

**Peer Review of the New Zealand Productivity  
Commission's Report:**  
*Towards better local regulation*



**August 8<sup>th</sup>, 2013**

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# 1. Summary assessment

This summary assesses the Commission's inquiry *Towards better local regulation* in terms of the Commission's seven key performance criteria.

## i. Intended impacts

The Commission has undertaken a rigorous and open inquiry and produced a well-researched, balanced and readable report. The inquiry has increased awareness of the issues and identified key opportunities for improvement. As a result one can be confident the Commission's credibility in the local government sector has been enhanced. There is some uncertainty around whether the inquiry's recommendations will be taken on board but the inquiry has laid down the gauntlet for central and local governments.

## ii. Right focus

Given the terms of reference, the report addresses the key points that needed addressing in an unbiased manner. The Commission has asked and attempted to answer the right questions in a systematic way. A key focus of the report is on central government regulatory policies and regulatory design processes and how they are the underlying source of many of the problems in the local government sector.

Additional insights could have been gained by considering more the limitations of conventional cost-benefit analysis in public policy design. The report could also have given more attention to the role of regulation by the common law and local government funding issues.

## iii. Good process management

The Commission was genuinely engaged throughout the inquiry and the process was managed very well. The Commission made effective use of existing forums and networks (e.g., through LGNZ and SOLGM); used a range of techniques (e.g., webinars, a Colmar Brunton survey, reference groups and roundtables) to gather information; and made considerable efforts to reach out effectively to a wide range of stakeholders. The Commission's Issues paper was commended by one party for being a "genuine Issues Paper rather than one where (the author's) mind is already made up." The comments conveyed by some parties suggest that the Commission needs to ensure it continues to carefully guard its reputation as an independent body.

## iv. High-quality work

The report is comprehensive, well researched and evidence-based and the conclusions and the recommendations reflect the analysis that has been undertaken. The inquiry is to be commended

for its ‘whole-of-system’ approach. More attention could have been given to the wider economic costs of regulation as these are typically the major costs of regulation. Some high-level cross-country analysis may also have provided some interesting insights.

#### **v. Effective engagement**

The Commission, by all accounts, did an outstanding job in engaging with stakeholders throughout the inquiry. The feedback I received was that the Commission not only met with a large number of people but was genuinely open-minded in its engagements, it listened and took on board the comments it received.

#### **vi. Clear delivery of message**

The Commission’s inquiry addresses a difficult and complex issue and in light of this the report has been presented and communicated very well. The report is interesting and is as accessible as possible given the breadth of issues addressed and the depth of analysis required. The Commission effectively listed 29 recommendations in the report. While no doubt all the recommendations are important, there is a danger if too many recommendations are made that decision-makers have the option of selecting the recommendations to implement. It would be helpful to give the reader some sense of which recommendations are really important, where the recommendations are interrelated and where early gains can be made and thus act as a driver for further change.

#### **vii. Overall quality**

Overall, the inquiry effectively engaged with a wide range of stakeholders to develop a comprehensive investigation into local government regulation. The findings and recommendations are balanced and flow logically and credibly from the analysis. The relationships and interfaces between local and central government were well addressed and the diverse range of regulatory powers of local government were considered. The inquiry seems to be very well regarded and to have enhanced the credibility of the Commission in the local government sector.

## 2. Introduction

The New Zealand Productivity Commission (the Commission) has engaged TDB Advisory (TDB) to undertake an independent peer review of its inquiry: *Towards better local regulation* (the inquiry). The New Zealand Productivity Commission has developed seven key performance measures for its inquiries. This report is an independent review of the Commission's inquiry into local government regulatory performance in New Zealand.

### 2.1. My approach

Philip Barry, a Director of TDB Advisory Ltd, was asked by the Productivity Commission to provide an independent peer review of the Commission's inquiry "*Towards better local regulation*".

The terms of reference for the engagement are attached as Appendix 1.

I evaluate the inquiry on how effectively it met:

- its key purposes as described in the Commission's Terms of Reference<sup>1</sup>; and
- more broadly, the Commission's performance measures.

My review is an independent evaluation of the Commission's inquiry and intends to provide useful feedback to the Commission for its ongoing improvement. As requested this review includes a summary assessment that includes a brief assessment of the inquiry in terms of each of the Commission's performance measures.

In assessing the inquiry I have considered whether the inquiry met its key purpose (as per its Terms of Reference) and:

- identified key regulatory functions;
- developed principles to guide allocation of regulatory functions;
- identified functions likely to benefit from reconsideration of the balance of delivery between central and local government;
- assessed the extent and desirability of variation in local government's implementation of its regulatory responsibilities and functions;
- identified opportunities for central and local government to improve the regulatory performance in the local government sector;

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<sup>1</sup> The Terms of Reference for the Inquiry are provided on pages iv and v of the Commission's report.

- examined the adequacy of processes used to develop regulations; and
- recommended options to allow for the regular assessment of regulatory performance.

As requested, I have assessed the inquiry in terms of the extent to which it meets the Commission's seven overall performance measures:

- i. intended impacts;
- ii. right focus;
- iii. good process management;
- iv. high-quality work;
- v. effective engagement;
- vi. clear delivery of message; and
- vii. overall quality.

More detail on the Commission's performance indicators is provided in Appendix 2 of this report.

In undertaking this peer review, I reviewed the Commission's final report "Towards better local regulation" and the accompanying summary report "Cut to the chase". I also spoke with several external stakeholders who were involved closely throughout the inquiry.

I provide a brief overview of the inquiry below and then provide my assessment of the inquiry according to the Commission's seven key performance measures detailed above. Some possible areas of improvement are identified that could have increased the impact of the report.

### **3. Summary of the inquiry**

The Commission's inquiry aims to identify opportunities for both central and local government to improve the regulatory performance of local government. Local government regulation covers a wide variety of social, environmental and economic activities and it can have a significant impact on the wellbeing of the people and the economy of New Zealand. It is important that the right regulatory decisions are made and they are implemented efficiently. The Commission's inquiry takes a 'whole-of-system' approach in attempting to identify possible areas of improvement in the regulatory system.

The inquiry considers the current broader local government environment before specifically investigating local government's regulatory responsibilities and the scope for discretion in setting regulatory policy. The inquiry identifies in particular the large differences in the size, population demographics, budgets, physical environments and local economies between territorial authorities throughout the country. It is evident that territorial authorities are operating in a

complex technical and legislative environment and any suggestions from the Commission must account for this environment.

Issues identified by the Commission with the current regulatory system include:

- weakened incentives faced by central government for rigorous analysis when designing regulation;
- insufficient analysis of local government's capability or capacity to implement regulation;
- generally poor engagement with the local government sector when designing new regulation;
- regulatory quality assurance processes not fully utilised;
- room for improvement in regulatory decision-making processes;
- perceived inconsistency in the application and administration of regulatory standards;
- governance issues with inappropriate level of involvement from councillors;
- room for improvement in monitoring and enforcement of regulation;
- a weak 'whole-of-system' mindset;
- little feedback to aid improvement from performance reporting and post-implementation reviews;
- local government performance measures are often dominated by externally-imposed formal obligations;
- regulatory performance assessment is often seen by local government as a compliance exercise rather than a means to improve performance;
- questions around whether the current legislative framework adequately allows for Maori participation in decision making;
- poor relationships and interface between central and local government.

The inquiry identified the following general areas where there is scope for improvement:

- regulatory design;
- allocating regulatory responsibility;
- local government regulatory capability;
- local government regulatory processes;
- Maori involvement in local regulation;
- monitoring and enforcement; and
- regulatory performance assessment.

## 4. Assessment

### 4.1. Intended impacts

*What happens as a result of the Commission's work...*

The Commission has undertaken a rigorous and open inquiry and produced a well-researched, balanced and readable report. As a result the Commission's credibility in the local government sector has been enhanced.

In my view the inquiry has had a number of positive impacts already. It has:

- increased awareness in the central government and improved understanding among the wider public of an important area of government;
- demonstrated the potential for greater partnerships between central and local government and the potential to use existing forums to enhance the relationships;
- demonstrated the need for capability and capacity building in relation to local government regulation at both levels of government.

The Commission's work has the potential to drive an agenda for change to improve the sector. It has identified a number of practical measures that could improve the interface between central and local governments. For example, the proposed protocols between central and local government are an excellent idea that could improve understanding and the efficient function of the two sectors.

It is far from certain, however, that many of the Commission's recommendations will be picked up. The Commission has said in its report a lot of things that needed to be said about the way responsibilities are assigned and the need for improved relationships between the two levels of government. It has probably said some things that neither level of government necessarily wanted to hear.

Overall, the inquiry has also thrown down the gauntlet for central and local governments. Time will tell whether they pick it up.

### 4.2. Right focus

*The relevance and materiality of the Commission's inquiry reports...*

Assessing the regulatory responsibilities of local government is a big task. Local governments are complex, multifaceted operations with widely varying scales, functions and geographical

coverage. Further, as the report notes, there are at least around 30 pieces of primary legislation that confer regulatory responsibilities on local government and many regulations exist in secondary instruments.

All those I consulted with thought the report was even handed and addressed the key points that needed to be addressed, given the terms of reference. The Commission was lauded for asking the right questions, devoting plenty of intellect and leadership to the issues and for looking at the issues in a systematic way. Several people applauded the way the Commission's report turned the focus back on central government regulatory policies and regulatory design processes as the underlying source of many of the problems in the local government sector.

From my perspective, I note firstly that the focus of the report's analysis and recommendations reflects the framework the Commission adopts in addressing the issues. This framework is a conventional welfare economics approach. This approach, while standard amongst New Zealand public-policy advisory agencies, has its limitations. In particular it implicitly assumes a well-intentioned (perhaps somewhat bumbling but nevertheless benevolent) government, which seeks, within its capabilities and given the available information and other resource constraints, to maximise "society's welfare".

An alternative approach which may provide useful additional insights is to adopt a "public choice" approach, where government is regarded as being comprised of individuals, each with their own individual utility functions, responding to the incentives they face. The task of policy design then becomes one of designing institutional arrangements that provide incentives for politicians and officials, at central and local government levels, to create an environment that allows citizens to maximise their own welfare<sup>2</sup> and to design constraints that limit the abuse of power that government agents necessarily hold.

To quote James Madison, one of the founders of the American constitution:

*"If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In forming a government which is to be administered by men over men, the great difficulty lies in this: you must first enable government to control the governed; and in the next place oblige it to control itself."*

James Madison, American statesman, 1788.

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<sup>2</sup> By welfare, I mean much more than monetary values: I mean the full set of values that reflect the aspirations of individuals, including individual freedom, justice, security, peace, economic welfare (or prosperity) and a good environment.

The cost-benefit framework adopted by the Commission is a good starting point for assessing government intervention. Certainly it is better than the approach which often underlies calls for government intervention in New Zealand – i.e., the approach that ‘if there is a problem, the government must fix it’. However, cost-benefit assessments of whether the government should intervene or not are unlikely to be sufficiently robust to be relied on exclusively when designing public policy. The risk that elected or appointed government officials may be motivated to retain power and to exercise it for their own benefit rather than to allow citizens to maximise their overall welfare must be considered in the design of policy. The reality is that much government intervention that purports to be in the general public interest is in fact a response to self-interested lobbying by narrow groups.<sup>3</sup>

Secondly I note that the focus of the report is almost entirely on central and local government regulation. In contrast, the role of regulation by the common law and relevant private codes and practices receives little attention in the report.<sup>4</sup> In many countries the courts and communities develop rules and regulations to govern people’s behaviour in areas that are largely the domain of local government in New Zealand (e.g., residential development). Case law has a major impact in many areas in the local government sphere in New Zealand (e.g., resource management).

The report examines the role of ex-post reviews of local government interventions. In my experience New Zealand places little weight in practice on undertaking such reviews. Indeed, in many ways such “post-implementation reviews” are the key missing link when New Zealand’s regulatory practices are assessed against the ideal regulatory system depicted in Figure 0.1 of the Commission’s report.

The Commission’s report provides a good discussion of the tradeoffs involved in performance reviews and in particular the risk that such reviews become simply a compliance exercise and also the potential perverse incentives that can arise. The Commission notes the importance of targeting performance assessments to those areas where and when such reviews are likely to add most value (F 11.2). The proposal in the report (R 11.3) for jointly trialling “health-checks” of particular areas of local government regulation seems to me to be a pragmatic and balanced way forward.

It was good to see the Commission did not shy away from – but instead addressed in a rigorous, evidence-based way (pp.75 and 156) - the topical and controversial question of the optimal scale of local government entities in relation to the function (regulatory activities) within the

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<sup>3</sup> For more on the limitations of cost-benefit analysis in the design of public policy and the general “public choice” approach to institutional design refer to “Public Policy: An Introduction” NZ Business Roundtable, 2007.

<sup>4</sup> There are some references in the report to case law and the scope for self-regulation by businesses and households is noted (on p.16) but not really developed in the report.

Commission's ambit. The conclusion reached in the report is in line with the general international evidence<sup>5</sup>.

On the other hand, several people I spoke with expressed disappointment that local government funding issues were not addressed in the Commission's final report. I understand there was a short chapter on funding in a draft report. I note that the terms of reference include an explicit reference to concerns about funding as part of the context for the review (albeit it is not explicitly listed in the scope for the review):

*“There is also a concern in local government that functions are allocated to councils without adequate mechanisms for funding.”*

It was good to see the report not just focus on the large metropolitan councils. The balance sheets of many of the smaller councils are still large (hundreds of millions dollars) by New Zealand corporate standards and merit attention.

### **4.3. Good process management**

*The timeliness and quality of the Commission's inquiry process...*

The process was managed by all accounts extremely well. All those I spoke with noted that the Commission was genuinely engaged throughout the inquiry– it was prepared to listen, open to having its initial thinking challenged – resulting in a well-researched and balanced report. The Commission used existing forums and networks (e.g., though LGNZ and SOLGM) and a range of other techniques (e.g., webinars, a Colmar Brunton survey, reference groups and roundtables) well to facilitate its information gathering, enabling it to reach out effectively to a wide range of stakeholders.

The Commission's use of Issues papers is a wise step as it enables the Commission to present its initial thinking, to get stakeholders' buy-in to the process, for the Commission to get feedback early on and for the Commission to amend its views and direction accordingly.

The Commission's Issues paper in this inquiry was commended for being a “genuine Issues paper rather than one where (the writer's) mind is already made up.” It was also noted that many improvements were made between the draft and final report.

Some commented to us that they had an impression that the Commission had bowed to some push back from the government on the draft report and that the final report was not as “hard

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<sup>5</sup> For a good survey of the literature see, for example, Byrnes, J and B Dollery (2002), “Do Economies of Scale Exist in Australian Local Government? A Review of the Research Evidence,” University of New England.

hitting as it might have been.” I am not in a position to assess whether there is any validity to the claim or not. I simply note the perception is held by some. The Productivity Commission needs to guard carefully its reputation as an independent body.

One stakeholder noted favourably that the Commission had done its homework before the formal stakeholder consultations, remarking that the Commission had done “a troll of our website and picked up the good practice guides before we even met with them”.

The Commission’s engagement with key stakeholders is discussed further in section 4.5 below.

In regard to timeliness, the terms of reference required a final report to be submitted to the referring Ministers by 1 April 2013. That date was subsequently extended to 1 May, at the Commission’s request, with the formal approval of the Minister. I understand the shift in date was to better enable interested parties to digest the draft report and make submissions.

#### **4.4. High-quality work**

*The quality of the Commission’s analysis and recommendations...*

The quality of the Commission’s report is very good. The report is comprehensive, well researched, evidence-based and the conclusions and recommendations reflect the analysis that has been undertaken. Importantly, the Commission did not address simply the symptoms of the problems but sought to get to grips with the heart of the problems affecting the local government regulatory sector.

When addressing local government regulation it is essential to adopt, as the Commission did, a systems-wide approach, and to address local government regulation in the context of central government, given the interdependent nature of the two tiers of government.

The report included some innovative approaches to measuring regulatory impacts: e.g., the comparison of the frequency of mention of performance indicators for dog control in the media with those reported in territorial authorities’ annual reports (Figure F.1).

I would have liked to see more attention given to the importance of the “deadweight costs” (or as they are referred to in the report, the “wider economic costs”) of local government regulation. The deadweight costs of regulation are typically much bigger than the more readily visible administration and compliance cost of regulation. The report touches on the “economic costs” (e.g., on pp 4 and 58) but the bulk of attention in the report on the costs of local government regulation is then given to the administration and compliance costs (“red tape”).

Administration and compliance costs, however, are only the “tip of the iceberg” of regulatory costs. The major costs relate to resource misallocation and disincentives to productive activity.

For example, import licensing involved compliance costs to operate the import licensing system but the economic costs associated with highly protected industries were far larger (for example, resources were used inefficiently and the competitiveness of exporters suffered). Similarly, regulation such as the Resource Management Act, which can delay roading projects for several years, harms the community pervasively through prolonged congestion and pollution, even if road contractors bear little of the burden. An analogy is taxation, where the administration and compliance costs are significant but the overall ‘deadweight’ costs arising from disincentives to work, save and invest are far higher. Government attempts to deal with regulation have often focused (without much success) on compliance costs.

Deadweight costs arising from local government may be particularly important in some areas. As well as the cost of delay noted in the Commission’s report, such cost could include restrictions on competition and innovation as a result of local government regulation in areas such as spatial planning, heritage protection, liquor control and input restrictions arising from water and air quality standards.

Studies cited in a report by Bryce Wilkinson, “Constraining Government Regulation”, suggest that the total (deadweight) costs of regulations to a New Zealand household probably amount to many thousands of dollars annually, and far exceed the benefits in many cases.<sup>6</sup>

I would also like to have seen more use of cross-country analysis and comparisons. While there is a smattering of references in the report to some other countries’ experiences, more references could have been made to the wide-ranging research on the effectiveness of local government regulation and institutions in other countries. It would have been useful to learn more, for example, about what works and what does not in other countries and what is considered best practice, recognising that any such conclusions would have to be qualified by the path-dependent and country-specific nature of any such findings.

Some high-level cross-country analysis may also have provided some interesting insights. An interesting article recently published by the NZ Initiative, for example, highlighted how small local government is (as a percentage of total government spending) in New Zealand and therefore how centralised NZ government spending is by OECD standards.<sup>7</sup>

I note also a few other specific areas where a bit richer analysis would have been interesting. For example:

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<sup>6</sup> Wilkinson B, “Constraining Government Regulation”, NZ Business Roundtable, 2001.

<sup>7</sup> The NZ Initiative noted that sub-central government accounts for 11% of total government spending in New Zealand, compared with approximately 30% of total government spending on average for the OECD. New Zealand ranks 3<sup>rd</sup> highest amongst OECD countries in terms of the percentage of total government spending accounted for by the central government. <http://nzinitiative.org.nz/Media/Opinion+and+commentary/Time+to+go+local.html>

- the report notes in several places the differing pressures local governments face from changing populations within their territories. It would have been nice to see the cross-sectional analysis in the report in this regard complemented by a time-series analysis to address the deeper question of whether the challenges local governments face now in terms of changing population are greater (or smaller) than they have been in the past;
- the report notes - but does not attempt to quantify or give a sense of the magnitude of - the increase in local government regulatory responsibilities over the last decade (p.54); and
- the graph (figure 3.3) showing the pattern of annual expenditure on regulatory activities in selected areas would have benefited from being inflation adjusted.

Finally, I note the terms of reference for the inquiry explicitly asked:

*“Where possible, the Commission should seek to quantify relevant costs and benefits of recommendations it makes in the inquiry. The Commission should prioritise its effort by using judgement as to the degree of depth and sophistication of analysis it applies to satisfy each part of the Terms of Reference.”*

The difficulties of quantifying the costs and benefits of public policy analysis and advice are well known but it would have been good to see the Commission come up with some indicative or innovative measures in this regard.

#### **4.5. Effective engagement**

*How well the Commission has engaged with interested parties...*

The Commission by all accounts did an outstanding job in engaging with stakeholders throughout the inquiry.

The chief executive of Local Government New Zealand, Malcolm Alexander, was quoted in the New Zealand Herald as follows:

*“The Commission's process had set the standard for how engagement with local government should occur. We may not agree with everything that is in there [the report] but we cannot fault the process. They went everywhere and talked to everyone.”<sup>8</sup>*

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<sup>8</sup> New Zealand Herald, “Time to clear regulatory muddle,” 5 May 2013, [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=10883906](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10883906)

Others I spoke to were equally praising of the Commission's engagement during the inquiry. The feedback I received was that the Commission not only met with a large number of people but was genuinely open-minded in its engagements, it listened and took on board the comments it received.

A total of 113 written submissions were received by the Commission (59 submissions on the Issues paper and 54 on the draft report). The great bulk of these submissions were from local governments.

I was surprised to see that no central government agency provided a written submission to the inquiry. This comment is by no means a criticism of the Commission. Central government had the same opportunity to provide written input in the same way that local government and private individuals and organisations did. I understand central government agencies have provided some high quality submissions to earlier Commission inquiries. I am puzzled as to why no central government agency provided a written submission on this occasion, especially given how closely involved many large central government agencies (e.g., Department of Internal Affairs, the NZTA, the Ministry for Business, Innovation and Employment, the Housing Corporation and the Ministry for the Environment) are with the local government sector.

#### **4.6. Clear delivery of message**

*How well the Commission's work is communicated and presented...*

The Commission's work has been communicated and presented very well, especially given the complex and multifaceted nature of the problems.

The report itself is very well structured, well presented and readable. The report is not bedevilled with "techno-speak". It makes good use of boxes, case studies, graphs and tables to make what some might regard as a dry subject as interesting as possible.

My initial thinking was that the report, at nearly 300 pages, was too long and would be potentially daunting to many readers. I considered whether there might be a better middle ground: e.g., a 50 page report with separate annexes. On reflection, though, a report of the size presented by the Commission is I think appropriate given the breadth of the issues the Commission was asked to address and the depth of analysis that was required.

The "Cut to the chase" (4 page) summary document was praised by all I spoke with as being very useful for getting a "quick fix" on the Commission's findings and as something that they could disseminate to broader, non-expert audiences (e.g., Councillors or Boards of Directors) who would not and did not need to read the entire report.

I liked the way that, despite being nearly 300 pages long, a relatively small number of recommendations were made in the report. It is too easy for such inquiries to come up with scores of recommendations without giving decision-makers the necessary strategic direction as to what recommendations are really important and what are second order; what recommendations should be adopted first (e.g., where “low hanging fruit” can be found and easy gains made); or where the recommendations are interconnected and form part of an overall policy package.

Nevertheless with 29 separate recommendations in the Commission’s report, there is still a risk that decision-makers will pick and choose those recommendations that suit them and avoid the difficult and potentially most important recommendations.

#### **4.7. Overall quality**

*The overall quality of the Commission’s inquiry taking into account all factors...*

Overall, I consider the inquiry represented a comprehensive investigation that involved a very open and effective engagement with a wide range of stakeholders. The judgements reached were balanced and flowed logically and credibly from the analysis. The final report was readable and persuasive.

The inquiry and report recognised the interconnections between the different levels of government, recognised the dual role of local government (local democracy and cost-effectiveness) and took into account the diverse range of regulatory powers of local government.

There was, I understand, some trepidation in the sector about the inquiry, but those fears were not realised. Instead the inquiry is very well regarded and has enhanced the credibility of the Commission. The Commission has acted with integrity and independence and considered the issues in an open-minded and balanced way.

The main improvements I would suggest are:

- to have greater regard to the limitations of cost-benefit analysis and the insights from “public choice” literature, case law and private codes and practice in the area of public policy design;
- to broaden the references to other countries’ experiences and to indicate where possible what is regarded as best international practice in the area;
- to focus more on and to communicate better the importance of the deadweight costs of regulation;
- to seek to develop measures (albeit at a broad level) of the potential benefits of reform;

- to limit the number of recommendations and to give the reader a sense of the strategic importance and role of the different recommendations; and
- to ensure the Commission preserves and is seen to preserve its independence at all times.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Barry', with a large, stylized flourish underneath.

**Philip Barry**

**Director**

## Appendix 1: Terms of reference

### Towards better local regulation: independent peer review

<b>Purpose</b>	Undertake an independent expert evaluation of the Commission's performance on the inquiry.
<b>Context</b>	An independent expert evaluation of the Commission's performance on an inquiry is a key component of the Commission's performance measurement for inquiries, and a further way of identifying how the Commission can improve its performance.
<b>Scope</b>	<p>Undertake an evaluation of the Commission's overall performance on the inquiry into local government regulation, based on the final inquiry report, focusing particularly on:</p> <ul style="list-style-type: none"><li>- the relevance and materiality of the final inquiry report;</li><li>- the quality of analysis of information in the final inquiry report and the quality of the report's findings and recommendations; and</li><li>- the effectiveness of the Commission's engagement and delivery of message, as evidenced in the final inquiry report and "cut-to-the-chase" summary.</li></ul>
<b>Deliverable</b>	A report summarising the independent expert evaluation, in the key areas of scope above, which the Commission can publish or quote in reporting its performance (such as in any inquiry assessment the Board may publish, or in the Annual Report), and use to improve its performance.
<b>Approach</b>	<p>Evaluate the Commission's performance based on a review of the final inquiry report and, where necessary, discussion with the Inquiry Director, Communications Advisor, General Manager or Chair. You may also consult with external stakeholders.</p> <p>You are not expected to be an expert on the subject matter of the inquiry, but rather to use your experience and judgement of developing and presenting advice to Government.</p> <p>We anticipate the evaluation and writing your report should take about 3 to 4 working days.</p>
<b>Completion date</b>	Draft report to be provided by 5 August 2013.

## Appendix 2: The Commission's performance measures<sup>9</sup>

Measure	Strengths from first inquiries	Can do better in future
<b>Impacts</b>	<p>Inquiries had a positive impact in increasing peoples' understanding of the topics.</p> <p>A range of specific recommendations were made for improving productivity.</p> <p>Inquiry reports were widely reported and debated.</p>	<p>Inquiries can be better positioned in the wider context of improving productivity generally.</p> <p>The priority, sequencing, benefits and specificity of recommendations could be made clearer.</p> <p>Further increase quality of work so the Commission is more visibly seen as 'lifting the bar' for policy work.</p>
<b>Right focus</b>	<p>Commission generally seen as:</p> <p>focusing on the right issues; and sourcing the right information.</p>	<p>Be more explicit about choices of focus and depth in work.</p> <p>Demonstrate greater awareness of future industry or sector scenarios.</p>
<b>Good process management</b>	<p>Process seen as participative and thorough with multiple opportunities for people to put forward their views.</p>	<p>Consider use of mixed-stakeholder focus groups during the inquiry process.</p> <p>Make a range of internal improvements related to project management.</p>
<b>High-quality work</b>	<p>A wide range of evidence and information was analysed.</p> <p>New pieces of analysis, with new angles and generating new insights, were undertaken.</p> <p>The analysis was seen as credible.</p>	<p>Increase depth of analytical work on key issues.</p> <p>Better demonstrate 'classic' policy analysis (clear problem definition; options assessment; explanation of why options are accepted or rejected).</p>
<b>Effective engagement</b>	<p>Commission seen as highly approachable.</p> <p>High degree of engagement with interested parties.</p>	<p>Identify opportunities to engage with multiple parties at the same time, for efficiency and contestability of views (such as via associations and focus groups).</p> <p>Clearly explain in reports why other key views have not been adopted by the Commission, while recognising this</p>

<sup>9</sup> <http://www.productivity.govt.nz/about-us/our-performance>

		is not possible for every single view.
<b>Clear delivery of message</b>	<p>Commission seen as a very clear communicator of its views.</p> <p>Reports were clear, well-written and accessible to a wide audience.</p> <p>Different versions of summary information were well received and useful.</p>	<p>Consider presenting information in 'thematic' ways of interest to particular stakeholders (eg, Auckland issues or local government issues).</p> <p>Better deliver recommendations to other parties than the Government (eg, local government).</p> <p>Better frame future debates for others to lead.</p>
<b>Overall quality</b>	<p>First-time reports were seen as comprehensive and credible.</p> <p>The inquiry process was seen to work well, including high engagement and extensive public debate of relevant issues.</p>	<p>Better define areas where Commission will focus its attention to prioritise its work.</p> <p>Better explain the Commission's 'handover process' to others after inquiries are complete.</p> <p>Strengthen description of the future outlook for the relevant sector/industry and the expected benefits of recommended change.</p>

## Appendix 3: How the Commission makes a difference

