



# Te Kawa Mataaho

Public Service Commission

29 June 2022

Polly

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## Official Information Request

**Our Ref: 2022-0073**

Dear Polly

I refer to your official information request received on 2 June 2022 where you asked:

*“According to recent answers to parliament questions, the health sector Transition unit inside DPMC appears to have spent more than \$13million on private sector business consultants to provide policy advice to Ministers.*

- 1. What systems does the public service commission have in place to ensure the quality of advice provided to ministers, when branches of agencies are lead, managed and staffed primarily by private sector consultants?*
- 2. What steps is PSC taking to protect against perceptions of corruption in the public service in situations where a private sector business consultant working to lead a team in the public service channels more than \$10m to their own private sector company?*
- 3. What steps is the PSC taking to address the growing reliance on private sector consultants to provide core public service functions, with significant funding and workforce flowing to private sector companies at the expense of growing and building capacity and capability in the public sector, and significant differential in pay for staff.”*

## Our Response

Under the Public Service Act 2020, Chief Executives of individual agencies are responsible for (among other things) providing advice to Ministers and supporting their Minister to act as a good steward for the public interest. This responsibility is reinforced in all chief executive performance expectations set by Te Kawa Mataaho Public Service Commission (the Commission), which includes the requirement to “provide high-quality advice and support your Minister to act as a good steward of the public interest”.

The New Zealand Public Service is held in high regard and ranks well across a range of international integrity measures. That reputation depends on our ability to build and maintain a high trust, strong public management system, and a workplace culture that promotes integrity and ethics as central to our values and work. Every public servant has a part to play.

Te Kawa Mataaho | Public Service Commission (the Commission) has [three main roles](#) in leading the public sector in all matters related to integrity and conduct:

- Setting standards of integrity and conduct that apply to most public sector agencies.

- Providing advice and guidance to staff on matters of integrity and conduct; and
- Investigating matters of integrity and conduct in the public sector

In order to operate effectively in our communities and make a difference, the Public Service needs to have the trust and confidence of New Zealanders. To maintain this trust and confidence, we need to be able to show we are trustworthy, that we act in the interests of New Zealand and its people.

[OECD evidence](#) shows that public service values, such as integrity, fairness, and openness are strong predictors of public trust. Integrity is the single largest driver of public trust. In addition, the competence of the Public Service is critical. We must be responsive and reliable, as well as anticipating new needs.

Te Kawa Mataaho has explored the [drivers of public trust](#) in New Zealand. We found that experiencing services that met needs, being treated fairly, experiencing reliable services, and having public servants admit responsibility when mistakes are made were key drivers of trust.

The Public Service Commissioner as mentioned above is responsible for setting standards of integrity and conduct across most of the public sector. The Commissioner has done this in a code of conduct for the public sector, called the [Standards of Integrity and Conduct \(the Code\)](#). The Code has been applied to Public Service departments. Staff in those organisations must comply with the standards in the code and cannot contract out of those obligations by engaging contractors. The Commission provides advice and guidance to agencies on the matters related to integrity and conduct which also includes managing conflict of interests, can be found here: [Integrity and conduct](#)

### **Contractors and Consultants**

In 2018, the Government announced that it wanted to build more capability in the Public Service workforce and reduce reliance on contractors and consultants. Part of this was the Government's decision to lift the cap on the number of public servants in the workforce. Since then, the Government has invested more in the capability of the Public Service, which has resulted in growth in the size of the workforce.

Up until 2018, there was no consistent definition for a contractor and consultant. Neither was there any consistency or transparency in the way the use of contractors and consultants were reported.

In 2019, the Public Service Commissioner discontinued the way agencies previously reported data on contractors and consultants and introduced for the first time a new consistent method that more accurately shows how much the Public Service is relying on contractors and consultants each year. It measures the percentage of operating expenditure on contractors and consultants as a share of total Public Service workforce expenditure.

The new reporting is about getting the size of the Public Service right and finding the right balance between the number of fulltime employees and contractors and consultants.

Government agencies are committed to building capability within the Public Service and being open and transparent about how much money is [spent](#) on contractors and consultants. This is why the Commission is annually releasing information on contractor and consultant expenditure and has published [Guidance](#) to support consistent agency reporting.

In 2020/21, Public Service agencies spent a total of \$939.1 million on contractors and consultants. This was a decrease of 3.0% on the 2019/20 spend of \$967.9 million, with the decrease driven by a decrease in spending at Inland Revenue, as the agency continues to right-size following implementation of their Business Transformation Programme. Total expenditure comprises operational expenditure of \$603.4 million (down 1.0 % from \$609.4 million in 2019/20) and capital expenditure of \$335.6 million (down 6.4 % from \$358.5 million in 2019/20).

The operating expenditure on contractors and consultants as a share of total Public Service workforce expenditure has been declining consistently since 2019, dropping from 13.4% in 2017/18 to 11.3% last year and down to 10.3% for the 2020/21 financial year.

This reduction was due to contractor and consultant operating expenditure increasing at a slower rate over the past year than total workforce spend. This measure represents the balance between using external resources and building capacity and capability in the Public Service.

Contractors and consultants are useful to bring in specialist expertise, or to provide additional capacity for short durations to efficiently manage peaks in workload, so from time to time this rate may also increase

We will not constrain legitimate contractor and consultant expenditure, especially where this expenditure is appropriate to deliver value. However, we expect agencies to review their options and procurement policies to align with the expectations to invest in public servants.

If you wish to discuss this response with us, please feel free to contact [Ministerial.Services@publicservice.govt.nz](mailto:Ministerial.Services@publicservice.govt.nz).

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Please note that we intend to publish this letter (with your personal details removed) on the Commission's website.

Yours sincerely



Nicky Dirks  
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**Te Kawa Mataaho Public Service Commission**