

## TERMS OF REFERENCE

### Study of the New Zealand State Sector Management Framework

This is an external study of the New Zealand State sector management framework, jointly commissioned by the State Services Commission and The Treasury, and carried out by Professor Allen Schick of the University of Maryland, Washington D.C., USA.

#### *Key Task*

To produce an authoritative, independent report which identifies and substantiates the extent to which public and political confidence in the reforms is justified, which points to improvements that can be made, and which stands as a benchmark against which future progress can be measured.

#### *Key Principles*

The key principles to guide the study shall be those of the State Sector Act 1988 and the Public Finance Act 1989, and the recommendations should be directed towards improving State sector management within the framework of those principles, drawing on experience with the reforms to date.

#### *Key Issues*

The review is to focus particularly on the roles of Parliament, Ministers and Chief Executives (CEs) in the new regime, on the clarity of each of those roles, and on the adequacy of the information available to support their decision making. The following list of issues to be addressed is indicative rather than exhaustive:

- ! the form and content of the Estimates, departmental plans and reports;
- ! the modes and structure of appropriations, especially as regards appropriation by output class;
- ! the specification of outputs and progress towards measuring outcomes;
- ! full cost attribution, including accrual accounts, the capital charge, and audited financial statements;
- ! the distinction between government as owner and government as purchaser;
- ! the practice and potential of strategic management;
- ! performance agreements and purchase agreements as 'contracts' between Ministers and Chief Executives;
- ! the scope of the flexibility (especially as regards finance) available to Chief Executives;
- ! the provision and contestability of policy advice;
- ! the new roles of the central agencies (Treasury, State Services Commission and Department of the Prime Minister and Cabinet);
- ! the evidence, including quantitative evidence, for the success or otherwise of the reforms.

**PROFESSOR ALLEN SCHICK: BIOGRAPHICAL NOTE**

Allen Schick is a Professor of Public Policy in the School of Public Affairs at the University of Maryland and a Visiting Fellow at the Brookings Institution. He previously taught at Tuft's University and served in the Congressional Research Service. Schick received a B.A. from Brooklyn College and M.A. and Ph.D. degrees from Yale University.

Schick is a specialist in political institutions and government finance. His books include *Congress and Money* (1980), *Crisis in the Budget Process* (1984), *The Capacity to Budget* (1990), and *The Federal Budget: Politics, Policy, Process* (1995). He is also the author of more than 200 articles and reports.

Schick has received the Brownlow Award from the National Academy of Public Administration for the best book on political institutions, the Hardeman Prize from the University of Texas for the best book on the U.S. Congress, and he has been recognised five times by the American Society for Public Administration for the best article in *Public Administration Review*. He has also received a Guggenheim Fellowship and the Waldo Prize for lifetime contributions to the literature of public administration.

Schick's current interests pertain to reform of government management. He has conducted studies for OECD on management reform in Australia, France, New Zealand, Sweden and the United Kingdom, and he has assisted management improvement in the newly-democratic countries of East and Central Europe. He has served as a project director for a study in contemporary budget practices published by the Organisation for Economic Co-operation and Development.

## Output Classes and Appropriation Items: 1995/96 Estimates

Vote	Number of Output Classes		Other Appropriation Items	Biggest Output Class (\$000)	Smallest Output Class (\$000)
	Departmental	Nondepartmental			
Accident Rehabilitation & Compensation Insurance	1	4	2	98,429	45
Agriculture	10	1	6	65,832	343
Attorney General	4	0	0	16,048	726
Audit	4	0	0	18,602	142
Business Development	1	1	1	4,997	2,114
Civil Defence	2	0	2	4,619	715
Commerce	6	6	7	8,764	134
Communications	2	5	2	12,556	599
Communication Security and Intelligence	Not Available			Not Available	
Conservation	9	2	11	41,685	1,129
Consumer Affairs	3	0	0	2,007	1,140
Corrections	6	0	1	166,001	891
Courts	6	1	4	88,794	2,250
CHEs	1	0	1	Not Applicable	
CRIs	2	0	1	1,466	238
Cultural Affairs	1	5	2	11,244	86
Customs	5	0	4	21,182	2,171
Defence	3	0	4	3,459	2,723
Defence Force	24	0	2	346,746	8,126
Dept. of Justice	14	5	3	58,905	38
Education	8	19	29	1,208,798	299
Education Review Office	4	0	0	9,321	422
Employment	5	4	6	78,350	582
Energy	6	1	6	8,241	1,572
Environment	2	4	5	13,182	386
Finance	9	0	16	19,949	1,115

Vote	Number of Output Classes		Other Appropriation Items	Biggest Output Class (\$000)	Smallest Output Class (\$000)
	Departmental	Nondepartmental			
Fisheries	7	1	2	19,477	860
Foreign Affairs & Trade	10	5	7	164,670	374
Forestry	6	1	5	25,009	1,323
Govt. Superannuation Fund	3	0	4	4,265	147
Health	7	13	6	1,128,760	1,063
Housing	3	0	1	9,348	2,304
Immigration	4	0	0	33,363	730
Internal Affairs	15	3	18	26,036	21
Justice	4	5	3	48,218	126
Labour	8	3	5	20,804	271
Local Government	2	0	3	1,918	1,425
Maori Affairs	10	1	11	6,932	296
National Library	6	1	1	14,259	47
Office of the Clerk	4	0	3	5,578	592
Ombudsmen	1	0	0	Not Applicable	
Pacific Island Affairs	3	1	5	2,738	235
Parliamentary Environment	1	0	0	Not Applicable	
Parliamentary Counsel	3	0	0	2,693	284
Parliamentary Service	6	0	7	16,704	192
Police	12	0	2	203,011	587
Prime Minister and Cabinet	7	1	1	4,069	300
Racing	1	0	0	Not Applicable	
Research, Science, Technology	4	13	4	257,792	2
Revenue	15	0	14	100,199	540
Security Intelligence	Not Available			Not Available	
Senior Citizens	1	1		850	492
Serious Fraud	2	0	0	2,778	1,864
Social Welfare	13	19	36	122,559	70
Sport, Fitness, Leisure	1	2	1	506	280
State-Owned Enterprises	1	0	0	Not Applicable	

Vote	Number of Output Classes		Other Appropriation Items	Biggest Output Class (\$000)	Smallest Output Class (\$000)
	Departmental	Nondepartmental			
State Services	5	2	3	7,226	50
Statistics	3	0	2	50,758	587
Survey and land Information	6	3	10	28,736	691
Tourism	2	3	1	34,174	514
Transport	5	12	8	47,121	907
Treaty Negotiations	2	0	3	9,211	4,545
Valuation	5	0	0	11,833	295
War Pensions	1	0	6	Not Applicable	
Women's Affairs	3	0	0	2,673	333
Youth Affairs	3	2	1	9,337	416
<b>TOTAL</b>	333	150	288		

## SOURCES OF INFORMATION

Four main sources of information were used as an input to this study:

- C an extensive review of documentation on aspects of the State sector management framework;
- C interviews with departmental chief executives, senior managers and staff;
- C two surveys: one of departmental chief executives, and one of managers; and
- C group discussions.

### Documentation

Over 500 documents - some department-specific and some relating to the wider Public Service and State sector - were reviewed as part of the production of this report. The documents covered the fields of strategic management, performance management (including specification, monitoring and reporting), accountability frameworks, human resource management, ethics and professionalism, budget systems, and organisational design.

### Interviews

Interviews were conducted with chief executives, senior managers and, in some cases, staff in the following departments: Inland Revenue Department, (the then) Ministry of Agriculture and Fisheries, Te Puni Kokiri, Customs Department, Education Review Office, Department of Social Welfare, Department of Labour, Ministry of Health, Ministry of Commerce, Audit Office, Ministry of Transport, Department for Courts, Ministry of Foreign Affairs and Trade, Ministry of Defence, State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet.

Visits were made to regional offices of the Inland Revenue Department, Ministry of Education, Department of Labour, Education Review Office and Department of Social Welfare.

Discussions were also held with: managers in the Land Transport Safety Authority, Northern Regional Health Authority, and the ACC; academics at Victoria and Auckland universities; the Public Service Association; politicians (including Ministers and government and opposition MPs); and informed outside commentators.

### Surveys

Qualitative and quantitative surveys were conducted of departmental chief executives and a sample of managers.

### Group Discussions

A number of discussions were held with departmental chief executives and staff from the State Services Commission and The Treasury. A consultative panel, made up of chief executives and representatives from the State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet, was established to advise and assist the author of this report.