

**MINUTES OF THE BETTER PUBLIC SERVICES ADVISORY GROUP MEETING
WEDNESDAY 6 JULY 2011 AT 11:30
LEVEL 2, EXECUTIVE WING, PARLIAMENT BUILDINGS**

Present:

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

In Attendance:

Andrew Kibblewhite (Secretariat) Deputy Chief Executive, Treasury

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

Apologies:

Sandi Beatie Deputy Commissioner, State Services Commission

Welcome and Introduction

1. The Chair welcomed Vanessa Stoddart, Iain Rennie and Gabriel Makhoul to the Advisory Group, and noted that apologies had been received from Sandi Beatie. He invited Vanessa, Iain and Gabs to introduce themselves.
2. Vanessa Stoddart noted that she is from a legal and finance background, and had spent 10 years with Carter Holt Harvey. For the past 8 years she has been with Air New Zealand, and her role has essentially been about transforming the organisational culture. She noted that this has been insightful in terms of change in a large organisation, and that there had been important lessons in terms of dealing with a large number of unions. She noted that in order to achieve success, it was important to identify the things that need to be done, and then pick 2 or 3 big issues that will set the platform for the future.
3. Iain Rennie noted that he is a career public servant, who has spent most of his time in Treasury, although had spent time in DPMC and SSC. He noted that as State Services Commissioner he had sought to transform SSC to make it fit

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for public service leadership – focussing on supporting leaders in the public service. He noted that he is positive about the reform process, and that there is genuine desire amongst the CEs to do better. He noted the importance of involving the CEs, as the ones who will have to make the system run.

4. Gabriel Makhoulf noted that he was also a career civil servant – most of which had been spent in the UK. He has a background as an economist. He has been in New Zealand for a year, and brings experience from the UK. He noted his impression that the NZ system is incredibly complicated at all levels for such a small system, and that he was surprised by the lack of a continuous improvement mindset that he has seen (although was aware that this may not be the case everywhere). He noted the need to shift the debate from looking at problems to identifying opportunities and noted the shifting of the centre of gravity of the world economy in our direction (towards Asia).
5. In response to a question from one member, The Chair noted that very early on the Deputy Prime Minister expressed his desire to work with the CEs in the public service, but also was aware that the public service was not the repository of all knowledge on how to get the best out of the public service – hence the composition of the Advisory Group.

Previous Minutes and Matters Arising

6. The minutes of the previous meeting were accepted without further amendment. The Secretariat noted that the minutes of the previous meeting requested the secretariat to distribute notes from meetings held by the predecessor project with the “wise heads” – it noted that they were not in a form easily distributable, and suggested inviting the wise heads to a future meeting. The Secretariat noted that the PIF reviewers are not attending this meeting (as proposed at the last meeting) and suggested they attend the next meeting.

Report Backs: Greenfields

7. The Secretariat tabled the document ‘Comparing public management system features’ which had been drawn-up following the visit to Ireland, Scotland, the United Kingdom, Canada, Singapore and Australia in June by some of the secretariat members. The Secretariat noted that the positioning of New Zealand on the 7 charts was an estimate, and the green arrow represented where the secretariat thought the country should be aiming to move to (not necessarily the direction it is moving in). The Secretariat noted that on the second chart (Proactive transparency with citizens) the UK is providing a lot of information to citizens and that there is room for New Zealand to do similar, but this could become costly. The Secretariat noted that Information Technology was an enabler in providing more information to citizens. In response to a question from one member about the difference between the

UK and NZ in part being due to the different relationship between central and local government, the Chair noted that this could be one area to look at (the devolution of some authority to local government).

8. The Secretariat talked to chart three (number of core departments) and noted that there are 15 central government departments in Ireland and Singapore, and that the secretariat thought the arrow should be longer. The Secretariat noted that in relation to chart 5 (use of departmental boards to drive performance) that it is not the case of having aboard for every department, but rather to look across the sectors.
9. The Secretariat spoke to the handout 'Six improvements to the NZ system' and noted that these were the six "greenfields" changes that the secretariat would recommend. The Secretariat noted that there are big opportunities to look at a different role for government. The Secretariat spoke about sector clustering, and that this was one area where a lot of work could be done, and that it would be beneficial to identify one CE in each cluster to be the lead. The Secretariat noted that in relation to improvement 3 (priority outcomes) if there is clustering around sectors, this will reduce the amount of accountability documentation and the compliance burden. The Secretariat noted that overall, the six improvements would result in a very different system to the present.
10. An Advisory Group member noted that in relation to clustering, it was important for this to be successful (based on their experience of how this had worked in the private sector) to have the structure right. One member noted that incentives are important, which also relates to how public finance operates. The Secretary of the Treasury noted that a review of the Public Finance Act is underway, which will be informed by the work of the advisory group. The State Services Commissioner noted that the SSC and Treasury are underway with reform of the Public Finance Act, and the State Services Act, to change accountabilities and incentives.
11. The Advisory Group discussed the role of technology and innovation. One member noted their concern "from the outside" that the "greenfields" approach was only about incremental improvement and not fundamental change reflecting an innovative approach to government and a higher tolerance of risk. One member noted that you would get innovation as a result of provider diversity, but the big issue related to risk was linked to culture. In response, one member noted that it was about being better at managing risk – and having a system design that provides the right incentives.

Report Backs: Contestability

12. The Secretariat introduced the paper on contestability and noted that it is a tool for driving efficiency and innovation – innovation being the more important of the two long-term. They noted that some contestability is already happening

in the public service, and noted the benefit of having some flagship projects in this area. An Advisory Group member asked what the principles are for assessing whether an area is suitable for contestability, and what the prerequisites needed are before adopting contestability. One member noted that contestability also relates to risk management – they noted that in their area of responsibility they like to retain some functions within the organisation and outsource others to provide a bench-mark for the other. Another member noted from their experience that culture is critical, and that it was important that the “size of the outsource” was attractive to the private sector. The importance of incentivising the system for CEs to adopt contestability as also noted. The group identified the need to create the right environment (or incentives) for contestability to be adopted across the system.

13. The Advisory group requested the Secretariat look at the following issues related to contestability for the next meeting: how to know when the conditions are right for contestability; identify where some big wins might be in this area; and, identify the expertise needed across the system for this to work.

Report Backs: Principles

14. The Secretariat briefed the meeting on the work on ‘principles’ and noted that current best practice is pragmatic, not necessarily driven by principle. They noted the proliferation of agencies (and as a result priorities) and the need for consolidation, and more use of clustering. They noted that the need for hard-clustering (mergers) and tools for “soft-clustering” across issues –noting that the social sector pilots were a good example of this.

Report Backs: Clusters

15. The Secretariat noted that clustering is “one piece of the puzzle”, and that it was clearly not a solution that would fit every situation in the public service. They noted the benefits of both clustering and merging agencies, and the importance of supporting leadership at the CE and Ministerial level to make trade-offs, and suggested the need to go back to the basics, and question why government was involved in many areas. One member noted that from their experience clustering worked very well when the fundamentals are right at the start – the right model is essential – it is not simply about bundling agencies together. One member pointed out that clusters were one option on a continuum of integration, and that it was important to allow people to focus on common outcomes.
16. The Secretariat will incorporate “outcomes” with the structures, and to look at other organisational forms that might be relevant (in addition to clusters).

Report Backs: Continuous Improvement

17. The Secretariat noted that the work around continuous improvement is less developed than the other areas, and noted that a plethora of continuous improvement activity is underway across the public service, but the question is that it all adds up to, and how focussed it is. In response to a question from one member, an advisory group member from the private sector noted that continuous improvement was expected at their organisation, and managers were expected to meet their own cost increases.

Report Backs: Communication and engagement

18. The Secretariat presented the communications plan and noted that some prioritisation was required for meetings between now and the end of the year. The meeting noted that there were different audiences (at different levels) and that comms needed to be developed for multiple levels. The Advisory Group noted that it was important to include amongst the comms messages the point that very little has been decided in relation to reform at this stage, and that while it was a policy process, engagement with the public service CEs was critical for success. Agency-level communications is also important. The Chair agreed that the Secretariat should share the two-pager (comparing public management system features/six improvements to the NZ system) with CEs, and engage with CEs over the coming months.

Report Backs: What might success look like?

19. The meeting discussed what success might look like, and created a document incorporating success, alongside the operating philosophies (institutional arrangements, whole of system rules) and structures/leadership (continuous improvement, capability, innovation, integration) required to achieve the desired goals (change goals). Ten change goals were identified, reflecting the conversation throughout the afternoon:

- i. Establish shared outcomes
- ii. Reduce the clutter
- iii. Build our leadership
- iv. Strengthen policy capability
- v. Encourage wider participation in the delivery of services
- vi. Build smart systems
- vii. Streamline our infrastructure
- viii. Be open
- ix. Be accountable
- x. Clarify geographical boundaries

Next Meeting / Future Meetings

20. The meeting agreed that the Secretariat should arrange the following for the next meeting (or future meetings):

- a. Discussion with CEs

- b. Discussion with “wise heads”
- c. Discussion with PIF lead-reviewers
- d. CE DIA/CE MED to present on IT procurement.
- e. Discussion on Service Link/Community Link