

---

## January 2018 Monitoring Report

### Introduction

The focus of this report is on the implications of the new government's commitment to reintroduce the four well beings to the local government act, possibly within the local government amendment Bill which is currently before the house.

The report first sets some context, then considers the initiatives underway within New Zealand public policy to consider well-being and finally reflects on what reintroducing the four well beings could mean for central government/local government relationships.

At the heart of this monitoring report is the need to avoid conflicting objectives and practice as Treasury takes a basically analytical approach to well-being through enhancing its Living Standards Framework and local government considers how best to respond to the anticipated reintroduction into the local government act of the obligation to promote community well-being. Especially in the context of the recent history of public administration New Zealand, there is a very real potential for a clash between an inherently 'top down' and siloed approach from central government and an holistic 'bottom-up' approach from local government. The best way to minimise that potential is to promote understanding of the complementarities between the two different approaches and build a strong working relationship between central government and local government around a shared commitment to enhancing well-being.

**Achieving this should be a top priority for SOLGM/LGTT collaboration.**

### Context

The four well beings first came into local government legislation when the rewrite of the local government act in 2002 made the promotion of community well-being the second leg of the new purpose section. The then government's intent seems to have been a general one of encouraging what it thought of as more democratic decision-making and a general focus on the quality of outcomes for local government's communities rather than a specific focus on well-being as such, and especially well-being of individuals or whanau rather than communities as a whole.

This was certainly the implication of the Minister's remarks in his second reading speech on the bill in which he said:

Mr Speaker, local authorities in New Zealand have grown up. They are more professional than ever before. Community expectations of their Council have leapt ahead of legislation.

The Bill recognises this. It bestows on councils a modern purpose - the promotion of the social, cultural, economic and environmental well-being of their community.

The Bill will require councils to spend more time on longer-term planning, and on understanding the outcomes that local communities desire.

Experience suggests also that councils had varying degrees of understanding of what this new purpose might mean in practice. Certainly, all councils understood the need to go through the process of leading the identification of community outcomes (although a number seemed to believe that they were the council's outcomes rather than their communities' outcomes despite the wording of the legislation). Generally however outcomes were very high level and generic rather than specific and capable of measurement in any meaningful way (reflecting on the significance of community outcomes, one officer from the Gisborne District Council wondered how useful community outcomes were when those for the Gisborne district looked very similar to those for Auckland City, despite the extraordinary differences between the communities of the two councils).

There was also comparatively little collaboration either amongst government agencies or between them and local government in facilitating the implementation of outcomes identified through the community outcomes process despite government encouragement. In part this no doubt reflects both the accountability which individual departments felt towards their own ministers for their particular role, and significant logistical issues including different regional boundaries, siloed funding and so on (something which was very much a feature of equivalent endeavours in England to secure multiagency/local government collaboration).

All of this took place at a time when well-being was more in the nature of a warm and fuzzy aspirational term, rather than a specific subject of serious policy and research interest.

There has been a very significant shift in approaches to well-being between 2002 and 2017. Well-being is now the subject of significant interest amongst policymakers and has become a recognised research field in economics in particular. The growth of research interest and the underlying

rationale for it is well set out in a recent article<sup>1</sup>, *Well-being Economics: A Policy Framework for New Zealand*, by professors Paul Dalziel and Caroline Saunders from Lincoln University.

Well-being research is an important underpinning for the New Zealand Treasury's Living Standards Framework which is being embraced by the new government as the following extract from the December 2017 Budget Policy Statement makes clear:

Our economic strategy will focus on how we improve the wellbeing and living standards of all New Zealanders. We will build off the work the Treasury has done on its Living Standards Framework to develop a comprehensive set of environmental, social and economic sustainability indicators. These indicators will better show how we are performing as a country.

Formal central government interest in well-being also reflects a broader societal concern driven by growing awareness of issues such as inequality, loneliness and social exclusion. Much of the recent rise in populist politics, including phenomena such as the outcome of the Brexit referendum, the election of Donald Trump in the US, and the rise of more extremist parties in Europe is linked to a belief economic management and especially the reliance on market-based mechanisms has seriously distorted outcomes to the detriment of a large proportion of the population.

In England inequality, loneliness and social exclusion have generated significant research interest on the part of major think tanks seeking to understand public attitudes, and develop options grounded in extensive exercises in public consultation and debate. This includes the work of the Institute for Public Policy Research's Commission on Economic Justice, the Royal Society of the Arts' Citizens Economic Council and the work of the Intergenerational Commission on aged based differences in economic well-being.

Perhaps unsurprisingly, and especially relevant for local government think tank members, it is now increasingly common for councils to adopt facilitating the well-being of their communities as an important part of their role:

Across Monmouthshire, 'The Five Ways to Wellbeing' is being introduced at individual, community and organisational level to enable our communities to be more capable and resilient. (Monmouthshire county council improvement plan 2014-2017).

---

<sup>1</sup> available at <https://search.informit.com.au/documentSummary;dn=587743942813134;res=IELHSS;type=pdf> or from the Director of the local government think tank

“Local government exists not to provide services but to promote wellbeing.”. Rick Cole, city manager of Santa Monica discussing the city’s well-being index project.

Underpinning much of the interest in well-being are concerns such as the extent to which health outcomes are influenced by where people live, rising concern about social exclusion, and an awareness that too often public policy has focused on what can be measured rather than on what matters.

### Current Public Policy Initiatives

This table gives an overview of how the Treasury is to approach developing the living standards framework.

#### **Improving living standards and wellbeing**

It is the Government's intention to report against a wider set of wellbeing indicators in future Budgets, in line with the Confidence and Supply Agreement with the Green Party of Aotearoa New Zealand, which provides a commitment to work on new sustainable development indicators. The reporting framework is still being developed, but the Government sees this approach as a core element of how we will create our future Budgets and measure the success of our work. To assist with this, the Government has asked the Treasury to further develop and accelerate the world-leading work it has been doing on the Living Standards Framework (LSF).

The LSF is based on an OECD framework that organises indicators of sustainable intergenerational wellbeing. It focuses on measuring New Zealand’s success in developing four capitals – financial and physical, human, social and natural. The LSF gives a rounded measure of success and of how government policy is improving New Zealanders’ wellbeing.

#### **The Four Capitals**

Intergenerational wellbeing relies on the growth, distribution, and sustainability of the Four Capitals. The Capitals are interdependent and work together to support wellbeing.



##### **Natural Capital**

This refers to all aspects of the natural environment needed to support life and human activity. It includes land, soil, water, plants and animals, as well as minerals and energy resources.



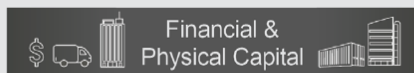
##### **Human Capital**

This encompasses people’s skills, knowledge and physical and mental health. These are the things which enable people to participate fully in work, study, recreation and in society more broadly.



##### **Social Capital**

This describes the norms and values that underpin society. It includes things like trust, the rule of law, the Crown-Māori relationship, cultural identity, and the connections between people and communities.



##### **Financial & Physical Capital**

This includes things like houses, roads, buildings, hospitals, factories, equipment and investments. These are the things which make up the country’s physical and financial assets which have a direct role in supporting incomes and material living conditions.

Source: The Treasury

The importance which the new government attaches to well-being is also spelt out in the Minister of Finance's 1 February statement announcing that Treasury would be hosting the third International well-being conference:

"This Government is committed to pursuing productive, sustainable, and inclusive economic growth that improves the wellbeing and living standards of all New Zealanders," Grant Robertson says.

"This means we will do things differently. We will put people's wellbeing and the environment at the heart of our policies, and introduce settings to create an economy where we work smarter, make better use of our resources, and where the benefits of growth are spread fairly across society and regions.

This is a major shift from the approach of the previous government which was very much focused on its social investment policy where data was used to identify individuals and whanau deemed to be at risk, and performance measures were in very specific terms such as reduction in the number of cases of rheumatic fever.

The new approach will produce more generic measures reflective of changes in the circumstances of New Zealand as a whole and of different subgroups within the New Zealand population. One challenge will be connecting findings from applying the new approach to specific actions which might alter outcomes in ways regarded as beneficial.

There is a sense from government statements so far that well-being indicators will be treated as part of the evidence expected to underpin budget bids from individual departments. This appears to imply a somewhat 'top down' approach to identifying measures which should be taken in response to indicators which suggest that well-being is falling beneath some desired level.

A possible precedent for how to apply learnings from the type of well-being analysis which is now to be part of the living standards framework is the Californian city of Santa Monica's development of a well-being index. This is a major undertaking supported by Bloomberg Philanthropies with the work being carried out by the Rand Corporation with the support of the London based New Economics Foundation because of its expertise in well-being.

The Santa Monica project is described as having three stages: Define, Measure, and Act. Act is intended to be collaborative with the findings report describing this phase as:

Finally, the *Act* phase started early in the process as we outlined potential end uses of the data and how data would be used by CSM residents, city leaders, etc. But the phase started in earnest in February 2015. The goal of *Act* is to ensure the data motivate community discussions about potential solutions. This process is now ongoing with engagement with key stakeholders; translation of these data into the City budget development and metrics setting process is central to this effort. *Act* will also be summarized in the CSM wellbeing “how to” guide.

This implies a process which is both strongly ‘bottom up’ in terms of finding solutions to issues identified by the well-being work, and holistic in the sense of working across rather than within silos.

There is so far nothing in what the government has said about the use of the living standards framework to suggest an understanding that looking for solutions to any issues identified will require a very different way of working from what has been customary on the part of central government agencies. This will include ensuring that communities are engaged in developing solutions to issues surfaced through well-being work. Experience in jurisdictions such as Santa Monica and Wiltshire suggests this is an area where collaboration with local government and drawing on its skills is particularly important.

Nor is there anything to suggest that government has consciously recognised that it is emphasising well-being in two very different aspects of policy-making - its own budget setting as already discussed, and its separate intention of restoring the ‘four well beings’ to the local government act.

There’s been little indication so far of exactly how the government intends to go about restoring the well beings to the act. The best so far is probably the Minister of Local Government’s statement in a recent Perspectives article carried by Local Government Magazine that:

I am also considering how to proceed in respect of the Local Government Act 2002 Amendment Bill 2016 that is currently before Parliament. I have asked officials for advice on how to incorporate the four well-beings within that.

Detail will be important. Presumably the Minister intends restoring what was the second purpose of local government. “To promote the social, economic, environmental and cultural well-being of communities, in the present and for the future.”

When that purpose was current there did not appear to be any widely held understanding of just what 'to promote' meant in terms of local government activity including crucially the extent to which 'to promote' was intended to give local government a role in influencing services provided by central government, the private sector or other providers. There were some general statements in the act such as that one of the purposes of identifying community outcomes was to "inform and guide the setting of priorities in relation to the activities of the local authority and other organisations" but no clear sense of what this meant in practice and the extent to which 'other organisations' had any obligation to pay attention to representations from local government.

Arguably, we are now in a very different world. The greater understanding of the significance of well-being, and the impact of phenomena such as loneliness, inequality and social exclusion should all mean that an obligation to promote well-being is more than just some warm and fuzzy overlay, but an explicit and important task which should inform all of the work of local government. It's likely for example councils will be expected to demonstrate how the obligation to promote well-being has informed the way in which they determine what activity to undertake, and how to source the resources required. It's also hard to see how restoring an obligation on councils to promote community well-being could be done without considering the implications for other entities whose own actions contribute to well-being.

This last comment leads naturally to the final section of this report, central government/local government relationships.

### Central Government/Local Government Relationships

Restoring the power (which in practice should be thought of as an obligation) for councils to promote the well-being of their communities will put the spotlight fairly and squarely on the relationship between central government and local government.

The practical reality is that much of what impacts on community well-being is directly influenced by government policy and practice especially in but not limited to major social services such as education, health, welfare, law and order, accident compensation and much else. If local government is to be effective in promoting community well-being it will need to play a significant role in determining how central government services are designed targeted and delivered within the communities for which it is responsible.

It's a role which would draw on local government's strengths in terms of being close to its communities, its local leadership role, being able to take an holistic rather than a silo-based view and potential to lead the development of effective community governance. It should highlight both local government's potential to act as an informed advocate to central government on behalf of its communities and as an enabler of community capability in solutions development.

It's a role which would also need to be complemented by quite significant culture and organisational change on the part of central government. Experience in England, with successive endeavours on the part of central government to work more collaboratively with local government, has highlighted problems such as inertia, distrust, incompatible boundaries, lack of coordination across central government itself, problems in the ongoing management of public monies, inconsistency in relationship building and much more.

To make this work effectively ministers should have clear understandings with their chief executives on the measures which they will put in place to work collaboratively both with local government and across central government. These measures should be supported by clear performance expectations against which to hold chief executives accountable. Councils should similarly commit to working collaboratively and being held accountable for their actions.

To summarise, if the new emphasis on well-being is to produce the outcomes which the present government clearly anticipates, then it must give a high priority to building genuine collaborative relationships with local government such that each individual council can sense that it is working in partnership with those central government agencies whose activities influence outcomes within its district. Local government in its turn must look closely at how it responds to the return of the four well beings, and how it can best use its strengths, including its relationships with its communities to best enable the effective design targeting and delivery of central government services.