LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

PURCHASER-PROVIDER ARRANGEMENTS IN HEALTH, EDUCATION AND SOCIAL WELFARE SERVICES

A REPORT ON

REGIONAL EFFECTS AND OUTCOMES UNDER NEW ZEALAND ECONOMIC AND FINANCIAL CHANGES

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STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 16

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MEMBERSHIP OF THE COMMITTEE

Mr Bill Wood MLA (From 26 March 1996. Elected Committee Chair 3 April 1996)

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Ms Rosemary Follett MLA (To 26 March 1996. Former Committee Chair)

Secretary: Bill Symington

1. INTRODUCTION

1.1. Over the five days 27-31 May 1996, the committee had intensive discussions with health, education and social welfare service purchasers and providers in Christchurch, Wellington, Hamilton and Auckland to assess the regional effects and outcomes of changes in the provision of those services following from New Zealand's economic and financial changes. The committee met with 13 public and private sector bodies and some 27 individuals. The committee also met with the Waikato Regional Council and, by invitation, the committee Chair addressed the Council.

1.2. This is a report on the outcome of the visit, the committee's findings and their relevance to the governance of the Australian Capital Territory.

Background

1.3. Members of the Public Accounts committee visited New Zealand in May 1994 for the purpose of meeting with central Government agencies, professional and business organisations and with certain client bodies of Government agencies to assess the effectiveness and ramifications of the economic reforms and financial structural changes which have been taking place since the mid 1980s and especially since 1990.

1.4. The relevance of that visit was the move to establish the financial affairs of authorities of the ACT and the accounts of the receipts and expenditure of the ACT on an accrual accounting basis. Accrual accounting provides a comprehensive picture of the financial operations, assets, liabilities and performance of accountable bodies. As applied to the accounts of Government, accrual accounting has significant implications for the total range of Government activities.

1.5. The committee therefore had, and continues to have, a close interest in and a responsibility to the Assembly to oversight progress by the ACT Government in adopting accrual accounting and management principles in the public sector.

1.6. New Zealand has embraced economic and financial change involving concepts of accrual accounting for its Government agencies which have become a striking model, and particularly so in the Australasian region, for the pace of change in areas such as financial consolidation and transparency, micro-economic reform, inflation targeting and deregulation.

1.7. The 1994 discussions firmly impressed the committee that there was broad agreement that the economic and financial changes were necessary and successful, at least in terms of administrative efficiency and accountability in the provision of services. The committee's report to the Assembly following those discussions[1] covered also matters such as Parliamentary scrutiny, Ministerial responsibility, the fragmentation of Government service delivery, and the setting of agency performance goals and performance against specification.

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[1] Presiding Member, Statement on Discussions in New Zealand, 3-5 May 1994, Government Accounting, Reporting and Accountability

1.8. However, the committee was conscious that in the time available it had of necessity focussed on central Government and peak business and professional bodies and that a rounded assessment of the economic and financial changes would require an examination at a later date of the delivery and provision of health, education and social welfare services especially at the regional level in New Zealand. The committee also recognised in 1994 that an examination of these matters would be more instructive if time was allowed for the effects of change in these areas to become more established. Hence the timing of this visit by the committee.

Acknowledgments

1.9. The committee gratefully acknowledges the willingness of the organisations and their officials to speak openly and to share their experiences with the committee. This was a refreshing feature of the visit and allowed for full and frank exchanges which were of considerable value in allowing the committee to grasp and understand the issues. Indeed, it was notable that Government officials were not reticent in commenting upon and offering opinion about the effectiveness of the economic and financial changes.

1.10. The committee is appreciative of assistance provided by officers of the New Zealand Parliament in arranging the program.

2. INSTITUTIONAL FACTORS

2.1. While they differ substantially in scale, the Australian Capital Territory and New Zealand have a great deal of commonality in terms of their political institutions and public sector cultures. Both have unicameral, Westminster type, Parliaments. Both Parliaments are responsible for appropriating the expenditures of government and the Executive in each case is answerable to Parliament for the administration and expenditures of Government.

2.2. Social and community attitudes in the ACT and New Zealand are very similar as is business practice, the policies and practices of professional bodies, the operations of labour and industry associations, and the objectives and methods of private social welfare organisations.

2.3. There is, of course, substantial movement between the public and private sectors of Australia and New Zealand. Both Australia and New Zealand share a measure of history as well as private, defence, cultural and sporting interchange. New Zealand is a participant in many Australian Federal/State inter-governmental meetings. Cross-Tasman visitors discern little difference between the two countries in terms of language, idiom, the general disposition of their respective peoples and public and private infrastructures.

2.4. This summation of broad similarities is relevant to the ACT community in that it provides an opportunity for the ACT to note the outcomes of the New Zealand economic and financial reform program, and to assess the extent to which the reforms may have applicability in the ACT context. However, it is clear to the committee that any similar proposals in the ACT should be subject to wide ranging and detailed consultation within the ACT community.

2.5. In this regard it is important to bear in mind that there are also significant dissimilarities between New Zealand and Australia in areas such as industrial relations and Federal and State constitutional relationships which would impinge upon the extent to which New Zealand type reforms could be contemplated in Australia and the ACT.

3. NEW ZEALAND STRUCTURAL CHANGES

3.1. The New Zealand economic and financial reforms were driven by the urgent need to resurrect an economy in crisis with massive capital outflows, adverse terms of trade, heavy foreign debt and a plethora of subsidies, regulations and economic controls. Unemployment was high at around 9.9% rising to 10.3% by 1991[2] as too were interest rates and inflation.

3.2. This situation led to forced economic reforms which from 1984 have included deregulation of financial markets, cuts in industry assistance programs and tariffs, the separation of commercial activities from Government departments and the privatisation of Government assets such as postal, telecommunications, airlines and electricity services.

3.3. A major development has been deregulation of the labour market through the Employment Contracts Act. In essence, the Act provides for individual workers to negotiate an employment contract subject to the observance by the employer of minimum wages and conditions. There is no Award system, national wage increase or safety-net adjustments [other than minimum wage rates and conditions]. Collective bargaining is allowed by consent of the individual parties. Industrial action by private sector employees is not allowed during the currency of an employment contract.

4. PUBLIC SECTOR REFORMS

4.1. The thrust of the public sector reforms from 1989 was to separate commercial and non commercial objectives and separate policy advice from the regulation and delivery of services.

4.2. The changes were effected by the State Owned Enterprises Act 1989 which provided for the corporatisation of state owned enterprises and for them to compete on even terms on a commercial basis, the State Sector Act 1989 which established responsibilities for chief executive officers in relation to performance and the employment of staff, and the Public Finance Act 1989 which provided the basis for financial management reform including accrual accounting

[2] ACTU/ACOSS, Study Program on Structural Adjustment and Social Change, January 1996

4.3. Complementary changes were made to legislation covering the operations of local government. In the process, the number of Territorial local authorities were reduced and made more accountable, transparent and charged with the responsibility of ensuring contestability for the works and services provided by local government. In essence, contestability means that, subject to certain exceptions, all road works are carried out by private contractors through the tender process. Such works are funded by either the central government or local authorities and supervised by local authorities. Local authorities are only able to obtain minor and ancillary works.

4.4. The committee was advised that the principles of local government reform are to draw a distinction between local authorities as policy makers and funders and as regulators and service delivery agents.

5. EFFECTS AND OUTCOMES

Labour Market

5.1. Under the Employment Contracts Act there is provision currently for a minimum wage which for persons aged 16 to 19 years of age is $NZ3.75 per hour and for workers aged 20 years and over, $NZ6.25 per hour. There are also statutory provisions relating to leave and certain work conditions. Every worker has a contract which is negotiated with the employer who may offer better conditions and wages.

5.2. Minimum wage rates are very low by Australian standards, and from the committee's discussions it was clear that disadvantage lay with those workers who are unskilled or whose skills are either unwanted or are in over supply. The general consensus in discussions was that the Employment Contracts Act does act as a brake on wage increases especially for low paid workers who have limited bargaining power.

5.3. The evidence is that average real wages have been falling in the 1990s. However, employment has increased strongly during this time, unemployment has fallen sharply to around 6.1% and total earnings have increased. It was put to the committee that the trade-off between lower real wages and significantly reduced levels of unemployment has been a major measure of the success of the Employment Contracts Act. However, authoritative sources advised the committee that the increase in earnings can be attributed in large measure to increased overtime, supplementary employment and self employment.

5.4. An anecdote serves to illustrate this. A Christchurch bus driver [incidentally, operating one of several former ACTION buses acquired by the bus company which, still in its original livery, appeared to be functioning perfectly well] advised that he is paid $NZ10.40 per hour. He works a 10 hour day six days a week to make ends meet and said he would work seven days if allowed to. Instead, he drives a taxi on the seventh day. This driver had been displaced from skilled work on the waterfront when the port authority had been privatised. He advised that another bus company paid drivers $NZ9.50 an hour. He said it was common practice for many workers to hold down one or two part-time jobs in addition to their regular employment.

5.5. The committee was advised that there has been an increase in labour militancy and, during the visit, the committee noted that medical officers employed by community health enterprises in the South Island, teachers, and employees of several central Government agencies were in dispute over salaries and/or conditions of employment. On the other hand, sources advised that the Employment Contracts Act tends to maintain stability of employment with workers less likely to be tempted into other jobs requiring the negotiation of a new contract.

Social Welfare Programs

5.6. Provision is made under New Zealand social welfare legislation for unemployment and training, independent youth, job search, sickness, invalid and transitional retirement, widows, domiciliary care, orphans and unsupported child and family support benefits.[3]

5.7. Accommodation supplement, means tested, is paid as a cash allowance to beneficiaries and low income earners to help with rent, board or mortgage payments.

5.8. As mentioned above, there has been a decline in New Zealand household incomes during the 1990s. This decline was coupled with significant changes in social welfare benefits in 1991, resulting in reductions in many benefits, and increases in public housing rents in the period 1992-93, with these rents being set at market rates. The committee noted that while the thrust of economic and financial restructuring has largely been in response to New Zealand's economic conditions, the social welfare and public housing changes were made separately from the pressures exerted by economic conditions. In other words, the changes have been made for reasons other than restructuring of the economy and governmental institutions.

5.9. Probably the most significant structural change to the social welfare system has been in the funding and delivery of a range of community services, whereby grants to voluntary or community organisations have been largely replaced by contracting those organisations to provide a variety of services for clients.

5.10. Contracting has shifted the focus of government from providing grants to "worthy" organisations. Those organisations are contracted to give greater emphasis to supplying clients and communities with government-defined essential social services. In essence, contracting has been used to develop detailed specification, and therefore greater government control, over voluntary organisations who are seen as providing services on behalf of the government.[4]

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[3] National Office, New Zealand Income Support, 1 April 1995

[4] New Zealand Council of Christian Social Services, Neither Mendicants Nor Deal-Makers, August 1995

5.11. The committee noted that the pattern of government funding to these organisations involves program grants in response to submissions by the organisations, program grants allocated on the basis of some form of needs-based service planning, and tendering for contracts to undertake specified services. Individuals are also funded to purchase services from accredited providers by means of vouchers or they may be paid cash to purchase services from the market.[5]

5.12. In discussion with three high profile, authoritative and respected New Zealand private sector social welfare agencies, the committee was advised that at times there are different approaches for different aspects of the one program which can result in contradictory requirements such as contracts entered into for a whole service with only part of it being actually funded.

5.13. The committee was advised that contracting has various advantages and disadvantages. It can be used to ration services, reduce flexibility in meeting individual needs, concentrate resources where there is greater chance of success but limit innovation, impose administrative burdens on organisations, and undermine their responsiveness. On the other hand, contracting means more standardised access to services, can result in better distribution of resources, means more secure funding, and encourages better planning.

5.14. The advantage for government is that contracting gives it more control over voluntary organisations, the services they provide, resources and priorities.

5.15. The overall view put to the committee was that while the social welfare changes have led to more efficient, cost-effective and accountable service delivery to those in need, there are real concerns about the lack of monitoring of social welfare programs by the government and that, as a consequence, there is a dangerously low level of social data being accumulated. Even more importantly, concerns were expressed to the committee by these agencies, and acknowledged by others interviewed by the committee, that the pace of change in social welfare programs and the broader economic and financial reforms have been too rapid, and that there has been a lack of appropriate community re-adjustment mechanisms. The changes appear to economically derived and appear to neglect consideration of the circumstances in which people find themselves.

5.16. The consequences have been pain for a sizeable minority in the New Zealand community. The committee was advised by authoritative sources that voluntary and contracted welfare agencies are now encountering a hard core of poor people not before seen. One such agency advised that over the past 18 months 14% of material assistance was provided to working people, that is, to people who had previously been capable of meeting their household needs from their earnings but could no longer do so on a regular basis. The committee was told that it is now common place for supermarkets to provide food bins to which shoppers contribute. Agencies advised that for the first time they are being forced to means test the distribution of food to needy families. They are being obliged to favour families in need at the expense of single people in need.

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[5] ibid

5.17. Authoritative sources also advised that the changes, the pace of change and the erosion of the social wage safety net was adversely affecting certain groups, particularly people of Maori descent, women and single parent families and was being reflected in an expanded floating population, limited schooling, poor health and anti-social behaviour. The view was put succinctly that the drive for economic reform and reduction in public debt was like endangering the health and welfare of the family in paying off the mortgage.

5.18. An alternative view about the pace of change is that the scale and the need for dramatic change has been such that the financial and economic reforms would not have been achieved had the pace between slower. It was put to the committee that a more measured and consultative program would have reduced the community and political will to bring about the reforms seen as necessary for the economic well-being of the total community and would have diluted the effectiveness of any changes which did come about.

5.19. A concern expressed to the committee was that the proponents of economic reform who are in the ascendancy in government, business and the media are doctrinaire and defensive of the economic and financial changes to the point that there is little substantial debate on the reforms, and limited scope for those with alternative views to obtain publicly. This was exemplified by an editorial in a major metropolitan newspaper which criticised elements of the Labour Party for being revisionist in questioning, at its Party Congress, the speed with which the Party had initiated the economic and financial changes from 1984.[6]

Education

5.20. Significant changes were made to the New Zealand education administration system in 1989. Those changes included the creation of Boards of Trustees to control and manage schools on the model of a private company with a board of directors. The boards are elected by their local communities and they are responsible for implementing legislative, regulatory and other Government requirements. They are accountable to both the Government and the local community.[7]

5.21. Boards of Trustees are responsible for ensuring that the school principal, as the chief executive, manages the school effectively and in accordance with national requirements and local objectives. Boards are also the employer of the principal and all other school staff. The National Education Guidelines provide, *inter alia*, for each Board of Trustees to develop and implement personnel and industrial policies within the policy and procedural frameworks set by the government; and to be a good employer as defined by legislation and comply with the conditions contained in employment contracts applying to teaching and non-teaching staff.

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[6] The Dominion [Wellington], 29 May 1996
[7] Education Review Office, Effective Governance, School Boards of Trustees, Number 7, Winter 1994

5.22. The stated objective of the changes was to abolish all layers of administration between the central government ministry and the schools in order to locate decision making as close as possible to the schools and thus achieve greater efficiency and responsiveness. A further objective was to provide local communities with the means of expressing expectations about their children's education and directly influence the quality of student achievement.

5.23. Boards of Trustees may invest and borrow money under certain conditions. Schools receive an operations grant, based upon student numbers, to cover all non-salary costs. Boards also receive a grant to cover teacher salaries and are allocated a staffing entitlement by the government. Boards may staff below the entitlement level or, with the approval of the Minister, may staff above that level as long as extra costs are met from the operations grant. Boards decide the type, tenure, and mix of teachers. Boards are also free to seek sponsorship in the form of goods or services without prejudice to the levels of their operations grants.[8]

5.24. As the major education financial outlay is for teacher salaries, the committee notes that, in practice, Boards of Trustees have limited capacity to juggle teacher numbers within the funding allocated to them. Teacher qualifications are also determined and managed by the Ministry of Education and Boards have no authority to hire teachers who do not have the appropriate qualifications.

5.25. Educational standards are monitored by the Education Review Office. Evaluation reports covering standards, quality of governance, management, student achievement and factors influencing achievement are made public. The committee was advised that these reports are a powerful incentive for schools to maintain appropriate standards of management and achievement. Where these reports are negative, considerable local publicity may follow, to the detriment of the school.

5.26. Where schools fall down in these assessments, it is not unusual for students to relocate to schools which have higher standards of performance where it is feasible for them to do so. The loss of students by a school can mean a lower operations grant with resulting decline in the school's resources and capacity to lift performance. This is recognised by the Ministry of Education which may provide management assistance to such schools. Where necessary, the Ministry will suspend or dismiss a Board and assume responsibility for management of a school.

5.27. The committee was advised that in practice the quality of performance generally mirrors the socio-economic location of the school. Boards may comprise highly motivated, skilled and achievement oriented people in one area while in another area these attributes may be lacking. School performances tend to reflect these differences and school principals to a greater or lesser extent have considerable influence as to how the school is managed. The committee was advised that principals have perforce been required to become business managers and acquire appropriate management skills.

5.28. Major concerns of the teaching profession were brought to the attention of the committee. These include concerns that salary levels are too low to attract and retain teachers, that there should be uniformity between pay for teachers at the primary and secondary levels, that operations grants should be increased so as to remove discrimination against "poor"

[8] ibid

schools, that early childhood education should be provided on a non-profit community base, and that all teachers' salaries should be paid direct by the government. The profession also expressed concern that school support staff are generally vulnerable to pressure by school management and that they are forced to accept unfair pay rates.[9]

5.29. The committee noted the very real concerns of the teaching profession. It notes also a report of a Ministerial Reference Group in 1995 which advised the Minister on a rational system for generating the staffing resource entitlement and delivery mechanisms, and put forward specific proposals to bolster the resources of schools in lower socio-economic areas. These proposals included that all Boards choose either to be staffed and payrolled by the Ministry or receive the resource entitlement in cash and arrange their own staffing.[10] The committee notes that the teaching profession opposed any form of bulk funding of salaries. In the event, while the government conceded bulk funding as an option, the committee was advised that only a very small number of schools have chosen bulk funding of salaries.

Hospital and Disability Support Issues

5.30. Major restructuring of the provision of health and disability support services has resulted in the devolution of central government health administration to regional health authorities (RHAs). Three RHAs are located in the North Island and one in the South Island.

5.31. The function of RHAs is to purchase medical and related services on behalf of the government. Policy Guidelines issued by the Minister of Health for each year outline the government's expectations of the RHAs as purchasers of those services for that year. The Guidelines also assist RHAs to develop their annual purchase plans and their medium term [three year] strategic plans.[11]

5.32. The principle behind devolution has been to reduce the administrative costs of the central Ministry of Health, to integrate and co-ordinate health services in the regions and achieve efficiencies and savings through more accountable purchaser/provider arrangements.

5.33. Regional Health Authorities purchase medical and disability support services from hospitals and private sector organisations which are geared to providing disability support services. Regional public hospitals, known as Crown Health Enterprises (CHEs), and, it appeared to the committee, private hospitals and medical providers, contract with RHAs for the provision of medical services. Contracts typically provide for hospitals to deliver a specified number of hospital services, including operations by type, outpatient services and so on at prices negotiated between the parties for each of the services.

5.34. In practice, the committee found that where a CHE, in particular, had a monopoly position in the market, either because it is the major community hospital or has specialist services which are not readily available in other CHEs, there was less flexibility for the RHA to

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[9] New Zealand Educational Institute, Think Education When You Vote, 1996

[10] Ministry of Education, Resource Entitlement For School Staffing, The Report of the Ministerial Group, February 1995

[11] Minister for Health, The 1995/96 Policy Guidelines For Regional Health Authorities And The Public Health Commission, A Summary, December 1994

negotiate the terms of contract. Further, the committee noted that there was limited provision in contractual arrangements for CHEs to provide elective surgery. Persons seeking elective surgery either join waiting lists or use the services of private hospitals. On the other hand, the committee was made aware that private hospitals and medical providers have the opportunity to displace CHEs through the contract system. The committee also noted in discussion that there is a capacity for medical contract providers, especially CHEs, to schedule and manage the provision of medical services so as to concentrate upon cost-effective services. It was also apparent to the committee that contracts have a limited effect upon the operations of those providers of medical services which enjoy a monopoly market position. The committee noted one case where a large CHE, 11 months into the contract year, had yet to finalise a contract for that year with the RHA.

5.35. The committee noted that waiting lists for elective surgery, and especially for those procedures which are less cost-effective than others, remain a political problem in New Zealand. A great many of these procedures affect the ageing and this growing proportion of the New Zealand population is reflecting in the costs of providing medical services.

5.36. From time to time the Minister for Health is obliged to allocate additional funding direct to CHEs for specific operations. Thus, for example, during the visit, it was announced that $NZ130 million was to be allocated to purchase medical operations by CHEs in the South Island including 24 heart operations and 40 cataract operations. The stated intent was to help clear a backlog of listed cases.

5.37. The committee also noted that health administration in New Zealand is as much a black hole for soaking up public funds as elsewhere. Ministry of Health figures indicated that the costs of running RHAs have increased by around 40% in two years and that central Ministry of Health costs have risen by 11% in the past year.

5.38. It was put to the committee that the RHAs were in fact not needed and that CHEs could just as effectively deal direct with the Ministry of Health on purchase agreements.

5.39. In discussion with a major private voluntary organisation which represents persons with a specific disability and from which RHAs and the Department of Social Security purchase disability support services, it was clear that the interests of that organisation and its clients were best served by its lobbying activities direct with the Ministries of Health and Social Security.

5.40. The committee concludes that the evidence suggests that, in practice, the RHA purchaser provider model does not appear to have to lived up to the expectations of the theory.

Monitoring CHE Performance

5.41. Central government oversights the performance of Crown Health Enterprises through the Crown Company Monitoring Unit. The Unit deals with some 55 Crown Companies. Oversight of performance is handled in two streams. CHE chief executives are responsible to their companies through their Boards which, in turn, are accountable to the Minister for Finance and the Minister for Health.

5.42. The Unit examines and reports to Ministers on the operational performance of CHEs in terms of their activity levels, costs per unit, and waiting lists. In essence, the Unit is concerned with value for money for services purchased from the CHEs. The central Treasury examines CHE balance sheets as part of the monitoring and, where necessary, recommends to Ministers whatever action is deemed appropriate in light of its examination.

6. OBSERVATIONS AND CONCLUSIONS

6.1. From its prior study of New Zealand circumstances, reinforced by the evidence of this visit, the committee acknowledges that the government in 1984 was forced to embark on a program of economic and financial remedies to rescue the country from a state of economic crisis and stagnation. Successive governments continued with and expanded these reforms which have included deregulation of financial markets, cuts to, and elimination of, tariffs, dumping of inappropriate macro and micro-economic policies, reforms in electricity distribution, rail and road transport, communications, and privatisation of government assets. There has also been a broadening of the tax base and the introduction of a Goods and Service Tax, labour market deregulation and a substantial tightening of social welfare assistance.

6.2. The results have been impressive in bald economic terms. New Zealand now has favourable terms of trade and strong domestic demand. New Zealand's growth rate for at least the next year or two is projected to be among the top three countries of the OECD.[12]

6.3. On the other hand, the main losers appear to have been low wage earners and social security beneficiaries. By 1992, New Zealand was in the lowest ranks among the OECD countries in terms of level of generosity in respect of family income support payments.[13] As indicated above, the committee was advised of the emergence of a hard core of working poor people who are seeking the assistance of voluntary community organisations on a regular basis. The committee therefore concludes that the economic changes have had a price in that a significant section of the New Zealand community has not benefited

6.4. And this is something of a paradox for the observer of New Zealand conditions. It is unquestionably a prosperous country which exudes a feeling of energy and confidence. There is a wide range of choice in the shops. Restaurants with prices which are relatively high by Australian standards are generally well patronised and new motor vehicles clog the streets and highways. New Zealand Post, a private company, delivers mail in its own aircraft. The telephone service, owned and operated by the United States Bell Telephone Company and others, is efficient and responsive to demand.

6.5. New Zealand is in election mode for the October 1996 election. This election will be special and different in that it will elect New Zealand's first government on the new Mixed Member Proportional voting system. The general expectation is that, because of the nature of the electoral system, New Zealand is unlikely to have a majority government in the next Parliament. To the extent that the next government may be a coalition of interests or that the

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[12] ACTU/ACOSS, op cit

[13] ibid

government party may require the support of minor parties, the pace of further economic change and reform, if any, may be different. It was made clear to the committee that a substantial amount of change has yet to take place.

6.6. The committee notes that there are reservations as to the long term economic success of the reform program, a view being that policies have been too narrowly based and rigid to provide for long term growth in a dynamic international environment, and to ensure reasonable living standards especially for those who are disadvantaged.[14]

6.7. On the basis of discussions, observations and research, the committee concludes that particular aspects of the New Zealand economic and public sector financial changes are relevant to the ACT. However, the committee specifically concludes that the ACT Government in giving any consideration to the New Zealand experience should note that:

(i) the pace of public sector financial change and reform should have regard to the need for institutions and individuals who are affected to accommodate and adapt to the pace of change at a reasonable rate;

(ii) there should be adequate safety net provisions and support services for those in the community who may be disadvantaged by change;

(iii) to the extent that cost cutting is an objective of government, that government adequately recognise the vital contributors to growth and productivity and ensures these are not damaged by increased inequality, reduced real wages and uncertainties within the community;

(iv) in contracting of government funded services on the purchaser/provider model care is needed to ensure a proper balance between governmental responsibilities, including the duty of care, and the role, functions and accountability of the organisations which are contracted to provide those services;

(v) the provision of health and disability support programs through contracted arrangements is unlikely to achieve substantial cost savings or reduce hospital waiting lists without a focussed and efficient control of service providers by the relevant government funding agency; and

(vi) there is a potential for school self-management and sponsorship of schools to exacerbate inequalities between schools which are located in higher and lower socio-economic areas.

Bill Wood

Bill Wood MLA
Chair
26.6.96

[14] ibid