

Chair
Cabinet

Next Steps in Improving State Services Performance

Proposal

1 This paper outlines the general direction of development in the State Services portfolio and recommends some specific next steps to further advance in that direction. The changes I propose involve options to amalgamate a number of existing agencies, and, in other cases, improve governance arrangements across agencies to improve frontline service delivery. In this paper I propose three amalgamations to improve efficiency and effectiveness. They are:

- amalgamation of the Foundation for Research, Science, and Technology (the Foundation) into the Ministry of Research, Science, and Technology (MoRST) with an option of integrating these two agencies within the Ministry of Economic Development (MED);
- amalgamation of Archives New Zealand and the National Library of New Zealand into the Department of Internal Affairs;
- amalgamation of the New Zealand Food Safety Authority (FSA) and the Ministry of Agriculture and Forestry (MAF).

All changes proposed will be accomplished within baselines and all will involve savings to varying degrees.

2 I also propose improved governance among agencies in the border sector and also the social sector agencies to accelerate progress in delivering better service delivery in both sectors.

Context

3 The medium-term financial outlook implies that many State services agencies will receive no increase in their budget baselines for a considerable period. The 'core administration' of government will be much more financially constrained than it has been for a long time. Any new money we are able to devote to public services will be invested in priority frontline services and, even here, increases will often be smaller than those of the past decade.

4 The fact of financial constraint does not mean that we should assume that reductions are inevitable in the quantity or quality of necessary services that Government and citizens value. Both Government and the public have high expectations of our State services. Expectations are rising over time, and rightly so. Taxpayers put a great deal into the State services and expect a world class service even if the funding increases of the past few years cannot continue.

5 The combination of high expectations and prolonged fiscal constraint will require an ongoing programme through the State services to focus on our highest priorities and to deliver services in different, more innovative and cost-effective ways.

- 6 As a result of the Government's work to improve state sector performance over the past year a number of features of the future state sector are becoming clear. In particular:
- many more services, particularly transactional services, will be primarily delivered to New Zealanders online for reasons of convenience to citizens and efficiency for government. This will require the Government's investment programme, especially in respect of information and communications technology, to be better prioritised and integrated across government;
 - increasingly, social service delivery will be much more tailored to the needs of individual communities and families. From the viewpoint of an individual, more services will be bundled together rather than being separately delivered through disconnected government agencies and NGOs;
 - "back office" functions will be delivered much more efficiently across the State services. This will include, where cost-effective, contracting out to the private sector and shared services (e.g. shared procurement) between groups of agencies and across the wider government sector. Where it makes sense, small agencies with relatively high fixed costs may be integrated, fully or in part, on larger agency platforms that are likely to be more sustainable through an extended period of fiscal restraint.
- 7 In summary, instead of New Zealanders navigating their way across what is, at times, a complex and fragmented government sector, the government sector will be expected to organise itself in a way that makes government much more accessible to New Zealanders and delivers its services more efficiently.
- 8 A number of initiatives to progress this change are underway:
- Work has begun by the Ministry of Social Development (MSD) and the Inland Revenue Department (IRD) to investigate the feasibility of a "Service link" concept, involving seamless, online delivery of a range of, at least initially, MSD and IRD services.
 - MED is leading an all-of-government approach to the procurement of basic capital items (eg vehicles, computer hardware)
 - The Treasury-led work on Better Administration and Support Services will establish a benchmark for the costs of various "back-office" functions across government.
- 9 While considerable improvement in the efficiency and effectiveness of State services delivery can occur within current organisational boundaries, the Government will need to consider, from time to time, so called 'machinery of government' changes. These include:
- The reallocation of functions between government agencies;
 - The need for the creation of new agencies and the amalgamation or abolition of existing agencies;
 - Improving the co-ordination of activities across agencies where this will generate a better result for policy advice or service delivery.

Under section 6 of the State Sector Act 1988 the State Services Commissioner has a responsibility to review all areas of machinery of government on an ongoing basis.

- 10 The Government has already made a number of such ‘machinery of government’ changes in response to poor agency performance (e.g. Legal Services Agency), sectoral reviews (e.g. structural changes flowing from the Report of the Ministerial Review Group on Health) or pre-election or Confidence and Supply Agreement commitments (e.g. establishment of the Productivity Commission).
- 11 The proposals in this paper have also been initiated for a variety of reasons. Consideration of the CRI Taskforce Report has sharpened the focus on the future roles of MoRST and the Foundation. The State Services Commission’s consideration of the role and functions of individual Public Service departments, in the lead-up to decisions on appointment and reappointment of chief executives, has initiated consideration of the future of NZFSA, MAF, and Archives New Zealand. The need to accelerate the pace of change around the delivery of social sector and border services has highlighted the opportunities to improve coordination in those sectors.
- 12 As the momentum for change builds in the state sector over the next few years, more opportunities to improve state sector performance through machinery of government changes will arise. Rather than making a ‘big bang’ change that tries to fit a complex state sector into a ‘one size fits all’ model, changes need to be considered on their individual merits. While this means that the benefits of any one proposal are likely to be relatively small, it is important that any proposals are evaluated against a common set of objectives so that the overall programme is coherent and delivers significant cumulative benefits over time. The next section sets out a common set of objectives to evaluate the current, and any future, set of proposals.

Objectives of Machinery of Government Change

- 13 The common objectives behind any machinery of government change should be:
 - a) Improved service (within existing baselines):
 - i. improving the quality of services to citizens and stakeholders, (e.g. more seamless service delivery where appropriate); or
 - ii. improving responsiveness to Ministers- more coherent, timely advice and action; or
 - iii. better alignment of functions to achieve government priorities.

AND/OR

- b) Reduced cost in the short to medium term (especially in core government) through
 - i. eliminating the need for unnecessary duplication of functions or low-value coordination activities across agencies particularly if their activities rely on similar skills, processes and technologies; or
 - ii. achieving economies of scale (e.g. delivering basic ‘backroom’ functions off a larger corporate platform) or economies of scope (e.g. grouping similar activities together); or
 - iii. disestablishing functions that have a lower priority in light of Government’s objectives and the tight fiscal outlook.

AND/OR

- c) Future-proofing the long-term delivery of government services through, for example:
- i. ensuring that small to medium-sized agencies, with relatively high fixed costs, can operate through a long period of fiscal constraint off more sustainable, lower cost corporate platforms;
 - ii. ensuring that investment decisions in closely related technologies or systems are strongly integrated, where needed, to reduce the costs of the Government's investment programme and to accelerate the realisation of the benefits of investment across government.

Any proposed change needs to ensure that any countervailing factors can be managed appropriately (e.g. reduced transparency of information to Ministers, protection of independence around exercise of statutory functions) and that the proposed organisation will be manageable in terms of size, future viability and scope of functions.

As an alternative to structural change, changes in the governance of functions that cross agency boundaries can be considered where agencies need to work together around a common outcome or customer group but:

- there is a need to maintain separation of powers;
- there is a relatively small overlap compared to the size of their main functions;
- the shared function is too small to warrant a stand-alone agency;
- the agencies have a shared interest, but need to remain separate to maintain an appropriate policy tension.

- 14 In designing new organisational forms we must ensure that any countervailing factors can be managed appropriately (e.g. potential conflict of functions, protection of independence of statutory functions). In addition, any proposed organisation must be manageable in terms of size, future viability, and scope of functions.

Comment

Structural Changes

- 15 The State Services Commissioner has consulted all the chief executives whose agencies may be affected by changes proposed in this paper. He is of the view that a measure of agreement is needed for structural changes to be proposed, given that the chief executives of the agencies concerned are experts in their fields and will be asked to drive implementation of any changes agreed by Cabinet. There is unanimity among the chief executives that performance improvement can be achieved by changing organisational arrangements. That is, there is agreement that MoRST, National Library, Archives New Zealand, and NZFSA should all become part of larger entities. There is some disagreement about what those larger entities should be, their nature, and precise functions. These different options are noted in the paper.
- 16 The State Services Commissioner has considered a number of possible future configurations. Three of these are:
- amalgamation of the Foundation for Research, Science, and Technology (the Foundation) and the Ministry of Research, Science, and Technology (MoRST)

with an option of integration of the two agencies within the Ministry for Economic Development (MED).

- amalgamation of Archives New Zealand and the National Library of New Zealand into the Department of Internal Affairs
- amalgamation of the New Zealand Food Safety Authority (NZFSA) and the Ministry of Agriculture and Forestry (MAF).

- 17 In each of these cases the State Services Commissioner has asked whether there is a compelling reason for the departments to remain on their present stand-alone basis. The answer is no. He has further asked whether there are savings and/or significant effectiveness gains to be had from the proposed amalgamations. The answer is yes.
- 18 Projected savings from the changes proposed are presented below. These figures are likely to be conservative. As implementation and consolidation of changes occurs officials will ensure that opportunities for further savings are maximised.
- 19 Therefore, on the basis of advice from the State Services Commissioner, I am recommending these three structural changes for Cabinet agreement. Further detail on each proposal is provided below.

Ministry of Research Science and Technology and Foundation for Research Science and Technology

- 20 New Zealand's funding system for research, science, and technology (RS&T) was established in the early 1990s on a clear and strong theoretical basis of separating policy, purchase and provider roles. Funding pools were to be contestable.
- 21 Strengths and weaknesses in the RS&T system were highlighted in a 2007 review of New Zealand's Innovation Policy carried out by the OECD¹. The report noted that one of the weaknesses was the fragmented system of government support for Research and Development and Innovation, combined with a lack of coherence across the full range of innovation-related policies. At present, there is duplication of policy advice on RS&T planning and prioritisation between MoRST and the Foundation.
- 22 At the operational level, the multiplicity of agencies and funds causes programme and product clutter, lack of clarity about the policy framework, confusion about lead agency responsibilities, and associated difficulties for researchers and firms to get the help they need.
- 23 At the agency level, the degree of institutional fragmentation in the RS&T system imposes multiple lines of accountability. For example, the Report of the CRI Taskforce comments that an individual CRI is accountable to the shareholding Ministers directly, and that the Treasury, MoRST and the Foundation all monitor different aspects of CRI performance, often in isolation from each other. The Report considers that the institutional arrangements can be considerably simplified.
- 24 MoRST is a small department facing fixed or reducing nominal baselines over a prolonged period. Its ability to retain critical skills and maintain services at the required level will come under increasing pressure over the next few years. Long term agency viability emerges as an issue for this department. The Foundation is a similarly small agency.

¹ OECD Reviews of Innovation Policy: New Zealand – September 2007 - ISBN 978-92-64-03760-1

- 25 Of the change proposals in this paper this is the only one which brings together functions; policy advice, contracting and monitoring, that have previously deliberately been kept separate. There may be a need to manage tensions between these by means of careful internal separation of roles in the new organisation. However, bringing them together is necessary in view of the issues with current arrangements outlined above, and in view of the small scale of the functions involved. Consequently the State Services Commissioner has concluded that there is no longer a case for retaining MoRST and the Foundation in their current form. Two change options are explored below. One is an amalgamation of MoRST and the Foundation. The second is an amalgamation of MoRST and the Foundation with the Ministry of Economic Development.
- 26 An amalgamation of MoRST and the Foundation would be positive in terms of financial efficiency, and positive for the Government's policy direction.
- 27 Further benefits of the proposal are that it will:
- establish a visible agency that clearly leads the RS&T sector, with combined operational and policy knowledge and single accountability
 - ensure that a single RS&T strategy drives the allocation of contestable and long-term resources, with reduced risk of double-dipping
 - make public funding for scientific research more responsive and closer to government
 - reduce complexity and transaction costs across the RS&T system
 - enable some efficiency gains
 - bring into the expanded Department the links that the Foundation has in the research, science and business communities to inform its policy development
 - increase critical mass and build capability by combining the expertise of two small agencies into a more viable (but still relatively small) platform.
- 28 The amalgamation of the two agencies will lead to the possibility of reducing staff by 10 to 20 positions, or around 10% of the current FTE staffing of these two agencies. It is estimated that this could save up to \$2 million per annum. Savings would come predominantly from combining corporate functions. These savings would take time to be realised as they depend on the ability to rationalise systems. Additional savings would come from the disestablishment of one Crown entity Board and of one chief executive position. There would, of course, be costs of change as well – some redundancy costs at least and there would be accommodation issues to manage. All costs would be met from within baselines. Over time savings would outweigh costs of change.
- 29 There are some risks in the proposal. I do not want to alter, or be perceived to have altered, the independence of decision-making in respect of the funding of particular research proposals or research programmes. Consequently I would recommend that, in the implementation of this proposal, that the Foundation's establishing Act not be repealed, but amended to provide:
- a new provision that would explicitly require the contestable resource allocation decisions to be made fairly and equitably by or under the authority of the chief executive of the administering Department independently

- a requirement that the chief executive establish an advisory panel or panels to assist her or his decision making in relation to the allocation of contestable funds
 - a requirement that the Department publish the criteria against which the contestable funding applications will be assessed and include in its annual report an account of the advice received and how it was handled.
- 30 In terms of the Machinery of Government Objectives, outlined in paragraph 13, this proposal:
- Is positive in terms of financial efficiencies and reduced transaction costs for sector stakeholders
 - Will improve effectiveness and responsiveness from the perspective of both Ministers and the wider sector
 - May help ‘futureproof’ the functions through some increase in organisational scale.
- 31 The chief executive of the Ministry of Research Science and Technology favours this option rather than the amalgamation with MED discussed below.

Ministry of Research Science and Technology, the Foundation, and the Ministry of Economic Development

- 32 The State Services Commissioner also proposes for consideration the amalgamation of both MoRST and the Foundation with MED. There have been concerns that there has been too little emphasis on economic growth and performance in our science research sector, and that there is a need to improve the contribution that science makes to New Zealand, especially to economic growth.
- 33 This option would capture the benefits of the more limited MoRST/Foundation amalgamation and build on them by adding the complementary analytical and advisory skills and functions of MED to achieve shared outcomes in priority areas for science and economic development. The explicit objectives would be to:
- align innovation/science policy with wider economic development policy recognising the importance of science/research as an economic driver
 - improve coordination and linkages between science policy, innovation, business development and economic growth, and get faster traction on progress
- 34 To this end it would be possible to:
- improve outcomes by better aligning activity from the government’s total economic development related spend across Votes RS&T and Economic Development which is in the order of \$550 million per annum;
 - reduce transaction costs relating to science, innovation and industry policy (such as for NZTE, sector stakeholders, and government departments);
 - consolidate policy capability across science and innovation;
 - consolidate within one organisation the existing evaluation and monitoring capability of the agencies;
 - secure efficiencies from needing only a marginal increase in MED’s current corporate footprint (with the exception of contract management where the Foundation has the more effective system).

- 35 The Ministry of Economic Development estimates that this proposal would lead to per annum financial savings of between \$2.8 million and \$3.2 million, or up to \$9 million over three years. One off transitional costs are estimated to amount to \$1.7 million to \$2.8 million and the FTE reduction is estimated to be in the range of 37-41.
- 36 There may be some risk that the RS&T currently targeted at environmental, health and social results for New Zealand could receive less emphasis within MED, or be perceived to be at risk. This risk can be managed by:
- ensuring there are clear specifications in the resource allocation, accountability and reporting documents and systems about the full range of objectives and outcomes;
 - boosting the role of the Prime Minister's Chief Science Advisor, for example an advocacy role to ensure linkages between science policy and environmental, social and health outcomes;
 - establishing a strategic investment advisory board to provide advice on science investment priorities (the role of the board could be established in legislation)
 - establishing an operational division to manage contestable funding processes, within a framework set by Ministers. This could be a statutory office to ensure independence of decision-making.
- 37 It may also be advisable for the Ministry to be renamed to reflect and emphasise its broadened role. This option would, however, entail some costs.
- 38 In terms of the Machinery of Government Objectives, outlined at paragraph 13, this proposal:
- is more positive than the other proposal in terms of financial efficiencies;
 - would improve effectiveness more than the more limited MoRST/Foundation amalgamation, by increasing alignment with Government economic development objectives;
 - will help 'futureproof' the functions through their location within a much bigger and therefore more sustainable organisational structure.

Treasury comment

- 39 Treasury supports the option of merging both MoRST and the Foundation into MED in order to better integrate science into economic policy. The merger should enable coherence across the full range of innovation-related policies from RS&T through to firm innovation, technology transfer and commercialisation and enable a strong focus on getting economic gain from our public investment in R&D. We consider that the proposals in the paper adequately address the risk that economic development objectives could sideline other RS&T objectives that are valuable for New Zealand, such as environmental, health and social results.
- 40 Both structural options put science policy, long term and contestable funding and CRI non-financial monitoring into a single merged agency. Treasury considers that there is a risk that the merged agency could overly favour CRIs in its contestable funding purchasing decisions. This risk is mitigated by the requirement for an advisory panel to advise on the allocation of contestable funds and by the requirement that the merged entity include in its annual report an account of the advice received from the advisory panel and how it was handled.

Department of Internal Affairs, National Library and Archives New Zealand

- 41 Technology will play an increasing role in ensuring government discharges its responsibilities to manage information effectively and efficiently, and meet New Zealanders' expectations that they can access information in ways that suit them. Central to this is the need to exploit digital capability to manage information and effective stewardship of and access to information held within the online domain.
- 42 Each of these three agencies stores and provides information which is of particular value because it is gathered, verified, classified or organised by government for the present and future benefit of our people and nation. Examples are archives, collections of national cultural importance, identity records, publicly accessible datasets and government statistics. All three agencies are investing to deliver their information online, 24/7, to New Zealanders. Both Archives and National Library have significant digitalisation plans and bringing these departments together with DIA will support this development with less risk and cost. It will produce opportunities for the use of common capability, economies of scale, and transfers to frontline services through shared backroom services and better access for the public.
- 43 We have considered whether there are any risks involved in this proposal which would justify leaving either National Library or Archives New Zealand on a stand-alone basis. In the case of Archives New Zealand, officials have carefully considered whether, given its constitutional importance, the need to maintain the independence of the Chief Archivist necessitates retaining a separate Archives department. It is quite clear that continuing with a stand-alone Archives department is not necessary. Advice from Crown Law confirms this both in terms of public management principles and previous judicial rulings on the matter.
- 44 Department of Internal Affairs (DIA) has a pivotal role in providing information services. Through its responsibilities in Identity Services in particular, it is experienced in being the trusted custodian of New Zealanders' records and information. Recently, in July 2009, DIA successfully absorbed the Government Technology Services (GTS) functions and staff from the SSC. Through its role with GTS, DIA has the capability to bring enhanced technology to collecting, storing and preserving records and information, and enabling its reuse to bring forward new thoughts, ideas and economic opportunities.
- 45 It can be anticipated that this amalgamation will result in:
- future-proofing of all these key skills and functions by placing them on a much larger corporate platform with ongoing viability in times of fiscal constraint;
 - lower corporate overheads (fewer senior managers and shared corporate services);
 - reduced collaboration transaction costs (less duplication and fewer agreements to manage and simpler funding arrangements);
 - improvement of current systems through the sharing of each agency's technologies and staff capabilities.
- 46 DIA estimates that efficiencies in ICT functions and elimination of back-office duplication would over three years deliver financial efficiencies of \$3-9 million. One-off transition costs are estimated at \$2.5 million in the first year, to be managed within baselines. Initial estimates are that the change would reduce FTE staff numbers by at least 15.

- 47 Risks have been considered and can be mitigated. We are conscious that stakeholders are likely to express concerns that specialist services and skills in the separate departments would be lost. While Archives New Zealand and the National Library are currently well regarded and successful institutions, the prospective role of an enlarged DIA is not as well understood. Officials consider that good change management and communications can mitigate these risks. Stakeholder concerns could include a view that the Chief Archivist's independence or archival practice would be undermined, or that the separate status of the Alexander Turnbull Library would be threatened. This risk can be mitigated by retaining, with only necessary minor amendments, the legislative provisions which currently set out the role and powers of Chief Archivist and National Librarian, together with associated bodies such as the Archives Council. However, it is unlikely that mitigation of risk in these ways will allay a level of publicly expressed concern.
- 48 In terms of the Machinery of Government Objectives, outlined in paragraph 13, this proposal:
- will help 'futureproof' the functions of the two smaller agencies through their location within a much bigger and therefore more sustainable organisational structure;
 - is positive in terms of financial efficiencies;
 - will improve effectiveness by bringing together key skills and consolidating resources in the information and ICT fields.
- 49 The chief executive of the National Library does not support this proposal and instead favours an amalgamation of National Library and Archives NZ as a prelude to consideration of more extensive amalgamation of agencies not centred on the Department of Internal Affairs.

New Zealand Food Safety Authority and Ministry of Agriculture and Forestry

- 50 A large part of New Zealand's GDP is based on commerce and trade of animal and plant products. Over 60,000 farms and 35,000 food businesses operate in the sector. Around 2/3rds of our merchandise exports are animal and plant products, often traded into the most heavily protected markets in the world. Our future prosperity depends on driving growth and productivity in industries involved with animal and plant products, and in meeting increasingly complex international requirements for trade in these products.
- 51 MAF and FSA impact on these industries through the whole value chain – they provide policy advice, regulation and service delivery in the areas of natural resources, the business environment, innovation, and the protection of New Zealand's public, animal and plant health, as well as facilitating trade. It is imperative that New Zealand uses a common risk management framework and consistently applies the principle of "trade is a two way street" when managing risks spanning domestic food safety, and imports and exports of animal and plant products. There is a risk that two departments will diverge from a strategic and integrated approach to risk management, especially within a changing context for our export trade with a wider range of official and commercial assurances being sought beyond health and safety.

52 Internationally the term 'bio-security' can be used to describe a strategic and integrated approach to analysing and managing relevant risks to human, animal and plant life and health, and associated risks to the environment. Amalgamating NZFSA and MAF would create a single integrated organisation focused on the integrity and performance of the biological economy*. It would provide strategically for:

- A single integrated 'Competent Authority' with alignment of regulatory interventions focused on integrity, effectiveness and efficiency along the full supply chain, that will minimise compliance costs;
- A whole-of-system view of the primary industries and biological value chains that is working at the very core of Government's priorities for growth and productivity;
- Achieving the required levels of protection in the areas of public, animal and plant health while facilitating commerce and trade;
- Alignment of international trade policy and coordination of responses to increasingly complex international trade requirements;
- Management of 'reputation commons' risks such as intensification of farm practice impacting on sustainability, public, animal and plant health and animal welfare policies.

53 Operationally it would provide for:

- A one-stop shop for industry with more consistent and coordinated engagement with stakeholders
- Event/emergency/incursion response and risk communications efforts that are fully aligned and coordinated
- Increased technical critical mass in specialised areas of biological risk management and regulation
- Facilitating the introduction of new technology, the impact of which often spans the entire supply chain, along with science efforts that are more fully aligned, including PGP, SFF, with public, animal and plant health efforts

54 The main drivers of this change are strategic positioning for the future, increased effectiveness, and operating efficiencies, rather than primarily fiscal savings. Meeting international trade expectations around a single integrated agency will have significant reputational and operational benefits for New Zealand. In terms of the machinery of government objectives this change emphasises elements of effectiveness and future-proofing. However, it is expected that up to \$1 million per annum would be available as savings, with a reduction of around 20 FTEs, and that the change would be accomplished on an, at least, fiscally neutral basis. Both departments will be asked to manage the costs of amalgamation from within existing baselines.

Savings in Vote State Services from structural changes

55 If all the proposals were accepted then the saving in CE salaries would be just over \$1.000 million per annum. The State Services Commission could potentially save in the order of \$400,000 in chief executive recruitment costs in the 2009/10 and 2010/2011 financial years and there would be flow-on recurrent savings in out-years.

* biological economy referring to commerce and trade of animal and plant products

Improved Governance of cross-agency work

- 56 Earlier in this paper I outlined the various reasons why governments undertake machinery of government reform. One of these is to secure better coordination between agencies. In some cases, better coordination can be achieved by strengthening governance without changing structures.
- 57 To speed progress on delivering outcomes-focussed social services, agreement is sought to test some approaches for improving local area service delivery, under the MSD chief executive's leadership of the Social Sector Forum.
- 58 A range of joint initiatives between the MSD and IRD is underway that will transform the way transactional services are delivered to citizens.
- 59 Strengthened governance arrangements are proposed for the border sector, through the formation of a Border Sector Ministerial Group.

Social sector forum: transforming service delivery

- 60 Across the social sector, Ministers and Departments are taking action on a range of initiatives to progress the Government's and Ministerial priorities for delivering outcomes-focussed social services. These include:
- using cross-government approaches to address complex social problems early
 - supporting people to access the range of services they need from one place e.g. Community Links and Community Health Centres
 - supporting community organisations to deliver integrated services that are outcomes focussed and meet the community need e.g. High Trust Contracts, and developing new approaches to NGO funding.
- 61 The State Services Commissioner has asked the Social Sector Forum (SSF) to find ways of tackling social sector problems before they escalate, and to find better ways of working together. The intention is to move from remedial actions to preventative intervention. This requires an unprecedented level of cooperation, not only between agencies of State, but also with NGOs which may be the appropriate agency for delivery of services in the community. It will also require the identification and removal of barriers, of which the most significant identified are: differing sector funding mechanisms and the ability of local staff dealing with an issue to make resource allocation decisions; privacy matters; and compatibility of IT systems.
- 62 The SSF, comprising the chief executives of MSD (chair) and of the Ministries of Health, Education and Justice have been meeting regularly to coordinate cross-agency activity across the social sector. I propose that the role of the SSF be formally mandated and in particular that the chief executive of MSD be formally mandated to convene the SSF, which will also involve Treasury, DPMC, and the State Services Commission. I further propose that the ongoing work of the SSF be overseen by the Cabinet Social Policy Committee.
- 63 I also propose that, to guide the strategy for the SSF, including new models currently under development for delivering outcomes-focussed social services, the Minister of State Services prepare a report to the Cabinet Strategy Committee.

Ministry of Social Development and inland Revenue Department: improving efficiency and customer experience

64 The State Services Commissioner has asked MSD and IRD to develop a programme of initiatives that would transform the way transactional services are delivered to citizens. A programme has been developed that will deliver better, customer focussed services and produce tangible savings or increased service levels at no additional cost. The work programme complements the work of the Social Sector Forum.

65 The projects in the programme are:

- Service Link service delivery – an efficient and seamless service experience to access a wide range of transactional services (initially MSD and IRD) through a single online channel, backed by a single 0800 number and call centre support.
- Working for Families/Tax reform – single point access and delivery of assistance backed by cross-agency coordination, standardised operating procedures and improved operational sharing behind the scenes.
- Seniors portal – delivery of New Zealand Super and other services to over 65 year olds through a single channel, integrated with service link.
- Student finance delivery options – building on the IRD/MSD integrated system for student loans and allowances, this project will identify potential options to establish a single student finance service.
- Centre of excellence for debt management – identifying options for improving the efficiency in the management and collection of debts owed to the Crown. This project will also look at options for a single agency to manage and collect money owed to the Government. This agency would also have a focus on preventing debt creation.

66 The programme is driven by a number of objectives:

- Create a seamless “linked services” approach – simplified, single point, self-navigated access to services.
- Achieving better efficiency – reducing the “cost to serve” by avoiding duplication and leveraging technology.
- Unlock potential savings – for instance, using information collected through a single channel in real time to reduce debt that arises through a lag in information collection and dissemination.
- Increasing compliance – achieving greater compliance through simplified and harmonised processes that make it easy for customers to comply with their obligations.

Border sector governance

67 International trade, travel and migration are vital for New Zealand’s economic and social prosperity. For the full benefits to be realised, integrated, effective and efficient border management is required. The Border Sector Governance Group (BSGG)² provides the mechanism for coordinated border management in New Zealand [CAB Min (07) 37/4], and has delivered excellent results to date. Achievements include a

² Comprising chief executives from the three main border agencies – Ministry of Agriculture and Forestry, Department of Labour, New Zealand Customs Service, as well as the Department of Internal Affairs, Ministry of Transport, and New Zealand Food Safety Authority.

joint work programme with Australia to streamline trans-Tasman travel; better connected frontline service delivery (e.g. at international airports); and potential savings through combined and complementary information systems development proposals (i.e. the Joint Border Management System (JBMS) and the Immigration Global Management System (IGMS)).

- 68 There is opportunity for further traction and results to be delivered by the sector. To achieve this, it is proposed that the BSGG collaborative model be strengthened by establishing a formal border sector Ministers' group. This would comprise the Bio-security, Immigration and Customs Ministers, with others invited as required.
- 69 Oversight from the Ministerial Group would ensure a focus on the bigger picture within the context of the Government's overall policy agenda and priorities, provide leadership and direction to border sector chief executives on the strategy for the sector, ensure co-ordination and consistency of planning across the system and proactively drive the sector work programme.
- 70 Given that it is intended the Chair of the BSGG is reviewed annually after 2011, it is proposed that the leadership role in the Ministers' group also change at the time of any changes of BSGG Chair in portfolio alignment. As the Comptroller of Customs currently chairs the BSGG, it is proposed that the Minister of Customs invite the BSGG to engage with the Ministers' group by the end of April 2010 to discuss the way forward.

Implementation

- 71 Following Cabinet consideration of the proposals in this paper the State Services Commissioner will design implementation proposals for those changes agreed and I will report back to Cabinet on this in the near future.

Consultation

- 72 The chief executives of the following agencies were consulted in the process of formulating the proposals in this paper: NZFSA, MAF, MoRST, the Foundation (Chair as well as CE), Archives New Zealand, National Library, MSD, IRD, DoL, Customs, Treasury, Ministry of Economic Development. DPMC has been informed.

Financial implications

- 73 All the structural change options proposed in this paper involve smaller agencies amalgamating with larger agencies, in recognition that larger agencies are better placed to absorb costs, withstand fiscal pressures and to drive efficiencies.
- 74 All initial costs of transition associated with the changes will be met fully within the existing baselines of the entities concerned over the current baseline period (2009/10 to 2013/14), so as to ensure there is no net cost for the Crown (and by implication no adverse impact on Budget operating and capital allowances).
- 75 The total savings from the proposals in this paper (including the MED/MoRST/Foundation option) are estimated to be at least \$16 million over 3 years and up to \$25 million over 3 years. The staffing reductions from the changes (if all proposals accepted) is estimated as at least 72-76 full time equivalents. The total operating spend of the five agencies – MoRST, the Foundation, NZFSA, National Library, Archives New Zealand – is of the order of \$227 million per annum.

Human rights

- 76 The proposals in this paper have no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative implications

- 77 *NZFSA and MAF* – If agreed, the amalgamation of FSA with MAF would require two Orders in Council.
- 78 *MoRST and the Foundation* – If agreed, the amalgamation of the Foundation and MoRST would require amendments to the Foundation for Research, Science and Technology Act 1990. Consequential amendments would also be required to a small number of other Acts.
- 79 *Archives New Zealand and National Library of New Zealand* – If agreed, the amalgamation of Archives New Zealand and the National Library of New Zealand into DIA would require amendments to the National Library of New Zealand (Te Puna Mātauranga o Aotearoa) Act 2003 and the Public Records Act 2005. Consequential amendments would also be required to a small number of other Acts.

Regulatory impact analysis

- 80 A regulatory impact statement is not required on the basis that the proposals concern internal administrative arrangements of government with no or only minor impacts on businesses, individuals or not-for-profit entities.

Publicity

- 81 The proposals in this paper have implications across a range of Ministerial Portfolio responsibilities. My office is liaising with the offices of relevant Ministers to prepare a communications package around the decisions recommended in this paper. The timing for announcements is subject to consultation with Ministers' offices, and is expected late March 2010.
- 82 The State Services Commissioner is developing arrangements for overall governance of the changes outlined in this paper. These arrangements include using the existing Central Agency chief executive group to take responsibility for oversight of the change package and any coordinated reporting that is required.

Recommendations

- 83 It is recommended that Cabinet:

- 1 **note** that the proposals in this paper arise from the application of consistent set of machinery of government objectives, stressing gains in terms of financial efficiencies, effectiveness, and future viability of agencies. These are consistent with the Government's overall direction for the State services portfolio
- 2 **note** that the State Services Commissioner has sought input from relevant chief executives in the reviews which form the basis of the recommendations in this paper
EITHER
- 3 **agree** that the Foundation for Research Science and Technology and the Ministry of Research Science and Technology be amalgamated into a new department

OR

- 4 **agree** that the Foundation for Research Science and Technology and the Ministry of Research Science and Technology be amalgamated with the Ministry of Economic Development
- 5 **agree** that the National Library and Archives New Zealand amalgamate with the Department of Internal Affairs
- 6 **agree** that the New Zealand Food Safety Authority amalgamate with the Ministry of Agriculture and Forestry
- 7 **note** that it is proposed to proceed with three major proposals for better governance of cross-agency work between the Ministry of Social Development and the Inland Revenue Department and that these will result in better services to citizens and businesses
- 8 **agree** that the chief executive of the Ministry of Social Development be formally mandated to convene the Social Sector Forum, and involve Treasury, DPMC and the State Services Commission.
- 9 **invite** the Minister of State Services to report to STR in June 2010 on the forward looking agenda for the Social Sector Forum, in particular on new models currently under development for delivering outcomes focussed social services.
- 10 **agree** that the ongoing work of the Social Sector Forum be overseen by the Cabinet Social Policy Committee
- 11 **agree** that the Border Security Governance Group model be strengthened by establishing a formal Border Sector Ministerial Group comprising the Minister of Customs, Minister of Immigration and Minister for Bio-security to: provide leadership and direction on the strategy for the sector, ensure co-ordination and consistency of planning across the system, and proactively drive the sector work programme.
- 12 **invite** the Minister of State Services to report back to Cabinet when further arrangements for implementation, including orders in council, legislative changes and other matters, for changes agreed as a result of the recommendations in this paper
- 13 **invite** the Minister of State Services to arrange for the public communication of the decisions made in this paper, including the release of this Cabinet paper.

Hon Tony Ryall
Minister of State Services

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