

## September 2018 Monitoring Report

### Introduction

This monitoring report considers the implications of the proposals which have been put forward by the Minister of State Services, with the support of the State Services Commission, for a review of the State Services Act.

The review is presented as looking at changes which would enable the New Zealand public service to:

- deliver better outcomes and services, building citizen-centred services and achieving Government priorities.
- support the Crown/Māori relationship and better respond to the needs and aspirations of Māori.
- respond flexibly and with agility, to new circumstances and the demands of a diverse and fast changing, digitally enabled, society.
- work as an unified institution with a common ethos and culture based on the spirit of service to the community.
- fulfil its role and responsibilities, as part of the Executive Branch, to support and enable New Zealand's democratic form of government.

The conclusion reached in this monitoring report is that although the changes are presented as intending to improve the responsiveness and accountability of the public service and better enable it to work in support of New Zealand's communities, in reality the proposals if implemented could further and very significantly centralise government whilst further marginalising the role of local government.

### Background

It is 30 years since the present State Services Act was passed. It was part of the major market-oriented reforms of the 1984-1990 Labour government and reflected the then prevailing view that market incentives would underpin better performance.

The present consultation document describes the rationale for reform as:

the Public Service must move with the times and demands of the people it serves. The Act has proven to be effective when individual departments or agencies deliver goods and services that they have sole accountability for. But the Public Service is less effective when agencies are required to join forces to deliver multiple services and solve complex, modern problems.

This means a transformation across the Public Service that requires strong leadership, clear expectations and accountability, better ways of

organising to respond to the needs and demands of citizens, and building more capability across the system as a whole.

As well as 'moving with the times', reform is intended to address a number of concerns with the way the state sector currently functions. These include:

- Lack of centralised direction - individual departments have a significant measure of autonomy. Among other things this has resulted in very significant differences in terms and conditions of employment, and a focus on departmental performance rather than performance of the public sector as a whole.
- A less than desirable level of capability among senior leadership.
- A weakening of the public sector ethos including a declining emphasis on ensuring the ability to deliver 'free and frank' advice to ministers.

The Minister of State Services, in his foreword to the consultation document, sets out the government's approach as:

People now expect the Public Service to be joined up and organised around their needs. Technology is revolutionising how New Zealanders live and buy goods and services. They rightly expect to be able to deal with government in the same way - online, on demand and on their phones or tablets.

The current Government is seeking a shift in focus within the Public Service from individual departments to the system overall. We used to think about how to make individual departments work better. Now we need to think about how the system works together as one to increase the wellbeing of New Zealand and New Zealanders.

There is widespread agreement there are serious issues in the structure and operation of New Zealand's state sector. This includes questions of leadership capability, accountability, the independence of advice and the difficulty under the present structure of ensuring interdepartmental collaboration where that is required - too often departmental leadership focuses on accountability for delivering the department's outputs, rather than on how a department's activities should mesh with those of other government entities (and for that matter non-government entities) in the interests of the wider community.

The rest of this monitoring report discusses timetable/process, considers the main reform proposals put forward, and comments on the implications for local government and the good governance of New Zealand's communities.

## **Timetable/process**

The government has adopted a relatively tight timeframe. The consultation process began on 4 September with the release of the consultation document and concludes on Friday, 12 October. Officials will prepare a summary report for the Minister of State Services which will be delivered before the end of 2018 and the Minister has indicated he wants to make policy decisions on changes to the legislation in early 2019.

This is not a timetable which suggests the government believes there is a need for in-depth first principles discussion. Rather it is a timetable more appropriate to fine tuning within broadly accepted understandings of how a modern public sector could function, based largely on the views of officials.

## **Main Reform Proposals**

In its discussion of organisational arrangements (which go to the heart of the reform proposals) the document states:

Citizen-centric service design, co-production, co-location, and active exploration of the potential for information sharing, all have a greater part of play now than formerly. Increased availability of options and tools for innovation is critical. Some of these tools and methods are found in new or changed organisational forms.

We believe that a broader set of organisational options will help us solve this problem, by enabling us to join up the resources and operations of departments where this is the best way to achieve better outcomes or improved public services.

Although this extract is worded in general rather than specific terms, it seems a clear inference the intention is government agencies themselves should be working directly with individuals, families and communities in determining how best to design, deliver and target services with the objective of improving outcomes. There is no suggestion of applying concepts such as subsidiarity (that word does not appear anywhere in the document). Nor is there any discussion of the potential role of local government. Indeed the only reference to local government in the document is "We are not proposing to include local government in the concept of the Public Service." In the context in which this statement appears its significance could be read as going beyond questions of formal institutional structure to questions of perceived role in relation to public services.

The main reform proposals are all designed to address what are perceived as weaknesses with the current system in terms of the relative lack of central direction and accountability, and the loss of the sense of a single public service.

Proposals include:

- A significantly enhanced role for the State Services Commissioner (the detail suggests three different ways of structuring the role of the State Services Commissioner but from a local government perspective all are essentially the same in their implications). This will include the ability to

negotiate directly or through delegation common terms and conditions for functions or professions across existing New Zealand public service departments as part of ensuring a unified public service.

- Enhancing the statutory independence of the State Services Commissioner. The document comments "The current provision in the State Sector Act is section 5 which provides that the Commissioner shall not be responsible to the Minister for how he or she carries out key functions under the Act. A single Commissioner, appointed for a relatively long term, is a way of enhancing the leadership of the role and the independence of Ministerial influence that is at the heart of our politically neutral, merit based Public Service."
- Provision for the establishment of Public Service Executive Boards, a new arrangement intended to strengthen interdepartmental collaboration. Membership of the Boards will comprise chief executives of relevant departments appointed by the State Services Commissioner.

There are a number of other reform proposals (it's worth reading the entire document) all generally designed to reinforce the concept of a single public service taking a coordinated approach to the development and delivery of services designed to meet the needs of New Zealand's communities. The reforms include an enhanced emphasis on accountability, especially accountability for collaborative action.

### **Implications for Local Government and the Good Governance of New Zealand's Communities**

The proposals to reform the State Services Act (in practice to replace it with a new act which the document suggests be known as "the Aotearoa New Zealand Public Service Act") dovetail with the current government's emphasis on well-being.

In considering the implications of the reform proposals, there is one overarching factor which stands out; the nature of the problem definition. The whole thrust of the reform proposals is to fine tune/update the existing legislative framework for the state sector implying a problem definition which is largely about incremental change rather than a fundamental rethinking of the nature of a modern public service.

Nowhere does the discussion document even state what is clearly the core assumption on which it is based, that the redesign of the statutory framework for the public sector should continue to be based on the same assumption which has underpinned government administration since the Public Service Act 1912, namely, that government administration is a top down process driven by appointed experts. The 1912 act resulted from the report of what was known as the Hunt Commission. The discussion document observes of this "The Hunt Commission recommended setting up a Board of Management, subject to review by Cabinet, as the managing head of the whole Government Service. The Hunt Report stated "it is to our mind essential that there should be one controlling head ... to hold the whole Service together, and make it work as one well-oiled and efficient machine".

What the document does recognise is first that this is a once in 30 years review of the structural arrangements for the administration of the whole of government and secondly that the environment has changed dramatically both

in terms of the complexity of the issues we now need to deal with and in terms of rapidly changing technology.

Against this background it seems not just logical but essential that the reform process should begin by asking the question “what governance arrangements will best ensure that the needs of New Zealand’s diverse communities are properly understood and addressed in the interests of both present and future generations?”. It’s a reasonable assumption that this question would produce some very different answers from those put forward by the authors of the discussion document. Specifically, the importance of building strong inclusive communities able to play an effective role in helping shape their futures would undoubtedly have been one of the central concerns of a reform process starting from that basis.

When this process is set alongside what appears to be happening with the government’s approach to developing its well-being policy, there seems a high probability that local government, and the voices of the communities it represents, will be shut out of any serious involvement in decision-making about the role of the public sector in helping shape their futures.

Think tank councils might also see a parallel with the government’s current approach to the reform of the water and wastewater sector based on the view that what is required is entities of scale to manage an inherently technical set of functions with only limited consideration given to the impact on local communities both in terms of democratic decision-making and in maintaining the overall capability and capacity of local councils.

The think tank would argue that what’s needed is some very clear, explicit and binding commitments to enhancing the role of communities and local government as their representatives in shaping New Zealand’s future. It’s an argument supported by significant experience and research internationally which makes the case that without this kind of community involvement, the likelihood of developing effective and lasting solutions to the social problems we now face is limited at best.

The closing of the formal consultation process on 12 October is simply the end of the first step. As member councils will be very well aware there are a number of further steps in developing and enacting the requisite legislation. This includes securing multi-party agreement. On the face of it, it will require political parties which are currently supportive of a more significant role for regional and provincial New Zealand to accept a potentially extraordinary increase in the extent to which New Zealand is a centralised polity.

### **Recommendation**

That the think tank make a submission to the state sector act consultation process based on the analysis in this monitoring report.



























































