



Deloitte submission
State Sector Act Reform Consultation

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Introduction

Deloitte is committed to making an impact that matters, and that is why we work with our public sector clients to transform government services in order to benefit all New Zealanders. It is also why we are making this submission on the State Sector Act reform proposals.

Overview of our submission

In our submission we have not responded to all elements of the proposal, rather we have focused on three topics where we have relevant perspectives and insights to contribute for your consideration. These are:

- Leading better outcomes and services
- The best people for the job
- Tools for a more flexible public service

In our experience changes such as those proposed depend less on the legislative mandate provided to the public service and more on the spirit in which the changes inspire action from leaders at all levels in public service organisations.

We believe that many of the changes proposed can precede the legislative mandate simply by becoming the “new normal” ways of working for those in public service. (For example, the recent Chief Executive board established around sexual & family violence.) The legislative change can help to secure key foundations such as public service principles and values, but in these rapidly-changing times it is important not to lock in delivery models or structures that will be out of date long before the next 30-year review.

In addition, changes to structures and governance may be helpful but not sufficient to bring about fundamental changes to public service, as there are many contributors to success including capabilities, data & analytics, systems, processes and service design. An integrated view of change – an “operating model” for public services – is an important blueprint for change, with the proposed State Sector Act reform as one component.

Finally we’d like to highlight a key point from our submission, that public service is not solely provided by public servants and there is a need to wrap the broader community of people and organisations providing services into the proposed changes. Those private- and social-sector employees who help government agencies achieve their missions are often more closely connected to citizens’ needs than public servants, and their spirit of service should be celebrated and enabled through the future legislation.

Contact for further information

We would be pleased to present our submission in person, or be contacted for further information on our response to the proposals.

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Leading better outcomes and services

There are many options for leading better outcomes and services, but we believe that the most successful examples cannot be achieved by selecting and emplacing a single model from the centre. Rather, frameworks and principles can be defined by the centre, and then decision-making and specifics devolved to departments or agencies.

How could chief executives work together to make a difference?

When considering how chief executives could work together across the public service to make a difference, we believe it is important to find the right balance between accountability and cross-department leadership. Cross-department collaboration already happens, and mechanisms exist for increasing it without legislative change, but every day chief executives are working across sectors is another day they are not leading their own organisations.

The proposals that resulted in the State Sector Act 30 years ago had a particular focus, a large part of which was strengthening accountability for performance and the role of the chief executive in making sure that happened. Along with the Public Finance Act and the focus on ensuring value-for-money and accountability for public funds, the underlying principles that led us to strong executive accountability for performance have not weakened.

What has strengthened is a desire for effective, enhanced cross-department collaboration *and* accountability for performance. Clear expectations will need to be set around how chief executives balance these two outcomes without creating unnecessary stress on the public service.

We do not believe that larger, cross-sector departments and agencies represent a good alternative to cross-agency collaboration in most cases, as that just pushes the siloes down to the deputy chief executive level; and joint-ventures between agencies can make it hard to discern clear lines of accountability. One solution is to clearly describe how each chief executive and agency's accountabilities contribute towards the collective outcome for government and New Zealanders.

Do you think a Senior Leaders Service is the best way to use our leaders?

In our view capability and leadership do not just come from the top (Senior Leaders Service), they can come from any level and any place in the public service.

It is essential – particularly from a diversity and inclusion perspective – to tap into capabilities and leadership at all levels and in all places.

From that perspective, a Senior Leaders Service may not represent the best way to tap into all of the diverse forms of leadership that need to exist for the public service to be successful. Communities of all forms must be able to exist and be led for the full potential of the public service to be realised.

What else could we do?

Having common enablers across the public service would make it easier for leaders to be more effective, and avoid the need to re-learn and adapt to each different organisation they may find themselves working with or leading.

For example having common systems and processes would decrease the learning time when leaders transition between public service organisations. One example would be a common Human Resources Information System that provides a perspective on talent, capability, performance, and so on, across the public service.

Also we believe that consistent application of operating model principles, e.g. customer centric service design – which is siloed today and performed differently between most agencies – but could be holistic and take into account all of the complex needs that customers and citizens have.

This would enable public services to be designed more effectively and cross-organisationally, and better meet the needs of service users.

The best people for the job

Public service does not end with public employees. A lot of work is done by private sector, many of whom share the values and principles espoused by public service. The public service needs to work collaboratively with all groups to design a public service that serves the public.

What else could promote a flexible and agile workforce?

As technology and societal shifts drive new expectations in the workforce, we would expect the government to be considering the actions they will take to future proof their workforce. We believe the following should be considered as the government looks to do this:

1. **Workforce Strategy.** In order to deliver on strategy, organisations need to have the right capabilities. As such, the public service needs to identify and define the capabilities that will be critical to enabling their strategy. This includes both the capabilities that will enable them to differentiate themselves against other employers, as well as those that are foundational to fulfilling their role as a public service provider and meeting the needs of the public in a shifting environment.
2. **Strategic Workforce Planning.** We would expect that the public service to be considering the work they will do in the future, as well as who or what (in the case of automation) will do the work, and where the work will be completed. Worker expectations and automation technology are set to disrupt workforce compositions; the government needs to consider the implications of a shifting workforce composition that will increasingly include a range of automation types, talent alternatives (e.g. gig workers, crowd sourcing, remote workers), and different locations. In particular, the social impact of making workforce composition decisions should be considered, i.e. how the public service will ensure that those impacted by the future of work will be supported. We feel that alignment between government and organisations is required to ensure the future of work has a positive impact; the government should proactively consider how regulations will need to change in response to new and complex working arrangements.
3. **Future of Learning.** Given the half-life of skills is rapidly declining and the nature of work is shifting, the public service should be considering how they can begin operating as a "learning organisation" - that is, an organisation with a strong learning culture at all levels of the organisation. We would expect that the public service will be considering how they will foster a culture of learning, and deliver learning and development opportunities to ensure their workforce is ready for the

future of work. The relevance of this will become increasingly pertinent as more and more of the workforce is made up of millennials; millennials consider learning and development the number one driver of a “good job.”

Free Agent model

Government has an opportunity to reconsider how they organise and deploy talent using foundations that align to the move in recent years to cloud computing: that is:

- mobility – delivered as and when required,
- agility – able to be delivered incrementally to provide customer value,
- flexibility – able to mix and match capabilities to meet requirements,
- scalability – can be increased or decreased at will, and
- utility – consumption of services rather than ownership of assets.

We believe that government should be considering a workforce that could reside in the “cloud,” rather than existing in any single agency, thereby enabling the Government to be more responsive to the changing and fluctuating needs of their agencies. This approach to workforce structure would allow both generalists and experts to be deployed to undertake creative, problem-focused work, where and when required.

Based on Deloitte’s thinking around the GovCloud workforce, this “Free Agent” model has already been deployed in Canada and is being considered in other jurisdictions such as the United Kingdom. Free Agents can work across government contributing their skills and expertise as needed, on-demand, in order to bring the benefits of the “cloud” workforce to the public service.

Further, we believe that taking a more flexible approach to structuring the workforce would support the public service to better cater to a diverse range of worker needs. For example, catering to casuals, part-timers, traditional workers and other talent types, as well as providing alternative career paths for deep experts and specialists. A more diverse and inclusive workforce is likely to be supported through this approach.

Tools for a more flexible public service

A more flexible public service will require changes to all layers of the operating model – not only the organisation structures, accountabilities and funding.

What else could help departments work together better to improve outcomes and services for New Zealanders?

We agree that outcomes and services for New Zealanders are not well aligned to the current siloes in the public service, and that they should change over time requiring greater flexibility. This means that we need a public service able to both coordinate across a range of different teams and respond to changes in need over time.

The proposed changes focus on better coordination – shared funding and resources, joint accountability and delivering services on behalf of others. These good ideas can only have a limited impact without corresponding changes in other layers of the operating model, such as:

- **More consistent engagement** with New Zealanders to understand overall needs and priorities, rather than individual agencies defining their own “customers” and attempting to improve siloed services. This would be a good candidate for a strong functional leadership role.
- Better **frameworks and platforms for consistently managing information** across the state service. This is currently a massive barrier to joint analysis, decision making and service delivery. Agencies generally rely on bespoke, tactical arrangements to share information for specific transactions. Other information that would help cross-agency teams, such as OIA responses, is generally locked away in agency-specific repositories of varying sophistication. This has not been tackled by the GCDO functional leadership role.
- Better **platforms for consistent management of sector people and resources**, so they can easily move between teams and locations without cumbersome secondments or uncertainty about their career path: recruitment, talent development, identity and learning. We would expect state sector careers to become more individualised, relying more on contribution and less on occupying specific roles. A key challenge will be maintaining deep subject matter expertise across the vast range of relevant topics alongside the development of more widely deployable roles.
- A stronger focus on **managing the wider portfolio of state sector physical locations**, including service delivery locations such as branches. There will be a greater need for flexible shared spaces for people from multiple departments and their non-state sector partners to

work together for varying lengths of time. The Service Innovation Lab is an example of this sort of space.

To increase flexibility over time we believe the following concepts should be considered:

- Better **frameworks for consultation, feedback and evaluation** so that service improvements can be better identified, targeted and prioritised.
- **More explicit prioritisation** to focus the sector on doing fewer things well in the most important areas before moving on. This would result in shifting funds and people away from lower priority departments and services, requiring better frameworks for assessing and justifying priorities.
- Greater **devolution of responsibility within the sector** through well-defined tolerances and protocols. Current structures have tended to pull responsibility upwards through the hierarchy, constraining the breadth and speed of activity.
- Greater **use of time limits or mandatory periodic independent reviews** to avoid initiatives, services and even whole departments becoming stale.

We believe that changing the boundaries of departments (e.g. through mergers, splits and restructuring) will be (and has been) of limited value. It will be much more important to make those boundaries less relevant and less constraining, through greater coordination and flexibility.

However there may be different organisational models that encourage coordination and flexibility – these might be part of a second wave of changes. For example we see public service mutuals appearing in the UK and Australia which may create a more direct link between community needs and state services. The concept of being employed by the state service, rather than by individual departments, may also be progressively introduced.

Unions may become more important if employment and/or career development becomes more centralised. However the way they support the needs of their members may need to change reflecting the different career paths and organisational models.

We also note that the current structure is tightly coupled to Ministerial portfolios, emphasising responsiveness to direction from “above.” Changes to increase coordination and flexibility will influence relationships with Ministers, who will also need to coordinate and adapt more than is currently the case.

Example: Better outcomes for children

To illustrate this by way of example, we consider that delivering better outcomes for children will not come solely from the structural change that created Oranga Tamariki as a separate entity that cuts across historical siloes and accountabilities. Rather, the improvements will come from making the child’s perspective fundamental to the design and operation of the services, and coordinating multiple departments to focus on the specific context of each family.

In our recent State of the State 2018 series of articles, we discussed a “family-by-family” approach that could provide a more effective integrating mechanism for families in crisis than would be possible through structural changes to government agencies alone.

Are there options for changing the way services are delivered that we have missed

Service delivery can be significantly improved in a reformed state sector. The proposal document does not actively consider some options that we believe are critical to an evolving and connected public service:

- **Partnering.** Many services are already delivered via non-state service organisations. We expect this to increase as digital services make it easier to combine information and bundle services in new ways. The state sector needs to develop new approaches to partnering with business and not-for-profit organisations, while it maintains the authoritative rules and information in appropriately accessible forms. We expect a range of partnership models from tightly-defined outsourcing to broad coordination of activities.
- **Experimentation and service customisation.** The sector will struggle to provide flexible and responsive services if it cannot easily try out new things or tailor services to different contexts. This will require different approaches to political and public concerns about risks and variation.
- **Automation.** From legislation-as-code to chatbots there will be significant further automation of many state service activities, and augmentation of others. The service will need to develop governance, design and deployment capabilities to make the most of these changes and mitigate the associated risks.

As we look to the next century of New Zealand’s public service, we have to take this opportunity to design for the needs that are emerging as well as the issues and challenges we are experiencing today.

At Deloitte we see great promise and potential in the proposals, and an opportunity for the public service to consider all of the changes that may be needed to create the foundation for its future role serving government and New Zealand.



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