

## **October 2018 Monitoring Report**

### **Introduction**

This monitoring report focuses on three activities which the think tank has been directly involved with over the past month. They are:

- A submission on the review of the State Sector Act.
- A plenary presentation to the annual conference of Economic Development New Zealand on the theme The Future of Work, Inclusive Growth, Well-being and the EDA Opportunity.
- Leading an initiative expected to result in a New Zealand based inclusive growth network.

### **State Sector Act**

The review of the State Sector Act was covered in the September 2018 monitoring report which highlighted the potential for further centralisation of the way in which New Zealand is governed.

This was followed by preparation of a submission (previously circulated to think tank members) which focused primarily on the nature of the problem definition in the consultation document. In essence the problem definition was that there were a series of problems resulting from the relatively autonomous nature of central government departments leading to a series of solutions each of which in practice would involve further centralisation under the direct control of the State Services Commission.

The think tank submission argued that the problem definition, especially given the likelihood that this was a once in a generation review, should focus on the interests of New Zealand communities. The think tank submission concluded with the following recommendation section:

The review process needs to be rethought. Specifically it needs to begin with a thorough consideration of the governance needs of New Zealand's communities. The purpose statement for the review should be very clear that it is to develop a set of structural arrangements and accountabilities for New Zealand's public sector which best meet future governance needs, rather than reflect understandings which were first developed more than a century ago.

This should include starting with a broad-based consultation process the purpose of which is to determine what those governance needs are. It is likely that the insights needed to inform a redesign of New Zealand's public sector will come at least partly if not substantially from outside the

existing leadership of the public sector. Both to ensure the future effectiveness and efficiency of New Zealand's public sector, and to protect the legitimacy of our chosen form of government, the process of deliberating on the future governance of New Zealand's communities and how best those are met needs to be inclusive rather than in-house.

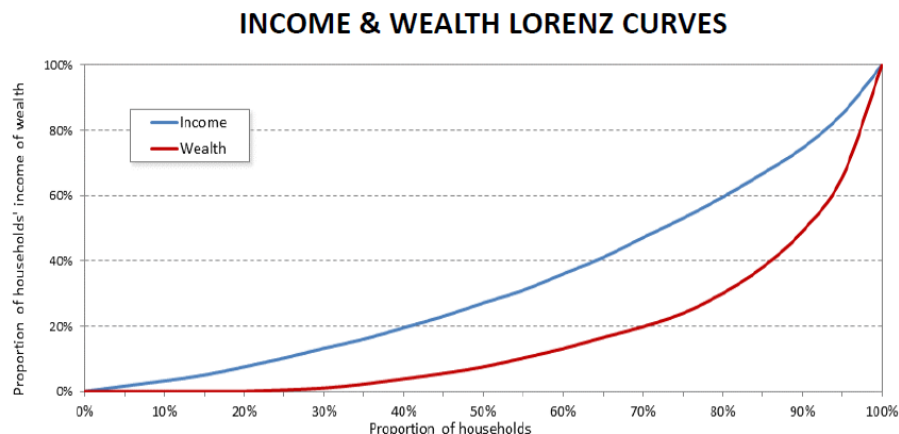
In the course of considering the consultation document, and preparing the submission, we had a number of exchanges with leading public policy specialists including some of New Zealand's most respected public commentators, and a very highly regarded former chief executive. Feedback was virtually unanimous that the direction being proposed by the State Services Commission represented further and undesirable centralisation.

There is clearly a quite widespread view the review process needs to start again and develop a set of proposals more aligned with the needs of today's communities. It remains to be seen how the government will respond but there is one particular point we do note. This is that any legislation will require the support of New Zealand First. It is hard to imagine New Zealand First being enthusiastic about legislation which would further centralise control in Wellington to the detriment, amongst others, of regional and provincial New Zealand.

### EDNZ Conference

The focus of this year's EDNZ conference was on inclusive growth. In broad terms this is growth which focuses on both economic and social outcomes and is consciously intended to promote equality, ensuring that the least well-off members of society are able to feel that they are equal participants.

## How inclusive have we been?



Source: Alan Johnson presentation to EDNZ conference

Among the reasons advanced for the importance of adopting an objective of inclusive growth are:

- Poverty is bad for growth.
- The fiscal costs of poverty are huge.
- Work no longer assures a route out of poverty.
- Many communities feel disconnected and do not feel the benefits of economic growth.
- Uneven growth and growing spatial inequalities.

We worked with EDNZ's chief executive designing the presentation to help set an agenda for EDNZ's ongoing work in building the capability of the economic development network. One point we made both during the design phase and in the presentation itself is that New Zealand's economic development network is almost certainly unique amongst developed countries as:

- It covers virtually all of New Zealand.
- EDAs are not subject to government direction either through legislation or through government policy (in contrast for example to the U.K.'s Local Enterprise Partnerships) so they have significant discretion in terms of setting their own strategies and determining what activities to undertake.
- Although EDAs are typically very close to the territorial local authorities for the area or areas they serve, even that relationship allows EDAs considerable discretion.

This provides the background to what the presentation described as a significant opportunity for the EDA network; to take ownership of the inclusive growth agenda for New Zealand. This argument was based partly on the belief that the way in which well-being policy is being developed and implemented, and in association with that the direction signalled by the review of the State Sector Act, both make it relatively unlikely there will be a direction set from central government which recognises the key requirement for inclusive growth is the ability to work in partnership with communities - following the adage that the experts in the needs of a place are the people of the place. EDAs (and parent councils) will have a natural advantage because of their closeness to and understandings of the communities for which they work.

It is inherently a network opportunity. It's important to ensure a measure of consistency, for example, in understanding what inclusive growth means in practice, and developing consistent indicators (which doesn't mean doing the same thing in each place). This is a task beyond the scope of an individual EDA or Council and inherently appropriate for a nationwide network.

It's also much easier for a single network to engage with and draw on expertise and good practice from other jurisdictions, something which will be an important element in the further development of inclusive growth in New Zealand.

The presentation slides accompany this monitoring report.

### **A New Zealand based Inclusive Growth Network**

Within the Local Government Think Tank we have been working closely with RSA ANZ, the Australasian arm of the London based Royal Society for the Arts which is both the oldest and one of the largest and most influential public policy think tanks in the UK ([www.thersa.org](http://www.thersa.org) ).

We have been assisting the Brisbane based director of RSA ANZ identify opportunities to raise the profile of the RSA's work and better disseminate its very extensive research findings and capability in Australasia. Perhaps because of this currently RSA ANZ sees New Zealand as being a higher priority than Australia for its immediate activity.

A couple of months ago we identified inclusive growth as a priority for the RSA's work in Australasia. Inclusive growth has been and continues to be an important part of the work of the RSA. In 2016 it supported the establishment of the Inclusive Growth Commission which undertook widespread consultation across the UK as part of research intended to outline an inclusive growth agenda. The

Commission's reports although focused specifically on the UK have very strong relevance for New Zealand and other developed countries.

Subsequent to the Commission's final report, the RSA has been refocusing on the meaning of inclusive growth with a strong emphasis on inclusive as meaning not just growth which is intended to reach least well-off individuals, families and communities, but growth which results from initiatives developed in partnership - co-governance rather than benevolent top-down.

The RSA has agreed to provide substantial resourcing for a conference including meeting the costs of bringing at least one speaker from the UK - Ed Cox who has recently joined the RSA from his previous role as director of IPPR North leading its work on the northern powerhouse initiative. Ed heads RSA's Public Services and Communities division which is responsible for its inclusive growth work.

Planning for this conference began on the assumption it would be primarily a means of disseminating information about inclusive growth and showcasing the work of the RSA. As we worked on designing the presentation for the EDNZ conference, it became clear that the proposed inclusive growth conference could play a different and potentially more significant role.

This was to pick up on the interest generated through the EDNZ conference and in particular the LGTT presentation with its emphasis on EDNZ seeking to take 'ownership' of the inclusive growth initiative.

The inclusive growth conference will now be presented as a joint initiative of EDNZ, LGTT and RSA ANZ. It will take place in Wellington over a single day in late March. The first half of the conference will be plenary (and potentially some workshop) presentations on the current state of play with inclusive growth. The second half will concentrate on the establishment of a New Zealand based inclusive growth network. It is expected the network will include at least:

- The Local Government Think Tank.
- Economic Development New Zealand.
- RSA ANZ.
- The Federation of Maori Authorities.
- LGNZ
- SOLGM
- The Commonwealth Local Government Forum.

We will also be inviting a number of other prospective participants including the Akina foundation (a nationwide network promoting social enterprise), selected entities from the philanthropic sector (primarily the larger community trusts), some individual councils and the Institute of Directors (this looks a bit out of left field but internationally corporate governance is increasingly emphasising the importance of supporting sustainable growth).

The proposed scope of the inclusive growth network is expected to cover at least:

- An information exchange between members and a conduit for members of research and practice material from international jurisdictions.
- A shared understanding of the basic tenets of inclusive growth including the importance of "inclusive". Much UK practice is inclusive in the sense of practitioners designing programs intended to enhance equality. An

alternative understanding and one which it is expected the network will adopt is inclusive in the sense of co-design and co-governance with practitioners and communities working in partnership and recognising that the experts about a place are the people of the place.

- A common commitment to the importance of subsidiarity including a recognition that much of economic and social development at community level is necessarily bottom-up if it is to be successful. This may include taking a position on issues such as the development and implementation of well-being policy and the reform of the state sector.
- Promotion of some practical on the ground initiatives which themselves should enhance inclusiveness (it is likely that most members of the network, including EDAs as an example, will be more interested in practical options than theoretical treatises) - social procurement and participatory budgeting are a couple of practical examples.
- Exploration of different models of economic and social activity with the potential to improve outcomes. This could range from social enterprise and impact investment (already being reasonably well picked up in New Zealand) to different forms for corporate activity such as the Mondragon cooperatives (which may already be under consideration within the Māori economy).
- Ideally strategic thinking on some of the major challenges New Zealand is facing such as the future of work - challenges which in a way are too big for individual councils, EDAs et cetera to address but which absolutely require their involvement.
- Crucially, a strong partnership between tangata whenua and others.

At this stage it looks likely as though governance of the inclusive growth network will be a collaboration between the Local Government Think Tank, RSA ANZ and Economic Development New Zealand. Much of the actual administrative and research work carried out by the think tank. Funding is still an issue to be determined but there is an expectation of grant and contract based funding.

We have put considerable effort into developing this initiative as we believe it will add very significant value for think tank councils especially in terms of building capability, mandate and expertise for enabling inclusive communities, something which is going to be at the heart of the role of local government over the next few years.