

Improving local government needs better policy advice

Local government plays a key role in promoting wellbeing

The decisions made by local government affect all of us. They impact on the air we breathe, the water we drink, the houses we live in, and the roads we drive on. The regulatory role of local government is part of doing business and can have a major impact on a firm's profitability and growth. In a survey of businesses conducted by the Productivity Commission (2013), 39% of firms reported that regulation by local authorities placed a significant financial burden on their business.

Local government regulatory activities therefore have an important effect on local and regional economic growth and, ultimately, national economic growth and community wellbeing. This places a premium on local government organisations having high quality policy advice and decision-making processes in place.

Local government's role in providing and investing in infrastructure is also critically important.¹ Costly decisions taken now can have an important impact for many years to come on individuals and on businesses. This means that local government needs high quality analysis in order to make such investment decisions with confidence that they will deliver sufficient benefits.

But the performance has been patchy

The Productivity Commission in their 2013 review of the regulatory role of local government noted issues with the quality of analysis underlying decision-making in local authorities, as well as issues with the design and implementation of local regulations. In particular, they said:

While decision-making processes used by local government are generally adequate, considerable room for improvement exists – there could be better tailoring of regulatory objectives to local conditions, consideration of a broader range of

options and better account taken of implementation issues.

Currently, few performance assessments provide feedback loops aimed at improving council delivery of regulatory functions. Further, there is a need for more focus on how activities across a regulatory regime fit together and influence each other.

Local Government New Zealand (LGNZ) has recently announced a programme of assessment of the performance and capability of local government, in order to drive improvements in overall quality. This will no doubt be welcomed by ratepayers and other stakeholders.

Improving the quality of policy advice is crucial for better policy

High quality policy advice, which supports good regulatory design and implementation and sound investment decisions, is critical to improving performance.

We define 'policy advice' broadly here as advice sent by officers to Committees and Councillors, that recommends they make a decision on an issue. This advice could be on planning challenges, budgetary issues, infrastructure and facilities maintenance or environmental matters; in fact, any area covered by the broad span of local government activities.

Quality policy papers are those which are informative, robustly developed and well supported by evidence, and easy to use by busy decision-makers.

Ultimately, better quality papers should lead to better equipped Councillors, stakeholders seeing their views taken into account, greater accountability to ratepayers, lower risks, and resources going to their best use.

Too often, local government policy advice isn't quite up to scratch

NZIER has been reviewing the quality of local government advice for the past four years (and of central government

¹ See Part 3: Local government finances – a historical perspective, in Office of the Auditor General (2014); and Gemmell and Gill (2016) for more detailed analysis on the role of local government as an investor.

advice for the past 15 years). In our experience, not enough papers meet the standards outlined in the previous section.

The poorer papers take an age to read, are full of jargon and technical material without explanation, make recommendations that leave you scratching your head, and fail to deal with operational and strategic risks.

In short, they don't put the busy decision-maker (usually Councillors and Committee members) at the core of the paper. They don't adequately think about what the Councillor (or senior executive) needs in order to make confident, fully-informed decisions on big or tricky issues.

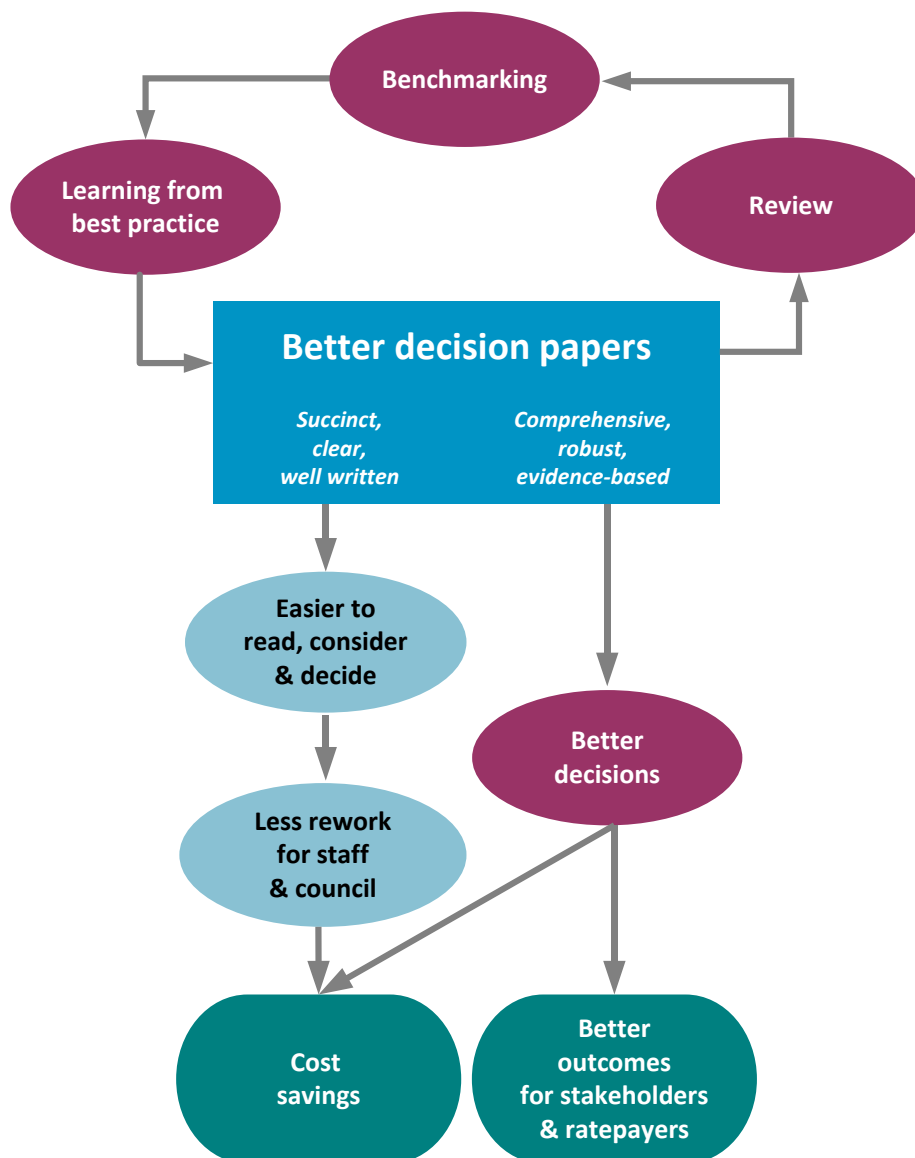
At their worst, bad papers lead to bad decisions, as the Productivity Commission said.

At the very least, bad papers need considerable re-work that involves more time from staff and Councillors. We earlier estimated the cost of producing a policy paper to be in the region of \$16,500 (as cited in Scott 2010). So it doesn't take much for the costs of re-work to add up. In addition, there are 'democratic' costs from poor papers. Local government papers are almost always in the public domain, and if the public can see repeated examples of muddled thinking or patchy analysis, the legitimacy of Council decision-making can be negatively affected.

High quality papers mean better decisions

Figure 1 Rationale for improving the quality of local government policy papers

Improved outcomes from decisions and reducing Council's costs



Source: NZIER, 2016

Regular reviews of advice drive quality enhancement

Improving the quality of policy advice isn't easy. The Department of Prime Minister and Cabinet, which leads the policy function within central government, is clear about this. Their work on The Policy Project (DPMC 2014) indicates that there is no silver bullet, and work is needed on a number of fronts to improve the quality of advice.

But there has to be a starting point. Measuring the quality of policy advice consistently is one place to start. It is the feedback loop that provides the basis for building a culture of learning and continuous improvement. After all, we tend to manage what we can measure.

NZIER's local government policy advice benchmarking tool

Our review process is designed to help local authorities to assess the quality of their advice, and to work to improve it. Our over-riding mantra is: "Every paper can be better."

The criteria we use have been road tested by local government experts. They focus on:

- **Clarity of purpose and context** – is the paper fit for Council decision-making?
- **Robust reasoning and logic** – is the analysis credible and consistent with the provisions of the Local Government Act?
- **Communication** – is the presentation clear and succinct?

We provide commentary and scores on individual papers, and practical overarching recommendations for improvement, based on the overall sample. We usually follow up with workshops with Councils to outline our findings and generate conversations about how things could be improved.

These assessments are also designed to help individual staff, managers and the organisation itself to improve the quality of their policy and decision-making advice.

We know that some local authorities are starting to report on the quality of their policy advice, as part of annual compliance reporting processes. For central government this requirement has been in place for some time. While compliance is important as it keeps up standards, we focus on mechanisms to help local authorities lift overall quality.

Quality is improving, but still has room to improve

Of the local government organisations we've reviewed in recent years, the vast majority have shown strong

improvements since their initial quality assessments. We have been impressed with the energy and focus of staff charged with leading quality improvement initiatives that have resulted from our reviews.

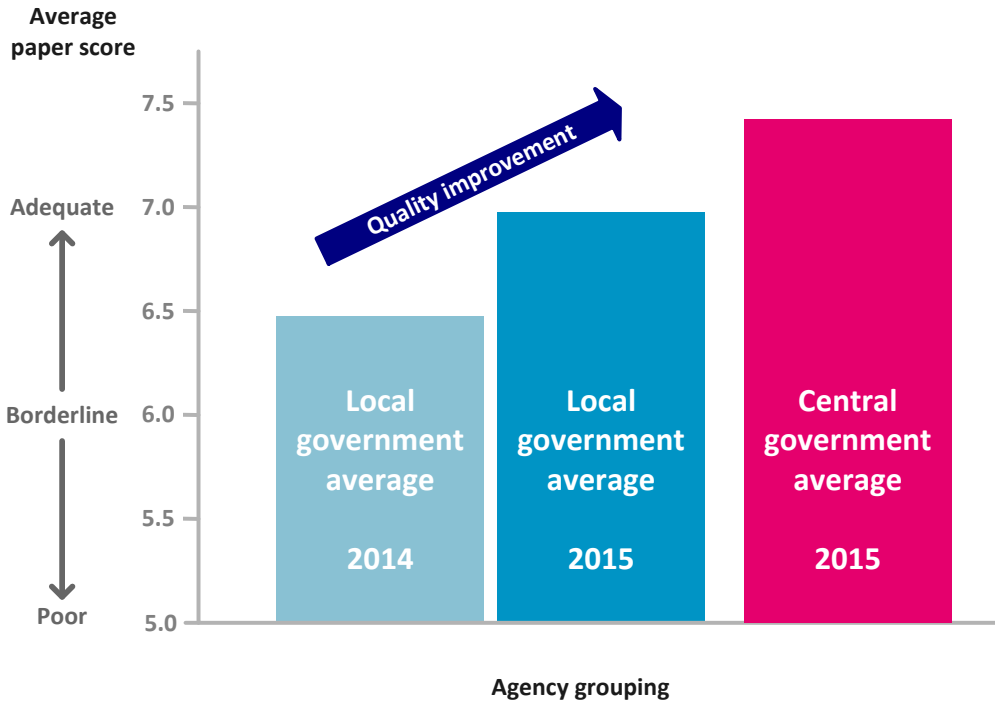
The advice quality ratings are higher in central government than in local government, as many organisations there have been assessing the quality of their advice and working on improvements over a longer time frame. Central government agencies usually have deeper and more experienced pools of policy analysts too.

Focus on the key features of quality advice

These encouraging results show that significant improvements can occur in short periods of time by addressing core aspects of high quality advice (see Figure 3):

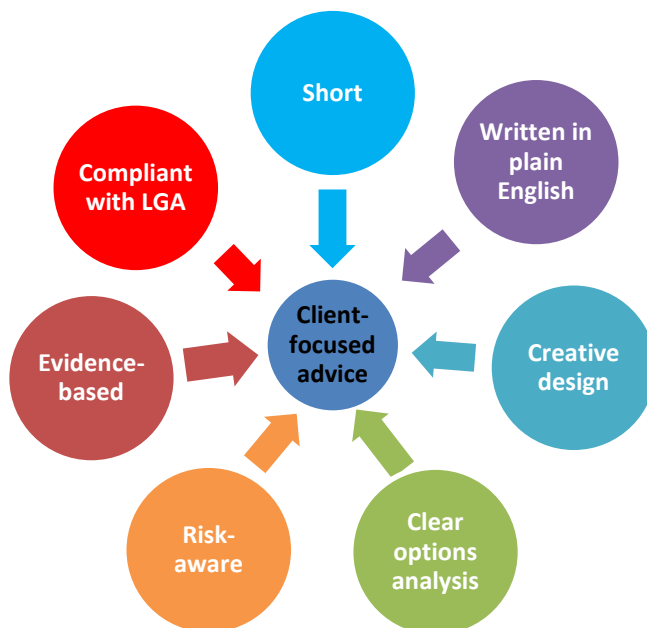
- Improved templates that put the key material up front and append the details
- Sharper drafting with shorter paragraphs and better headings to shape papers for easy comprehension
- More emphasis on the implications and 'so what?' as opposed to a reliance on process and detail
- Greater awareness of elements busy decision-makers need (and just as importantly, *don't* need) in papers
- Tightening the peer review and sign-out processes to ensure all advice meets requirements.

Figure 2 Local government policy advice scores are improving



Source: NZIER

Figure 3 Features of high quality advice



Source: NZIER

In conclusion – better advice is possible with regular feedback and focus

We are encouraged by the recent initiatives promoted by LGNZ to improve local government performance. In regard to policy advice, we know from experience that improvements can happen relatively quickly with clear focus and resourcing.

Local government advice influences decisions affecting us all in quite fundamental ways – it's too important to get wrong!

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