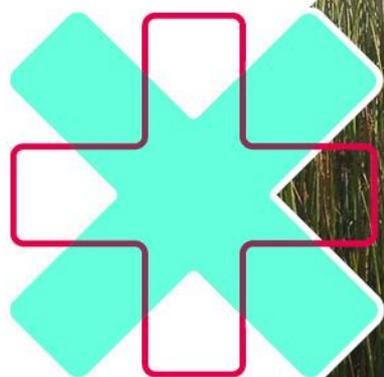
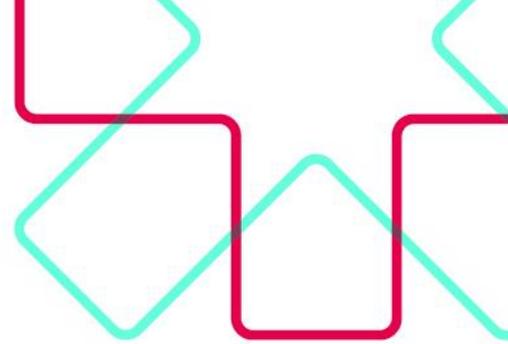


CHANGES IN THE DELIVERY OF PUBLIC SERVICES

Final Report

28 November 2014





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PREFACE

This report has been prepared for the Office of the Auditor General by Rebecca Hollingsworth, Catherine Harland, Nicola Morton and Stephen Glover from MartinJenkins (Martin, Jenkins & Associates Limited).

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EXECUTIVE SUMMARY

New Zealand public services perform well overall and deliver good outcomes for most New Zealanders. Our public services benchmark well against other countries across a range of different indicators. New Zealanders are also generally satisfied with public services that they receive.

Good performance now is no guarantee for good performance in the future. There are pressure points where public services are not performing as strongly. There are also significant changes happening in New Zealand and around the world that are driving a need for different approaches to the delivery of public services.

This report provides an overview of this context. It then discusses the trends in the delivery of public services in response to a changing landscape, and highlights the challenges and opportunities that are emerging.

Drivers of change

New Zealand public services have persistently under-performed in two areas. These areas remain challenging, and improved performance in these areas will be increasingly critical to the wider wellbeing of New Zealanders:

- **Inequality and poor performance for particular cohorts of society:** public services are not adequately reducing the impacts of poverty and are failing to deliver education, health and social outcomes for Māori, Pasifika and low income households that are on par with the rest of society.
- **Services designed centrally but delivered locally:** central government struggles to adequately consider impact analysis and service design to support good performance by local government.

A number of broader trends are also driving and demanding change in the delivery of public services, in particular:

- **An ageing population:** an increase in the relative size of the elderly population will increase demand for a range of public services while also decreasing government's ability to fund these services.
- **Uneven shifts of population:** the combination of an increase of population in cities, a decline in population in provinces and uneven patterns of ageing between provinces and cities will result in smaller and older provinces and larger but still relatively young cities. This will create challenges for the portfolio of services delivered at the local level.
- **Increasing diversity:** growing diversity in the population will drive demand for public services to be delivered in different ways, in particular in Auckland, where greater concentrations of ethnic groups will create specific challenges and opportunities for changing local public service delivery to meet different needs.
- **Disruptive technology:** technology is changing the way that public services are delivered, and citizens will increasingly expect public services to meet the same high standards as responsive, personalised commercial services. This creates growing challenges for government agencies who have traditionally been risk averse and relatively slow adopters of technology.



- **Citizen expectations:** technology will also enable citizens to be better-informed about good performance in public services – across different services, in other countries, and across localities – increasing their expectations.
- **Fiscal constraints:** both in the short term in the wake of the global recession, and longer term reflecting the pressures due to demographic change, the imperative to contain and reduce government spending and debt is driving the need for more efficient and effective public services.

Changes in service delivery

Taken together, these pressures and trends highlight an imperative to do things differently. This new context for public services has been in place for several years and there is a growing body of experience with these new approaches to delivering public services. In particular, there are two distinct trends towards more personalised public services:

- **More targeted services:** driven by government agencies to target their effort and services to where there is greatest impact and value for money, in particular to the citizens/clients who need the services the most or who will benefit the most.
- **More tailored services:** demanded by the citizens/clients of public services reflecting their needs and preferences, and recognising that citizens as consumers expect government to deliver services that are tailored to what they expect and need.

To deliver these targeted and tailored public services, we see four broad approaches being employed:

- **Inventive services:** innovation to develop out of the ordinary services that reflect new and better ways to deliver outcomes.
- **Contracting for outcomes:** choosing the best form of delivering a public service based on desired outcomes, this may or may not involve government agencies delivering the service, with private or community providers being better placed to deliver services in many situations.
- **Co-production with stakeholders:** users and communities sharing responsibility for the policy process as co-planners and co-deliverers, with government harnessing what users and communities have to offer to create services that are more personalised and owned by the users.
- **Collaboration between agencies:** highlights the need to work for greater integration across government to ensure client-centred services and a system approach to big issues.

Challenges and opportunities

New and innovative forms of public service delivery are still the exception. As new approaches become common place, a more fundamental transformation in public services will be required to address the challenges and opportunities that accompany change.

To respond to these challenges and opportunities we have highlighted five areas where the public services will need to focus:



- **Building the right capability:** public services need people at all levels with the right skills to drive change and operate in these new models, for example, policy professionals who are good at facilitating co-production and sophisticated commissioning agents. Government also needs to empower and build the capability of the individuals and groups that become involved in service design and delivery, including councils.
- **Building the culture and mechanisms for fast learning:** new ways of working involve reasoned risks, require a culture supportive of innovation, and need mechanisms and skills that enable innovation to happen and ensure lessons are picked up quickly. To support this, public services need to share success and welcome scrutiny.
- **Harnessing information for better outcomes:** understanding how public services contribute to outcomes requires strategic use of data and analysis, and better and more timely sharing of public data and analysis to meet demands for transparency and better enable co-production.
- **System leadership and stewardship:** driving change requires strong 'whole of system' leadership and stewardship (for the long term health of the system, the services being delivered and the assets being managed) and the right incentives at all levels of government to support better collaboration and co-production across agencies and towards shared objectives.
- **Maintaining and evolving institutions:** new ways of working do not change the principles underlying public service, however, increasing fluidity means reassessing our approach to protecting core values and institutions – including, accountability, transparency, privacy, equity and trust. For example, involving more non-public servants in service design and delivery may require being more explicit about the values embodied in the public service ethos.



INTRODUCTION

The Office of the Auditor General commissioned MartinJenkins to review readily-available information to report on the challenges and opportunities affecting the delivery of public services in New Zealand. To do this, we have drawn on data, specific examples of public service change in New Zealand and international literature. We have also drawn on insights that MartinJenkins has gained from working with a range of public sector agencies on a daily basis.

This report discusses the key trends and developments affecting the delivery of public services in four sections:

- **Current performance:** an overview of the current performance of New Zealand public services relative to other countries, New Zealanders' assessment of the performance of their public services and highlighting current pressure points.
- **Changing landscape:** exploring global and domestic trends affecting the context within which public services operate and the implications of this change in context.
- **Changing service delivery:** focusing on how the delivery of public services is changing in terms of what is being delivered and how it is being delivered.
- **Challenges and opportunities:** looking across these trends and developments to draw out the challenges and opportunities for New Zealand public services.

Throughout this report, we have applied an inclusive definition of 'public services' – reflecting concepts of public goods, services delivered in the public interest, and services delivered by (or on behalf of) central and local government. As this definition implies, the boundaries of what are public services are not hard and fast. Indeed, one of the implications of the analysis in this report is that these boundaries are likely to become more flexible and diverse, with different boundaries applying in different locations at different times.



CURRENT PERFORMANCE

Overall, the performance of New Zealand's public services is relatively good. Our public services benchmark well against other countries and New Zealanders are generally satisfied with public services that they receive. At the same time, there are some enduring pressure points where performance has been weaker. This foundation of good performance – and the trust that New Zealanders have in their public services – offers a strong basis for the response to future challenges and opportunities.

Overall performance

New Zealand public services perform well and contribute to positive outcomes for New Zealanders. Different indices focus on different measures of performance. Looking across internationally-consistent composite indices, New Zealand public services are consistently at or near the top of the class.

The World Economic Forum's *Global Competitiveness Index* has been produced annually by the World Economic Forum since 1979, and covered 144 economies in 2014-15. The index follows 12 pillars of competitiveness¹. New Zealand ranks ahead of the averages for advanced economies across most pillars in this index, ranking 17th out of 144 for all indicators.²

New Zealand ranks highest for those *Global Competitiveness Index* pillars that are strongly tied to the contribution made by public services. We rank first on the quality of institutions, following indicators such as protection of property rights and intellectual property, public trust, wastefulness of government spending, the transparency of government policymaking and the reliability of police services. We also rank highly for the health and primary education pillar (fourth overall, fourth for indicators following primary education, but 21st for indicators following health), and the higher education and training pillar (ninth overall and fifth for the indicator following secondary education enrolment).³

The World Bank's *Worldwide Governance Indicators* cover around 215 economies and explore six dimensions of governance, drawing on 32 individual data sources. Figure 1 shows that New Zealand has consistently ranked above the 95th percentile for four of the six dimensions, and, over the last three years, it has ranked above the 95th percentile for all six dimensions. In 2013, New Zealand was above the 98th percentile for five of the six dimensions.⁴

¹ Twelve pillars are: Institutions; Infrastructure; Macroeconomic environment; Health and primary education; Higher education and training; Goods market efficiency; Labour market efficiency; Financial market development; Technological readiness; Market size; Business sophistication; Innovation.

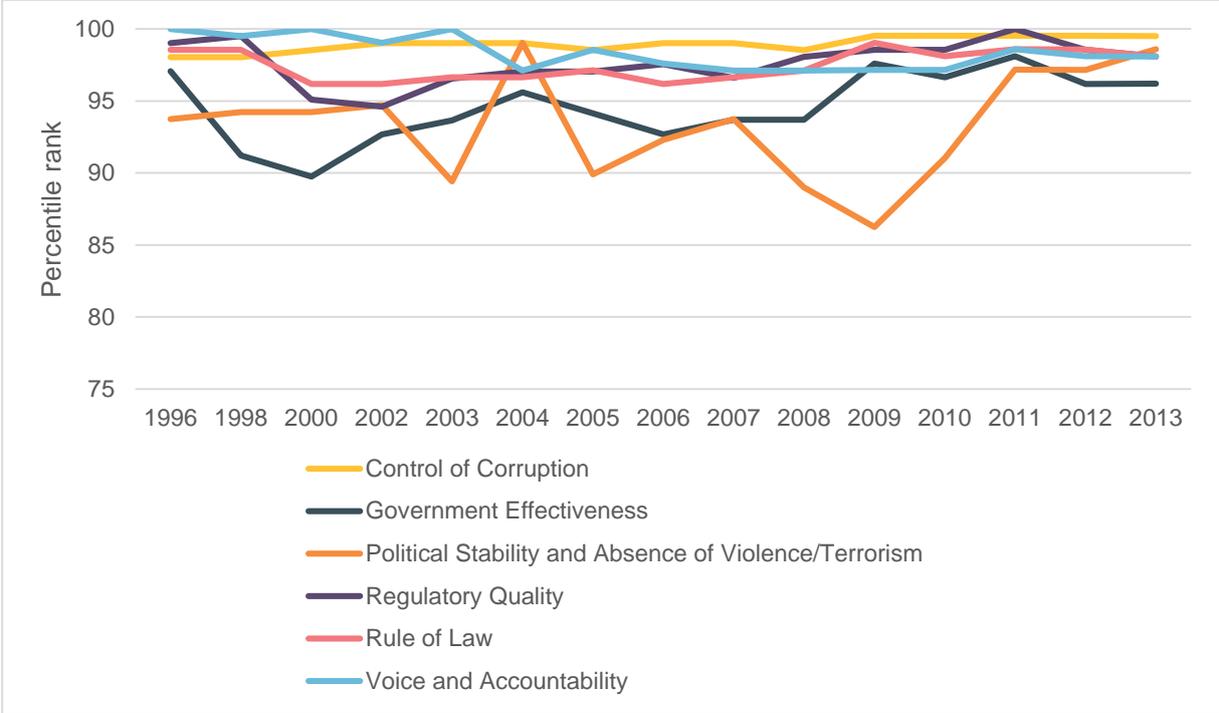
² World Economic Forum, 2014.

³ *ibid.*

⁴ The World Bank Group, 2014



Figure 1: Worldwide Governance Indicators



Source: World Bank

Unpacking composite indices, New Zealand generally ranks among the best or above the OECD median for governance and education. It slips however for indicators following health outcomes. Table 1 shows New Zealand’s ranking against OECD countries across a range of general governance, health and education indicators.



Table 1: General governance, health and education indicators

Indicators	Ranking (among 34 OECD countries)
Governance	
Property rights	8
Intellectual property protection	5
Ethics and corruption	1
Undue influence	1
Government efficiency	3
Security	5
Strength of investor protection	1
Health	
Life expectancy at birth (female)	20
Life expectancy at birth (male)	8
Infant mortality, deaths per 1 000 live births	29
Potential years of life lost ⁵ (per 100,000 females)	26
Potential years of life lost (per 100,000 males)	19
Intentional self-harm, deaths per 100 000 population	22
Public expenditure on health as a percentage of GDP	11
Education	
Expected years in education (from age 5 to 39)	12
Student performance in maths (mean score)	16
Student performance in reading (mean score)	9
Student performance in science (mean score)	11
Proportion of 25-34 year-olds who have attained at least upper secondary education	26
Proportion of 25-34 year-olds who have attained a tertiary education degree	8
Public expenditure on education as percentage of GDP (all levels)	3

Source: OECD, 2012 (or closest data), World Economic Forum, 2014

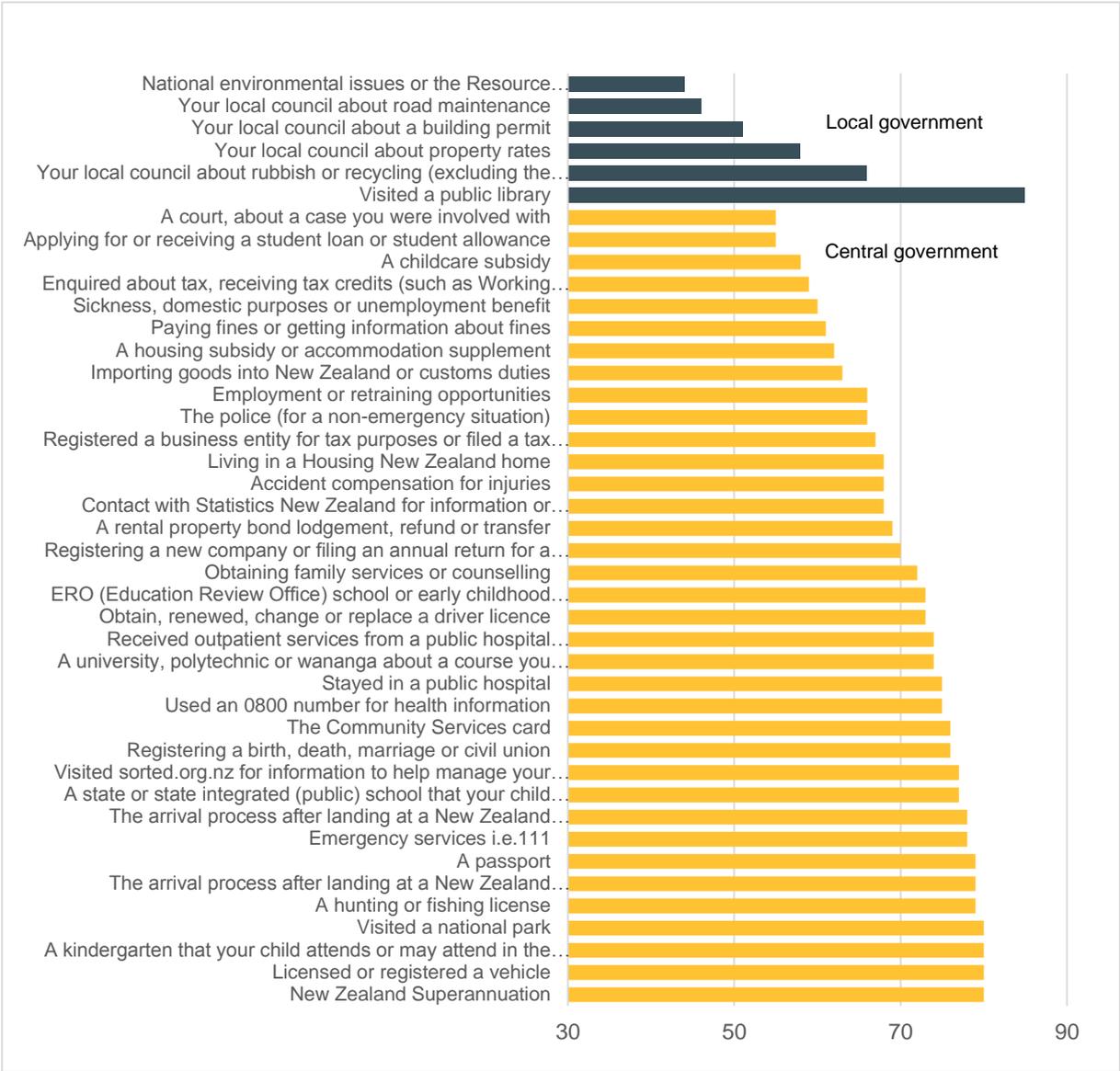
Among the best (1-8)	Above median (9-17)	Below median (18-26)	Among the worst (27-34)
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⁵ Potential years of life lost is a measure of premature mortality



New Zealanders also hold public services in reasonably high regard. Since 2007, a sample of New Zealanders has been surveyed to measure satisfaction with a wide cross-section of public services through the *Kiwis Count* survey. Steady improvement in satisfaction has occurred over that time, with an average overall service quality score of 72 (out of 100) across the 42 services in the March 2014 quarterly survey.⁶

Figure 2: Kiwis Count overall service quality scores, March 2014



Source: State Services Commission: Kiwis Count Survey

⁶ State Services Commission, 2014



Some key pressure points

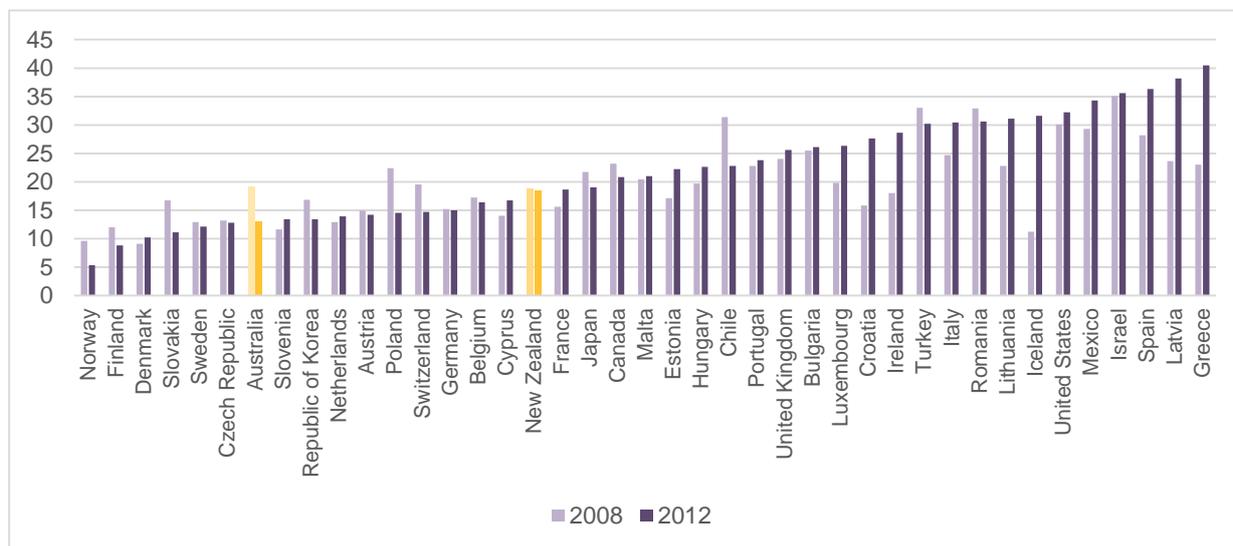
While high performing overall, there are some key pressure points that impact on performance. These pressure points also shone through in the 2013 National Integrity System Assessment for New Zealand. This assessment by Transparency International focused on 12 'pillars' of integrity and while it reinforced many of our strengths, it also highlighted two areas where performance has been consistently weaker:

- The degree of economic inequality that strains social cohesion.
- The interface between central and local government, with concerns about how central government transfers regulatory responsibilities to local government.⁷

Public services less successful for some parts of society

New Zealand has relatively high levels of child poverty, compared to other countries (Figure 4). An important measure of the performance of public services is their ability to mitigate and overcome the impacts of socio-economic disadvantage. Child poverty rates have remained stubbornly high in New Zealand, suggesting the public services have been relatively ineffective at reducing the incidence of child poverty. In addition, the impact of poverty appears to be persistent, over time and across generations.

Figure 3: Child poverty rates



Source: Unicef (using a number of data sources)

⁷ Transparency International New Zealand, 2013



Social mobility has been an important focus for many countries – designing policies to reduce the barriers to mobility, so that poverty and disadvantage are less persistent across generations. There is limited information on social mobility, however New Zealand appears to be around the middle of the OECD for the persistence of disadvantage across generations.⁸ OECD analysis also shows that educational achievement in New Zealand is more closely linked to economic and social factors such as parental education and skills than in many other countries. Table 2 highlights the large gap in educational performance that occurs across socio-economic groups in New Zealand.

Table 2: Education socio-economic indicators

Indicators	Ranking (among 34 OECD countries)
Maths performance difference across socio-economic groups	31
Reading performance difference across socio-economic groups	31
Science performance difference across socio-economic groups	31
Resilient students – proportion of disadvantaged students performing in the top 25%	24

Source: OECD, 2012



The education system’s poorer performance for children living in poverty, Māori, Pasifika and children with special education needs is well-documented and has proved difficult to resolve. Educational achievement is consistently lower for children and young people from these backgrounds, including on all three of the Better Public Services results for education.⁹ This can be seen in Table 3 which sets out performance against Better Public Service education targets 2 and 5.

⁸ The Treasury, 2010
⁹ Ministry of Education, 2014



Table 3: Performance against Better Public Service targets 2 and 5

		Actual performance		Target performance
		2012/13	2013/14	2013/14
Target: In 2016, 98% of children starting school will have participated in quality early childhood education				
Measure: percentage of children who have attended early childhood education prior to starting school	All	95.6%	95.9%	96%
	Māori	92.3%	92.9%	94%
	Pasifika	88.6%	90.3%	92%
	Decile 1-3 School Students	90.4%	91.6%	93%
For financial years ending June				
Target: 85% of 18-year-olds will have achieved NCEA Level 2 or an equivalent qualification in 2017				
Measure: percentage of 18-year-olds with NCEA Level 2 or an equivalent qualification	All	77.2%	78.6%	77.9%
	Māori	60.9%	63.3%	66.4%
	Pasifika	68.1%	71.4%	72.0%
For academic years ending December				

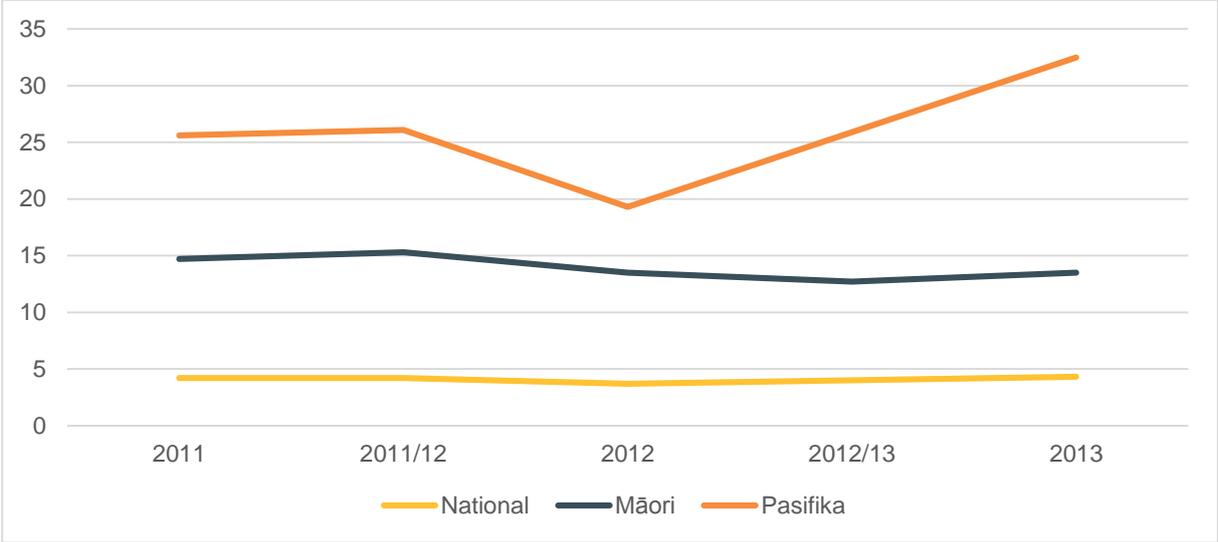
Source: Ministry of Education, 2014

Similarly, health outcomes are also persistently poorer for children in lower socio-economic communities. For example, rheumatic fever rates in New Zealand are much higher than in other developed countries with Māori and Pasifika having a much higher incidence rate per 100,000 (shown in Figure 4).¹⁰ Similarly, infant mortality rates are much higher among Māori and Pasifika (shown in Figure 5).

¹⁰ Ministry of Health, 2014

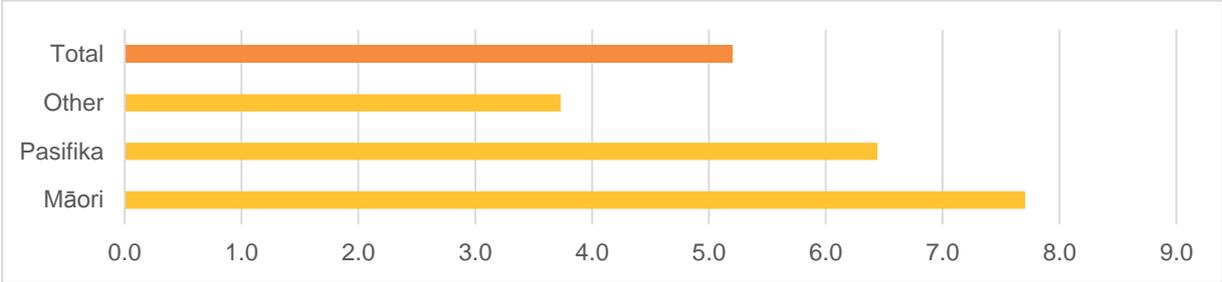


Figure 4: First episode rheumatic fever hospitalisation rate (per 100,000 total population)



Source: Ministry of Health, 2014

Figure 5: Infant mortality rate (deaths per 1,000 live births)



Source: Ministry of Health, 2011



Interface between central and local government

In its inquiry into opportunities to improve local government regulatory performance, the Productivity Commission identified a number of weaknesses, including:

- That central government accountability is weakened when the implementation of regulatory functions is decentralised, and that this ‘accountability disconnect’ weakens incentives on central government to undertake rigorous analysis when designing regulations.
- That there is insufficient analysis of local government’s capability or capacity to implement regulation prior to devolving or delegating additional regulatory functions, or making changes to existing functions.
- Engagement with the local government sector is generally poor and, as such, is undermining the quality of local regulation.
- Regulatory assurance processes (Regulatory Impact Statement requirements) are seen as an ‘administrative hurdle’ rather than an integral part of the policy process.¹¹

These findings are supported by findings coming through *Kiwis Count* data where the lowest satisfaction scores are for services designed by central government and delivered by local government – specifically environmental management, building consent and local roads.

The National Integrity System Assessment identified an ‘apparent absence’ of clear and agreed principles governing the relationships between central and local government. Their observation was that in practice the governing principle is ‘local government is free to take decisions – as long as central government does not disagree’.¹²

¹¹ The Productivity Commission, 2013

¹² Transparency International New Zealand, 2013



CHANGING LANDSCAPE

There are a number of global and domestic trends that are reshaping the context within which public services are delivered in New Zealand and which will affect how well New Zealand public services perform. We have synthesised several recent environmental scans¹³ and applied them to New Zealand's circumstances and context, to identify the most significant trends:

- Ageing population
- Shifts of population into cities and declines in other areas
- Increasing diversity
- Disruptive technology
- Increasing citizen expectations
- Fiscal constraints.

Ageing population

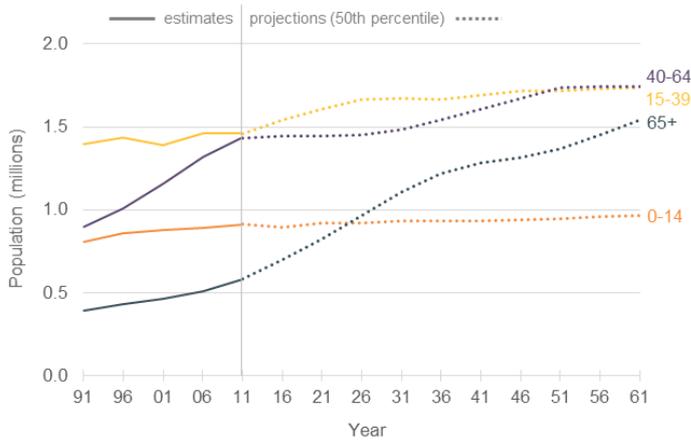
Population ageing is not a new trend – the average age of New Zealand's population has been gradually increasing for over a century, with a growing proportion of older people. Ageing populations are also a global challenge. Currently, New Zealand's population is relatively youthful with 14.2 percent of the population aged 65+ in 2013 (compared to an average of 16.8 percent across all developed countries). However, as Figure 6 illustrates, the proportion of the population 65+ will rise, reaching around 21 percent by 2031 and around 26 percent by 2061.¹⁴

¹³ Various sources including KPMG (2013), McKinsey (2007) and PricewaterhouseCoopers (2013)

¹⁴ Jackson *et al.*, 2014



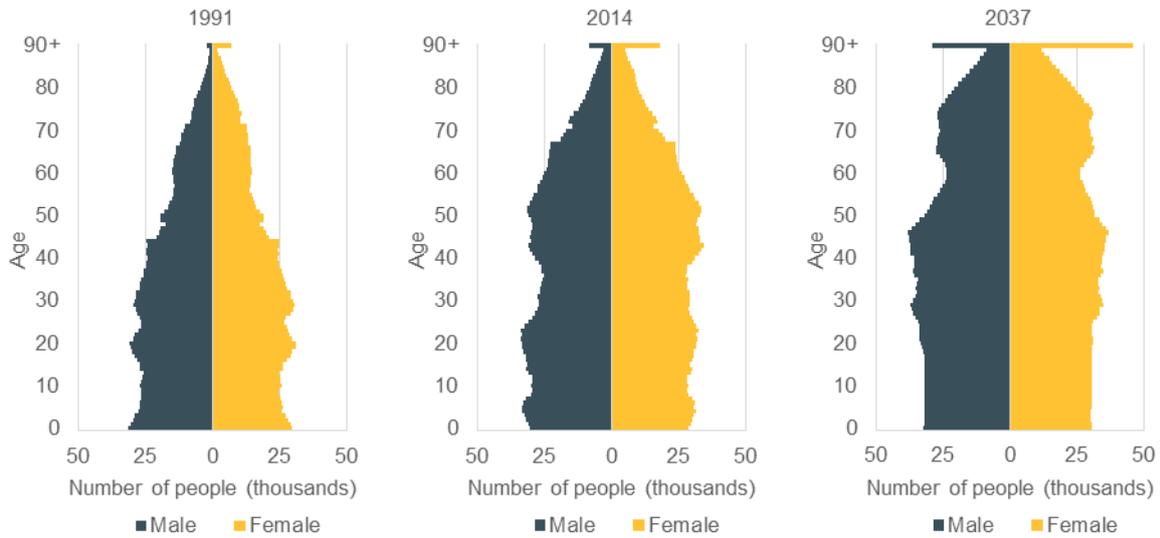
Figure 6: Change in age group numbers



Source: Statistics New Zealand - population estimates and projections (1991-2061)

This ageing population is being driven by declines in birth rates and increasing life expectancy. The impact is also exacerbated by a relatively large post-war generation (the “baby boomers”) born between 1945 and 1965.¹⁵ With more people living longer there will be more elderly aged 65+ than children 0-14 years within 12 years.

Figure 7: Age population pyramids (23 years apart)



Source: Statistics New Zealand - population estimates (1991 and 2014) and projections (2037)

¹⁵ The Treasury, 2013



An older population impacts on a range of public services. As people age, more people live longer with chronic health conditions and the demand for health services rise. Governments will also be expected to spend more on superannuation and social support care (such as home-based support services and aged residential care). Spending on other services may need to decrease.¹⁶

The change also impacts on the average family size and demand for housing types with more households without children (both couple-only and single-person).

Shift of population from provinces to cities

Alongside an ageing population, public services need to respond to a shift in population from provinces to cities. As the demographic makeup of this population shift will vary, it will result in some areas being more affected by population ageing.

Over the past two decades, significant growth in the overall New Zealand population has been accompanied by that growth being concentrated in Auckland and, to a lesser extent, other cities. Most of New Zealand has seen little or no growth in the local population, and between a quarter and a third of councils have seen absolute declines in population. The areas in decline are generally provincial, rural communities with small towns.¹⁷

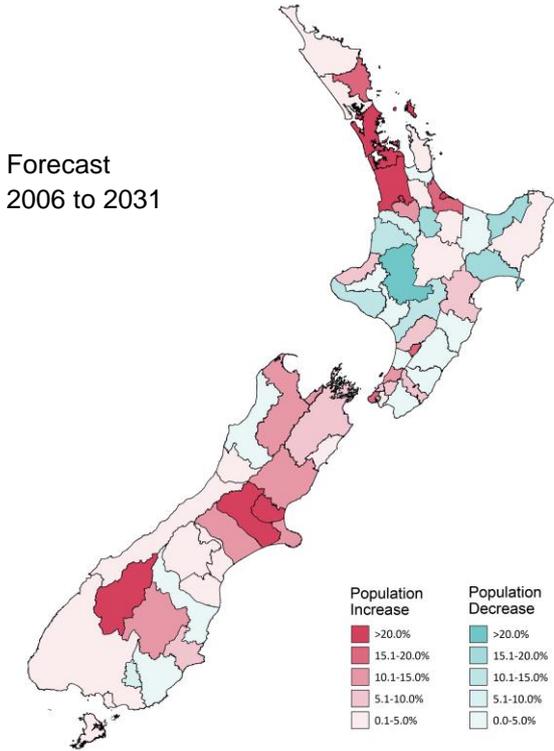
As Figure 8 illustrates, this pattern of uneven population growth is projected to continue and become more pronounced by 2031.

¹⁶ Office of the Auditor General, 2014

¹⁷ Jackson *et al.*, 2014



Figure 8: Change in Population by Territorial Local Authority



Source: Statistics New Zealand – Census data 2006, 2013; and Projected population of Territorial Authority areas, 2006-31 (2006 base, October 2012 update) – medium series

Ageing provinces

As Table 4 shows, between 2011 and 2031, 56 (84 percent) of the 67 territorial local authorities will experience a doubling or more of their 65+ population. In contrast, a small number of cities – including Auckland, Hamilton, Queenstown, Wellington, Tauranga and Greater Christchurch – see much lower rates of growth in the share of the 65+ population.

Table 4: Population Ageing by Territorial Local Authorities

Cities/Districts	Percentage growth in those aged 65+ (2011-2031)
Auckland, Hamilton City, Queenstown-Lakes District	36-37%
Tauranga City, Wellington City, Selwyn District	44-46%
Waikato District, Palmerston North City, Waimakariri District	60-63%
Whangārei District, Christchurch City	95%
All other 56 territorial local authorities	100%+

Source: (Jackson, 2013, p.24)



Local authorities experiencing declining and ageing populations face the challenging combination of a reducing rating base at the same time as the costs of specialist expertise and service provision are increasing.¹⁸ Reducing costs and providing better value in terms of customer service are key drivers for several neighbouring local authorities exploring greater use of shared services.¹⁹ Demand for change is also behind proposals for amalgamations of local authorities and the creation of unitary authorities.

In contrast, local authorities experiencing increasing populations face demand for infrastructure (including to support new housing development), social services (arts, sports, and recreation), the environment (regulatory policies and processing, parks) and other matters (crime and alcohol trading). These local authorities can struggle with these demands and balancing these costs across existing ratepayers and new ratepayers (including through development contributions). It also impacts on central government with planning and delivery for schools, tertiary institutes, hospitals, police, corrections, child/youth/family, work and income.

Increasing diversity

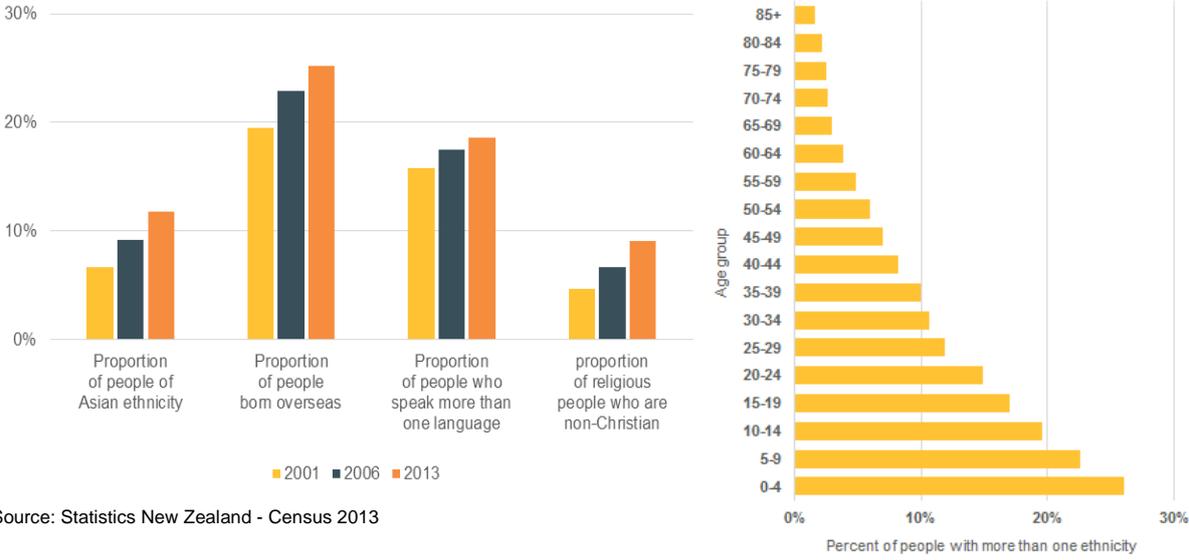
New Zealand has some of the highest rates of migration in the OECD – with high levels of immigration and emigration. Around a quarter of the New Zealand population was born overseas. This proportion has been increasing over time and is projected to continue to increase. This migration is also driving an increasingly diverse population from a growing range of backgrounds and cultures. In particular, the share of the population that is of Asian ethnicities is growing strongly and is projected to continue growing (Figure 9).

¹⁸ New Zealand Productivity Commission, 2013

¹⁹ ALGIM, 2010



Figure 9: Increasing diversity of the New Zealand population



Source: Statistics New Zealand - Census 2013

Auckland diversity

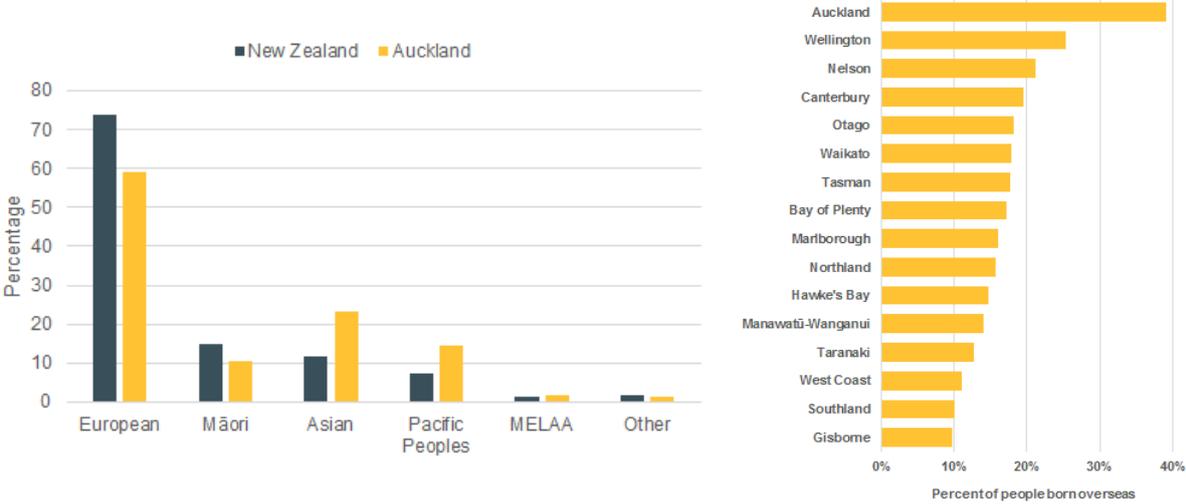
This diversity is and will be most pronounced in Auckland. This diversity comes through in a number of indicators, including whether someone identifies with more than one ethnic group. Young people are also more likely to identify with more than one ethnic group and this will contribute to overall diversity over time.

While the majority of Auckland’s population is currently NZ-European (59.3%), this is much lower than for New Zealand as a whole (74%) and is projected to become the minority by 2031. Auckland is home to a higher proportion of the population born overseas – with almost 40% of Auckland’s population in 2013 born overseas. Auckland also has much higher proportions of residents of Pasifika and Asian ethnicities – almost a quarter of the Auckland population is of Asian ethnicities, and around 15% are Pasifika (Figure 10).



Figure 10: Auckland’s diverse population

Source: Statistics New Zealand – Census 2013



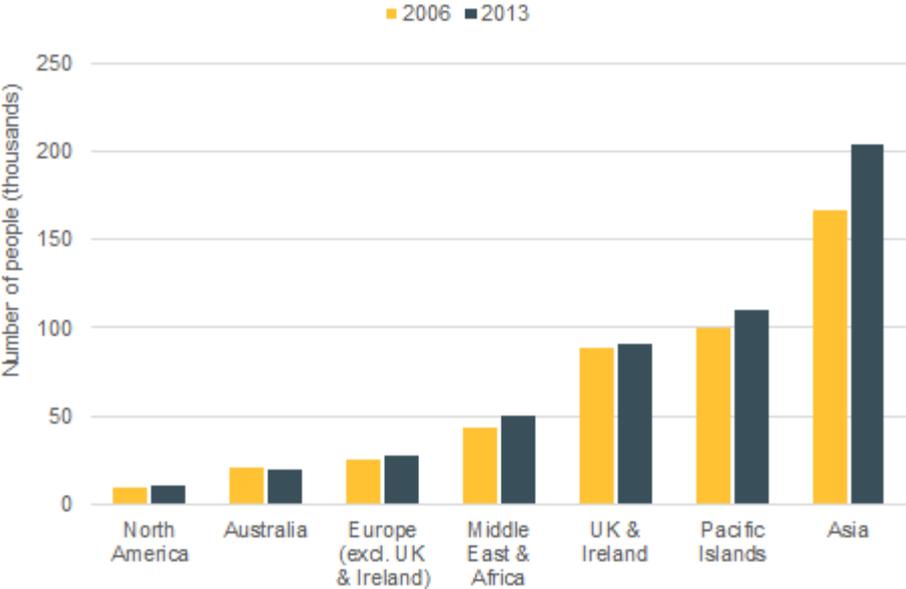
While ethnic groups are spread throughout the region, there are concentrations in some areas.²⁰ As diversity increases and it becomes more concentrated in particular areas, the means of delivering services needs to adjust. There is already substantial demand in Auckland for both speakers and interpreters of different languages. In the healthcare sector, cultural competency training is a growing part of workforce requirements. For example, the Ministry of Health has published a handbook for health professionals on Refugee Health Care to ensure the delivery of services that are culturally, linguistically and religiously appropriate to refugee communities.²¹

²⁰ Spoonley, 2013

²¹ Ministry of Health, 2012



Figure 11: Numbers of overseas born by area of birth, Auckland region, 2006 and 2013



Source: Statistics New Zealand - Census data

Disruptive technology

“Disruptive technology”²² is a phrase designed to reflect the way that the latest generation of web technologies in particular (broadly, on-line transactions and social media) can significantly disrupt traditional business models. In particular, technology provides potential for more efficient transactional services for citizens – through the migration from face-to-face to phone- and web-based services – and for citizens themselves to be more active participants in public services. This also demands a significant shift from government agencies as it places greater emphasis on the ‘outside-in, wisdom of crowds approach’ rather than the ‘inside-out, authoritative know-all approach’ that has been more traditional in public services.²³

Generally, government agencies have been slow adopters of technology when compared to the private sector – reflecting both a degree of risk-aversion and the absence of the competitive forces that drive the growth, decline, entry and exit of commercial providers. Government agencies are often designed (and defined) around the delivery of a particular public service, and they may find it difficult to reinvent themselves to achieve outcomes in new or different ways. Over the last 25 years, slow

²² Bower and Christensen, 1995

²³ Chun *et al.*, 2010



adoption of new technologies by government agencies has arguably contributed to a widening productivity gap between public and private sectors.²⁴

This slow rate of adoption was observed in the Office of the Auditor General's inquiry into the use of social media within the New Zealand public service that highlighted moves to embrace this new technology as cautious but positive.²⁵

Cautiousness to adopt new technology is not trivial and commissioning such projects brings its own set of challenges (for example, ensuring coverage and adequate support for clients). Government agencies' lack of skill and experience in commissioning big IT projects in particular has had significant consequences. Most recently, the challenges in implementing Novopay undermined public trust and confidence in the Ministry of Education and the public sector more widely – reflecting a number of shortcomings, including an inadequate approach to procurement that failed to appreciate the complexity of the required solution.²⁶

Better Public Services results 9 and 10 focus on sharing expertise across government in ICT solutions to improve interactions with government for businesses and individuals. Together with the functional leadership being provided by the Government Chief Information Officer, they are focused on enabling government to make better use of technology. Some of the benefits of this approach include harnessing economies of scale across agencies (similar to the use of public sector anchor customers to support the roll out of ultra-fast broadband), developing scarce expertise for the benefit of the systems and supporting the development of consistent interfaces with government for citizens and businesses.²⁷

Citizen expectations

The increasing rate of change resulting from technology goes hand in hand with increasing citizen expectations, with citizens increasingly having the information to compare and challenge the quality and performance of public services. For example, comparing published data on performance of schools or hospitals – both to choose within their locality and to inform their level of expectations. How citizens behave as citizens is also increasingly influenced by their experiences as consumers. Citizens as consumers expect:

- quicker, more responsive and individualised services
- greater ownership, control and voice
- higher performance, quality and standards.

These changing expectations can be seen in particular among the younger generations. Research into satisfaction in public service highlights that younger people have a stronger preference for online

²⁴ Eggers & Jaffe, 2013

²⁵ Office of the Auditor General, 2013

²⁶ Ministerial Inquiry into the Novopay Project, 2013

²⁷ New Zealand Government, 2011



service delivery and that school-aged students place a premium on respect. Younger generations (and the Asian population) also place strong importance on speed of service.²⁸

A scan by the United Nations Development Programme of trends, challenges and opportunities relating to public service reforms in both the developed and developing world found that governments are needing to respond not only to a changing environment but a more active citizenry. In particular, wider use of the internet has made citizens more aware and impatient, putting public servants under greater scrutiny.²⁹

In the United States, for example, demand for much greater transparency is driving the 'Open Government Partnership' where the current administration has a National Action Plan to increase citizen participation, collaboration and transparency in government. At a high level, the action plan aims to:

- increase public integrity
- increase transparency around resource management, improving the effectiveness of management
- improve public services, including through further expansion of public participation in the development of regulations and open data to the public.³⁰

With increasing diversity within the New Zealand population, we should expect both rising citizen expectations and also an increasing variety of citizen expectations. For example, we should expect that the elderly in provincial New Zealand will have different expectations of local and central government compared with youth in larger cities. Delivering on these different expectations will require different capabilities and operating models, especially within local government. With population trends, provincial councils in particular will face increasing challenge in delivering on expectations.

Fiscal constraints

While the fiscal impact of the Global Financial Crisis varied between countries, its impact on the direction of public administration globally is undoubtable as countries respond to the need to deal with the challenging goals of both improving (or maintaining) public services while also cutting costs and reducing overall expenditure and debt.³¹

Projected growth in government spending puts increasing fiscal constraint into perspective. The Treasury projects that, by 2060, government spending on healthcare will grow from 6.8 percent of GDP in 2010 to 10.8 percent and that spending on NZ Superannuation will grow from 4.3 percent of GDP in 2010 to 7.9 percent.

These projections assume that policy settings remain largely unchanged and that government expenses follow average historic rates of growth and result in government spending approaching 50

²⁸ State Services Commission, 2008

²⁹ UNDP, 2013

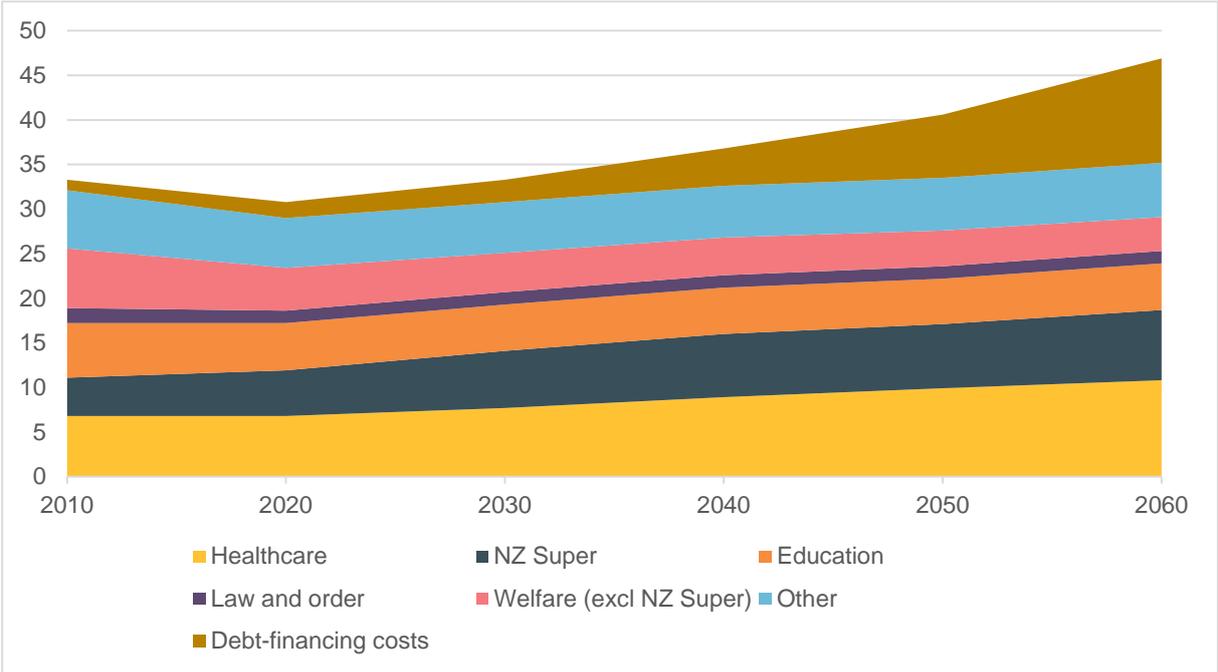
³⁰ U.S. Government, 2013

³¹ Curry, 2014



percent of GDP and rising debt. The implication is that policy settings will need to be adjusted to bring spending back to a more sustainable share of the economy – emphasising that there are enduring, longer term fiscal constraints that will continue to apply pressure to the public services, in addition to the more recent pressures of the last six years.

Figure 12: Treasury projections for government expenses, revenue and debt as percent of nominal GDP under the 'Resume Historic Cost Growth' scenario



Source: Treasury



CHANGING SERVICE DELIVERY

To respond to these changing demands on government, it is not practical to do more of the same. Instead, the focus is shifting to how public services can be delivered more sustainably and in a way that delivers better value for money.

Reflecting a need to do things differently, we see global and domestic trends in what services are being delivered and how these services are being delivered. In what is being delivered, the trend is towards:

- More targeted services: driven by government agencies to target their effort and services to where there is greatest impact and value for money, in particular to the citizens/clients who need the services the most or who will benefit the most.
- More tailored services: demanded by the citizens/clients of public services reflecting their needs and preferences, and recognising that citizens as consumers expect government to deliver services that are tailored to what they expect and need.

To meet both of these trends towards more personalised public services, four broad approaches are being employed:

- Inventive services.
- Contracting for outcomes.
- Co-production with stakeholders.
- Collaboration between agencies.

These trends and approaches overlap and, in many examples of changing public services, multiple factors will influence development and design. While these approaches are becoming more common, they are still the exception and tend to reflect a conscious effort and focus of dedicated resources by the agencies delivering the services. Over time, a more fundamental transformation in the public service will be required as these approaches become common-place. This transformation will not be automatic and later in this report we discuss some of the emerging challenges and opportunities.

Shift to targeted and tailored services

Targeted services

In many cases, 'one size fits all' is no longer delivering value for money. A focus on outcomes rather than inputs or outputs helps policy-makers focus on the parts of the system where public services can be targeted to have the most impact on the wider whole. Despite some criticism that 'citizen-centred' approaches focus too much on individuals and not on the wider whole³², targeted services typically involve a strong emphasis on achieving the greatest total impact.

³² Grube, 2013



A key example of the shift towards targeted services is the emergence of the 'investment approach'. Investment approaches or frameworks are focused on targeting public services based on the degree to which they realise desired outcomes (achieving a return on investment) and subsequently reshaping how government agencies invest over time. This is often combined with a more preventative approach and a focus on 'early interventions' based on evidence-based analysis of the risk profile for cohorts of clients.

The Ministry of Social Development's Investing in Services for Outcomes reflects an investment approach. At the centre of this approach is the Ministry's Strategic Investment Framework which guides:

- defining the outcomes the Ministry wants to see and how the services they fund will help achieve these outcomes
- outlining a robust process for identifying what services communities are currently receiving and what is needed
- identifying funding priorities, including the mix of preventative and intensive services needed by communities
- identifying a reliable and consistent way of showing the positive difference services are making in people's lives.³³

The shift to targeted services is to an extent being enabled better data and analytical capability allowing the public service to collect, retain, match and analyse operational information across agencies, gaining a much richer understanding of how what they do contributes to outcomes. Investing in Services for Outcomes draws lessons from the insurance industry and ACC whose approach to reducing expected liability was shifting how it targeted investment, for example, through increased upfront investment in rehabilitation to reduce future costs of support. In particular, it seeks a long-term perspective to the financial management of the benefit system by valuing:

- the future cost of the system
- the life-time cost of segments in the system (e.g. those entering at age 16 and 17)
- the long term financial effects of changes to the system, including:
 - policy reform
 - operational changes
 - demographic changes
 - economic changes.
- key drivers which affect the future costs of the system, for example duration on benefits, age, etc.³⁴

³³ The Ministry of Social Development

³⁴ Taylor Fry, 2011



This approach enables interventions to be targeted to the cohorts of clients where the expected return on that investment (measured primarily as a reduction in this liability) can be achieved, reflecting an evidence-based assessment of the likely impact of the intervention. The approach demonstrates:

- the power of data and analysis when harnessed as an evidence base to generate expected impact
- a willingness to pilot and experiment in targeting services
- the importance of ensuring feedback loops and iteration, including through establishing strong evaluation and monitoring mechanisms at three levels – client, cohort and whole-of-New Zealand
- challenges for public finance with benefits accruing to individuals over a longer time than allowed for in budgets (different to the insurance company model)
- the importance of working across agencies on a common set of outcomes for target populations.

Tailored services

Citizens as consumers expect government to deliver services that are tailored to what they expect and need. As consumers, citizens do not tolerate services that do not suit them, they shop around and look to have services customised to their needs. Similarly, less tolerant citizens are creating demand for higher quality and more convenient public services that are tailored to their needs. As citizens know their needs better than government agencies, the emphasis of tailored services is often based on enabling citizens and communities to help prioritise and design the public services that they want.

Citizens increasingly expect public services that are designed around them and the whole of their requirements and needs. They are less willing to accept a standard one-size-fits-all service that is a poor match to their need, and less willing to manage relationships across multiple government agencies to piece together the support they need. Instead, they expect the public services to be coordinated and integrated so that they can receive a personalised, complete solution regardless of where they first interact with public services (e.g. a “no wrong door” approach).

A desire to better tailor services is at the heart of Scotland’s Digital Future strategy. This strategy has been developed in response to three drivers: growing the economy, responding to user expectations and reforming public services. The strategy defines success of a ‘digital first’ focus in terms of services that are well designed and usable, a choice of channels to access services, and assistance available to those that need it.³⁵

The RealMe service developed by the Department of Internal Affairs and New Zealand Post is driven from a need to make signing up for products and services on the internet faster, easier and more secure for citizens as customers. The output is an official government-endorsed, secure way to prove who you are online designed to be trusted by businesses and government agencies.³⁶

³⁵ The Scottish Government, 2012

³⁶ Department of Internal Affairs, 2014



Shift to non-traditional avenues for service delivery

Inventive services

These drivers place a premium on innovation in the public services. Inventive services vary in their focus (for example, targeted and/or tailored) but what they have in common is that they explore and apply new ways to deliver public services. These services are often 'experimental' in nature. The application of new technologies is often a central feature of inventive services.

At the heart of many inventive services is the drive to find new and better ways to deliver the outcomes sought, more efficiently and effectively. Innovation behind these services occurs when government agencies and their stakeholders are proactive and intentional about introducing novelty in order to adapt the system, product or process effectively.³⁷ A key challenge for these inventive approaches is to create sufficient space and freedom to innovate – so that a diversity of ideas can flourish – and to ensure strong monitoring and evaluation to learn lessons quickly, enabling good practice to be shared and applied.

Since 2011, sixteen Social Sector Trials have been testing innovative ideas to integrate the delivery of local social, health and educational services to achieve better outcomes. Specifically, they tested different approaches to leading the integration of cross-agency resources for a specific community or location, including where leadership was vested in a local organisation or with a specific individual.³⁸

More recently, the Treasury has used a formal Request for Information process to seek innovative ideas and proposals for improving the effectiveness of government service delivery, specifically in response to the Government's challenge to tackle child poverty. This is an example of using technology to 'crowd source' ideas from outside the usual sources, to find ways to improve service delivery to vulnerable populations³⁹. Similarly, in 2010, the UK Government generated over 100,000 suggestions to deliver public services more efficiently through their Spending Challenge website. Around two thirds of the ideas were generated from within the public service, the remainder came from the wider public.⁴⁰

Innovation can also respond to adversity and necessity. Internationally, innovations such as the Spending Challenge have been driven by the fiscal pressures arising from recession. Closer to home, the response to the Christchurch earthquakes has seen innovation flourish on the ground, as public services have worked together to overcome the challenges they faced. For example, HealthOne (formerly Shared Care Record View) is a secure on-line system for sharing patient information across health-care providers, and was developed in response to the fact that building damage meant that traditional records were no longer accessible.⁴¹

³⁷ Thenint, 2010

³⁸ Ministry of Social Development, 2014

³⁹ The Treasury, 2014

⁴⁰ UK Government, 2010

⁴¹ The case study at Appendix 1 provides more detail on HealthOne



In the UK, local councils coming under fiscal pressures are ‘redesigning, reorganising and reforming’ how they operate. The focus is increasingly on bringing a deep understanding of local needs together with technological innovations to transform service experience for citizens. This is creating an environment that is encouraging out of the ordinary services. For example, Bristol City Council has provided staff with tablets that are geared up to enable them to report issues while out in the community, resulting in a reduction in the hours staff spend in the office while also increasing the reporting of local issues.⁴²

In many cases, inventive services are originating not within the public service but within the community sector. Starting out in Barnet, the Casserole Club initiative has created a new way of supporting people who would benefit from a home cooked meal by connecting them with vetted volunteers. This achieves similar objectives to what a public service might have but also has the effect of building and empowering the community sector.⁴³

Contracting for outcomes

The Better Public Services Advisory Group referred to the process of identifying when and how other providers may be better placed to deliver services as ‘best-sourcing’. The Productivity Commission similarly referred to ‘contracting for outcomes and innovation’ recently.⁴⁴

Despite many attempts to bring agencies and resources together to improve the impact of public services on particular outcomes, there is relatively little evidence of this delivering measureable improvements. In the UK, a recent National Audit Office report reviewed 181 relevant publications and found that only ten had assessed impact on service-user outcomes, and only three found evidence of improved outcomes.⁴⁵

An evaluation of the Social Sector Trials that drew on local coordinators found that the trials made progress in achieving outcomes for young people and the wider community. Stakeholders involved in the trials identified changes in behaviour and attitude among the young people involved, as well as improved confidence and motivation. Views of the trials were that they were making a difference in the community and demonstrated to the community and government what can be achieved when communities are given the flexibility and power to reconfigure and influence the use of resources in their community.⁴⁶

The Social Sector Trial experience of this more place-based approach to public services is echoed in the UK’s Whole Place Community Budgets experiment that has been described as “a bold attempt to fundamentally redesign public services”. The four pilots were focused on wrapping public services around people and place, and involved partners from public, private and community sectors. The

⁴² Local Government Association, 2014

⁴³ *ibid*; the Casserole Club

⁴⁴ New Zealand Government, 2011; New Zealand Productivity Commission, 2014

⁴⁵ National Audit Office, 2013

⁴⁶ Centre for Social Research and Evaluation, 2013



approach is now being rolled out more widely, after pilots demonstrated success in breaking down cultural and organisational barriers and creating space for innovation.⁴⁷

Contracting for outcomes comes in different shapes and forms. In the Department of Corrections, the focus has been on varying service to realise outcomes (such as rehabilitation and reduced recidivism) across the wider system. This was a key driver behind the decision for using private management for Mount Eden prison. Private management provided the opportunity to benchmark and improve prison services provided by the Department. Successful ideas and innovations that might come out of Mount Eden prison could then be tested and adopted at other prison sites across the country.⁴⁸

Co-production with stakeholders

In this new world of experimentation and co-delivery, traditional models of consultation and transactional approaches to stakeholders are increasingly inadequate. Co-production is becoming more common as a tool to empower citizens, communities and other stakeholders in the policy process, particularly in areas where policy is contentious. The matrix in Table 5 highlights that full co-production occurs when there is shared responsibility in both the planning and delivery of services between professionals (public officials) and the users or community.

Table 5: User and professional roles in the design and delivery of services

		Responsibility for design of services		
		Professionals as sole service planner	Professionals and service users/communities as co-planners	No professional input into service planning
Responsibility for delivery of services	Professionals as sole service deliverers	Traditional professional service provision	Professional service provision but user/communities involved in planning and design	Professionals as sole service deliverers
	Professionals and users/communities as co-deliverers	User co-delivery of professionally designed services	Full co-production	User/community delivery of services with little formal/professional input
	Users/communities as sole deliverers	User/community delivery of professionally planned services	User/community delivery of co-planned or co-designed services	Self-organised community provision

Source: nef, 2009

⁴⁷ House of Commons, 2013

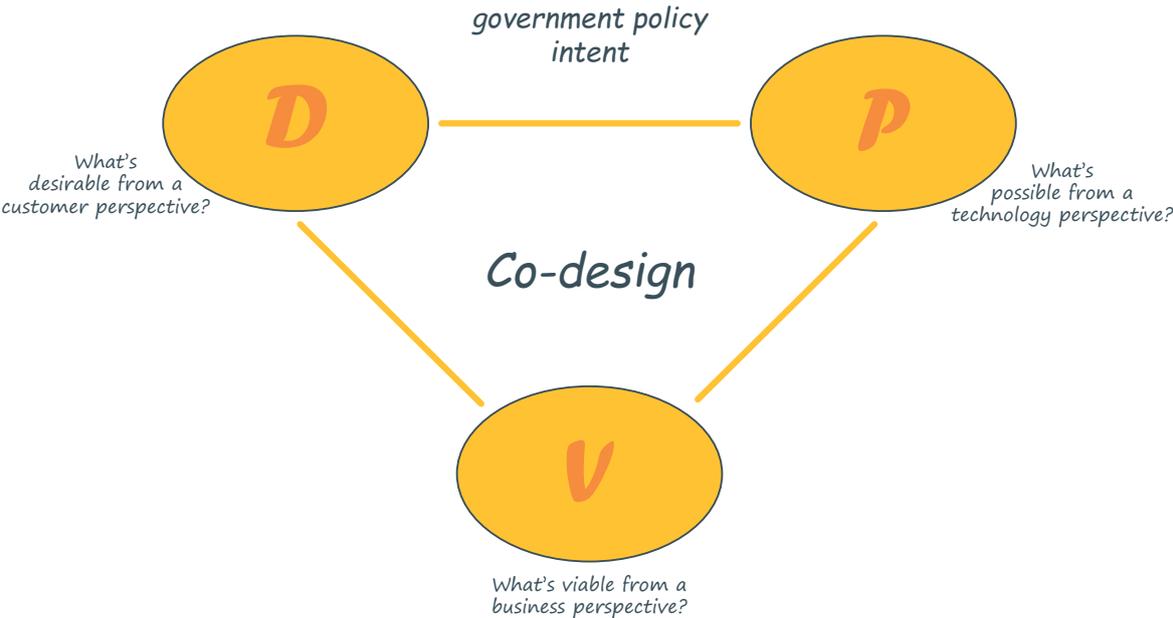
⁴⁸ Department of Corrections



The trend towards co-production in a way can be seen as returning to the philosophical roots of democracy. In its purest sense, it is a shift from 'public services for the public' to 'public services by the public'.⁴⁹ Through the co-production of services, a wider range of stakeholders are becoming involved in co-planning of policy, co-design of services, co-prioritisation, co-financing, co-managing, co-delivery and co-assessment.⁵⁰

In Australia, the Department of Human Services are seeing co-design as being central to finding the balance between what is desirable, what is possible and what is viable (this model is illustrated in Figure 13). With the goal of making co-design 'business as usual', the Department has been focusing on leveraging existing forms of community engagement while developing a more sophisticated understanding of co-design and methodology (this strategy is illustrated in Figure 14). This has led to the Department developing a 'maturity model' for co-design capability to help guide its development and implementation of co-design methodology over a five year period.⁵¹

Figure 13: Department of Human Services co-design model⁵²



⁴⁹ Bovaird & Loeffler, 2012

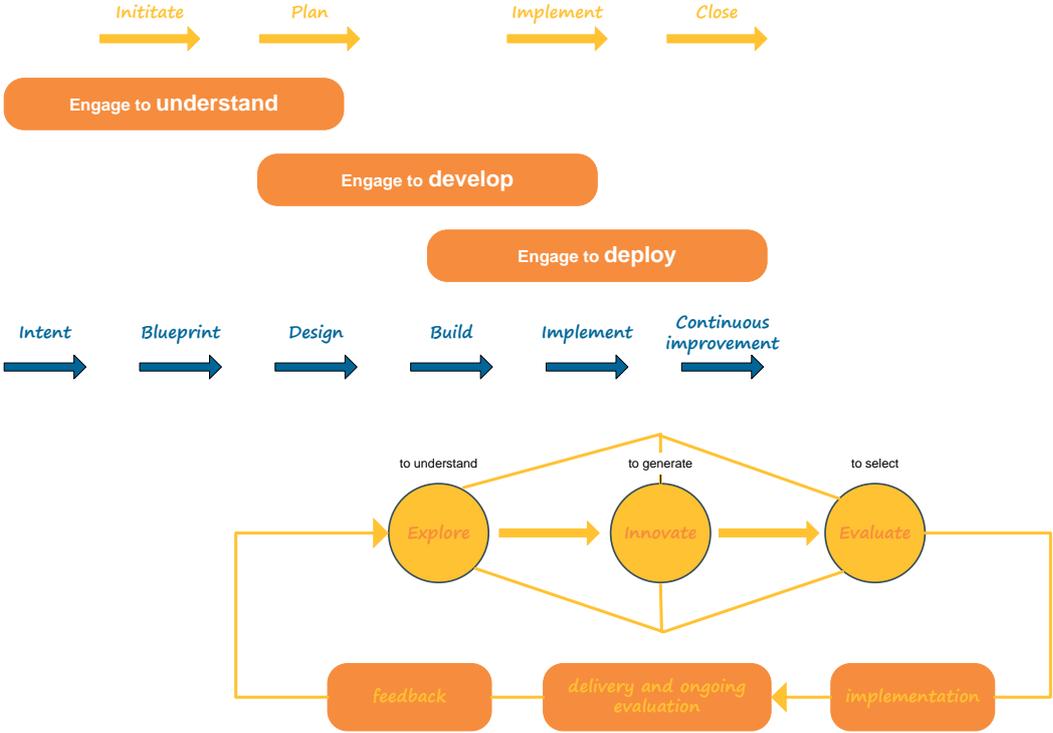
⁵⁰ *ibid*

⁵¹ Bridge, 2012

⁵² *ibid*



Figure 14: Department of Human Services co design strategy⁵³



In New Zealand, the Land and Water Forum is widely recognised as an early example of a co-production process. The Forum brought together nearly 60 stakeholders in water management (including environmental NGOs, councils, industrial and agricultural users) and tasked them with working through complexities to reconcile their differing positions and to make recommendations to government. While this unconventional process was risky (Ministers acknowledged they were nervous embarking on the initiative) and took some time (the Forum operated from August 2009 to November 2012), it resulted in a series of three reports offering a realistic approach to managing fresh water within limits.⁵⁴ This result required significant, expert facilitation of the Forum and the time and space to build up the common processes and understanding – including working together on easier issues, before tackling the more contentious ones – to enable a consensus to be reached.

Collaboration between agencies

As in the case of the Social Sector Trials and the UK Whole Place Community Budgets, services targeted and tailored to citizens cut across traditional agency divides and demand more collaboration between agencies. Public administration is increasingly focused on a range of new, flexible

⁵³ *ibid*
⁵⁴ Eppel, 2013



approaches to governance ('network', 'collaborative', 'connected', 'holistic' governance) to capture this shift to working across bureaucratic structure and across public, private and community sectors.

For public servants this is by and large a new way of working and different from the new public management model common since the 1980s. New public management sought to create semi-autonomous organisations which could handle individual tasks easily within an organisation, leading to proliferation and fragmentation of government agencies. This specialisation of government agencies delivered important benefits in terms of the focus and efficiency of public services. However, it also weakened the ability and incentives to coordinate across agencies in order to tackle the big issues that society faces. As a result, many recent public sector reforms have sought to emphasise this cross-agency dimension, while retaining the foundation of focused agencies.⁵⁵

The Better Public Services programme reflects an ambition to reconfigure public service in New Zealand government to achieve better collaboration around outcomes⁵⁶, including through:

- Specifying results to mobilise people and resource across government. The premise being that by getting Ministers of the day more clearly narrow down and specify what matters most to them then government agencies can be more effective in working together to deliver these outcomes. There are currently 10 Better Public Services targets focused on five priority areas that cut across government: reducing welfare dependence, supporting vulnerable children, boosting skills and employment, reducing crime and improving interaction with government.⁵⁷
- Ensuring flexibility within the public services to deliver results. The Better Public Services Advisory Group found that agency accountabilities and work programmes made it difficult to prioritise staff to cross-agency work and suggested a broad spectrum of organisational arrangements. These arrangements ranged from loose agency groupings through to fully integrated departments. The amalgamation of agencies to create the Ministry of Business Innovation and Employment and the Ministry for Primary Industries are an example of the latter. The creation of a 'water directorate' to co-locate policy staff working on fresh water management through formal secondment was an example of a joint venture between the Ministry for the Environment, the Ministry for Primary Industries and the Treasury to achieve better collaboration.
- Achieving results through sector and functional leadership. The Better Public Services programme also recognises the need to lift decision rights above the agency level to realise better collaboration between agencies. Grouping agency chief executives into six clusters as part of the government's Business Growth Agenda is an example where leadership is being lifted above the agency level to better drive collaboration.

⁵⁵ UNDP, 2013

⁵⁶ New Zealand Government, 2011

⁵⁷ State Services Commission



CHALLENGES AND OPPORTUNITIES

We see five important and overarching challenges and opportunities emerging as a result of these trends in public service delivery:

- Building the right capability
- Ensuring mechanisms for fast learning
- Harnessing information for better outcomes
- Achieving system leadership and stewardship
- Maintaining but evolving some of our oldest institutions.

Capability to deliver

Agencies need to gear up to ensure that they have the systems, processes, tools and, in particular, the people capability at all levels needed to work differently.

Co-production skills

Co-production and collaboration across agencies increases demand for public servants who have the skills to engage with citizens, communities and across government in more constructive ways. In particular, it will require policy professionals who:

- are adaptable
- recognise the importance of process to reaching a deliverable
- see and invest in relationships as assets
- make room for individuals to develop themselves
- harness a variety of methods to facilitate dialogue, manage conflict and build consensus
- make complexity manageable, for example through good synthesis
- promote reciprocity
- build social networks.⁵⁸

Co-production skills will be increasingly needed at all levels of public services, not just among senior leadership and it will be important that agencies continuously seek to better understand their skill needs.

⁵⁸ Informed by Bovaird & Loeffler, 2012; nef, 2010; Terry, 2010



Commissioning skills

Government procuring more services based on results or outcomes (the 'what') creates greater ambiguity in the process by which outcomes are achieved (the 'how'). This requires a wider and more sophisticated set of skills to successfully translate policy intent into commissioning arrangements, including people who can link policy objectives in complex markets with an end-to-end understanding of the users of the services and the supply chain.⁵⁹

These commissioning skills extend to the assets required to deliver public services, in particular in the context of the more differentiated nature of those services. There is potential to achieve major savings and benefits from encouraging more innovative and pragmatic approaches to the management of public sector assets, including to the \$80 billion of public sector capital projects planned over the next 10 years. These could be achieved, in part, through increased private sector involvement in both funding and delivery of major capital works. Also through encouraging more innovative approaches to the design and construction of these assets, including a whole-of-life approach that integrates thinking on their ongoing maintenance and operational management. And through greater leverage of third party assets in the delivery of public services (e.g. state-integrated schools, community housing providers, public private partnerships).

Achieving this will require a major step change in competency and capacity of public service agencies and will require changes to the current approach by the public sector to the planning, specifying, design, procurement, funding/ownership and management of capital asset provisioning.

Private and community sector capability

Effectively delivering services is not just about public service capability but also the capability that citizens and communities to participate effectively. For a variety of historical reasons (e.g. bequests, past government grants, previous work), some community and non-government providers will have accumulated capital (social or physical) that other providers cannot easily replicate, potentially increasingly reliance on those providers and limiting investment in capacity building and process improvements.⁶⁰

Actions to get others involved in the design and/or delivery of services need to be focused on empowering the community sector with the objective of helping build up and increase the sustainability of that sector. Without this focus on empowerment, there is a risk that commissioning others to contribute to the delivery of public services is seen as burdening a sector that may not be ready and able to deliver. For example, as part of Investing in Services for Outcomes programme, the Ministry of Social Development has established funding and other support to build capability of community service providers.

The relationship between central government and local government should be viewed in a similar way. When central government 'contracts' local government for certain outcomes, it needs to be mindful of local government's readiness and capability to deliver. With the changing landscape we can anticipate that councils will come under increasing pressure and will need the flexibility to adapt how

⁵⁹ Institute for Government, 2010

⁶⁰ The Productivity Commission, 2014



they deliver services to citizens. Some of the changes in the recent Local Government Act 2002 Amendment Act 2014 are consistent with this and are focused on encouraging greater collaboration and flexibility in how councils operate.

Learning fast

Reasoned risk

These new ways of working require public servants to step outside their comfort zone to deliver services that are potentially unprecedented or experimental. This raises the risk of failure and means government agencies and Ministers need to anticipate risks in their planning, where they can, and be prepared to respond to failure. There is a premium on ‘failing fast’ – designing innovative models in a way that rapidly delivers results, and monitoring implementation to learn quickly what is working and what is not to prompt the next iteration of innovation.

Developing a culture supportive of innovation and of controlled and reasoned experimentation and risk-taking (within outcomes-based performance frameworks) is fundamental to achieving outcomes. Establishing this culture will need to start with senior leaders and Ministers who are comfortable with the possibility of failure when taking a reasoned risk.

Skill and space to innovate

Taking reasoned risk and picking up lessons quickly requires an entrepreneurship skill set – a characteristic more frequently ascribed to the private and not public sector. In particular, it demands individuals who can see opportunity and make it happen. It also requires mechanisms that help break down barriers to innovation caused by siloed and hierarchical organisations, for example, through building effective networks for innovators.

Planning to learn

Government agencies need to be paying close attention to examples of where new models of service delivery have been implemented. They need to be willing to share their own stories of success and failure, and be open to scrutiny. Establishing what has been successful and why and what has been unsuccessful and why is invaluable. In 2013, an evaluation of the Social Sector Trials was able to test how the trials were implemented in practice, what the key achievements of the trials were, what the challenges were and what the lessons for the future were.⁶¹

Learning mechanisms again can include connecting and supporting innovators and establishing mechanisms that allow the capturing, tracking and sharing of lessons learnt through innovation. In particular, there is a need to capture and advise on what best practice looks like. The ability to anticipate failure and foster knowledge transfer increases the importance of high quality, timely monitoring and evaluation.

⁶¹ Ministry of Social Development



Increasingly, policy analysis will need to be treated as a tentative hypothesis that is tested through the actions of those involved in its development and implementation. This sees policy development and implementation as an iterative process, allowing for design to be modified to retain actions which produce changes towards the desired outcome, and to abandon actions that do not produce demonstrably good results.⁶²

Harnessing information for better outcomes

Understanding performance

At the centre of government's ability to learn and know when to change course is the ability to understand the 'big picture'. Recent evaluation mechanisms that are harnessing information to aide learning include the:

- Ministry of Social Development's Investing in Services for Outcomes which, as an investment approach, has a process for using information to identify what is needed to achieve outcomes and to review performance once services are implemented.
- State Sector Performance Hub that draws expertise from the Treasury and the State Services Commission to provide system oversight and enhance central agencies' ability to identify improvements needed to make the state sector system work better.
- Performance Improvement Framework reviews coordinated out of the State Services Commission that provides an evaluation mechanism for agencies to understand how they are performing.

Sharing information and insights

Publishing public data and using it to tell the story of the 'big picture' is important for satisfying expectations for transparency and a critical enabler of collaboration and co-production. This is seen through examples of recent external facing publications, for example:

- The Ministry of Business Innovation and Employment annually publishes a Regional Economic Activity report that brings data together to better highlight the strengths and challenges facing regions.
- The Ministry for Primary Industries annually publishes a Situation and Outlook for Primary Industries report that the Ministry is increasingly using to tell a story around the 'big picture' performance of the primary industries and how its activities fit within this frame.
- The Ministry of Education annually publishes a report card that brings together the Ministry's priorities with a snapshot of the education sector's make up and key changes.

⁶² Eppel, 2011



Using large data sets to provide insights and evidence is important for enabling collaboration and co-production. Effectively working with these data sets as well as ensuring others have timely access to the data sets in the right format requires investment in infrastructure and capability to:

- build the skills to work with large scale data sets
- develop data infrastructure, software and research
- facilitate data sharing and linking (e.g. through actions such as data.govt.nz, the Performance Hub, and the NZ Data Futures Forum).⁶³

System leadership and stewardship

The leadership required now differs from what has been expected under the new public management model, with this new generation of leaders needing to lead change across the system. Recent changes to the State Sector Act 1988 to foster 'system stewardship' help set the architecture for this new type of leadership. In particular, the Act charges the State Services Commissioner with promoting a culture of stewardship in the state services which is driving a system-wide focus by the State Services Commission to strengthen and align system governance and leadership to collectively deliver shared results and build strong and trusted public institutions.⁶⁴

System leadership

Unpacking system leadership, the Better Public Services Advisory Group identified the need for both sector leadership and functional leadership. 'Sector leadership' envisaged clusters of agencies working closely together to tackle issues with a single chief executive having lead responsibility for delivering the Government's priority results, working closely with cluster chief executives and Central Agencies. Functional leadership envisaged leadership across functions to drive improvements across the system, with the Government Chief Information Officer role being a good example.⁶⁵

The State Services Commission's Leadership Strategy for the State Services starts to anticipate future demand for system leadership. It sets the scene for a system-wide approach to talent management that develops high potential people from early in their career, accelerating the development of top graduates and high potential emerging leaders.⁶⁶

The need for system leadership extends down to the local level. This would see local leaders actively seeking to understand the 'big picture' and thinking widely about what they can achieve by leveraging other parts of government, front line services and/or non-government providers. This may be a substantial shift for many local leaders, with the Productivity Commission finding that local government generally has a weak 'whole-of-system' mind set when thinking about regulatory performance, not focusing on how the regulatory regime is performing overall.⁶⁷

⁶³ House of Commons Public Administration Committee, 2002

⁶⁴ State Services Commission

⁶⁵ New Zealand Government, 2011

⁶⁶ State Services Commission, 2013

⁶⁷ New Zealand Productivity Commission, 2013



System stewardship

Stewardship reflects a focus on the long-term health and performance of the public services. In particular, it requires chief executives to look beyond the current government, to ensure their agencies (and the public services that they deliver) are well-placed to address future challenges, including the legislation and regulation that they administer and the assets that they manage. This requires a broader perspective of the performance of their respective sectors, including government and non-government delivery agencies and the citizens and clients of public services. It also encourages a broad definition of the assets being managed, and a long-term approach to their performance, adequacy and management.

For example, the Ministry of Education is emphasising its role as steward of the education system. This has created a stronger focus on the system perspective that the Ministry can bring – both the collection and analysis of data to deliver insights to inform decisions, and the relationships with stakeholders across the system (for example, with businesses, iwi and communities). It has also strengthened its focus on the management of the physical assets in the education sector (primarily the school network) as a network that is integrated with the virtual infrastructure to support learning through digital technologies and the transport infrastructure to assist students to attend school. The Ministry is also supporting leaders across the education system (including principals, professionals, and in communities) to develop and implement local solutions to local issues and priorities, investing in this decentralised capability an asset.

Leadership for innovation

Inventive services, contracting for outcomes, co-production and collaboration between agencies all require flexibility within the system to be successful. System leadership is necessary but not sufficient to create the flexibility needed with new ways of working.

The Christchurch Earthquakes highlighted that creating an environment that supports coordinated action is critical. To help promote coordination, the Canterbury Earthquake Recovery Act 2011 gives statutory effect to a recovery strategy to assist the Canterbury Earthquake Recovery Authority in its leadership and coordination roles in an environment involving a number of public, private and community sector actors. The strategy acts an important reference document that guides and coordinates the recovery efforts, communicating a shared vision to ensure a common direction.⁶⁸

The Christchurch Earthquakes also highlighted that individuals require the mandate and accountability to collaborate effectively. Having people on the ground with explicit permission from senior leadership to 'do what it takes' to achieve goals was a critical enabler of innovation. This 'permission to act', however, was not uniform across agencies with some staff having stronger decision rights than others. Inconsistent regional boundaries also impacted on the ability to act without referring to head office.⁶⁹

⁶⁸ Canterbury Earthquake Recovery Authority, 2012

⁶⁹ Cabinet State Sector Reform and Expenditure Control Committee, 2011



New challenges to old institutions

New ways of working do not change the principles underlying public service. The shifts in public service delivery, however, are likely to stress some of our oldest institutions, challenging how we think about values at the heart of a high integrity public service, including:

- Accountability
- Transparency
- Privacy
- Equity
- Trust.

This challenge is not a matter of 'out with the old' but about evolving how we think about and maintain core values. Without being proactive here, there is a risk that current convention and legislation entrenching core values acts as a barrier to change, or that core values are forgotten about in the process and compromised.

Who is accountable?

The increasing focus on flexibility can make it less clear who bears responsibility for decisions and outcomes. This requires new structures for accountability and a clear idea of accountability between politicians and public servants.⁷⁰

Rethinking accountability structures also applies to the migration of public services onto different technology platforms. While technology has the potential to generate significant efficiency gains, changing public service business models, it can create challenges for citizens when things go wrong or where they are unable to engage effectively through an online medium. Under traditional communication channels (face-to-face and phone), an individual can more easily escalate a concern to a supervisor or manager, and can seek help more easily. When things do go wrong, individuals need easy and multiple avenues to raise issues and complain, and they need to know how the issue will be owned, escalated and resolved.

How do we balance demand for transparency and demand for privacy?

Citizens are demanding greater openness and transparency from government. This openness is also a key input into facilitating co-production processes, giving a wide range of stakeholders' access to the evidence base. In the UK, a report the House of Commons Public Administration Select Committee on 'harvesting unused knowledge, empowering citizens and improving public services' identified that where there is a 'right to data' there must also be a 'right to privacy'.⁷¹ Taking the issue of privacy

⁷⁰ Curry, 2014

⁷¹ House of Commons, 2014



seriously and getting the right balance between openness and individual privacy is an issue that will not go away and needs to be well managed.

Privacy of personal information is a risk factor that, if not managed well, could severely disrupt confidence and trust. With the proliferation of technology and service demands from citizens, government is able to collect growing amounts of information on citizens, and there is increasing value and opportunities to match and share that data to deliver more tailored and effective services. In New Zealand, amendments made in 2013 to insert section 9A of the Privacy Act 1993 on Information Sharing reflected growing demand to share data across government to enable more effective public services while also ensuring legislative safeguards to protect privacy.

With increasing use of contracting for outcomes, data sharing will increasingly occur not only within government but also with non-government providers. While risks around this data are primarily managed through contractual arrangements and the use of technology, this trend will increasingly put pressure on privacy across the system.

What is fair?

By their nature, targeted and tailored services reflect a shift away from traditional universal public services. Targeted services mean some individuals will receive services that others do not. Tailored services might result in citizens receiving different levels of customer service from government. This might not seem 'fair' from a narrow perspective even if 'fair' from a wider perspectives. For example, an individual receiving targeted services to break an intergenerational cycle of disadvantage. At a simplistic level, the shift is from fairness based on service outputs to fairness based on outcomes, but the latter can be harder to measure and demonstrate.

The experimental nature of innovative services may also raise fairness issues when approaches are not successful. This might take the form of individuals being disadvantaged by using the service if the approach is not successful, a real risk where services are being piloted. On the other hand, having individuals opt out of services has the risk of disadvantaging those around them. This is not dissimilar to individuals opting out of vaccinations and increasing risk for others, as well as themselves.

Other operating principles

Governments have a range of 'general operating principles' inherent in the public service ethos which may be challenged. The public service ethos is an unwritten set of values built into our understanding of what it means to be a 'public servant', including promotion or appointment on merit, the avoidance of patronage and political impartiality. These principles are sometimes convention and sometimes embedded in legislation.

For example, we should expect pressures on common practice to avoid or manage conflicts of interests that individuals working in an area may have. Shifts to contracting and co-producing with third parties invites individuals with strong interests to sit around the table where in the past they would have been kept outside and given an opportunity to submit views. This does not mean that conflict of interest is not important but that focus might need to shift, for example, from the individual sitting at the table to the composition of the group sitting around the table.



Increasingly opening up the delivery of public services to non-government providers questions the distinctiveness of the public servant and whether non-public servants can deliver services with similar values. A report into the impact of private sector involvement in public services on public service ethos for the UK House of Commons Public Administration Committee highlighted that while the 'profit motive' in the private sector puts public service ethos under strain, it is possible for the private and voluntary sectors to uphold the public service ethos. This report cautioned against taking public service ethos for granted and emphasised the need to be clearer and more explicit in explaining public service values.⁷²

⁷² House of Commons Public Administration Committee, 2002



APPENDIX 1: CASE STUDIES

Case Study 1: Whole Place Community Budgets

What happened?

Reflecting the need to explore and test new ways of designing and providing local public services, local authorities and other local bodies in England were invited to participate in an area-based pilot to test how Community Budgets comprising all funding on local public services could be implemented. Through a competitive process four areas were selected as local pilots: West Cheshire; Whole Essex; Greater Manchester; and the West London Tri-borough area. The focus of these pilots was to wrap services around people and place, drawing in partners from public, private and community sectors.

All four areas worked with central government to develop and evaluate each pilot. They adopted a pragmatic approach to defining, developing and appraising their proposals. They focused on specific, measurable outcomes such as reducing reoffending, preventing avoidable hospital admissions and developing a more integrated approach to employment and growth. Each local area identified potential for net savings from its projects within five years, reflecting the proposed activities, and the priorities and scale of spending in the local areas.

Local areas also identified a number of conditions that contributed to this success, including:

- encouraging data-sharing between local and national partners;
- continued collaboration and clear leadership both locally and nationally in designing and implementing new services, including continuing technical cooperation; and
- dialogue around potential longer-term and systemic reforms to the way local services are funded, including financial incentives or funding arrangements that encourage partners to invest across organisational boundaries, particularly where reform takes longer to be financially sustainable.

Key lessons

The Whole Place Community Budgets initiative demonstrates:

- the importance of leadership to bring cultural changes in both local and central government with pilots drawing on seconded officials
- that progress can be made towards joint working, embedding collaboration is not immediate
- co-production requires a change in the way departments operate and behave, including releasing some control over service delivery, and contributing expertise – e.g. through seconding senior staff from central government to be part of the project team at the local level
- the potential to achieve significant cost savings without driving out other objectives
- the value of using robust cost-benefit analysis to align resources with potential benefits.

Sources: House of Commons Communities and Local Government Committee, 2013; National Audit Office, 2013



Case Study 2: Co-design at the Australian Department of Human Services

What happened?

The Australian Department of Human Services (DHS) is responsible for delivering the majority of the social, health and welfare programs in Australia. DHS delivers services to approximately 99 per cent of Australians and undertakes 8.5 billion customer transactions every year.

DHS undertook a series of community fora to better understand the needs and wants of their clients, to inform the development of new service offers under the Australian Government's Service Delivery Reform agenda. DHS introduced eServices to further improve customer access, and to inform the development of products that meet customer needs. Co-design is an important feature of their contemporary service delivery model. The result was more streamlined and more tailored services, that responded to the clients:

- Providing more or less intensive support as required by the individual,
- Offering easier and more convenient ways to do business with DHS, including online,
- Streamlining processes and information sharing, and
- Automating systems wherever possible.

What does it demonstrate?

Co-design at DHS demonstrates:

- co-production allows an 'outside in' perspective that can lead to revealing insights and a wider and richer set of choices to try out
- co-production and technology are key for more personalised services, delivered in a way that is most convenient to clients, and that tackle problems that users care most about
- there is a risk of raising expectations that might not be met
- social media can be powerful, exceeding expectations for the richness and quality of response from the community
- moving services online can improve customer access but care must be taken to make the services relevant to what clients are looking for.

Source: Bridge, 2012



Case Study 3: HealthOne (Shared Care Record View)

What happened?

HealthOne (formerly eSCRV Shared Care Record View) is a secure on-line system for sharing health information in use across the Canterbury Health System. Faster and more informed treatment, shorter waiting times and better outcomes for patients are all benefits of the new system that evolved out of lessons learnt during the earthquakes. HealthOne makes routine health information (such as allergies, prescribed medications, medical diagnoses and test results) available to all health professionals involved in their care.

Following the Canterbury earthquakes, health providers shifted to a secure on-line system for sharing patient information between health professionals (hospitals, pharmacies, GPs, laboratories and nursing services) to achieve:

- faster treatment, shorter waiting times
- reduction in acute admissions
- avoiding duplication of procedures
- reducing vulnerability to disaster (paperless records)
- information sharing to allow for a more integrated approach to case management in the future.

The initial need for a different approach was driven by the damage to buildings and infrastructure that meant patient records were inaccessible making it difficult to check the medical history of people presenting for treatment. The online shared healthcare record view was initially piloted, with medical practitioners (including DHB staff, GPs, pharmacies and community nurses) invited to the trial. Their feedback and the wider response enabled the system to be fine-tuned (e.g. building in additional protections to respond to public concerns about privacy of personal information) in advance of its wider roll-out.

HealthOne has been available in all Canterbury DHB hospitals, community pharmacies and general practices, since the end of 2012. There has been international interest in the system, including for the UK's National Health Service.

What does it demonstrate?

HealthOne demonstrates:

- the potential to use technology to enable information sharing and more personalised and responsive services for clients
- the value of piloting an approach to explore the risks and challenges
- the ability to innovate under pressure, in response to an external shift in the context for public services.

Source: SSC, 2012



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