

Chair  
Cabinet Expenditure Control Committee

## **Update on the Performance Improvement Framework**

### **Proposal**

- 1 This paper responds to a request from ECC to the central agencies to provide the planned work programme for the implementation of the Performance Improvement Framework (ECC Min (09) 15/2 refers).
- 2 The paper asks Ministers to note that agency assessment reports will be published in six monthly tranches in June/July and December/January. There will be public and media interest in these reports. The paper outlines how agencies will engage with Ministers prior to the release of the reports.

### **Comment**

- 3 The Performance Improvement Framework (PIF) is an initiative to drive performance improvement across the State Services so that better services are provided to the public. The PIF provides a consistent basis for evaluating the performance of agencies and sectors, and for identifying actions necessary to improve performance.
- 4 In a formal assessment independent lead assessors use the PIF model to evaluate the performance and capability of agencies, and identify priority areas for development. Each agency is rated on a number of elements including its delivery of government priorities and core business, and its capability in financial and resource management, leadership and strategy, core relationships and people development. Following an assessment the agency will draw up an action plan to improve its performance. Central agencies will monitor progress against this plan.
- 5 The PIF was piloted from July to September 2009 with the Ministry of Agriculture and Forestry and the Department of Internal Affairs (formal assessments) and the Education Review Office (self-assessment). The pilot confirmed that the PIF is a valuable tool to drive performance improvement in the State Services. The PIF model has been refined based on feedback from the pilot. Additional processes have been put in place to ensure quality and consistency across assessments. The PIF model and rating system is attached as Annex 1.

### **Assessment schedule**

- 6 Over the next three years central agencies expect to review the performance of all significant Public Service agencies and a few of the most significant Crown entities. Repeat reviews (after 2-3 years) will assess progress against the baseline provided by the initial assessment.

- 7 The draft schedule of agencies to be assessed over the next two years is attached as Annex 2. The central agencies have set minimum targets for formal assessment at four assessments for the first half of 2010, five assessments for the second half of 2010, and seven assessments per half year thereafter.
- 8 Between nine and eleven assessments will be undertaken in 2010. Four assessments have been confirmed for the first half of 2010, namely, the Ministry of Foreign Affairs and Trade, the Department of Conservation, Te Puni Kōkiri and Land Information New Zealand. Discussions are currently underway with agencies to confirm the assessments scheduled for the second half of 2010. This process will be completed by mid April.
- 9 An approach to assessing sector performance will be developed this year and trialled in 2011, before being rolled out more widely.
- 10 The draft assessment schedule is a prioritised list. Assessments with lower priority (for each six month period) are liable to be rescheduled if other priorities emerge. The schedule includes some placeholders for Crown entity and sector assessments and is subject to change. Timing may also vary based on further discussions with agencies. Factors involved in prioritising assessments include agency size, economic importance, Ministerial interest, performance issues and chief executive appointment/reappointment.
- 11 At this stage chief executives have willingly volunteered to take part in a PIF assessment and there is no need for ministerial direction of agencies. I will let you know if this situation changes.

### **Publication**

- 12 The PIF assessment reports and agency action plans will be published on the State Services Commission website, in six-monthly tranches (in June/July and December/January). The approach is similar to the UK Capability Review Programme where reports are published in tranches.
- 13 There will be public and media interest in the PIF reports, especially the weaknesses in performance identified by the report. The first tranche of assessments is likely to attract more attention than subsequent tranches. The central agencies considered whether official information requests might require the early release of these reports and have met with the Office of the Ombudsmen to discuss this issue. The Ombudsmen consider the PIF reports to be similar to draft audit reports which, as a general rule, are not released until the subject agency has had the opportunity to comment on, and decide how to address, the report findings.
- 14 Before publication the PIF reports will be provided to agencies for comment and will be subject to moderation processes by the central agencies. Moderation will ensure assessments in that tranche have been carried out fairly and consistently across agencies.
- 15 Publication of the PIF reports will ensure transparency and accountability for performance. The publication process will allow time for agencies and Ministers involved in each tranche to prepare for public enquiries and outline what they will do to improve weaknesses in performance identified by the report.

### **Engagement with Ministers**

- 16 Agencies have been asked to brief their Minister(s) before the assessment begins. Lead assessors will interview the responsible Minister(s), seeking their perception of the agency's performance.
- 17 Once the tranche has been moderated the agency chief executive, a central agency chief executive and, in most cases, the lead assessor will meet with the Minister(s) responsible to discuss the assessment findings and the agency's action plan. The Minister of State Services and the Minister of Finance will also be invited to these meetings. In the case of Crown entities the Board Chair and the Chief Executive of the monitoring department would also participate in the meeting. These discussions should assist Ministers to gauge how the agencies for which they are responsible are delivering against the Government priorities.
- 18 I will provide a report to Cabinet prior to the release of each tranche of results, outlining the key findings.

### **Governance Board**

- 19 A PIF Governance Board has been established to guide and promote the programme. The Board will ensure agencies inform the ongoing improvement of the PIF model. It comprises the three central agency chief executives and the chief executives of the Ministry of Education, the Education Review Office, the New Zealand Transport Agency and the Inland Revenue Department.

### **Lead assessors**

- 20 Each assessment will be led by one or two independent lead assessors, with support from a team of central agency personnel. As authors of the assessment report, lead assessors are expected to stand behind their judgements made in the report.
- 21 Lead assessors are selected because of their credibility, strategic agility and understanding of the State Services environment. The panel from which the lead assessors for each assessment will be selected is: Peter Bushnell, Denise Church, Len Cook, Ian Fitzgerald, Debbie Francis, Murray Horn, Malcolm Inglis, Kevin Jenkins, Doug Martin, David Moore, Paula Rebstock, Graham Scott, David Smyth, Sue Suckling, Ross Tanner, Neil Walter and Garry Wilson. Central agencies are working to extend this list, with a focus on tapping more private sector expertise.

### **Consultation**

- 22 This paper has been written in consultation with the Department of the Prime Minister and Cabinet, the Treasury, and the Office of the Ombudsmen.

### **Financial Implications**

- 23 The costs of the lead assessors (expected to average less than \$80,000 per assessment) 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

24 This paper has no implications for human rights.

## Legislative implications

25 This paper has no legislative implications.

## Regulatory impact analysis

26 A regulatory and compliance cost statement is not required.

## Gender implications

27 This paper does not have gender implications.

## Publicity

28 The media have been briefed on the overall nature of the PIF programme in early March and will be briefed again before the first tranche of assessment reports is published in June/July.

29 This Cabinet paper will be published online in April 2010.

## Recommendations

30 It is recommended that the Cabinet Expenditure Control Committee:

- 1 **note** that the Performance Improvement Framework (PIF) is an initiative, currently being implemented by the central agencies, to drive performance improvement across the State Services.
- 2 **note** that the PIF pilot confirmed that the PIF is a valuable tool, and as a result of learnings from the pilot the PIF model has been refined and additional processes have been put in place to control assessments and ensure quality.
- 3 **note** that each assessment will be led by one or two independent lead assessors, with support from a team of central agency personnel. Lead assessors are the authors of the PIF assessment report.
- 4 **note** that the central agencies will review the performance of all significant Public Service agencies and a few of the most significant Crown entities, over the next three years.
- 5 **note** that a draft schedule of agencies to be assessed over the next two years has been established.
- 6 **note** that factors involved in prioritising assessments include agency size, economic importance, Ministerial interest, performance issues and chief executive appointment / reappointment.
- 7 **note** that agencies have been asked to brief their responsible Minister(s) before a PIF assessment begins.

- 8 **note** that once the tranche has been moderated the agency chief executive, a central agency chief executive and, in most cases, a lead assessor will meet with the Minister(s) responsible to discuss the PIF report and the agency's action plan. The Minister of State Services and the Minister of Finance will also be invited to these meetings.
- 9 **note** that in the case of Crown entities, the above meeting will also include the board chair and the chief executive of the monitoring department.
- 10 **note** that to ensure transparency and accountability for performance, the PIF reports and agency action plans will be published in six-monthly tranches.
- 11 **note** that the Minister of State Services will report to Cabinet prior to the release of each tranche of results, outlining the key findings.
- 12 **note** there will be public and media interest in the PIF reports and agencies and Ministers involved in each tranche will have time to prepare for public enquiries and outline what they will do to improve weaknesses in performance identified by the report.
- 13 **note** that a PIF Governance Board has been established to guide and promote the programme, and it comprises the three central agency chief executives and the chief executives of the Ministry of Education, the Education Review Office, the New Zealand Transport Agency and the Inland Revenue Department.
- 14 **note** that this Cabinet paper will be published online in April 2010.

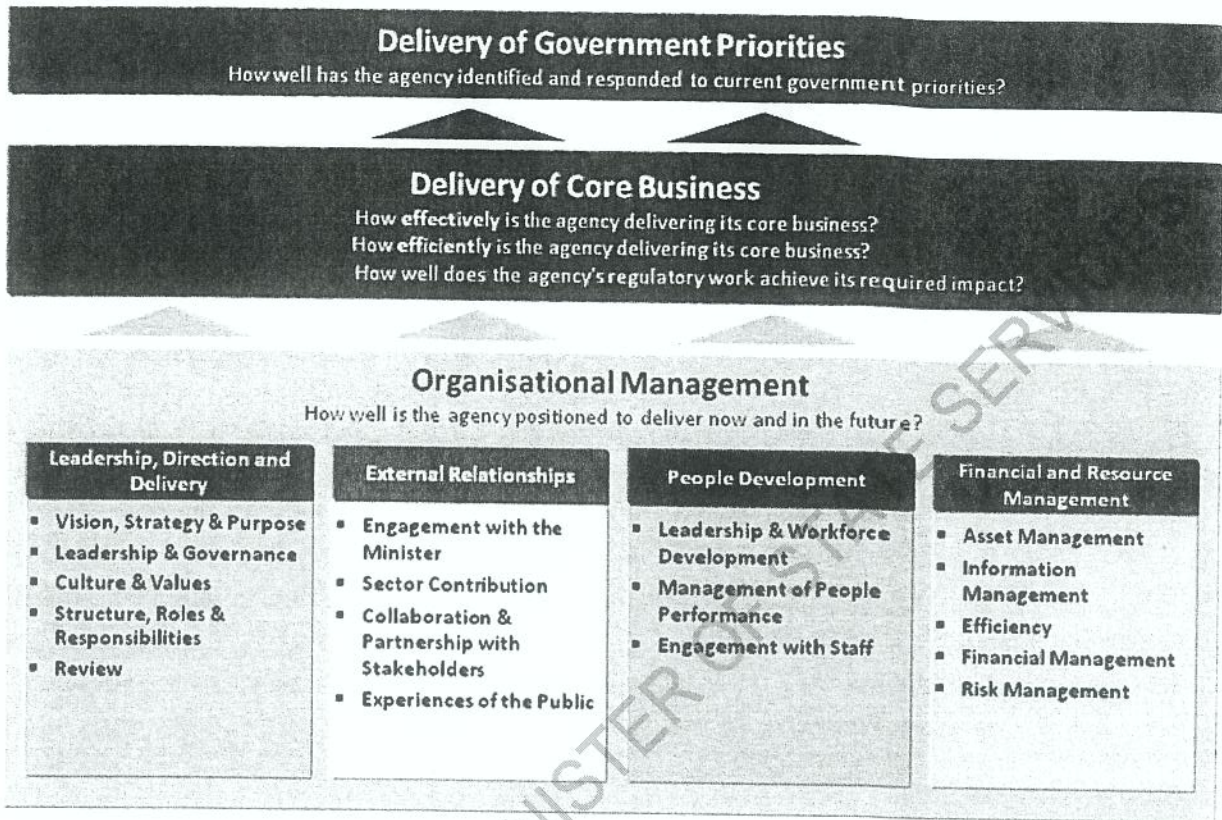


Hon Tony Ryall  
Minister of State Services

24/3/10

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## Annex 1: Agency Performance Improvement Framework High Level Model



The Performance Improvement Framework is a balanced model covering both:

- Results (Delivery of Government Priorities and Delivery of Core Business)
- Organisational Management / Capability

## Agency Performance Improvement Framework Model Lead Questions





### Results

Critical Area	Lead Questions
Government Priorities	1. How well has the agency identified and responded to <b>Current</b> government priorities?
Core Business	2. How <b>effectively</b> is the agency delivering this core business area? 3. How <b>efficiently</b> is the agency delivering this core business area? 4. How well does the agency's regulatory work achieve its required impact?

### Organisational Management

Critical Area	Element	Lead Questions
Financial and Resource Management	Asset Management	5. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?
	Information Management	6. How well does the agency utilise information & communications technologies to improve service delivery?
	Efficiency	7. How robust are the processes in place to test for efficiency and make efficiency improvements? 8. How well does the agency balance cost and quality when considering service delivery options?
	Financial Management	9. How well does the agency manage its financial information and ensure financial probity across the business?
	Risk Management	10. How well does the agency manage agency risks and risks to the Crown?
Leadership, Direction and Delivery	Vision, Strategy & Purpose	11. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 12. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership & Governance	13. How well does the senior team provide collective leadership and direction to the agency? 14. How well does the board lead the Crown Entity? <i>(For Crown Entities only)</i>
	Culture & Values	15. How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?
	Structure, Roles & Responsibilities	16. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 17. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	18. How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?
External Relationships	Engagement with the Minister(s)	19. How well does the agency provide advice and services to its Minister(s)?
	Sector Contribution	20. How well does the agency provide leadership to, and / or support the leadership of other agencies in the sector?
	Collaboration & Partnerships with Stakeholders	21. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the Public	22. How well does the agency meet the public's expectations of service quality and trust?
People Development	Leadership & Workforce Development	23. How well does the agency develop its workforce (including its leadership)? 24. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	25. How well does the agency encourage high performance and continuous improvement among its workforce? 26. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	27. How well does the agency manage its employee relations? 28. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

## The Rating System

	Anchor Statement
	Strong
	Well placed
	Needing development
	Weak
?	Not assessed

A single colour-based rating system (shown left) is used for all components of the PIF.

In some cases, the assessment team may be unable to make an assessment, either because there is insufficient information or information obtained is contradictory. In these cases, no rating will be given or the lead assessor may opt for a 'split assessment'.

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## Annex 2: Performance Improvement Framework Assessment Schedule

Current Status of the Assessment Schedule as at 19 March 2010

Target-->	Calendar Year 2010		Calendar Year 2011	
	<u>First Half</u>	<u>Second Half</u>	<u>First Half</u>	<u>Second Half</u>
At least 4 assessments (4 assessments confirmed)	At least 4 assessments confirmed	At least 5 assessments	At least 7 assessments	At least 7 assessments
1. Ministry of Foreign Affairs & Trade (Feb / March) 2. Department of Conservation (March / April) 3. Te Puni Kokiri (March / April) 4. Land Information NZ (May / June)	1. Ministry of Education (July / August) 2. Department of Corrections (June / July) 3. NZ Transport Agency 4. Ministry of Health (October / November) 5. The Treasury	1. Department of Building & Housing (December 10 / February 11) 2. Ministry of Social Development 3. Ministry of Justice 4. Inland Revenue 5. Department of Labour 6. Statistics NZ 7. Crown Entity	1. Ministry of Economic Development 2. State Services Commission 3. Ministry of Transport 4. Crown Entity or Non-Public Service Department TBC 5. Crown Entity or Non-Public Service Department TBC 6. Ministry for the Environment 7. Sector (placeholder) 8. Customs 9. Ministry of Fisheries	

Notes:

1. Months in brackets refer to likely assessment window.
2. Assessments are numbered in approximate priority order.