

Chair
Domestic Policy Committee

Review of Arrangements for the Community and Voluntary Sector Portfolio

Proposal

- 1 Following a review of the institutional and Vote arrangements for the Community and Voluntary Sector (CVS) portfolio, this paper recommends that Cabinet agree to the transfer of the Office for the Community and Voluntary Sector (OCVS) from the Ministry of Social Development (MSD) to the Department of Internal Affairs (DIA).

Executive summary

- 2 As requested by the Minister for the Community and Voluntary Sector, and with my agreement, the State Services Commission (SSC) has undertaken a machinery of government review of the institutional and Vote arrangements for the CVS portfolio. These arrangements are currently split between OCVS in MSD, and DIA.
- 3 This review is consistent with a recommendation from the Association of Non-Government Organisations of Aotearoa (ANGOA) in its 2009 research report "*Good Intentions – An Assessment of the Statement of Government Intentions for an Improved Community-Government Relationship*".
- 4 The review considered three options: enhanced status quo; OCVS transfers from MSD to DIA; and CVS portfolio functions transfer from DIA to MSD. These options were assessed against criteria in terms of reference for the review agreed by the Minister for Social Development and Employment, Minister of Internal Affairs, Minister for the Community and Voluntary Sector, and me. The review concluded that the best option was for OCVS to transfer from MSD to DIA. This conclusion was supported by the relevant Ministers.
- 5 Accordingly, this paper recommends the transfer of OCVS functions, staffing and funding from MSD to DIA on 1 February 2011, to fit with the timing for the planned amalgamation of the National Library and Archives New Zealand with DIA. It also recommends that to better align Vote CVS with the CVS portfolio, any funding associated with DIA activities that are not the responsibility of the Minister for the Community and Voluntary Sector be transferred to Vote Internal Affairs.
- 6 I propose to release this paper and the associated minute on SSC's website, once staff in MSD and DIA have been informed of Cabinet's decisions.

Background

- 7 On 2 August 2010, the Minister for the Community and Voluntary Sector wrote to me requesting that I ask SSC to undertake a Machinery of Government review of the CVS portfolio, focusing on the Vote and institutional arrangements. I agreed, and SSC developed terms of reference for the review in consultation with MSD and DIA, for my signature and those of the Minister for Social Development and Employment, Minister of Internal Affairs, and the Minister for the Community and Voluntary Sector.

- 8 The community and voluntary sector is made up of approximately 97,000 diverse organisations that fulfil a range of purposes, from small sports clubs to large social sector service providers. About 45 percent of these non profit organisations are in the culture, sports and recreation sector, while 30 percent are in the social sectors¹.
- 9 Administrative support for the Minister of Community and Voluntary Sector is currently split between OCVS (in MSD) and DIA.
- 10 OCVS has a broad, all of government focus on improving community-government relationships. This is given effect by: developing and maintaining the community-government relationship agreement; providing high-level guidance and standards on government engagement with the sector; building knowledge about the sector; and providing secondary policy advice and support for sector-related issues (for example, payroll giving).
- 11 DIA's relationships across the community and voluntary sector are extensive, i.e. through its community development work, funding and advisory services, emergency management work, the Office of Ethnic Affairs, Local Government and Lottery Grants Board. Subject to legislation, its reach will soon include the community relationships of Archives NZ and the National Library. DIA also supports the sector through its regulatory functions (such as ensuring maximum distribution of gambling profits to community organisations), through its work with the Charities Commission, and in its role developing community ICT capability. There is a high degree of fit between the work of OCVS to date and the work of DIA, which has a focus on strong, sustainable communities, hapu, and iwi.
- 12 Summaries of the history of the CVS portfolio arrangements, and of current CVS arrangements within MSD, are provided in Tables 1 and 2 in Appendix 1.

Comment

- 13 The review team undertook a standard machinery of government review, which considered three options. Key features of these options are described below:

Option 1: Enhanced status quo

- OCVS and CVS functions stay in MSD and DIA respectively, as at present
- Vote CVS is aligned with the CVS portfolio. The Vote is administered by DIA²
- More joined up planning, briefings and reporting between OCVS and DIA
- A single lead official is responsible for the joined-up work programme

Option 2: OCVS transfers from MSD to DIA

- OCVS functions and 8 staff positions move from MSD to DIA
- Vote CVS is aligned with the CVS portfolio. OCVS funds transfer from Vote MSD to Vote CVS, providing a single Vote aligned with the portfolio. The CVS Vote is administered by DIA
- OCVS purpose-specific resources transfer to DIA
- The location of OCVS within the structure of DIA is aligned with the “321” change process³

¹ The remaining 25 percent are in sectors relating to international development, environment, law and advocacy, religion, grant-making, fundraising and voluntarism promotion activities, and business and professional association unions.

² Aligning the Vote with the portfolio is recommended for all options. Further details are provided in paragraph 17.

Option 3: CVS portfolio functions in DIA transfer to MSD

- DIA's CVS roles and functions are unbundled between CVS and Internal Affairs portfolio responsibilities respectively
- DIA's CVS portfolio functions and 86 FTE positions (of 152 affected) transfer to MSD
- The CVS Vote is aligned with the CVS portfolio (as for Option 2). The Vote is administered by MSD
- CVS bespoke resources and software in DIA are unbundled as far as possible, and relevant resources transferred to MSD (see Appendix 2).

Review criteria and findings

14 In line with the terms of reference agreed by the Minister for Social Development and Employment, the Minister of Internal Affairs, the Minister for the Community and Voluntary Sector, and me, the review team assessed the options as to whether they provided:

- simplified access to government for the community and voluntary sector, both in terms of funding and other forms of support and advice
- clear responsibility for the delivery of advice in relation to the community and voluntary sector and Government's relationship with the sector
- clear and efficient administrative and funding arrangements for the CVS portfolio
- value for money
- alignment with SSC's Machinery of Government criteria (particularly strategic fit).

15 The table below outlines the main findings from the review.

Option	Fit with criteria (in paragraph 14)
Option 1: Enhanced status quo	<ul style="list-style-type: none"> • Does not simplify access for the CVS to government funding or support • Delivery of advice remains split between two departments • Administrative arrangements for the portfolio remain spread between two departments • Limited costs of change in short term, and limited longer-term gains in efficiency • Maintains separation between government-facing and community-facing aspects of the portfolio.
Option 2: OCVS transfers from MSD to DIA	<ul style="list-style-type: none"> • Simplifies access arrangements for those CVS organisations that currently deal with both departments on CVS portfolio matters • Delivery of advice comes from one department, not two • Brings the administrative arrangements for the portfolio together within one department • Involves relatively limited costs of change (see Appendix 2), with potential for gains in efficiency and effectiveness • Positions OCVS within a department with a focus on the whole community, and a growing ability to influence government as a whole (eg through the Government Chief Information Officer role that is transferring from SSC to DIA with effect from 1 February 2011), and

³ DIA's "321" change process refers to the integration of the National Library of New Zealand, Archives New Zealand, and DIA. The change process is to ensure continuous improvement, resilience and effectiveness in the Public Service.

Option	Fit with criteria (in paragraph 14)
	with a regional structure that supports CVS work <ul style="list-style-type: none"> • Removes direct connection to a service-contracting department (DIA provides grants only).
Option 3: DIA CVS portfolio functions transfer to MSD	<ul style="list-style-type: none"> • Provides the benefits of bringing the two functions together (see first three bullet points for Option 2) • Involves high costs of change (see Appendix 2), and poses risks to the related services within DIA, and to its organisational change processes. Would require unbundling of staff roles and software that currently support both CVS portfolio and DIA portfolio functions • Positions CVS portfolio functions within a department with a focus on social service delivery.

- 16 The review concluded that Option 2, i.e. the transfer of OCVS to DIA, would be the best option. The Minister for Social Development and Employment, Minister of Internal Affairs, and the Minister for the Community and Voluntary Sector have all indicated that they agree with this conclusion. If Cabinet agrees to this transfer, then DIA and MSD will provide advice before 1 February 2011 on formal mechanisms for the OCVS to maintain adequate connection with service-contracting agencies in order to continue to provide input and guidance on building good government funding practice.
- 17 The review further recommends that to better align Vote CVS with the CVS portfolio, any funding associated with DIA activities that are not the responsibility of the Minister for the Community and Voluntary Sector, such as Lotteries Grants Board and some Crown Trusts and Fellowships, be transferred to Vote Internal Affairs.

Implementation

- 18 It is proposed that OCVS transfer to DIA on 1 February 2011, to fit with the timeframe and process for the planned “321” amalgamation with the National Library and Archives NZ. OCVS would transfer in its entirety with its current funding (which includes funding for the Community Sector Taskforce) and work programme (which includes developing the community-government relationship agreement, codes of practice, and delivering seminars on good practice). The scope and reach of OCVS functions would be as they are now.
- 19 It is expected that the eight MSD employees currently supporting the OCVS programme would be transferred to DIA with effect from 1 February 2011. Section 61A of the State Sector Act 1988 provides for the transfer of employees where duties are no longer to be carried out in a department, and the chief executive of another department appoints the employees to positions in that department. In this situation, the employees’ agreements provide that no redundancy compensation will be payable.
- 20 DIA has expressed commitment for taking on and providing support for OCVS, should this be agreed to by Cabinet. The chief executive of DIA has said he will ensure the transition of staff between agencies is managed well. DIA has indicated that it will consult with OCVS staff on their location within the DIA organisational structure. The final decision on their location within DIA will rest with the chief executive.

Consultation

- 21 MSD, DIA and the Treasury have been consulted on this paper, and agree with its recommendations. The Department of the Prime Minister and Cabinet has been informed.

- 22 The employees in OCVS were informed of the review, and have been advised about its recommendations. The PSA were notified about the review, and will be consulted on the change process.
- 23 People in the community and voluntary sector were not consulted about the review. However, this review is consistent with a recommendation from ANGOA in its 2009 research report "*Good Intentions – An Assessment of the Statement of Government Intentions for an Improved Community-Government Relationship*". Similar views have also been expressed by the sector in other fora.

Financial implications

- 24 The transfer of OCVS will be effected through a fiscally neutral adjustment of appropriations between Vote Social Development and Vote CVS from 1 February 2011, and a transfer of net assets associated with OCVS at book value as at 31 January 2011 from MSD to DIA, with no impact on the operating balance or debt.
- 25 Alignment of Vote CVS with the CVS portfolio will occur through any necessary fiscally neutral adjustments between Vote CVS and Vote Internal Affairs in time for the changes to be reflected in the 2011/12 estimates, with no impact on the operating balance or debt.

Human rights

- 26 There are no human rights implications from this transfer.

Legislative implications

- 27 There are no legislative implications.

Regulatory impact analysis

- 28 There are no regulatory impacts.

Publicity

- 29 A communications strategy has been developed between DIA and MSD to advise people in the community and voluntary sector about the decision to transfer of OCVS to DIA, and the reasons for that decision. As part of that strategy, I propose to release this Cabinet paper on SSC's website following communications to staff in DIA and MSD.

Recommendations

- 30 It is recommended that the Domestic Policy Committee:
- 1 **note** that, as requested by the Minister for the Community and Voluntary Sector, the State Services Commission has undertaken a machinery of government review of the institutional and Vote arrangements for the Community and Voluntary Sector portfolio.
 - 2 **note** that this review is consistent with a recommendation from the Association of Non-Government Organisations of Aotearoa (ANGOA) in its 2009 research report "*Good Intentions – An Assessment of the Statement of Government Intentions for an Improved Community-Government Relationship*".
 - 3 **note** that terms of reference for the review were agreed by the Minister of State Services, Minister for Social Development and Employment, Minister of Internal Affairs, and the Minister for the Community and Voluntary Sector.

Office for the Community and Voluntary Sector

- 4 **agree** that the Office for the Community and Voluntary Sector (OCVS) transfer from the Ministry of Social Development (MSD) to the Department of Internal Affairs (DIA) with effect from 1 February 2011 (this date aligns with other machinery of government changes affecting DIA).
- 5 **note** that DIA and MSD will provide advice to the Minister for the Community and Voluntary Sector on formal mechanisms for the OCVS before 1 February 2011 to maintain adequate connection with service-contracting agencies.
- 6 **note** that Section 61A of the State Sector Act 1988 provides for the transfer of employees where duties are no longer to be carried out in a department, and the chief executive of another department appoints the employees to positions in that department, and that in this situation, the employees' agreements provide that no redundancy compensation will be payable.
- 7 **approve** the following fiscally neutral adjustments to give effect to the policy decision in recommendation 4 above, with no impact on the operating balance:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15& Outyears
Vote Community & Voluntary Sector Minister for the Community and Voluntary Sector Departmental Output Expense: Community and Voluntary Sector Services MCOA Policy Advice – Community (funded by revenue Crown)	0.869	1.884	1.484	1.484	1.484
Vote Social Development Minister for Social Development and Employment Departmental Output Expense: Policy Advice and Support to Ministers MCOA Social Policy Advice (funded by revenue Crown)	(0.869)	(1.884)	(1.484)	(1.484)	(1.484)

- 8 **agree** that the proposed changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.
- 9 **note** that the figures for 2010/11 in recommendation 7 above are estimates only at this stage.
- 10 **authorise** the Minister of Finance, the Minister for Social Development and Employment, and the Minister for the Community and Voluntary Sector, jointly to approve the final amount of the necessary fiscally neutral adjustment for 2010/11 as part of the next baseline update process, once the final amount has been confirmed.

- 11 **authorise** the Minister of Finance, the Minister for Social Development and Employment and the Minister of Internal Affairs, as soon as practicable after the transfer date, jointly to approve the final amount of the net asset transfer with effect from 1 February 2011 necessary to give effect to the policy decision in recommendation 4 above.
- 12 **agree** that the transfer of net assets with effect from 1 February 2011 authorised by joint Ministers in recommendation 11 above be included in the 2010/11 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Better aligning portfolio responsibilities within Vote Community and Voluntary Sector and Vote Internal Affairs

- 13 **agree** that to better align Vote Community and Voluntary Sector with the Community and Voluntary Sector portfolio, any funding associated with Department of Internal Affairs activities that are not the responsibility of the Minister for the Community and Voluntary Sector be transferred to Vote Internal Affairs.
- 14 **authorise** the Minister of Finance, the Minister for the Community and Voluntary Sector, and the Minister for Internal Affairs jointly to approve any necessary fiscally neutral transfers from Vote Community and Voluntary Sector to Vote Internal Affairs to give effect to the policy decision in recommendation 13 above, in time for the changes to be reflected in the 2011/12 Estimates.
- 15 **agree** that I proactively release this Cabinet paper and the associated minute on SSC's website as part of the communications strategy to inform the Community and Voluntary Sector about these decisions, following communications to staff in DIA and MSD.



Hon Tony Ryall
Minister of State Services

4 / 11 / 10

Appendix 1: Background information

History of Community & Voluntary Sector (CVS) institutional and Vote arrangements

Date	Ministerial portfolio	Institution/s	Vote
1999	CVS portfolio established Included advice, grants and administration for Lotteries Grants Board (LGB) & Crown Trusts & Fellowships(CT&F)	DIA	Funded through Vote Internal Affairs
2001	Minister for CVS (MoCVS) had powers delegated from MoIA under Gaming & Lotteries Act (presiding over LGB, recommending appointments to the Board & distribution committees)	DIA	New Vote CVS established
2002	Responsibility for LGB functions returned to MoIA	DIA	LGB funding still part of Vote CVS
2003	OCVS established in MSD MSD's CE accountable to MoSD for performance of OCVS. OCVS reports to MoCVS on work programme	DIA MSD (OCVS)	Vote CVS continued as before OCVS funded through Vote: Social Development

Current CVS arrangements within MSD and DIA

	Staff & Location	Funding	Roles
OCVS (MSD)	<ul style="list-style-type: none"> 8 staff (7.65 FTE) discrete Office located alongside other Offices in MSD's Social Sector Strategy Group 	<ul style="list-style-type: none"> 2010/11 budget: \$1.88m incl \$0.4m for project that ends at end of 2011/12 funded through Vote Social Development 	Primary roles are: <ul style="list-style-type: none"> supporting government agencies to strengthen their relationships with CVS organisations central point of contact within govt. for CVS at national level, to address cross-agency issues
CVS portfolio functions in DIA	<ul style="list-style-type: none"> 152 staff involved, most working on a mix of functions for MoCVS & MoIA(*) integrated into 3 Branches in DIA 	<ul style="list-style-type: none"> 2010/11 CVS Vote of \$46.3m, incl \$20.8m output expenses output expenses incl approx \$9.40m for LGB & \$1.05m for CT&F (which are not the responsibility of MoCVS) 	Primary roles are: <ul style="list-style-type: none"> policy on communities & community development administration of grants funding community development services at the regional and local level monitoring the Charities Commission

(*) Many staff (Community Development & Funding Advisors) work on services and funding associated with the Lotteries Grants Board (LGB) and Crown Trusts and Fellowships (CT&F), which are the responsibility of other Ministers, as well as on grant funding schemes that are the responsibility of MoCVS.

Appendix 2: Costs of change associated with the options

Option 2: OCVS from MSD to DIA

- Office can move as a whole
- Expect that 8 staff (7.6 FTEs) would move
- Has self-contained work programme and budget (\$1.884m in 2010/11 and 2011/12, and \$1.484m thereafter)
- Has some corporate services provided by MSD corporate groups
- Limited purpose-specific resources need to be transferred

Option 3: CVS portfolio functions from DIA to MSD

- CVS roles and functions that are currently integrated⁴ need to be unbundled, affecting service delivery
- 152 staff affected, most of whose roles would need to be unbundled between CVS portfolio functions and Internal Affairs portfolio functions
- Have some corporate services provided by DIA corporate groups
- Change will need to be managed at the regional, local and corporate level, involving further restructuring (with direct impacts on the “321” amalgamation process) and possible redundancies
- Accommodation planning and cost implications of space left unoccupied by those leaving need to be resolved
- Need to unbundle the CVS function’s numerous bespoke resources / software applications. Some of these would continue to be needed in DIA as well as in MSD, so could not be fully unbundled
- DIA would have to absorb \$2.622m in overheads and other direct costs (see table below)

Option 3 costs of change (\$) in 2010/11

2010/11	Output costs	Net transfer	LGB(*)	CT&F(*)
CVS outputs	\$20.779m	\$10.328m	\$9.399m	\$1.052m
Overheads	\$6.219m	\$2.622m	\$3.463m	\$0.134m

(*) LGB = Lotteries Grants Board. CT&F = Crown Trusts & Fellowships

⁴ CVS functions in DIA that are currently integrated include Community Operations, Strategic Advice & Information, and Strategy & Business Support functions (all within the Local Government & Community Branch), as well as Crown Entity Monitoring, and Grants Audit & Review (in two other Branches).