

Issue 153 November 12, 2004

What are the Benefits of
Long-Term ORGANISATION
Community Plan?

New Zealand councils have been required by law to adopt Long-Term Council Community Plans. The important question for them was “how” to go about it. But last year a leading Australian council asked “whether”. It wondered what the benefits were from voluntarily adopting what had been mandated in New Zealand. The answers are also relevant to non-council organisations. Water authorities, telecom, road and rail authorities could ask themselves the same question.

If you are a large employer or otherwise heavily dominant in your region, then the benefits of seeing how your organisation can work with others for joint community benefit could be of value to you as an organisation. The long-term organizational community plan is a tool that will enable you to do this, a practical way to implement TBL thinking.

“What are the benefits of a Long-Term Council Community Plan” is a brief excerpt from an equally brief paper (10 pp) which you can access from the www.amqi.com website (search under “Community Plan”). If you are not a council, simply substitute the word ‘organizational’ and make the necessary translations as you go. You will find that many of the benefits apply to you anyway.

Also in this issue

Part One of an exploration of **“Condition and Value”**. In “Which way do you slice it?” we look at some of the difficulties of being sure of our condition assessments. In a later issue, we will look at ways of overcoming these problems.

And, on the back page – **“What is an Asset”** - Changing times may require changing practices.

Contents

Long Term Council Community Plan **816-819**
Condition and Value – Which way do you slice it? **820-821**
What is an asset? **822**

Researched and written by Dr Penny Burns, AMQ International, unless otherwise specified, Published fortnightly. Subscription, Comment, or Inquiries to

AMQ International
PO Box 75 Salisbury South Australia
Tel 618 8281 5795
Email: sam@amqi.com Website: www.amqi.com

The Benefits of a Long Term Council (Organisation) Community Plan

What is it?

A **Long-Term Council Community Plan** is a Plan that documents what the council will do to achieve the long-term vision and the commonly accepted desired outcomes of the community. It recognises that the council is but one player in the life of the community but that it can (and should?) have a role in integrating, assisting and co-ordinating desired community outcomes, whether provided by the council itself or by other groups (e.g. voluntary groups, community groups, private sector organisations and other levels of government).

Having a commonly accepted understanding of community desired outcomes (The Community Plan) helps to avoid duplication and conflict between different levels of government and the private sector and helps to identify gaps. It may be termed 'holistic' planning or, in the UK jargon 'joined-up' government. The Community Plan will usually be facilitated by council on behalf of the community but is separate from that element of the plan to be addressed directly by council. See diagram on the opposite page.

The objectives of the **Community's Plan** (the first step in the diagram opposite) are as follows: -

- To allow local communities to articulate their aspirations, needs and priorities;
- To co-ordinate the actions of the Council, and of the public, voluntary and community and private sector organisations that operate locally;
- To focus and shape existing and future activity of those organisations so that they effectively meet community needs and aspirations.
- To contribute to the achievement of sustainable development both locally and more widely, with local goals and priorities relating, where appropriate, to regional, national and even global aims.

What are the key components of a **Community Plan**?

The Community Plan must have 4 key components:

- A long term vision for the area focussing on the outcomes that are to be achieved;
- An action plan identifying shorter term priorities and activities that will contribute to the achievement of long-term outcomes;
- A shared commitment to implement the action plan and proposals for doing so;
- Arrangements for monitoring the implementation of the action plan, and for periodically reviewing the community strategy.

Council monitors and periodically reports on the achievements of the Community Plan and its outcomes, however achieved – by the public, community groups, private organisations or government. This is in addition to annual reporting on council achievements.

What are the benefits of a Long-Term Council Community Plan?

The Long-Term Council Community Planning Process is as follows:

1. Community Plan

Long term vision *of the community*, desired community outcomes, strategy for achieving

2. Long-Term Council Community Plan

Council's contributions to the desired community outcomes and its strategy

3. Annual Plan

Council's annual plan (in NZ, subject to approval by the Community)

4. Services Management Plans

Council's operational plans to carry out its annual plan

Here we need to look at the benefits of the LTCCP Process, that is the benefits of having a Community Plan and long-term Vision plus the benefits of recognising that the council is but one player, albeit a very important player, in the community planning process.

A long-term council community plan goes beyond asset management and addresses all aspects of council activity and management. However, its major outputs are essential to a top class long-term asset management program.

The seven key benefits (outcomes) of a long-term council community planning process are:

1. **A long term vision** generated by the community itself
2. **Good understanding** of desired community outcomes,
3. **Prioritisation** of those outcomes
4. **Directional stability** (the Council Community Plan is revised – by the community – every 4 years.
5. **A focus on outcomes** (rather than inputs or outputs, i.e. a focus on what council activity is achieving not simply doing)
6. **Monitoring and measurement** of outcomes (in New Zealand the outcomes are grouped under what are called the 'four wellbeings' – i.e. economic, social, cultural and environmental wellbeing)
7. **Demonstration** that actions taken by councils will achieve the targeted outcomes (i.e. rigour in analysis and good information)

Let us look at these seven benefits more closely

(Just the first two benefits are included here, for further exploration of benefits see the full paper at www.amqi.com - go to Resources and search on 'Community Plans')

1. Long-Term Vision

1. Councillors are the “Stewards of Community Wellbeing” responsible for acting in the community’s long-term interests
 - a. Without a clear statement of what those long-term interests are, this responsibility is hard to carry out
 - b. The stability of the Community Plan and the LTCCP (with a ten year horizon and revised only every 4 years) helps Councillors to focus; assists the induction of new Councillors, and assists a common understanding between Council members.

Note: The long term council community plan does NOT have to accept all of the community outcomes in the Community Outcome Strategy. Some may be not achievable, or impractical, or prohibitively expensive (the community is not required to take costs into consideration when deciding on their community outcomes). However, if council choose not to implement the community’s desired outcomes, it has to explain why.

2. Staff are encouraged to develop long-term strategies and can do so with greater confidence - to ‘think long-term but to act short-term’.

2. A Common Understanding of Desired Community Outcomes

1. Immediately we have a change in the council-community relationships
 - a. Council is now part of the solution (rather than part of the problem in the community’s eyes)
 - b. Council is part of the solution (but only a part! This creates a change in the existing dependency relationships whereby the community whinges and the council supplies. It sets up the opportunity for more creative, genuine, partnerships) (see **Examples and Tools in the full paper**)
2. Basis for Communication
The Community Plan that underlies the LTCCP provides a credible reference point for communication
 - a. Between council and community
 - b. Between council and other levels of government (helping to overcome overlaps, duplication, conflicts)
 - c. Between different sections of council (the difficulty with all large organisations is of communication between the silos that are necessary to achieve efficient operations)
 - d. Between staff and Councillors

For exploration of Issues 3– 7 refer to the paper on the website

3. Less vague, more operational outcomes

For outcomes to be useful for prioritisation they need to be spelt out beyond the very simple motherhood statements of, for example, 'a safe, healthy community'. As Peter McKinley pointed out in an address on the new local government act in NZ

"If you are in the hospitality industry, for you a 'safe community' outcome might best be measured by the number of assaults and other incidents of disorder in your city's entertainment district after midnight. If you belong to Grey Power, you may be much more concerned about pedestrian safety during daytime. If you are the local authority asset manager responsible for streets and with limited resources, you want information that allows you to set priorities amongst those and other possible outcomes – and you should certainly be preparing for this as, once the community outcomes process is underway, you are going to get demands at this lower level rather than being left within some kind of meta-outcome context between security cameras plus more street lighting on the one hand and traffic calming measures on the other."

Implementation – How long will it take?

Ideally, from the time that it is announced until the time that community consultation begins should be no more than a few months. This means a lot of planning has to take place before hand. Key organisations will need to be contacted and their advice sought on the best way to consult with their members (and with others). Information already in existence about community desired outcomes needs to be collated and represented ("This is what you have previously told us that you wanted, what changes would you now wish to see?") Community Consultation itself is probably best contained within a period of 3-6 months to maintain focus and to demonstrate commitment. This will be followed by a period of analysis, maybe further consultation, and the production of a draft Community Plan (note, not a LTCCP at this stage). Once the Community Plan is adopted, then the LTCCP can be developed in line with it (or where there are deviations, the deviations explained). Probably, all up, you are looking at about a year.

Risks

These are best workshopped within the organisation but some starters include

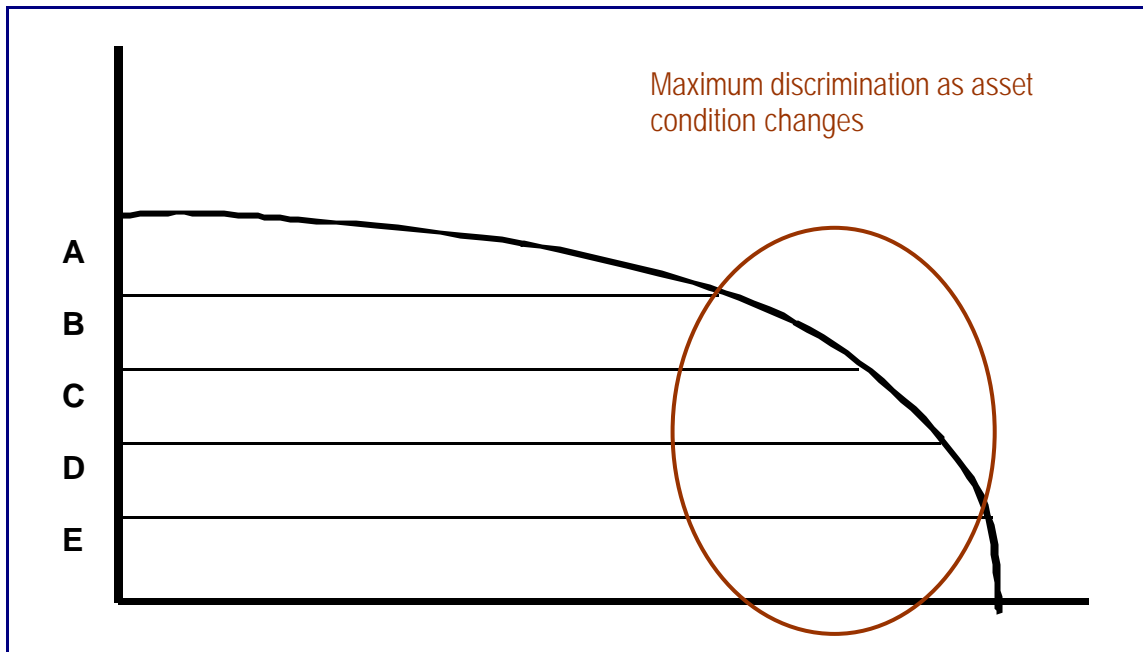
- Insufficient attention to the Council presentation so that councillors see it as a threat rather than as a benefit
- Related to this is the need to be able to manage community reaction when the planning process is announced and throughout – resources need to be available to answer questions, make press statements, etc. Council needs to be briefed and ready.
- Insufficient time in preparation resulting in poorly organised meetings, ill-prepared personnel, poor impressions generated in the community

With application the risks can be managed and the net benefits achieved could more than outweigh the time to implement

Condition and Value: Which way do you slice it?

Look up the major references on infrastructure management and you will see diagrams showing condition assessment using both horizontal and vertical slicing. Which one is best?

Horizontal Slicing



Characteristics

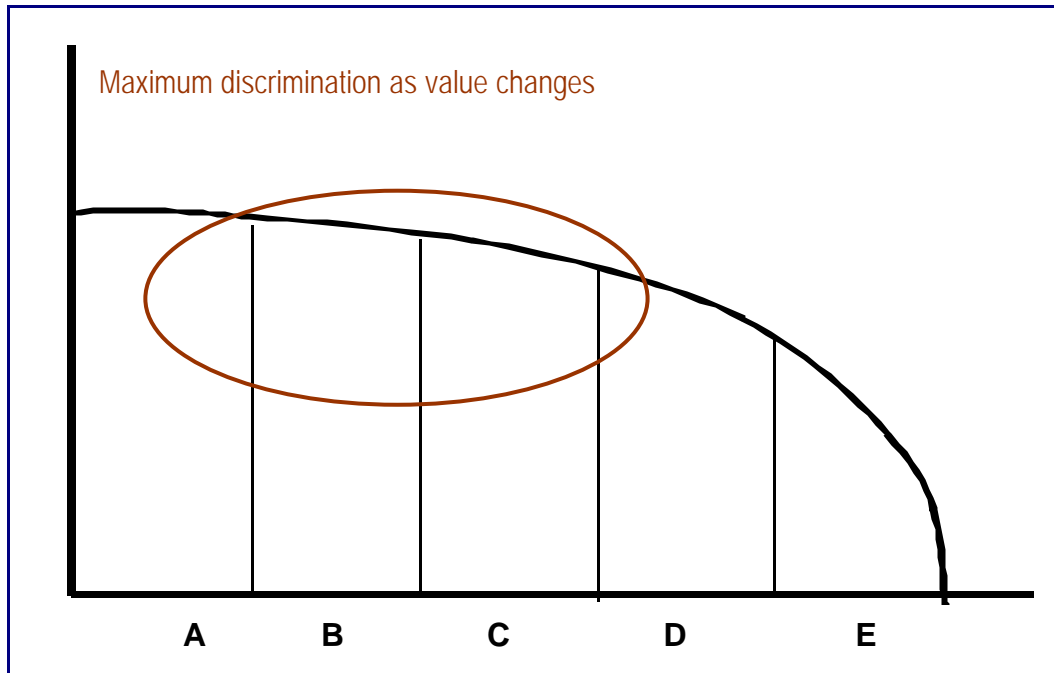
Good for AM, not good for valuation
Relatively easy to distinguish condition grades

Explanation

With horizontal slicing we divide the condition range into equal sized slices. Since the typical infrastructure asset degradation curve is relatively flat for a large part of the live cycle and then deteriorates rapidly after a given point, this ensures that maximum differentiation – and thus information - is made at the *end of the life cycle* when asset interventions are needed. Horizontal slicing thus provides information that helps determine when to intervene. It is good for asset management. But it is not so good for valuation since most of the differentiation occurs when the assets are of low value, being at the end of their lives. There is no distinction between those assets that have a remaining value of 99% from those where the remaining value is, say, 49%.

So horizontal slicing makes the differentiation needed for asset management but it is not so good for valuation.

Vertical Slicing



Characteristics

Good for valuation if accurately assessed but not so good for asset management. However, valuation accuracy suffers because it is not so easy to distinguish condition grades

Explanation

With vertical slicing we divide the age range of the asset into equal sized slices. On the face of it this should be good for valuation since there is equal treatment of assets across the entire value spectrum (Remember value equals remaining service potential = remaining life/economic life x TRV)

However it is very difficult to make accurate field assessments when there is relatively little differentiation between condition grades as is the case with Grades A,B, and C. (One Chief Engineer, concerned with the replicability of assessments of asset condition had a sample of his assets assessed by each of his team of supervisors and found that there was as much as a +/- 40% variation between them.)

Vertical slicing does not provide so much differentiation at the end of life when intervention is needed and so is not as good for asset management as horizontal slicing. If accurate, it would be better for valuation than horizontal slicing, but there are reasons to query the accuracy. So vertical slicing makes the differentiation that would be good for valuation if it were reliable – but the difficulty of condition assessment under this form of slicing suggests that it is not.

Where does this leave us?

Can condition assessment be used for valuation at all? Are there other ways of getting more accurate valuations? Can condition assessment be used for valuation using a different method? How good an indication of future change (and thus the need for intervention) is current condition assessment? Are there other methods? *We look at these questions in a future issue of SAM.*

When is an asset an asset?

One of the compensations of inordinate hours spent at airports is the opportunity to browse their bookshops: I found this in a book I picked in Singapore: "The Power of Impossible Thinking" by Yoram Wind and Colin Crook. It bears thinking about because it may well change the way we think about some assets.

"Where inventory in the warehouse was once seen as an asset, the emergence of just-in-time delivery meant it could be seen as a liability. The goal shifted from having strong inventories to keeping the supply chain as lean as possible. Where people were seen as an expense for an organisation, in an age of knowledge workers, people may be the most important asset. Technology assets are generally capitalized; but with change occurring so rapidly, many now think they should be expensed.

Shifting Models	
Inventory is an Asset	Inventory is a Liability
People are an Expense	People are an Asset
Technology is Capitalised	Technology is Expensed

Which models in the table above are the right models? The answer is: It depends. During the boom years at the end of the 1990s, just-in-time inventory made perfect sense in an environment of steady or increasing orders. But some years later when the economy began to falter and order flows became unpredictable it was not so useful." [Ed: Similarly some people are an expense – but creative, solution-providers are an asset and not all technology is fast changing, but computer technology is. Maybe it is time to rethink the way we treat ICT?]

"There is no model that is absolutely right for all time; just the right model for a certain time."

Erratum

Some weeks are not good weeks for editors! Such was the case for me with SAM 152. Not only did I get the date wrong on the inside pages but, more importantly, the box at the top of page 811 "Here is just one aspect of reputation risk was modelled. Models like this are unique to each company, collectively created to achieve buy-in" *should have preceded the second diagram on page 812*. As it refers to the understanding of reputation risk.

According to the author, David Davies "There are many things that can damage an organization's reputation. I start with a list of 61, of which customer focus is just one. That list can be reduced to around 40 just as a desk top exercise based on their activities. I then facilitate one or more workshops in which the people within the organisation agree upon (and therefore buy into) the most significant risks for them. They use the refined list, and are encouraged to add their own. Typically, something between 4 and 8 risks would emerge. We then drill down into each of those risks, using the technique illustrated by the final two slides. That then becomes the basis for managing and reporting on the risks.

In the workshop described in the article, I used the "customer focus" sequence merely to illustrate the technique. The group was then split into 4 groups. Each group drilled down into a scenario that had been previously chosen by the group leader. The groups were divided by industry, so there were scenarios for the utilities, air traffic control, etc. Each group took the final blank slide, printed to poster dimensions, as the basis for their brainstorm."