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Deloitte New Zealand
State of the State 2022

Moving mountains

Big change
for better futures



MAY 2022



The Deloitte New Zealand State of the State series explores the role of the state in some of the biggest issues faced by Aotearoa New Zealand. In the 2022 report we consider different perspectives on reform and share our views on its role in a modern public sector and economy.

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Executive summary



Executive summary

Aotearoa New Zealand is undergoing reform on a scale we've not seen in decades.

With so much reform in progress across so many sectors, it's never been more important to consider the key ingredients for successful reform. While the changes are often started by politicians, they impact people, businesses, and communities just as much as they affect our public services.

Deloitte New Zealand's State of the State 2022 explores what it will take to do reform well, and is informed by interviews with over 20 senior politicians, public servants, Māori leaders, business leaders, academics and researchers. Their insights have been invaluable as we have built a picture of reform in Aotearoa and developed recommendations for potential reformers.

Reform is all about big aspirations and sweeping changes rather than simple fixes, and they cannot be achieved by just re-ordering parts of the current system.

Reform leaders need courage and creativity to build the shared narrative for where we are heading to, and how we will get there. They need to build collaboration and coalitions across multiple parts of the system, from private to public sector, and engage with community in deeper and more meaningful ways. And the new, reformed system must be created and operated even as the old system it replaces continues to serve, and impacted people are supported through the transition.

It is costly, high-risk and resource-intensive to move mountains, and reform is not a path to be undertaken lightly. We can learn from the lessons of past reform, the reflections of current leaders of today's change agenda, and look to other jurisdictions for leading practice.

Through this report, we have developed a framework for successful reform that builds the compelling case for reform, establishes the “who”, “how”, and “what” for the reform, and navigates the journey with the right people and tools to deliver results for the long term.

As to whether there are credible alternatives to reform, our interviewees broadly agree: reform is an important lever that needs to be available in Government’s toolkit for achieving large-scale change, and there is no real alternative available today. But the way we carry out reform is not perfect, some reforms are less successful than others, and there are things that we can learn that could help us to become better reformers in future.

Our report paints a picture of successful reform that has been anchored in strong public narratives, a coordinated approach to shifting mindsets as well as legislation, regulation, policy and practice, and a cross-sector approach. We also identify some of the barriers to successful reform that need to be considered. Addressing shortages in talent, creating robust mechanisms for managing results inter-generationally, and creating a blueprint that can help reformers and their actions to remain relevant in a volatile and changing world.

Our conclusions draw on the unique context of Aotearoa — not least the opportunity that Te Tiriti o Waitangi affords us to ground our reforms in a strong and evolving Māori-Crown relationship that moves beyond engagement to collaborative innovation and governance.

One of our key recommendations is the establishment of a Reform Office that can review and challenge reform programmes, capture learning and share insights, hold Government to account for reform outcomes, and contribute to continuous improvement and learning. Because if you are going to take on the challenge of moving mountains in Aotearoa New Zealand, you need to make sure you do it well.





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Introduction

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Introduction

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Aotearoa New Zealand is caught up in the whirlwind of reform in many sectors of the economy. While these dramatic changes are being driven by Government, they impact people, businesses, and social sector organisations just as much as they affect the public service.

Reforms in healthcare, schools, vocational education, housing, resource management, three waters, local government, social welfare, justice, borders, the electricity market, unemployment insurance, taxation, public sector, climate and the environment: these are all either underway or have been actively explored in recent years. By any assessment, this is a quantity of reform we haven't seen for many years — or perhaps ever — in Aotearoa.

Government also has an obligation to partner with Māori in its endeavours to reform. This partnership and the benefits it brings can create a unique advantage in terms of seeing tangible and enduring outcomes from reform. Most, if not all, of the current reforms in our nation hold a particular interest for Māori, firstly, as a Treaty partner and equally, if not more importantly, as underserved citizens. Where Māori and iwi have a significant and impactful role to play in decision-making, the true benefits of reform are realised.

The concept of “reform” has for a long time been shorthand for sweeping away what has gone before. Reform has been about establishing a new direction, and shaping structures and services along new lines, due to a fundamental belief that a system needs a step-change to realise and deliver on its potential. There is an implication that reform is required because the system's faults cannot be remedied merely through incremental improvements.

While there are many clear benefits to reform, it is also costly and disruptive, time-consuming and distracting. It is easy to think of reforms that have failed to live up to their initial objectives, as well as those that took longer and cost more than originally planned. It is much more difficult to recall successful reforms where outcomes for citizens, businesses, sectors, and Government were exactly as promised.



How do we move mountains?
David Lovatt shares his insights



With so much reform underway or planned, is there something we can do to improve the chances of success, or could alternative approaches be more successful?



Defining reform

When we talk about “reform”, we are referring to large-scale, multi-year changes to the structures, services, people, policies, practices and delivery models used in a particular sector to deliver an improved outcome for the economy, service users or civil society. In a uniquely New Zealand context, it is also underpinned by our Treaty partnership. We call this collection of entities, relationships and interactions the ‘system’.

In this context, reforms are large-scale endeavours that often involve significant investment in change and new ways of working. Due to the scale of change, and the high-profile risk of failure, reforms are almost always sponsored by a politician — either a central government Minister, or local government Mayor or Councillor. This gives reforms a strong political flavour, which is often increased even further when its purpose is to change something that was implemented by a previous, opposing government.

However, while reforms are politically led, they are not always politically motivated. We have observed a number of reforms that were conceived by officials in public service as responses to fundamental issues within a system of government or a sector of the economy, that were worthy — in their view — of a response such as reform. These are less frequent examples, but as you will see within our report, the resulting reforms are often more successful and enduring than those which first arise in the political realm.

We also contrast reform, which is a centrally-led process, to the grassroots process of a “movement” or “revolution”, which is initiated by a growing proportion of the population and centred around common perspectives or shared action such as protests. These are also important processes for initiating large-scale and systemic change, as we have seen through the formation of the Māori Women’s Welfare League, Hui Taumata of the 1980s (Māori Economic & Health Summits), Seabed and Foreshore debates, and internationally through the recent Black Lives Matter and School Strike for Climate. Movements such as these may often be a response to a lack of fundamental reform being driven by the established agency or political sources.

Identifying the opportunity

A key challenge for all reformers is to explain the motivation for reform. What is the problem that needs fixing? What is the “better place” we will get to once the reform has been successfully delivered?

Developing a robust and compelling case for change requires the authors of the change to form both a clear problem statement and a description of the alternative to the status quo. The purpose of this is to garner support in the need to right a wrong, fix something that is broken, take another path, change behaviour, or rebalance rights and obligations.

Given the scale of change implied by reform, there is often a high degree of resistance or inertia in the early stages which is why support is so important. To overcome the system’s natural resistance, you either need considerable support or large energy input — often in the form of political capital.

Some of the current reforms in Aotearoa are a long time coming for Māori and iwi and further delays will have significant consequences. Where reforms are popular or seen as essential, relatively little political capital is required to make the case for change; but if a reform is unpopular or seen as elevating the rights of a minority over a majority, the cost may be greater than the sponsor can afford to invest without an extensive programme of support.

Working the levers

Reform also requires a clear understanding and explanation of how we intend to intervene, who needs to be involved, and how a collective effort will result in positive system-level change. Changing systems is not a mechanical process, but a range of levers applied by system players all learning and sharing together in a common vision can produce transformative results.

Reformers have a large number of change levers at their disposal: from new governance, ownership and administrative arrangements to legislative and regulatory modifications, organisational restructuring, mandates and funding, services and outputs, statements of policies and performance expectations, innovation and ‘nudges’, fees and levies, permits and quotas, there are almost too many options to choose from.

Identifying who needs to be involved and the extent of their involvement is critical to the success of a reform. Reforms which take a strong Treaty stance and engage iwi and Māori early and often are much more likely to reap robust and enduring benefits for all New Zealanders.

There is often a tension between wanting to explain quickly and simply what will happen as a result of the reform, and the longer process of selecting appropriate analyses that then inform and justify the choice of change levers. For reform that is intended to address complex or 'wicked' problems — as most reform is — the appropriate theory of change and combination of levers is essential.

Making reform happen

Delivering the interconnected set of changes to make reform happen is itself a challenge requiring focus and talent, as well as energy and insight. These are not quick fixes and many reform efforts span years, if not decades.

Traditionally undertaken through programmes and projects, the shape of reform implementation is now changing as government agencies embrace Treaty-based partnerships, organisational agility, and greater product and service orientation. Digital and cloud technologies make it easier to implement more flexible rules, service delivery models, indigenous approaches and collaborative structures.

Change is inevitable, and we can either be commanders of that change, or mere recipients. Change capacity, of both the public service and the sectors undergoing reform, is often raised as a barrier to the current pace of reform, and there is a balance to be struck between reforms which are fast and high impact, and those which are slow and long-lasting. Building the leadership and delivery capability for reform in Aotearoa will be an important success factor if we are to achieve long-term lasting outcomes from reform.

Making space for the people

Reform is not a mechanistic process, it is organic and importantly, must make space for the people it serves. A strong public sector reaffirms our collective identity as a democratic nation and a fair and just society. When it comes to reform, the stakes are high and the balance between political viability, economies of scale and the view of the majority are not always consistent with the conventions and aspirations of all communities within our society.

Fundamentally, societies and sectors are products of human systems, and government's role is to govern in ways that maximise societal wellbeing and distribute it equitably according to the needs and desires of the people. Reform is one of the ways we can achieve step-changes to ensure that wellbeing is maximised and distributed across society. If reform does not engage and enjoy the support of the people, and deliver promised outcomes, people may tire of so much change.

Political ideologies and one-dimensional concepts of progress and development are problematic, especially when Māori assert a level of autonomy relating to Treaty rights that go beyond the state and the public sector itself. Are there tried and true ways of partnering with iwi and Māori that strengthen our collective resolve and provide opportunities for better outcomes for all New Zealanders?

Increasingly, we are seeing that people want to be more engaged in the process of reform, and in the active governance of public resources, rather than delegating to politicians and public servants an exclusive right to oversee important decisions that could be tested with more than information or consultation.

Questions are being asked about the next evolution of reform, so we are seeing greater consideration of representation, participation and co-governance models that would not have been part of the plan, even just a few years ago.

Delivering successful outcomes

Reforms are judged by the outcomes they create, as much as they are judged by the process of delivering what was promised. There can be a gap between the vision that is stated when the reform is announced, and the outcome that is realised once the reform is declared complete. But often the time between the two is so long that memories of the original intent have faded and in practice, reforms rarely end; rather they disappear as organised programmes.

Accountability for successful reform can be hard to pin down, partly due to long timeframes which allow people to move on to different roles, even as economies, sectors and organisations change significantly. Capturing lessons learned from what did and did not work during the reform is often not possible, unless a formal review or inquiry is held — which is usually when something has gone very wrong.

If outcomes are the reason for the reform in the first place, shouldn't we be better at holding ourselves to account for successfully delivering them?

A Māori perspective

As a sub-population, statistically Māori and Pacific people have worse outcomes than all other New Zealanders on almost all health, social and economic measures. For the most part, this inequity has not been remediated by previous government policy or public sector action for several decades.

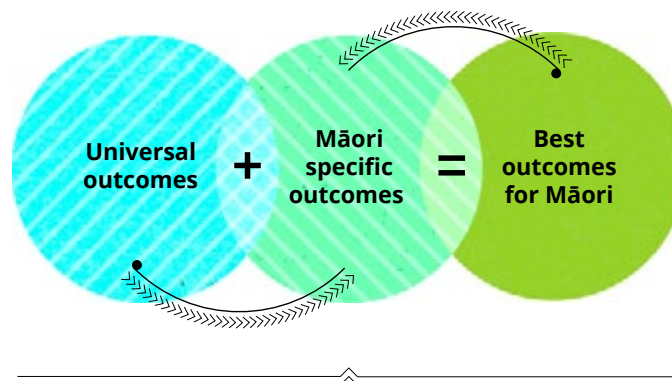
Speaking on outcomes, Professor Sir Mason Durie says:

“Ultimately the impacts of public sector reforms on Māori must be measured. Firstly, as citizens of New Zealand, Māori performance should be assessed according to universal outcomes (such as life expectancy, educational achievement, employment). There should not be wide disparities between groups. This aim is not necessarily a consequence of Te Tiriti o Waitangi but of the goals of a fair and just society. Secondly, as an indigenous people, Māori performance should be measured against Māori specific outcome indicators that are derived from Māori culture and traditional physical resources such as land. Best outcomes for Māori are the product of universal and Māori specific outcomes.”¹

Māori have at least two specific interests in the reformation of the public sector players. The first derived from their rights as individual citizens and secondly those rights derived from their relationship to Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand. The reality of the Māori and the Pacific position is that the political clout generally lies with the majority and any assertion of indigenous rights or perceived special treatment of Māori or Pacific people is often met with vitriol and sometimes seen as contrary to the democratic principle of equality by some New Zealanders. All this aside the unequal, longstanding poor outcomes speak for themselves.

The following equation touted by Durie et al. “Māori specific outcomes and indicators, a report prepared for Te Puni Kōkiri, 2002” clearly shows what constitutes best outcomes for Māori:

Formula for successful outcomes for Māori



About this report

In this year’s Deloitte New Zealand State of the State, we explore perspectives on reform and share our views on its role in a modern public sector. What is reform and how does it sit within current day Aotearoa New Zealand? What motivates us to call for reform? Are there alternatives to reform that offer a better path for the public sector? Are there ways of better carrying out reform to deliver the best outcomes and maximise the chances of success?

In recent years, our New Zealand State of the State reports have explored the state’s role to catalyse social impact through:

- Social investment (2016);
- Resilience (2017);
- Wellbeing (2018); and
- Inequity (2019)

Following a pause in these reports due to the global COVID-19 pandemic, we have turned our focus to the impact the state can have on people, Māori-Crown relationships, sectors and the economy, through its ability to shape system behaviour by reforming structures and policies, choices and actions. What can and should the public sector do in its role as civil government, in order to deliver value from its investment in reform?

Our report is informed by interviews with over 20 senior politicians, public servants, Māori, business and social sector leaders, academics and researchers. Their insights have been invaluable as we have built a picture of reform in Aotearoa, and developed recommendations for potential reformers.



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Why reform?

Why reform?

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If you adhere to our definition of reform being large scale, multi-participant change to sweep aside what went before, then the threshold for proceeding with reform is high.



Generally speaking, we find four common drivers of reform:

1

Failure to deliver outcomes.

The system is failing, chronically or acutely, to deliver outcomes for some or all citizens.

2

Declining system performance.

The system is experiencing a lack of efficiency, effectiveness or resilience, or a mixture of these issues.

3

A change in purpose.

The reason the system exists, or the paradigm that underpins it, has changed, therefore adjustment or replacement is necessary.

4

A change to the context in which the system exists. External shocks and trends are occurring, causing changes in citizen and/or government expectations.

Failure to deliver outcomes

Most commonly the catalyst for reform is underperformance of the current system, resulting in poor outcomes for some or all of the citizens it is there to serve.. We can think of these as both acute and chronic failures.

Acute failures in how a system is performing are easy to point to, often highlighted by flash points — high profile events that propel issues to the forefront of public consciousness. This is often true of industry reform — banking, building, telecommunications — as well as social and health reform. The result is the public lose confidence in the sector, and the sector loses its licence — real or social — to continue as it is. Citizens, politicians or the sector participants themselves demand change.

Failure may also be chronic, experienced over a sustained period. In Aotearoa our commitment to give effect to Te Tiriti o Waitangi provides an ongoing context for reform. Successively, our public infrastructure and functions have failed to deliver on the promise of rangatiratanga (self-determination) and kāwanatanga (government), and to achieve equitable outcomes for tangata whenua.

“It is the Treaty that gives Pākehā the right to be here. Without the Treaty, there would be no lawful authority for the Pākehā presence in this part of the South Pacific... The Pākehā here are not like the Indians in Fiji, or the French in New Caledonia. Our Prime Minister can stand proud in Pacific forums, and in international forums, too, not in spite of the Treaty, but because of it... We must remember that if we are the tangata whenua, the original people, then the Pākehā are the tangata Treaty, those who belong to the land by right of that Treaty.”²

● **SIR EDDIE DURIE**

Chairman of the Waitangi Tribunal

“Most unfortunately the catalyst for massive reform will default to failure and disaster — we seem to be unable to get in front of and deal with emergent systemic environmental, social and economic stresses. Young people revolting on the street over climate change is a good example. It is coming from the ground up, there is so much failure you cannot escape it, it is becoming political. The bad news is we are in that situation, the good news is it is being realised.”

● **GIROL KARACAAGLU**

*Head of the School of Government at Te Herenga Waka
Victoria University of Wellington*



Declining system performance

Underperformance may be a gradual decline as functions and ways of working fail to keep pace with broader change. Performance may have dwindled, or may simply be lagging behind.

Modernisation reforms, often with a strong digital and data focus, are often the vehicle necessary to make the significant change needed to keep up with — let alone surpass — changing citizen demographics and expectations of how they interact with the public sector. Aotearoa’s own Strategy for a Digital Public Service³ intends to span and enable the broader reform agenda.

Increasingly we are seeing a shift in expectations around cultural competency, and the recognition of the important role this plays in achieving and maintaining good outcomes for all citizens. As the nation continues to evolve into a multi-cultural society, the ability to perform is linked to the ability to connect cross-culturally. Our expectations of good performance have shifted, and there is considerable investment into systems across reforms to meet them.

A change to purpose

Of course reform can also be purpose-led: driven by a new and compelling vision, new ideas as to how our systems and society should operate. Recent examples in Aotearoa New Zealand include economic and tax reform. Some systems are particularly prone to purpose-driven reforms; for example our children’s systems have moved back and forth along a purpose continuum of child protection and strengthening and preserving families.

Education reform through history has often been spurred by evolving paradigms of what, and who, education is for, as well as how it is best delivered. Today, the emphasis has shifted away from filling learners with academic knowledge and shifted towards building the enduring skills and mindsets necessary to be successful in an evolving economic and social context.

A change in context

Today, more than ever, we are acutely aware of how vulnerable we are to our broader context. The pandemic, a black swan event (a rare but high impact risk) that had been on strategic risk registers for decades, has put the foot to floor on global government reform agendas. The impact of COVID-19 is shaping reform on everything from health and welfare, to the future of work, food security, and supply chain resilience.

Many participants in this report looked for indications from our pandemic response as to how we will step up to the challenge of climate change transformation. Climate change is more “grey rhino” (a known but much ignored risk) than a black swan, but the scale and reach of the impact — and therefore the reform — will surpass anything Aotearoa has experienced in the last two years.

There are lessons for us too. As the country has worked through the health and economic response it has also raised the importance of cross-cultural competence, indigenous approaches and of community-based leadership in getting real-world outcomes.

Of course, whether the impetus comes from opportunity or underperformance, the unpredictable nature of reform is often the result of political drivers. Changes in government bring about alternative views on how a system should function, and even the relative importance of problems to solve. As many of our contributors noted, our three-year political terms provide a relatively narrow window to sell the big idea, get the wheels in motion and demonstrate progress and impact. These political time horizons serve to reinforce the choice of reform as an efficient and effective way for politicians to make change.

In and of themselves, these drivers do not make reform an inevitability. Reform comes at significant cost and risk to governments and citizens, occupying decision-making bandwidth and public discussion, as well as financial and talent resource. Where systems can be improved through targeted initiatives or continuous improvement, there may be cheaper and faster ways to make change.

Without exception, our Māori contributors re-emphasised the importance of a Māori voice embedded in reform, particularly where there is a political persuasion. Sometimes the Māori perspective provides the leverage needed to move through “sticking points” in the process.

Scale of change

We choose reform when we believe that the degree of change is so steep and the distance to travel so significant that the current system will be unable to get there incrementally. Continuous improvement is no longer a viable approach because we need to change so many things about the system, and they need to change together or simultaneously.

Systems theory differentiates between complicated and complex systems. Complicated systems can be disassembled and their individual parts and interactions can be understood. This doesn't mean change is easy, but programmes and portfolios of initiatives can implement change in a planned way with reasonable confidence in the outcomes it will achieve.

In a complicated system, we can usually chart a course with a high degree of confidence — there is still a reform challenge in implementing the plan effectively, but the plan itself is clear. Creating a reform programme can help to explain why so much needs to change, and provide a structure to manage the process.

Complex systems are more dynamic, and emergent behaviours arising between participants and parts of the system mean that merely understanding the parts is not enough to understand the system as a whole. Complex systems resist simple fixes, because the way the system behaves is constantly changing and it's almost impossible to keep up. Attempts to change the system result in a game of ‘whack-a-mole’, where the impacts then bubble up elsewhere in the system.

In a complex system we can't always chart a course, we can only set an intended outcome, assemble the right team and gear, and have confidence in our navigational tools and ability to travel together. Creating a reform programme is essential to hold the intent, navigation and journey management steady over an extended period of time.

There is a Māori proverb that says “ka mate kāinga tahi, ka ora kāinga rua” (when one home dies, a second lives) which relates to reform, as in ancient times Māori would burn down old Pā sites whilst building the new — the two systems would coexist. During reform processes, there are two systems coexisting: the new one being created, and the old one in decline. The reform programme must manage the decommissioning of the old system — which is often entrenched and has proven itself hard to disrupt — in a way that maintains performance during the transition period, without constraining the change that needs to happen to build the new system.

“Our colonial history is an important and contemporaneous part of the fabric of our society and most certainly linked to the perverse outcomes Māori experience on most social and economic measures in Aotearoa New Zealand.”⁴

● DR MOANA JACKSON

Is there always a need for reform?

During our discussions and research we canvassed whether there will always be a need for reform.

Previous reforms haven't always delivered what was necessary, and the success factors for good reform are not easy to achieve. Given the high cost of reform, it can be argued that resources could be better applied to point solutions, or direct investment to the participants and recipients of a system's activities.

There is a case to be made that continued high levels of reform point to a different failure, because they suggest that the system was unable to develop organically in response to changing demand, expectations or external conditions. One of the objectives of effective reform should always be to leave the system able to adapt and evolve better than before.

“Rather than undergoing a steady stream of reform in a fairly measured sense we are quite lumpy. Pressure has built up in the system from a lack of reform, which means that a lot of those problems have crystallised at the same time”

● **HON. JAMES SHAW**
Minister for Climate Change

“We don't recognise that reforms have a lifecycle. Now, are we creating something new, or innovating on an existing idea? We keep coming up with new things, instead of innovating on pre-existing ideas and learning from those cycles.”

● **MATTHEW TUKAKI**
Executive Chairman of the National Maori Authority

However, most people we spoke to see reform as an enduring part of our landscape, at least for now. We are in an era of unprecedented change, facing longstanding, unresolved equity issues and challenges of a scale and complexity we have not encountered before. We are increasingly aware of the interconnectedness of our communities and countries, and of social, economic, and environmental systems. We must continue to evolve, and we will need to make the punctuated leaps forward that reform enables. A common sentiment is that a longer-term outlook, bringing with us the good ideas and lessons learned from our past could make our way forward feel less lurching.

So, reform is here to stay — in some shape or form. If we are to realise its promise, we must increase our odds of success.

Ka mua, ka muri
looking back in order
to move forward





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**A framework
for reform**

A framework for reform

04

Whatever the nature, focus and extent of reform, all reform stories include three key dimensions — and the degree to which these are appropriately addressed directly impacts the success of the reform itself.



Watch Cassandra Favager talk through what makes reform successful



These dimensions are:



Case for reform

Whether reform drivers are failures in the current system or shifts in the operating environment, the case for reform sets out compelling analysis of what is preventing the current system from working as it should, and a clear vision for what the future outcomes need to be.



Theory of change

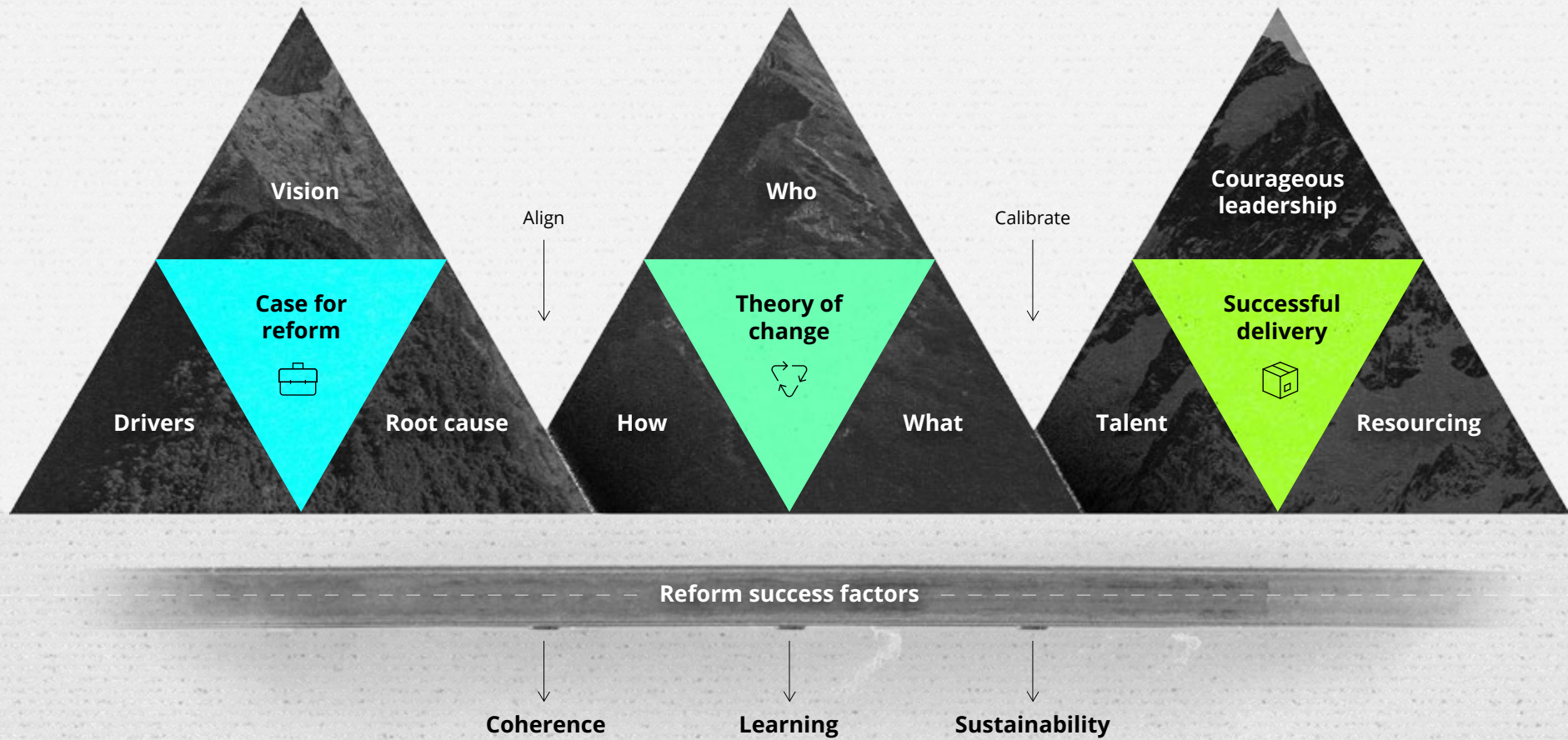
A collective view on how sustainable reform will happen in the system. Who needs to change, what needs to change, what levers are most effective, and how will we know when that change is working effectively? This is often informed by history — a deep understanding of how change has happened before, or how it has not.



Successful delivery

A coherent programme of changes that create the future capabilities and system, and decommission the previous system. This requires a skilled team and strong, courageous leadership to go on the journey, as well as a method to engage and collaborate with system participants at all levels along the way.

A framework for reform



CASE STUDY

Neoliberal reforms

The significance and breadth of reforms implemented during the 1980s-90s era, and their lasting impact, make for an interesting case study in the context of our reform framework.



Within two decades, across Labour and successive National Government terms, Aotearoa experienced an overhaul of our economic and welfare systems. Noted by global media outlets at the time as the world's most progressive reform agenda, the reforms resulted in a fundamental shift in our nation's economic and social narrative.

During the long constitutional journey of New Zealand from a British dependency in 1840, a crown colony in 1841, a self-governing colony in 1852, a Dominion in 1903, and a constitutionally independent nation since 1986, the relationship of Māori to the state, like all real relationships, has been a matter of celebration, dispute and political inconsistency.

When major restructuring of the state and the economy commenced in 1984, there were a number of elements of the reformation process that supported both national economic objectives as well as Māori aspirations. As it happened, the major goals of the reforms — reduced state dependency, devolution, and deregulation — were also necessary preconditions for greater Māori independence, tribal redevelopment, and service delivery to Māori by Māori.

Ultimately, the notion of shared responsibility and importance of government intervention to support the social and economic health of many was replaced with a preference for the trickle down of wealth and citizens taking personal responsibility for their welfare. The nature of government intervention was forever changed, and the impacts are still felt today.

Case for reform



The catalyst for market radicalisation at the time is best explained in the context of Government policy and reform in the years prior. Between 1930 and 1980, the economy was highly controlled by finance and trade regulations, extensive social welfare support where Government intervention was available to most citizens, and a number of assets within the transport and energy sectors were state owned. By the 1970s, Aotearoa had one of the lowest unemployment rates in the world and most New Zealanders enjoyed high standards of living.

However, this era of great prosperity came to an end in the mid-1980s. Global economic shocks caused Aotearoa to fall into an economic recession, and the impacts were widespread.

Unemployment hit record high levels, and debt and inflation were growing. This spurred a singular, widespread vision: improve economic outlook. Citizens and businesses witnessed a chronic failure by Government to deliver financial and welfare outcomes in a declining economy, and the Government saw an opportunity in the changing context and environment surrounding the economic and welfare systems — these were ultimately the drivers of change that created the backdrop for Government to pursue radical reform and begin to tell a different story about how a nation builds prosperity.

The basis of our economic and welfare systems prior to the recession, Keynesian-welfare theory, was deemed a root cause of failure to deliver outcomes.

The paradigm was no longer considered a useful tool to enable economic growth. Financial aid and tax redistribution were no longer affordable or effective buffers against the impacts of recession, and economic protectionism through financial and trade regulation was seen to inhibit rather than enable markets. Equally, the Government's control over wages, currency and trade was seen to disproportionately grant economic power and decision rights to the Government rather than Aotearoa businesses.

Theory of change



Perhaps the most effective vehicle for enabling dramatic change at the time was the narrative built on the root causes of failure at the time. Prior to the election of the fourth Labour Government in 1984, Labour politicians were particularly outspoken against the Government of the day's welfare state and economic tinkering. This narrative sowed the seed for the Party's election, drove its radical reform agenda, and was picked up by the successive National Government. Change was required at every level in order to bring economic reinvigoration to life — individuals, political and economic elites, narrative, and in time, economic results, drove a shift in mindsets and behaviours. Arguably, the consistent deployment of the neoliberal narrative, and overhaul of rules and incentives through amending market and tax regulations and reducing financial aid, allowed Government to implement punctuated change in a sustainable manner.

Opposition to the narrative was minimal. Notable at the time was Jim Anderton's dissent against his own Party's agenda. Despite his best efforts to gather a mass of political discord, he eventually resigned.⁵

Commentators suspect that citizens were too overwhelmed by the pace of change to propose much of an opposition, however, sources have suggested the Māori population was less passive and complacent about the neoliberal reforms than the Pākehā population.⁶ The narrative became so effective that it outlasted its original authors. For example, public support for economic protectionism and income and wealth distribution consistently declined between 1990-2005.⁷ Indeed, neoliberal theory is present in some party policy even today.

Successful delivery



When considering the ingredients of successful reform implementation, the degree of coherence across the neoliberal reforms is significant. Leaders from both sides of the political spectrum hung their hat on a similar vision, set of drivers and root causes. Significant employment, health, trade, tax, welfare, and privatisation reforms were implemented, all in the name of improving Aotearoa's economic outlook. Our neoliberal era is perhaps the strongest example of a coherent shared vision and narrative.

From the mid-1980s, alongside the various economic and social reforms, a restructuring of the public sector began. Gradual decentralisation occurred to create a more effective and efficient public sector, and in alignment with the broader narrative, was deemed necessary to appropriately manage public expenditure. The restructure marked the beginnings of New Public Management in Aotearoa.

Intriguingly, when we reflect on the sheer volume of reform pushed through government as part of the neoliberal reform wave, it could be argued that the highly centralised structure of the public service prior to the introduction of New Public Management best allowed for rapid, punctuated change to be implemented. The centralised model enabled interdepartmental cooperation and coordination and shared resourcing: sustainability through an integrated approach to reform implementation. Indeed, complaints of the war on public sector talent may have their origin in the late 1990s when, after the restructures, competition between departments for staff was prevalent enough to trigger salary hikes across the public sector.⁸

Conclusion

Aotearoa's neoliberal reforms have had a lasting impact on our economy and welfare system. Although they were successful in rejuvenating our economy at a time of global recession, the reforms are considered to have caused poor outcomes for our most vulnerable communities.⁹ Nonetheless, the reforms demonstrate the lasting impact a coherent reform narrative can have on political, social and economic outcomes.

CASE STUDY

The Reserve Bank

The reform of the Reserve Bank in 1989 is frequently cited as one of Aotearoa's most successful reforms. At the time, the legislation was 'world leading' regarding the degree of independence it granted to the Reserve Bank, and inspired subsequent reforms in overseas jurisdictions.¹⁰ The reform itself was relatively non-controversial, and has until recent times brought about lasting, consistent financial results — namely a sustained inflation rate. What, then, is so special about the Reserve Bank Act 1989?

Case for reform



Prior to the introduction of the Reserve Bank Act 1989, the Government had complete control of the fixed level at which the New Zealand Dollar (NZD) was set against the United States Dollar (USD). In 1984, this arrangement caused a foreign exchange crisis when, prior to its election, information was leaked that the Labour Party intended to devalue the NZD should the Party be elected. Speculators acted on this indication, selling off NZD and purchasing foreign currency with the intent of selling for a profit when the NZD devaluation occurred. Declining system performance was the main driver of the Reserve Bank reform and ultimately, the nature of the reform meant it folded neatly into the Government's neoliberal reform agenda focused on stabilising and rejuvenating the economy.

The distribution of power and decision-making rights in Aotearoa's public finance system before the reform was perhaps the most significant root cause of the system's declining performance. Prior to the change, the Bank was at the whim of the Minister of Finance, who had the power to direct the Bank to follow policy without publicly releasing the order. In addition, the Bank was not required to report on its implementation of monetary policy. The lack of public scrutiny and accountability was considered dangerous for the economy. The way the system operated was the second root cause. There was 'no clear objective for monetary policy', meaning that policy could be 'aimed at a number of conflicting objectives'.¹¹ The reform directly addressed these concerns, with the explicit intent of 'improving performance through clearer objectives and increased accountability'.¹²

Theory of change



The actors required to deliver the reform were wholly institutional and political. The roles of the Reserve Bank and Government in relation to monetary policy were amended, with the Government incentivised to relinquish some of the controls it held over the Bank, given it believed the reform was considered a vessel for greater economic stability and had politically sponsored the changes. Similarly, the levers were rather linear. Governance and decision rights changed to introduce greater checks and balances. It is likely the nature of the change is one of the reasons the Reserve Bank Act is considered successful and sustained. While the degree of change was significant, the scale of change and complexities were constrained to a single financial institution.

Successful delivery



Changes implemented as part of the Reserve Bank reform were specifically designed to be long-term in nature. This may well be the cause of the reform's sustainability. Some of the main reform objectives included achieving and maintaining the general level of prices, thereby removing economic uncertainties. The changes also meant the economy was more resilient and better protected against economic shocks. Ultimately, the reform succeeded in achieving these aims. Until very recently, the Reserve Bank has sustained a consistent rate of inflation.



It is perhaps no coincidence that the authors behind the reform were the same leaders behind the beginning of Aotearoa's neoliberal reform wave. David Lange and Roger Douglas delivered much of the same narrative for this reform as those designed to overhaul Keynesian theory in other sectors: out with the old, in with the new, to best improve our nation's economic health. In this case, however, the clear nature of economic failures regarding the financial system's performance — the 1984 foreign currency and constitutional crisis — provided a straightforward justification for the reform, perhaps the strongest case for change and root causes of any neoliberal reform at the time.

Conclusion

A clear driver and set of root causes certainly provided the Government with an environment ripe for change, and it was not difficult to fold the amendments to the financial system into the Government's broader set of neoliberal reforms aimed at strengthening the economy. This momentum enabled changes to Aotearoa's financial system that, while significant, were fundamentally constrained to a small group of actors, a single institution, and a linear set of levers. The nature of these changes, coupled with the long term aims of the reform, made for swift, effective and sustainable economic outcomes.

As with all recipes for success, the magic is both a factor of the quality of the ingredients and how those ingredients come together.



Case for reform



The case for reform was built largely on frustration around the lack of collective action from the eight predecessor councils around major issues facing the city, and the difficulty aligning and coordinating key policies across the boundaries that existed at the time. Even transport, which was already separated into a distinct Auckland Regional Transport Authority, did not have all the necessary levers at its disposal to deliver integrated transport outcomes to Auckland. Without leadership, Auckland was risking irrelevancy and having its place as a Pacific world city left to chance. It was time to take a more deliberate approach to designing the governance of a future Auckland, which was left to a Royal Commission in 2007.

Theory of change



The Royal Commission's report in 2009 was extensive and transformative. They recognised that no small change would effectively address fundamental issues, which included:

- Lack of representation of the population, particularly Māori, but also in terms of the regional distribution of elected members.
- Lack of vision, leading to Auckland being pulled in multiple directions at once.
- Lack of leadership, on issues that required councils to have a voice and set direction.

- Lack of accountability, to key stakeholders and to the public.
- Lack of focus, through different structures and ways of delivering services and work programmes.
- Lack of integration, which led to sub-scale responses to problems that were regionally, and often nationally, important.

Many of the Royal Commission's recommendations attracted criticism, from the scale and accountabilities of the council-controlled organisations (CCOs), to the size and shape of the electoral boundaries, and in fact the extent and boundaries of the whole city. Large-scale change like this was always going to be contentious, but the Royal Commission's work held up remarkably well, including through a change of government in 2008.

It was clear that the Auckland reform could not be achieved in a single step, and not even a single Act of Parliament was sufficient. This change was going to take time.

Successful delivery



A four-step process was used to bring about the Auckland reform:

- First, planning and preparations were undertaken, including introducing the legislation to create the foundations for the changes that were to follow. Many enabling steps were required, including plans for the new council elections.

- Second, an Auckland Transition Agency was created to establish the new structures, processes, and systems for Auckland Council alongside the existing councils. This built the framework for the new council and populated it, and created the transition plans that would bring it to life.
- Third, on 1 November 2010 the "launch" of Auckland Council took place with the newly-elected members and a set of new organisations in place to support them, including the council itself, and its CCOs.
- Finally, the most important step has been the progressive implementation of new policies, practices, and approaches to Auckland's challenges over a sustained period — now more than a decade — reflecting a period of change proportionate to the scale of change.

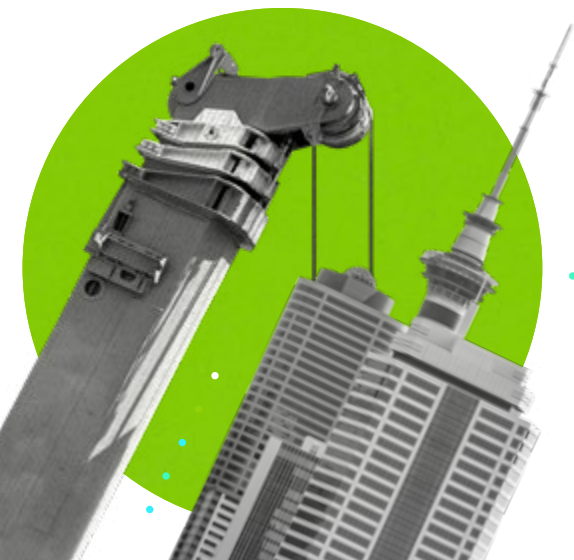
Conclusion

Like many reforms, the Auckland reform has been long-lasting, costly, contentious, and has consumed vast amounts of effort. However, it has also been broad-based, crossed political boundaries, generally well-supported, and when reflecting on the problems of the preceding decade and its desired outcomes, has largely delivered on the promise of a successful reform.

The value to Aucklanders has been a transformation in their city over the last 12 years. Fundamental issues remain, with inequities, poverty, housing, health, and social cohesion presenting real challenges for today's Auckland. But those would likely have been even worse if Auckland governance had not been subject to comprehensive and effective reform.

"The amalgamation of Auckland was an example of a reform after a Royal Commission Report and would not have happened but for central government's intervention. Some argued this reform would destroy local government, but it actually worked incredibly well and has been sustained. You cannot run 1/3 of the country's population with eight different councils. Reform was necessary on an objective assessment of the facts because the status quo was not working."

- **PHIL GOFF**
Mayor of Auckland





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**Lessons
from Aotearoa
& overseas**

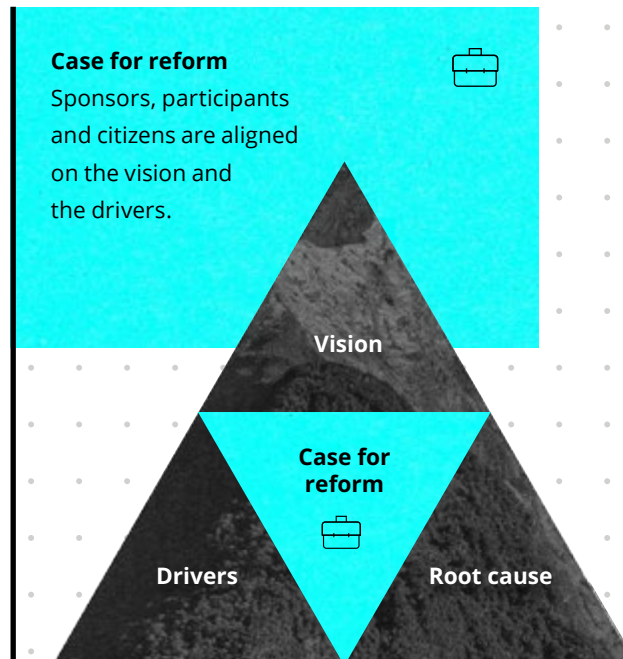
Lessons from Aotearoa & overseas 05

Comparisons with other OECD countries show that Aotearoa is not shy about reform and while there is variation in the reform agenda between countries, there is also a common pattern. Reform in Aotearoa skews towards the standard model of politically sponsored, centrally-led, and public service delivered.

Legislative change is often at their foundation

Our short political cycles also drive a familiar pace and cadence, moving rapidly from big ideas through to implementation to make progress within election cycles. Examining how change happens in systems, however, points towards some broader patterns.

As we spoke to our interviewees and researched successful, unsuccessful and in-flight reform programmes in Aotearoa and internationally, a number of success factors emerged that connect into the framework for reform. Reform is most successful when we have an alignment around the case for change, a clear view of what our levers for reform are and how we believe change happens and is sustained in a system, and our ability to stay the course and be accountable for delivery.



Reform gets out of the starting block when there is a common understanding of why reform is needed. To some extent this is the easy part: the global context of climate change, or the impacts of the pandemic, are largely agreed. That our housing system has failed to deliver affordable housing, and that this failure is inequitably experienced by certain groups, is empirically true. Despite this, there are still challenges. For example, whether you view the purpose of the housing system to be creating homes or creating wealth generates different views on the case for reform.

Critically, alignment is not just about political sponsors. The support of citizens and participants in a system, especially those with the most to win or to lose from reform, was identified by many of our interviewees as an imperative. In Aotearoa, reform agendas and policy are still largely politically driven, but there is a real opportunity to bring these conversations out for wider discussion through think tanks and academia.

The advantage of exploring and informing reform agendas outside of political policy-making is in broadening what is considered beyond political leanings and time horizons. It also serves to hear from and amplify a much wider set of voices with real influence on public discourse.

We have understood the root causes of the current system performance and outcomes.

The necessary next step is to understand the root causes of today's reform drivers. What is holding the current system back from performing as we want it to? If reform is on the table, the system has generally resisted simple fixes, sometimes over decades, and there are likely to be many interdependent things that need to change now.

Reform comes in many shapes or sizes, however the big reforms on our horizon look very different from many of our more successful reforms stories. The Reserve Bank Act and Public Finance Act, for example, are often cited as examples of good reform. However, the issues they those reforms overcame were much more linear than those we are facing today.

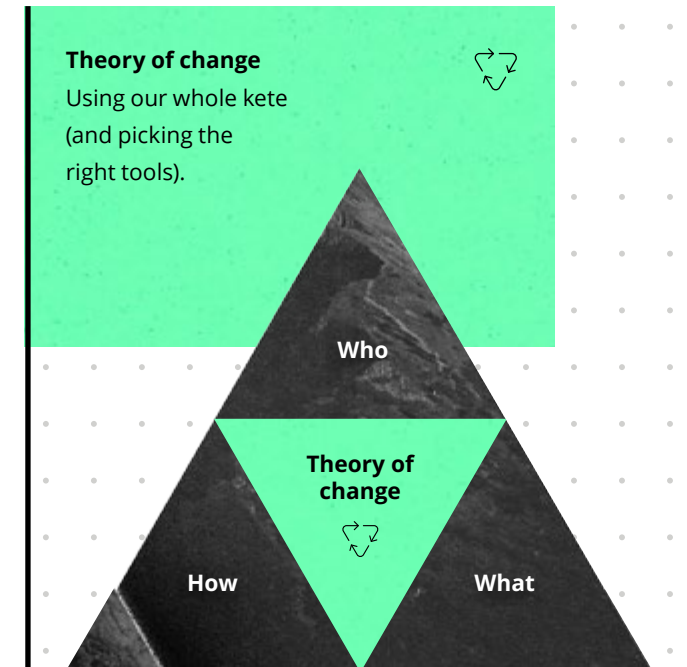
Complex reforms involve multiple participants, relationships and structures and the relationships between actors in the system create feedback and incentives that fuel the system's behaviour.

This makes it difficult to understand which things are symptoms and which things are root causes. To determine this requires an ongoing process of dialogue with participants to understand how the system operates today, the forces that hold it in place and the leverage points.

Failure to do this results in a common pattern: simple interventions which make sense on paper don't translate in practice to provide the incentives and conditions for change. We end up with "stuck loops" of behaviour that become troublesome.

What's preventing our systems from operating as we want them to?

- The goals and underpinning paradigms of the system are no longer appropriate.
- Power and decision rights are held in the wrong places, are inequitably held, or accountabilities are missing or unclear.
- Functional gaps and duplication exist in the system
- How the system operates – the roles, responsibilities and processes – are poorly understood and executed.
- Information assymetry between participants and citizens, with gaps and missing feedback loops
- Capacity and buffers are insufficient to respond to change and shocks, making the system fragile and slow to respond.



We are seeing a shift in understanding what our levers for reform really are. Traditional levers such as structure, rules and incentives are still critical tools in defining and driving behaviours. These levers also have the advantage of being tangible and measurable, and arguably we know how to pull these levers.

One of the most important levers that is often overlooked is narrative and storytelling. The way we talk about our systems, the language we use and how we frame our stories shines light on, and gives rise to, our worldviews and how we think about our society.

Working the levers: what are the interventions

we can make? Reformers have a kete of possible interventions at their disposal:

- **Narrative and storytelling.**
How we think and talk about our systems, their purpose and who they are for, and the changes we are making.
- **Outcomes and values.**
What we value and measure, and hold our systems to account for delivering.
- **Governance and decision rights.**
Who holds power, influence and the right to choose; how decisions are made and accountability is distributed.
- **Citizen-centred accountability.**
How systems are held accountable to the people they are there to benefit.
- **Resource and funding.**
The distribution, levels and investment into the system's financial and non-financial resources.
- **Function and structure.**
The functions and activities within the system, how these are organised and structured in relation to each other.
- **Rules and incentives.**
Both formal (legislation, regulation, policy, tax and fiscal) and informal (social licence, cultural norms, ways of working) rubrics that guide, incentivise and deter activities and behaviours.

“We definitely have a gap in understanding that mindsets, narratives and mythologies deeply inform our decision making and how we get the systems we do. As policy makers, our own mythology is that we make a lot of our decisions based on logic and evidence, but in the real world of policy making we make nearly all of them based on culture and mindsets and emotion. The logical rational actor model has been disproven again and again.”

- **JESS BERENTSON-SHAW**
Co-Director of The Workshop

This is a much less tangible lever than something such as revising legislation, but it is arguably more effective and sustainable in the long run.

The neoliberal reforms provide an excellent case study in narrative and mindsets; policy changes were underpinned by a total (and global) shift in our beliefs about market economics, the singular importance of economic growth and, fundamental to the challenges we experience today, an underpinning belief in the trickle-down effect and that unshackling the markets would lead to economic growth and greater wellbeing for all.

Today, Aotearoa is at the forefront of shifting our definitions of wellbeing to be far broader than merely economic, and equity is at the heart of many of our most ambitious reforms, but the impact of the neoliberal reforms has been a long-lived one.

“If you want serious long term reform, we need to generate a coherent narrative. Māori people are brilliant in telling stories, let them take a leadership in telling the narrative.”

- **GIROL KARACAOLU**
*Head of the School of Government at Te Herenga Waka
Victoria University of Wellington*

The lesson for the future is not in dropping levers from our reform kete, but expanding our definition of reform to pull on less tangible levers which have the power to create enduring change.

There is a strong argument for more networked and distributed models of reform: consideration should be given to who can — and should be able to — pull the appropriate reform levers.

Nā to rourou, nā taku rourou,
ka ora ai te iwi. With your
food basket and my food basket,
the people will thrive.

“If you want to progress a multidimensional policy programme such as wellbeing, it needs to have integration across the public sector as well as with the communities. So integration with business, NGOs, iwi — we don’t have the machinery to do this. The infrastructure we are missing is anything to give effect to voice [at the centre]”

● **GIROL KARACAOGLU**
 Head of the School of Government at Te Herenga Waka
 Victoria University of Wellington

In Aotearoa, this includes consideration of the role of iwi and the Crown, including where decision rights sit.

More broadly, determining who is best placed to lead and implement change includes considering more sophisticated models for involving businesses, communities and citizens than is seen in a traditional consultation and engagement approach. The Aotearoa Circle provides an example of that in action, through its partnership with the Ministry of Business, Innovation and Employment (MBIE) to consult on the national energy strategy. The Circle’s role in bringing together leaders from public and private organisations focused on sustainability provides an alternative platform for engaging a wide range of voices.

Picking a path: how change should happen

In structuring up the change, reformers have a series of stacking choices they can make:

- **Gradual and iterative or punctuated and big bang.**
 Can change be made through evolution and continuous improvement, or is it necessary to break with what went before?
- **Sponsorship or leadership.**
 Where will reform be sponsored versus led? Should they be the same role or different?
- **Centrally or de-centrally focused.**
 What is the appropriate balance between being closer to the impacted communities (more devolved) versus achieving greater consistency and alignment (more centralised)?
- **Singular, collective or distributed leadership and decision rights.**
 Is accountability held in one place, multiple discrete places or are there shared accountabilities? Who will work the levers identified, and have accountability for decisions?
- **Singular, collective or distributed resource model.**
 What necessary skills and knowledge come from public, private, voluntary and community sectors? How are resources combined and aligned?

Successful delivery

People are at the heart of making reform happen.



Courageous leadership

Shifting behaviour and investing in relationships takes time and relentless focus, placing great demands on leaders and people.

Leadership is the critical enabler to any change effort, whether at the organisational or system level. Reform amplifies the ask of leadership due to the complex nature of what is being led — this is not about managing a well-defined path, but navigating an unpredictable journey. The key elements of reform leadership are vision, courage, collaboration and enablement.

Leading a reform requires clarity of vision and recognising that the ‘southern star’ we are aiming for needs to be kept in view and communicated throughout the journey. Great reform leaders create energy and enthusiasm for change, even when the journey is difficult. This also requires reform leaders to find their own wellsprings of energy, enthusiasm and inspiration, which can be challenging at a personal level. Establishing cross-system leadership forums is often seen as a mechanism for collaboration and joint action, but can serve just as effectively to build a supportive coalition.

Reform doesn’t follow a smooth path. There are dead-ends, unexpected complications, difficulty in aligning participants and actions, and often new priorities that may arise. A system resists simple fixes and which means that many attempted reform efforts will suffer short term failures or setbacks. It also means that solutions may require dismantling of long-held structures of power, funding and decision-making. This requires courage of reform leaders — to call out the things that need to change, admit to failure and accept learnings, and to continue to stay the course and push forward a reform agenda even with head winds. There is personal risk involved in leading reform — taking on a reform agenda can result in spectacular and high-profile failure. While we need reform leaders willing to take those risks, placing the outcomes ahead of their career trajectories, we also need to create an enabling environment that values courage and vision, and places these above short-term successes.

Because reform is usually a system-wide effort, there will be multiple players in the system, with differing motivations, who must work cooperatively to give effect to the change. Leadership in reform requires skill in creating coalitions of the willing, developing mutual action, and establishing trust and collaboration.

Too often we observe the forums for collaboration becoming forums for management and oversight. Here, tikanga offers us greater insight into what may be required — investing time and energy into establishing deep trusting relationships as an enabler for collaborative action. Systems analysis and practice that seeks to uncover motivations, strengthen shared aspirations and vision, and develop genuine partnership actions, can be useful in equipping leaders with the insights to lead collaboratively.

Finally, an enablement mindset in reform leaders means they recognise that they are supporting the system to change itself. Leaders must view themselves as the ‘base of the tree’, upholding the actions, initiative and judgement of the frontline operators in the system. A top-down command and control mindset does not work in reform, because there are too many moving parts — no one leader, or group of leaders, can maintain the full system view and orchestrate actions. A leader of reform needs to invest significant time into building the capacity and capability of the system to change. This means investing in people, enabling them with the right information, tools and processes, and building a culture of safety and confidence to take action.

Talent

New Zealanders are acutely aware that there is only so much talent at every level — from governance and leadership, to the domain and technical expertise that individual reforms need. Pragmatically, reform requires a broad set of skills, experience and expertise, not all of which does — nor should — reside within the public service.

In the immediate future we are likely to tackle this in two ways. Firstly, mechanisms drawing on the knowledge and talents of business, iwi, communities and our institutions are needed to resource reform with the right people. This includes investing in capabilities outside of the reform programme (and the public sector) itself.

Secondly, by being smart about deploying resource across the reform agenda, enabled by greater coordination and agreed prioritisation criteria, skills and talent within the public sector can be moved and accessed more responsively.

“We need to be able to deploy resources across the Public Service to support the government to implement its programme. It is the job of the Public Service to do this, not the job of government to organise around us.”

● **PETER HUGHES**
Public Service Commissioner

Both come with a risk to be managed. A descent into poaching talent between participants will leave lesser resourced organisations short. A highly mobile talent pool also robs individual reforms of depth and continuity.

Funding and resourcing

Reform is expensive and resource intensive. The Auckland supercity reforms cost hundreds of millions of dollars and while annual savings were projected from the merged organisation, many reforms do not deliver a financial return on investment due to a focus on improved services or social outcomes. The same reforms also involve hundreds of staff, contractors, and consultants in their initial set-up phase, with many more involved in longer-term transformation projects designing, building, and implementing organisational, process, and technology changes.

Funding reform and finding the capability and capacity to deliver is a significant challenge. The recent Reform of Vocational Education cost \$280 million for the merger of 16 polytechnics into one new organisation, and the creation of six new workforce councils. The current Three Waters reform has a package of at least \$2.5 billion budgeted, in addition to implementation costs for the four new water entities. These are sums that must be justified against other calls on Budget allocations, such as additional Government services or investments to drive wellbeing outcomes, and all fit within annual operating allowances in the order of \$3-4 billion.

The ability to lead and deliver reform is also a rare talent, as diverse teams often many hundreds-strong with skills across leadership, strategy, policy, operating model design, organisational change, human resources, finance, information technology, customer experience design, machinery of government, and industry sector experience must be hired and deployed against uncertain challenges over an extended period.

Some people have the opportunity to work on several reforms during their working lives but for many, one is enough as it can be stressful and demanding. The large size of reform teams also means a mix of sourcing models is needed, as public servants are supplemented by assistance procured from the commercial or contract sector. As a result, it is difficult for the public service to build and maintain deep reform experience within its workforce and make that available to subsequent reforms. Reform teams can often feel they are doing reform for the first time, and many of them are — models for capturing individual and organisational learnings, and sharing those across reform teams, are not well developed in the public service.

If the cost and scale of reform cannot be scaled down, we can explore mitigations such as different resourcing models and improved knowledge capture and dissemination to reduce the barriers to good practice and learning from experience.

“Public service outlasts the government of the day — and should enable consistency of implementation. But the problem is we turn over quickly between roles, we have a highly migratory public sector. If we are not careful, we just end up shifting the deck chairs which is why we must continuously develop new talent into the service.”

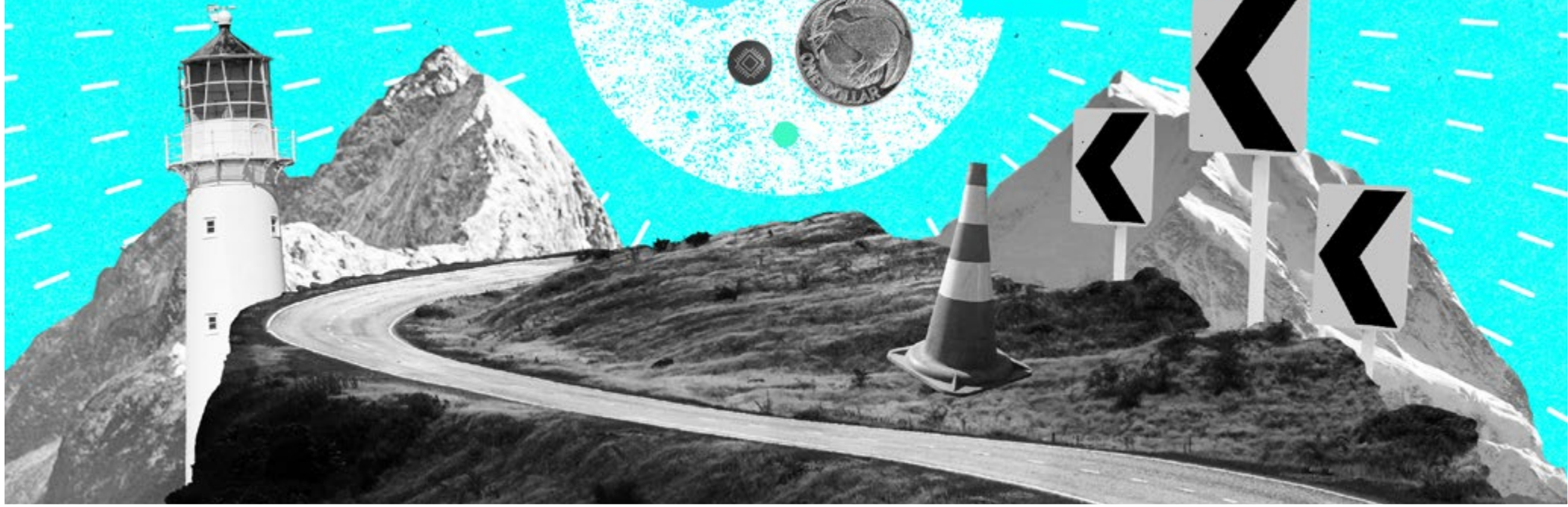
● **MATTHEW TUKAKI**
Executive Chairman of the National Maori Authority





**Ingredients
for success**

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Ingredients for success

06

Our interviewees broadly agree: reform is an important lever that needs to be available in Government's toolkit for achieving large-scale change. No credible alternative exists that can be deployed at scale as freely and effectively as reform. The way we carry out reform today is not perfect, some reforms are less successful than others, and there are things that we can learn that could help us to become better reformers in future.

Three themes emerge that collectively provide a set of success factors for reformers.

Coherence

To be successful, reforms need to have internal integrity. This means that there is alignment between the vision and drivers of the reform, the root causes of system performance the reform sets out to address, and the theory of change that will successfully and enduringly move the system.

In a landscape of multiple reforms, integration across reform is also critical. A shared vision of the future which the reforms will collectively create will help participants understand the target future. Alignment of what is valued can also help us to collectively prioritise and collaborate.

The UK Declaration on Government Reform provides an interesting model to watch. Through the declaration, Cabinet and department heads have committed to a shared vision for reform with action across people (including skills, incentives, regionalisation and relocation, diversity and transparency in recruitment, and training), performance (including modernisation, evaluation, prioritisation, departmental accountability and transparency, data-driven decision-making, innovation and greater project accountability and effectiveness), and partnership (between Ministers and officials, central government and wider institutions, public, private and community, mixed forums, roles and responsibilities clarity, leveraging global learning).

This approach is in its infancy, and is still very focused on public sector leaders and central government decision makers.

A key message from those most impacted by the next phase of reforms — including business and local government — was the demand on their time for engagement and consultation, as well as the perceived potential of a pile-up of change that is poorly coordinated across reform agendas. Clearer integration between reforms and greater collaboration would both ease that demand on participants, and potentially generate better outcomes.

Achieving this has real costs and trade-offs. There is work to create common operating language where it matters — for example, shared definitions of equity across reforms. Re-orienting engagement around what participants want to say, rather than what reform programmes want to discuss, would substantially impact timelines, and contributors to this report acknowledged that getting this right may be at odds with the speed at which we are progressing reform. These investments in the long term platforms for success are incurred early and often, with the benefits not seen until implementation or beyond.

Sustainability

Fundamentally, reform is a long game. Design and delivery take years; realising the impact may take a generation. In that context, reform needs to both endure and evolve. Continuity of sponsorship, leadership and resource are foundational. Successful reform must also be able to look through to the future it is creating, sensing and responding to markers of progress (or otherwise) along the way. Reform balances the challenge of creating a sustainable new world while decommissioning the old one. For reform to be sustainable, it needs to look through the change to build the capabilities needed to be successful in the changed system.

The current talent crunch is shining a light on some of our biggest gaps and the time it takes to build the workforces we need. Reform needs to build both the technical skills to operate the new system and the future of work capabilities.

Globally, we are more attuned to the possibility of known and unknown shocks than we have been in a century. The new worlds our reforms are building cannot merely be better than today's, they need to be able to withstand and bounce back, and even improve and evolve in the face of shocks. Much is known about the qualities of adaptive and resilient systems, and these should be central to our reform objectives. For example, building capacity and capability into the system, creating the information pathways to learn and disseminate learning, and instilling agility in decision-making.

Learning

In reform, as with organisations, measuring impact provides insight into the effects and performance being delivered to individuals, whānau and communities.

Reform programmes, and the systems they are reforming, are by their nature magnitudes more complex than individual initiatives. Implementing reform is likely to require highly interrelated and complex approaches. Outcomes may be hard to predict with certainty.

In this context it is useful to take a tiered approach to measuring results: at the initiative level to confirm we are doing the things we committed to, at the outcome level to confirm those things are delivering what we thought they would, and at the system level to inform us of the health of the system being reformed. At all three levels, our ways of knowing should be broader than the things that we can measure.

Outcome measures have their place, particularly where participants and citizens have clear shared definitions of success. Water quality, equitable access to healthcare and emissions can absolutely be measured (with baselines and progress charted). But cost/benefit analysis doesn't always fit with the types of outcomes we are looking for, or for the timeframes we are working in. Alongside quantifiable measures, we need broader ways to chart how mindsets are shifting, and how the things that we value, for example rangatiratanga, or the quality of relationships and partnerships, are being impacted and created.

System health might include how well the system is able to learn and evolve, how equitably distributed power and resources are, how adaptive it is to change in the system and how resilient it is.

In the context of intergenerational change, we need markers of success built in from the outset of reforms to provide confidence in the reform itself.

“We don't have the infrastructure to genuinely engage with the communities and other stakeholders and go through a proper process to carry the people with us, right through the process. Don't start by asking “what should we do?” Start with the narrative and the story, and then peel back and start working towards it. If you are doing long term work these are the long term platforms you need to invest in.”

● **GIROL KARACAOGLU**

*Head of the School of Government at Te Herenga Waka
Victoria University of Wellington*

“We never explicitly talk about trade-offs. Pursuit of everything — and anything — involves trade-offs. Because we never surface, it creates risks and problems downstream”

● **HELMUT MODLIK**

Chief Executive of Te Rūnanga o Toa Rangatira Inc

How well have we truly understood the root causes? How does our theory of change line up against our drivers? Do we have the key ingredients for success in place? We also need early indicators of the impact we are seeking. It may be many years before we are able to confirm whether a system is more agile and responsive than it was before. However, we can look for indicators along the way that give us confidence: the diversity of participants in the system, or the nature and cycles of investment into people and infrastructure.

A broader set of measures and markers of success increases our understanding of what works and why, what is changing and how, and how the system is working. With a sensing capability and capacity in place to monitor those markers and to look for unexpected and unintended outcomes, reform programmes are armed with the insight to evolve their interventions, their theory of how change will be made and sustained, and even their analysis of the causes of performance and outcomes. If successful reform sets the ambition of moving mountains, we need the people and the tools and together, we need the ability to plan for success, adjust for complexity and stay the course. We present our recommendations for doing just that.

“There is utility and logic in evaluating what we have done — but I don’t buy quantification of benefits realisation. We can’t measure love.”

● **HELMUT MODLIK**

Chief Executive of Te Rūnanga o Toa Rangatira Inc.

A success factor checklist for reformers

Reform sponsors and leaders should be able to answer these questions:

Coherence

- **Integrity of the reform.**
Is there alignment between vision, drivers, causes, the theories of change and the interventions? Have we understood and accepted the trade-offs?
- **Integration across reform.**
Is there alignment of what is valued and what will be created across related reforms?
- **A citizen’s perspective.**
Can New Zealanders, our communities and businesses, understand the target future?
- **A participants perspective.**
Can actors in the system engage meaningfully in understanding the system, defining the future and designing the interventions? Is the impact on them sequenced and manageable?

Sustainability

- **Recognise the long-term nature of reform.**
Do we have the values, sponsorship, leadership and resource that will endure and enable the reform to evolve as we learn?
- **Building for the future not the change.**
Are we “looking through” the change to build the capabilities we need to be successful in the changed system – both the technical skills to operate the system and the future of work capabilities?

- **Building for shocks (known and unknown).**

Are we investing in the adaptive capacity of systems for resilience (the ability to withstand and bounce back) and anti-fragility (the ability to improve and evolve) in the face of shocks?

- **Behaviour and relationships.**

Are we shifting behaviour and investing in relationships to set us up for long-term success?

- **Capability and resource.**

Do we have the depth, breadth and flexibility of skills, experience and resources that we need over the course of the reform and into the future system?

Learning

- **Learning systems.**

Do we have the learning loops and capability to generate actionable insight for the reform and the system?

- **Markers of success.**

Do we understand our current performance, and how we will know when the job is done? Have we built the markers of success to test the path along the way, and provide confidence of our progress, choices and impact (intended and unintended)?



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Recommendations



Conclusion & recommendations

07

Key conclusions



1

There is no single blueprint for good reform today

While we like to stay positive, there is a lot that can go wrong. Reforms are often born in a sense of urgency, which does not always set the scene for looking back to look forward, and turning our minds to what good reform will require. Failures — of vision, of legislation, of engagement, of execution — are left to individual reforms to own without the mechanisms in place to learn from common missteps along the way.

2

Reform is more reactive than responsive

By its nature, reform is defined by system failure, and often long periods of underinvestment. The energy and risk, including political risk, associated with reform kicks the decision down the road. While this pattern may never go away, there are costs and impacts to waiting too long.

3

Take a Treaty-based partnership approach

Having a more integrated approach alongside Māori and iwi can have lasting positive effects for change, especially where the problem is around issues of equity and poor performance or outcomes. Not having this relationship can, and sometimes does, derail the programme of reform entirely.

4

We need a people-centred toolkit

Keeping people at the heart of change (and outcomes) means a more nuanced and expansive understanding of how people change and create change. That means engaging people to drive the demand for change, but also shifting the public discourse about what and who our systems are for will, in the long run, create greater shifts and hold us to account.

5

We need depth in capability, but also breadth

Responsibility often falls to the public sector, and they need the leadership stripes and expertise to think strategically, grapple with complexity, engage authentically and deliver at pace. We also need to invest more widely to bring the skills and values of iwi, businesses and communities to successful reform.

6

Future reforms will need to be more networked, collaborative and distributed

The dominant model is still politically-sponsored and public sector-led. But Government and the public service are not always best positioned to pull the right levers, or do not always have the capability that is needed. Business and community partners also play a key role in co-creating new narratives and shifting mindsets through public discussion and influence.

Key recommendations

1

Create a Reform Office to drive accountability and learning

Reform is a resource intensive investment, with considerable risk and opportunity to New Zealanders. It is also often driven in verticals — focusing on an industry, a sector, an institution. Compared with other major investments, from public sector transformations to our infrastructure pipeline, there is little review and testing of reforms to provide confidence in the reform investments and choices. There is also little means to hold reforms accountable for what they achieve.

A Reform Office should operate throughout the key stages of the lifecycle we describe in our framework to drive accountability and create and disseminate learning. It should test, assess the strength of, and provide confidence against:

- The case for change — the vision and drivers of reform;
- How well the proposed reform programme delivers to those drivers;
- The quality of its delivery plan and mechanisms; and
- The outcomes and value that it delivers.

The Reform Office will be able to influence the end-to-end integrity of individual reforms. It will also create increased visibility outside the political sphere of the coherence of reform that will be incredibly valuable during periods of significant reform.

A Reform Office looking across reforms will enable us to better signal, align and manage pipelines of reforms, enable strategic workforce planning and disseminate lessons learned in real time.

There are existing models that the Reform Office may look to (for example, the Parliamentary Budget Office or the Infrastructure Commission). Critical to its success will be a core enduring workforce with deep knowledge of reform, combined with mechanisms to augment review teams with representatives from across business, iwi, Māori and community groups holding the experience and skills necessary to deeply understand, challenge and critically assess reform choices.

2

Develop co-innovation and co-governance partnerships

Government and the public service are not always best positioned to pull the right levers, do not always have the skills and experience needed. Reform partners and stakeholders also play a key role in co-creating new narratives and shifting mindsets through public discussion and influence.

We need to invest in strategic policy capability inside and outside of government. Harness co-innovation between the public, private and community through mechanisms that bring strategic long-term thinking together outside of the political sphere.



Watch Adithi Pandit introduce the major concept of our recommendations

Think tanks play an important role here in amplifying the voices of minorities and engaging with stakeholders in ways that the public sector cannot. They also play in a bigger gap between what is possible and what is politically appealing.

We also need to transition from engagement to co-governance with iwi and Māori. Embedding genuine decision-making roles and mechanisms that honour Te Tiriti is an enduring call, but perhaps never more so given the nature of the reforms ahead of us and their far-reaching focus on wellbeing of people and land. A recent Deloitte Canada report described a “profound link between Canada’s journey on the path of reconciliation between Indigenous and non-Indigenous peoples and our success in tackling climate change.”¹³

Co-governance means outcomes that are meaningful to all, shared decision-making and a mature and flexible approach to risk. The role set out for iwi and Māori in the new Three Waters system has been both bold and criticised and shines a light on what is possible and how hard the road will be.

3

Invest in a flexible reform capability

Despite, or perhaps due to, the scale of reform underway today, our strategic policy capability is too thin. If reform — and its mosaic of technical capabilities such as strategic policy, implementation, behavioural change — is going to be an ongoing core competency for Aotearoa, we need to invest in this.

Beyond existing mechanisms such as the Australia and New Zealand School of Government (ANZSOG) programmes and jurisdictional secondments, Aotearoa should establish a surge capability and mechanism enabling skilled professionals to move flexibly and efficiently between reforms. We can learn from established models overseas, such as Canada's Free Agent model which employs public servants and deploys them into Federal departments to deliver projects and programmes matching their skillsets. A coordinated approach to adapting resource across reforms will bring the agility of a contractor workforce with the depth and specialism needed, and improves the resilience of our reform programmes by making better use of our capacity.

Secondment models between participants in the system — not just public sector departments but business, iwi and community participants — should be encouraged, formalised and invested in. This investment should take the form both of the resource and ability to backfill, and to provide the capacity and mandate for secondees to actively share learnings with both organisations and beyond.

Failing to do so will look like flexible capability only to the “winning organisations”, without the strategic investment into the reform (and future state) workforce and to the detriment of smaller, lesser-resourced organisations who are left without the skills and continuity they need to run.

4

Change the lens to move beyond “engagement”

There is distance to travel in doing engagement well. Authentic engagement takes time; participants voice a strong desire to stay involved but only want to tell their story once. Translating this into more networked and distributed models of delivering reform will take investment outside of the traditional home of the public sector. This includes:

- Re-anchoring engagement to participants, not reform agendas. Shifting to focus on what is important to system participants, and feeding that to multiple reforms rather than a reform-driven engagement plan. The true cost of quality engagement is already significant, but is hidden in hours that are not paid for and therefore not accounted for. It is also hidden in the cost of quality, when valuable kōrero is missed and key stakeholders engaged too little, too late, or with a constrained focus that does not reflect their true value. Letting stakeholders participate early and often is the key to saving time and realising greater benefits on the long tail of change.
- Fully costing engagement and consultation, including recognising the value of the time that others are giving to the reform.

This is beyond koha, and should include recompensing stakeholders for their inputs and funding and backfilling roles where the skills of partners are heavily leaned on. This is particularly true for iwi, Māori and regional groups who are facing many asks of their time and input.

In conclusion, the pattern of reform repeats: performance deteriorates beyond a point and transformative change is needed again. These leaps take great energy and create winners and losers. The benefits of reform are not easily retained; history shows us many cycles of reform as in time, the new system is reformed again.

5

Enable safe, sustained and just transition to systems of the future

The pattern of reform repeats: performance deteriorates beyond a point of no return and transformative change is needed again. The benefits of reform are not easily retained; history shows us many cycles of reform as in time, the new system is reformed again. These leaps take great energy and create winners and losers. To bed in reform and make it sustainable we need to focus energy and investment into transitioning from the old system to the new one. This should include:

I. Decommissioning justly

Reform must focus on ramping down the old system as well as creating a new one. The two may run in parallel for a while, so this is essential to managing performance. Importantly, though, it is also effective change management to retire old ways of working and monitor the tendency of systems to slip back.

II. Cultural competence

Reform in New Zealand needs a backbone of cultural integrity and that comes from ensuring there is cultural competence to the work being undertaken. The level of competence must be self-determined, by and for Māori.

III. Build the leadership and workforce of the future

Key to the sustainability of reform is looking beyond delivery, to building the skills and competencies people will need in the reformed system. This is true of business, of public service and of the community sector. Joint strategic workforce planning and investment should be a core pillar of reform delivery.

IV. Introduce statutory review periods

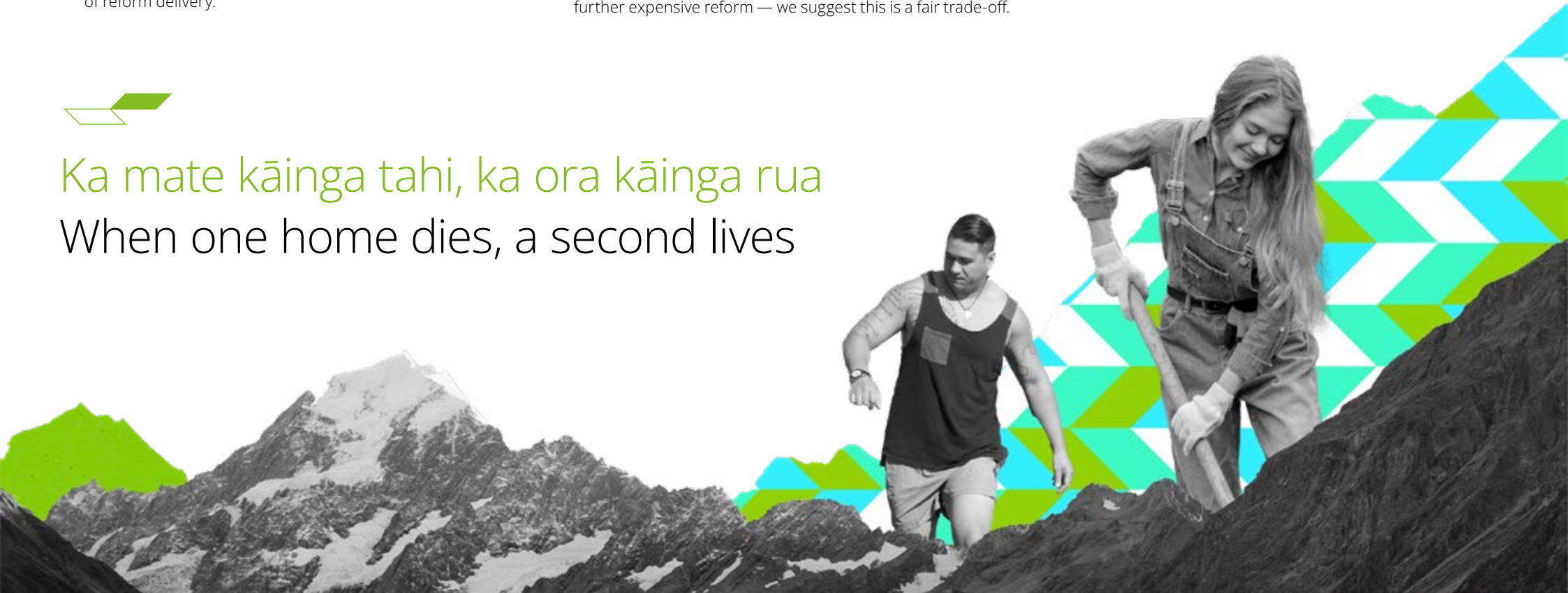
To ensure systems are delivering the outcomes that are promised, and to hold the social (and real) licences to operate, the introduction of statutory review periods creates explicit and conscious accountability for how well a stable system is operating outside of a reform process. Creating a regular review cadence will surface issues early; uncoupled from the political cycle it may also surface a broader range of opportunities that would not be generated through purely politically-driven and sponsored leadership. There may be reasonable concerns about increased uncertainty — but against the risk and cost of systems failure, and the need for further expensive reform — we suggest this is a fair trade-off.

Big change is here. To move mountains will require seismic change. As the land shifts, we need to bring people along on the journey and recognise old systems will need to coexist, while new ones are built.

While reform causes big disruption, it also creates opportunities to shape a better future for all.



Ka mate kāinga tahi, ka ora kāinga rua
When one home dies, a second lives



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In our report we quote Dr. Te Moana Nui a Kiwa (Moana) Jackson (Ngāti Kahungunu, Ngāti Porou and Rongomaiwahine). Throughout his life, he demonstrated outstanding leadership in helping whānau, hapū and iwi make decisions about their development. His report, "He Whaipaanga Hou" published in 1988, was well ahead of its time, providing solutions to help shape the criminal justice system so that it works fairly not just for Māori, but for all New Zealanders. We would like to take the opportunity of publishing this report to mihi Dr. Jackson and acknowledge the legacy he leaves Aotearoa and our collective responsibility for a more equitable future.

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