

February 2011

# Redefining Public Services for the 21st Century

Executive Summary

# Redefining Public Services for the 21<sup>st</sup> Century

## Summary Report

Ministers have clearly signalled their intent to make the public sector a 'leaner and more efficient organisation' to meet the needs of 21<sup>st</sup> Century New Zealand.

In January, the State Sector Ministerial Group discussed initial work on ways to achieve this, and sought further advice on:

- a clear articulation of what change is about – what Ministers are trying to achieve for the public
- the first cabs-off-the-rank for organisational change – both Crown entities and departments, and
- a way to work through the rest of the potential work programme, over a longer time period.

The attached papers provide this advice. This note provides a summary, and recommended actions aimed at maintaining momentum.

### ***The case for change is made, and it will happen in a sensible, pragmatic way...***

The case for change is compelling, and there is a shared appetite from Ministers and chief executives for action. The Savings Working Group also highlights the importance of improving public sector productivity, given its size as a part of New Zealand's economy. Pragmatism and a focus on delivering high quality services to New Zealanders will drive this action, across a range of fronts.

To this end, the government could signal that proposals for change will be considered individually and as a package, with final decisions being subject to three tests along the following lines:

- Protecting what matters most in a world where we can't afford to do everything is vital.

*Test One: decisions will first and foremost help focus our efforts on the things that matter most to New Zealanders (better priorities)*

- We need to get smarter about who delivers services and to ensure that we are paying the best price for services of the quality we want (no more and no less).

*Test Two: at each decision point we will ask ourselves what the government can best do ourselves, and what could be done better by others (better public services)*

- It is clear that the bureaucracy is far from a lean and efficient organisation. There is clutter, duplication and waste which slows down action and detracts from what public services are about: services for the public.

*Test Three: at each decision point, we will ask ourselves what will be different for New Zealanders, both visibly and behind the scenes (better run government)*

Withheld under s9(2)(g)(i)

**Setting direction  
and managing  
communication**  
(refer Paper One)

**... balancing immediate action with rolling work streams to deliver the next set of advice...**

The public service is alert to Ministers' desire for action, speed and real change. Reflecting this, there are some changes that could be agreed in-principle and acted upon quickly. In parallel, further work is already underway on the next tranche of possible changes.

At this point in time, Ministers could agree-in-principle, to progress the following:

- Ministry of Fisheries into the Ministry of Agriculture and Forestry (underway)
- *Withheld under s9(2)(f)(iv)*
- ALAC functions to the Ministry of Health
- *Withheld under s9(2)(g)(i)*
- exit the Mental Health Commission; some functions to the Ministry of Health
- Crown Health Funding Agency - lending functions to the Ministry of Health, review property disposal functions
- *Withheld under s9(2)(f)(iv)*
- *Withheld under s9(2)(f)(iv)*
- Tribunals – disestablish four based on recent review (Health Act Boards of Appeal; *Withheld under s9(2)(f)(iv)*, *Withheld under s9(2)(f)(iv)*, Maritime Appeal Authority; Land Valuation Tribunals)
- *Withheld under s9(2)(f)(iv)*
- *Withheld under s9(2)(f)(iv)*
- Charities Commission functions to the Ministry of Economic Development/DIA
- *Withheld under s9(2)(f)(iv)*

These changes would be in addition to work already underway on agencies associated with Ministers of Fisheries, Biosecurity and Agriculture; *s9(2)(f)(iv)*, broadcasting and TV, *Withheld under s9(2)(f)(iv)* *Withheld under s9(2)(f)(iv)*

**...being transparent about the supporting principles for change...**

At this point, even in-principle decisions require an element of judgement – to balance the possible with the practical. The advice in the attached papers tries to strike this balance. The papers include the criteria used to come to judgements - reflecting experience in the UK, where the importance of communicating these criteria is an important lesson from their recent review of public bodies.


The overarching judgement is around whether Ministers are prepared to manage the likely disruption and costs associated with these changes in the interests of the longer-term gains. Such changes would send a very powerful signal, and should reap some efficiency savings in the longer-run, but they do require careful management. There are ways that Ministers could communicate changes to structures, without losing focus on a particular issue *Withheld under s9(2)(f)(iv)*

*Striking a balance between the possible and the practical (refer Papers Two & Three)*

Ideally, such changes would prompt others to look at changes to the long list of other entities associated with departments (which are outside of the scope of work done to date) – that is, they could generate their own momentum. The papers attached are premised on an approach where change is done with, rather than to, the public service.

The way in which any changes are communicated is therefore critical, and should include affected agencies and state sector unions. Getting the balance right between driving change and creating inertia due to uncertainty will be important.

*Withheld under s9(2)(f)(iv)*



We envisage this rolling style of advice across the rest of the work programme: short-term actions in tandem with advice on what to tackle next.

***...and recognising the need for leadership of what will be a long-term change process for the sector***

Establishing appropriate governance arrangements for the ongoing change programme is critical. One option is for Ministers to establish an Advisory Group, which would advise the Ministerial Group and help drive the overall direction and pace of change, in part by bringing a range of skills to the table (e.g. experience of large scale change management). Such a group could sit alongside a Governance Group (central agency chief executives), who are accountable for delivery.



***Clarifying  
leadership &  
responsibilities***  
*(refer Papers  
Four & Five)*

The above arrangements support a first phase of work (say, to the end of 2011). The next phase may be more squarely focused on implementation, which would require a different set of skills.

The recommendations below provide a set of possible concrete next steps.

**Recommendations**

**Process**

It is recommended that Ministers:

- a **discuss** the attached material with officials at the meeting scheduled for 22 February
- b **commission** a Terms of Reference for the Advisory Group for consideration by Cabinet as soon as practical
- c **commission** a paper for Cabinet to provide the broader direction of state sector change to be considered ahead of or alongside the forthcoming paper on merging the Ministry of Fisheries into the Ministry of Agriculture and Forestry (early March)
- d **commission** Central Agency Chief Executives to agree resources, logistics and funding arrangements for secretariat support for the Advisory and Governance Groups

**Substance**

- e **commission** a draft communications strategy for other Ministers, the public and the public sector [refer Paper One]
- f **agree in-principle** to a first tranche of reforms (primarily agencies within the Ministerial Group's own portfolios) [refer Papers Two & Three]
  - Ministry of Fisheries into the Ministry of Agriculture and Forestry (Cabinet process already underway)
  - Withheld under s9(2)(f)(iv)
  - ALAC functions to the Ministry of Health
  - Withheld under s9(2)(g)(i)
  - exit the Mental Health Commission; some functions to the Ministry of Health
  - Crown Health Funding Agency - lending functions to the Ministry of Health, review property disposal functions
  - Withheld under s9(2)(f)(iv)
  - Tribunals – disestablish four based on recent review (Health Act Boards of Appeal; s9(2)(f)(iv) Maritime Appeal Authority; Land Valuation Tribunals)
- g **discuss** preferences for adding to this list, in particular:
  - Charities Commission functions to MED, or the Department of Internal Affairs
  - Withheld under s9(2)(f)(iv)
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- h **direct** Central Agencies to undertake the appropriate due diligence required to get to a final decision on the first tranche of reforms, with a report on progress in six weeks' time

i **prioritise and commission** further work required as part of the next possible tranche of reforms:

- skills and human capital agencies (potentially merging some education and labour roles)

- *Withheld under s9(2)(f)(iv)*
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j **signal** your level of comfort with the indicative work programme *[refer Paper Four]*

k **note** that work on numbers and clusters of votes should be as an early part of this work programme, given the overlap with other potential structural changes.