

STATE SERVICES COMMISSION
TE Kaitiaki Take Kōwhiri



State Sector Act Reform

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Today's session

1. Overview of State Sector Act reform proposals.
2. Q & A session.
3. How to have your say.

Tena koutou katoa. No Birmingham, England ahau. Ko Malvern te maunga. Ko Trent te awa. Kei Whitby, Porirua ahau e noho ana inaianei. Ko Rachel Hyde toko ingoa. Tena koutou, tena koutou, tena koutou katoa.

Good morning and welcome to this evening's session on reform of the State Sector Act. I'm here today to give you an overview of proposed changes to the State Sector Act and why we think those changes are necessary.

Over the next half an hour, I'll tell you what some of the proposals may look like in practise and you'll have a chance to ask questions at the end.

Hopefully, this session will leave you feeling informed and curious. My overarching goal is to encourage you to have your say on the proposals.

This is your opportunity to help shape the future of New Zealand's Public Service.

New Zealand's Public Service Today

We're proud of the people who make up our Public Service.

We know there are things getting in the way of the Public Service doing better, and we think that the State Sector Act is one of those things. We want to make sure the Act is fit for purpose so it can work better for you, the people of New Zealand.

We need a Public Service that can join up and work together more often. It needs to be quicker and more flexible in how it responds to new demands.

We think it's time to update the legislation that underpins the State sector, to make sure the Public Service has the leadership, agility and adaptability it needs to best serve you.



The Public Service has two important roles in New Zealand society. First, New Zealanders depend on public servants to deliver vital services every day. Second, the Government relies on public servants for advice and to implement its priorities and policies, which are designed to achieve real outcomes for New Zealanders. We know that delivering on these two roles is what keeps public servants coming to work every day. We also know that they are working hard and doing a great job.

Our public services perform very well by international standards in terms of both integrity and effectiveness, and public confidence in the Public Service is correspondingly high by international standards. This success is built on the efficient and responsive operation of departments, enabled by the legislative framework for the Public Service, of which the State Sector Act is a key part.

But success at the departmental level is not enough. The Public Service also needs to perform excellently in the things that departments need to do together in a joined up way, and it needs to maintain the same high standards of professionalism and integrity across the board in order to support the role of executive government in our democracy.

No matter how hard our public servants work, it's hard to avoid the fact that there

are things getting in the way of the Public Service doing even better. We think that the State Sector Act is one of those things.

The State Sector Act underpins the management of New Zealand's State sector. The current Act is 30 years old – it was born in a very different world and in response to particular economic, political and value driven pressures. The Act is founded on the principal of individual chief executive accountability, which has led to an increasing tendency to work in silos. This means that while the Act has proven to be effective when individual departments deliver services or results that they have sole accountability for, it has struggled to tackle complex modern problems, and provide citizen-centred services and outcomes, where this requires joining up the system.

There is also concern that the Act fragmented a previously unified Public Service, not just by driving the silo effect, but by weakening key elements of the system like senior leadership capability and our ability to stay true to the ethical foundations of the Public Service, things like political neutrality and free and frank advice.

These are the reasons why the Government has asked us to review the State Sector Act.



Creating a Modern Public Service

We need a Public Service with leaders who take joint responsibility for big issues, a workforce that's ready and willing to move where it needs to and organisations that can move and flex with changing times, issues and needs.

With a flexible toolkit of options, public servants wouldn't have to keep working in silos. They could create new ways of joining forces to work collectively on an issue and make a bigger difference.

We want you to be proud of your Public Service!

Despite the issues with the Act there have been, for much of its history, few voices calling for fundamental change in the legislation. However, over time the pressure for change has increased as the deficiencies of the Act have been seen in practice. This led the 2013 amendments to the Act which, while significant, did not alter the underlying framework of the Act. Experience since then shows the persistence of the same issues that have been apparent since the early 90s. Fragmentation, difficulty of system-wide leadership, barriers to collaboration, and integrity concerns still remain.

These days, the Government and citizens place great emphasis on addressing complex issues that require a highly organised response from the Public Service. They expect that the Public Service:

- is imbued with the spirit of service to the community and operates with very high standards of professionalism and integrity to fulfil its constitutional role in supporting Executive Government
- is able to work as an agile and adaptable system in which people and resources are able to move more flexibly across present agency boundaries, and
- provides public services which are more accessible and organised with the citizen

at the centre.

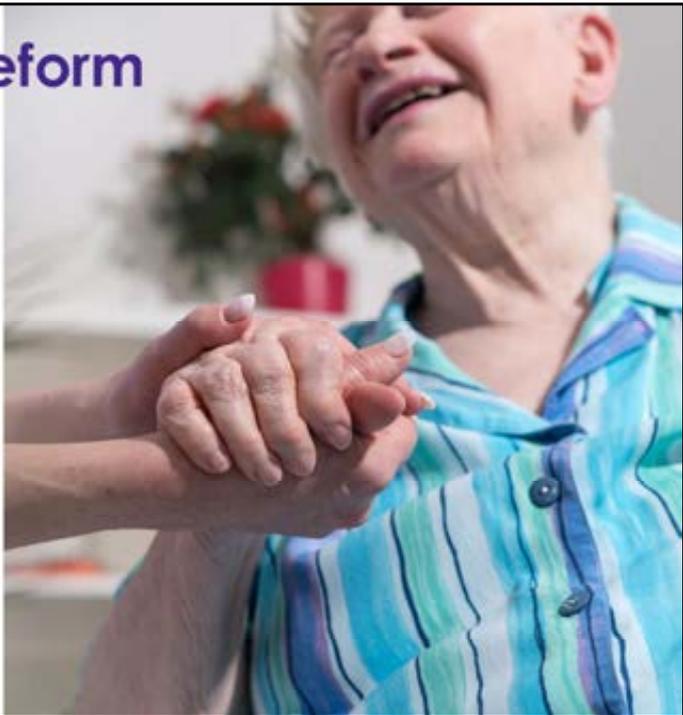
Māori have also raised concerns about the lack of a holistic and joined up approach in the Public Service and the failures of the Crown in meeting its Treaty obligations to improve outcomes for Māori.

To respond to the expectations of those we serve, we need to create a modern Public Service underpinned by fit-for-purpose legislation. We want to create a Public Service you can trust and be proud of.

Objectives of the Reform

The review of the State Sector Act aims to :

- deliver better outcomes and better services
- create a modern, agile and adaptive New Zealand Public Service, and
- ensure the constitutional role of the Public Service in supporting New Zealand's democratic form of government.



Achieving complex social, economic and environmental outcomes requires a new approach that puts outcomes and citizen-focussed services at the core of a joined up Public Service.

Alongside Public Finance Act and Crown Entities Act reform, reform of the State Sector Act presents an opportunity to reset expectations of public servants to this new approach.

The review of the State Sector Act is therefore focussed on change that will ensure the Public Service is able to:

- deliver better outcomes and better services
- create a modern, agile and adaptive New Zealand Public Service, and
- ensure the constitutional role of the Public Service in supporting New Zealand's democratic form of government.



Proposals for reform

The proposals for reform of the State Sector Act are focussed on a number of key areas:

- Commitment to Māori
- Tools for a more flexible Public Service
- Leading a connected Public Service
- The best people for the job
- Stewardship
- Purpose, principles and values
- An expanded Public Service

To achieve these objectives, we have made proposals in a number of key areas. They are:

- supporting an improved Crown/Māori relationship
- A broader set of organisational options to enable the system to join up more easily where this is the best way to achieve better outcomes or improved public services
- transforming Public Service leadership with legislative changes related to chief executives, senior leaders, functional and professional leaders and the Public Service Commissioner
- strengthening employment provisions and setting the Public Service on a pathway to being an exemplar employer for New Zealand, including proposals relating to diversity and inclusion, common terms and conditions for certain professions, and pay equity
- increasing the stewardship focus of the Public Service and building capability to serve future governments

- setting out in one place, in legislation, the purpose, principles and values of the Public Service
- expanding the definition of the Public Service to include a range of Crown agents and Autonomous Crown entities.

For the remainder of this presentation I am going to take you through each of these proposals in more detail, beginning with the role of the Public Service in supporting the Crown/Māori relationship.

Commitment to Māori

The partnership between the Crown and Māori is the essential element of Te Tiriti o Waitangi.

By weaving the intention of the Treaty throughout our Public Service, we can enhance the relationship between the Crown and Māori and work together to improve policy, design and delivery of services to achieve better outcomes for Māori and all New Zealanders.



The Public Service has an important stewardship role to support the Crown, through the government of the day, to foster a strong relationship with Māori.

Around the country there are pockets of good practice in our public services, but the quality of relationships with Māori and level of responsiveness to issues that affect them is not consistent. There is a need for a new approach to the Public Service's role in supporting the Crown/Māori relationship. By providing clear expectations for all public servants on how to proactively, confidently and competently engage with Māori, we can build a Public Service that is committed to developing the knowledge and skills to deliver results for Māori and all New Zealanders.



Commitment to Māori

We have proposed a prominent, stand-alone clause setting out expectations for how the Public Service can support an improved Crown/Māori relationship in relation to:

- engagement and partnership with Māori
- services that are accessible and responsive to Māori
- building cultural competence in our workforce
- increasing the number of Māori in senior leadership roles.

We have also proposed including in the legislation specific obligations for the Commissioner and chief executives in relation to supporting the Crown/Māori relationship .

We are considering a wide range of initiatives to bring about a step change within the Public Service, so that it is:

- highly responsive to Māori issues
- able to proactively, confidently and competently engage with Māori
- committed to developing the knowledge and skills necessary to deliver results for Māori
- better able to partner with Māori, and
- able to incorporate Māori perspectives into its work as a matter of course.

Explicit reference in the legislation will play a key role in ensuring this happens. We propose that Act contain specific provisions relating to the Public Service's support of an improved Crown/Māori relationship, and take into account the Treaty of Waitangi and its principles. We propose a prominent stand-alone clause that is clear about the expectations of the Public Service and contains guidance to support the Public Service in building its capability.

To do this, the clause could set out provisions relating to:

- Engagement, participation and partnership with Māori

- Delivering services and results
- Building cultural competence in our workforce, and
- Increasing the number of Māori in senior leadership roles.

We also propose that the legislation include explicit provisions to strengthen and clarify the Commissioner's and chief executives' collective responsibilities. This could include responsibility for:

- developing the cultural competence and capability of the Public Service
- supporting Māori leadership within the Public Service
- ensuring the Public Service has strong relationships with Māori and is responsive to the needs and aspirations of Māori, and
- advancing opportunities to work with Māori.

Q. How should the Public Service operate to support the relationship between the Crown and Māori?

Q. What else could we do to improve the relationship and deliver better results for Māori?

Tools For a More Flexible Service

A organisational toolkit to help the Public Service be more flexible could include:

- Public Service Executive Boards
- Public Service Joint-Ventures
- Executive Agencies
- Statutory Officers.

Some of these models may require amendment to the Public Finance Act.

For more detail on the proposed models, see the long-form of the Public Consultation Document.



The State Sector Act provides only a limited range of organisational options for the operation of the Public Service. Only departments and departmental agencies can be established under the Act and operate within the legal Crown. A range of experiences, including the response to the Canterbury earthquakes, has shown the necessity for greater agility in tailoring functions and services to changing circumstances, often across existing organisational boundaries. Citizen-centric service design, co-production, co-location, and active exploration of the potential for information sharing, all have an increasingly important part to play in the way the Public Service needs to organise itself.

We believe that a broader set of organisational options will help us achieve the purpose of these reforms, 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.

We are proposing four new organisational models that could be added to the organisational toolkit to support a more flexible Public Service. They are:

- **Public Service Executive Boards** – a team of chief executives, grouped around a specific issue, to create a plan and bring shared funding to get results that they are jointly accountable for e.g. a strengthened Social Wellbeing Board, or a Climate

Change Chief Executives Board.

- **Public Service Joint-Ventures** – joining resources and staff between multiple departments, and taking a more effective and efficient approach e.g. a joint venture for responding to family violence, or for border agencies operating at Auckland Airport.
- **Executive Agencies** – one department delivering multiple services on behalf of others, so New Zealanders get a range of help in one place. These tools could flip rigid ways of working and help us put things together and pull them apart to tailor solutions to changing needs e.g. one-stop shop regional offices for government.
- **Statutory Officers** – providing the ability to establish new lines of Ministerial accountability for departmental functions without structural change e.g. business units that are currently branded as Offices and have specific policy functions.

These models have potential implications for the financial management settings of the Public Service, and some may require amendment to the Public Finance Act. This most notable change would involve enabling administrative units other than departments to administer, use, and in some cases be accountable for appropriations. We are working this through closely with the Treasury.

Q. What else could help departments work together better to improve outcomes and services for New Zealanders?

Q. Are there options for changing the way services are delivered that we have missed ?

EXAMPLE FOR DISCUSSION – One Stop Shops

One way of improving public services is by bringing them together in one place so people can access information and assistance more easily.

Centrelink in Australia delivers a wide range of payments, services, and information to Australians including seniors, job seekers, students, families and carers, people with disabilities. Centrelink was set up as a government agency to bring together services that used to be provided by different departments.

Service Canada is part of a Government-wide service transformation to provide more responsive and easier services to Canadians. It partners with agencies to provide single-point access to a range of government services from child benefits and pensions to training grants, and employment insurance.

What if we could bring together separate services in New Zealand, like they have in Australia and Canada? This is how we could use an Executive Agency.

Leading a Connected Public Service

Currently, chief executives are vertically accountable to their own Minister and focus mainly on the priorities set for their department.

We could support a more collaborative approach by creating different leadership arrangements through:

- Chief Executive Team
- Senior Leaders Service
- Profession and Functional Leaders
- Public Service Commissioner.



Leadership is the key enabler of change in the Public Service. This reform presents us with an opportunity to transform Public Service leadership. It can clarify and strengthen the roles and functions of our leaders, enable mechanisms for collective responsibility and accountability, and provide for development of the leadership cohort on a public service-wide basis.

We are proposing legislative changes that would support the development of four key leadership groups or roles in the system.

Chief Executives are our most senior leaders. They already have statutory responsibilities for both their individual departments, and how responsive their departments are to collective interests. These proposals would ask them to do more on top of their current roles, by ensuring responsibility of all chief executives for collectively ensuring the health of the system, and by allocating joint accountability to smaller groups of chief executives for particular outcomes outside their own department's focus. We would be asking chief executives to bring all their skills and leadership to the most complex issues facing New Zealand.

There are nearly 1,000 people considered **senior leaders** across the Public Service. What if these highly qualified and experienced people could share their skills and experience across the Public Service, and work together on the important issues

sharing knowledge and understanding to better respond to the needs of New Zealanders? We are proposing to establish a Senior Leaders Service that would be an agile group of experienced, skilled and professional leaders who can operate in a diverse range of contexts. It will foster the spirit of service across the Public Service, provide senior leaders with organised opportunities for growth and development, and operate as a system-wide leadership resource that can be called on when needed.

The **leaders of professions** like finance and human resources could be empowered to do more for the system. We propose the legislation provides for and defines the roles of functional and professional leaders, to ensure greater consistency in the creation of roles, their mandate and funding, and the way they operate.

We also propose that the legislation set out, in a simple statement, the role of the **Commissioner** as the leader and head of the New Zealand Public Service. The Commissioner would be renamed the Public Service Commissioner. This formulation reflects that providing leadership is at the core of the Commissioner's role, and that the Commissioner's leadership mandate extends to the whole Public Service.

The proposals also include:

- additional levers for a more forceful role for the Commissioner in relation to leading the development of a trusted, respected and high integrity Public Service, and
- clarifying the role of the Commissioner in the government formation process.

Q. How could chief executives work together to make a difference?

Q. Do you think a Senior Leaders Service is the best way to use our leaders? What else could we do?

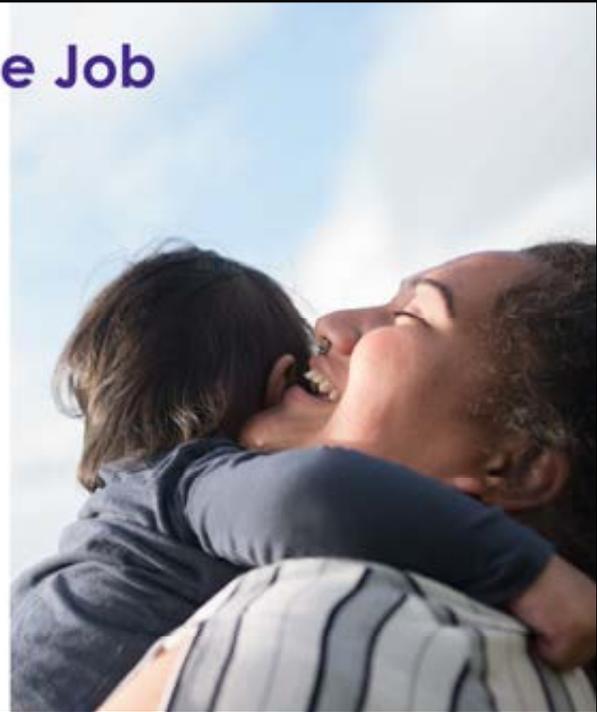
Q. What do you think about the role of the Commissioner?

The Best People For The Job

To deliver the best results and outcomes for the communities it serves, the Public Service needs people of diverse backgrounds to bring their experiences, understanding and skills to the job.

We also need them to be able to move easily across the system.

- Diversity and Inclusion
- Common Terms and Conditions for certain professions
- Pay Equity.



This reform offers an opportunity to strengthen employment provisions and set the Public Service on a pathway to being an exemplary employer for New Zealand. Our proposals relate to three main areas of workforce policy:

- Diversity and inclusion
- Common terms and conditions for certain professions, and
- Pay equity.

All New Zealanders should experience an inclusive, empathetic and understanding Public Service. If you as a citizen feel understood and respected and receive professional service, that has to be a good thing. Conversely, the Public Service risks losing its relevance and effectiveness if it does not value, understand and reflect New Zealand's increasingly diverse communities and their needs.

For the Public Service to reflect modern New Zealand, we need people of **diverse** backgrounds to bring their experiences, understanding and skills to the job. For our people to thrive, we need our work places to be inclusive, which means all public servants feel valued, supported and respected.

We propose that the legislation make explicit reference to diversity and inclusion. It would be a duty of the Commissioner to promote diversity and inclusion across the

public service. Equally, chief executives would have a duty to promote diversity and inclusion within their departments.

In addition to the need to ensure diversity and inclusion, the Public Service also faces issues related to ensuring a sustainable workforce. The decentralised nature of the system has led to wide variation in the way in which departments define and reward the same skills and competencies. Departments have different approaches to how they describe, pay and value people in back office, corporate and policy jobs, making it hard for these people to move between departments and share their skills.

Departments even compete for the best staff. One consequence of this is an uneven distribution of capability across the Public Service, with some departments struggling to retain their people.

Common terms and conditions for back office, corporate and policy jobs would mean we attract the best people into the Public Service and then allow them to be agile and flexible and work where New Zealanders need them most. We propose that the Commissioner, in consultation with chief executives and functional and professional leaders, have the ability to negotiate common terms and conditions for certain functions or professions across existing Public Service departments.

We also propose that the legislation gives the Commissioner the same role in respect of **pay equity** negotiations as they have in relation to collective negotiations.

Q. What can we do to ensure the Public Service is diverse and inclusive?

Q. What else could promote a flexible and agile workforce?



Stewardship

To ensure the Public Service takes a long term view, we need to increase our stewardship focus and build capability to serve future governments.

To do this, the Public Service could produce data and information that could help all New Zealanders be better informed about its work.

In between elections, it could provide information to *all* political parties to give them a clear picture about longer term trends and policy realities. Departments could work together to provide a view across their entire sector, with the aim of supporting new Ministers to understand key issues at an earlier date.

In addition to serving the government of the day, the responsibilities of the Public Service include taking a medium- to long-term, stewardship perspective. This requires a Public Service that values foresight, to think, plan and manage with the future interests of citizens front and centre.

As part of the reform of the State Sector Act, we are proposing to introduce a requirement for public service sectors to produce a Long-Term Insights Briefing. This would be a public document produced mid-way through each election cycle containing key trends, data and analysis on sectors over the medium- to long-term.

We believe that this kind of device would achieve several objectives. It would:

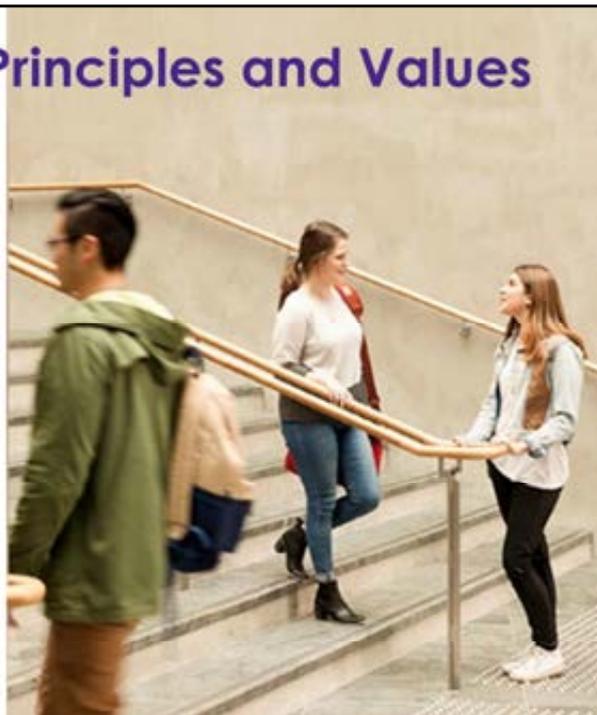
- Formally increase the stewardship focus of the Public Service and build our capability to serve future governments
- Assist citizens by providing clear and transparent information around the complex issues facing New Zealand
- Assist political parties to develop policies in advance of a General Election, and
- Assist new Ministers to get to grips with their portfolios.
- Q. What other options are there for building the capability of the Public Service to support successive governments?

Public Service Purpose, Principles and Values

Should our Purpose, Principles and Values be stated in law?

- **Purpose** – To deliver results and services for citizens, serve the Government effectively and support our democratic process.
- **Principles** – Political neutrality, free and frank advice, merit selection, openness, stewardship.
- **Values** – Impartiality, accountability, behave with integrity, respectful, committed to service.

Have we got the right purpose, principles and values? What do you think?



Now, we come to the part of the reform that is at the heart of everything we are trying to do.

New Zealand is internationally known for having a Public Service that is constitutionally sound, politically neutral and operates with the highest levels of integrity. But we can't take this for granted. Around the world we can see evidence of the gradual erosion of the principles and values that underpin democratic governance. We aren't immune to these developments in New Zealand. At times, the Public Service has been criticised for short falls in integrity and professionalism, including our ability to remain politically neutral and provide free and frank advice.

Reforming the State Sector Act provides an opportunity to bolster the bedrock principles of the New Zealand Public Service and secure them for future generations. We want New Zealanders to have pride in the Public Service and we want public servants to be proud to be part of it. This is why we are proposing to use the legislation to unify the Public Service around some fundamental common elements. We propose the legislation include provisions outlining the purpose, principles and values of the New Zealand Public Service. This will clarify the expectations that society places on the Public Service, and will assist us to promote and embed the spirit of service across the system, supporting public servants in their efforts to work

in new and innovative ways that best meet the needs of government and New Zealanders.

The principles and values in the legislation would not be directly enforceable. Our intention is that they will be given life through leadership, corporate documents and departmental policies, and other mechanisms like active promotion of codes of conduct.

The purpose, principles and values are important. They will shape the culture of New Zealand's Public Service and impact how it interacts with New Zealanders. We are putting forward proposals which we think are broadly right, but they are only proposals. We want to hear from you whether we have got the right purpose, principles and values, as well as whether you think it is the right thing to do, to articulate them in legislation.

You can see the purpose, principles and values we are proposing on the screen. They are:

- Purpose – To deliver results and services for citizens, serve the Government effectively and support our democratic process.
- Principles – Political neutrality, free and frank advice, merit selection, openness, stewardship.
- Values – Impartiality, accountability, behave with integrity, respectful, committed to service.

We'd like to hear from you about :

Q. Whether the principles and values should be set down in law

Q. Whether we missing anything important, and

Q. How we can build trust and confidence in the Public Service.



An Expanded Public Service

Reconceptualise the Public Service:

- as a collective institution in the executive branch of government comprising a broad array of entities
- unified by sharing one or more common features such as: delivery of services to, for, or affecting the public; acting under a public mandate; funded primarily from public money

A wider definition of public service than exists now. Entities within definition would:

- be covered by the unifying purpose, principles, and values and
- have an obligation to support and facilitate the Crown/Māori relationship.

Finally, I want to talk about who we mean when we say Public Service.

The current definition of 'Public Service' covers only a fraction of the entities that are involved in the provision of important public services to New Zealanders.

Citizens generally do not make a distinction whether a service is provided by a department or a Crown entity. What matters to New Zealanders is that all public service entities operate with a spirit of service to the community, and do the best job they can to provide services to, and achieve outcomes for, the people of New Zealand.

We are proposing to reconceptualise the Public Service:

- as a collective institution in the executive branch of government comprising a broad array of entities
- unified by sharing one or more common features such as: delivery of services to, for, or affecting the public; acting under a public mandate; or funded primarily from public money.

This change would mean the Public Service includes departments, as at present, as well as a range of Crown entities. Crown entities would continue as legally separate

bodies corporate, operating under the governance of a board and at arms-length from the responsible Minister, as at present. They will not become part of the legal Crown.

We are proposing to include in the new definition of Public Service those Crown entities already subject to Ministerial influence by appointment/removal of board members, and/or Ministerial ability to direct to 'have regard to' government policy – namely Crown agents and Autonomous Crown entities.

We are not proposing to include:

- Crown entity companies
- Crown entity subsidiaries
- Tertiary education institutions
- School boards of trustees.

The impact of these proposals would be to apply the unifying purpose, principles and values of the Public Service to the *expanded* Public Service that includes some Crown entities, as well as an obligation to support and facilitate the Crown/Māori relationship. We believe this unifying level of commonality will strengthen the spirit of service to the community, and make it easier for Public Servants to work across organisational boundaries.

We are interested in what you think about all of these proposals, as well as the question of whether Independent Crown entities should be included in the new definition of Public Service.

Questions?

So, that's a bit of an overview of what we are proposing and why. Thank you for your attention and interest.

Now it's your turn. I'll answer any questions I can, and I have colleagues here to help me out as well. The floor is open to questions.

Have My Say

Consultation closes on 12 October.



Go online to www.HaveMySay.govt.nz



Email submissions@havemysay.govt.nz



Join the social conversation.



Spread the word to your colleagues and friends.
Encourage them to attend a workshop and make a submission.



Before we finish for the day, I'd like to encourage you to Have Your Say. There is a range of channels you can use to make a submission, as you can see on the screen. Consultation closes on October 12th. We want to hear your thoughts and ideas, so please make a submission and join the conversation about how we can build the Public Service we all want for the future of New Zealand.

