

## **Submission on the State Sector Act Review**

### **Introduction**

This submission is made by the Local Government Think Tank (LGTT), a small group of councils with a particular interest in the nature and quality of the governance of New Zealand's communities and the respective roles of different tiers of government.

The LGTT is aware that there will be a number of submissions commenting on different aspects of the proposals in the consultation document, for example, on the constitutional issues raised by the proposed treatment of Crown Entities, and the feasibility and practice of new organisational arrangements such as the proposed public service executive boards.

The LGTT believes it makes sense for individual submitters to focus on those matters of particular concern in terms of their specialist knowledge and understanding. Accordingly this submission rather than addressing all of the matters raised in the consultation document will focus on the one matter which from the LGTT's perspective is crucial to the entire review process. This is the nature of the problem definition on which the proposals are based.

### **Problem Definition**

From a reading of the consultation document, the LGTT assumes that the following paragraph from the State Service Commissioner's foreword is the problem definition which the proposals in the consultation document are intended to address:

The State Sector Act underpins the management of New Zealand's State sector. The current Act is 30 years old and 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.

In essence the problem definition amounts to an assertion that the various shortcomings which the consultation document identifies all result from the relative autonomy which the present statutory provisions give to individual ministries/departments and their chief executives. It is a problem definition which then leads naturally to a series of proposals which, if adopted, would result in a more unified state sector under the centralised direction of the State Services Commission.

## **Appropriateness of problem definition**

The problem definition, as the consultation document itself makes clear, is one which would fit very comfortably with the view put forward more than a century ago in the Hunt Report which led to the Public Services Act 1912. This is quoted in the consultation document as:

“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”

The fundamental purpose of the state sector is to support the government of the day in meeting the governance needs of New Zealand's communities. From this it follows the design of the state sector must be informed by an understanding of the nature of New Zealand's communities and what governance arrangements will best meet the needs of those communities.

2018 is not 1912. New Zealand's communities and the issues they face are significantly different from what they were at the time of the Hunt Report as are understandings about how best to work with communities in terms of meeting their needs.

It's almost a cliché to argue that communities in polities such as New Zealand face much more complex circumstances than they did a century ago, circumstances which require much more nuanced governance arrangements and ones which work collaboratively with communities themselves. Research evidence on what is happening with many communities (largely from similar jurisdictions internationally because of the relative lack of research interest in New Zealand in issues of community governance) highlights issues such as lack of cohesion within communities, a growing sense of exclusion, distrust of the political process and growing inequality as between different communities (evidenced in New Zealand for example by what is now effectively voucher education through the interaction between school zoning policies and property prices).

In other jurisdictions facing similar circumstances there's been a strong emphasis on practices such as subsidiarity and co-governance actively involving communities in making judgements about priorities and developing solutions. This emphasis has been accompanied by an acceptance that the primary role in working with communities to improve engagement and co-governance rests with local government rather than central government for reasons such as the relative distance of central government and its agencies from individual communities (an issue identified for New Zealand by the Productivity Commission's report *More Effective Social Services*).

The review of the State Sector Act is a once in a generation undertaking. The outcome will be to entrench a set of understandings about the role and function of the public sector and how it should relate to New Zealand's communities which are likely to remain in place for decades to come. This emphasises the importance of ensuring that the review addresses the right problems which means developing an in-depth understanding of the governance requirements of New Zealand's communities. The current problem definition is not appropriate for this purpose.

## **A recommended alternative**

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.