

Chair
Cabinet Expenditure Control Committee

The Performance Improvement Framework

Proposal

- 1 This paper asks Ministers to note that the Department of the Prime Minister and Cabinet (DPMC), the State Services Commission (SSC) and the Treasury (collectively the central agencies) are currently piloting a new Performance Improvement Framework (PIF). Central agencies will provide a report back to Cabinet once the pilot phase has been completed.

Executive Summary

- 2 The PIF is an initiative to drive performance improvement across the State Services. It has been developed through researching other private and public sector performance models internationally. It is currently in the pilot phase.
- 3 Central agencies have developed PIF so that they have a single consistent basis for evaluating the performance of agencies, sectors and the system as a whole, and for identifying actions necessary to improve performance.

Background

What is PIF?

- 4 PIF is an initiative to drive performance improvement across the State Services. PIF includes:
 - a **cycle of formal performance assessments** that assesses performance of agencies at a point in time, identifies priority areas for action, and ensures these are implemented to drive improvement; and
 - an **improved central agency approach** to assessing, supporting, informing and focussing performance across the State Services.

Why has PIF been developed?

- 5 New Zealanders expect a high performing, trusted and accessible State Services, delivering the right things in the right way at the right prices. The central agencies have a key role in performance improvement across the State Services. They have developed PIF so that they have a complete and consistent basis for evaluating performance, identifying the actions necessary to improve performance, and monitoring the implementation of such actions.

- 6 PIF is expected to become a core evaluative tool for the three central agencies. When implemented, it will allow consistent feedback from the centre to agencies on performance. The use of a common language and transparency will increase the understanding of performance by agencies, and will strengthen a culture of continuous business improvement and accountability for results. However, implementing PIF will require considerable commitment from each of the central agencies.

Comment

How has PIF been developed?

- 7 PIF has been developed based on leading international private and public sector models (particularly the UK and Canadian public sector models). Central agencies are currently piloting the approach with selected departments. Over time, they will develop the Framework further so that it not only assesses agency-level performance, but can also be used to assess the performance of sectors and the system as a whole.
- 8 The development of PIF is being overseen by a steering group comprising the chief executives of the Ministry of Agriculture and Forestry, the New Zealand Transport Agency and the Education Review Office, and central agency representatives.

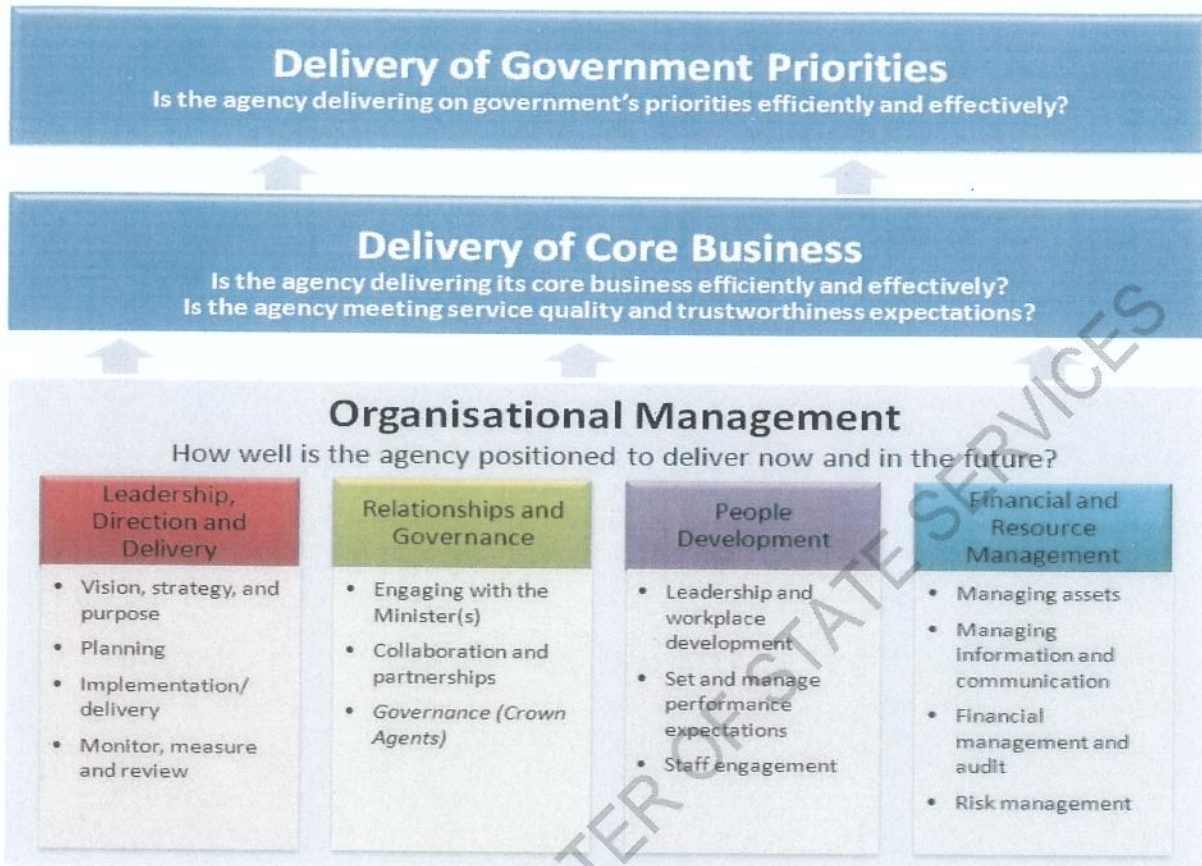
Applying the Framework

- 9 Central agencies are currently piloting the use of the Framework in three different forms to assess their robustness and merit:
- **Self-assessment** – an agency using the framework as a self-assessment tool to inform its own performance.
 - **Central agency application** – the central agencies using the framework to inform their discussions and engagement with agencies.
 - **Formal assessment** – the framework being used as part of an independent assessment that enables consistent analysis of agency performance, identifies priority areas for action, and ensures these are implemented to drive improvement.

What does the Framework look like?

- 10 Figure 1 provides an overview of the draft PIF at agency level. It covers the areas of:
- **Results** - whether the agency is delivering on government priorities and delivering its core business.
 - **Organisational Management** - whether the agency has leading organisational management practices under the following four critical areas:
 - Leadership, direction and delivery
 - Relationships and governance
 - People development
 - Financial and resource management.

Figure 1 – Draft Agency PIF (High Level View)



- Each critical area has a number of elements which contain lead questions. Annex 1 provides more detail of the lead questions that support the critical areas.
- The Framework enables each area to be assessed and scored. The draft assessment scoring system for the Results and Organisational Management areas is presented in Figure 2 below. As for all other aspects of the Framework, this scoring system will be reassessed as part of the pilot and is subject to change.

Figure 2 – Draft Scoring System

Results: Direction of Travel

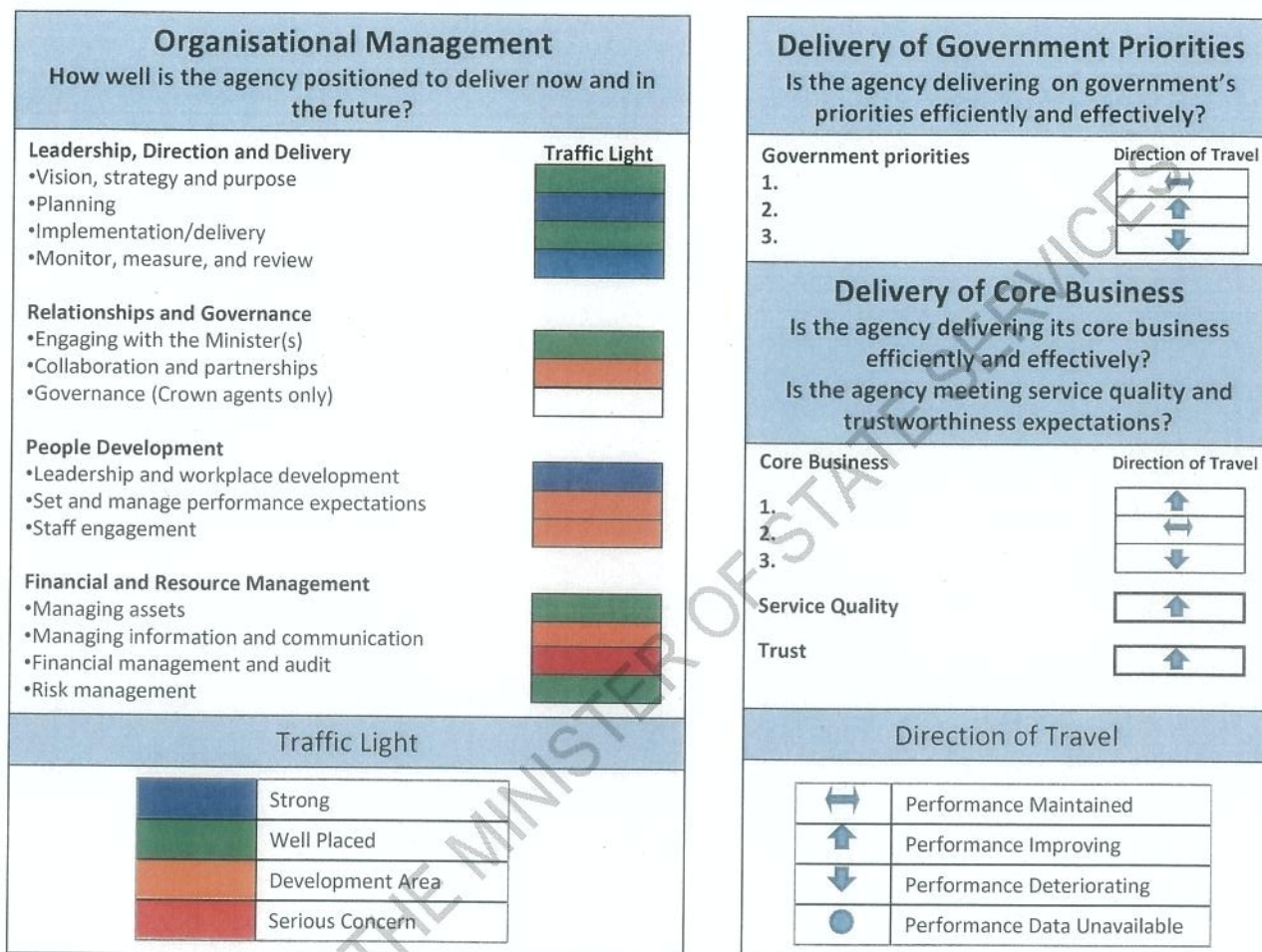
	Performance Maintained
	Performance Improving
	Performance Deteriorating
	Performance Data Unavailable

Organisational Management: Traffic Lights

	Strong – agency has a high level of capability now and is well positioned for the future.
	Well placed – agency has a good level of capability.
	Development area – agency has some weaknesses in capability but robust strategies are in place to address areas of concern.
	Serious concern – significant weaknesses that require urgent action.

- 13 The key to driving improvement will be the implementation and monitoring of priority areas for action. The assessment below in Figure 3 is an example of the high level assessment scoring system being trialled.

Figure 3 – Example of Draft Scoring System Application



What is being piloted?

- 14 The pilot is designed to replicate, as much as possible, an actual assessment. To this end the two formal pilot assessments are being led by independent lead assessors who are high calibre, skilled and credible through their own experience. The lead assessors are supported by a team of central agency officials with a mix of analytical and evaluative skills and in-depth knowledge of the agency.

Who is participating in the pilot?

- 15 PIF is being piloted in three agencies. The Education Review Office is undertaking a self-assessment. A central agency application is also occurring for this agency. Formal assessments are being undertaken at the Ministry of Agriculture and Forestry and the Department of Internal Affairs.

When is PIF going to be implemented?

- 16 The pilot phase is intended to test the robustness and value of the framework. The pilot and its evaluation will run to October 2009. A decision will be made in November 2009 on whether, and if so how, to implement PIF from 2010 onwards.

- 17 Central agencies will provide a report back to Cabinet in December 2009 once the pilot phase has been completed. If central agencies propose to implement the PIF, the report back will include the planned work programme.
- 18 If implementation goes ahead it is proposed that future assessment reports will be published, possibly in six-monthly or annual tranches. This approach is preferable to assessments being released individually as may occur as a result of Official Information Act requests. Select Committees, media and other observers may use the reports in their commentary on agencies. Central agencies consider that any risk that findings from the reports are used inappropriately is outweighed by the benefits of the Framework as a performance improvement tool.

Consultation

- 19 This paper has been written in consultation with the Treasury and DPMC.

Financial Implications

- 20 Costs of the pilot have been covered from within the baselines of the Treasury, SSC and DPMC as a shared initiative. If PIF proceeds to full implementation, the costs of the lead assessors will be shared equally by the central agencies and the agencies being assessed. The costs of operating a unit to support assessments will be met by the central agencies. All costs will be met from existing baselines.

Human rights

- 21 This paper has no implications for human rights.

Legislative implications

- 22 This paper has no legislative implications.

Regulatory impact analysis

- 23 A regulatory and compliance cost statement is not required.

Gender implications

- 24 This paper does not have gender implications.

Publicity

- 25 The assessment reports on the three agencies involved in the PIF pilot will not be publicly released.

Recommendations

- 26 It is recommended that Cabinet:
 - 1 **note** that PIF is expected to become a core evaluative tool for the three central agencies, and should allow complete and consistent feedback from the centre to agencies on performance.
 - 2 **note** that implementing PIF will require a considerable commitment from each of the central agencies.
 - 3 **note** that PIF is currently being piloted by the three central agencies and a decision regarding implementation will be made in November 2009.

- 4 **note** that central agencies will report back to Cabinet in December 2009 once the pilot phase has been completed. If central agencies propose to implement the PIF, the report back will include the planned work programme.
- 5 **note** that the assessment reports on the three agencies involved in the PIF pilot will not be publicly released.

Ryan

Hon Tony Ryall
Minister of State Services

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Annex 1. Agency PIF Lead Questions

Results

Critical Area	Lead Questions
Delivery of Government Priorities	1. Is the agency delivering on government's priorities efficiently and effectively?
Delivery of Core Business	2. Is the agency delivering its core business efficiently and effectively? 3. Is the agency meeting service quality and trustworthiness expectations?

Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Vision, strategy and purpose	4. How well does the agency align government priorities with its own purpose and strategy to achieve outcomes?
	Planning	5. How well does the agency translate priorities into organisational planning and embed into operations?
	Implementation/delivery	6. How well does the agency ensure that its organisational systems, structures and policies support delivery? 7. How well does the agency make decisions which agree roles, responsibilities and accountabilities for delivery?
	Monitor, measure and review	8. How well does the agency monitor, measure and review its policies, programmes and services to inform future planning, practice and performance?
Relationships and Governance	Engaging with the Minister(s)	9. How well does the agency provide advice and services to its Minister(s)?
	Collaboration and partnerships	10. How well does the agency generate common ownership and genuine collaboration on strategy with political leadership, across the public sector and across the community and voluntary sectors where appropriate?
	Governance	11. How well does the board lead the Crown agent?
People Development	Leadership and workplace development	12. How well does the agency manage workforce development and learning systems? 13. How well does the agency ensure it has the right leaders to perform well now and into the future?
	Set and manage performance expectations	14. How well does the agency set performance expectations, communicate, and engage with the entire workforce?
	Staff engagement	15. How well does the agency identify, develop and maintain the culture and values that reflect the internal and external environment?

Financial and Resource Management	Managing assets	16. How well does the agency manage its assets (including information and communication technology) to support delivery?
	Managing information and communication	17. How well does the agency utilise information and plan for its information needs? 18. How well does the agency use communication as a mechanism to improve service delivery?
	Financial management and audit	19. How robust are the processes in place to test the efficiency of input acquisition and output production and make efficiency improvements? 20. How well does the agency ensure it stays within: a) the financial limits of the law, b) administratively set requirements, and c) government's fiscal constraints?
	Risk management	21. How well does the agency ensure that quality and risk management processes are followed throughout the organisation?

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