

## BUDGET SENSITIVE

Office of the Minister of State Services  
Office of the Minister for Social Development

Chair  
Cabinet Social Policy Committee

### ORGANISATIONAL FORM TO SUPPORT THE NEW OPERATING MODEL FOR VULNERABLE CHILDREN

#### Proposal

- 1 This paper:
  - 1.1 **seeks** agreement to establish a new Public Service department to support the operating model for investing in New Zealand's children and their families recommended by the Modernising Child Youth and Family Expert Panel (the Expert Panel)
  - 1.2 **outlines** the implications of that decision for the future direction of the Ministry of Social Development (MSD) and the social sector
  - 1.3 **seeks** confirmation of the position description for the chief executive of the new department which the State Services Commissioner (the Commissioner) will use as the basis for recruitment to the role.

#### Executive summary

- 2 On 30 March 2016, Cabinet Social Policy Committee (SOC) invited the Minister of State Services and Minister for Social Development to report back by 4 May 2016 with recommendations on the organisational form required to give effect to a new operating model to support better outcomes for vulnerable children [SOC-16-MIN-0023].
- 3 A cross-agency working group (including officials from the State Services Commission (SSC), Treasury and MSD) developed a long-list of potential options for the new children's entity (NCE). The long-list included enhancing the status quo and various combinations of two main Public Service organisational forms, being: a separate department, or a department hosting a departmental agency – a new organisational form enabled by the Better Public Services Reforms.
- 4 Officials' assessment is that a stand-alone department for the NCE is the clearest fit with the agreed new operating model. This mirrors the recommendation of the Expert Panel. Options involving a combination of host department and departmental agencies were not recommended to implement this operating model, in view of the significance and scale of the proposed reforms.
- 5 The establishment of the NCE as a stand-alone department will have such significant implications for the operating model of MSD that it effectively creates two separate agencies:
  - 5.1 the NCE with all (or most of) the functions described in the Expert Panel's report, whose leadership role is in respect of vulnerable children
  - 5.2 a reconfigured MSD (a new social sector agency) whose enhanced strategic proposition comes from its existing capabilities and those it is already developing.
- 6 In the short term, the new social sector agency will continue to hold responsibilities for income support benefits, social housing, support for older people and students and some support for people with disabilities. These big delivery functions are supported by the full range of policy and strategy functions and underpinned by two large actuarial valuations for welfare and housing.

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- 7 Over the longer term, there is an opportunity for the new social sector agency to re-configure its role, for example, to develop stronger alignment between the social and economic sectors. MSD also has significant intellectual capital and specific skills, notably in the Investment Approach, the Household Incomes reporting and in some parts of Insights MSD (iMSD). Over time, it could build on these strengths by, for example, taking a stronger role in developing solutions for wicked problems such as the need to focus on material wellbeing, poverty and inequalities. As part of the creation of the NCE and the reconfiguration of MSD, there is an opportunity to consider the optimal arrangements for cross-sectoral functions, including the location of strategic social policy functions, as well as the configuration of social sector leadership, and the interface between different governance arrangements for sector collaboration (e.g. the Vulnerable Children's Board and Social Sector Board). This includes the leadership and coordination of social investment approaches, including the future location of the Social Investment Unit, and a possible government chief actuary position. It could also include the most appropriate arrangements for coordinating research, analytics and evaluation activity across the social sector.

### Background

- 8 On 30 March 2016, SOC noted that the performance of the current system of services and interventions for vulnerable children, young people and their families is well below what New Zealanders want for our most vulnerable children. They also noted that an overhaul of the system is required and agreed that a new operating model will be directed at children and young people who are at significant risk of harm now and into the future [SOC-16-MIN-022].
- 9 The new operating model, including a single point of accountability for ensuring a coherent and complete response for vulnerable children and families, would formally take effect from 31 March 2017. SOC invited the Minister of State Services and Minister for Social Development to report back by 4 May 2016 with recommendations on the organisational form required to give effect to the desired operating model [SOC-16-MIN-0023].
- 10 SOC also noted that the operating model functions are expected to include, in the first instance: Child, Youth and Family (CYF); the Children's Action Plan Directorate (including the Children's Teams, the Hub and the Vulnerable Kids Information System); the High and Complex Needs Unit in MSD; policy, research, evaluation and legislative functions, and data and analytics capability relating to community, family, care and protection, and youth issues; CYF-focussed legal, communications, ministerial services and service design and Community Investment [SOC-16-MIN-0023].
- 11 SOC invited the Minister of State Services and Minister for Social Development to provide SOC with a functional analysis report in July 2016 that confirms the final set of functions to be included in the new operating model. The Chief Executive of MSD and the reconstituted Vulnerable Children's Board will report back to the Minister for Social Development and the Ministerial Oversight Group by October 2016 on the organisational design and transition and implementation arrangements for the new operating model [SOC-16-MIN-0023].

### **The Expert Panel proposed an overhaul of the system supporting vulnerable children, based around a new operating model**

- 12 The Expert Panel delivered its final report *Investing in New Zealand's Children and their Families* at the end of 2015, and the report was released publicly on 7 April 2016. It proposed an ambitious and substantial reform programme that would significantly extend the range of services provided to vulnerable children and young people, by taking a proactive and life outcomes-focussed approach to meeting their needs.
- 13 It found that the current system is "fragmented, lacks accountability and is not well established around a common purpose [and that] CYF, as the core agency working with vulnerable children, lacks a clear mandate to direct services from the wider sector towards helping families care for those children" (Expert Panel final report, page 7).

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- 14 It proposed extending the range of services provided to vulnerable children and families to include intervening earlier through targeted prevention and intensive support for families, a much longer transition to young adulthood, and expanded care, support and youth justice services. It includes accountability “for services for all vulnerable children, not just those in need of statutory care and protection” and “a fundamental culture and leadership change to deliver new behaviours and outcomes” (Expert Panel final report, pages 14-15).
- 15 The key elements of the operating model that were endorsed by Cabinet were [SOC-16-MIN-0022]:
  - 15.1 creating a single clear point of accountability and a common purpose across the system
  - 15.2 creating a child-centred system
  - 15.3 stronger system and organisational leadership and culture change
  - 15.4 adopting a formal social investment approach to funding and service provision
  - 15.5 putting a high degree of specific focus on improving outcomes for Maori children and young people
  - 15.6 working with Pacific communities to significantly improve outcomes for Pacific children and young people
  - 15.7 working with strategic partners and engaging all New Zealanders
  - 15.8 extending the range of services provided and more effective evidence-based service provision
  - 15.9 funding following the child including the ability to directly purchase
  - 15.10 explicitly recognising and seeking to remediate the trauma that this group of children and young people may have suffered.

### **The Expert Panel considered a range of possible organisational forms**

- 16 The Expert Panel considered that “a department with a significantly expanded mandate, funding and governance” would be the most suitable form for the scale of change and statutory accountabilities (Expert Panel final report, page 14). Given the size and scale of the proposed services the Expert Panel considered that “neither a business unit within a department nor a departmental agency would have sufficient mandate, autonomy and authority to support the future operating model” (Expert Panel final report, page 132).
- 17 The Expert Panel’s focus was on vulnerable children and young people and their families, but not on how their proposed changes might affect the wider social services system that also provides universal public services and targeted services for other vulnerable populations. However, these other services are also an important part of Government’s social services offering.
- 18 We have learnt through the Better Public Services (BPS) reforms that without consideration of ways to mitigate the consequences, there is potential for structural changes that strengthen vertical integration to trade-off system and sector leadership in favour of individual agency goals. To counter this tendency we need to consider how to “design in” mitigations and levers at an early stage.
- 19 Design of mitigations has implications for the functional analysis report-back in July 2016 and the direction for MSD and wider leadership of the social services sector. Such considerations follow the selection of an organisational form and are therefore addressed in subsequent sections of the paper considering the implications for the future of MSD and direction for the sector.

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### Officials have also considered options for the organisational form to support the new operating model

- 20 A cross-agency working group (including officials from SSC, Treasury and MSD) developed a long-list of potential options for the NCE. The long-list included enhancing the status quo and various combinations of two main Public Service organisational forms, being: a separate department, or a department hosting a departmental agency – a new organisational form enabled by the BPS reforms (outlined further below).
- 21 The long-list of eight options were assessed for best fit against the following criteria: ability to drive the short and long-term changes required to support the new operating model; strong, focussed leadership in a structure attractive to high quality candidates; clarity of governance and accountabilities; focus on/prioritisation of vulnerable children; and enabling effective continuation of existing MSD operations. The overall assessment of options against criteria is summarised in **annex 1**.
- 22 This assessment generated a short-list of four options:
  - 22.1 NCE as a stand-alone department (as recommended by the Expert Panel)
  - 22.2 NCE as a department hosting one departmental agency – remaining MSD operations reconfigured as a departmental agency
  - 22.3 NCE as a departmental agency hosted by a reconfigured MSD
  - 22.4 NCE as one of two departmental agencies hosted by a new department (e.g. Ministry for Social Sector) – NCE and remaining MSD operations would both be departmental agencies.
- 23 The working group undertook further rounds of assessment. Each option's ability to deliver key aspects of the NCE operating model was re-scored against the criteria. Potential trade-offs between delivery of the NCE operating model and the wider sector and system direction were also assessed, together with their related risks and mitigations. The working group's overall assessment of the short-listed options is summarised in **annex 2**.

### A stand-alone department is the option best able to deliver the agreed new operating model

- 24 Officials' assessment is that a stand-alone department for the NCE is the clearest fit with the agreed new operating model. This mirrors the recommendation of the Expert Panel. Options involving a combination of host department and departmental agencies were not recommended to implement this operating model, in view of the significance and scale of the proposed reforms.
- 25 Since the late 1980s, experience with departments suggests that, of all the feasible options considered, a stand-alone department is the most likely to provide: a single point of accountability, clear organisational focus and the ability to attract strong leadership at the top.
- 26 However, organisational form, on its own, is unlikely to be a strong enabler of the proposed operating model. Furthermore, stand-alone departments' strong vertical integration has the potential to perpetuate existing barriers to cross-agency work. This is a trade-off evident in all of the options officials considered – all are essentially hierarchically based organisational forms with structural differences that affect the relative strength and depth of vertical or horizontal integration that can be achieved.
- 27 Options for the NCE involving a departmental agency form were considered as a potential way to combine the benefits of:
  - 27.1 the scale, scope and flexibility of a large multi-functional department (i.e. MSD)
  - 27.2 the greater focus of an autonomous departmental agency and separate Chief Executive directly accountable to a Minister

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- 27.3 reduced disruption and fragmentation of capability, and retention of integration between functions currently within MSD.
- 28 A departmental agency has its own Chief Executive who is responsible to a Minister for the activities and performance of the departmental agency [CAB Min (12) 16/10]. The intent of the departmental agency form is to enable clearly identifiable operational functions to be undertaken autonomously while working within the framework of a 'host' Department's strategic intentions and financial delegations.
- 29 However, officials' assessment was that options involving departmental agencies could not be recommended for the NCE. The use of departmental agencies would apply a new and untested organisational form in a complex, large-scale and high-risk environment. It would also involve a range of functions and coercive statutory powers beyond the design intent for departmental agencies [Cab Min (12) 16/10]. Finally, there are unlikely to be off-setting integration benefits within MSD as the main focus for the NCE is improved responsiveness and integration with the education and health sectors (including through direct purchase mechanisms).
- 30 Officials therefore recommend that the NCE should be established as a stand-alone Public Service department, being the organisational form that aligns most with the agreed new operating model. To manage the potential disadvantages of strong vertical integration in the new department, we propose further work to explore mitigations and levers in relation to the future role of MSD and the direction of the social system as outlined below.

### **Implications for MSD**

- 31 The establishment of the NCE as a stand-alone department will have such significant implications for the operating model of MSD that it effectively creates two separate agencies:
- 31.1 the NCE with all (or most of) the functions described in the Expert Panel's report, whose leadership role is in respect of vulnerable children
  - 31.2 a reconfigured MSD (a new social sector agency) whose enhanced strategic proposition comes from its existing capabilities and those it is already developing.
- 32 While the implications of this for both agencies will be fully canvassed in the functional analysis report-back in July 2016, an initial assessment of the implications for the new social sector agency are outlined below.

### **Reconfiguration of MSD as a new social sector agency**

- 33 In the short term, the new social sector agency will continue to hold responsibilities for income support benefits, social housing, support for older people and students and some support for people with disabilities. These big delivery functions are supported by the full range of policy and strategy functions and underpinned by two large actuarial valuations for welfare and housing.
- 34 Over the longer term, there is an opportunity for the new social sector agency to re-configure its role, for example, to develop stronger alignment between the social and economic sectors based around the "core" service delivery function areas of employment services, benefit payments and social housing, and consideration of how best to use MSD's extensive regional presence. Any expansion would need to leverage off the core services and current strengths that MSD has exhibited in recent years. MSD also has significant intellectual capital and specific skills, notably in the Investment Approach, the Household Incomes reporting and in some parts of Insights MSD (iMSD). Goals would include reducing the incidence and duration of vulnerability, including taking a stronger role in developing preventative interventions for wicked problems.

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### ***Provision of corporate services***

- 35 The Expert Panel has also proposed that the corporate support services for the NCE should be provided by MSD for a minimum of the first two years of operation, on a similar basis to the current provision. This will be done using service level agreements.
- 36 Currently MSD corporate teams provide an integrated range of services and support to all its business units. The services and support include IT, human resources, finance, property, legal, data and information management and security, research and analytics. A program of service improvements and upgrades is underway in MSD including the introduction of a new Human Resource Information Management system.
- 37 The future social sector agency will therefore have the experience and scale to support the NCE through its establishment and the implementation of the new operating model by providing a full range of corporate services and support.
- 38 This approach will provide the NCE with corporate service continuity and allow it to focus on frontline service delivery changes. The approach will also avoid corporate services duplication and minimise the possibility of increased cost and a loss of service in the NCE and the future social sector agency if current services were split.
- 39 Providing corporate services for the NCE and the future social sector agency will require changes to the way corporate services are currently delivered. It will be necessary for both entities to work closely to agree the scope and nature of services and support to be provided, service levels and performance standards, and governance and funding arrangements.
- 40 We propose that the corporate services proposition to support the NCE, including for legal, research and evaluation, and data services, be included in the July 2016 Functional Analysis report to SOC.

### ***July 2016 report to the Cabinet Social Policy Committee***

- 41 SOC has already requested a functional analysis report in July 2016 that confirms the final set of functions to be included in the new operating model for the NCE [SOC-16-MIN-0023]. This is expected to cover what goes where in terms of the current functions, and it should also consider the new social sector agency to ensure that:
- 41.1 there should be no reduction in the standard or continuity of services provided to New Zealanders from those provided by MSD up until 31 March 2017;
- 41.2 the new social sector agency will provide specified corporate services to the NCE for a minimum of two years from 1 April 2017;
- 41.3 the functions, strategy and structure of the new social sector agency should:
- 41.3.1 optimise its contribution to improved outcomes for New Zealanders,
- 41.3.2 optimise its contribution to the social system,
- 41.3.3 enhance the performance of the social system,
- 41.3.4 optimise the contribution of the social system to improved outcomes for New Zealanders,
- 41.3.5 provide the opportunity for the new social sector agency to exploit future opportunities to enhance its contribution to the performance of the social sector and to improved outcomes for New Zealanders.
- 42 Therefore the July 2016 functional analysis report back will need to cover:
- 42.1 an outline of the core role and functions of both the NCE and the new social sector agency including the unique value proposition of each to New Zealanders

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- 42.2 which functions (currently undertaken by MSD) should be transferred to the NCE and which functions should be part of the new social sector agency
- 42.3 options for names for each of the new agencies (if this is not agreed earlier).

### Implications for the wider social services system

- 43 The BPS reforms were driven by concerns that vertical accountability and the large number of separate agencies had become a significant constraint on the ability to work effectively across boundaries to get better results. The BPS reforms involved the development of specific roles, functions and enabling levers to better manage the State services as a system.
- 44 Getting better outcomes for vulnerable children involves taking a whole of system approach and includes the wider context within which such children live. This includes interrelationships at individual, family and wider community levels. The Expert Panel proposed wider changes to ensure multi-agency buy-in to the direction set by the NCE and mitigate the challenges of cross-agency working. The proposed changes included changes to governance arrangements including a reconstituted Vulnerable Children's Board (VCB), legislative changes to individual chief executive and other responsibilities to reinforce a child-centred operating model, and the formal establishment of a government chief actuary.
- 45 However, there is uncertainty about how effective these mitigations will be in supporting agencies to work across sectors in practice, and managing the wider implications of establishing the NCE for the system. The future direction of the wider system is likely to include the following components:
  - 45.1 strengthened leadership of the social sector as a system, to enable, for example, a common view of investment in priority populations as a whole
  - 45.2 a social investment approach embedded across the social system
  - 45.3 sponsoring better use of data, analytics and evidence across the social system
  - 45.4 supporting improved decision-making and service innovation
  - 45.5 putting the client at the centre of decision-making and a focus on outcomes.
- 46 In July 2016, officials are due to report back on roles and responsibilities for the delivery of a social investment approach for the social sector, including any early implications for the Social Investment Unit's location, status and governance [SOC-16-MIN-0028]. This coincides with the functional analysis report-back.
- 47 As part of the creation of the NCE and the reconfiguration of MSD, there is an opportunity to consider the optimal arrangements for cross-sectoral functions, including the location of strategic social policy functions, as well as the configuration of social sector leadership, and the interface between different governance arrangements for sector collaboration (e.g. the Vulnerable Children's Board and Social Sector Board). This includes the leadership and coordination of social investment approaches, including the future location of the Social Investment Unit, and a possible government chief actuary position. It could also include the most appropriate arrangements for coordinating research, analytics and evaluation activity across the social sector.
- 48 A consolidated sector level leadership function has the potential to deliver significant value to Ministers, agencies and the social sector system. This may also require development of new levers, e.g. cross-sector liability approach across multiple sector valuations to better manage social services as a system. We therefore recommend that the functional analysis report-back in July 2016 also outlines possible:
  - 48.1 options and levers for strengthening social sector leadership as part of consideration of the role and functions of the new social sector agency

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- 48.2 options for aligning appropriate functions to support social sector leadership, including the potential location for a government chief actuary (if established) and other relevant system-wide capability (including the Social Investment Unit).

### Building in a date to reassess functions and support requirements

- 49 Given the scale and magnitude of the support needed to establish strong foundations for the operating model for the NCE and its ambitious work programme, and due to difficulty predicting the appropriate allocation of strategic capabilities in such a dynamic environment, it is proposed that an assessment of the new operating model should be undertaken two years after its commencement. This would be intended to ensure that the NCE has all the support needed to operate effectively. The date for assessment could be aligned with the two-year commitment for MSD to provide corporate services for the NCE, with further review points staged thereafter.

### Next steps: Establishing a separate department

- 50 If Cabinet agrees to the establishment of a new department, and once Cabinet agrees on the name and commencement date (to be included in the functional analysis report in July 2016), the Minister of State Services will issue drafting instructions to the Parliamentary Council Office for an Order in Council to insert the department's name into Schedule 1 of the State Sector Act 1988. The Order in Council will also provide for savings and transitional matters connected with the transfer of functions from MSD. Officials recommend that the transitional period be two years from 31 March 2017.
- 51 Determining the organisational form for the NCE at such an early stage of implementing the new operating model enables the early recruitment of a substantive (rather than acting) Chief Executive to lead the process of establishing the new department, including organisational design, transition and implementation arrangements for the new operating model.
- 52 To enable the Commissioner to appoint a substantive Chief Executive earlier than 31 March 2017, the new department must be legally established through Orders in Council as soon as possible after the Cabinet decision is made to do so. A Cabinet decision to enable the early establishment of the department (i.e. before 31 March 2017) would need to be explicit that this did not imply a change to the go-live date for the new operating model, which SOC has agreed to be 31 March 2017.
- 53 The Chief Executive role and responsibilities will be established in accordance with Part 3 of the State Sector Act. Under section 35 of the State Sector Act the Chief Executive will be appointed by the Commissioner. A position description for the role of Chief Executive of this new department has been prepared and is attached as **Annex 3**. In accordance with the State Sector Act the Minister of State Services and the Minister for Social Development have advised the Commissioner of matters to be taken into account in making an appointment to the position.
- 54 If SOC agrees to the establishment of the new department, it is also asked to consider the position description and confirm it as the basis for recruitment. The Commissioner intends to commence advertising the role as soon as decisions on the new department are confirmed by Cabinet and made public.

### Consultation

- 55 The Ministries of Health, Education and Justice; Te Puni Kōkiri; the Ministry of Business, Innovation and Employment; NZ Police; the Department of Corrections; the Ministry for Pacific Peoples and the Treasury have been consulted in the development of this paper. The Department of Prime Minister and Cabinet has been informed.
- 56 The Vulnerable Children's Board, which includes the Chief Executives of the Ministries of Social Development, Health, Education and Justice; Te Puni Kōkiri; the Ministry of Business,



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Innovation and Employment and NZ Police, have discussed the question of organisational form, and support the recommendation for a separate department.

- 57 Several of the agencies consulted have noted the need for the Social Sector Board/Vulnerable Children's Board agencies to be more involved in the next stage of work on the shape of future social sector leadership and the way forward for MSD as a future social sector agency to inform the July 2016 report back.

### ***Treasury Comment***

- 58 Treasury notes that Ministers are being asked to make decisions on organisational form ahead of having detailed costings of establishing the NCE, restructuring the new social sector agency and the expected ongoing operating costs. The Expert Panel provided high level expected ongoing operating costs for the proposed NCE, and initial funding has been sought for the design and implementation of the new operating model through Budget 2016. Treasury considers that it is essential to understand what trade-offs would be required in order to fund any establishment and restructuring costs (whether from existing baselines or requested funding), and recommend that this be included in the July 2016 functional analysis report back.
- 59 Treasury also considers it important for the July report back to provide a clear and strong story about the practical pathway for setting up the NCE, including providing visibility of the cost implications (financial and non-financial) of the form decision and how these will be mitigated, to provide confidence for Ministers that go live by 31 March 2017 will be feasible.

### **Financial implications**

- 60 There will be significant financial implications from the proposed reform overall and the Expert Panel estimated the required future investment in the new operating model should be \$1,398 million per annum by 2019/2020. The Expert Panel suggested that this should be met through a mix of transfer of existing baselines, reallocation from Health, Education, Work and Income, and Corrections, new baseline funding, and one-off transformation costs. The detailed design and associated investment requirements of the new operating model are being developed by the Transformation Programme and the Ministerial Oversight Group is expected to receive advice on this by October 2016 [SOC-16-Min-0023].
- 61 There will be costs associated with separating out the functions of the NCE from MSD and establishing a new department. An initial estimate of the cost of separating the functions of the NCE from current MSD and establishment costs for the new department will be undertaken as part of the July 2016 report back to SOC on functional analysis.
- 62 New operating funding of \$31.5 million over two years is being sought through Budget 2016 for the transformation programme. This would comprise \$14.5 million for 2016/17 and \$17 million for 2017/18. Further out-year funding for implementing the new operating model will be sought through Budget 2017 [SOC-16-MIN-0023].

### **Human rights implications**

- 63 There are no direct human rights implications arising from the proposal in this paper.

### **Legislative implications**

- 64 Establishment of a new Public Service department will require an Order in Council to add the name of the new department to Schedule 1 of the State Sector Act and to provide for savings and transitional matters.
- 65 A separate Order in Council will be required to add the name of the new department to Schedule 1 Part 1 of the Ombudsmen Act 1975.

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- 66 If MSD's name is to change also (a matter to be included in the functional analysis report in July 2016), two additional Orders in Council will be required to amend the respective schedules in the State Sector Act and the Ombudsmen Act.
- 67 Reassignment of responsibilities for administering legislation across the sector, and determination of which specific administrative responsibilities should be transferred to the new department, will need to be worked through and will be included in the functional report-back in July 2016.
- 68 The future report-back on the second stage of changes to primary legislation to give effect to the new operating model will include updating how the children's agencies are defined in the Vulnerable Children Act 2014 to ensure both the NCE and reconfigured MSD are included in the definition.

### Regulatory impact and compliance cost statement

- 69 The Regulatory Impact Analysis (RIA) requirements apply to the proposal in this paper and a Regulatory Impact Statement (RIS) has been prepared and is attached.
- 70 The Regulatory Impact Analysis Team at the Treasury (RIAT) has reviewed the RIS prepared by SSC and considers that the information and analysis summarised in the RIS partially meets the quality assurance criteria, given the timeframes and parameters set by Ministers for a decision on institutional form.
- 71 The RIS notes a lack of information about potential implications of each option, including establishment transition costs; appropriate accountabilities; and benefits of separation versus integration of social policy functions. While the RIS states that all options are likely to entail similar costs, it is not clear what this conclusion is based on. The July 2016 report back will need to outline these impacts for this decision to be supported by adequate RIA.

### Gender implications and disability perspective

- 72 The choice of organisational form to give effect to the new operating model does not in itself have any gender or disability implications.

### Publicity

- 73 As soon as decisions about the establishment of the new department are confirmed by Cabinet and announced, the Commissioner intends to commence advertising the chief executive vacancy on the basis of the attached position description.

### Recommendations

- 74 We recommend that the Committee:
- 1 **note** that on 30 March 2016 the Cabinet Social Policy Committee (SOC) invited the Minister of State Services and the Minister for Social Development (MSD) to report back by 4 May 2016 with recommendations on the organisational form required to support the new operating model, and the regulatory and legislative impacts required to give effect to it [SOC-16-MIN-0023]
  - 2 **note** that officials developed a short list of options using the following criteria:
    - 2.1 ability to drive the short and long-term changes required to support the new operating model
    - 2.2 strong, focussed leadership in a structure attractive to high quality candidates
    - 2.3 clarity of governance and accountabilities
    - 2.4 focus/prioritisation of vulnerable children

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2.5 enabling effective continuation of existing MSD operations

- 3 **note** that the short-list of options involved two broad possible options: a separate stand-alone department and different combinations of departmental agencies with a host department
- 4 **note** that officials' analysis has found that the most suitable organisational form to support the new operating model for vulnerable children is a separate government department
- 5 **note** that a separate government department is also the organisational form recommended by the Expert Panel on modernising Child, Youth and Family

### **Establishing a new department**

- 6 **agree** to establish the New Children's Entity (NCE) as a new department by 31 March 2017
- 7 **note** that once Cabinet agrees on the name and commencement date for the new department, the Minister of State Services will issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council needed to establish the new department
- 8 **note** that the Order in Council will:
  - 8.1 bring the new department into legal existence on a specified date by naming it in Schedule 1 of the State Sector Act 1988
  - 8.2 provide for savings and transitional matters connected with the transfer of functions from the Ministry of Social Development
- 9 **note** that a separate Order in Council will be required to name the new department in Schedule 1 part 1 of the Ombudsmen Act 1975

**AND**, if recommendation 6 is agreed,

### **Appointing a chief executive**

- 10 **note** the impending vacancy for the position of Chief Executive for the new department
- 11 **confirm** the attached position description as a basis for selecting a suitable candidate for appointment
- 12 **note** that the State Services Commissioner intends to commence advertising for the Chief Executive role as soon as decisions about the establishment of the new department are made public

### ***Implications for the rest of MSD – the establishment of a new social sector agency***

- 13 **note** that removing functions that relate to vulnerable children and families from the MSD will cause such significant change to MSD that it will effectively involve the establishment of two new departments: the NCE and a new social sector agency
- 14 **note** that two separate Orders in Council will be required to change the name of the current MSD, by amending the respective schedules in the State Sector Act and the Ombudsmen Act
- 15 **endorse** the following objectives to guide the development of the options for the functions of the new social sector agency:
  - 15.1 there should be no reduction in the standard or continuity of services provided to New Zealanders from those provided by MSD up until 31 March 2017

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- 15.2 the new social sector agency will provide specified corporate services to the NCE for a minimum of two years from 1 April 2017
- 15.3 the functions, strategy and structure of the new social sector agency should:
  - 15.3.1 optimise its contribution to improved outcomes for New Zealanders
  - 15.3.2 optimise its contribution to the social system
  - 15.3.3 enhance the performance of the social system
  - 15.3.4 optimise the contribution of the social system to improved outcomes for New Zealanders
  - 15.3.5 provide the opportunity for the new social sector agency to exploit future opportunities to enhance its contribution to improved outcomes to New Zealanders
- 16 **agree** to reassess the new operating model at the same time as the scheduled review of corporate support services from MSD, two years after commencement of the operating model on 31 March 2017

### ***Implications for the broader social services system and the future development of a social investment system***

- 17 **note** that the Expert Panel proposed several mitigations for the cross-boundary coordination challenges inherent in setting up a new department (for example, the proposed purchase function and changes to Vulnerable Children's Board governance) and that further consideration will be given to options and levers that could enhance the performance of the new social sector agency

### ***Functional analysis report to SOC in July 2016***

- 18 **note** that SOC also invited the Minister of State Services and the Minister for Social Development to provide SOC with a functional analysis report in July 2016 that confirms the final set of functions to be included in the new operating model
- 19 **invite** the Minister of State Services and the Minister for Social Development to ensure this report back includes:
  - 19.1 an outline of the core role and functions of both the NCE and the new social sector agency including the value proposition of each to New Zealanders
  - 19.2 which functions (currently undertaken by MSD) should be transferred to the NCE and which functions should be part of the new social sector agency
  - 19.3 the corporate services proposition, including legal, research and evaluation, and data services, to support the NCE
  - 19.4 an indication of the likely costs of new commercial arrangements, potential redeployment costs and any other transitional costs that are likely to arise from the arrangements outlined in this paper and agreed by Ministers
  - 19.5 options and levers for strengthening social system performance as part of consideration of the role and functions of the new social sector agency including strengthened leadership of the social sector as a system, a common view of investment in vulnerable populations, embedding a social investment approach, better use of data, analytics and evidence, improved decision making and service innovation, client-centred decision making and a focus on outcomes
  - 19.6 how those options and levers will work with the emerging NCE operating model, including the concept of funding following the child

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- 19.7 options for aligning appropriate functions to support social system leadership, including the potential location for a government chief actuary (if established) and other relevant system-wide capability (including the Social Investment Unit)
- 19.8 options for names for each of the new agencies (if not agreed earlier).

Approved for lodgement by:

Hon Paula Bennett  
Minister of State Services

\_\_\_\_ / \_\_\_\_ / \_\_\_\_

Hon Anne Tolley  
Minister for Social Development

\_\_\_\_ / \_\_\_\_ / \_\_\_\_

## BUDGET SENSITIVE

### Annex 1 – Overall assessment of options against criteria

Long-listed options*	Description	Criteria
1 Status quo	Child Youth and Family a business unit within MSD; policy/strategy, Children's Action Plan (CAP) and Community Investment (CI) separate functions elsewhere in MSD.	Does not meet
2 Enhanced business unit in MSD	Business unit in MSD expanded in scope to include policy, CAP and CI.	Does not meet
3 NCE as a departmental agency hosted by a reconfigured MSD	MSD become the host department with its own chief executive. NCE is a departmental agency with its own chief executive. Allocation of respective functions and accountabilities would need to be worked through	Meets
4 NCE as a department hosting one departmental agency (remaining MSD operations reconfigured as a departmental agency)	The other major operational functions of MSD would become a departmental agency, while the host department refocused itself on the delivery of the new children's service operating model.	Meets
5 NCE as one of two departmental agencies hosted by a new department	Both NCE and the other major operations of MSD become departmental agencies, hosted by the social investment/policy/strategy/ shared services hub.	Meets
6 NCE as a stand-alone department (as recommended by the Expert Panel)	Department with the functions envisaged by the operating model, including policy and budget administration. MSD to provide shared corporate services for at least two years.	Meets
7 Remaining MSD functions reconfigured as a department	Similar to 4 above, but with remaining MSD functions constituted as a department not departmental agency.	Does not meet
8 NCE and Service Delivery as departments	Similar to 5 above, with departments instead of departmental agencies.	Does not meet

\* As outlined in the Expert Panel's report, given the coercive nature of the proposed agency's statutory powers Crown entity organisational forms are inappropriate in this context. Crown entity options were therefore not considered.

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### Annex 2 – Short-listed options assessment

<b>Rating Key</b> (alignment with criteria)
Strong
Moderate
Weak

Option	NCE as a stand-alone department (NCE and MSD two separate Departments with shared corporate services for 2 years)	NCE as a department hosting one departmental agency (remaining MSD operations reconfigured as a departmental agency)	NCE as a departmental agency hosted by a reconfigured MSD)	NCE as one of two departmental agencies hosted by a new department (e.g. Ministry for Social Sector – NCE and remaining MSD operations both departmental agencies)
1. Ability to drive changes (short / long term) required to support the new operating model	<ul style="list-style-type: none"> <li>- Provides strong signal and clear ability to drive change, and focus on vulnerable children</li> <li>- Corporate support will minimise distraction from need to establish new department</li> </ul>	<ul style="list-style-type: none"> <li>- Signals importance of vulnerable children</li> <li>- However there is a risk that is distracted by back office functions and host agency role</li> </ul>	<ul style="list-style-type: none"> <li>- Lowest signal regarding the importance of vulnerable children publicly</li> <li>- There is a risk that the wider MSD work programme takes priority over vulnerable children agenda</li> </ul>	<ul style="list-style-type: none"> <li>- Lowest signal regarding the importance of vulnerable children publicly</li> <li>- There is a risk that the wider MSD work programme takes priority over vulnerable children agenda</li> </ul>
2. Strong, focussed leadership (structure attractive to high quality leadership candidates)	<ul style="list-style-type: none"> <li>- Offers clear roles with clear focus</li> <li>- Will support recruitment of high calibre candidates at CE and 2nd Tier</li> </ul>	<ul style="list-style-type: none"> <li>- NCE CE position likely to support recruitment of high calibre candidates</li> <li>- Dept Agency CE and 2nd Tier candidates may be more difficult to source</li> </ul>	<ul style="list-style-type: none"> <li>- MSD CE position likely to attract high calibre candidates</li> <li>- NCE CE position may be less attractive - will not have full control of all levers make changes required by the review but may still be held accountable for delivering the change</li> </ul>	<ul style="list-style-type: none"> <li>- CE positions for departmental agencies may be less attractive than for stand-alone department option</li> <li>- NCE CE in particular will not have full control of all levers to make changes required by the review but may still be held accountable for delivering the change</li> </ul>
3. Clarity of Governance & Accountabilities	<ul style="list-style-type: none"> <li>- Clear and direct accountability / governance in a proven organisational form</li> <li>- However, there is potential for greater fragmentation on areas which lack clear ownership and require collaboration (e.g. child poverty), which must be mitigated</li> </ul>	<ul style="list-style-type: none"> <li>- Core functions (strategic direction and financial accountability) are centred in the host agency</li> <li>- Accountabilities not as clear for departmental agency as stand-alone department option</li> <li>- NCE has large span of control for an unproven department form with unclear status</li> </ul>	<ul style="list-style-type: none"> <li>- Core functions (strategic direction and financial accountability) are centred in the host agency</li> <li>- Accountabilities not as clear for departmental agency as stand-alone department option</li> <li>- Effectiveness of working arrangement with host dept CEO is critical to success in an unproven department form</li> </ul>	<ul style="list-style-type: none"> <li>- Core functions (strategic direction and financial accountability) are centred in the host agency</li> <li>- Clear division of operational accountabilities</li> <li>- There is a risk of policy and operations lacking alignment, and departmental agency form is unproven</li> </ul>
4. Focus / Prioritisation of Vulnerable Children	<ul style="list-style-type: none"> <li>- NCE has clear focus on Vulnerable Children (sole priority)</li> </ul>	<ul style="list-style-type: none"> <li>- NCE has primary focus on Vulnerable Children</li> <li>- However, there is a risk that their role as host agency will distract from this focus</li> </ul>	<ul style="list-style-type: none"> <li>- NCE does not need to focus on corporate functions (not distracted)</li> <li>- However, host MSD priorities will be much broader - may lead to prioritisation issues in relation to support / specialist services</li> </ul>	<ul style="list-style-type: none"> <li>- Clear operational focus on vulnerable children in NCE Departmental Agency</li> <li>- However, policy will compete with wider host agency policy priorities</li> </ul>
5. Enables continuation of existing MSD operations	<ul style="list-style-type: none"> <li>- Risks to sector strategic oversight</li> <li>- Shifting the full range of capabilities sought into a separate organisation may do real damage to the rest of MSD</li> <li>- Some disruption may occur with any split of corporate functions between Departments</li> </ul>	<ul style="list-style-type: none"> <li>- Keeps capabilities in one organisation</li> <li>- Stewardship of welfare system through DA of host children's agency lacks alignment and priority</li> <li>- Sector leadership role unclear</li> <li>- Considerable disruption to MSD operations from refocusing and reprioritisation of work</li> </ul>	<ul style="list-style-type: none"> <li>- Keeps capabilities in one organisation</li> <li>- Least initial disruption to MSD operations, clearer sector leadership role for host</li> </ul>	<ul style="list-style-type: none"> <li>- Keeps capabilities in one organisation</li> <li>- Issue of policy and operations alignment</li> <li>- Highest risk of disruption from restructure (two new entities, DA form unproven)</li> </ul>
<b>Overall Rating</b>	<b>Strong</b>	<b>Medium</b>	<b>Medium</b>	<b>Weak</b>

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### Annex 3 – Draft position description

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kāwanatanga



New Zealand Government

Position description	
Position	Chief Executive
Department	New Children's Entity (NCE) [name to be confirmed]
Context	<p>The vulnerable children's system is being transformed to put the child in the centre and give these young people the protections and life opportunities they deserve. The new child-centred system will have high aspirations for all children, address their short and long term wellbeing, and support their transition into adulthood. The child centred system will ensure the child's voice is heard throughout - both by ensuring children are given the opportunity to participate and express their views in their care, and through active engagement with an independent youth advocacy service in the design of systems and services. It will also look to develop new and innovative partnerships with others such as non-government organisations, Iwi, the philanthropic sector, and other service providers to meet the needs of these children, young people and their carers. Strong leadership and culture change is required to embed the system and organisational values that will underpin achieving positive long term outcomes with vulnerable children and youth.</p> <p>The NCE is a new department established to reform government's approach and services to vulnerable children, youth and their families. Key to the reform is establishing of a child centred system; developing and implementing of a robust social investment approach to funding and service provision; always maintaining high aspirations for the outcomes for vulnerable children, youth and their families; working with non-government strategic partners especially Iwi and Māori organisations to deliver positive outcomes for Māori children and youth; intervening earlier through prevention and extending the level and degree of support in the transition to young adulthood; when required direct purchasing of services; and ensuring the workforce are skilled to deal with trauma that this group of children and young people have experienced.</p> <p>The role of the Chief Executive is to be the Government's lead provider of policy advice and services for vulnerable children and young people, within the context of wider social sector policy and Government priorities. The NCE will offer five core services:</p> <ul style="list-style-type: none"><li>• a focus on prevention by investing early in children and families;</li><li>• intensive intervention when concerns escalate;</li><li>• care support that enables children to develop life-long relationships with care giving families;</li><li>• youth justice services that focus on preventing reoffending and assisting children and youth live crime free lives; and</li><li>• supported transitions to young adulthood.</li></ul> <p>The Chief Executive has key sector and system leadership roles, including membership of the Vulnerable Children's Board and the Social Sector Board. The Vulnerable Children's Board provides overarching cross-agency governance and oversight of the transformation of New Zealand's vulnerable children's system; has shared responsibility and accountability for achieving results for vulnerable children; and provide advice to a Ministerial Oversight Group. The Department's ability to achieve results for New Zealanders relies not only on its own operational service delivery but on collaboration with government and non-government sector colleagues.</p>



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### Key external relationships

#### Government and Parliament

The Chief Executive has key working relationships with the Minister for Social Development (primary Vote Minister), the Minister of Finance, the Minister of State Services (currently also Chair of the Cabinet Social Policy Committee), and Ministers of other social sector portfolios (currently Associate Social Development, Education, Health, Justice, Social Housing, and Youth). The Chief Executive and their social sector colleagues work closely with a Ministerial Oversight Group to implement a system reform package to improve outcomes for vulnerable children, youth and families.

#### Government Sector

The Chief Executive works collaboratively with other chief executives in the social and economic sectors and central agencies in the delivery of several key cross-social sector results. The Chief Executive, along with those of Health, Education, Justice, Police, Te Puni Kōkiri, Social Development, and Corrections govern the cross agency provision of services to vulnerable children and youth to achieve positive outcomes, and are responsible for providing social sector wide advice to the Ministerial Oversight Group.

The Chief Executive has specific responsibilities for the statutory care and protection of children and youth so must work closely with the Children's Commissioner and Judiciary dealing with children and young people.

#### Communities and the public and international

The NCE and social sector work extensively with non-government organisations to deliver services to all New Zealanders, especially to the most vulnerable. The NCE must engage effectively with a wide range of strategic partners, notably Iwi and hapu, Pacifica communities, NGOs, the philanthropic sector, the independent youth advocacy service, and key advisory groups. To achieve positive long term outcomes for vulnerable children and youth, the NCE must work with the children, youth, their families and their communities, and look to partner with organisations best placed to meet their needs.

### Performance profile

#### Accountabilities

The Chief Executive is employed by the State Services Commissioner and directly accountable to the Minister for Social Development. The Chief Executive must perform the duties set out in the State Sector Act 1988, the Public Finance Act 1989 and other relevant statutes and legislation. The Chief Executive of the NCE, is specifically accountable for:

- setting a clear direction for the Department, and leading and managing the Department to achieve the outcomes for vulnerable children and youth
- articulating a vision, culture and values for the Department that ensures the child is put at the centre and has a voice
- ensuring the vision, culture and values of the Department attracts, motivates and retains a diverse, highly skilled, highly performing staff, and reflects the Standards of Integrity and Conduct for the State Services
- assisting the Government to achieve its social priorities for vulnerable children, youth and families through providing strategic and general policy advice on social policy options, supported by appropriate research and evaluation
- contribute in the social sector to develop policy, programmes and activities that lead to improving social outcomes
- work with the Youth Advisory Panel to embed both individual and systemic outcomes

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- the leadership, coordination, purchasing and provision of efficient and effective services including:
    - prevention services for vulnerable children and youth
    - intensive interventions including statutory care and protection of children and young people, youth justice services focused on reducing reoffending and adoption services
    - social support services and funding to community service providers and caregivers
    - supported transitions for vulnerable children and youth into young adulthood
    - campaigns that challenge antisocial attitudes and behaviour
    - delivery of the Children's Action Plan.
- 

Immediate and medium term priorities

The immediate priorities for the Chief Executive will be:

- lead the transition programme to establish the new Department including the management of change for functions moving to the new organisation, including appointing an executive leadership team, whilst ensuring ongoing delivery of core services
- develop and implement reform priorities in collaboration with social sector agencies including:
  - legalisation reform
  - development and implementation of an actuarial model for vulnerable children and youth in conjunction with Treasury and the Social Investment Unit including targets and a performance measurement framework
  - strategies for developing strategic partnerships and direct purchasing models
  - strategies for building a high quality service provider market
  - engagement strategy for all New Zealanders
  - caregiver recruitment strategy and increased support for caregiving families
  - detailed service design for the improvement of core services
  - detailed costing of the reform package
  - development of an information management system which facilitates the flow of information across agencies to enable better outcomes for vulnerable children and youth which mitigating risks
- establish any agreement with the Chief Executive of the Ministry of Social Development for the provision of corporate services including information sharing to ensure a common view of the client.

Medium priorities include:

- build an organisational culture which is children centred, data-and evidence-driven, open and collaborative way of working
- establishing an independent advocacy service for children in care
- with the Vulnerable Children's Board, deliver a new Vulnerable Children's Plan
- building collaboration with other social and economic sector agencies to strengthen system leadership and culture change that places children and youth and outcomes at the centre of the system
- achieve a range of social sector outcomes including BPS Results
- identifying and resolving any points of tension between the organisations operating model and the cross agency local delivered models such as Children's teams, whānau ora, place based initiatives
- maintaining and continuing to improve a well-functioning Department across the full range of its operational and policy responsibilities.

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Security Clearance

Appointment will be subject to a New Zealand Government Secret security clearance.

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Person profile	
Leadership and stewardship service	<p>Excellent leadership by Public Service Chief Executives is essential for a high performing, professional and world class State sector. Underpinning chief executive leadership is the requirement to adhere to the Standards of Integrity and Conduct for the State Services and the higher bar expected of chief executive behaviour.</p> <p>Chief executive stewardship responsibilities reinforce that chief executives administer their agencies on behalf of others; serving current and future Ministers and meeting the needs of all New Zealanders.</p> <p>The stewardship responsibility requires chief executives to plan and actively manage for the medium term and long term interests. This applies to all aspects of the agency including capability; information and privacy stewardship; legislation administered; and managing assets and liabilities on behalf of the Crown that are used by or relate to the agency.</p> <p>Chief executives are also stewards of the system and are required to achieve cross-agency, sector and system results by leading, collaborating and exerting their influence in a cohesive way across boundaries and ensuring their staff have both the authority and motivation to do likewise.</p>
Profile	<p>The appointee to the position will need to:</p> <ul style="list-style-type: none"><li>• have significant experience in implementing transformation programmes, managing change, and building positive organisational cultures</li><li>• have strong organisational and people leadership skills and experience in both policy and operational service delivery</li><li>• be able to exert effective system level strategic leadership through the right balance of direction and influence, working with peer chief executives</li><li>• demonstrate the ability to build effective relationships and strategic partnerships with other government and non-government stakeholders, including iwi</li><li>• have an understanding of the client context including experience working with Māori and Pacific peoples</li><li>• have significant experience working with Ministers and be able to deliver expert, frank and timely advice to Ministers and Government on all matters relating to New Zealand's vulnerable children and youth</li><li>• be smart about the use of media and communication techniques</li><li>• have a high level of personal integrity and commitment to the impartiality and neutrality of the office</li><li>• demonstrate cultural sensitivity and an understanding of the Treaty of Waitangi.</li></ul>
Position specific competencies	
Leading strategically	<p>Think, plan, and act strategically; to engage others in the vision, and position teams, organisations, and sectors to meet customer and future needs.</p> <p>Lead and communicate in a clear, persuasive, and impactful way; to convince other to embrace change and take action.</p> <p>Connect with and inspire people to build a highly motivated and engaged workforce.</p>

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Enhancing system performance	<p>Drive innovation and continuous improvement; to sustainability strengthen long-term organisational performance and improve outcomes for customers.</p> <p>Work collectively across boundaries; to deliver sustainable and long-term improvements to systems and customer outcomes.</p> <p>Bridge the interface between Government and the Public sector; to engage political representatives and shape and implement the Government's policy priorities.</p>
Achieving through others	<p>Demonstrate achievement, drive, ambition, optimism, and delivery-focus; to make things happen and achieve ambitious outcomes.</p> <p>Plan, prioritise, and organise work; to deliver on short and long-term objectives across the breadth of the role.</p> <p>Effectively delegate and maintain oversight of work responsibilities; to leverage the capability of direct reports and staff to deliver outcomes for customers.</p>
Developing talent:	<p>Manage people performance and bring out the best in managers and staff; to deliver high quality results for customers.</p> <p>Coach and develop diverse talents to build people capability required to deliver outcomes.</p> <p>Build cohesive and high performing teams; to deliver collective results that are more than the sum of individual efforts.</p>

*\*The competencies outlined in this position description are the specific requirements of the role at this time. To see the full range of capabilities required go to: <https://www.ssc.govt.nz/leadership-success-profile>.*