this year's community trusts conference, the Minister of Finance specifically encouraged community trusts to get engaged with the process).

### **INCENTIVES FOR ENGAGEMENT**

In this final section of the report we return to the question of incentives for engagement. We have argued that if councils and other key stakeholders are to realise the full potential of the community outcomes process, it will because they believe the benefits of doing so will exceed the (potentially considerable) costs in terms of time and financial resources.

The best way of doing this is to create opportunities that, if realised, will provide a good return for involvement.

In the course of preparing this report, we have had a number of discussions with different stakeholders around the theme of incentives. They have been cast not in terms of subsidy or grant, but in terms of creating the opportunity of dealing with issues that are a major challenge within a particular district or region – in other words, identifying something that people really want to deal with and using the outcomes process as the means.

A few examples should make the case.

The first is tertiary education. Access to appropriate tertiary education is a crucial element in the economic and social development of any region or district (something that is widely recognised both internationally, and in the New Zealand government's own objectives for tertiary education). Currently, the Tertiary Education Commission (TEC) has the primary role in purchasing programmes and services to meet the government's objectives. The significance of regional economic and social outcomes is made clear in the Statement of Tertiary Education Proprieties for 2003/2004 (the latest on the TEC website) which has this to say in the section dealing with overall priorities for the tertiary education system speaking of the relationship amongst different agencies in achieving the government's objectives:

"Education agencies need to co-ordinate these activities with the work of the many other central and local government agencies that have a stake in the new tertiary education system, including the social and economic development agencies. The TEC in particular will aim to work effectively with other transformational agencies such as the Foundation of Research, Science and Technology, New Zealand Trade and Enterprise, and local and regional economic development agencies."

Currently, the TEC's main source of information on the programmes and services that tertiary educational organisations will provide is the charters and profiles those organisations themselves develop. These are developed from the perspective of the provider itself and will not necessarily identify and accurately reflect needs and opportunities within the region or district.

There is an opportunity for TEC to work through the community outcomes process, initially in regions and/or districts selected in order to pilot the approach, to develop community based tertiary education strategies. Places where this could be particularly welcome include:

- The Bay of Plenty where, across the Bay as a whole, the delivery of University and Polytechnic level training through state owned institutions is at about 40% of the level that would apply if delivery were at New Zealand average rates on a population basis. There are a range of related issues including the relationship between tertiary activity and urban development in Tauranga, access to needed skills training, especially for school leavers in the Eastern Bay of Plenty and addressing Rotorua's above average unemployment rate.
- The initial period of the fees freeze for the Southland Institute of Technology is drawing to an end. The regional community has a strong stake in the continuing success of the Institute, building on the collaboration which has already taken place. The community outcomes process should provide an ideal means of entrenching that success for the future.
- In Gisborne, the Tairawhiti Polytechnic is a crucial local resource and intimately bound up with the district's economic and social development. Using the community outcomes process as the means for developing a community based education strategy focused on the Polytechnic and its role could play an important part in the continuing social and economic development of what is New Zealand's most isolated significant population centre.

## **ECONOMIC DEVELOPMENT**

The review of the regional partnerships programme undertaken in 2003 recommended a closer integration with the community outcomes/LTCCP process. There is also scope for further devolution, from central government to the region/locality of decision making

authority on grants within the RPP programme – obviously within clear constraints and accountability.

There are areas within New Zealand that would clearly benefit from using mechanisms designed to better integrate economic development activity within the community, especially through a process that can bring together economic and social development (something seen by the Ministry of Social Development as an important objective).

The policy response to the recommendations in the regional partnership review appears to be somewhat slow. Using the community outcomes process on a pilot basis to test the feasibility of those recommendations could play an important role in clarifying what the policy response should be.

## **HEALTH**

The Ministry of Health is placing a very strong emphasis on the primary healthcare strategy and, through PHOs, in developing innovative means of anticipating and responding to healthcare needs.

District Health Boards have a statutory obligation to prepare annual and strategic plans. These are required to cover the whole of the activities of the DHB across primary, secondary and tertiary care.

There may be merit in encouraging the use of the outcomes process for the development of community based healthcare strategies with a particular focus on primary care. If this were done on a pilot project basis, then pilots should be selected based on the scale and capability of individual PHOs rather than requiring all to become engaged whether or not they have the interest and whether or not they have the capability.

## **AGEING**

As noted earlier in this report, the goals of the government's positive ageing strategy are all ones that require action at a community level. Despite the significance of ageing policy in both social and economic terms, it is currently given very little emphasis in terms of action at a community level as compared with (say) social development. Indeed, it is interesting to compare the resources that the Ministry of Social Development has put in place throughout its regions to deal with social development as compared with how it has resourced the development of the positive ageing strategy – essentially a small policy unit within its head office.

It is also interesting to observe that both the district council which has the highest percentage of residents aged 65 and over (Kapiti Coast District Council with 22.5% at the last census) and New Zealand's most popular retirement destination (Tauranga) produced outcome statements that had very little to say about older people at all. In Kapiti's case this was apparently a function of older people themselves pointing to the needs of youth – the district has a burgeoning younger population as well. In Tauranga, it appears to have been because the council itself placed an emphasis in developing its outcomes process on the needs of youth – understandable as the City loses a substantial number of people in the age range – 15-24, primarily because of the lack of educational opportunity.

If the government is serious in promoting its positive ageing strategy, then the community outcomes process provides an excellent opportunity for doing so. Two or three districts/regions should be selected on the basis of their interest in working with their older people and the significance of ageing within their districts as compared with ageing in New Zealand's population generally.

Potential sites include Kapiti Coast District Council because of the proportion of older persons in its population, New Plymouth District Council which has recently developed an innovative approach to the study of ageing in conjunction with the Western Institute of Technology at Taranaki, Tauranga because of its significance as a retirement destination and one or two South Island retirement centres which, although not growing in the way that North Island centres are, have high percentages of older people.

A pilot approach should provide an opportunity for addressing the mix of issues resulting from an ageing population including labour force participation (both continued upskilling, and drawing on skills of older people), life long learning, support for independent living, and the tension between homeowners with limited incomes, and the broader community, in areas where investment in community assets is a significant issue.

### **OTHER POSSIBILITIES**

There are clearly a range of other areas where government plays an important role and/or has a strong interest in what happens within communities, where the community outcomes process could make a very useful contribution. As one example, the Ministry of Culture and Heritage is very concerned to see that local authorities place a strong emphasis on cultural wellbeing in the work that they do. One possible option for the Ministry, to encourage local authority (community) engagement, is to select areas where arts and culture are a significant part of the local community and where the development of a community based strategy could be expected to bring significant additional gains. Possibilities include Wanganui, which is undergoing something of a resurgence at the moment on the back of arts and culture, Nelson, where the incentive to develop an effective strategy is currently strong – the need to find a replacement for the wearable arts show - and Dunedin where investment in arts and culture has been long seen as a significant part of the City's economic development strategy.

Housing presents another area, with Housing New Zealand Corporation's current emphasis on building partnerships with local government and the third sector.

### **GENERALLY**

The theme of this part of the report is that the scope to encourage commitment to the outcomes process as community based strategic planning is very considerable, provided that central government is prepared to take full advantage of the process as a means of building coalitions around promising opportunities.

### **CONCLUSION**

To be completed following the overview committee meeting.

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## APPENDIX 2: Extracts from Regional Partnerships Programme Review

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15. There is a perception in regions that insufficient funding is allocated to the capability building component of the RPP, and that regions do not have enough resources to develop their capability to the level required to maximise regional economic development. Capability building is perceived as more of a priority than a MRI by some regions, with some comments that the RPP may be focused on the wrong aspect (i.e. the MRI as one development project attracting the most central government funding support, when capability building may be much more important to implementing the strategy in the long run).
27. The *structure of the partnership*, in the context of the researched regions, is often characterised by differing ability of groups to participate. Iwi / Māori and disadvantaged regions face particular challenges here, often based on a lack of resources to actively participate in the partnership itself and in partnership projects. Businesses, conversely, were often discouraged by local government dominance of membership and processes, or by Iwi consultation requirements. Differing member needs (e.g. Iwi consultation and participatory processes versus business needs to see early results and move the process along at a faster pace) appear to be one of the key tensions inherent in partnership development and maintenance. There is clearly a tension between long-term strategic planning and participatory processes and the need for short-term results to motivate participants in the programme. This is reflected in attitudes towards the MRI.
65. At the partnership and strategy implementation stage, high level objectives are generally reached without too much difficulty, but reaching agreement about a partnership's specific objectives and reconciliation of different partners' aims causes greater difficulty. An important first step in this is to agree on a small number of key issues that no individual partner can solve on their own and instigating a few "visible" projects, providing justification for the partnership's existence. This finding is also highlighted in other research.
69. In terms of partnership participants, the report indicates that, in New Zealand, leadership in partnerships appears to come largely from local government. Public sector representatives on a partnership appear to hold considerably more power than other partners, and while this can trigger the involvement of other partners, it can also lead to "top-down" processes that impede "grass-roots" partnership development. The report re-emphasises the need for leaders who have credibility in both the business and political environment, and that leadership may change as the partnership evolves.
103. Short-term thinking was seen as a key obstacle to good governance and leadership. Governance structures focused on local government needs, for example, can run the risk of adhering to the needs of short-term political cycles. Similarly, too much focus on MRIs (sometimes reflecting the needs of business) can divert governance

effort to short term thinking (rather than a longer term, more regional strategy implementation focus).

104. Consultants indicated that leadership tension between local government and local entrepreneurs exists, based on a lack of understanding of each others' processes and needs. High levels of involvement of local government are often negatively regarded by business. Local government bureaucracy frustrates business and, if business leaders cannot get traction, they withdraw. Conversely, local government (and Iwi / Māori) processes are often not understood (or appreciated) by business. This is, of course, both a governance and leadership issue.