

**MINUTES OF THE BETTER PUBLIC SERVICES ADVISORY GROUP MEETING
WEDNESDAY 17 AUGUST 2011 AT 12:00
LEVEL 2, EXECUTIVE WING, PARLIAMENT BUILDINGS**

Present:

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| Mark Ford | Chief Executive, Watercare Services Ltd |
| Jacqui Graham | Chief Executive, Wise Group |
| Vanessa Stoddart | Group General Manager, People and Technical Operations, Air New Zealand |
| Peter Hughes | Chief Executive, MSD |
| Sandi Beatie | Deputy Commissioner, SSC |

Present from 2pm (item 4):

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| Maarten Wevers (Chair) | Chief Executive, DPMC |
| Gabriel Makhoul | Secretary to the Treasury |
| Iain Rennie | State Services Commissioner |

In Attendance:

Andrew Kibblewhite (Secretariat) Deputy Chief Executive, Treasury

Withheld under section 9(2)(a) of the Official Information Act

Item 1: Welcome, and Previous Minutes

1. Peter Hughes (acting Chair) welcomed the members to the meeting and noted that Maarten Wevers, Iain Rennie and Gabriel Makhoul were attending the state farewell for the Governor-General, and would be joining the meeting at 2pm.
2. The minutes of the previous meeting (6 July) were accepted without further amendment.

Item 2: November report outline and emerging recommendations

3. The Secretariat introduced the outline of the November report, and noted that work has been about developing a clear framework for the report, and looking at the key themes that will shape the recommendations. The Secretariat noted that it would be valuable for the advisory group to agree (at this meeting) to the broad direction and framework of the report, and the assumptions taken in preparing it, and that the secretariat would then look at how it would be practically applied.
4. One member asked about the review work that had been undertaken across the public service when the National government came into office in 2008.
The Advisory Group tasked the Secretariat to do a stocktake of the

reviews undertaken and circulate a summary paper to Advisory Group members.

5. An Advisory Group member noted that for the work of the Advisory Group to be successful it needed to be aligned with the priorities of Ministers, and that it was currently unclear what Ministers' priorities are beyond the November election. One member noted that they sensed that Ministers were looking for a steer from the Advisory Group as to what their priorities should be in this area.
6. An Advisory Group member noted that in order to translate the role of the sector groups into something tangible, it would be important to identify a sector/cluster head to lead the sector/cluster, and that it would be important to line this up at the Ministerial-level. They noted that they are unsure as to whether boards are needed for each sector/cluster, but that boards could assist in getting better alignment between Ministers and CEs. They also noted that some CEs would have a role in more than one sector, and there needed to be some thought about how this might work. One member noted that advisory boards are valuable to assist CEs, and that they could be exceedingly useful as a sound-board for CEs' ideas.
7. An Advisory Group member noted that based on their conversations with CEs (as part of the CE workshops) they felt that CEs were being measured on performance indicators that are too low-down within their organisations, and that this should be re-focused on sector outcomes. The member also noted the need for a work-stream on change management so ensure that any success is sustainable. One member noted that in this sense, it was important to engage the wider sector, as there is a perception that the government has a "grand plan" to reveal after the elections. One member noted that this suspicion was reflected in some of the meetings they had attended with CEs. The Secretariat noted that a decision was yet to be taken by Ministers about whether additional papers could be put on the website, which will allow for more transparency around the work of the advisory group.
8. One member noted that it would be useful to include in the report some comment about the unique features of the New Zealand system of government, and the public service.
9. The Advisory Group discussed accountability documentation in the public service, and the issue of leadership. One member noted that some agencies confuse accountability documentation and requirements with strategy and planning, and noted that there could be a role for boards in linking with strategy and planning. The advisory group also discussed public sector finance. The meeting noted that it would be useful to have a document on the current mechanism for funding allocation and the flexibilities of the current system. **The Advisory Group tasked the secretariat to circulate papers on accountability documents and funding allocations.**

10. The Advisory Group discussed leadership in the public service. SSC noted that SSC is about to review how it does performance reviews for CEs – which will be circulated to the Advisory Group.

Item 3: Discussion on Innovation

11. The Secretariat introduced the A3 “Public Sector Innovation: Barriers and ‘Buttons’ to assist in creating the environment for greater innovation” and noted it was the result of looking at what is happening overseas, as well as the result of a number of workshops with CEs – some of them are system wide ‘buttons’ and others relate to individual agencies. The Secretariat noted that a common theme emerging from pilot programmes was that there is public service CE, and Ministerial, aversion to risk. One private sector member noted that at their organisation it had taken ten years to create the right culture in the company to allow for risk taking, and that it is about creating areas within an organisation where risks can be taken, and creating the right environment from a leadership perspective. The Secretariat noted that the weighting of the ‘buttons’ is different, as they address different things. The Advisory Group noted the importance of leadership, risk awareness (versus risk aversion), and creating the right organisational culture, in order for innovation to be successful. The meeting noted the innovation that has taken place in Canterbury following the earthquakes. The Advisory Group noted the lack of a process for benchmarking innovation across the public service.
12. The Advisory Group heard from the three private sector members about innovation in their respective organisations; common themes were the importance of leadership, providing the right incentives, and creating the right organisational environment. The Advisory Group asked if there was anything that could be done in the public service to accelerate innovation, and one member suggested that it could be beneficial for Ministers to set some challenges in this area.

Item 4: Issues for Business-facing agencies

13. Representatives from MED, MAF, DOL, MSI, IRD, MFE, and Stats attended the item on issues for business-facing agencies. MED spoke to the hand-outs tabled at the meeting and noted that there was scope to change the way businesses interact with government. MED noted that agencies were changing from a “agency facing out” to a “firms looking in” approach and that the overall goal was to greatly simplify the interface for businesses. MED noted that New Zealand is currently 3rd in terms of ease of doing business, but that other countries are quickly catching up, and in some areas are overtaking New Zealand.
14. IRD spoke about the changes underway at IRD, and noted that while there were cost reduction benefits for business and IRD of moves to reduce the costs of administering the tax system, the cost of implementing the changes for IRD were considerable. He noted the problem of legacy IT systems. IRD

noted that there were many opportunities, and that IRD have been engaged with the Australian Tax Office and HM Revenue and Customs.

15. MAF spoke about MAF's organisational strategy and noted that the organisation is the biggest regulator of all the public service agencies. MAF has undertaken a complete rethink of the way in which services are delivered, and are now working to a "light-touch" regulatory approach – part of which was looking at ways to streamline interaction between business and the ministry. MAF is currently looking at options to contract out some of its services to the private sector, but did not yet know if they would be able to deliver those services at a lower cost.
16. MSI spoke about the role of the Ministry, a new agency which amongst other things has a role in supporting the creation and growth of businesses primarily through science and innovation. The Ministry works closely with other agencies, including NZTE in its dealings with businesses, and the two agencies have adopted a single business interaction model. MSI requires overarching objectives and agreed priorities to achieve its role, and it is looking for strategic policy alignment across agencies, and with Ministers.
17. DOL spoke about the role of the Department and its interactions with business, primarily as a regulator. The department has a range of business facing services, and that it is currently improving and streamlining its regulatory processes.
18. MFE spoke about the role of the Ministry, and noted the work that the Ministry is doing in relation to the Resource Management Act to make it more efficient. MFE noted the creation of the Environment Protection Agency, bringing into one agency the processes around the Resource Management Act and the Hazardous Substances Act. MFE noted that there has been positive feedback from businesses about these changes.
19. The Advisory Group noted that reducing the cost to businesses (in terms of consents and regulations) is a good thing – even if there is no direct benefit to the public service, and noted that it was useful to see the CEs focus on this aspect. MAF noted that the amalgamation with Fisheries, had allowed for greater trade-offs, and innovation than would not have been possible for the individual agencies.

Item 5: Discussion on best-sourcing, structure & governance

20. The Advisory Group raised the issue of innovation in Canterbury following the earthquakes, and noted that there was considerable interest on the part of the Deputy Prime Minister in how agencies are being innovative in their response and service delivery. The Chair noted that there were lessons for government agencies as a whole. Gabriel Makhoul noted that a team within Treasury is looking to pull-together the lessons for the government. A member noted the importance of capturing all this work before the work of the Advisory Group is presented to Ministers. The Advisory Group noted that there could be benefits of socialising the innovative work underway in Christchurch, perhaps as part

of an expo – an idea that the Chair noted Cabinet could perhaps consider as part of their meeting in Christchurch on 5 September. **The secretariat was tasked with reporting to the Advisory Group on innovation in Christchurch.**

Item 6: PIF findings – lead reviewers

21. The PIF lead reviewers briefed the meeting on the PIF process and noted that the whole focus of the process is on improving practice. They spoke to the document tabled at the meeting “PIF systems analysis” and noted that the results to date show that the public service is very responsive and good at delivering on priorities, but not very good at longer-term vision. The public service is good at managing money and is fiscally prudent, but not good at evaluating the impact of the money spent.
22. One of the PIF reviewers noted that the delivery of government priorities often appears to come at the expense of medium term strategy or systems thinking. They noted that while there is good financial management, there was little sign of strategic management or sophisticated forecasting. Another consistent theme is around people management, both in terms of managing poor performance and cultivating talent. They noted that strategic implementation across senior leadership teams is not as strong as it needs to be, including the necessity to make trade-offs and hard decisions.
23. The Chair noted that the value of the PIF process is already showing, and Iain Rennie noted that it is very valuable to the Prime Minister and Deputy Prime Minister. One member noted that it was a mechanism of getting continuous improvement front and centre of senior leadership teams. One Advisory Group member noted that the PIF process is still being fine-tuned, and noted it was valuable as a leadership tool, and that Central Agencies can now identify good performance in certain area in agencies, and that they can be held up as role-models for others.

Item 7: Key points from CE workshops

24. The Secretariat briefed the meeting on the key points arising from the CE workshops. The meeting discussed some of the themes of the meetings, and noted that some agencies work well together as clusters, particularly the Justice sector cluster. The Chair noted that the Justice sector is one area that the Advisory Group could perhaps focus on.
25. One member reflected on the meeting they attended, and noted that there was suspicion from the CEs about the role of the Advisory Group. The Advisory Group noted that this could be change if the work being presented to the Advisory Group was developed with CEs, as a co-production. The meeting discussed the benefit of communications to CEs, and the wider public service in due course. One member noted that there is a big risk around CEs not being sighted on the broad contents of the advice going to Ministers.

Item 8: Preparation for Ministers' meeting

26. The preparation for the Ministers' meeting was captured on a whiteboard (see separate attachment). The Advisory Group discussed the main themes to shape the conversation with ministers and noted that this involved:

- a.** feedback on the engagement with CEs,
- b.** questions around the role of broader agencies and local government,
- c.** the need for communications management and messaging,
- d.** common themes of leadership and culture
- e.** lessons from Christchurch

The meeting closed at 5pm