

Appendix G Machinery of government and cross-agency coordination groups

G.1 Social services and the machinery of government

“Machinery of government” is a metaphor for the structures and administrative processes that determine the form, functions, management, operation and governance of government agencies.

Like most government expenditure, commissioning and funding of services take place within the context of the machinery of government. Generally speaking, the process follows six steps.

1. The public, ministers or officials identify the need for a social service.
2. Officials advise ministers on how to address the need. Ministers consider the advice of officials and propose a programme and budget to Cabinet.
3. Cabinet approves the proposal. If an existing appropriation covers the programme, the responsible minister instructs their support agency to implement it. If the programme cannot be funded under an existing appropriation, it is added to the annual Appropriations Bill.
4. Parliament authorises money for the programme (if required) and ministers allocate responsibility for its implementation to a government agency.
5. A government agency or non-government provider delivers the service.
6. Ideally, government agencies evaluate the outcomes of the expenditure and feed the lessons learnt back into the process.

Each of these steps is expanded below.

Identifying the need for social services

Government funds social services in response to an identified social need. For many social services, the need for government funding is deeply rooted in people’s sense of fairness and equity, and expectations about the role of the state in providing a social safety net. Examples include the provision of universal healthcare and education.

Policy advice to ministers

As part of the yearly budget process, ministers (supported by officials) estimate how much public funding the government will need to provide services. They also decide the programmes through which agencies deliver services. Ministers then forward their proposal for expenditure to Cabinet as part of the yearly budget cycle. In practice, ministers and officials typically devote much of their attention to expenditure at the margins (i.e. new programmes, increases or decreases to existing programmes and the removal of programmes). The bulk of expenditure is rolled over without examination (Chapter 2).

New programmes that are funded within existing agency budgets may also require Cabinet approval. For example, the Cabinet Manual states that ministers must send “significant policy issues” and “controversial matters” to Cabinet (Cabinet Office, 2008, paragraph 5.11).

Cabinet consideration and approval

Cabinet consideration involves the responsible minister submitting papers outlining the proposed initiative or funding proposal. Before going to Cabinet, most proposals are discussed in detail by one or more Cabinet Committees. The Cabinet Committee on State Sector Reform and Expenditure Controls is responsible for reviewing government expenditure with a view to improving value for money. The Cabinet Social Policy Committee considers social policy issues such as education, health, justice and law and order, welfare reform, child poverty and vulnerable children.

Once Cabinet has approved a proposal, the responsible minister will instruct the relevant agency to proceed. If the proposal requires new expenditure, it is included as part of the annual appropriations and forwarded to Parliament for consideration as part of the annual Appropriations Bill.

Parliament authorises spending on social services

The scrutiny of government spending by Parliament is central to Westminster democracies. New Zealand's Constitution Act 1986 makes it unlawful for the Crown to spend any public money unless the expenditure is authorised by an Act of Parliament (s 22). Similarly, s 4 of the Public Finance Act 1989 (PFA) states:

The Crown or an Office of Parliament must not incur expenses or capital expenditure, except as expressly authorised by an appropriation, or other authority, by or under an Act.

Annual Appropriation Acts are the main avenue through which Parliament authorises ministers to use public resources. Appropriation Acts specify the amount of expenditure that ministers are authorised to incur in specified areas (known as appropriations). Appropriations are organised by "Votes" (eg, Vote Health, Vote Education and Vote Social Development) and can cover a period of up to five years. The 2014/15 appropriations under Vote Social Development included:

- assistance to disadvantaged persons;
- connected communities;
- counselling and rehabilitation services;
- education and prevention services;
- family wellbeing services;
- part payment of rent to social housing providers;
- services to young people;
- strengthening providers and communities; and
- trialling new approaches to social sector change.

Appropriations may be "departmental expenses" for services supplied directly by a government department or "non-departmental expenses" for services supplied by non-government organisations.

The PFA provides the legislative framework for parliamentary scrutiny of government spending. The Act governs the use of public financial resources by, among other requirements, establishing lines of responsibility for the management of public financial resources and specifying the minimum financial and non-financial reporting obligations of ministers and departments.¹

¹ The PFA and the State Sector Act 1988 refer to *departments*. Departments are listed in Schedule 1 of the State Sector Act. The Crown Entities Act 2004 sets accountability rules for Crown entities. This appendix uses the term *agency* to refer to the broader set of government departments, ministries and Crown entities involved in the delivery of social services.

Amendments to the PFA in 2013 sought to improve outcomes from public spending by increasing flexibility in the government's budget system. For example, the amendments included provision for multi-category appropriation (MCA). The MCA is a mechanism to shift funding between different classes of expenditure for the purposes of "contributing to a single, overarching purpose" (s 7B (b)).

Government agencies directly supply services or commission them from non-government providers

Government agencies use appropriations to deliver services in accordance with the wishes of Parliament. Under the PFA, departments must provide the responsible ministers with information on their "strategic intentions" (s 38). This must include an explanation of the "nature and scope of the department's functions and intended operations" (s 40). Departments usually use their Statements of Intent to convey this information. The Crown Entities Act 2004 sets similar rules for Crown entities.

Agencies must decide on a service model for delivering services. For example, agencies could choose to provide services in-house or contract them out. Agencies also need to make choices around the pricing of services, performance measurement and the management of risks. These are key components of "commissioning", which is discussed in detail in Chapter 6. The decisions made must be consistent with details of the appropriations and with the strategic intentions of the agency.

The PFA establishes strong vertical accountability, with accountability flowing from the chief executives of departments to ministers, and from ministers to Cabinet and to Parliament.

For instance, s 35 of the PFA makes agency chief executives of departments accountable for the financial management of appropriations used for non-departmental expenses (such as the contracting out of social services). Chief executives are also accountable for advising the responsible ministers on the "efficiency and effectiveness of expenditure" (s 35a).

The responsible minister on the other hand is accountable for providing Parliament with the end-of-year performance information (s 19B). The information must include an assessment of what the government has achieved with the appropriation (s 19C1a), and a comparison of actual expenditure against forecast expenditure (s 19C1b).

Other Acts, such as the State Sector Act 1988 and the Public Audit Act 2001, reinforce strong vertical lines of accountability.

- The State Sector Act makes chief executives responsible to the appropriate minister for carrying out the functions and duties of the department (including those imposed by policy), the good conduct of the department, and the efficient, effective and economical management of the activities of the department.
- The Public Audit Act established the Controller and Auditor-General as an officer of Parliament responsible for providing independent assurance that public sector organisations are operating and accounting for their performance, in line with Parliament's intentions.

Legislation can also create specific responsibilities for chief executives. For example, s 7 of the Children, Young Persons, and Their Families Act 1989 sets out the duties of the chief executive responsible for the administration of the Act (currently the chief executive of the Ministry of Social Development). These duties include:

- taking "such positive and prompt action and steps as will in the chief executive's opinion best ensure" that the objectives of the Act are attained (s 7(1)(a));
- monitoring, and advising the minister on the effect of social policies and social issues on children, young persons, families/whānau, hapū, iwi, and family groups (s 7(2)(a)); and

- promoting the establishment of services designed to provide assistance to children and young persons who lack adequate parental care, or require protection from harm, or need accommodation or social or recreational activities (s 7(2)(b)).

In addition to the responsibilities specified in legislation, officials must follow Cabinet directives and government rules. For example, the Government Rules of Sourcing set out the Government's standards for procurement planning, approaching the market and contracting (Chapter 12). These rules inform departmental operating processes and accountability structures.

Reviewing the efficiency and effectiveness of social services

Ideally, government agencies evaluate the outcomes of their expenditures and feed the lessons learnt into future design and delivery of services. However, as discussed in Chapters 7 and 8, this element of the system is weaker than it could be and should be.

G.2 Cross-agency coordination groups

Table G.1 lists the major cross-agency governance and oversight groups for social services, at both ministerial and officials level. This list reflects the best information available to the Commission, but is not exhaustive.

References

Cabinet Office. (2008). *Cabinet manual 2008*. Retrieved 9 April 2015 from www.cabinetmanual.cabinetoffice.govt.nz

Table G.1 Major cross-agency governance and oversight groups for social services, July 2015

| Area/programme | Officials group | Chief Executives group | Members of Chief Executives group | Ministers group | Members of Ministers group |
|--|---|-----------------------------------|--|------------------------------------|--|
| Cross-agency work in the social sector | Social sector deputy chief executives (strategy, policy and performance) | Social Sector Board (SSB) | Chief executives from the Ministries of Social Development; Education; Health; Business, Innovation and Employment; Justice; Pacific Island Affairs; Department of Corrections; Police; Te Puni Kōkiri; and Statistics New Zealand. The Secretary to the Treasury and Chief Executive of Housing New Zealand Corporation attend as required. | Cabinet Social Policy Committee | 20 members |
| Social Sector Priorities | | SSB | As above | Social Sector Priorities Ministers | Hon English; Hon Joyce; Hon Bennett; Hon Coleman; Hon Adams; Hon Parata; Hon Tolley; Hon Kaye; Hon Woodhouse; Hon Lotu-Iiga; Hon Goodhew; Hon Flavell; Hon Foss |
| Better Public Services (Results 1-4) | Social sector deputy chief executives (strategy, policy and performance) | SSB | As above | Lead Ministers | Result 1. Lead Minister: Hon Anne Tolley Result 2. Lead Ministers: Hon Anne Tolley and Hon Hekia Parata Result 3. Lead Ministers: Hon Anne Tolley and Hon Jonathan Coleman Result 4. Lead Minister: Hon Anne Tolley |
| Children's Action Plan | National Children's Directorate Social sector deputy chief executives (operations) | Vulnerable Children's Board (VCB) | Chief Executives of: Ministry of Social Development (Chair); Ministry of Education; Ministry of Health; Ministry of Justice; Department of Corrections; Police; Te Puni Kōkiri | Ministerial Overview Group | Minister for Social Development (Chair), Minister of Finance, Minister of Health, Minister of Justice, Minister of Education, Minister of Police, Minister of Corrections, and Minister for Whānau Ora |

| Area/programme | Officials group | Chief Executives group | Members of Chief Executives group | Ministers group | Members of Ministers group |
|--|---|------------------------|-----------------------------------|--|--|
| Social Sector Trials | Director, Social Sector Trials Social sector deputy chief executives (operations) | VCB | As above | Ministerial Overview Group | |
| Child Sex Offender Register | | VCB | As above | Ministerial Overview Group | |
| Prime Minister's Youth Mental Health Project | Cross-agency steering group: Ministry of Health (lead); Ministry of Education; Ministry of Social Development; Te Puni Kōkiri. | SSB | As above | Cabinet Social Policy Committee | |
| Enabling Good Lives | Joint agency group: Deputy chief executives and general managers from the Ministries of Health, Social Development and Education, with a representative from the Accident Compensation Corporation attending in an advisory capacity. | SSB | As above | Ministerial Committee on Disability Issues | |
| Cross-government Family Violence and Sexual Violence (FVSV) Work Programme | FVSV Steering Group – general managers from Ministry of Social Development, Ministry of Justice, and Police – with deputy chief executive programme sponsors from those agencies. | SSB kept informed | | Ministerial Group on Family Violence and Sexual Violence | Minister of Justice (co-Chair); Minister for Social Development (co-Chair); Minister of Health; Associate Minister of Justice; Minister of Education; Minister for Accident Compensation Corporation; Minister of Police; Minister of Corrections; Minister for Pacific Peoples; Minister for Ethnic Communities; Minister for Senior Citizens; Associate Minister for Social Development; Minister for Disability Issues; Minister for Women; Minister for Māori Development; Minister for Whānau Ora |

| Area/programme | Officials group | Chief Executives group | Members of Chief Executives group | Ministers group | Members of Ministers group |
|---|--|---|---|---|--|
| Cross-Justice Sector Work | Sector Group within the Ministry of Justice. | Justice Sector Leadership Board (JSLB) | Chief Executives of: Ministry of Justice (Chair), Police, Department of Corrections, the Serious Fraud Office and Crown Law | | |
| Youth Crime Action Plan (YCAP) | Youth Justice Governance Group: Ministries of Justice, Social Development, Health, Education; Te Puni Kōkiri, Police; Department of Corrections. | Information flows to both SSB and JSLB | | Minister of Justice (lead) and other Justice Sector Ministers | |
| Whole-of-Government Action Plan for reducing the harms caused by NZ Adult Gangs and transnational crime | Joint-agency steering group: Police; Customs; Inland Revenue; Justice; Department of Internal Affairs; Ministry of Business, Innovation and Employment (Immigration); Corrections; Ministry of Social Development; Corrections; Te Puni Kōkiri | JSLB (but regular reporting to SSB) | As above | Ministerial Oversight Group | Minister of Police (Chair); Minister of Justice; Minister for Social Development; Minister for Youth, Associate Minister of Education; Minister of Revenue; Minister of Corrections and Minister for Pacific Peoples; Minister of Customs; Minister of Māori Development |
| Whānau Ora | Whānau Ora strategic advisors group: Te Puni Kōkiri and representation invited from Ministries of Health; Social Development; Education; Business, Innovation and Employment; and Treasury. Also the Offices of Ministers Flavell and English, and five iwi technical advisors | None. Chief executives informed by officials. | | Whānau Ora Partnership Group | Ministers of: Whānau Ora (Chair); Finance; Education; Health; Social Development; Economic Development. Iwi members: Raniera (Sonny Tau), Naida Glavish, Rahui Papa, Tā Mark Solomon, Dr Hope Tupara, Richard Steedman. |

| Area/programme | Officials group | Chief Executives group | Members of Chief Executives group | Ministers group | Members of Ministers group |
|--|--|---|---|---|---|
| Disability | Senior officials group on disability issues | Chief Executives Group on Disability Issues | Chief Executives of: Ministry of Social Development; Accident Compensation Corporation; Ministry of Transport; Ministry of Justice; Housing New Zealand Corporation; Ministry of Education; Ministry of Health; Ministry of Business, Innovation and Employment; Ministry of Foreign Affairs and Trade. | Ministerial Committee on Disability Issues | Minister for Disability Issues (Chair); Minister for Tertiary Education, Skills and Employment; Minister of Health; Minister of Justice; Minister for Accident Compensation Corporation; Minister of Education; Minister for Social Development; Minister of Housing; Minister for Senior Citizens; Associate Minister of Transport |
| Drug Policy | Inter-Agency Committee on Drugs (IACD): Ministries of Health; Justice; Social Development; Education; New Zealand Police; Department of Corrections; and New Zealand Customs Service | | | Reports to Minister of Health, with any needed decisions to Cabinet Social Policy Committee | |
| Social services effectiveness, accreditation and contracting | Social Sector Procurement Committee: Deputy chief executives from the Ministry of Social Development; Ministry of Health; Ministry of Business Innovation and Employment; Ministry of Education; Ministry of Justice; Te Puni Kōkiri; Department of Corrections; The Treasury; State Services Commission; Accident Compensation Corporation; Department of Internal Affairs (associate member) | | | Reports to: Ministers of: Finance; Health; Social Development; and Community and Voluntary Sector | |
| Housing | Deputy chief executives group: Ministry of Social Development; Ministry of Business Innovation and Employment; Treasury | None | | Ministers meetings: Finance and Social Housing | |

| Area/programme | Officials group | Chief Executives group | Members of Chief Executives group | Ministers group | Members of Ministers group |
|--|---|------------------------|-----------------------------------|---|--|
| Regional Economic Development | Regional Economic Development Deputy Secretaries Group: Ministry for Primary Industries (Chair); Ministry of Business, Innovation and Employment; New Zealand Trade and Enterprise; New Zealand Transport Agency; The Treasury; Ministry of Social Development; Te Puni Kōkiri. | | | Regional Economic Development Ministers (RED Ministers) | Ministers of: Economic Development (Chair); Local Government; (Associate) Tourism; Communications; Transport; Social Development; Primary Industries; Small Business; and Māori Development. |
| Skilled and Safe Workplaces (stream of Business Growth Agenda) | Safe and Skilled Workplaces agencies: Tertiary Education Commission; Accident Compensation Corporation; Ministry of Education; Ministry of Social Development; Immigration New Zealand; Te Puni Kōkiri | | | Skilled and Safe Workplaces Ministerial Group | Ministers of: Tertiary Education, Skills and Employment; Accident Compensation Corporation; Education; Social Development; Labour; Immigration; Māori Development. |