

Public Services Briefing to the Incoming Government October 2014

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Introduction

The State sector is reforming the way it operates to deliver better outcomes for New Zealanders. To achieve that, agencies are putting citizens, rather than their agencies' objectives, at the forefront of their thinking. They are operating with collective impact rather than tackling complex issues in isolation.

This change in approach will help the State sector better support the government of the day to achieve its objectives. There is strong support across the system for it, and this Public Services Briefing to the Incoming Government is testament to that – it is the first time the chief executives' group has committed collectively to such a briefing.

The reform process is a direct challenge to the operating culture that developed in response to the reforms of the 1980s that placed primary responsibility on chief executives to deliver the things their agency was accountable for. Adding to that a responsibility to work across the system to deliver those things that no agency can achieve alone is complex, and the approach is not yet fully embedded. This briefing does not make detailed recommendations but instead outlines issues for further consideration by Ministers to maintain momentum around the system reform and consolidate its objectives.

A number of key issues are raised, including:

- Chief executives consider the focus on achieving clearly identified results through collective impact has been successful and this briefing looks to use that approach to take system reform further.
- The need to take an investment approach across the system and to fund common functions and cross-cutting issues.
- Developing leaders with the skills to operate in an environment that requires innovation and collaboration.
- Getting greater access to complete data sets that will inform effective targeting of effort and investment.
- Engaging in a deeper way with New Zealanders over their issues and solutions.
- Ensuring that State sector boards have the right mix of capability to perform at high level.
- Strengthening New Zealand's strong reputation nationally and internationally for operating with integrity and inclusiveness.

The chief executives consider that these issues challenge both them and Ministers, and that meeting that challenge will lead to citizen-centred public services that ensure the wellbeing of present and future generations of New Zealanders.

Leading for results

As State sector chief executives we know the issues of greatest concern to Ministers and communities often cannot be addressed by single agencies working alone. In such areas as social welfare, education, health, economic development and environmental stewardship real progress is typically best achieved only through concerted government-wide action.

Agencies have worked hard to achieve better outcomes on complex cross-cutting issues by working collectively more effectively than we have done previously. We recommend the incoming government retain this approach. We think the core features of this results-focussed approach have been valuable for progressing some intractable problems which have concerned successive governments, as well as providing a model for how the entire public services should work. The approach has included specifying outcomes at a manageable level; clarity on targets; appointing leaders who are responsible for achieving results; using data and performance information to drive action; reporting progress to the Executive; and providing information on the agreed results.

This approach has enabled us to achieve public reporting that is more transparent and comprehensive. The results-focussed approach means we are making the greatest impact we can with the resources we have. In an environment in which, for the foreseeable future, resources will be highly constrained, the imperative is on achieving better results within existing resources, and this is helping drive a considerable shift in mindset across the system.

One benefit of the results approach has been the learning it offers for organisational and system improvements. Results can be refined because experience provides better information on effective interventions and measuring achievements. Targets and indicators can be monitored, revised and improved over time. Likewise, results should be periodically reviewed and updated.

We suggest senior Ministers discuss a refreshed set of results with officials. We consider there is value in focusing the set on a limited number of key priorities across the system where inter-agency collaboration will foster progress. We encourage the Government to replace results that are well on track rather than build a larger number. That will ensure the system is collectively focused on the key results.

In refreshing the result areas currently being worked on, we suggest Ministers could look at aligning elements of Result 9 (improving the government-business interface), Result 10 (improving the government-citizen interface) and the GCIO-led ICT Strategy and Action Plan. The intent would be to accelerate the provision of government services digitally in a way that makes government increasingly customer-centric (both for the citizen and for business). 'Customer-centric' would drive joining-up across services (e.g. common identity, information, payment mechanism etc) wherever that made sense.

Ministers will need to reset Result 1 in light of the National Party's commitment around a more demanding target to reducing welfare dependency. And given the Government's commitment to addressing child poverty, Ministers may want to consider how Results 1-4 are framed to focus on this issue. The Results will also need adjusting to reflect the National Party's commitment to introduce a new Better Public Services target to reduce crime, from 2011 levels, by 20 percent by 2017.

Building collective impact

The positive system changes already made have been based on greater collective impact; more effective results are made possible when our agencies work together.

This approach is not yet well enough embedded. Collaborative inter-agency and sectorial work still tends to be regarded as an 'add-on' rather than as core business-as-usual. And barriers can exist where investment is needed to create a better system - but the investment's benefits are not 'captured' at the agency level. Too often the agency focus still trumps the customer focus.

As Ministers you can expect that we will address issues that may impede the results approach becoming universally embedded. We do face challenges because of the system's 'vertical' nature and the fact that most work is done by single agencies, with separate funding, and strong 'upward' accountability to a single chief executive and Minister. This means there are some issues in working more 'horizontally' across agencies. The incoming Government should hold us accountable for ensuring these issues are resolved and significant progress made. We would welcome dialogue on this because there are opportunities for Ministers to lead work across traditional portfolio boundaries. The current intention to move towards a much greater element of population-based budgeting, rather than agency appropriations, is one such opportunity.

We need to agree pragmatic ways of funding investment in common system-wide capabilities which will improve results for New Zealanders, but where individual agencies do not have a strong incentive to invest. This is particularly relevant now in the area of ICT investment, where the ICT Strategy and Action Plan is recognised as being central to achieving the vision of radically transforming the way all New Zealanders use ICT to connect with public services. We will take responsibility for working through these issues and for proposing a way forward to Ministers.

Driving a results focus across the whole system

Much of the State sector consists of agencies which are governed by appointed Boards reporting to Ministers. Crown entities are responsible for a significant proportion of government expenditure, and are major providers of public services to New Zealanders. Though the functions of these agencies have been placed at arms-length from Ministers, it is nonetheless important that they are engaged, and capable of engaging, in performance improvement and system change. Some progress has been made following the reform of the Crown Entities Act in 2013 to facilitate the involvement of Crown entities in State sector reform. However, consideration should be given to further ways in which Crown entities can move to a stronger focus on collective impact just as the core Public Service is now doing.

Improving Board performance is the major way that Ministers have of driving for results in the wider State sector. Board performance has a range of determinants, a major one being the quality of Board appointees.

Across the broader State sector, Ministers are responsible for appointing between 2,000 and 3,000 members to more than 520 boards at a cost in excess of \$43 million in annual board fees. In 2014 alone, Ministers have some 850 board appointments to make, supported by departments and Crown entities.

The current system for appointments to Boards (outside the schools sector) depends on departments and entities supporting Ministers, and in that respect performance is mixed. There is no overall system to manage the candidate pipeline for the Crown and no standard appointment process. Some agencies interview potential candidates and some don't; some advertise, some do background checks, but there is no consistent approach. Though we have a number of talented Directors and strong Boards this is the product of the efforts of individual Ministers and Board members rather than an outcome guaranteed by a robust system.

Withheld to maintain the effective conduct of public affairs through the free and frank expression of opinions.

Leadership Development

Ministers can count on us to extend a results approach beyond the defined 'list' so it becomes integral to all and becomes a characteristic of public services activity. Our organisations need to review how we do things, evaluating the effectiveness and efficiency of how we currently operate within baselines. We need to develop organisational capability to more effectively use data and information, produce more impactful policy proposals, and implement change better than in the past. We need to be able to change more quickly to better service a diverse and changing community. Leadership development is key to ensuring the system develops in this direction and is strongly enshrined in a customer-centred approach that means the system understands and prioritises the concerns and opportunities that matter most to New Zealanders and will make the biggest difference.

For change to occur, organisations need to be well, and differently, led. This has implications for the very large number of State servants who play leadership and other expert roles. Parliament provided the platform for a different approach to leadership development in amendments to the State Sector Act in 2013. Now it is up to us to make it happen. Developing leaders for the system, rather than for single agencies as in the past, is a major focus for us as a leadership group. This will have implications for Ministers too.

We are committed to building on existing initiatives which have included the establishment of Career Boards. Each Board focuses on developing leadership talent in a group of agencies, and the definition of key positions across the system as a focus for succession planning. We intend to greatly expand the number of potential successors for each of the 87 defined key positions, increase the number of agencies participating in the three Career Boards beyond the current 31, consolidate a Career Board for Auckland, and extend the work of the Career Boards to cover all tier 2 and 3 senior leaders.

Developing leaders will require much greater mobility between agencies as key public servants change roles to gain new perspectives, understanding and skills. This will impact on organisations as key agency leaders, and the investment made in them, move on to new roles. It will also impact on Ministers as trusted and knowledgeable advisors move on. Adjusting to this will be challenging for Ministers as much as for chief executives and other State servants, but the immediate difficulties are outweighed by the overall gains from better investment in leadership development.

Better use of data

Better results rely on better information and analysis. The 'data revolution' is as much relevant to how we work in the public services as it is increasingly in the private sector. Our agencies are linking data from different agencies to understand how New Zealanders interact with government services and to understand the impact of services on outcomes such as employment and earnings, benefit receipt and educational attainment. There is scope, and need, to expand the range of data available for analysis and policy purposes.

Significant untapped potential also exists in analysing policy and operational issues from a location perspective. Knowing where service demands are greatest, where services are delivered, and where coincidence or gaps exist between these locations creates a clearer evidence base for more effective decision-making and operational planning. Digital technology and geospatial mapping is enabling a vast expansion of data that we create in the course of daily life.

Public data collected by government agencies belongs to New Zealanders and they should be able to benefit from it. The default position should be that public (non-personal) data should be open, accessible and available for re-use. Innovative re-use of this data by business and communities creates new knowledge, tools, insights, and businesses which are contributing to economic growth and social outcomes.

The NZ Data Futures Forum was established to explore how New Zealand businesses, government, researchers and the public can safely share data and use it to build a prosperous New Zealand. The Forum's recommendations are a framework for capturing the strategic social and economic opportunities that could come from data sharing in and between New Zealand's public and private sectors. The Government Statistician is leading advice to Government on the Forum's recommendations and this will be of interest to all chief executives and Ministers. Some significant decisions may be involved, including reform of relevant statutes.

Making better use of data, insights and analysis, together with more innovation, are already affecting decision-making on investment. The investment approach in the Welfare area is one example, and other sectors are making better use of information to manage long-term costs and achieve better outcomes for all New Zealanders. We are committed to ensuring that budget decisions taken by Ministers are supported by evidence-based, well-targeted and effectively evaluated information – so that we keep learning from what works.

Better insights and advice

The working relationship between Ministers and senior officials is vital for effective government. The policy system is at the heart of this relationship, providing analysis and advice to Ministers to enable them to make informed decisions.

Like much else in the system, policy advice has largely been organised on a ‘vertical’ single-agency-to-single-Minister basis. This is unlikely to work so well when the focus shifts to achieving results of system-wide issues. And with an increasingly diverse society ‘one size fits all’ policies are now even less likely to be successful. Moreover, citizens, communities and businesses expect to be involved in the policy process around decisions that affect them. The policy system is well set up to consult stakeholders on proposals; less well set up to engage with communities on their ideas. This changing environment has highlighted a range of capability issues which have been noted in reviews of the policy function.

DPMC is leading the development of the policy system and dialogue with Ministers is needed for this to be successful. Ministers are the ‘demand side’ of the policy advice equation and, to serve Ministers well, officials need to understand the incoming Government’s expectations. This includes the areas in which broader advice is needed, and the areas in which advice is required on a population basis such as integrated analysis and advice on a range of issues facing a particular group.

To what extent is “place” to be a focus of policy consideration? Auckland is an important case in point because we think we need to lift our game in Auckland. Auckland’s growth, diversity, and international linkages drive distinct policy challenges and opportunities. The city may grow by as many as 30,000 people each year and is changing demographically. Auckland has a mix of cultures and issues that differ from the rest of New Zealand. This means what works elsewhere may not work in Auckland. Moreover, achieving better results for New Zealand as a whole requires that we succeed well in Auckland. There are also aspects of how public services currently work in Auckland, around fragmentation of effort and advice, which are of concern. To this end Ministers may wish to consider a more integrated approach which brings together current efforts of a range of agencies, including the ‘population’ ministries.

Engagement with communities is also a challenge for the policy system. The expectations of Ministers matter for how and where this is addressed. There are a range of techniques, some IT enabled, which can be used for increasing engagement in the policy process. For some complex policy areas we may need to change how we ‘do policy’ and shift from consulting over policy proposals to engaging communities over issues. Achieving this requires change in how and where policy development ‘happens’.

The policy process, at its best, has always been characterised by free and frank discussion of a range of options. The challenge now, for both Ministers and senior officials, is to use the system's traditional strengths as the foundation for a policy system that embraces broader engagement and analysis. This new system will feature a wider range of information and data, providing better insights and advice.

Responding to Diversity

We are a far more diverse and complex society than we used to be. Globalisation, stronger international linkages, migration inflows from a very wide range of countries and cultures, the introduction of MMP, widespread and fast adoption of new digital technologies; these are just some of the developments which mean a radically different operating environment for our public services. This diversification raises the question of whether our public service workforce is diverse enough to meet the challenge of successfully providing citizen-centric services for more diverse communities. Growing diversity also poses questions for our ethics and integrity systems. New Zealand has a well-deserved reputation for high standards of integrity in public life. But our standards and practices, our 'culture' of integrity, was developed when we were a much smaller, self-contained and homogeneous society than we are now. We can't take it for granted and we expect that our work as chief executives, and our discussions with Ministers, will increasingly emphasise the need to maintain integrity as a cornerstone of the trustworthiness of the system.

Innovation and risk

Experimentation and innovation are keys to enabling change. We know from analysis and experience that New Zealand's public services do not have a well-developed learning culture. A learning culture is one that tries new solutions to issues, and exploits opportunities to deliver services to communities in new and more effective ways. It works hard to determine what works and why, and to apply these insights quickly. It looks outwards to other organisations for insights, benchmarking and looking to adopt best practice. A learning culture is key to developing more responsive citizen-centred public services.

The climate in the public sector is shifting and there are many examples of innovative measures to improve performance and services. The equally significant challenge is to get public sector agencies to recognise and apply the innovative success of others. As chief executives we need to be as receptive to, and rewarding of, applying the success of others as we are to our own innovations. Likewise, Ministers need to be alert to adopting innovative solutions from other areas where they apply.

We are making progress in applying the techniques of innovation across the system; the uptake of continuous improvement methodologies is an example of this. Responding to the challenges outlined above – in funding, leadership development, use of data and the policy system – will require more innovative approaches.

But the key to this, and the major enabler of organisational learning, will be overcoming the risk aversion that is a pervasive part of the culture of the public services.

Performance and service improvement will not happen without an ability to experiment. Success and failure are both good teachers; if we do not risk failure we cannot learn. A public that is attuned to that in the public sector is a major challenge.

The scope for taking risks should be a major topic of discussion between Ministers and chief executives. Clearly there are areas where a zero tolerance approach to risk is appropriate. But there are areas, especially new initiatives and pilots, where officials and Ministers should both be more open to experiment and tolerant of the risk that comes with exploring new ways of working.