

22 May 2017

Rt Hon Bill English
Freepost Parliament
Private Bag 18 888
Parliament Buildings
Wellington 6160

Dear Prime Minister,

Update from the McGuinness Institute

Attached is our annual update to let you know what we have been working on over the past year and what we aspire to achieve going forward. We also provide this update to all members of Parliament in the hope that they will be interested in following our work and open to joining us at some of our events.

To this end, we have attached our work programme in Appendix 1 and a sample of our latest publications. Of course, I would welcome the opportunity to meet with you to discuss any of the following in greater detail.

There are five key observations that are figuratively keeping me awake at night, which I would like to share with you:

1. I am concerned that current governance boundaries in New Zealand are hindering rather than helping the problems currently facing communities.
2. I am concerned that the MPI proposal to relocate salmon farms in the Marlborough Sounds is progressing before the public consultation on the national direction for aquaculture scheduled to take place as soon as mid-2017.
3. I am concerned that central government proposals to override local democracy will exacerbate problems currently facing regional communities. Local government is a key instrument for delivering local solutions and bringing together economic, environmental and social issues.
4. Accountability and transparency are of vital importance and we need to develop a work programme to improve reporting of information in the public domain.
5. New Zealand needs to help build a more stable and certain world, learning about the future and how best to position ourselves in order to make the most of the challenges and opportunities ahead.

These five observations are outlined in more detail below.

1. We believe tackling poverty requires local solutions

Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations (attached) was published in February of this year but we have waited until now to send it out to you so that we could include a think piece by Conal Smith (attached). *Think Piece 26 – Doing Something About Poverty in New Zealand* contains his independent reflections of the *TacklingPovertyNZ 2016* nationwide workshops and was launched on 12 May at the Community Boards Conference in Methven.

We are concerned that our current governance boundaries around New Zealand are problematic. A map on page 54 of *Working Paper 2017/01* illustrates the range of institutional governance boundaries that exist, which together act as obstacles for communities to solve problems. These boundaries will take time to unpack and realign. Therefore we have suggested a ‘fast-track’ option. This would involve creating three pilot demarcation zones in Rotorua, Gisborne and the Far North. To learn more, read our *Demarcation zones for public policy innovation* proposal on the publications page of our website.

The 2016 workshops collected 240 ‘hows’ to tackle poverty from six different communities. Page 61 of the working paper shows that each area is different and therefore requires local solutions – a one size fits all approach will not deliver the best solution.

2. We are seeing commercial demands overriding environmental considerations

Working Paper 2017/02 – Letter to the Minister on New Zealand King Salmon was published this month in response to the MPI consultation *Potential relocation of salmon farms in the Marlborough Sounds*, which involves a proposal to ‘relocate’ six New Zealand King Salmon (NZKS) ‘farms’ using section 360, a novel piece of RMA legislation. Our interest in NZKS has been ongoing since the 2013 Board of Inquiry decision in a NZKS request for plan changes and resource consents to operate new sites in the Marlborough Sounds. An overarching question raised by the MPI proposal is what a swap of water space means in practice; is it swapping like for like?

- The Institute would argue the MPI proposal to relocate low-flow sites was already taken into account as part of the BOI decision in 2013, with the BOI deciding that farms should not be located in the sites where MPI are now proposing they should be.
- The MPI proposal is asking for a 34% increase in the total consented area and 35% increase in the total feed discharge from the existing farms, which, in our view, constitutes much more than a swap. See page 43 of *Working Paper 2017/02*.
- Three of the six farms are not operating as farms; two have never been operated by NZKS and the other has not been operated since 2011.

If the Minister was to pursue a swap in principle, we would argue the Minister should only swap the farms currently in operation. This means the Forsyth Bay farm and the two Crail Bay Farms would be removed from the MPI proposal, leaving only three farms to be swapped. Further, we would suggest that the remaining three farms should carry across the same footprint in terms of expiry date, consented area and feed discharge. This way the existing consents for the three newly relocated farms would expire in 2021 and 2024 (x2) and NZKS would need to reapply for consents using the traditional legislative framework involving public consultation.

We are left wondering why this proposal being progressed ahead of the MPI public consultation on the national direction for aquaculture set for the middle of this year. If this type of swap is approved, we believe it will have implications for resource management across the country, setting a precedent for central government to override local government and the needs of the local community. *Working Paper 2017/02* explains our concerns about the process in more detail.

3. We are seeing a growing tension between central and local government

Last year we learnt of the importance of local government as a key body to deliver local solutions, and of the need to bring together economic, environmental and social issues when problem solving. For this reason, we have concerns that central government proposals to override local democracy will exacerbate the problems regional communities currently face.

We believe that transparency in local government allows members of the community to engage in public processes and scrutinise the results. This means that failures of local government over recent years have been visible. Given that there are 67 territorial authorities throughout New Zealand, failures are inevitable and expected. What is important is that failures are analysed and assessed to determine what went wrong and to prevent similar failures occurring in the future. I believe we do not have the equivalent public engagement and scrutiny existing in central government. Our failures (speaking as a past public servant working in central government) are not transparent and they are not always being analysed, meaning that lessons are not being learnt.

We believe it is time to be honest with ourselves about the problems that our current processes are creating, rather than moving to increasingly central control. New Zealand has a tendency to problem solve by adding further complexity to the mix, rather than by simplifying and supporting the systems we have. Simplicity and clarity are important characteristics of any operating system; New Zealand needs durable processes and transparent institutions. I am concerned we are moving in the wrong direction. We believe that central government should realign their boundaries to those of districts; working together to solve local problems, share ideas that work and empower local communities. (This would mean removing the complexity in the map on page 54 of *Working Paper 2017/01*.) The recent proposal to create Urban Development Authorities is a further example of taking power away from local communities; implying that central government is more effective and valid as an agent of change. This has not always been my experience.

4. We are seeing the need to revisit and improve accountability and transparency

Our work programme in 2017 includes a number of surveys that aim to inform our work programme next year. We are undertaking a survey of significant companies (both the Deloitte Top 200 and the companies listed on the NZX main board) and a user survey on extended external reporting in collaboration with the External Reporting Board. The results will be published in November. We are also working on a survey of Chief Financial Officers of government departments. We expect the results will illustrate ways we might improve reporting of information in the public domain. My mantra for this year is 'knowledge is great but scrutiny and critical thinking is even better'. There exist some cheap and effective solutions to improve transparency and accountability:

- The Department of Internal Affairs should prepare a consolidated local authorities annual report.
- Central government departments should prepare ten year planning documents for the public, along the lines of local government.
- The *Financial Statements of the Government of New Zealand* should become an integrated report; reporting on the four capitals (economic, natural, social and human). We also consider that this should include a list of all approved strategies driving change in the public service. There are about 140 government department strategies (GDS), see our GDS Index at www.gdsindexnz.org

5. We are seeing the need for New Zealand to help build a more stable and certain world

What we have seen over the last ten months is not a one-off event but a range of developing trends, which together might develop into a significant storm. It is therefore important to note that, when a figure such as Mikhail Gorbachev (the eighth and final leader of the Soviet Union from 1990 to 1991) says, 'It all looks as if the world is preparing for war' (*Time*, 26 January 2017), now is the time to listen, reflect, discuss and act. This means creating and maintaining good relationships will increasingly be of vital importance. New Zealand needs to stay alert, look to understand ourselves (our own assumptions and myths), track what is happening (both in terms of real and fake news), explore linkages and connections (i.e. developing scenarios), build on what we know (and accept what we do not know), and identify what we are prepared to live with (and not live with).

New Zealand has a strong vested interest in ensuring that the world manages itself well. This was a key finding in some scenario work we undertook in 2008 when writing *Report 6 – Four Possible Futures for New Zealand in 2058*. The report identified two main tensions in exploring the ways in which New Zealand could change between 2008 and 2058: (i) how New Zealand manages itself, and (ii) how the world manages itself. Accounting for these tensions, the report then lays out four possible scenarios. Applying a combination of insight and foresight, the team then examined the events that might occur within each scenario. Scenarios are not projections but allow us to learn about a future world/worlds and how to best position ourselves in order to make the most of the opportunities and challenges ahead.

Recent events overseas reminded me of our 2008 'what to watch for' list:

1. A fortress mentality versus a desire to work with others, both between individuals and between countries.
2. Disparities in wealth, health, education and technological adoption within societies and between countries.
3. The type of leadership style, in particular whether it is proactive and forward thinking or complacent and reactive.
4. The extent to which privacy and secrets are accepted norms in government, or whether transparency and public accountability are the more common ethic. (p. 47)

To conclude

There are a number of challenges and opportunities ahead. New Zealand will enjoy a good future, provided we pull together and continue in the right direction. You are well placed as members of Parliament to help shape the dialogue through quality foresight, effective strategy and insightful reporting. We look forward to a challenging and invigorating election year.

We are undertaking another youth-oriented workshop in collaboration with the New Zealand Treasury, called *ForesightNZIwi*. It will cumulate in a final presentation at Parliament on Wednesday 22 November 2017 from 6.30pm. We will send you an official invitation later this year, but in the meantime, please save this date. It will be important to hear from youth about their preferred future for New Zealand.

In November we will send you a complimentary copy of our signature book *Nation Dates*. We are currently preparing the third edition.

Thank you for your continued support and hard work.

Yours sincerely,



Wendy McGuinness
Chief Executive

Attachments

Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations (February 2017)

Working Paper 2017/02 – Letter to the Minister on New Zealand King Salmon (May 2017)

Think Piece 26 – Doing Something About Poverty in New Zealand (May 2017)

Appendix 1: McGuinness Institute 2017 Work Programme

