

A Modern Business Model for Government

A modern business model for government: based on three principles for action towards a smaller and better state sector

- A dynamic and responsive state sector requires a different business model (in terms of what gets done, who does what and how things work to best advantage)
- Structural change in and of itself will not achieve major gains, but can be a powerful symbol of change

Principle One: Fewer, more powerful decision-points

- Cabinet actively driving a medium-term state sector strategy; making essential trade-offs
- Consolidate votes and decision-making structures
- Reduce clutter

Principle Two: Government only does the things that government needs to do

- Rationalise current activity:
 - as a starting point, government should only provide the things it has to (e.g. defence, justice)
- **Withheld under s9(2)(g)(i)**
- The default form is either close to the Crown (department) or contractual (e.g. third parties)
- **Withheld under s9(2)(g)(i)**
- Replicate private sector incentives (get the best price via **contestable processes** including **PPPs**, greater use of the **third sector, Whanau Ora**; constructive tension between monitor and purchaser)

Principle Three: Get the best out of the rest

For activities that government must do:

Reduce transaction costs

- Simplify transactions and minimise points of contact for people and businesses (**ServiceLink**; **9(2)(g)(i)**)
- **Withheld under s9(2)(g)(i)**
- Amalgamate like functions (i.e. shift the burden of proof towards amalgamation)

Simplify functional arrangements

- Each agency has a clear and distinct role (to support accountability)
- Manage potential conflicts of interest between functions (funding/buying and providing) either via separate entities or other appropriate mechanisms
- Ideally, don't put those who monitor performance in the same entity as those they are monitoring (performance pressure; avoid conflicts of interest)
- Strengthen responsibility for the state service's long-term stewardship, including capability

Create critical mass

- Cluster common business processes (e.g. to minimise back-office costs; **Better Administrative and Support Services**)
- Create critical masses of capability (e.g. strategic policy; senior leadership)
- Deal head-on with a declining number of state servants, make sure they do the things that matter most to Ministers (**cap on core government administration**)

Maximise transparency

- Make transparency drive performance (**Performance Improvement Framework**; **four-year budget plans**)

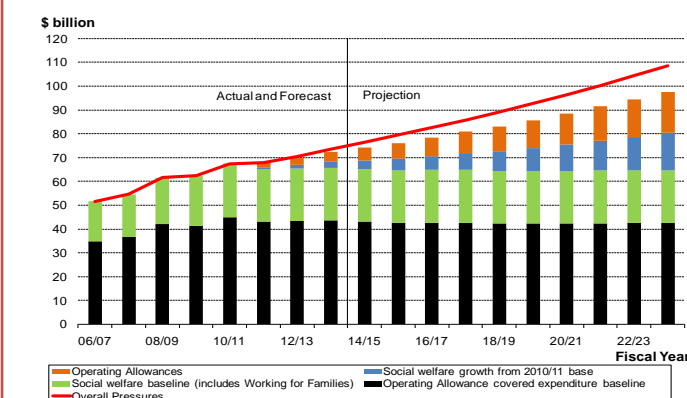
Why:

- **Value for taxpayers:** improve the public's experience and impressions of government
- **Coordination:** Government currently works as a series of business units, but less well as a coherent whole
- **Prioritisation:** current vote structures make the reassignment of resources to priorities difficult
- **Decision-making:** Currently :
 - agencies and Ministers are incentivised to take a short-term focus to challenges
 - there is no common or consistent view of the tradeoffs that will need to be made and how that should be done
- **Clutter:** the system is cluttered and not set up to deliver better results and value for taxpayers

Why now:

- Current initiatives will not be big or fast enough to generate the change needed to meet and adapt to future constraints and expectations

Likely pressures against \$1.1 billion operating allowance



What (illustrative):

Decision Making	Withheld under s9(2)(g)(i)
Central agencies	
Agencies	
Crown entities & other	
Public delivery points (frontline)	

How (a possible action plan):

Agree to maintain emphasis on current initiatives (indicated in bold) to drive harder and faster and focus efforts on what matters most (including Crown entity and machinery of government options being provided by Ministers and departmental chief executives by the end of November)

Agree to establish a Ministerial group to provide governance for reform, with appropriate central agency secretariat

Agree that terms of the reference for this work include:

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