



Confidence and Supply Agreement with ACT New Zealand

ACT New Zealand agrees to provide confidence and supply through positive votes of support for the term of this Parliament to a National-led Government in return for National's agreement to the policy programme and other matters set out in this document.

The agreement between ACT and National builds on the stable and constructive relationship developed between the two parties over the past three years and will continue to be based on good faith and no surprises.

This agreement recognises that National and ACT have joint aspirations for a more prosperous country. It also recognises their shared goals of:

- improving the competitiveness of New Zealand's import-competing and exporting activities through reducing intrusive government regulation and excessive government spending
- raising productivity growth by the same means and through ongoing public sector reform and greater reliance on competitive processes; and
- reducing child poverty, educational underachievement and youth unemployment.

The policy programme outlined in this agreement upholds and advances these goals.

Consultation arrangements

The Government will consult with ACT including on:

- the broad outline of the legislative programme
- key legislative measures
- major policy issues
- broad budget parameters; and
- policy issues and legislative measures to which ACT is likely to be particularly sensitive.

Consultation will occur in a timely fashion to ensure ACT views can be incorporated into final decision-making.

Formal consultation will be managed between the Prime Minister's Office and the Office of Hon John Banks.

Other co-operation will include:

- access to relevant Ministers
- regular meetings between the Prime Minister and Hon John Banks

- advance notification to the other party of significant announcements by either the Government or ACT, and
- briefings by Ministers and officials on significant issues and issues that are likely to be politically sensitive before any public announcement.

Policy programme

National has agreed to adopt and implement during this term of Parliament the following policies advanced by ACT:

1. Economy-Wide Monitoring

National and ACT agree that to better allow Parliament and the general public to monitor progress towards improving New Zealand's economy-wide performance the New Zealand Treasury should be charged with reporting annually on the progress being made to improve the quality of institutions and policies, as measured by international organisations, including those producing indexes of economic freedom, and on progress towards raising productivity growth and reducing the income gap with Australia.

2. Regulatory Standards Bill

National and ACT agree with the OECD and the 2025 Taskforce that excessive and poor-quality regulation is holding New Zealand back. The *Better Regulation: Less Regulation* initiative in the previous Parliamentary term responded usefully to the problem, but more needs to be done.

The two parties agree to continue the work commenced in late 2008 to reduce the regulatory burden on businesses and individuals. In particular, work will continue on the legislative framework to achieve that objective. The Regulatory Standards Bill will be included in the continuance motion for the new Parliament, and the Minister for Regulatory Reform will work closely with the Minister of Finance to achieve a mutually agreed outcome, based on the Treasury's preferred option (option 5), for enacting within the next 12 months.

3. Legislated spending limits

National and ACT agree that New Zealand's current fiscal problems were caused by irresponsible increases in government spending between 2005 and 2008. They agree that this could happen again in the future unless institutional changes are put in place that will better constrain excessive future increases in government spending.

To this end they agree to legislate within the next two years to provide that core Crown operating spending, excluding finance charges, spending on the unemployment benefit, asset impairments and spending on natural disasters, will be subject to a spending limit. Under this limit expenditure will grow no faster than the annual increase in the rate of population growth multiplied by the rate of inflation. National and ACT will work together to amend the Public Finance Act to add:

- a requirement, to be reflected in the principles of fiscal responsibility and reporting provisions, that governments will not introduce expenditure

appropriations that would at any point in the future exceed the spending limit;
and

- a requirement that the Minister of Finance explain any unplanned breach of the spending cap to Parliament and outline what actions will be taken to ensure expenses remain within the cap in future.

4. Resource Management Act

National and ACT agree that significant change is needed to the RMA to promote investment, jobs and prosperity as well as environmental protection.

ACT believes a full review and rewrite of the RMA is necessary, while National intends to focus on Phase 2 reviews and reforms to address particular weaknesses and deficiencies in the legislation.

A key change that both parties will work to achieve is in the planning area; where there is a need to reduce the clutter of planning documents and increase the efficiency of the planning process. ACT and National support simplifying the planning process, and will legislate to ensure that there is only one plan (a “unitary” plan) for each district.

The RMA reform agenda will be a standing item in the regular National/ACT leadership meetings, and Hon John Banks will work closely with the Minister for the Environment to advance reform proposals.

5. Education

National and ACT acknowledge that many New Zealand children are not achieving their potential in education and are leaving school ill-equipped to enter the workforce and with limited choices for their future. Underachievement in education often compounds the disadvantages already faced by children in vulnerable, at-risk communities, and can contribute to intergenerational disadvantage, poor health, poverty, joblessness, welfare dependence, criminal offending and social dysfunction. It is one of the reasons for New Zealand’s very high rate of youth unemployment.

Both parties agree that to break this cycle a range of mutually-supporting reforms is required in the areas of welfare, primary health, education, youth transition and employment law.

With respect to education, the parties have, in particular, agreed to implement a system, enabled under either sections 155 (Kura Kaupapa Maori) or 156 (Designated character schools), or another section if appropriate, of the Education Act, whereby school charters can be allocated in areas where educational underachievement is most entrenched. A series of charters would initially be allocated in areas such as South Auckland and Christchurch. Iwi, private and community (including Pacific Island) groups and existing educational providers would compete to operate a local school or start up a new one. Schools would be externally accountable and have a clearly-defined, ambitious mission. Public funding would continue to be on a per-child basis. (Details are included in the attached Annex).

National and ACT agree to establish an implementation group comprising a private sector chair, and private sector, business, iwi and community representatives along with government officials to develop the proposal. They also agree to ensure it is implemented within this Parliamentary term. The terms of reference and composition of the group would be agreed by National and ACT and be supported by the Ministry of Education and external resources. (Details are included in the attached Annex.)

National and ACT also agree to set up a task force to produce a comprehensive report on governance issues relating to policy towards state, integrated and independent schools.

6. Welfare

National and ACT agree that the two most important aims of welfare reform are the alleviation and prevention of child poverty, and a focus on work as the best route out of poverty and welfare dependence for those who are able to work. Both parties also agree with the broad thrust of the recommendations of the Welfare Working Group (WWG), and support their implementation.

In particular, National and ACT agree to implement in this Parliamentary term measures to promote the well-being of children in benefit-dependent households set out in WWG Recommendations 27: *Parenting obligations*, 28: *Support for at-risk families*, and 30: *Income management and budgeting support*.

They further agree to implement measures to improve the effectiveness of employment placement services for beneficiaries through contracting out such services to private sector and community organisations, as set out in WWG Recommendation 34: *Employment services*.

7. ACC

National and ACT agree to introduce competition for ACC's Work Account. National acknowledges ACT's concern about the participation of private insurers and the fairness of the competitive process if ACC remains a competitor for Work Account business, and agrees to implement policy to manage and minimise this risk.

Ministerial position

Hon John Banks will be appointed to the positions of Minister for Regulatory Reform, Minister for Small Business, Associate Minister of Education, with delegated authority to lead the work on charter schools and the interface between public, integrated and independent schools, and Associate Minister of Commerce. These Ministerial positions will be outside Cabinet.

Hon John Banks will be a member of the Expenditure Control, Economic Growth and Infrastructure, and Appointments and Honours Cabinet Committees.

National's Post-Election Action Plan

The Government has identified the initiatives on National's *Post-Election Action Plan* as priorities and ACT acknowledges the electoral support for this plan. Accordingly, ACT agrees

to support the legislation required to give effect to the plan, insofar as it is consistent with the shared goals and aspirations set out in this agreement.

National will consult with ACT about the details of the legislation that it proposes, before its final decisions are taken. Where any points of difficulty arise, both parties agree to discuss these in good faith seeking a mutually-agreed resolution.

For the avoidance of doubt ACT will, in particular, seek reassurance that the \$400 million investment by the Crown Water Investment is in the national interest and does not embody significant non-transparent wealth transfers.

In addition, as part of this agreement, ACT has agreed to support legislation to reduce the impact of the Emissions Trading Scheme on New Zealanders, consistent with the recommendations of the independent review, including by deferring the introduction of agriculture to the ETS in 2015 and holding down the increase in energy prices. ACT continues to believe that the ETS should be repealed, however it believes some progress will be made through the Government's initiative.

Confidentiality

It is agreed that where briefings are provided to ACT, or where ACT is involved in consultative arrangements with regard to legislation, policy or budgetary matters, all such discussions shall be confidential unless otherwise agreed.

In the event that Government papers are provided to ACT in the course of consultation or briefings they shall be treated as confidential and shall not be released, or the information used for any public purpose, without the express agreement of the relevant Minister.

In the event that Cabinet or Cabinet committee papers are provided to ACT for the purposes of consultation they shall be provided to a designated person within the Office of Hon John Banks, who will take responsibility for ensuring they are accorded the appropriate degree of confidentiality.

Collective responsibility

Hon John Banks agrees to be bound by collective responsibility in relation to his portfolios. When he speaks about issues within his portfolio responsibilities he will speak for the Government, representing the Government's position in relation to those responsibilities. When he speaks about matters outside his portfolio responsibilities, however, he may speak as an ACT MP, or as a Member of Parliament. He will support the Government's position in all matters that are the subject of confidence and supply votes.

Where there has been full participation in the development of a policy initiative outside of any portfolio responsibility held by Hon John Banks, and that participation has led to an agreed position, it is expected that all parties to this agreement will publicly support the process and the outcome.

Cabinet Manual

Hon John Banks agrees to be bound by the Cabinet Manual in the exercise of his Ministerial responsibilities and, in particular, agrees to be bound by the provisions in the Cabinet Manual on the conduct, public duty, and personal interests of Ministers.

Procedural motions

ACT agrees that it will support the Government on procedural motions in the House and in Select Committees, unless ACT has previously advised that such support is not forthcoming. The Government agrees that it will operate a no-surprises policy in terms of procedural motions it intends to put before the House or a Select Committee.

Select Committees

ACT and the Government will consult on the make-up and operation of Select Committees with a view to reaching an agreed majority position.

Legislative programme

Support for particular measures which do not relate to confidence or supply will be negotiated on a case-by-case basis.

Dated 5 December 2011

Rt Hon John Key
National Leader

Hon John Banks CNZM QSO
ACT MP

Annex to the National - ACT Confidence and Supply Agreement

The proposed School Charter System detailed below is a guide which sets out the vision and expectations of both the National Party and the ACT Party, and is subject to amendment at the agreement of both parties.

A Charter School System

The proposed charter school system is targeted at lifting educational achievement in low decile areas and disadvantaged communities where educational underperformance has become the norm. It is designed to provide greater flexibility in governance and management including the ability to attract top quality teachers, prepare and inspire children to achieve their potential and be accountable for doing so, and to better meet the particular needs of local communities.

Initially the system will be implemented in areas such as South Auckland and central/eastern areas of Christchurch. Once successfully established, and as fiscal conditions permit, the system would be extended to other areas of low educational performance.

The approach is modelled on successful international examples such as the KIPP schools in the US and to some extent on the system of 'free' schools currently being introduced in the UK.

Legislative basis

The system would be enabled under the Education Act 1989, sections 155, Kura Kaupapa Maori, or 156, Designated character schools, or any other section as appropriate.

Mission

Missions would be ambitious and clearly defined. They would likely differ from school to school, but would typically be some or all of the following:

- a rigorous academic focus
- a traditional curriculum
- faith based
- to serve a target population of students
- based on specific governance principles eg Te Aho Matua, or
- to focus on a particular language, vocational training or other area of specialisation.

Operation, governance and accountability

Groups proposing to operate charter schools may be non-profit, community organisations including iwi and Pacific Island groups, school trustees, faith-based educational organisations, and not-for-profit and for-profit management groups (likely to operate multiple charter schools). They would be granted a charter by an authorised body.

Boards of Trustees would be responsible for all aspects of school operations. They may operate the school themselves or contract out management to not-for-profit or for-profit education providers. Boards would be free to set the length of the school day and year, set

their own teaching practices, raise their own revenues (including from iwi, private individuals, faith-based organisations and corporate and other philanthropic or community programmes), pay their teachers according to performance, and use any approved curriculum/qualification.

Schools may operate as individual entities or as a network of schools. Public funding would continue to be by way of normal operational grant funding and may include funding targeted at disadvantaged groups. Schools may also be eligible for capital funding for school property, although overseas experience suggests use of private capital will be required. Schools may choose to rent, rather than own the school building and hence may instead receive equivalent funding to cover rental costs.

As at other state schools, tuition fees would not be charged. Schools will be required to accept all students who apply for entrance (until they have reached capacity), irrespective of academic ability, although they may set geographical boundaries as long as these do not deny opportunities to disadvantaged students. Where demand exceeds supply schools may choose to conduct entrance on a ballot basis. Schools may co-locate with social service providers and/or early childhood providers and like other public school developments could use public designation powers to facilitate Resource Management Act consents.

Schools would be externally accountable to charter school sponsors (eg. universities, iwi, community organisations, a special accountability group within the Ministry of Education) and to external review (eg by the Education Review office). Charter schools will be required to enter into a contractual relationship with sponsors, with the latter being responsible for ensuring that charter schools meet agreed student achievement goals, as well as financial and operational standards.