



Cabinet

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Minute of Decision

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Public Services to Meet the Needs of 21st Century New Zealand: Further Proposals for Structural Change

Portfolios: Deputy Prime Minister / State Services

On 2 May 2011, Cabinet:

Background

- 1 **noted** that the proposals set out below for structural reform in the State sector are consistent with a set of broad principles, namely clear priorities, high quality services, and reducing waste;
- 2 **noted** the following tests that have been applied in the case of Crown entities:
 - 2.1 is there a role for the government?
 - 2.2 does this need to be at arm's length from Ministers?
 - 2.3 does this need to be stand-alone?

Change proposals

- 3 **noted** that:
 - 3.1 after considering the views of Ministers and the chief executives of relevant departments, applying the tests set out in paragraph 2 above to Crown entities, and consulting with the State Sector Ministerial Group, proposals for reform have been developed as the next step in an ongoing programme of structural reform;
 - 3.2 the proposals for reform involve selected agencies in the Education sector and the arts, culture and heritage sector, and a set of seven Crown entities and three tribunals;
- 4 **directed** the State Services Commission, in consultation with the Treasury, to report back to Cabinet following "due diligence" on the sets of machinery of government proposals outlined in paragraph 5 below, including advice on:
 - 4.1 the views of relevant chief executives, Board chairs, key staff as required, and key stakeholders (including the Public Service Association) on the opportunities and risks which arise from this;
 - 4.2 the financial implications of the proposed changes;

- 4.3 the legislative implications of the proposed changes;
- 4.4 the regulatory impacts of the proposed changes;
- 4.5 wider implications for the organisations concerned;
- 4.6 any compelling reasons for the proposals to be varied, including alternative, better proposals;
- 4.7 appropriate processes and timing for the changes;
- 4.8 in the case of the Education sector, a full range of options to improve the government's contribution to skills development, and Education sector quality assurance;

5 agreed that the due diligence process outlined in paragraph 4 above be applied to the following machinery of government proposals:

Education sector

- 5.1 transfer work within Vote Employment that currently includes labour market information and analysis, related policy advice and some operational facilitation, from the Department of Labour to the Ministry of Education 9(2)(f)(iv)
- 5.2 merge the Education Review Office and the New Zealand Qualifications Authority (NZQA) into an education quality assurance agency, and consider what should happen with the non-quality assurance functions of NZQA;

Arts, Culture and Heritage sector

- 5.3 (1) Withheld under s 9(2)(g)(i) OIA
the New Zealand Film Commission (a Crown entity) and Film New Zealand (an independent industry-led trust);
- 5.4 (2) consolidate most/all audiovisual archival functions from the New Zealand Film Archive, Radio New Zealand, and Television New Zealand into the Film Archive (an independent trust);
- 5.5 consolidate management of heritage property portfolios between the New Zealand Historic Places Trust, the Department of Conservation, and potentially other agencies in the arts, culture and heritage sector;

5.6

9(2)(f)(iv)

- 5.7 investigate opportunities to reform media standards authorities (the Broadcasting Standards Authority, the Advertising Standards Authority, the Press Council and the Office of Film and Literature Classification), including the option of consolidation into a single organisation;

- (1) The proposal being considered is to "encourage greater collaboration between the NZ Film Commission and Film NZ."
- (2) The proposal being considered is to "encourage [agencies] to consolidate material into the Film Archive"

Other Crown entities and tribunals

- 5.8 disestablish the Alcohol Advisory Council of New Zealand (ALAC), and transfer its functions to an arm's length health promotion entity (combining relevant functions from ALAC, the Health Sponsorship Council, and the Ministry of Health);
- 5.9 disestablish the Health Sponsorship Council (HSC) and transfer its functions to an arm's length health promotion entity (combining relevant functions from ALAC, HSC, and the Ministry of Health);
- 5.10 disestablish the Crown Health Financing Agency (CHFA) and transfer its district health board lending function either to the Ministry of Health or to the Debt Management Office, transfer the management of residual Area Health Board liabilities to the Ministry of Health, and determine the best future location for property management;
- 5.11 delegate the Mental Health Commission's co-ordination and monitoring functions to the Ministry of Health and its advocacy function to the Health and Disability Commissioner, or bring forward the date it is due to cease functioning (31 August 2015);
- 5.12 disestablish the Charities Commission and transfer its functions to the Department of Internal Affairs (while ensuring that registration decisions remain separate from Ministers);
- 5.13 integrate the back offices of the Privacy Commissioner and the Human Rights Commission
 9(2)(f)(iv) & 9(2)(g)(i)
- 5.14 disestablish three tribunals – the Health Act Boards of Appeal, the Maritime Appeal Authority, and the Land Valuation Tribunals – and transfer their functions to the District Court, in the context of further work led by the Ministry of Justice to streamline tribunals and improve administrative efficiency;

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9(2)(f)(iv)

- 7 **agreed** that a group of Ministers be established to oversee the due diligence process in the Education sector, comprising the Minister of Finance, Minister of State Services, Minister of Education, Minister for Tertiary Education and the Minister for Social Development and Employment;

- 8 **directed** officials to report back to Cabinet on the due diligence process referred to in paragraph 4 above:
- 8.1 by August 2011 in respect of paragraphs 5.1 and 5.2 above (Education sector proposals);
- 8.2 by early July 2011 in respect of paragraphs 5.3 to 5.14 above (Arts, Culture and Heritage sector, Crown entity and tribunal proposals);

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9(2)(f)(iv) & 9(2)(g)(i)

Further proposals

- 10 **noted** that further proposals for reform will focus on whole sectors, and build on current work

9(2)(f)(iv)

Financial implications

- 11 **noted** that the costs of due diligence will be met out of the State Services Commission's baseline;
- 12 **noted** that it is intended that transition costs be met within current baselines;
- 13 **noted** that the costs and savings of the proposals have not been determined at this point, but will be quantified as part of the due diligence process and reported back to Cabinet following that process;

Legislative implications

- 14 **noted** that, following the due diligence process, the Minister of State Services will report to Cabinet with recommendations on the detail of the legislative amendments required to give effect to decisions relating to the Crown entities and tribunals referred to in paragraphs 5.3 to 5.14 above, so that drafting instructions can be provided to the Parliamentary Counsel Office;
- 15 **noted** the intention that the legislative changes be included in a single omnibus bill, to be introduced into the House and referred to select committee by September 2011;

Publicity

- 16 **noted** that relevant Ministers will discuss options for communicating the due diligence process and decisions, as appropriate;

- 17 **agreed** that, to maintain confidentiality, the State Services Commission be exempt in relation to this due diligence process from the mandatory rule that open tenders are to be advertised publicly on the Government Electronic Tenders Service (GETS) when procuring goods and services valued at over \$100,000.

Released by the Minister of State Services