

26 July 2012

Catherine Corser
Committee Secretariat
Local Government and Environment
Parliament Buildings
Wellington

Dear Catherine,

Please find attached the McGuinness Institute's submission on the Local Government Act 2002 Amendment Bill 2012.

We would also welcome the opportunity to present further comment during an oral submission, and wish to register our interest in doing so.

Kind regards,



Wendy McGuinness
Chief Executive



Rory Sarten
Head of Research

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About the McGuinness Institute

The McGuinness Institute was founded in 2004 and is a non-partisan think tank working towards a sustainable future, contributing strategic foresight through evidence-based research and policy analysis.

Introduction

The McGuinness Institute believes that the landscape of local government in New Zealand is changing significantly. The creation of the Auckland 'super city', representing around 1.5 million people has altered the nature of local government relationships with central government. Alongside this, the focus on development and renewal in Christchurch means that both Auckland and Christchurch cities will have an inordinate level of influence on central government in the coming years.

General Discussion:

There are several general observations we find useful in exploring this Bill. We believe it is important that each of these observations are taken into consideration when make decisions about current and future local government reforms.

1. Further reforms are still to be defined

The Local Government Act 2002 Amendment Bill 2012 represents the first component of the government's *Better Local Government* reforms. Our first observation is that it is difficult to understand the value of these proposed changes in the Bill, without having a clear understanding of what the further reforms are, that have been alluded to in the press.

Over the past 25 years there have been several changes to the structure, role and powers of local councils in New Zealand (Local Councils NZ, n.d.). The most significant change was the structural reforms of 1989, which resulted in the amalgamation of all 700 councils and special purpose bodies that existed in New Zealand at the time to create 86 local authorities. The major justification for the reforms were informed by a set of clearly articulated principles set out in the Government Economic Statement of 17 December 1987: 'As a fundamental principle it is agreed that local or regional government should be selected only where the net benefits of such an option exceed all other institutional arrangements' (McKinlay Douglas Limited, 2006).

The need for strategic direction at a regional level in New Zealand has been amplified by the new arrangements in Auckland. At a strategic level, the ‘super-city’ arrangements are giving Auckland a clear advantage in terms of greater traction in its relationships with both public and private sector organisations. The Auckland region is now better positioned than any other in the country in understanding and synthesizing disparate goals, and in achieving a unified outcome. This is illustrated particularly well by the Regional Authority’s increased ability to work with and leverage central government.

2. Local and Central government relationships have always been difficult

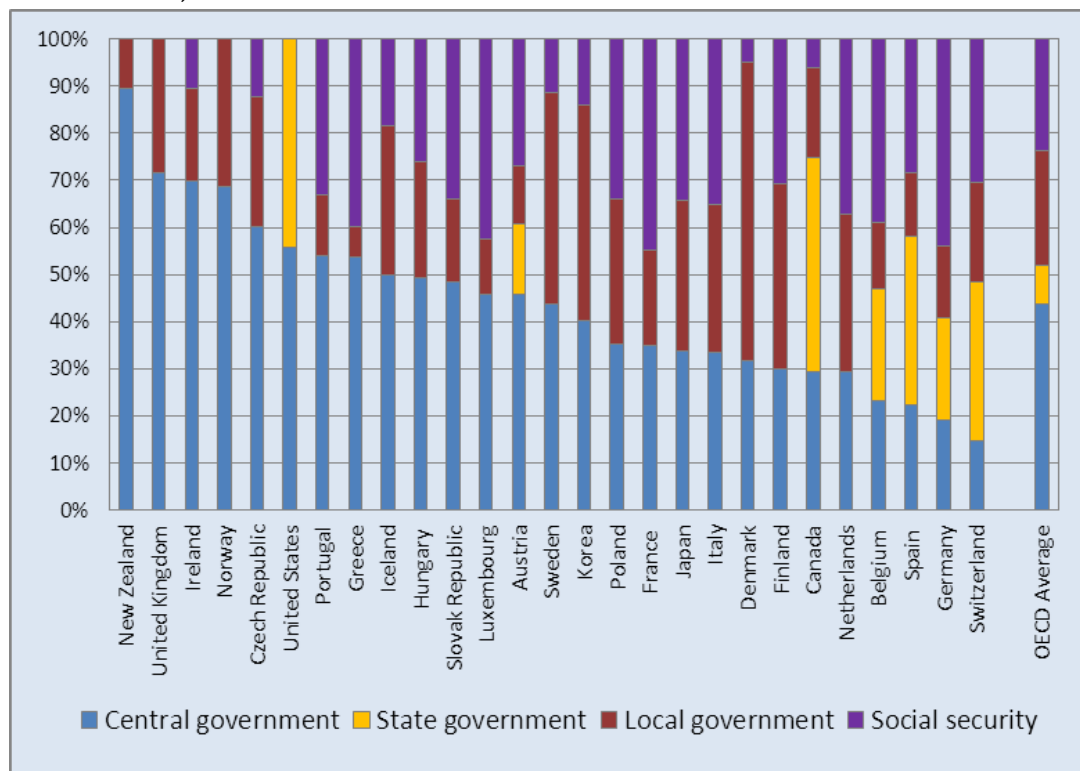
An important observation for the Institute concerns the relationship between local and central government authorities in regard to decision making. There has always been a degree of tension between central and local governance. A notable example is in 1856 when Henry Sewell, New Zealand’s first Premier, believed that the provinces should be subordinate to the central ‘governing government’. His position was contested by a narrow majority of provincialists, resulting in his administration as Prime Minister lasting only a fortnight.¹

3. New Zealand is already very centrally controlled in comparison with the OECD

The relationship between central and local government is unique because New Zealand currently has the highest level of central government expenditure (by a large margin) as a proportion of total government expenditure in the OECD. This means that the role of local government in provisioning services is already small compared to many other countries.

Distribution of general government expenditures by level of government (2006)

Source: OECD, 2009



¹ See *Nation Dates: Significant Events that have shaped New Zealand* (2011, p21)

4. Powers of the Minister

Further change contained in the amendment is the expansion of powers for the Minister of Local Government to intercede in local governance in exceptional situations. Situations in which the Minister may consider intervention includes where:

- matter or circumstances relating to the management or governance of the local authority that detracts from, or is likely to detract from, its ability to give effect to the purpose of local government within its district or region; or
- the consequences of a state of emergency (within the meaning of section 4 of the Civil Defence Emergency Management Act 2002) affecting, or recently affecting, the local authority's district or region; and include
- a failure by the local authority to demonstrate prudent management of its revenues, expenses, assets, liabilities, investments, or general financial dealings in terms of any parameters or benchmarks prescribed by regulations made under Section 259(1)(dc)

The Institute recognises the need for government to be able to step in when a situation requires intervention due to external or internal matters hindering the process of effective governance. However, the Institute believes that further expanding these powers is unnecessary considering that the government has successfully imposed itself in a number of different local matters that fall under the circumstances noted above. The Christchurch earthquake is an obvious example where a state of emergency prompted the government to administer control of the region and enact emergency management measures. The official state of emergency lasted for over two months and government has remained heavily involved in the rebuilding and administration of the city through entities such as the Canterbury Earthquake Recovery Authority.

Likewise, the recent example of water management under Environment Canterbury prompted the government to intervene. In this case, in response to a critical review of Environment Canterbury the government passed the Environment Canterbury (Temporary Commissioners and Improved Water Management) Act under urgency, with one day passing between tabling the bill and passing it without amendment. The bill disestablished the Environment Canterbury Councillors and replaced them government appointed commissioners. This demonstrates to the Institute that in situations where the government feels it needs to intercede in cases of dysfunctional management relating to local governance it is already able to do so.

The Institute contends that the government already has the necessary powers to act in situations that clearly warrant such intervention. Situations in which this is required should be considered exceptional and therefore require the government to act outside the standard jurisdictions separating local and central government.

5. The Environmental Protection Authority Act 2011 already removes power from local councils

A recent example is the process that has occurred with the application by the New Zealand King Salmon Proposal in the Marlborough Sounds. King Salmon applied to the EPA that their proposal was of national significance and should therefore be heard by a Board of Inquiry. The Minister of Conservation, on the EPA's recommendation accepted King Salmon's assertion that this was of national significance. This allowed King Salmon to bypass the direct decision making of the local council based on local priorities and considerations, and to put the matter before a body with different priorities, economic objectives and environmental concerns. The Marlborough District Council is opposed to the proposal to expand salmon farming operations put forward by King Salmon (Marlborough District Council, April 2012).²

This also means that the decision will be final and cannot be appealed if new evidence becomes available for the duration of the consent, as it could be if it was heard by the local authority. By arguing that the King Salmon proposal was of national significance the Minister of Conservation removed the Marlborough District Council's authority to make a decision regarding an issue of local significance. The Institute believes that situations such as this pose a significant challenge to how local councils can focus communities into developing plans that can then be further questioned by outside parties.

6. Regional v Local Council Regimes

Although there remains very little evidence to support this observation, we believe the fragmented and heterogeneous character of the local and regional council system in New Zealand does, by its very nature, create problems in the planning, coordination, and execution of regional works and services involving several local authorities. While regional planning authorities operate independently of local councils it can remain difficult to secure effective joint planning and to put plans into effect. This may be something that is worth considering in upcoming reforms.

7. Strategy v Planning

A core focus of the McGuinness Institute's research has been examining effective approaches to strategy with the overall goal of developing a general model for strategic thinking that can be applied across small organisations and businesses through to planning at a national level. In recent months, the Institute has taken the opportunity to share its strategic development framework with local councils in the process of creating their Long-

² The [Marlborough District Council](#)'s *Submission on New Zealand King Salmon's Proposal*, Paragraph 2.1 states: The Council opposes the Applicant's proposal in full on the grounds stated below, and seeks that all aspects of the proposal be declined. Paragraph 2.19 states: 'The Council is concerned that the Applicant's proposal will set a precedent for other similar private plan change applications that seek to further compromise the prohibited activity status by ad hoc changes that are designed solely for the benefit of particular applicants.'

Term Plans and in considering options for local government reform. The key contribution the Institute sought to make in its submissions to local authorities was to illustrate the difference between strategy and planning.

The Institute is concerned that under the pressure of central government to create greater efficiencies and streamline planning processes, local governments may be at risk of under strategizing and over planning. For example, we are concerned that the pressure on local authorities to produce a comprehensive Long-Term City Council Plan (LTCCP) to meet the requirements of central government legislation, may impede on the time and resources needed for strategic thinking. It is critically important that strategic thinking is facilitated and strategies are developed before planning processes are implemented. To explain why this is, it is necessary to distinguish the difference between strategy and planning:

‘Strategy is about understanding your environment and making choices about what you will do. Planning is about making choices about how to use the resources you have and the actions you will take to achieve the choices that were made.’ (Jones, n.d.)

Since planning decisions should be made on the basis of a clearly defined strategy, planning should not precede strategic thinking.

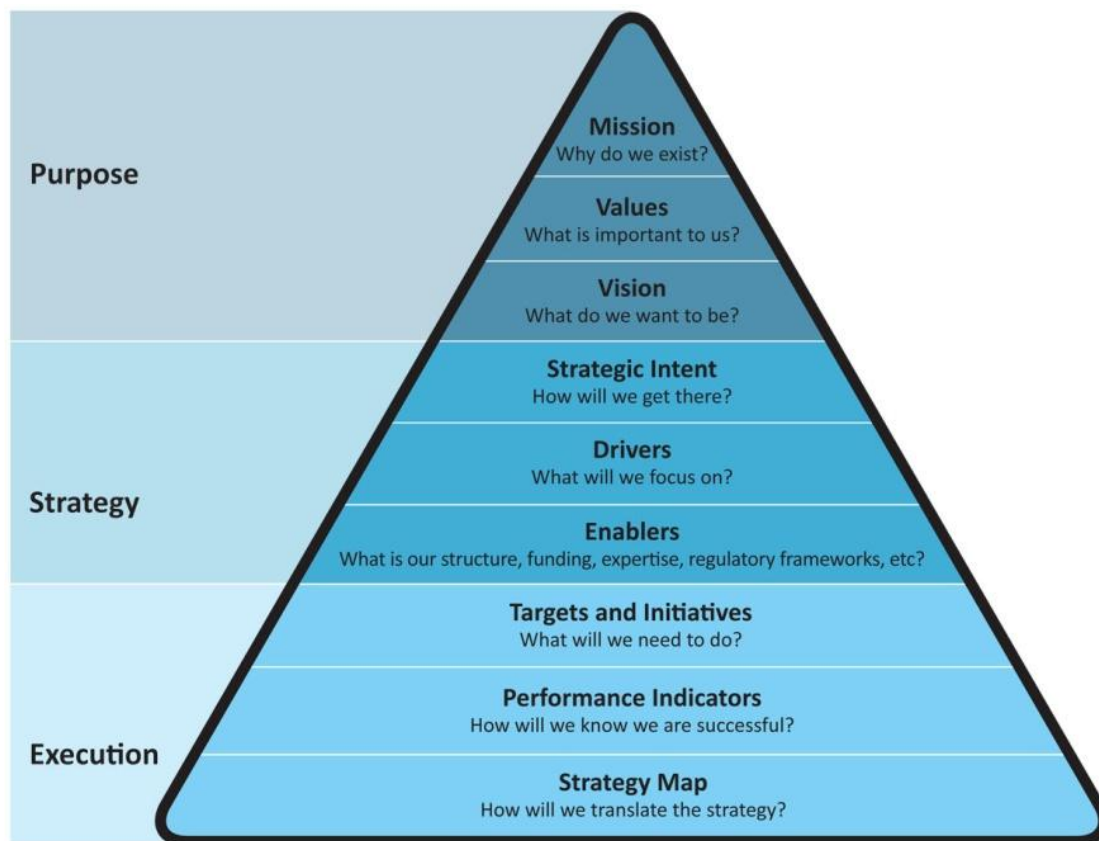
The current period of change which local governments are experiencing provides all the more need for thorough planning based on robust strategy. Local councils must be able to respond to these changes in a way which is proactive (strategic) rather than reactive (planning). It is also important that strategic options and regional fit are explored first, before detailed plans of allocating finances and resources are completed. The Institute believes that this requires thinking about the relationship between strategy and planning at different levels of local government, arguably with strategic thinking emphasised at a regional level and operational planning emphasised at a local level. This means that local and regional authorities both play important but different governance roles.

The Institute has been encouraging local councils to apply strategic thinking to their planning processes – at both a local and regional level. To aid this process, the Institute has made submissions to local councils to consider using a ‘Strategy Pyramid’, as a robust strategy development process. The Institute wanted to share this framework to provide some fresh perspectives and new considerations.

The first component, purpose, sets the conceptual lens for the rest of the strategy. Broadly it is asking; what is the problem that we are trying to solve? It is critical those developing a strategy develop a clear purpose for what they are trying to achieve and an understanding of the values and ethics that will shape their thinking and actions. This component is divided into three stages, mission, values and vision. It is important that the mission, values and vision are shared by those implementing and those affected by the strategy. While sometimes seen as the most abstract component of strategy, getting these three stages right will result in greater cohesion and focus for everything that follows. Because this component is about genuine buy-in, treating it as a marketing opportunity or using ‘corporate filler’ can undermine the entire strategy.

The second component is strategy. This is generally the most emphasised component of the planning process. We divide this process into the stages: strategic intent, drivers and enablers. Strategic intent is a collection of distinct goals and ambitions that will together begin to realise the vision. This is reframing the vision in terms of the material and organisational milestones needed to bring the vision to fruition. Identifying both the drivers and enablers requires a sound understanding of an organisations internal mechanisms and assets (internal alignment) and the external environment in which it operates both now and in the future (external alignment). Drivers are the key areas of focus that channel activity, while enablers are the actual resources or institutions that bring about change. Finding the most natural alignment between drivers and enablers can go a long way toward a sound strategy. However, time should always be afforded to looking at an organisation’s drivers and enablers from new directions and under new light; finding new ways to approach and understand these is central to genuinely innovative and transformational strategy.

Strategy Pyramid



The final component is execution. This component translates the strategy, manages strategic initiatives, aligns organisational units, communicates the strategy, and reviews and updates the strategy. It is divided into targets and initiatives, performance indicators and developing a strategy map. Targets and initiatives sets out the new modes of action that will embody the strategy. This can take the form of changes in funding and reallocation of resources, changes or reorganisation of personnel and whole new initiatives designed to fill gaps or address specific concerns. Performance indicators are the metrics by which the implementation of the strategy will be assessed. Robust and honest benchmarking will provide feedback and allow for monitoring and refining of the strategy in response to things

that are working well and those that are not. Strategies can be let down by inadequate performance indicators resulting in an organisation not being able to effectively assess the implementation of their strategy. The final step is the creation of a one page strategy map. The importance of communicating the strategy (noted above) is critical.

For an example of how the Strategy Pyramid can be applied to local government, see Appendix One. This appendix was also attached to the Institute's submission on [Local Government Reform Options Wellington, 6 July 2012](#). For the purposes of explaining the Strategy Pyramid we applied the Wellington City Council strategy to the strategy pyramid, which shows very clearly why purpose of local authorities, why they exist, is so critically important.

Specific Discussion

The Institute would like to raise two specific points concerning that changing purpose statement for local government in the proposed amendment. The first addresses the broader purpose of the changes and how these need to be viewed within the context of the roles and functions of local government. The second addresses the removal of reference to 'well-being' in the purpose.

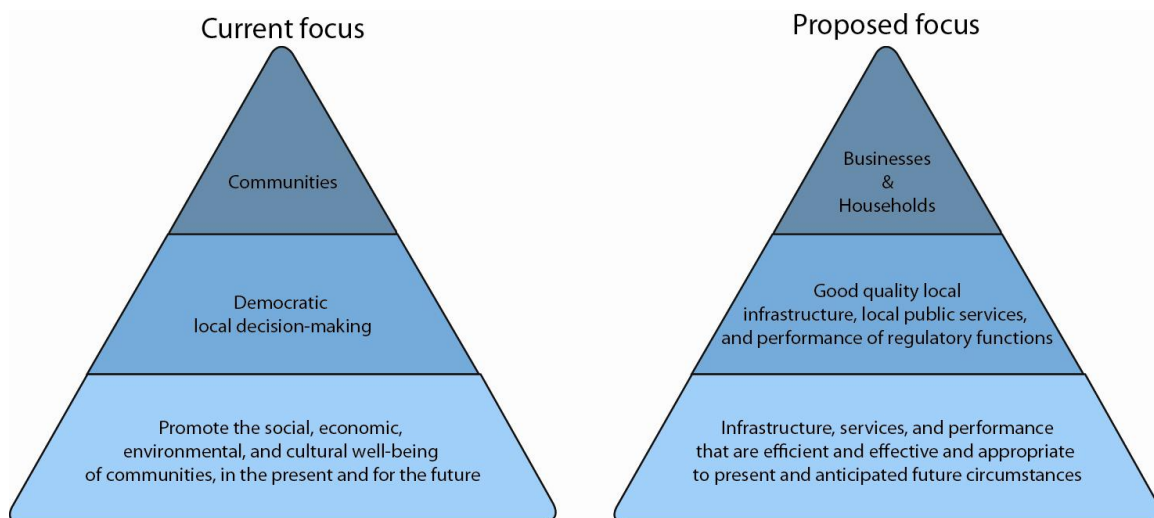
1. The purpose of local authorities

The purpose of local government in New Zealand set out in the Local Government Act 2002 is:

'to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.'

The *Local Government Act 2002 Amendment Bill 2012* seeks to change this statement so that the new purpose of local government in New Zealand is:

'to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most effective for household and businesses.' Good quality is defined as 'infrastructure, services, and performance that are ... efficient ... and effective ... and ... appropriate to present and anticipated future circumstances.'



Of concern to the Institute is the proposed amendment to replace the reference to 'social, economic, environmental and cultural well-being of communities' with the new purpose of 'providing good quality local infrastructure, public services and regulatory functions *at the least possible cost to households and businesses*'. This change in the purpose of local government will change the mission of local authorities, moving them from having a community focus to being a service provider.

This shift in purpose to reflect the current central government's focus on fiscal responsibility and efficient delivery of services could herald significant and long-term changes to the nature and function of councils in New Zealand. The Institute recognises the importance of austerity, particularly in times of financial downturn and recovery. The government has understandably taken measures to constrain expenditure and deliver its services more efficiently. However, it is important that changes are made with proper consideration for the many tensions that need to be balanced between local and national government in New Zealand.

Altering the purpose, and therefore the role and nature, of local government represents possibly significant changes within the infrastructure of government in New Zealand. This could impact the way that councils interact with a wide variety of other service providers as it expressly changes the focus of their activity. Local Government Minister David Carter's comments following the passing of the first reading of the bill focused exclusively on the economic validations for the proposed changes. He stated:

'New Zealand's 78 local authorities are an important part of the New Zealand economy. They make up 4% of GDP, spend \$7.5 billion per year of public money and manage \$100 billion worth of public assets.

'While central government must play its part in creating an environment in which local government can better perform, local government has a vital role in helping build a more productive and competitive economy.'(Carter, June 2012)

Local government plays an important role in their communities and working with providers such as District Health Boards and other groups such as iwi, schools, police etc. The Local Government Act 2002 Amendment Bill 2012 represents only the first component of the government's *Better Local Government* reforms, which is aimed at:

'... providing better clarity around the role of councils, stronger governance, improved efficiency and more responsible financial management.' (DIA, n.d.)

Given that this bill is the first stage in a potentially lengthy process, it is difficult to gather a clear context within which to evaluate the contents of the bill. The government needs to provide a coherent explanation of what they believe the role of local government should be or the long-term mission of the reform process. It has been made clear that a major focus of the reforms concerns the need to keep rates affordable and debt at prudent levels by focusing councils on their core roles.

However, an informed discussion about the role of councils needs to take into account the major role that councils play in their communities beyond such core services as infrastructure and regulatory functions. A clear discussion about the broader purpose and outline for the entire reform process would enable the public to make better informed submissions that can evaluate individual bills within a wider context. If the intention of the reforms is to narrow the field of council activities to only deliver those core services then this will likely have a significant impact on community projects and local level democracy and governance.

As noted in the first part of this submission, New Zealand currently has the highest level of central government expenditure (by a large margin) as a proportion of total government expenditure in the OECD. This means that the role of local government in provisioning services is already small compared to many other countries.

There needs to be a clear and legitimate pathway for communities to have a say in setting their priorities. It is unclear if it is intended for central government to pick up some of the wider roles played by councils and how this will impact notions of local democracy. The 2006 McKinlay Douglas Limited report *Local Government Structure and Efficiency* noted:

'...there are general principles that can be deduced from the extensive research literature on the structure and efficiency of local government. There is also an overriding principle which may console those who would prefer to have clear-cut answers. This is that local government is inherently an expression of local democracy. Necessarily this means that different councils may differ significantly from their fellows in the ways they undertake activity, or the choices they make, reflecting the fact that they represent different communities, each with their own unique makeup.' (McKinlay Douglas Limited, 2006: 11-12).

It is important that local authorities understand their jurisdictions clearly and this begins with a solid understanding of the role and function that central government expects them to perform.

2. Removal of 'Well-being'

The Institute does not support the removal of reference to 'social, economic, environmental, and cultural well-being of communities' in the amended purpose statement of the Act. The Institute believes that well-being should be a central goal of government in New Zealand. Well-being can mean many things to many people; hence a broad definition is necessary. The following definition is that used by the Institute and comes from Human Resources and Skills Development Canada (HRSDC):

'Well-being is made up of ten areas or domains: learning, work, housing, family life, social participation, leisure, health, security, environment and financial security.'
(Policy Horizons Canada, in press: 5)

Naturally, effectively addressing well-being involves making informed decisions regarding a number of significant trade-offs. We note that well-being is an evolutionary concept, one that must be developed by each successive generation in terms of the political, social, economic, environmental and cultural climate of the time.

Treasury, for example, noted that its vision of 'a world class Treasury working for higher living standards for New Zealanders' needed to acknowledge that living standards are 'undoubtedly much more than income' and includes 'people's participation in social networks, community life, political choices and civil society' (Treasury, 2011: 6). They note that there is a wide range of material and non-material factors that need to be acknowledged in order to understand how policy decisions affect the distribution of living standards across the population.

The Institute believes that the four well-beings currently included in the purpose of local government – social, economic, environmental and cultural – represent useful coordinates whereby councils can engage with stakeholders and look to provide long-term benefits for their community. It has been argued that these well-beings need to be removed because they unnecessarily burden councils with 'broad and meaningless' (Hon. John Banks quoted in Dominion Post, June 2012) responsibilities. However, there are many public good services that are best provided by local authorities, as Local Councils NZ note:

'Local factors such as geography, the environment, ethnic-make-up, economic opportunities, health and social well-being can be better taken account of by locally elected councils charged with making decisions that affect their communities.' (Local Councils NZ, n.d.)

Furthermore, the ways in which councils promote the four well-beings currently outlined in the Act are deeply integrated into the numerous services they deliver. For example, the Ministry of Health notes that local government is an important interface with public health in New Zealand. They state that 'Local authorities frequently both undertake activities influencing public health and wellbeing and facilitate or support similar activities done by others' (MoH, 2009). The Ministry further notes:



‘In other areas local authorities may have picked up roles as leaders, supporters, communicators or facilitators because of their local strengths and abilities to link to other people and projects. They often work in partnerships with health agencies, other government and non-government organisations, business leaders and the community.’ (MoH, 2009)

Cultural well-being is another area that is deeply embedded within the operations of local authorities. The Ministry of Culture and Heritage notes that, ‘At every turn, regional councils engage with issues related to cultural well-being, although maybe not consciously’ (MCH, 2006: 2). They explain that by developing policies related to the management of natural resources, providing public transport, and providing for public access to the outdoors, councils are all engaged in, and informed by, understandings of cultural well-being (ibid.). Councils promote cultural well-being as a matter of their core functions, and recognising and understanding their responsibilities to cultural well-being helps inform their approach to delivering these services.

The promotion of well-being in their communities is a deeply entrenched aspect of the council provisioning of services. As the Ministry of Health notes, ‘Activity to promote outcomes in one area of wellbeing often has flow-on effects in other areas of wellbeing’ (MoH, 2009). Local authorities will, as a matter of delivering their services, be involved in many aspects of the well-being of their communities. It makes sense that these remain a component of the purpose of councils. By including them in the purpose councils can make better provisions to account for and monitor their delivery of services relating to these, rather than treating them as incidental. If they are treated within the gambit of what a local authority monitors, then they can be more effectively managed. As famously stated by Paul Drucker, ‘if you can’t measure it, you can’t manage it’ (Drucker, 1998: 69).

Appendix 1: The Nine Pillars of the Strategy Pyramid

Source: *McGuinness Institute Submission on Local Government Reform Options in Wellington* (6 July, 2012)

The *Strategy Pyramid* is a robust strategy development process that has been developed by the Harvard Business School and then adapted by the McGuinness Institute. The pyramid has three overarching components, purpose, strategy and execution. Each of these is further divided into three stages that are approached as high-level strategic questions. In total it forms nine steps that should be worked through linearly and are shown in image below.

Our approach has drawn heavily on the work of Robert S. Kaplan and David P. Norton, professors at the Harvard Business School who pioneered the strategy mapping process (Kaplan and Norton, 2008). Another important influence on our approach comes from another Harvard Professor, Robert Simons, whose work demonstrates how important it is to be constantly asking the right strategic questions. He proposes seven key questions that should be asked in order to anticipate change and respond in a way that repositions yourself, your entity, your city or your country as competitive (Simons, 2010).

1. Mission – Why do we exist?

The first pillar, the mission, is about ensuring there is clarity as to what the role of the Wellington City Council is and what would happen if it did not exist. Establishing the council's mission requires asking questions about why particular forms of government are better than others for improving a community's well-being and providing local services. Understanding why a system exists is an important starting point for designing an optimal system.

The purpose of local government in New Zealand set out in the *Local Government Act 2002* is 'to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.' *The Local Government Act 2002 Amendment Bill 2012* seeks to change this statement so that new purpose of local government in New Zealand is 'to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most effective for household and businesses.' Good quality is defined as 'infrastructure, services, and performance that are ... efficient ... and effective ... and ... appropriate to present and anticipated future circumstances.'

This change in intent of local government will change the mission of local authorities, moving them from a communities focus to a service provider. Of concern to the Institute is the proposed amendment to replace the reference to 'social, economic, environmental and cultural well-being of communities' with the new purpose for councils of 'providing good quality local infrastructure, public services and regulatory functions at the least possible cost to households and businesses'.

This means that it remains unclear who will fill the gap given that households and business do not make up the whole community? Although the proposed reforms are still in the relatively early stages of the legislative process, the government has invited public submissions on the proposed changes, due July 26, 2012. It is at this time that the question of why local authorities exist will be explored, tested and reflected upon. In reality, it will only be once the law is changed that we will be clear why local authorities exist.

2. Values – What is important to us?

The second pillar is a set of shared values. A clear set of values should be driving change, not treated as an add-on after the main event. When rules and regulations fail, or as shown in the case of the Christchurch earthquakes, when urgent issues arise, values are all we have. The right values enable those within the system to know right from wrong, know good governance from bad, improve communication, collaboration and teamwork, and allow the system to respond consistently to ideas and issues, risks and opportunities, and emerging challenges.

According to the Wellington City Council's Code of Conduct, the council's shared value set are:

- **Public Interest:** Members should serve only the interests of the city as a whole and should never improperly confer an advantage or disadvantage on any one person, or group of persons.
- **Honesty and Integrity:** Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.
- **Objectivity:** Members should make decisions on merit including making appointments, awarding contracts, or recommending individuals for rewards or benefits. Members should also note that, once elected, their duty is to the interests of the entire city.
- **Accountability:** Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should cooperate fully and honestly with the scrutiny appropriate to their particular office.
- **Openness:** Members should be as open as possible about their actions and those of the council, and should be prepared to justify their actions.
- **Personal Judgment:** Members can and will take account of the views of others, but should reach their own conclusions on the issues before them, and act in accordance with those conclusions.
- **Respect for others:** Elected members should remember the respect and dignity of their office in their dealings with each other, management and the public. Members should treat people with respect, regardless of their race, age, religion, gender, sexual orientation, or disability, and should not unlawfully discriminate against any person or group of persons.
- **Duty to uphold the law:** Members should uphold the law, and on all occasions, act in accordance with the trust the public places in them.

- **Stewardship:** Members must ensure that the council uses resources prudently and for lawful purposes, and that the council maintains sufficient resources to meet its statutory obligations.
- **Leadership:** Members should promote and support these proposals by example, and should always endeavour to act in the best interests of the community. (WCC, n.d. [a])

Ideally any changes should be considered in terms of whether shared values exist, and where values are different. Getting this right is critical in order to ensure the framework operates in accordance with the shared values of the region.

3. Vision – What do we want to be?

The third pillar calls for a compelling vision; one where short-term compromises and hard work are acceptable because all the parties like what the trade-offs will deliver. This means that there must be real clarity over the long-term benefits and that those benefits are something that all parties want delivered to their community in the future. The vision must be able to create a description of a desired future destination, and time, that is compelling and succinct, so that it is (i) easy to navigate to and (ii) stakeholders know when they have arrived.

The Wellington City Council has put forward a vision statement of ‘Wellington is a lively city with a thriving cultural life, talented people, and cutting-edge businesses. It's the nation's capital, home to three universities and has the country's highest average income. It is also a compact city with a dramatic landscape and good infrastructure.’ (WCC, n.d. [b])

Our initial response is that this vision statement is too long and is therefore not compelling enough. An example of a good vision is Sir Callaghan’s vision for New Zealand as ‘a place where talent wants to live’.³

4. Strategic Intent – How will we get there?

The fourth pillar is strategic intent. Without transparent processes in regard to the identification and selection of strategic options, an optimal strategic direction will not be developed. A strategic intent is the framework of broad decisions an organisation makes about its competitive strategy. An organisation needs to put in place a clear strategy that says as much about what it will not focus on, as what it intends to focus on. Strategic intent is broad enough to provide consistency to short-term action, while leaving room for reinterpretation as new opportunities emerge (Hamel & Prahalad, 2010: 11).

The Wellington City Council *Draft Long-Term Plan 2012-22* identifies three priority targets which set out well its strategic intent:

1. **An inclusive place where talent wants to live:** Our economic future depends on our ability to attract and retain people, and employment opportunities, in our city.

³ See, http://mcguinnessinstitute.org/Site/StrategyNZ/speakers/Sir_Paul_Callaghan.aspx

To do this, we will maintain our investment in those things that make Wellington a great place to live, while increasing our investment in activities that will grow the economy and make Wellington an even more attractive place to work, invest in and visit. By doing these things, we are taking the first steps towards achieving our community outcomes

2. **Resilient city:** To maintain and enhance our city's resilience, we will prioritise investment in earthquake strengthening the city's key infrastructure and work with businesses and communities so that, as a city, we are better prepared for and can swiftly recover from such an event
3. **A well-managed city:** We are committed to providing effective services that are good value for money. To achieve this priority, we will focus on simplifying our processes, making the best use of technology, working in partnership with others, managing demand ahead of investing in new assets, and looking for opportunities to reduce costs or generate income. This will help us stay within the parameters of our financial strategy by keeping rates affordable and managing our debt levels. (WCC, 2012)

5. Drivers – What will we focus on?

The fifth pillar is clarity over the drivers that support the strategic intent. Drivers denote action and answer the question: if we decided to focus on three or four things to achieve the strategic intent, what would they be? It is important to recognise that in making such decisions, there will be necessary trade-offs about what not to focus on. Trade-offs is an essential aspect to strategy development because they create the need for choice. Trade-offs define how individual activities will be configured and integrated (Porter, 1996: 69, 74).

In order for an organisation to make the most of its strategy it has to constantly ask the right questions about what to focus on. Key questions should anticipate change and respond in a way that repositions our cities competitive. Answers to these questions should not only provide insight into the challenges ahead, what is often called foresight, but indicate where time and effort should be focused in the future. As such, these answers can drive strategy (McGuinness, 2011).

The Wellington City Council's long-term strategic vision, *Towards 2040: Smart Capital*, identifies four key drivers for supporting the strategic intent:

1. **People-centred City:** Wellington's people are the city's greatest asset. Wellington's shape and character will continue to reflect the people who live in, work in, and visit the city. Wellington's people-centred city will be healthy, vibrant, affordable and resilient, with a strong sense of identity and 'place'. This will be expressed through urban form, openness and accessibility for its current and future populations.

2. **Connected City:** As a connected city, Wellington's people, places and ideas access networks - regionally, nationally and globally.
Connections will be:
 - physical - allowing for ease of movement of people and goods
 - virtual - in the form of world-class ICT infrastructure
 - social - allowing people to connect to each other and their communities.
3. **Eco-City:** Developing Wellington as an eco-city involves a proactive response to environmental challenges. It recognises the importance of Wellington taking an environmental leadership role as the capital city of clean and green New Zealand. Wellington's many natural assets give the city a head-start and opportunities as part of a green economy.
4. **Dynamic Central City:** As a city with a dynamic centre, Wellington will be a place of creativity, exploration and innovation. The central city will be a vibrant and creative place offering the lifestyle, entertainment and amenities of a much bigger city. The central city will continue to drive the regional economy. (WCC, n.d. [c])

6. Enablers – What frameworks, resources and skill will we use?

The sixth pillar is a set of enablers to achieve the strategic intent. Enablers provide adequate power, means, opportunity, or authority to do something and need to work together to deliver on the strategic intent. Enablers that provide high service differentiation and are highly mission-critical are *strategic* enablers, whereas those that provide low service differentiation yet are still mission-critical are *tactical* enablers. Strategic enablers allow the delivery of services that are unique and differentiated from those of competitors. For example, public transport in Wellington could be considered a strategic enabler if it is better performing than the public transport systems of most other New Zealand cities. However, sewage disposal may be considered a tactical enabler if Wellington does not have a competitive advantage over any other city with regard to its sewer system. Thus, the tactical enabler simply allows the organisation to maintain parity in the market place.

Past experience would indicate that decision-makers tend to focus on changes to the institutional framework, rather than considering the other enablers. This is unfortunate as institutional changes tend to be expensive and time consuming; therefore benefits take time to eventuate. Contrary to past practice, we consider there are real benefits to be gained from fine-tuning the other enablers so that internal cohesion exists and synergies are gained.

The Wellington City Council's *Draft Long Term Plan 2012-22* sets out the following seven enablers: governance; environment; economic development; cultural wellbeing; social and recreation; urban development; and transport (WCC, 2012). Arguably these should be reduced to three or four strategic enablers, as they will help the Council, the staff and the citizens know what will enable the strategy to become a reality.

It is only by having clarity over the six pillars described above, is it possible to develop the following three pillars. For the purposes of brevity, they are only described below. The Wellington City Council's Draft Long Term Plan 2012-22 sets out numerous targets and initiatives, performance indicators and diagrams explaining the resulting strategy.

7. Targets and Initiatives – What will we need to do?

The seventh pillar relates to the need for execution of the strategy, in particular the need for clear targets and initiatives. This is the beginning of the planning stage of the strategy pyramid. It involves working within the constraints of the strategy, deciding what to do about the choices that have already been made. Not only must each target be clear and concise, but the linkages between the target and the initiatives must be logical and achievable. Fundamental to this pillar is the need for the agenda to be a publicly available document. It must not only list the agenda, but also explain how it was formulated, what evidence it was based on, and who was involved in its development. Ideally, the agenda must set out what each initiative or target is trying to achieve, and clarify how the outcomes will create value for the community. This could be explained using influence diagrams, a useful method for showing how one level of targets or initiatives can feed into another.

8. Performance Indicators – How will we know we are successful?

The eighth pillar relates to the need for a comprehensive set of indicators to benchmark progress over time. Performance Indicators must include both financial and non-financial, *strategic* measures of success. In other words, performance must be measured against the organisations unique vision and strategy. The Balanced Score Card method, which articulates the strategy of an organisation across financial, customer, internal and learning perspectives, is good way of measure strategic performance. (Kaplan & Norton, 1996)

9. Strategy Map – How will we test and communicate the strategy?

The ninth pillar is testing and communicating the strategy to stakeholders through a strategy map. Strategy mapping is a concept that was developed by Professor Robert S. Kaplan of Harvard Business School and Dr David Norton, founder and director of the Palladium Group. Mapping a one page strategy has proven a very useful instrument for bringing about change.

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