Review of Central Agencies’ Role in Promoting and Assuring State Sector Performance

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1 Introduction, Executive Summary, and Conclusions

Introduction

1 In April 2006, Ministers instructed the three central agencies (the Treasury, the State Services Commission (SSC) and the Department of Prime Minister and Cabinet (DPMC)) to undertake a review of the role of central agencies in managing the performance of State sector [CBC Min (06) 8/5]. The terms of reference are attached at Appendix 1.

2 The objectives of the review are:
   • to create a shared understanding of the different dimensions of good performance and how it can be better motivated and supported by central agencies
   • to understand how central agencies influence performance separately and together
   • to determine what practical steps the central agencies could take to improve performance of the system as a whole.

3 Chapter 2 covers the context of the review including current and future challenges, the performance-related activities of each of the three central agencies and relevant international practice. In Chapter 3 the findings of the review team are discussed. Chapter 4 explores the definition of performance and proposes the concept of public value as a useful way to understand the different dimensions of performance. Chapter 5 then goes on to highlight the roles central agencies could take together in the future to improve performance of the whole system. Chapter 6 describes how the central agencies could implement these roles jointly. Chapter 7 proposes mechanisms to support this joint approach, and in Chapter 8 some specific performance issues are suggested as priorities for action.

Review process

4 The review team undertook research in a wide range of areas to inform its work. This involved interviewing over 80 stakeholders and distilling and analysing key messages from the material collected. A summary list of stakeholders interviewed is provided in Appendix 2. The review team looked at the recent history of the New Zealand public management system and surveyed international developments in improving public sector performance in the UK, Canada, Ireland, Australia and other OECD countries, including interviewing senior public servants in the UK, Ireland and Australia. The review team identified current and future challenges for State sector performance, and met with a range of central agency staff to learn more about current initiatives to improve performance.

5 The review team also undertook three small case studies in order to learn more about the central agencies’ current ability to focus on performance. Topics chosen were: the information and communication technology (ICT) projects on the government shared network and authentication; the Rotorua research pilot on the accessibility goal (one of six Development Goals); and an information gathering exercise on the health sector.

6 A list of working papers is attached as Appendix 3, and a bibliography and a glossary are attached as Appendices 4 and 5.
Executive summary

Comment

1 Our State sector operates in an environment of considerable change and complexity, with increasing expectations of performance and responsiveness. New Zealand does not have this on its own, as other jurisdictions too are wrestling with these challenges.

2 Overall New Zealand has a well-performing State sector, with some real areas of excellence in the work it does. It is highly regarded internationally. Our public management system is appropriate to today's circumstances and - with continued adaptation and improvement - capable of responding to the challenges that lie ahead. Our State sector legislation and basic structure are sound and "fit for purpose".

3 Yet performance across the State sector is uneven and, in some areas, falling short of expected standards. The central agencies are not presently contributing to a high level of State sector performance as well as they might.

4 In New Zealand's devolved public management system primary responsibility for performance rests with the agency concerned. Central agencies do however have an important role to play both in ensuring alignment with the government's goals and priorities and in promoting and assuring high performance across the State sector. They are uniquely placed to exert leadership, influence behaviour and lead thinking on performance in the State sector.

Key issues

5 The review team found that:
   - central agencies do not have an agreed definition of high performance in the State sector and what drives (or constrains) it, and are therefore less effective than they should be in monitoring and supporting good performance
   - there is insufficient focus by the central agencies on performance at sectoral and government-wide levels relative to the attention paid to individual agencies and programmes
   - the performance-related work of central agencies is not well integrated, which adds to the compliance pressures on agencies and deprives the government of best-quality information and advice on sector-wide performance issues

Performance expectations

6 This report puts forward the key elements in good State sector performance. While many of these feature in the current work programmes of central agencies, they are not used as an agreed or shared concept. An integrated perspective would see good performance achieving:
   - results and outcomes specified by the government, including strategic goals as well as the objectives mandated by legislation or executive decision
   - a high quality experience for New Zealanders using services provided by the State sector, including such factors as responsiveness, timeliness and accessibility
   - a high level of trust in the State sector's integrity and professionalism
   - value for money in achieving the government's objectives.
Change of emphasis
7 The central agencies’ work on performance is spread too thin, across too many agencies and programmes. There needs to be a shift to place more emphasis on cross-sector and system-wide work, although there would still be emphasis on some critical individual agencies and programmes. This means becoming more selective and focusing on the "vital few" issues and areas of performance that really count. More attention needs to be paid to the government's top strategic priorities and major investments and to emerging and longer-term issues that will impact on performance in the future. Strong relationships need to be built with Crown entities as a whole, and with sector leaders and monitoring agencies for Crown entities.

Integration of central agency effort
8 Central agencies need to change the way they operate in order to achieve better performance across the State sector. This does not mean losing their distinct roles: it is rather a matter of integrating approaches, and coordinating their performance-related work against a shared definition of performance. In addition to central agency chief executives themselves taking a more systematic and structured approach to performance issues, they will need to drive these changes down through all levels of their agencies. This will involve changes to culture and ways of working.
9 There is also a need to provide better reporting to Ministers on the performance of the State sector. Central agencies should prepare joint, periodic overviews of State sector performance for their Ministers – and get their expectations of performance and discuss major performance issues and remedial action with them. This will reinforce the need for a more "joined up" approach by central agencies.

Processes
10 Processes for supporting these changes include the three central agency chief executives meeting regularly (like a board) to oversee and coordinate the work being done by their agencies to monitor and support State sector performance. This will enable them to take action together to achieve the performance-related outcome they already share. It is likely that a small support unit will be needed to anchor this activity.

Conclusion and proposals
11 There are no simple answers to the problems and challenges facing today's State servants. The State sector is an increasingly complex and demanding place in which to work. This applies in the areas of regulation and policy advice as well as in service delivery. Appropriate, flexible structures and good alignment of activities and resources are important, as is the selection and development of excellent State servants. So too are clear signals about the government's objectives and performance expectations. It is in these areas and in promoting and assuring performance, that central agencies have an important role to play. This report suggests how they can better play that role.
12 The following are the specific proposals put forward by the review.

Performance
12.1 Central agencies should use the integrated definition of high quality State sector performance proposed in the review report, which is that State sector agencies must achieve:
• the results and outcomes specified by government, particularly its strategic
goals and also the objectives mandated in legislation or by executive decision
• a high quality experience for New Zealanders when they access services
provided by the State sector, in terms of dimensions such as responsiveness,
timeliness, effectiveness and accessibility
• sustained trust by New Zealanders in the State sector, in terms of the highest
standards of integrity and professionalism on the part of State servants
• value for money, meaning the State sector avoids wasted time, effort and
resources in achieving the government’s objectives.

12.2 Central agencies should use this definition and adopt a “promote and assure” role
as the basis for planning, co-ordinating and implementing their activities that
directly or indirectly aim to improve State sector performance.

Systematic approach
12.3 Central agency chief executives should take a more systematic and deliberate
approach to State sector performance issues, including regular (six weekly)
meetings where they take systematic oversight and leadership of their departments’
work on State sector performance issues.
12.4 Central agency chief executives should provide regular (two or three per year)
reports to their Ministers analysing and recommending action on State sector
performance issues.
12.5 Central agency chief executives should meet jointly with their Ministers to discuss
issues and action arising from these reports and to identify opportunities for
Ministers and central agencies to convey expectations about performance directly
to the wider State sector.
12.6 Central agency chief executives should take a joint approach to decisions on the
planning, management and evaluation of the performance-related activities in their
agencies; these work programmes could be integrated or undertaken separately
depending on the mandates and capabilities of each agency.

Leadership and partnership
12.7 Central agencies should exercise stronger leadership in the influencing role they
play with other State sector agencies on performance issues.
12.8 Central agencies should facilitate the alignment of the strategic direction,
leadership, information requirements and capability of individual agencies and
sectors with the performance priorities of the government as a whole.
12.9 Central agencies should work closely with others in the State sector system that
perform “promote and assure” performance roles or have sector and theme
leadership responsibilities, to ensure consistency and alignment of approaches.
12.10 Central agencies should prioritise and place emphasis on performance at cross-
agency and whole of government levels (as well as key individual agency
performance priorities).
12.11 Central agencies need to ensure that the State sector puts sufficient effort into long
term thinking and perspectives to meet future challenges.
Collaboration
12.12 Central agencies should work more closely together in their performance-related functions, for reasons of both efficiency and effectiveness.
12.13 Central agencies should themselves model the processes and behaviours for cross-agency activities that are expected in all parts of the State sector.
12.14 Central agencies should increase their capability and willingness to work together more effectively by systematically collaborating to share data, undertake analyses, and implement some key shared business processes where this is cost-effective.

Serving the public
12.15 Central agencies should strengthen their focus on delivery of services to the public and associated management systems.
12.16 Central agencies should:
   • request other agencies to collect and analyse information on service quality (including public satisfaction) using a consistent approach
   • develop a joint central agency view of the “vital few” performance indicators around trust, stakeholder focus, service quality, effectiveness, and value for money
   • jointly review current performance information requirements on agencies with the aim of reducing compliance costs.

Implementation
12.17 Central agency chief executives should decide what support and resource, within existing baselines, they need to carry out this joint performance role.
12.18 Central agency chief executives should report back to Ministers in March 2007 on progress in implementing the decisions on this review.

13 In the course of the review a number of specific issues emerged where early action is indicated:
13.1 Central agencies should develop a consistent set of principles and approaches which can be used “off the shelf” when new cross-agency issues emerge, to enable cross-agency governance and management arrangements to be established quickly and easily.
13.2 The performance focus on results and outcomes should be revitalised as part of the central agencies’ development of an overall approval to performance; it is noted that this issue (managing for outcomes) is the subject of a separate review.
13.3 Central agencies should strengthen their engagement with Crown entities to bring them into the picture of the Government’s overall strategic direction and Ministers’ performance expectations.
13.4 Central agencies should give particular support to developing the quality of performance monitoring of Crown entities.
13.5 Central agencies should continue and accelerate the support already being given by the LDC to leadership development in the Crown entity sector.
13.6 Central agencies should take a leadership role to improve the quality of policy advice and focus first on priority areas.
13.7 Central agencies should foster innovation in the State sector by encouraging well-managed risk-taking and experimentation; the overall approaches to performance improvement proposed in the report will also support innovation.

13.8 Central agencies should explore with other agencies ways to facilitate cross-agency work, both to reduce transaction and compliance costs and to improve management effectiveness, by making changes in the public management system.

13.9 Consideration should be given to allowing departments greater flexibility to carry forward unspent funds from one year to the next.

13.10 Consideration should be given to how whole of system costs and benefits are brought in to analytical frameworks established for application to individual agencies.

13.11 ICT and other services that are developed in central agencies for widespread use across the State sector should be placed outside the central agencies as they become operational, to ensure the performance management focus in central agencies can remain a high priority.
2 Context

The public management environment

1 The arrangements that characterise New Zealand’s public management system were set in motion by the major reforms of the late 1980s and 1990s. The State Sector Act of 1988 and the Public Finance Act 1989 initially provided the two principal statutory vehicles for the reforms. Under the State Sector Act:
   - the respective roles of Ministers and chief executives were clarified, with Ministers becoming responsible for what activities departments undertook and chief executives responsible for how these activities were delivered, establishing clear vertical accountability arrangements
   - the employment arrangements for public servants changed, with chief executives of individual departments becoming responsible for employing staff, including setting pay and conditions.

2 The Public Finance Act 1989 made chief executives responsible for the financial management of their departments and replaced detailed central controls with financial delegations tailored to departmental circumstances. It redefined the appropriation process from control of inputs to purchase of outputs; specified a new set of financial instruments for accounting to Parliament, including aggregated Crown financial statements prepared on an accruals basis; required reporting on the net worth (assets less liabilities) alongside conventional cash flow reporting; and introduced incentives for responsible management of assets and liabilities, notably a capital charge to reflect the opportunity cost of asset holdings.

3 Other major features of the reforms included the withdrawal of the State from a range of quasi-commercial activities, either by privatising them or contracting them out, and the reorganisation of government departments. These changes altered the configuration of the State sector from a small number of large, multi-functional departments to a larger number of smaller, more specialised departments. The following themes guided the reformers:
   - separation of purchase and ownership responsibilities
   - separation of policy and operational functions
   - separation of funders, purchasers and providers
   - encouragement of competition between service providers.

4 These major structural and systemic changes were followed by a period of consolidation during the 1990s. In 1994 the Fiscal Responsibility Act built on the public finance framework, establishing a set of medium and long-term fiscal reporting requirements to provide a context for short-term fiscal management and to encourage greater transparency around fiscal policy.

5 A major change in New Zealand’s operating environment which occurred during the 1990s was the introduction to New Zealand’s electoral system of the mixed member proportional representation system (MMP) in 1996 to replace the first past the post system. This has meant substantial changes to the ways in which government agencies work in supporting Ministers, to respond across party lines in developing policy and service delivery options.
The 1990s saw particular attention paid to the conduct and integrity of State servants, with the SSC publishing the first Public Service Code of Conduct in 1990. The guidance material called *Principles, Conventions and Practices* was developed in the mid 1990s and this contributed to an updated code of conduct in 2000. This momentum continued into the 2000s with the establishment of the State Sector Standards Board in 2000 which developed the *Statement of Government Expectations of the State Sector* which was endorsed by Ministers and issued in 2001. In 2004 the mandate of the State Services Commissioner was extended to the whole State Services for the setting of minimum standards of integrity and conduct (State Sector Amendment Act (No 2)).

**Crown entities**

Over the last 15 years the Crown entities sector has increased in size and importance. Crown entities are made up of groups of Crown Agents, Autonomous Crown Entities, Independent Crown Entities, and Crown Entity Companies. Each group represents relative degrees of distance and independence from government decision-making. They constitute a far from homogenous group of government agencies, both by design and by function. Although they mostly engage in regulatory or operational activities, some have policy functions. Taken together, they constitute an important and substantial service delivery arm of government, accounting for $38 billion of the Crown’s physical assets (over two thirds) and more than 50% of total government expenditure, and employing 55% of the State sector workforce (nearly four times the size of the core Public Service).

As the Crown entity sector has grown in size and complexity, the governance and management challenges have increased too. A programme of work was initiated in 1999 to address this. Given further impetus by the Review of the Centre, this work led to the Crown Entities Act 2004. This statute represents a significant development in the architecture of the New Zealand public management system. It introduced a consistent framework for the establishment, governance and operation of Crown entities and clarified the accountability relationships between Crown entities, their boards and Ministers.

**Recent developments**

There have been a range of measures and actions taken to improve performance in the State sector in recent years. In 2002 the report of the *Advisory Group on the Review of the Centre* sought to evaluate and refresh New Zealand’s public management system to ensure that it remained fit for purpose to deal with challenges. The outcome of the review was an extensive work programme that involved:

- setting up cross-agency “Circuit Breaker” teams designed to solve complex problems
- a project to provide Ministers with a stronger way of shaping departmental priorities which became known as the *Managing for Outcomes* initiative
- a series of human resource reforms including the development of an overarching HR framework; enhanced investment in training and development that lead to the establishment of the *Senior Leadership and Management Development Programme*, the establishment of the Victoria University of Wellington School of Government and New Zealand members of the Australian and New Zealand School

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1 “Circuit Breakers” involved three teams to look at ways of delivering better results on family violence, truancy and skilled refugee and migrant settlement.
of Government (this change was also reflected in the State Sector Amendment Act (No 2) 2004).

10 In 2004 the Public Finance Amendment Act integrated the Public Finance and Fiscal Responsibility Acts into a single statute. Other changes in the Act removed unnecessary restrictions to collaboration among agencies, and paid more attention to outcomes and capability.

11 There has been a move to strengthen the performance of some agencies by placing them within larger departments or ministries and to bring policy and operations closer together in some sectors, e.g., education, justice and social development. Some functions have been returned to public ownership (such as elements of transport infrastructure), or moved closer to Ministers (for example aspects of broadcasting and social housing).

12 Other initiatives include identification of the need for sectors to work more deliberately and effectively together, with one agency to take the lead in ensuring this happens. For example the Education Sector Review in 2005 suggested the Ministry of Education be designated the lead agency for the sector to implement the recommendations of the report.

13 The introduction of three themes (economic transformation, families young and old and building national identity) for collective action by the State sector represents an initiative by Ministers to focus the whole State sector on specific priorities. These require collaborative action on multiple work streams by multiple agencies and sector leaders have been appointed for each theme to help facilitate this work. More recently Ministers have decided that budget cycle processes for the 2007 Budget should give more weight to results, building on the themes initiative.

14 Another systemic initiative to improve performance was the introduction of Development Goals by the State Services Commission in 2005. The overall goal - “a system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders” is intended to address how the State sector is arranged and performs. Six goals are identified to give effect to this aim. They are: Employer of Choice, Excellent State servants, and Networked, Coordinated, Accessible and Trusted State Services.

15 Particularly pressing challenges driving change include:

- increased emphasis on the distinct position of metropolitan Auckland
- the ongoing need for infrastructure renewal and reinvestment, partly but not only related to Auckland’s demand
- a requirement for better interaction between central government, local government and third sector organisations.

16 Partly in response to these challenges, several initiatives have been introduced to improve State sector performance at sector and system levels. These initiatives include the following new institutional arrangements as a pragmatic response to performance problems:

- new arrangements to coordinate policy and delivery in some regions (e.g. Government Economic and Urban Development Office – joined up Auckland office for Ministry of Economic Development, Ministry for the Environment, Department of Labour and Transport), or to drive critical strategic work that cuts across sectors and agencies (such as work on climate change)
• creating new agencies with both regulatory and operational functions such as the Electricity Commission
• a series of sector, baseline and expenditure reviews (this review is one in this series).

Emerging challenges

17 New Zealand is more diverse than ever before, across a range of dimensions – ethnicity, culture, family structures, levels of assets and incomes. An important dimension of State sector performance is having the capability to respond effectively to this diversity, especially the effects over time of changing demographics, and global trends and developments including in technology.

18 There are increasing expectations that governments can solve, or substantially contribute to solving, a range of complex problems which require the collaboration of other actors, e.g. reducing violence within families, dealing with the low attainment tail in education and reducing obesity among children.

19 As in similar jurisdictions, people in New Zealand have more control and autonomy over their lives now. They expect more say in the factors that affect their choices of where to invest and what to consume, and in decisions about what services they receive from government. They also have higher expectations about the quality of services and, because government services are compared with the best of the private sector, the bar for State provision is set higher. Users and consumers of services are quicker to assert their rights. Targeting and customisation to user needs and preferences is increasingly replacing “one size fits all” service provision based on assumptions of homogeneity.

20 The public in general, and special interest groups within that, have much greater and faster access to information than ever before. ICT also assists new organisational structures and networks to become established and sustained. Many interest groups now have better organising ability and information sources than government itself.

21 Changes in these areas have profound implications for how the State sector engages with New Zealanders now and in the future.

International practice

22 New Zealand is not alone in looking for ways to improve the performance across the State sector. New Zealand ranks well internationally in terms of financial management and integrity and ethical standards of its State servants, and this helps create trust in government. It has been slower, however, than some other jurisdictions to adopt a comprehensive results focus and to engage citizens and consumers in its systems and processes. Like other jurisdictions, New Zealand has wrestled with the challenge of embedding innovation and ongoing learning as standard processes within the public management system.

23 International practice points to three areas where central agencies can take a stronger role in performance management. These are a strong results focus (UK, Canada and Australia); engagement with citizens (Canada) and focus on consumer “voice and choice” (UK); and realistic experimentation and learning to improve service delivery (UK and Canada).

24 The UK has used a range of measures to focus the system better on results, notably through the use of targets and taskforces (called Policy Action Teams) to deal with “wicked issues” and the use of citizens’ charters. While targets have been useful in the
UK system, it has been acknowledged that they have their limitations, largely because they are narrowly based and this distorts provision away from non-targeted services, which in turn leads to over-complex bureaucratic processes to try and counter balance this effect. The UK Strategy Unit\(^2\) has recently put forward a comprehensive approach to achieve better performance. This includes a systems approach with four dimensions, each of which is intended to help counterbalance the other three dimensions. The four dimensions are:

- more rigorous top down performance management measures
- the introduction of competition and contestability into the provision of public services
- greater opportunity for consumer “choice and voice” to shape services
- strengthening the capability and capacity of civil servants to deliver through a variety of leadership initiatives\(^3\).

What is clear from this and related initiatives is that the UK is moving towards more emphasis on incorporating the perspectives of service users and the public generally in strategy and service design, which includes collecting information about service quality (e.g. fairness, timeliness and accessibility). The UK has also recently announced a partnership model between public, private and third sectors to deliver services in order to be more responsive to the needs of individual and communities. It is noted that the strong business and other engagement of the UK civil service creates effective external linkages.

The review team also explored the concept of public value originally proposed by Harvard Professor Mark Moore\(^4\), which has permeated the thinking around performance of the State. Public value reflects, in broad terms, the kind of “good government” goals and expectations that are usually established in most Commonwealth countries. In particular the public value concept lies behind much of the UK work on consumer voice and choice. This is discussed further in section four.

Similarly, Canada has introduced a strong citizen focus to their public service as part of a results package. Interestingly, Canada has demonstrated through empirical evidence that customer/client success is directly related to employee job satisfaction. Canada is also moving towards more rigorous performance measurement\(^5\).

Experience in other countries, notably the UK and Singapore, shows that development of a capability to integrate long term thinking into policy and service delivery is an important part of learning and innovation. There are different ways to develop the capability for this. In the UK the Strategy Unit has experimented with two approaches: a central pool of futures practitioners within the Unit and embedding practitioners in a variety of other agencies. In Singapore futures thinking has become so integral to the way in which the business of government is conducted that single agencies are required to take a 1-20 years perspective in their planning and the centrally located Scenarios Unit takes a 20-50 year perspective.

\(^2\) Announced at a conference entitled “21\(^{st}\) century Public Services – Putting People First” held in June 2006.
\(^3\) Details can be found on: www.strategy.gov.uk
\(^5\) This approach is set out in Management Accountability Framework developed by The Treasury Board of Canada Secretariat. Details can be found at [http://www.tbs-sct.gc.ca](http://www.tbs-sct.gc.ca)
Performance related roles and responsibilities

29 The three central agencies – Treasury, SSC and DPMC – each have distinct and separate roles in which they undertake a variety of performance-related activities. These are either through interventions and outputs that impact directly on State sector entities, or indirectly by the systems they develop and/or support.

30 Treasury is responsible for advice on financial management, including designing and running the Budget process. It provides advice on regulation and Vote purchase, ownership and performance issues. This includes second opinion policy advice. It also provides advice on the public management system, in conjunction with SSC. Treasury has increased its focus on economic performance, especially fiscal and financial performance.

31 The State Services Commissioner has responsibility to recruit, appoint and manage the performance of departmental chief executives. SSC is also responsible at system level for building the people capability of the State Sector (accounting for two of the Development Goals), for E-government development and operations, and for providing advice on machinery of government decisions. As indicated above, SSC provides advice, in conjunction with Treasury, on the public management system including in relation to Crown entities. It conducts ad hoc reviews as required, sometimes with Treasury and DPMC. It also addresses performance through the Development Goals.

32 The Department of Prime Minister and Cabinet provides policy advice and facilitates interdepartmental coordination in order to provide assurance to the Prime Minister and other Ministers. It also facilitates a collective approach to performance through the formulation and implementation of government’s key priorities. It provides secretariat services to, and systems and processes for, the smooth functioning of Cabinet, Cabinet committees and the Executive Council. DPMC also coordinates central government activities aimed at protecting New Zealand’s domestic and external security.

33 An analysis of the 2006/07 output plans demonstrates that the central agencies are well resourced to undertake these performance-related activities. Taken together, approximately $72 million, or two thirds of their combined total annual budgets for 2006/07 ($106 million), focuses in some way on improving performance. This is illustrated in the following table.

Figure 1:

<table>
<thead>
<tr>
<th></th>
<th>Direct Impact on Agencies</th>
<th>Indirect via system</th>
<th>Non-performance related activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>%</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td>State Services Commission</td>
<td>9,953</td>
<td>25</td>
<td>27,063</td>
<td>69</td>
</tr>
<tr>
<td>The Treasury</td>
<td>23,870</td>
<td>45</td>
<td>4,862</td>
<td>9</td>
</tr>
<tr>
<td>Department of Prime Minister and Cabinet</td>
<td>2,677</td>
<td>20</td>
<td>3,334</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,500</strong></td>
<td><strong>35</strong></td>
<td><strong>35,259</strong></td>
<td><strong>33</strong></td>
</tr>
</tbody>
</table>

34 Approximately $34 million is identified as non-performance related and it is therefore considered outside scope.
The three largest allocations of funding in the performance area across the central agencies are as follows:

- Treasury - advising Ministers on regulation and purchase ownership and performance issues including second opinion advice about the efficiency and effectiveness of agency interventions, and promoting and assuring quality of analysis ($21.2 million)
- SSC - E-government projects, operations, authentication ($14.4 million)
- SSC - Providing leadership development opportunities for future leaders ($11 million)

The central agencies have a shared outcome statement, expressed identically in each agency’s current Statement of Intent, aimed at achieving “a high performing, trusted and accessible State sector, delivering the right things in the right way at the right prices.” No special architecture or dedicated resource currently exists to give effect to this objective, however, and the output plans reflect little of this shared outcome.
3 Issues and insights

This Chapter sets out the review team’s main findings on State sector performance and the current and potential contribution of the central agencies to achieving higher performance. It draws on the views of stakeholders consulted by the team, and on the research and analysis that the team undertook.

Lessons from earlier reform

New Zealand’s public management system has been extensively redesigned in the quest for better performance. Many of the changes introduced over an extended period of reform have endured, having delivered significant performance gains. Some things have been adapted, modified or replaced, especially where experience has revealed weaknesses or to address unfinished business.

New Zealand has shown that it can manage change well. Our small size and relative flexibility has undoubtedly contributed to this performance, as did a clear and well-understood national imperative, and the systematic follow-through that characterised the change process.

Achieving higher performance requires further change. Ensuring that the public management system as a whole, and its various component parts, are well positioned for the future is a key role for the central agencies. This review is an opportunity for them to evaluate their contribution, and make changes as necessary to lift their game.

Central agencies and system performance

A consistent message from stakeholders, and an important finding from the analysis done in this review, is that central agencies are uniquely positioned to ensure that the system is well aligned to the Government’s most important goals. This derives in part from their proximity to Ministers collectively, but also from their ownership and operation of whole-of-government management processes. It is widely expected that these processes will be used by the central agencies to communicate and reinforce messages about Ministerial priorities, and to track progress against them.

The team heard that, as a general rule, the central agencies do not provide Ministers and theState sector with an integrated overview of State sector performance. There was, instead, considerable evidence that the joint and separate roles of the central agencies in relation to system performance are not well understood around the State sector. This lack of clarity and understanding extends to staff within central agencies. There is no shared definition of performance among the central agencies, and no sense from the wider State sector of the central agencies leading efforts to achieve higher performance in the system.

Feedback on the performance of the central agencies in their core, specialist roles was largely positive. In these roles, all three make a valuable contribution to the operation of the system. But a common observation was that the central agencies – in relation to one another, but also in relation to the rest of the system – currently operate largely through their separate areas of expertise and interest. There is little evidence of formal or informal integration of performance management frameworks, of sharing information on performance, or of working together to tackle revealed weaknesses at a system, sector or agency level.

Implementing the Government’s themes is one case where a “whole-of-centre” approach is being applied. But other initiatives that have implications for how the system as a
whole is performing, such as the Development Goals for the State Services, or giving effect to the Government’s economic and fiscal strategy, are not seen to be “owned” by the centre collectively. On the contrary, it seems to those outside the centre that the central agencies are often at odds with one another on how to define and deliver higher performance.

Joint working across the central agencies was also felt to be mostly issues based rather than strategic. Collaborative effort was not seen as being the default mode of operation among the central agencies. It seemed to many stakeholders to take place for ad hoc reasons rather than as part of a shared strategy.

Staff in central agencies appear to have insufficient understanding of one another’s separate perspectives on and contribution to State sector performance. Each central agency is seen to operate with its own distinctive culture, style, behaviours and set of values. The end result in terms of contributing to higher performance in the system is mixed messages on what matters for performance and how it is achieved, with the central agencies talking past one another. Shared leverage on the system is under-utilised, and the central agencies’ value-add is not readily apparent to many stakeholders.

The government shared network and authentication case study conducted for the review illustrated this finding. It demonstrated that at quite a basic level the Treasury and SSC were working from different perspectives and assumptions around roles and objectives, and had no ready mechanism for reconciling these differences. The study also revealed the absence of a common framework within the central agencies for assessing the range of options for placement of an operational delivery function that involves trade-offs between achieving whole-of-system benefits and the implications for individual agencies.

The question of how to bring these benefits (eg government-wide security issues) into business case frameworks designed for application to individual agencies should be addressed. This is fundamental to how the public management system is designed and operated, and the central agencies might be expected to have an agreed frame of reference.

Central agencies are relatively strong in terms of their advice on the policy dimensions of performance, but weaker in terms of implementation, service design and delivery. It was also widely felt that the central agencies have insufficient appreciation of performance from the perspectives of practitioners (i.e. the front line) or users and recipients of State services. The recently published Rotorua research pilot on the accessibility of services provides an example of work being undertaken to address this weakness.

It was asserted that central agencies tend to get involved in performance matters as a reaction to emerging risk or perceived failure. More emphasis needs to be placed on future agency or system performance.

Finally in this context, the review team noted that the centre’s attention span can be rather limited. An often-cited example of this was the Managing for Outcomes (MfO) process and Statements of Intent (SOIs). Central agencies’ interest in MfO was felt to have waned, or to be focused largely on the form rather than the substance of agencies’ efforts. Variability in Ministerial and agency interest and practice suggests that the value of the process for them is also questionable. Despite some progress on shared outcomes, it is felt that the MfO concept needs more work to facilitate joined-up approaches to improving performance.

This example also illustrates the risks that arise when central agencies impose new initiatives on the rest of the system. Given the large number of relatively small agencies that are a feature of New Zealand’s architecture, too many, too frequent or uncoordinated
initiatives are likely to have limited shelf life and durability of impact. Some parts of the State sector are barely getting to grips with MfO, just as the central agencies are moving on. The central agencies have to focus more on follow up and implementation.

**Setting and monitoring performance expectations**

53 The review team found that arrangements for setting and monitoring performance expectations at the agency level were generally felt to be satisfactory. The respective roles of Ministers and chief executives are clear and well understood, and output delivery arrangements are set out clearly and transparently in output plans.

54 For issues that cross agency boundaries, however, arrangements are less satisfactory. There are few “off-the-shelf” models available to assist in establishing governance and accountability arrangements for processes or projects that cut across linear accountability arrangements, and as a result these are often designed on the run. This can contribute to uncertainty and to variability of practice, and imposes costs that might otherwise have been avoided.

55 Arrangements for setting and monitoring performance expectations for whole-of-system priorities are multiple and not necessarily connected. Expectations are often unclear, expressed in a plethora of different places, in different ways. Some are set out in statute, in the Cabinet manual, or in central agency guidance, appointment letters or letters of expectation. Others are expressed less formally - as practices and understandings that may or may not be codified. Some expectations are enduring; others are more temporary. There is no systematic process for reviewing the total set of expectations. Unnecessary compliance costs can result. It is not always clear what information is required in order to monitor performance and how it will be used.

56 Monitoring roles and accountability requirements put considerable pressure on the system. The central agencies have their own individual approaches, as do the other parts of the system with monitoring roles or accountability requirements – sector or theme leaders, chief executives with statutory functions, the Controller and Auditor General, Select Committees, and Crown entity monitoring departments. This adds further “noise” to the system.

57 The detrimental impact of all these expectations is compounded by the fact that responsibility for system-wide and agency performance falls heavily on a relatively small number of people – particularly senior Ministers, chief executives and senior leaders in a small number of other agencies. These people commonly carry a wide range of other responsibilities and expectations. A consequence can be that the urgent crowds out the important – in terms of the strategic, reflective, evaluative effort that is vital to a high performing and sustainable system.

**Interactions with Ministers**

58 The review team found that high quality performance depends in part on having good arrangements for selecting, commissioning and undertaking projects or work programmes.

59 In the New Zealand system, “performance conversations” take place at different levels and in many forms. The most important conversations in terms of conveying Ministerial expectations to State servants are rarely the formal occasions in the planning cycle when Ministers are invited to comment on agencies’ SOIs or output plans. Instead they are the daily interactions between Ministers and officials during which “live” or emerging issues are considered and tasks commissioned.
In a complex and fast-moving political environment where timetables have to accommodate public expectations and political need, where Parliamentary or media scrutiny is a given, and where information may be imperfect or incomplete, it is even more important for achieving high quality performance that expectations and responsibilities for their delivery are clear and well-understood.

There is scope for improving the quality of officials’ interactions with Ministers. Concerns about the status quo included:

- perceived lack of responsiveness by agencies to signals from Ministers, with officials being too ready to interpret or adapt messages to accommodate their agencies’ existing activities. Central agencies are not consistently stepping into this space unless expressly directed to do so by Ministers
- a sense among agencies of not being up with the latest play in terms of issues concerning Ministers. Whilst most agencies would expect to have close engagement with their responsible Minister(s), agencies as a whole – and especially the smaller or less “central” ones – are not as connected to the Government’s wider agenda as they feel they need to be to ensure responsiveness
- a failure to collect and package information for Ministers in a way that enables them to track performance against their goals, including good quality information on the actual results being achieved in areas where they have invested heavily. This is in spite of the system demanding and producing an abundance of data and progress reporting. Even at the agency level, information on performance in terms that Ministers can use to engage effectively with the public through Parliament is often not routinely available. As an experiment, the review team asked central agency sector specialists to pull together a joint performance “snapshot” on the health sector, using only publicly available information. Led by Treasury, the resulting product was of a high standard, both in terms of how it was presented and the insights that emerged (including revealing important information gaps). It demonstrated what the central agencies are capable of achieving when they pool their resources to analyse performance
- a sense from Ministers that agencies lack imagination and look to Ministers to come up with new ideas and innovative solutions
- perception among agencies that the system is leading them to be risk averse, due in part to the central agencies tending to operate in a manner that inhibits risk-taking and innovation, as well as media and political pressures.

Support for Crown entities

The review team heard that there has been good progress with initiatives to engage with the wider State sector on performance since the Crown Entities Act was passed in 2004. At the same time, it is clear that the relationship between central agencies, acting either jointly or separately, and Crown entities can be improved further. Specific issues raised by Crown entity stakeholders were:

- a sense of isolation from the rest of the State sector and in some cases lack of appropriate linkages with Public Service departments, e.g. in utilising the research capability of the Crown research institutes
- a desire for more opportunities for engagement with central agencies on the big picture of government including strategic priorities in order to be able to include this perspective in their business planning
• limited understanding of Crown entity business within central agencies, compounded by a Wellington-centric view of performance
• the need for central agencies to take an interest in the challenges of senior leadership development in the Crown entity sector, especially in health and tertiary education
• a lack of support for Crown entities when things go wrong. While “host” or responsible departments could be expected to manage some aspects of this, some Crown entities wanted central agencies to be more visible and accessible to them
• the variable quality of support provided by monitoring agencies.

63 Central agencies have not in the past seen Crown entities as part of the whole system when working on performance related initiatives. This is changing since the passage of the Crown Entities Act 2004, but work is required to make the approach more systematic and consistent.

The bigger performance picture

64 A consistent message from the review is the importance of having the capability to examine and interpret wider trends globally and in New Zealand and their implications for State sector performance, so that with appropriate action the system can remain sustainable and fit for purpose over the long term. Individual agencies will tend, rightly, to concentrate most of their effort on delivering today’s outputs and being responsive to the needs of their Ministers. By contrast, the central agencies are seen as having an important role to play in ensuring that, in those parts of the system that matter most to Ministers, an appropriate level of investment is going into the examination of longer-term trends and developments. They should ensure that the findings are synthesised, widely promulgated and integrated into policy advice and delivery.

65 Whilst a number of agencies, including the central agencies, currently undertake strategic or environmental scanning, the review team was left with a sense that more could be made of this work at a whole of system level.

66 Emerging trends in society are already affecting how government operates. It cannot easily command or regulate for changes in areas where there are complex problems. Responses need to take account of concurrent problems, multiple causation and outcome goals that involve many actors within and outside government. Interventions have to be less directive and more inclusive – setting up incentives, mobilising other change agencies and intermediaries, applying moral suasion and leadership. Working in these ways requires new knowledge and a new emphasis on learning from innovation at the operational level as well as designing solutions in Wellington.

67 Adapting to these changes and challenges involves striking a new balance between what is best done at the frontline and what requires the involvement of head offices – for example to transfer learning from and across service centres, or to foster research or centres of excellence. Once innovations are seen as successful, the task is to scale changes across organisations, manage legislative change, and re-prioritise existing resources or obtain new funding. In promoting performance, central agencies need to be sufficiently in touch with these challenges, and in some cases leading initiatives, to ensure there is sufficient innovation and forward looking work undertaken in departments.

68 The central agencies role in supporting higher performance in the State sector could also draw more heavily on lessons from overseas. In comparison with some other
jurisdictions, the design of the performance management system in New Zealand is relatively light in terms of:

- using top-down measures and targets to signal performance priorities with the State sector and to the public at large, and systematically collecting and publishing this information to track progress and demonstrate accountability
- establishing and monitoring performance expectations relating to engaging with citizens on expectations of service delivery standards, and how well these expectations are being met
- using small-scale experimentation and trialling and formal evaluation to test innovative approaches to service delivery.

This does not mean that these approaches are not used in New Zealand. There are many examples of the use of targets and measures, or of consumer surveys as means of setting and monitoring aspects of State sector performance. The issue is whether there is a case in New Zealand for the central agencies to develop more systematic and consistent expectations and methodologies, as is the case overseas.
4 Defining performance

Why define performance?

70 The State sector, and central agencies in particular, need an agreed definition of performance for several reasons. First, an agreed definition of performance would help central agencies to clearly identify and consistently communicate the performance expectations of Ministers to State agencies. Without an agreed definition of performance, the central agencies risk talking past each other about what steps are needed to improve performance, and giving mixed messages to agencies about performance priorities.

71 Second, an agreed definition of performance provides a basis for the sum of the central agencies’ efforts to be greater than each agency working alone. By agreeing about performance and the contribution of each central agency to improving it, the three agencies can leverage off a common platform. A joint understanding should provide a basis for synergy and cooperation between the central agencies around performance improvements.

72 Finally, an agreed definition of performance is needed to help the central agencies identify and convey to Ministers what information is or is not needed to diagnose performance across the State sector. Having a joint understanding of performance should help the central agencies to pool their information sources and develop a common understanding about what actions need to be taken jointly and separately in the future. This is an essential part of implementing the shared outcome that has already been jointly agreed by chief executives.

Performance and the foundations of government

73 The State sector exists to serve the government of the day. Its role is set out in some detail in legislation, particularly in the provisions of the State Sector Act 1988, the Public Finance Act 1989, the Crown Entities Act 2004 and the Official Information Act 1982. The State sector must act in accordance with these laws. It must also give free and frank advice to Ministers and others in authority and, when decisions have been taken, give effect to those decisions in accordance with its responsibility to Ministers.

74 In this context, performance means fulfilling the above roles to the satisfaction of Ministers. But this constitutional dimension of performance is neither detailed nor precise enough to ensure the central agencies’ efforts meet the expectations of Ministers. A useful definition of performance for this purpose needs to meet several conditions. These are described below.

Relevant to society's collective interests

75 The definition of performance needs to be relevant to the context. In the context of the State sector, this means recognising that the State has considerable powers (e.g. of taxation and removing liberty) and influence. In endowing the State with these powers, the public has a right to expect the State to further society’s collective interests. A useful definition of performance should underpin this core role of the State sector.

Client-centred

76 The definition of performance needs to be clearly centred around who is being served by the State sector. This means having Ministers, as the representatives of the public, at its core. It should not be possible to say that State sector agencies are performing if they are failing to serve their core clients: Ministers.
**Dynamic and flexible**

77 The definition has to recognise that "performance" will vary as perspectives change, and depends on circumstance and context. The needs and aspirations of Ministers and the public change over time, and each interacts with the State sector in a range of complex and different ways. Consequently, a useful definition of performance also needs to be able to change over time, recognising that different dimensions become more or less important to a society at a given time. Figure 2 below illustrates changing dimensions of performance over time. The figure also recognises that there are likely to be different emphases in the definition of performance in the future.

**Figure 2: Changing emphasis on different dimensions of performance over time**

78 It is important to observe that:
- certain characteristics of performance will matter more than others, depending on the nature of the operation, and internal and external expectations
- how performance is achieved will vary from agency to agency, sector to sector and over time
- as a system comprising discrete and diverse units, the concept of performance can apply at the individual, agency or system level and there are potential trade-offs between these levels.

**Durable**

79 At the same time as being flexible, core elements in a good performance definition will be durable. This means it will recognise enduring themes such as the need for trust, efficiency and effectiveness. A good definition will also recognise that there will be some government-specific priorities. Thus, as well as having some enduring
characteristics, a good definition should be able to evolve in line with the key messages and priorities of the government of the day.

Enable prioritisation

A good performance definition should act as a platform for the central agencies to prioritise what they do. It should help the State sector to identify for Ministers the potential trade-offs between different performance dimensions. This allows for more meaningful conversations about the implications of different approaches for achieving Ministers’ results.

Measurement

A good performance definition will facilitate and enable the measurement of performance. Measurement is a prerequisite for the State sector to demonstrate for Ministers and the general public that performance is being achieved.

Defining performance in terms of public value

As noted, the State sector exists to fulfil the lawful expectations of Ministers. This means Ministers should make clear to central agencies what they expect in terms of good performance across the State sector. The central agencies should provide joint advice on areas or elements of performance that they believe need particular attention, and confirm and refresh their understanding of Ministers’ expectations for good performance in the State sector.

There is no perfect definition of performance, but the concept of public value discussed in chapter 2 appears to satisfy the conditions for a good definition of relevant to the New Zealand State sector.

The notion of public value:

- places Ministers at the centre of performance, promoting a clear and strong imperative for the State sector to establish how its services are supporting Ministers’ objectives and adding value for New Zealanders
- is flexible enough to change over time, as it links performance with the changing preferences and desires of Ministers and the public
- is consistent with the reality of the political economy – for example, it emphasises the need for the State sector to consider how clients and constituents are experiencing the interface with the State. It is also open to flexible options for building value (e.g. co-production and involvement of the public in service design)
- results in a multi-dimensional definition of performance and provides a framework for considering each of these dimensions. This provides the beginnings of a platform for prioritisation
- acknowledges the need to reinforce and refresh the social contract between the State and the public. In particular, it recognises that in exchange for its powers (e.g. to tax people and remove individual liberties), the State has an obligation to add value to society in a proportionate way
- embodies a set of dimensions that are conducive to measurement and therefore useful for assuring Ministers and the public that the State sector is performing to agreed standards.
Applying public value to the New Zealand State sector

85 The overarching performance objective of New Zealand State sector should be to ‘establish and sustain public value’. This means focusing on the value that the State adds both to the lives of New Zealanders directly, and in achieving the objectives articulated by elected politicians\(^6\).

86 This report uses three core building blocks of public value\(^7\). These building blocks, as illustrated in figure 3 below are: experience of services, results and trust in government.

Figure 3: How performance enhances public value

87 Using a public value definition, the performance of the State sector can either add to, or subtract from, the stock of public value. The dimensions of performance are defined by the way they contribute to public value. Thus, the definition of performance becomes the extent to which the State sector is efficient, effective, trustworthy, and delivers high quality\(^8\) services. These dimensions are discussed in more depth below.

Efficiency and effectiveness

88 The concept of ‘results’ relates to the effectiveness and efficiency of government services. Government is effective if its actions have the intended results – for instance the right people get the right service at the right time. It is efficient if those results are produced with a minimum of waste, expense or unnecessary effort. The desired results areas that are emphasised may change over time (e.g. from poverty reduction to a strong national identity or vice versa), but the actual focus on results and value for money does not. A high performing State sector is one that is both effective and efficient.

Experience of services

89 Experience of government services is a key source of public value. If New Zealanders have a good experience of services, government has contributed to public value. By contrast, if New Zealanders have a bad experience of services, public value is eroded. Higher performance should entail better experience of government services.

90 In the past there have been few systematic efforts to collect information about New Zealanders’ experience of the State sector and use this information to inform ongoing service design. However, New Zealanders increasingly demand high quality government services that both meet their needs and are comparable to the experiences they have of

\(^8\) High quality includes, for example, responsive, accessible, timely, and fair services.
the private sector. Consequently, the State sector does need to collect information about the experience of service users and the public more broadly, and use it to inform its actions.

Trust

Trust is the third identified source of public value and therefore trustworthiness is a logical dimension of State sector performance. Trust is at the heart of the relationship between the public and government. Trust is particularly important in relation to services that involve the exercise of coercive powers (e.g. policing) or saving lives (e.g. health services). But they also matter for many other services – including social services and education.

In pursuit of high performance

Central agencies already know many of the drivers of high performance in a general sense. For example, literature, interviews with stakeholders and analysis have identified the following key drivers:

- a clear vision, strategy and set of priorities
- strong leadership and good governance
- a working style and culture that enables effective coordination and collaboration where appropriate
- excellent stakeholder management and responsiveness to clients (e.g. good interactions with Ministers and the public)
- a systems focus
- appropriate structures and processes to implement the agreed priorities
- good information and measurement, and mechanisms for learning over time
- an ability to see and reconcile both shorter term requirements (e.g. for current services) and longer term sustainability requirements (e.g. for capability).

The definition of performance should provide a clear focus for both central agency and broader State sector efforts to improve performance. For example, the central agencies should be able to use it to know where to focus when taking a ‘snapshot’ of performance at a given time. This definition should help SSC performance specialists, Treasury vote analysts and DPMC advisors to know what to emphasise when interacting with departments and Crown entities. They would decide what to emphasise by understanding both the drivers of high performance and the performance areas that are important priorities in the State sector at any particular time.

More work is needed to establish how public value itself is created – that is, how to make government more effective, efficient, trustworthy, and deliver higher quality services. This is likely to vary across the different areas of government activity. An example of ongoing work in this area is the “New Zealanders’ Experience” project being led by the SSC.

Central agencies and other agencies each make different contributions to achieving high performance and public value. Knowing how public value is created should help central agencies to know what to prioritise when seeking to promote better performance across the State sector. Such prioritisation recognises a key point – that some things will matter

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9 The NZIER report *As seen from Levin*, notes, for example, that government services are probably being judged against “moving-target sector norms” and standards.
more than others in terms of adding to public value. Possible prioritisation criteria include:

- addressing identified shortfalls in performance against expectations
- issues that are most significant for Ministers’ strategic objectives, New Zealanders’ experience of State Service provision or other Minister-mandated results
- areas where the central agencies have a particular advantage relative to others
- areas where the central agencies can make a significant difference.

This definition of performance in the State sector leads to the discussion in the following sections on the performance roles of the central agencies, and how they can work together to promote and assure performance.
5 Central agencies’ role

The review found considerable evidence that the collective role of central agencies in relation to improving the performance of the State sector is unclear, even among central agency staff themselves. This chapter sets out the proposed role of central agencies vis-à-vis performance.

The principal role of central agencies in relation to performance – their value add in terms of achieving performance levels over and above what can be achieved at the agency level – is in “promoting and assuring” performance at the system level.

For any system to work well participants need good quality information and the right mix of incentives. At the agency and departmental level, setting these operating parameters is primarily for the responsible Minister and the chief executive. This derives from the underlying presumption in the New Zealand system that accountability for agency performance is best achieved through:

- Ministers defining the results they wish to achieve and selecting the outputs that will deliver them
- chief executives being accountable for delivery within agreed levels of resource, and for reporting progress.

Alongside this, however, it is the role of central agencies to specify a set of “rules” to guide agency or sector activity, and work to assure Ministers collectively that the system as a whole is operating coherently and consistently. This includes providing information to agencies on the system-wide performance dimensions that Ministers value highly, and making arrangements for reporting on these.

Promoting and assuring performance therefore has a range of characteristics. Performance needs to:

- be clear about the results that Ministers are seeking, what good performance looks like, and the impact for other performance requirements and expectations
- specify Ministers’ performance expectations in meaningful terms, setting out how these will be monitored, what information will be required to do this, and the framework that will be used for measurement and assessment
- promulgate performance expectations, standards and guidance, and encouraging uptake through formal and informal mechanisms and by offering practical toolkits and other supporting activities
- undertake monitoring and analysis of results, and reporting findings to Ministers and to those whose activities are being monitored
- act on these findings, to review system design and performance or to guide further assistance and support activity with individual agencies or sectors including occasionally operating on behalf of Ministers to remedy perceived weakness.

It is important to note that the central agencies share the promote and assure role with others. Monitoring departments, chief executives with sector or theme leading responsibilities, agencies or CEs with statutory functions all have responsibilities for facets of system-wide assurance. This complicates the “simple” model, but also provides opportunities for specialisation, and for innovation and learning.
The actions which should be taken by central agencies to promote and assure system performance on behalf of Ministers include:

- facilitating the strategic alignment of individual agency and sector effort with the priorities of the government as a whole, including identification and monitoring of the issues that are most important for public value at any given time, and advancing ways of interacting and sharing new insights of strategic importance
- supporting Ministers in their decision-making by promoting and assuring processes in other agencies for good quality of analysis; appropriate consultation with stakeholders; clear presentation of options, trade-offs and opportunity costs; managing implementation; and performance monitoring, including impact on clients and the public
- assisting strategic resource allocation by Ministers so that taxpayers funds are applied in a manner that is consistent with the Government’s economic, fiscal and other policy objectives, and are achieving the desired results
- sustaining strategic leadership of the State sector by recruiting and appointing people of the highest quality to lead public service organisations, supporting their ongoing learning and development and that of the next generation of potential leaders
- promoting and assuring strategic capability and systems so that the processes for delivering services have a results-focus and achieve excellence in terms of trust, integrity, accessibility and service quality. Similarly management information and incentive systems focused on performance are needed to enable the central agencies to fulfil their assurance responsibilities to Ministers.

At times central agencies, on behalf of Ministers, are required to direct or mandate performance expectations for whole-of-system or other reasons. These requirements may have implications for local performance and accountability. This is one of the tensions that inevitably arise where performance is a combination of local and global dimensions. Some of the other tensions that the central agencies may at times be called on to mediate are:

- the balance between giving highly focused attention to providing goods and services to the desired quality and quantity standards in the short-term, including responding promptly to new demands or revealed problems, and investing effort into scanning the horizon for emerging challenges and opportunities and re-engineering or in some cases replacing systems and capability to deal with these
- brokering trade-offs when what is optimal for a single agency or output may inhibit performance in other parts of a sector or the system
- supporting contestability of advice using different perspectives and paradigms and preventing this becoming competition for Ministerial endorsement or resources
- advising when to exit or move on from current business – if the presenting problem is not now a priority, or when current interventions are not having the desired impact.

In short, central agencies should bring to the operation of the New Zealand system a distinctive perspective that focuses on the whole, rather than on the components. This involves:

- using their ownership of whole-of-system processes to ensure that departments and agencies have the information and incentives they need to give of their best
• providing assurance to Ministers collectively that the most important things on their strategic agenda are being delivered in the right manner
• undertaking a range of activities that help to moderate the impact of the tensions inherent in New Zealand’s performance model and as “stewards” to sustain, refresh and enhance the model’s fitness for purpose.
6 Developing a joint focus on performance

This chapter describes how the work of the central agencies should change as a consequence of using a shared definition of performance, and focusing more explicitly on “promoting and assuring” performance. Figure 4 below illustrates the dimensions and broad directions of change required. More detail, including the degree of change required on each dimension, is set out in the text.

Figure 4: Dimensions and direction of change

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Now</th>
<th>Move to</th>
<th>Future</th>
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<tbody>
<tr>
<td>Roles and objectives</td>
<td>□ Respective roles unclear</td>
<td>□ Promote and assure well understood and practised</td>
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<td></td>
<td>□ Objectives determined by each agency separately</td>
<td>□ Process for agreeing objectives and respective and joint contributions</td>
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<tr>
<td>Definition of performance</td>
<td>□ Separate</td>
<td>□ Single, shared definition</td>
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<td></td>
<td>□ Partial</td>
<td>□ Multi-dimensional</td>
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<td></td>
<td>□ Local decisions on priorities and resources</td>
<td>□ Joint decisions on priorities and resources</td>
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<tr>
<td>Leadership</td>
<td>□ Diffuse, uncoordinated</td>
<td>□ Strong, coordinated</td>
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<td></td>
<td>□ Unclear expectations</td>
<td>□ Clear expectations for key dimensions</td>
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<tr>
<td>Working style and culture</td>
<td>□ Distinctive, exclusive</td>
<td>□ Distinctive, inclusive</td>
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<td>□ Agency specific</td>
<td>□ Agency specific</td>
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<td></td>
<td>□ Limited collaboration</td>
<td>□ Extensive collaboration</td>
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<td>□ Local discretion</td>
<td>□ Exploiting separate strengths</td>
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<td>□ Limited respect and understanding</td>
<td>□ Mutual respect and understanding</td>
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<td>Support for Ministers</td>
<td>□ Individual advice</td>
<td>□ Integrated advice</td>
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<td>□ Competitive</td>
<td>□ Contestable</td>
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<td>□ Partial, reactive information on performance</td>
<td>□ Rounded, proactive information and analysis of performance</td>
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<td></td>
<td>□ Interactions with Ministers ad hoc</td>
<td>□ Regular and focused engagement with Ministers</td>
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<td>Level of focus (raising the sights)</td>
<td>□ Agency, issue</td>
<td>□ Sector and system wide</td>
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<td></td>
<td>□ Departments</td>
<td>□ Agency, issue by (material) exception</td>
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<td>Information flows and analysis</td>
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**Operationalising roles and objectives**

107 Whilst a high percentage of central agencies’ current resource and effort focuses on aspects of performance, their activities are not always expressed in ways that make this clear. Over time, the central agencies’ explicit focus on promoting and assuring performance to sustain and enhance the contribution of the State sector to public value, should be clearly reflected in how they describe what they do, their choice of interventions, and in working practices. For example, it may be necessary to refresh analysis and assessment methodologies and information so that existing internally focused metrics are complemented by others that provide a stakeholder based view of what performance dimensions matter most, and what is being achieved.

108 Each agency may need to work through what “promote and assure” means for its work, now and in the future. The modalities of how to undertake a joint approach to assessing performance – drawing for example on the health case study conducted for the review, and other approaches – is another area that may require attention. Key goals will be to embed a clear understanding at all levels of the central agencies of their collective role for better State sector performance, and to establish the processes necessary to operationalise their joint and separate contributions.

**Definition of performance**

109 The lack of a shared definition of performance has had an adverse effect on the collective ability of the central agencies to most effectively promote and assure performance in the State sector. That must change. A shared definition that satisfies the conditions set out in Chapter 4 is essential for anchoring the efforts of the three central agencies to work more collaboratively at the sector and systems level.

**Leadership**

110 In order to contribute to better system performance, the central agencies must focus more explicitly on the dimensions of system and agency performance that matter most in terms of establishing and sustaining public value. The key issues, agencies and sectors need to be given more attention and followed through with greater consistency. Moreover, the dimensions of promoting and assuring performance must be promulgated systematically so that they are clearly understood by participants at all levels, and to ensure that the process of assurance is consistently applied at each level of remove from the centre.

111 The three central agency chief executives should exercise strong leadership on the performance focus within the three central agencies. This will ensure that their agencies’ activities and behaviours are firmly anchored in their jointly planned performance-related systems, and in the working styles necessary for operating across the three agencies.

112 The central agencies have an influencing role. Their relationships with other State sector agencies should be based on mutual respect and a partnership approach to performance enhancement. For the harder end of assurance and review activities a more investigative and directive style is needed. All three central agencies need to be able to work across this spectrum. Most fundamentally there should be an underlying toughness, decisiveness and clear sense of direction in central agencies when driving for better performance.

**Working style and culture**

113 The current cultures of the central agencies are strongly based on the main professional skills and experience in each agency. These distinct organisational cultures currently act
as an impediment to focusing on a multi-dimensional definition of performance and developing more collaborative working. Effective leadership and relationship styles in interactions between central agencies and other State sector agencies will require considerable maturity of judgement. This will require particular capabilities and experience in central agency staff.

114 There is a need for significant change through each central agency and in their collective interactions. A culture of mutual trust and support between the three central agencies needs to be developed.

115 Changing strong existing cultures, particularly across three agencies, will not be an easy task. It will require an explicit focus and the sustained commitment of the chief executives, senior managers and their agencies over a period of time. However, working on changing the cultures of the central agencies to focus more strongly and collaboratively on the performance of the State sector is crucial if central agencies are to play a more effective role.

116 Promoting and assuring system wide performance is a complex and difficult role, and is most likely to be effectively carried out where central agencies leverage off their own respective areas of expertise but systematically collaborate to share data, undertake analysis and work collaboratively using a variety of mechanisms to reinforce key themes and Ministerial priorities. A much stronger degree of regular, systematised collaboration between the three central agencies is needed. Effective collaboration is likely to be underpinned and supported by the development and implementation of a few key shared business processes, for example joint performance-related work programme development and training and development processes.

Support for Ministers

117 Clarity about Ministerial strategy and performance expectations is critical for sustained and improved State sector performance. Ideally State sector chief executives and their agencies would have timely and regular direct interactions with Ministers and would thus have opportunities to understand and as necessary clarify Ministerial expectations. The reality is usually messier.

118 Some recent initiatives to tackle this issue are having positive results. Regular updates for agencies on Ministers’ current priorities provided by the central agencies are appreciated, though it is not always evident that this information is then swiftly conveyed by chief executives within agencies and to relevant wider audiences such as Crown entities. The formation of Ministerial teams to address strategic goals (e.g. for themes) or to tackle crosscutting issues (e.g. child protection) has widespread support. These arrangements offer considerable benefits, not merely in terms of better coordination and alignment but often because of the different insights and perspectives that are brought to bear in terms of developing more imaginative, dynamic and sustainable solutions to difficult issues.

119 Central agencies can and should build on this progress. As part of their promote and assure role they should identify and facilitate engagement between Ministers and agencies on priority issues, act as a conduit between Ministers and agencies in the real-time communication of changed performance expectations, and report progress at a system-level. This requires central agencies to themselves have more clarity about Ministerial expectations for overall performance of the system, and cross-agency issues especially in relation to specific sectors.
This arrangement could be regarded as the “State Sector performance” counterpart to the “front-bench” dialogues (groups of Minister and senior officials meeting on themes) that have been developed to ensure progress with government’s themes. It would provide a formal mechanism for the central agencies to take stock of systemic performance and their roles and contributions in an integrated way. Most important, it would provide external pressure on the central agencies to demonstrate their contribution to Ministers and to the system generally.

**Level of focus (raising the sights)**

Currently, the central agencies focus on performance much more at the chief executive or agency level rather than at the sector or system level. The historical focus of attention for central agencies has been mainly on the departments and the core public sector, though recent legislation has formally extended the mandate of the State Services Commissioner to encompass Crown entities as part of the whole State services.

The report advocates a significant shift to more focus on the performance of sectors and the State system as a whole, with less emphasis on the performance of individual agencies, or on issues in isolation from this wider context. Focus on some single agency issues will always remain, particularly where agencies are large and/or functions are critical, and performance is lacking, but intelligence from these agency-level interactions should also be incorporated into analyses of the overall health of the system.

In practice this means having mechanisms that allow the central agencies to establish with Ministers which sectors or issues require priority attention to achieve public value, and the interventions and improvements needed. For central agencies this means that they will need to start:

- identifying system wide issues and measuring systems performance
- developing cross agency and system delivery mechanisms
- promoting systems performance and fostering systems wide mechanisms
- selecting key sectors and collecting and analyzing information for sector ‘snapshots’.

**Information flows and analysis**

Currently, there is very little aggregated information collected on the performance of particular sectors (e.g. the health or education sector), Ministerial priority areas (e.g. theme areas) or system performance (e.g. the performance of asset management across the State sector). The review of health sector performance data undertaken for this report, shows that there is still considerable scope to more meaningfully analyse existing data to shed better light on key sectors and issues.

Instead, the central agencies (and other lead agencies) tend to collect detailed information periodically and for specific purposes relevant at a given point in time. Information is gathered in a relatively haphazard and uncoordinated way. This not only means there is no consistent overarching picture of performance across the State sector, but that compliance costs of providing information can be significant for certain agencies. For example, one small Crown entity received 21 substantial requests (7 from central agencies) for information between January and June 2006.

Access to meaningful information and a sophisticated analysis capability are essential if central agencies are to carry out their promote and assure roles. Several conditions are
necessary for this process to be efficient (for both central agencies and the suppliers of information) and to add value:

- Collect only information that illuminates the ‘vital few’ indicators and priorities;
- Pool individual agency intelligence and data to provide a more comprehensive view of performance;
- Use of robust and integrated analytical tools and processes.

A rigorous review of current information flows would those that are no longer required (and might be abolished to reduce compliance costs on the wider system and free-up resources for reprioritising within the central agencies), as well as highlighting areas where there are gaps that should be filled.

As well as routinely consolidating data, performance-focused staff in central agencies would contribute their own differing and specialist analytical frameworks and abilities to a joint analysis process. Where this analysis process is based on the vital few, is consolidated and where it identifies sectoral and systemic drivers and issues, new insights will emerge. The results may lead to advice that apparently differs from insights or advice provided by others taking a single agency or issue view of performance. Such contestability of advice may benefit Ministers by providing a wider set of perspectives and analysis than is currently available.

**Time horizons and capability**

Promoting and assuring performance at the sectoral and system wide level requires a shift from detailed, short term and retrospective analysis of performance and purchase, to focus more on sustaining system performance in the medium to longer term. Central agencies therefore need to place more emphasis on ownership and capability issues.

The number of current reviews pertaining to system design issues (e.g. employment relations, capital management, productivity) illustrates that this move is already taking place, but still in an ad hoc way. Shifting further in this direction will have implications for the central agencies’ skill requirements, processes and systems, but they can draw on experience with exercises that have a longer-term horizon such as the Development Goals and the Long Term Fiscal Report to inform further moves in this direction.

Clearly, the central agencies will continue to be involved in activities with a short-term focus, but should ensure that these are being evaluated to capture information that may offer insights into longer-term and systemic performance priorities.

**Focus of interactions**

Who the central agencies engage with, and to what effect, is also likely to change over time. Current efforts often focus on process as a proxy for good performance. In future, more attention is likely to go into monitoring and assessing results and impact. A Wellington focus may be complemented by greater understanding of what is taking place on the front-line, particularly in terms of innovative service delivery.

Agencies and their CEs will continue to be important to the central agencies, but a shift of focus towards Ministers and users of State services is also likely. All of this is consistent with giving greater attention to the delivery and implementation management aspects of performance, and a greater determination to “follow up” to ensure implementation and achievement of results at the sharp end.
7 Supporting a joint focus on performance

Shared outcome

134 Each of the central agencies has, in its Statement of Intent, the aim to work with the others to achieve:

A high performing, trusted and accessible State sector, delivering the right things in the right way at the right prices.

135 Underneath this shared outcome, however, each agency now operates more or less independently on performance matters. No joint architecture exists to enable the central agencies to apply their collective – and respective – efforts to improve system performance to best effect, to evaluate the impact of these efforts, and to make adjustments in the light of experience or changing circumstances.

136 The review team considered different options for addressing these issues. It rejected options involving significant structural or legislative change. There was no evidence to justify change of this order, which would be costly, slow to implement and uncertain in outcome. Instead, actions by the central agencies for tackling the weaknesses identified in this report should:

• avoid undue disruption and cost
• exploit ongoing synergies between the performance-focused work of the central agencies and their other outputs, capabilities and sources of information
• set a positive precedent, in terms of signalling the desired behaviours and values within central agencies and more widely
• provide a clear focus on performance, role clarity and momentum for change.

137 To date, giving effect to the central agencies’ joint efforts in pursuit of higher performance has suffered from the same problems that apply elsewhere in the system in relation to working across boundaries. In other words, whilst there are few structural or systemic barriers to their taking a more collaborative or joint approach to performance, equally there are few incentives to enable and reinforce joint working, so that it is easily “crowded-out” by localised priorities and the ever-present demands on busy people at all levels.

138 To remedy this, it is recommended that the three central agency chief executives should:

• meet periodically in a role akin to that of a performance board
• establish joint processes around planning, working, monitoring and evaluating central agencies' performance-related activities
• build capability within the central agencies to support these ongoing activities.

Working together on performance

139 In their periodic meetings focused on performance, the review team envisages the chief executives taking responsibility for:

• overseeing the preparation of periodic joint reports to their Ministers on the performance of the State sector and on progress towards government’s strategic goals. These reports should be succinct, and deal at a high-level with performance issues. They would draw on information gathered by the central agencies as part of their routine promote and assure activities, including material supplied from others
who undertake promote and assure roles. They could form the basis for discussion with central agency Ministers, enabling problems or opportunities for performance improvement to be considered and agreed action identified and reported upon

- a joint approach to decisions on the scope and management of the performance-related activities in their agencies and, as appropriate, providing joint advice on performance issues that require Ministerial decision-making, such as a forward programme of performance reviews, or changes to the design or operation of public management processes

- working closely with others in the system who perform promote and assure roles or have sector or theme leadership responsibilities to ensure consistency and alignment of approaches and effort to achieve high performance, with a particular focus on activities that cross agency or sector boundaries

- leading the implementation of changes to activities and behaviours set out in this report

- establishing joint processes for planning, monitoring and evaluating their joint and separate efforts to enhance system-wide performance.

140 Some significant issues need to be addressed if the central agency chief executives are to operate in this way. For example, joint working and decision-making must respect the statutory mandates and accountability they each have in their separate roles. Similarly, as one of the main reasons for having three separate agencies at the centre is to exploit specialisation and the separate and contestable perspectives that they offer to Ministers, this must remain available. Joint reporting does not rule out contestability, and joint working does not imply identical work programmes or that the three agencies become indistinguishable. The central agencies should use their separate and respective capabilities and instruments where they can be most effective, but in a more consistent and coordinated fashion, and in an integrated way where this makes sense.

141 A decision to operate in this way would:

- signal the commitment to, and leadership by the central agency chief executives of a joined-up approach across the central agencies to improving State sector performance

- lead to the attitudes and behaviours – cooperation, collaboration and constrained autonomy and local discretion – that the chief executives expect their agencies to display

- exemplify for others in the State sector a model for tackling shared outcomes within the existing formal accountability apparatus

- provide a clear focal point at the centre for engaging on system-wide performance issues, including raising issues with system design and its operation

- signify a readiness to draw a line under past models and modes of operation that have at times inhibited the central agencies’ collective effectiveness, and move forward against a refreshed and enhanced framework.

**Joint planning, monitoring, and evaluation**

142 Achieving the best use of the respective and combined capability of the central agencies in pursuit of higher performance in the State Sector will require them to:

- develop and implement co-ordinated, consistent and, at times, integrated work programmes
• jointly monitor and evaluate the progress and impact of these programmes
• establish demonstration projects to model and to explore the modalities of more integrated working.

143 Central agency performance-related activities should demonstrate added value to agencies and other stakeholders by drawing on or providing:
• a sectoral or whole-of-system frame for analysis of performance, rather than an issue or agency-based one, with interactions and information flows geared accordingly
• a long-term view of performance, with a focus on the investments being made by the system to secure sustained improvements into the future
• practical models and examples to support cross-agency activity and horizontal accountability
• an “outside-in” perspective to the nature and quality of State service provision.

144 This will not all be accomplished immediately. But the first round of joint planning will be critically important, as a demonstration of intent, as a signal of the chief executives’ level of commitment, and as a learning experience. Precise details around timing, methodology and participation in such an exercise is a matter for the three chief executives but they should develop a specific work programme on these issues as a matter of priority. Chief executives should report back to Ministers on progress in six months.

Capability

145 Achieving these changes will require the personal attention of the chief executives of the central agencies, and considerable commitment and effort within each agency. At the same time, they have many other responsibilities, and staff in each agency have an ongoing programme of work to deliver. There is a risk, therefore, of loss of momentum through simple “crowding out” of change by business as usual commitments.

146 Building and sustaining momentum for transition and implementation of a new model of operation in the central agencies will require investment in dedicated capability for a time-limited period. In its early days, such a capability could be used to:
• build and sustain momentum - developing and helping to implement an overall transition strategy, including communicating key change messages and working across the central agencies to build the performance frameworks and processes that will support production of periodic performance reports to Ministers
• lead or support work on early opportunities to address specific areas of concern highlighted in the review report – or following up issues raised in other current EXG reviews that have implications for the performance role(s) of the centre. Examples might include contributing to follow-up work on Crown entity monitoring, or refocusing the MfO and SOI processes
• lead a project to identify low value add central agency activities and to reduce compliance costs for other agencies in managing performance information flows – bringing in other agencies on the latter aspect to ensure self-inflicted compliance costs are also dealt to
• advise on the timing, methodology and modalities for joint planning, monitoring and evaluation of central agencies’ performance related work programmes and
flow-through into agency accountability documents and performance management systems.

147 Over time, the focus of this capability could shift from assisting transition and implementation to facilitating — coordinating, supporting or at times leading — the development of higher-end products such as:

- an ongoing process to keep updating the performance framework and model, assessing which dimensions of performance need more attention, and in particular which of them are areas where the central agencies can add most value
- developing the central agencies’ influencing role more fully, in order to better understand how they can help shape whole-of-system performance
- overseeing the preparation of strategic “state of play” assessments of the main dimensions of performance — bringing information about individual agencies, programmes and sectors together in that assessment, and proposing action
- providing information and feedback to departmental chief executives on Ministerial expectations and State sector performance against these
- establishing processes for interacting with other agencies and individuals who have responsibilities for promoting and assuring whole-of-system dimensions of performance, to ensure ongoing consistency of approach and to draw on this wider experience to improve the central agencies’ effectiveness
- designing a programme for engagement with Crown entity chairs and chief executives to assist in conveying the overall picture of Ministers’ expectations on performance-related issues in the wider State sector
- periodically reviewing progress by the central agencies on whole-of-system performance improvement.

148 These are not tasks that are done at present, and whilst some should become business as usual activities within the central agencies, they are likely to require dedicated resource in the short to medium term.

149 While there is a significant amount of funding across the three central agencies for performance improvement activities, until this review it has not been considered as part of a wider common pool of funding with related objectives. Some of the funds currently devoted directly or indirectly to performance-related activities could be reallocated to achieve improved coordination and re-prioritisation of these activities.
8 Specific priorities for action

This chapter describes the specific areas that the chief executives may appropriately prioritise for early action. They include areas that were identified and extrapolated from the interviews with stakeholders, international literature and the review team’s own analysis and reflection on findings. They fit with the criteria suggested earlier for choosing priorities for action. The areas are:

- a stronger focus on results
- better supporting Crown entities
- taking steps to improve the quality of policy advice
- promoting a State sector that is more conducive to innovation and less risk-averse
- using the public management system more flexibly to support cross-agency collaboration and other processes necessary to improve performance.

A stronger focus on results

As part of this review the proposed performance definition was applied to the MfO programme. This section highlights the insights gained. These insights may be useful input to the proposed separate review of MfO.

MfO brought a number of strengths to the New Zealand State sector. It improved transparency by introducing clearer planning and reporting processes; it strongly grounded the work of State agencies in sound management theory (resonating with the Baldridge criteria and the Balanced Scorecard management tools), and has helped create a general agreement that the State sector should be focused on outcomes or results more broadly.

However, while MfO brought a number of useful features to the State sector, it has not entirely lived up to expectations. For example the initiative often failed to actively engage Ministers, central agencies, departments and Crown entities in conversations needed to develop a clear understanding of performance expectations and identify performance achievements. It has also become increasingly apparent that MfO has been too inflexible, static and planning-oriented.

Instead of trying to improve on MfO as a stand-alone initiative, MfO should be incorporated into a broader system for promoting and assuring State sector performance. In designing this system, central agencies can learn a number of key lessons from the MfO experience. These include:

- the need for an explicit framework and process for identifying and setting out Ministers’ performance expectations, measuring and monitoring the performance of the State sector. Unlike MfO, this needs to be based on a clear agreed definition of performance that includes a focus on results and other key dimensions of performance
- good ministerial engagement and agency buy-in is critical to the success of any performance system – any such system needs to be relevant to Ministers’ needs and help the State achieve their performance expectations

10 This failure to produce clear information for Ministers on the performance of the State sector is one of the reasons that the Central Agencies Review was commissioned.
• a State sector performance system needs to be dynamic and take account of the fact that Ministers’ performance expectations change in real-time (e.g. in response to key events or public opinion shifts)

• to effectively improve the performance of the State sector, the central agencies need to commit long-term to a clearly defined system for promoting and assuring performance. This includes measuring results over time and being clear who is responsible for performance improvements

• a good system will focus on whether the State sector has improved its performance in relation to the definition of performance (whether public value or another definition). Central agencies need to avoid lowering their sights to whether agencies have complied with process steps (e.g. with guidance on the production of Statements of Intent)

• central agencies should focus on gaining a sector and systems perspective of performance rather than focusing too much on individual agencies (i.e. they should focus more on the wood than the trees). A good performance management system will also recognise that outcomes are a long-term proposition, whereas achievement of certain goals and objectives can be shorter term. Ministers will be interested in both of these aspects.

155 This system would have the achievement of results as one of its foci - others would include a focus on New Zealanders’ experience of services and level of trust in government. This system would naturally link to an agreed definition of performance and be supported by each of the central agencies.

**Better supporting Crown entities**

156 A key conclusion is that the role of central agencies, acting either jointly or separately, in relation to Crown entities needs to be more clearly specified. Given the importance and complexity of Crown entities, central agencies must bring to bear a systematic focus on these entities as part of promoting and assuring performance in the whole State sector.

157 There is no overall sense of purpose for engagement by central agencies with the Crown entity sector and no joint work programme. There has been a great deal of activity and interaction by each of the agencies with Crown entities since the passage of the Crown Entities Act 2004 – much of it excellent work - but this is largely by a single agency and rarely joined up with the work of one or both of the other central agencies. This means that information, knowledge and perspectives about Crown entity governance and performance that could be usefully gleaned from these multiple interactions are lost. Shared central agency leadership to deliver on a clear strategy in relation to the whole Crown entity sector is essentially absent.

158 In order for central agencies to effectively promote and assure the performance of the State sector as a whole, a stronger understanding of and engagement with Crown entities is needed. This does not mean inappropriately ‘taking over’ the monitoring role of monitoring departments. But it does mean developing appropriate information flows and linkages, and providing information and advice that assists the performance of the system as a whole.

159 Central agencies could also take a useful role in assisting monitoring agencies to ensure that their monitoring activity does not become too onerous, especially for small Crown entities. Some Crown entities are monitored by several agencies where there is more than one funding stream. Some rationalisation of these requirements could be beneficial.
Periodic meetings of the central agencies with the chairs and chief executives of the Crown entities would help ensure that they understand the Government’s strategic goals and expectations of them. It would also help ensure that they are properly supported in their work. The emphasis in this engagement should be on the value central agencies can add, while leaving the balance of monitoring interactions with individual responsible departments.

The work of the Crown entity monitoring group is a positive joint SSC and Treasury initiative, but is still in its early days. The proposed EXG review on Crown entity monitoring should help identify and promote good monitoring practice and better support Ministers in their roles in relation to Crown entities. Work done by the Ministry of Economic Development on the monitoring relationship with its nine Crown entities provides an excellent guide for departmental monitoring arrangements. It also demonstrates that the strength in the monitoring relationship lies with the responsible department and central agencies should work through them. The task for central agencies is now to integrate their activities, provide high-level guidance and support for monitoring departments and strengthen the relationship with Crown entities at a systems level.

Central agency chief executives should also address the question of how best to ensure leadership development within the Crown entity sector, especially in the large sectors where government investment is high. It is noted that the Leadership Development Centre is extending its mandate and beginning to offer its programmes and activities to selected Crown entities. Governance arrangements for the Leadership Development Centre are being reviewed to ensure that Crown entities are represented on the Board.

In summary, the central agency chief executives should as part of their overall joint performance-related work programme develop a joint strategy for their engagement with Crown entities that:

- recognises that inclusion of Crown entities is an essential part of the central agency role of promoting and assuring performance across State sector
- organises central agency work and reporting in terms of support for the Crown entity sector contribution to key outcomes
- develops principles of direct engagement, such as value adding and materiality principles
- strengthens relationships with Crown entities against these principles.

Quality of policy advice

One very important subset of performance is the quality of the advice agencies provide to Ministers. Governments tend to focus their efforts where there are complex problems that are not amenable to effective solutions through normal private sector mechanisms. This places a very large premium on the quality of advice that is proffered, and on the quality of implementation of decisions that are finally taken.

In July 2004, Cabinet noted Ministers’ concerns that many papers they received:

- are not readily understandable
- are not concise or well structured
- do not use plain English
- do not focus on the issues requiring Ministers’ attention
- do not include the views of all agencies whose input would be useful.
The interviews held revealed that similar concerns still exist. It is surprising and worrying that this problem persists. Providing high quality advice is a core function of the Public Service, and is a central requirement for creating and maintaining effective institutions across the economy. New Zealand ultimately bears the cost of poor advice and bad decisions.

There have been substantial increases in funding to address previous policy capability concerns, but to date there seems to be little payoff from that investment. There have also been welcome one-off initiatives from departments and central agencies, but there appears to be no over-riding approach to raising the quality of advice.

The provision of advice is the responsibility of chief executives, individually and collectively. The roles of the central agencies in this area, as in most other areas covered by this report, are built around clarifying standards of what is expected, ensuring more effective communication between the centre of the government and its various agencies, monitoring performance in the key areas, and taking the lead in medium-term issues, especially in developing policy capability.

All central agencies at present have separate work streams that affect the quality of advice across the public sector. A good first step would be to include this topic on the short-term work programme for the shared outcome. The work programme should be focussed on assuring Ministers that chief executives take appropriate responsibility for the quality of advice from their respective agencies, and on helping to identify the tools agencies need to materially improve their capability in this key area. The central agencies should also establish processes to identify specific areas of policy advice where quality does not meet expected performance standards, and where necessary lead the provision of support to agencies or on particular aspects of policy development.

One particular aspect which should get early attention is the quality of preparation of Cabinet papers recommending policy decisions. A recent report for Cabinet Office\(^\text{11}\) recommended action in three areas:

- better quality oversight and monitoring eg more focus on the use of templates and other guidance while getting the originating departments to prepare coversheets
- more support for departments by way of updated and easily accessible guidance in areas of particular difficulty
- more formal and informal training both directly and through public service networks and training organisations, on the context of Ministerial decision making and standards expected for Cabinet papers.

The Public Service is quite capable of producing high quality advice in difficult areas. The recent work on effective interventions in the justice sector is a good example of how major initiatives can be led and managed across a sector. Similarly the quality of policy advice improves where Ministers use cross-agency groups of senior officials throughout the policy development process. Lessons from this kind of process need to be shared with the rest of the public sector.

**Risk and innovation**

A consistent message heard was that the State sector is increasingly risk-averse. This leads to a focus on the short-term and process compliance as risk-management strategies.

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11. *Improving the quality of Cabinet papers: points of influence for Cabinet Office*, report for Cabinet Office, Department of Prime Minister and Cabinet, Sally Munro 2006.
with the result that innovation is stifled and valid opportunities for achieving higher performance are not considered.

The Review of the Centre report expressed similar concerns and, as a result, a Public Service innovation project undertaken by the central agencies examined the nature of innovation, undertook case studies of innovation in the New Zealand public sector, and ran workshops with focus groups of policy practitioners on risk and risk management. In a report to the Minister for State Services the central agencies noted that:

• there are many examples of successful innovation in the New Zealand Public Service covering a range of agencies and a variety of policy and operational problems, but most of those examples, while they should continue to be encouraged strongly, were small continuous improvements that arose mainly from enhancements to agencies’ existing activities

• there were very few examples of more transformational innovation, particularly those that were driven by clients’ needs, which result in “step changes” in performance

• there was no evidence of agencies organising deliberately to enable more innovation, but some limited movement in this direction.

The report identified a number of systemic barriers to enabling more innovation. These included:

• inability to manage risk well and to learn constructively from failure

• the strategic value of innovation (in terms of achieving sustained higher performance) not being recognised

• systems that are biased towards specific, predictable proposals and linear processes that can be inimical to innovation

• funding processes that do not encourage innovative activities

• examples of good practice not being widely shared by agencies so lessons are not being diffused

• innovation foundering when many small change initiatives crowd out more strategic and higher-impact possibilities.

The report notes the common misconception in the Public Service that innovation is more risky than continuing with the status quo. This assumes that “newness”, because it breaks with existing protocols and conventions, is inevitably more risky than the current track. In contrast, the private sector makes much of how superior risk and failure management can encourage and enable innovation. That includes making valid comparisons between options, making sound judgements around the type of risk, its magnitude, and its likelihood of occurring, and building evidence into decisions.

Improving performance almost invariably involves change, and change is never risk free. Instead it requires proper consideration of the likelihood and magnitude of risk relative to the potential benefits of change, and relative to the risk/reward profile of sustaining the status quo.

The adoption by the central agencies of a shared definition of performance, of a clear focus on results, and giving systematic attention to promoting and assuring performance in the areas that matter most to Ministers should help to establish conditions that are more conducive to well-managed risk-taking and innovation. Adopting a definition of performance that builds on public value concepts may likewise have positive
consequences, as public value emphasises achievement of results, and engagement with end-users on services preferences, two important characteristics that are associated with innovative organisations.

178 More experimentation and trialling of different service delivery methods, partnering with wider communities, the use of task forces to address “wicked” issues – approaches that are increasingly commonplace overseas and in New Zealand – are all likely to promote more innovation, and should be encouraged. Moreover, “crowding out” risks can be reduced by:

- A greater focus by the centre on the vital few dimensions of performance, and systematic measurement of and reporting of results;
- Central agency efforts to facilitate higher quality interactions with Ministers to clarify and test performance expectations, including their appetite for innovation and risk in terms both of policy and its implementation; and
- Shifting the focus of agency attention to performance, with greater attention paid to investing for future challenges and innovation to improve performance.

179 Finally, and critically, the central agencies need to recognise the importance of signalling and modelling in encouraging the desired behaviours and performance. Public encouragement and support for well-managed risk-taking, experimentation and innovative solutions is vital.

**Using the public management system better**

180 The potential benefit from recent changes to the public management system legislative framework is not being fully realised. There are still unnecessary compliance costs (for example multiple monitoring requirements), and in some instances State sector agencies may still face high transaction or interaction costs in achieving cross-agency collective action.

181 The 2004 changes to the Public Finance Act (PFA) and the State Sector Act, and the passage of the Crown Entities Act were intended among other things to support MfO (for example, establishing legislative requirements for entities to provide a clear sense of vision, purpose and strategic direction). They provide a useful platform for developing an effective performance framework.

182 In particular, revisions to the PFA resulted in a number of changes to the financial and administrative procedures that State sector agencies must follow. Many of the changes have reduced compliance costs and provide some flexibility for agencies operating within appropriations. These include multi-class output expense appropriations and making the budget cycle process closely linked to the overall strategic and performance framework.

183 However, feedback from interviews indicated that there is a need for further changes to vertical accountability arrangements while still adhering to the basic principles of accountability. This was seen as one of the key opportunities in the public management system to assist and shape whole of government approaches and alignment, and to reduce compliance and transaction costs. One approach would be to shift the focus from purely agency and sectoral-based groupings, to one that permits a more outcome-based approach and where necessary a cross-agency one. Action in this area would also give the central agencies greater understanding of the complexities facing many agencies in meeting multi-layered entity-specific, sector and whole-of-government performance requirements.
As noted above, amendments to the PFA now allow for multi-class output expense appropriations. Extending the use of this facility would allow more flexibility in resource allocation decisions and, where a range of outputs contributes to an outcome, permits a greater focus on outcomes.

At present only a few Public Service departments have arrangements such as multi-year appropriations or seek to carry-over funds from one year to another. Yet project delays and shifts in priorities are an inevitable feature of the landscape in today’s world. Granting agencies the ability to carry forward approved but unspent funds from one year to another with low transactions costs could be helpful for good management and avoiding distorting expenditure patterns.

While the review does not suggest either a blanket move to multi-year budgeting or an unqualified carry-over provision, consideration should be given to a new, more flexible approach that allows the transfer from one year to the next of unspent capital and operating funds subject to some simple operating guidelines that will ensure that the provision is not abused.

It is recommended that further work be undertaken by the central agencies, to investigate how the opportunities provided by recent changes to the public management system can continue to support shifting the focus from purely agency or sectoral-based groupings to a more outcome-based approach.
9 Final comment

The purpose of this review was to determine whether there are opportunities for central agencies to better support the performance of the State sector. The review found that the foundations of the New Zealand State sector are sound, but there is room for the central agencies to work better in their joint and separate efforts to promote and assure performance.

A joint understanding of performance and of the role of each central agency in promoting and assuring performance is fundamental. To be effective, the central agencies also need strong, coordinated leadership around a culture of collaboration on performance matters. They need to focus on performance issues of prime importance to Ministers and help Ministers gauge progress against their key objectives. The central agencies also need to work more closely together to achieve a system approach to performance improvement efforts. The report recommends a range of measures to achieve the shift described above.
Appendix 1 - Terms of reference

Review of the role of central agencies in managing the performance of state sector

Context

1 The overall purpose of this review is to determine whether there are opportunities for central agencies to better support performance in the state sector. Over recent years we have made some good progress in understanding the public management system and made a number of subsequent improvements. Therefore we have a wealth of knowledge to build this review on; in particular, the findings and subsequent work completed following the Review of the Centre.

2 We know, however, that some key challenges remain. This is particularly in terms of increasingly focusing on results delivered by state sector agencies, and the challenges this creates in terms of dealing with cross cutting issues and the way we work across the state sector to deliver integrated services. Current initiatives including the work on Government priorities (Transforming NZ), the theme approach to Budget 2006 and the expenditure reviews are illustrative of the need for central agencies to continue to adapt to these challenges. The review will also need to take into account recent central agencies’ initiatives to address these issues, for example, the Development Goals.

3 The review therefore presents an opportunity to examine in a practical way whether the public management system is fit for the purpose of meeting current and future challenges and to further develop the role of central agencies in enhancing state sector performance, both individually and together. We do not recommend that the review team start with a ‘blank sheet’; rather it should take account of developments in public management over the last 20 years and seeks to enhance these further.

Objectives

4 The review will focus on answering the following questions:

Getting a shared understanding of what central agencies mean by performance and its drivers

• What do central agencies mean by good performance for the whole public management system, for sectors, and for departments?

• What drives good performance and detracts from it in the current public management system?

• How can it be motivated and supported?

Understanding central agencies roles in promoting performance – separately and together - and what is needed going forward

• What do central agencies actually do to influence performance - both separately and together – pro-actively and reactively? What works? What does not and why?

• Are there governance, leadership, or cultural issues that impact on how well central agencies perform? Are central agencies sufficiently ‘joined up’ at all levels? Do we organise functions across the central agencies in the most effective way?

• What is the public sector management environment we foster and what impact does this have? For example, on innovation?
What do Ministers and other key stakeholders need from central agencies to support a drive for better performance now and in the future?

Given what we know about future challenges/opportunities, is what central agencies currently doing likely to address these? For example, how do central agencies support sector and all of government approaches to good performance e.g. climate change?

How do overseas jurisdictions influence performance and how do these compare and contrast to our approach?

**Opportunities for improvement**

What are practical options for change in the way central agencies work to improve performance of the system as a whole?

**Approach and methods**

Key elements of the project will include:

- The development of a framework for defining and thinking about performance;
- A review of previous work undertaken on the role of central agencies with respect to performance, for example follow-on work from the Review of the Centre;
- A review of recent developments or changes currently underway within the three agencies, for example the budget design project and the review of chief executive performance management;
- A case study of 3-4 international jurisdictions and the way in which the central agencies in these jurisdictions promote performance);
- interviews with key stakeholders including Ministers, chief executives, PSA, and other interested groups.

**Key issues and risks**

There is a strong connection and linkage between this review and the review of productivity improvements in the state sector which will focus on industrial relations and technology issues. Good coordination will be needed to ensure that the projects are consistent and that they feed into one another where necessary.
Appendix 2 - Summary list of interviewees

1. Ministers and past Ministers (10)
2. Staff from Ministers’ offices (3)
3. Officers of Parliament, Parliamentary officials (2)
4. Department chief executives and past CEs (20)
5. Central agency staff (9)
6. Other departmental staff (2)
7. Crown entity and SOE Chairs and CEs (16)
8. Local Government (3)
9. Overseas officials – UK Ireland, Australia, Canada, OECD (5)
10. Others including private sector (14)

The review also wrote to 161 Departments, Crown entities and other public organisations, and received 21 submissions and written comments.
Appendix 3 - List of working papers

The following are working papers, generated by the Central Agencies Review team, which informed the analysis and conclusions of this report. They have not been formally approved by the Steering Committee, but are listed as they may be of use as background for people working in the areas covered by the Review.

- A brief history of public management reform in New Zealand: 1984 to 2005
- Future Challenges
- Performance and Public Value
- How do overseas jurisdictions influence performance?
- Lessons from literature on best practice in performance improvement
- What drives high performance?
- Performance related activities – what the central agencies do now
- The central agency value proposition
- A “shared outcome” for State sector performance
- Engaging with Crown entities: Clarifying and joining up purpose and process
- Moving from managing for outcomes to performance management
- Insights from recent history
Appendix 4 - Bibliography


<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Accountability</td>
<td>The requirement that a person or institution with delegated responsibility give an account to those in authority over them of the exercise of those responsibilities. Based upon this account and other information sources, an assessment is made by those in authority on whether the discharge of those responsibilities is appropriate. Vertical accountability is used to mean accountability for an objective specific to one agency while horizontal accountability usually refers to an objective spanning multiple agencies.</td>
</tr>
<tr>
<td>Accountability system</td>
<td>The system of planning, monitoring and reporting, by which the work of departments and Crown entities is specified in advance, and organisations and chief executives are held accountable for its delivery.</td>
</tr>
<tr>
<td>Agency</td>
<td>Synonym for ‘organisation’. In this report, used as a blanket term that includes departments, Crown entities, Officers of Parliament, the Reserve Bank or any other type of public organisation.</td>
</tr>
<tr>
<td>Architecture</td>
<td>The structural arrangements and systematised processes in place to support certain activity and/or the achievement of a given result. For example, joint planning and monitoring architecture across the three central agencies.</td>
</tr>
<tr>
<td>Autonomous Crown entity (ACE)</td>
<td>A Crown entity that must have regard to government policy when directed by the responsible Minister. One of the three types of statutory entities (see also Crown entity; Crown agent and independent Crown entity).</td>
</tr>
<tr>
<td>Capability</td>
<td>What an organisation needs (in terms of access to people, resources, systems, structures, culture and relationships), to efficiently deliver the outputs required to achieve the Government's goals.</td>
</tr>
<tr>
<td>Central Agencies</td>
<td>A term used to describe three agencies collectively: The Department of Prime Minister and Cabinet, The Treasury, and the State Services Commission. All of these agencies have roles around promoting and assuring the performance of the State sector.</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>A written document issued by a legitimate authority setting out minimum standards of integrity and conduct. Under the State Sector Act, the State Services Commissioner may issue a code or codes of conduct for the Public Service, most Crown entities and certain other agencies in the State sector.</td>
</tr>
<tr>
<td>Contestable policy advice</td>
<td>The process of agencies providing Ministers with advice that differs from one another. The aim of such advice is meant to be to provide Ministers with a broader set of policy results. It works best when fundamentally different paradigms or policy frameworks have been developed within policy advice agencies, and where Ministers seek, rather than get frustrated by, conflicting advice.</td>
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<tr>
<td>Coordinated leadership</td>
<td>The processes of jointly deciding what actions or activities are required to achieve shared objectives and leading the implementation of these activities.</td>
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<tr>
<td>Crown agent</td>
<td>A Crown entity that must give effect to government policy when directed by the responsible Minister. One of the three types of statutory entities.</td>
</tr>
<tr>
<td>Crown entity</td>
<td>A generic term for a diverse range of entities referred to in section 7(1) of the Crown Entities Act 2004, namely: statutory entities, Crown entity companies, Crown entity subsidiaries, school boards of trustees, and tertiary education institutions. Crown entities are legally separate from the Crown and operate at arms length from the responsible or shareholding Minister(s); they are included in the annual financial statements of the Government.</td>
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<tr>
<td>Crown entity companies</td>
<td>One of the five categories of Crown entity. A company incorporated under the Companies Act 1993 that is wholly owned by the Crown and named in Schedule 2 to the Crown Entities Act 2004.</td>
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<td>Term</td>
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<tr>
<td>Crown Research Institute (CRI)</td>
<td>Crown Research Institutes are Crown entity companies established to undertake scientific research and related activities in accordance with the Crown Research Institutes Act 1992.</td>
</tr>
<tr>
<td>Departments</td>
<td>The generic term for the departments of the Public Service, as listed in the First Schedule of the State Sector Act 1988 (whether their names may be ‘Ministry’, ‘Department’ or other specific name).</td>
</tr>
<tr>
<td>Governance</td>
<td>The processes by which organisations are directed, controlled and held to account. Public sector governance has a very broad coverage, including how an organisation is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders.</td>
</tr>
<tr>
<td>Independent Crown entity (ICE)</td>
<td>A Crown entity that is generally independent of government policy. One of the three types of statutory entities.</td>
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<tr>
<td>Input</td>
<td>The resources (e.g. money, people, information technology) used by departments to produce outputs, which will achieve the Government's stated outcomes.</td>
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<tr>
<td>Managing for Outcomes (MfO)</td>
<td>An initiative introduced to the Public Service in 2001 and extended to the wider State sector in 2004, which seeks to promote a clear focus on the achievement of outcomes or results. It encompasses a management cycle of setting direction, planning, implementing and delivering, and reviewing the results, which then feeds back into the cycle to inform future planning, enabling a cycle of ongoing improvement.</td>
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<tr>
<td>Machinery of Government</td>
<td>Machinery of government is defined in the State Sector Act 1988 to include: “(i) the allocation of functions to and between departments and other agencies; and (ii) the desirability of, or need for, the creation of new departments and other agencies and the amalgamation or abolition of existing departments and other agencies; and (iii) the co-ordination of the activities of departments and other agencies” [s.6(a)].</td>
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<tr>
<td>Multi-class output expense appropriations</td>
<td>A single appropriation that covers more than one output class. This provision permits the Crown to reallocate resources between output classes within a multi-class appropriation. This allows the Executive more flexibility in resource allocation decisions and, where a range of outputs contributes to an outcome, permits a greater focus on outcomes.</td>
</tr>
<tr>
<td>Multi-year budgeting</td>
<td>The development of agency budgets within a strategic multi-year framework. A common feature of multi-year budgeting is the inclusion of revenue forecasts and expenditures estimates for two or three years beyond the current year.</td>
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<tr>
<td>Outcomes / results</td>
<td>Outcomes are the impacts on, or the consequences for, the community of the outputs or activities of government. In common usage, however, the term ‘outcomes’ is often used more generally to mean impacts, achievement of objectives or results from certain activities.</td>
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<tr>
<td>Outputs</td>
<td>The act or process of producing, and the products that result from this process. In the State sector this may include goods, services, policy advice, regulation or any other production.</td>
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<tr>
<td>Promote and assure</td>
<td>An integrated process that involves working to improve the performance of the State sector (promote) and assuring Ministers and the public well that the State sector is performing well.</td>
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<tr>
<td>Performance</td>
<td>This term refers to whether the State sector meets (or exceeds) the lawful expectations of Ministers. The review team has further defined performance as State sector organisations being: effective, efficient, trustworthy and delivering high quality (e.g. fair and responsive) services.</td>
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<tr>
<td>Performance information</td>
<td>Qualitative and quantitative information that is intended to inform conclusions about the performance of an organisation.</td>
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<td>Term</td>
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<tr>
<td>Public Management System</td>
<td>A broad term encompassing the constitutional, legal, institutional and conventional arrangements by which the country is governed, and especially the means by which the policies of the Government are formulated and then implemented by State sector organisations, and the means by which those organisations are governed, funded, managed and monitored.</td>
</tr>
<tr>
<td>Public Sector</td>
<td>The Public Sector includes the State Sector plus Regional, City and District Councils.</td>
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<tr>
<td>Public Service</td>
<td>The Public Service includes the 35 departments on the 1st schedule of the State Sector Act.</td>
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<tr>
<td>Public Value</td>
<td>A framework originally developed by Harvard Professor Mark Moore to describe the value generated for the public of government goods and services. Public value is referred to in this report as a “stock” resulting from the ‘flow’ performance. Public value has been described as involving three core elements: outcomes, service experience and trust.</td>
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<tr>
<td>Risk averse</td>
<td>A person or organisation that seeks to avoid the risks associated with decisions, activities and processes.</td>
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<tr>
<td>State Sector</td>
<td>The State sector technically includes the State Services, State-owned enterprises, Tertiary Education Institutions, Legislative branch non-Public Service departments (Office of the Clerk, Parliamentary Services) and Offices of Parliament. As used in this report, the term usually refers to State agencies insofar as they are subject to Ministerial direction or to Ministerial expectations about their performance.</td>
</tr>
<tr>
<td>Statement of Intent (SOI)</td>
<td>A document that is intended to identify, for the medium term (3-5 years), the main intentions regarding strategy, outcomes/results sought, risks and capability requirements of a State sector organisation. It is used to establish Managing for Outcomes in individual agencies.</td>
</tr>
<tr>
<td>Value for money</td>
<td>The conclusion that government has chosen the right goods and/or services to produce, and is providing them as efficiently and effectively as possible.</td>
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<tr>
<td>Vital few</td>
<td>An observation made by pioneer management thinker Joseph M. Juran that, in any endeavour, a few are vital and many are trivial. This principle has been further extended to the observation that 20 percent is usually vital to certain results and the rest is relatively trivial. For example, some have noted that 80% of sales come from 20% of customers, meaning the focus should be on retaining that 20%.</td>
</tr>
<tr>
<td>Whole-of-government</td>
<td>A term intended to describe a large section, if not the entirety, of the State sector. In practice, it can mean anything from “the entire State sector” to “a lot of departments”.</td>
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