

PERFORMANCE IMPROVEMENT FRAMEWORK

Core Guide 1: What is the Performance Improvement Framework?

December 2015

New Zealand Government

State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



THE TREASURY
Kaitohutohu Kaupapa Rawa



DEPARTMENT of the
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Te Tari o Te Pirimia me Te Komiti Matua

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What is the Performance Improvement Framework?

Introduction

The Performance Improvement Framework (PIF) helps senior leaders in the State Services lead performance improvement in their agencies and across the system. Users of the framework start with the question: “what is the contribution New Zealand needs from this agency (or sector or system) in the medium term?” They then use the framework to identify the critical gaps and opportunities between the current and desirable future capability and performance. This is the **performance challenge**, and it is described in the Four-year Excellence Horizon.

The framework

The Performance Improvement Framework is supported by 30 Lead Questions that guide a structured, future-focused strategic discussion or enquiry about all aspects of the agency¹ to determine how prepared it is to deliver the contribution New Zealand needs from it. Insights and themes emerging through this process help the agency shape the description of its Four-year Excellence Horizon.

Purpose of this Core Guide

This *Core Guide* sets out the latest version of the framework, with guidance on its use and an explanation of key concepts that underpin it. A brief description of changes to the framework can be found in Appendix A. The SSC website (www.ssc.govt.nz/pif) has more information about the framework, its key components and system findings from our Lead Reviewers.

We are refreshing the framework to reflect how agencies are delivering better public services through shifting focus from outputs to outcomes and from an agency-centred to a customer-centric approach.

The aim of the refresh is to put the customer, and how we deliver value to customers and New Zealanders, at the heart of the framework.

Background

The PIF has been developed and is supported by the central agencies: the State Services Commission (SSC), The Treasury and the Department of the Prime Minister and Cabinet, for use by New Zealand State sector agencies. It is a uniform, yet flexible, framework to support continuous performance improvement across the State Services. The PIF is managed by the Performance Improvement Programmes Group at SSC.

¹ The term ‘agency’ will be used for simplicity, though ‘sector’ or ‘system’ could generally be substituted, as applicable.

Diagram 1: The Performance Improvement Framework

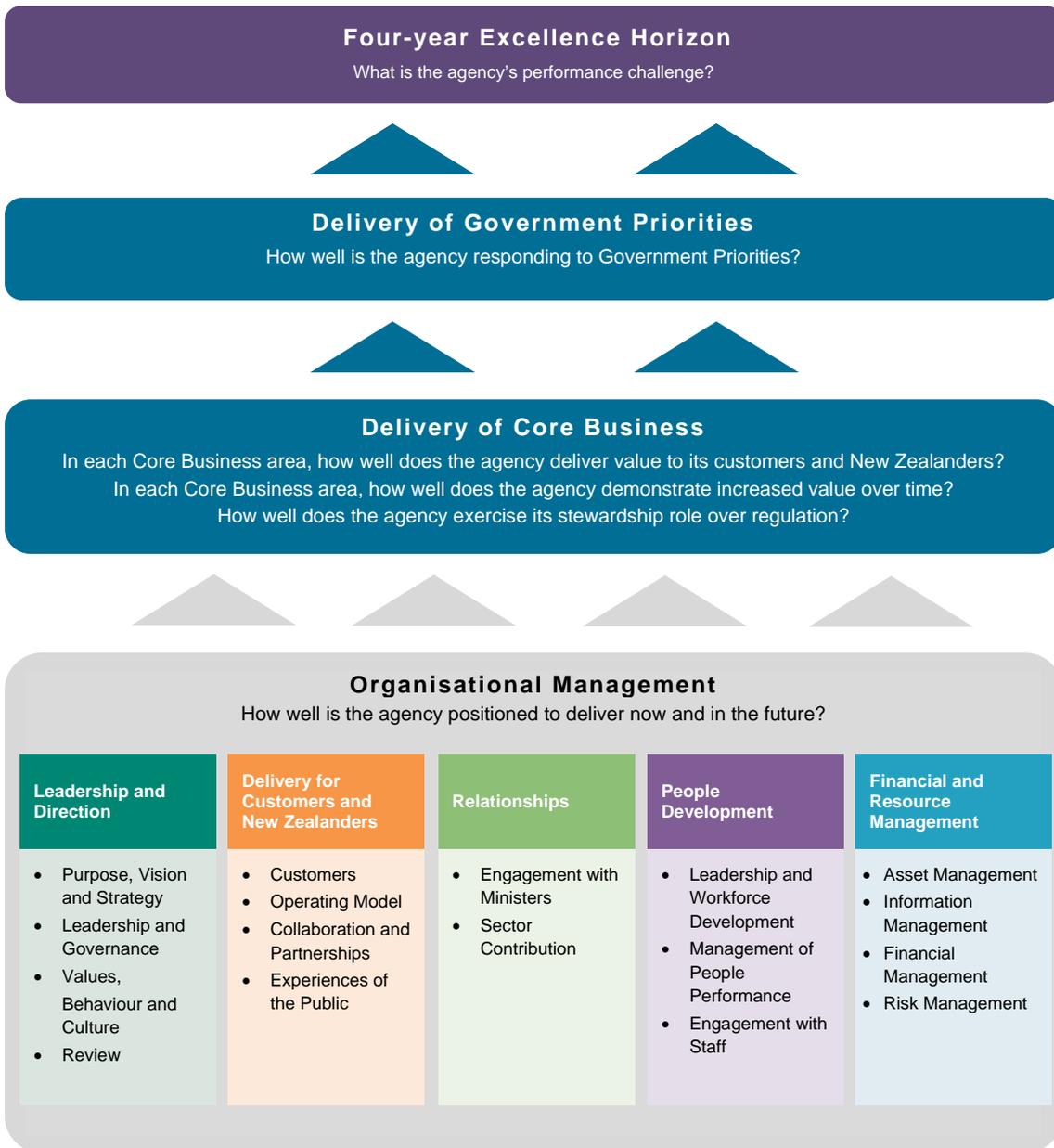


Diagram 2: PIF Critical Areas, Elements, Lead Questions

Four-year Excellence Horizon
What is the agency's performance challenge?

Results

Critical area	Lead Questions
Government Priorities	1. How well is the agency responding to Government Priorities?
Core Business	2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?
	3. In each Core Business area, how well does the agency demonstrate increased value over time?
	4. How well does the agency exercise its stewardship role over regulation?

Organisational Management

Critical area	Element	Lead Questions
Leadership and Direction	Purpose, Vision and Strategy	5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change? 8. How effectively does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?
	Review	10. How well does the agency encourage and use evaluative activity?
Delivery for Customers and New Zealanders	Customers	11. How well does the agency understand who its customers are and their short- and longer-term needs and impact? 12. How clear is the agency's value proposition (the 'what')?
	Operating Model	13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business? 14. How well does the agency evaluate service delivery options?
	Collaboration and Partnerships	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers? 16. How well do the agency and its strategic partners integrate services to deliver value to customers?
	Experiences of the Public	17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? 18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?
Relationships	Engagement with Ministers	19. How well does the agency provide advice and services to Ministers?
	Sector Contribution	20. How effectively does the agency contribute to improve public sector performance?
People Development	Leadership and Workforce Development	21. How well does the agency develop its workforce (including its leadership)? 22. How well does the agency anticipate and respond to future capacity and capability requirements?
	Management of People Performance	23. How well does the agency encourage high performance and continuous improvement amongst its workforce? 24. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	25. How well does the agency manage its employee relations? 26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
	Information Management	28. How well does the agency manage and use information as a strategic asset?
	Financial Management	29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	30. How well does the agency identify and manage agency and Crown risk?

Components of the PIF

Results	
Delivery of Government Priorities	A high-performing agency will be able to demonstrate how it is delivering on the Government's critical priorities and how well-positioned it is to deliver on those priorities in the future. Each Government Priority is rated separately.
Delivery of Core Business	A high-performing agency will be able to demonstrate achievement of intended results in each Core Business area for its customers and for New Zealanders, including, where relevant, for Crown entity monitoring and regulatory functions. It will be clear about who its customers are, what value it delivers and what public benefit it achieves. All interventions, including legislative interventions for which the agency is responsible, deliver benefits that exceed total costs and higher net benefits than alternatives. It will have targets and indicators that show the links between resources allocated and outcomes or objectives to be achieved and will be able to demonstrate it has, and will, deliver increasing value over time.
Organisational Management	
Leadership and Direction	<p>How the agency is governed and led underpins its ability to meet the needs of New Zealanders now and in future and to ably serve the government of the day. Four Elements are considered:</p> <p>Purpose, Vision and Strategy: Those inside and outside the agency need to be clear about the agency's purpose, its role and strategy and what it seeks to contribute to the delivery of public services for customers and New Zealanders. In setting its strategy, the agency needs to be alert to possible changes in its operating environment and how its capabilities may need to change.</p> <p>Leadership and Governance: Each agency needs cohesive, future-focused leadership and governance that debates and agrees the strategically important issues and required actions, leads by example and can effect change. This includes owning its own performance and performance improvement.</p> <p>Values, Behaviour and Culture: Values, behaviour and culture should be in line with the purpose and role of the agency and what it aims to achieve. The desired values and behaviour are clear and integrated into the way the business is managed and services delivered.</p> <p>Review: Agencies that achieve sustained high performance value and use information and evaluation to understand what is/is not working and why, and where to focus effort to sustain and improve performance.</p>

Organisational Management

Delivery for Customers and New Zealanders

This area examines how the agency designs its interventions, how it enlists and deploys valuable, scarce public resources, and how it sets itself up to deliver on its purpose to achieve outcomes valued by customers and New Zealanders.

Customers: Core to creating those outcomes is a deep understanding of customers and their needs and of what will create value for those customers and New Zealanders.

Operating model: The agency needs to be clear about how it operates and how it implements strategy to achieve its strategic objectives. It also needs to be clear about what future changes may be required to its operating model and how it will implement those changes.

Collaboration and Partnerships: All agencies need partnerships with other entities and stakeholders to achieve their purpose and deliver value to customers and New Zealanders. These partnerships are likely to be most productive and create the most value when the agency develops and maintains its partners' support and trust and has a shared understanding of customer needs. This includes any arrangement where the agency is working with (or through) another public or private sector agency or a non-governmental organisation to deliver services to the end customer. An agency that works collaboratively with other parties (including with customers) to deliver integrated services to customers is likely to be well placed to deliver increased value over time.

Experiences of the Public: An agency is likely to be more effective in its role if it meets customers' and New Zealanders' expectations of integrity, trust and service quality. Collecting and acting on feedback will help agencies design better services and continuously reduce costs.

Relationships

A government agency needs to build strong relationships of trust and confidence with Government Ministers and other public sector agencies to make its best contribution to the delivery of public services.

Engagement with Ministers: A good relationship with Ministers is important because they set the agenda. The agency's focus should include relationships with its portfolio Minister(s) and other Ministers. Good decisions are based on sound advice grounded in an understanding of the Government's goals and preferences, as well as how best to get things done. It is also important that the agency's stewardship obligation informs advice to Ministers.

Sector Contribution: Each agency has a unique contribution to make to the rest of the public sector (including local government) so that the sector can best serve the public interest. An agency that is well placed for its future will have earned the trust and confidence of others through its sector contribution and how it builds relationships as well as through not duplicating effort but rather supporting and benefiting from other agencies' contributions.

Organisational Management

People Development	<p>This considers what the agency does to ensure it has the engaged, skilled workforce it needs now and for the future. Three Elements are included:</p> <p>Leadership and Workforce Development: An agency that is prepared for the medium term will be able to articulate the skills it will need, its current skills gap, and how it is building the leadership and workforce for its future.</p> <p>Management of People Performance: Staff in the agency should know what is expected of them, how their role contributes to their team's (and the agency's) results and what excellent performance looks like. They should appreciate the importance of improving their own performance and be confident that poor performance is addressed.</p> <p>Engagement with Staff: The agency's employee relations strategy should be clearly aligned to the overall business strategy, with staff willingly supporting that strategy. Constructive engagement with employee representative groups and individuals is essential.</p>
Financial and Resource Management	<p>Elements included are: Asset Management, Information Management, Financial Management and Risk Management. An agency that is well positioned for the future will be ensuring effective use, protection, maintenance and 'right-sizing' of the agency's and the Crown's tangible and intangible assets to meet future needs. It will be unlocking the value of the information it collects and ensuring non-personal government data and information is widely available, discoverable and easy to use. Personal data and information is managed in accordance with the Privacy Act 1993 and staff know their responsibilities in handling government information. The agency engages effectively with functional leaders on information management and security. The agency uses strategic financial advice and proactive risk identification and management to improve its performance.</p>

Ratings

Users of the framework are encouraged to rate the agency's preparedness to meet its future challenges for each result area (Government Priorities and Core Business) and for each Element of organisational management. Ratings help to clarify what the agency's relative strengths (or developing strengths) are and highlight the priority areas on which to focus to lift performance, given the challenges, risks and opportunities in the medium term.

Ratings are applied in terms of the future the agency is preparing for. Ratings are not an assessment of current performance or of performance improvements since a previous PIF Review or other event.

Diagram 3: Rating Scale

Rating	Judgement	What it means
	Strong (Excellent)	Best practice/excellent <ul style="list-style-type: none"> ▶ High level of capability and sustained and consistently high levels of performance ▶ Systems in place to monitor and build capability to meet future demands ▶ Organisational learning and external benchmarking used to continuously evaluate and improve performance.
	Well placed	Capable <ul style="list-style-type: none"> ▶ Delivering to expectations with examples of high levels of performance ▶ Evidence of attention given to assessing future demands and capability needs ▶ Comprehensive and consistently good organisational practices and systems in place to support effective management.
	Needing development	Developing <ul style="list-style-type: none"> ▶ Adequate current performance – concerns about future performance ▶ Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units ▶ Areas of underperformance or lack of capability are recognised by the agency ▶ Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.
	Weak	Unaware or limited capability <ul style="list-style-type: none"> ▶ Significant area(s) of critical weakness or concern in terms of delivery and/or capability ▶ Management focuses on tasks and actions rather than results and impacts ▶ Agency has limited or no awareness of critical weaknesses or concerns ▶ Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
	Unable to rate/not rated	There is either: <ul style="list-style-type: none"> ▶ No evidence upon which a judgement can be made; or ▶ The evidence available does not allow a credible judgement to be made.

Ways to use the PIF

Agency Reviews: The PIF discussion or enquiry may be a robust formal PIF Agency Review by two independent Lead Reviewers². The framework's future focus means Agency Reviews will be particularly useful early in the term of a new chief executive, in anticipation of pending change in the agency's role or in its environment, or at key points in a major change programme. The Four-year Excellence Horizon and the agency's response developed during the review will inform medium-term organisational strategies and plans including, where relevant, the agency's Four-year Plan.

Follow-up Reviews provide the opportunity for targeted assessment of progress against the Four-year Excellence Horizon by one or both of the Lead Reviewers, 12-18 months after a PIF Review.

Self-reviews: The first step towards an Agency Review is a Self-review using the framework. This provides valuable input to the Agency Review and helps the chief executive and senior leadership team prepare for their discussions with the external Lead Reviewers. It also reduces the direct cost of the Agency Review. Agencies can choose to undertake a Self-review regardless of whether any other PIF activity is planned. This is likely to be useful when an agency is developing or reviewing its strategic and business plans.

The framework can also be used for:

PIF-based reporting: The PIF can be used to provide a structured report to inform the governance group or Board, the Ministers and the central agencies as a way to report progress against a Four-year Excellence Horizon or to highlight performance issues and opportunities that warrant their attention.

PIF system analysis: SSC analyses the results from published Agency Reviews to identify common areas of strength and areas needing development across State sector agencies. The central agencies use this analysis, together with other information, to consider areas where a multi-agency effort may be needed to lift performance in a government system.

Publishing PIF reports

As part of the central agencies' commitment to open government, SSC publishes Agency Review reports on its website³ and supports publication of Follow-up reports. The benefits of undertaking a PIF Review or Follow-up Review and publishing the results are:

- senior leadership teams get a good picture of the potential for their agencies and how to improve
- the central agencies get a system-wide diagnosis about where the strengths are and where the system can improve

² SSC has a panel of external Lead Reviewers, selected through tender, assisted by Performance Review Managers from SSC who, by agreement with State sector agencies, conduct PIF Reviews and other PIF-related projects.

³ See www.ssc.govt.nz/pif for all published PIF reports.

- Ministers get assurance that the agencies they are responsible for are constantly looking for ways to improve how they do business and deliver value for customers and New Zealanders
- the public is able to see that the State services is serious about its services and how they are delivered. They can see that the State services is continuously seeking to improve and is transparent about that.

PIF Guidance

PIF Concepts

Introduction

These notes provide guidance on some business concepts that are important in understanding and using the framework in the State sector.

Customer

Government, through State sector agencies, develops and implements interventions to achieve some benefit (or avoid some detriment). The benefit may be any or all of economic, social, cultural or environmental. These interventions are aimed at influencing the behaviour of individuals, businesses or groups by:

- providing information, analysis and advice to inform choices or services to facilitate action
- creating financial incentives or disincentives
- creating legal institutions, rights and obligations.

Customers are the people, groups and businesses (the 'who') to whom the agency provides services and/or whose behaviour is to be influenced. It is important to remember these are the Government's customers and that Ministers are accountable to Parliament for the policy decisions that will affect these customers. When agencies provide advice to Ministers, those Ministers may be considered 'intermediate' customers. Additionally, there must always be clarity about the customers affected by policy decisions, whether those decisions result in regulation or in services to be delivered.

For an agency to be clear about, and deliver on, its purpose and improve its performance it needs to be clear about who is being served or directly affected by its interventions. Are the 'what' (business strategy and value proposition) and 'how' (operating model) of the agency designed from the customer perspective? Each agency should be able to answer these questions⁴ in relation to each Core Business area:

- In whose interests are we working? (segmented in greater detail than simply 'the public') i.e. who are our customers?

⁴ From *Customer-Focused Government* (Public Services Productivity Panel UK).

- What are their main interests/needs and behaviours and what are we broadly trying to achieve for/with each of them in terms of outcomes?
- From where or from whom do we get our understanding of their changing needs and interests which drives the services we provide? Is this source close enough to the actual customer and complete enough to give customers confidence?

Customer-centric design

The choice and design of the intervention and its ongoing evolution needs to be:

- grounded in an understanding of ‘why’ (the rationale for the intervention) and ‘who’ (the context of the customer/audience and what motivates their behaviour) and ‘what’ (the product, service, regulation)
- refined through an understanding of customers’ likely and actual reactions to the intervention and of changing public expectations
- aware that the customer may be the customer of more than one agency and may want a bundled service
- informed by the interests of New Zealanders generally (i.e., issues of fairness, equity, social licence, net public benefit).

Operating model

In broad terms, the operating model is how the organisation goes about its operations to achieve its strategic objectives, how it deploys its resources and delivers value to its customers. It is the way people, processes and infrastructure combine to deliver the required organisational results or outputs. The desired organisational results/outputs will have been determined through an articulation of the organisation’s purpose, vision and strategy, incorporating a clear understanding of its customers, products/services and value proposition. An organisation may have more than one operating model to deliver different services/products to different customers.

Operating models are used to describe how an organisation currently operates. They can also be used to communicate how the organisation wants to transform its business i.e., what does the target situation look like? This is known as a Target Operating Model.

Target Operating Models are intended to be tangible articulations of the future state of an organisation. They assume that an overarching strategy has already been spelled out and the performance challenges identified. These models try to show how the business will need to transform to deliver its chosen strategy.

The framework expects that deliberate decisions have been made about how an agency operates and that the chosen operating model supports its efforts to achieve superior results. Core components of the agency’s operating model are most likely to include some combination of:

Core components	Generic definition for an agency
Resources	Organisational assets and capabilities: talent; culture; physical assets; technology; intellectual property; knowledge; business partners.
Roles	Governance: who has what decision rights and the resulting responsibilities?
Management (enabling) processes/systems	Processes and systems that ensure an agency is performing as planned (for example: governance and management policies; business planning and priorities; communications; performance measurement and management systems; evaluative and learning systems).
Operational processes/systems	Core processes and systems critical to delivery of products and services (for example: product and service development; operational policies and procedures; contract management; continuous improvement).
Structure	Describes how resources are organised, including to what extent they are shared across different business units and geographies and through contractual arrangements.

Value proposition

A value proposition is a promise of value to be delivered. It describes why an individual, group or business has reason to engage cooperatively with an agency. The value proposition explains how an agency's products and services, including policy advice and regulatory functions:

- meet customer needs, solve their problems or improve their situation
- deliver specific benefits
- encourage compliant behaviour to facilitate a private and public benefit.

An agency may have more than one value proposition, depending on its purpose and Core Business, and reflecting products and services developed for different customer groups.

Value to customers

In most cases an agency's customers will not pay any (or the full cost) of its services or products, so 'value to customers' will be assessed partly or fully in terms of measures other than strict monetary value.

Customer value is identified and improved through:

- understanding and capturing customer needs and expectations
- creating and delivering desired customer experiences, and assessing and managing customer evaluation
- understanding users now and in the future and using that understanding to innovate
- customer value linking to resources and outcomes
- understanding human and business purposes and adoption and transaction processes.

Value to New Zealanders

Government intervenes to achieve a public benefit (or avoid a detriment). Whether the intervention is valuable for New Zealanders requires consideration of both whether the:

- costs (economic, social, environmental and cultural) are worth the public benefit sought
- intervention is designed to maximise the benefit while minimising the cost. Is this the best way of achieving the result?

Value (for money)

This considers the optimum combination of whole-life cost and quality (or fitness for purpose) to meet a user's requirement. It can be assessed using the criteria of:

- Economy: reducing the cost of resources used for an activity, with a regard for maintaining quality
- Efficiency: increasing output for a given input, or minimising input for a given output, with a regard for maintaining quality
- Effectiveness: successfully achieving the intended outcomes from an activity.

Guidance for Lead Questions

This section of *Core Guide 1* provides detailed guidance on matters to consider in determining how well placed the agency is to meet its future challenges and where the improvement opportunities lie. The guidance is presented mostly as Lines of Enquiry. Users should not attempt to establish an answer to every Line of Enquiry. Instead, use the Lines of Enquiry to think about, and come to a conclusion on, the relevant Lead Question.

Results

Critical Area: Four-year Excellence Horizon

Guidance on the question: What is the performance challenge?

Users of the framework start with the question: “what is the contribution New Zealand needs from this agency (or sector or system) in the medium term?” They then use the framework to identify the critical gaps and opportunities between the current and desirable future capability and performance. This is the **performance challenge**, and it is described in the Four-year Excellence Horizon.

The PIF poses lead questions to assist a structured, future-focused discussion or enquiry about all aspects of the agency to determine how prepared it is to make the contribution New Zealand needs from it. Input from customers, Ministers, stakeholders, New Zealanders and staff is essential to clarify near-term challenges and opportunities as well as the agency’s stewardship responsibilities.

The conclusions from that structured discussion or enquiry will be a four-year performance excellence horizon setting out the performance challenge. This is about what it will take for the agency to be the best it can be for New Zealand in the medium term, including:

- What are the medium-term environmental/contextual trends and their potential impacts for the agency and its resources, stakeholders and customers?
 - Shifting patterns in the economy, demographics, mega trends
 - How will customers and their needs, preferences and expectations change over time?
 - Who/what are the critical stakeholders/partners/relationships to deliver results – using a system lens?
- What are the consequent challenges, risks and opportunities in terms of its purpose, the results it will need to achieve, the sort of organisation it will need to be and how it will need to work?
- What change capability it will need and whether (how) it will need to enhance current capability
- What success will look like.

Critical Area: Delivery of Government Priorities

Each Government Priority is considered and rated separately.

Lead Question	Lines of Enquiry
1 How well is the agency responding to Government Priorities?	<p>Definition/identification. What are the critical Government Priorities the agency is responsible for delivering? Are the critical priorities defined at an intermediate outcome level, impact level or output level? (Use the impact level if it is available.)</p> <p>Resource allocation. Has the agency committed the appropriate resources and effort to the priorities?</p> <p>Achievement. Are there robust indicators for the critical priorities? Are the critical priorities being achieved?</p> <p>Risk. How has the agency identified any significant delivery risks and does it have systems in place to mitigate these?</p>

Critical Area: Delivery of Core Business

Each area of Core Business is considered and rated separately. Where relevant, Core Business areas will include Crown entity monitoring and regulatory functions.

Lead Question	Lines of Enquiry
<p>2 In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?</p>	<p>Core business. What are the core functions, business and operational services (Core Business) the agency is responsible for delivering?</p> <p>Outcomes, outputs and measures. What are the outcomes the agency is trying to achieve through each Core Business and how does this contribute to its strategic objectives? How clear is its intervention logic? Has the agency identified the right outputs and impact measures for the desired outcomes?</p> <p>Customers. Who are the agency's customers (direct/indirect and actual/intended) for each Core Business? How does the agency know what motivates its customers and what they value and/or need? How does it understand the barriers that intended customers may face in accessing/using services to which they are entitled? Has the agency considered how it can differentiate its services to meet the needs and value expectations of different categories of customer? How does the agency engage with its customers to ensure it works in a way that is consistent with its understanding of customer value and motivation? How does the agency build its understanding of customer value or motivation into the design of the interventions that make up its Core Business?</p> <p>Value. How does the agency measure/evaluate its performance (e.g., effectiveness, efficiency and economy) in delivering value to customers and New Zealanders? Does the agency compare its services against benchmarks? Does the agency take a longitudinal view of value (e.g., early intervention for long-term payoff where appropriate)? How does the agency demonstrate it has delivered value to customers? What is the benefit to New Zealanders and do the benefits exceed the costs?</p> <p>Crown entities. How well does the agency undertake its Crown entity monitoring responsibilities, including assisting the Crown entity to improve performance? How clearly has the monitoring agency defined its expectations to the Crown entity? How well is/are the Minister(s) kept informed? How does the monitoring agency help the monitored agency improve performance?</p>

Lead Question	Lines of Enquiry
<p>3 In each Core Business area, how well does the agency demonstrate increased value over time?</p>	<p>Demonstrating value. Are results, as reflected by relevant performance measures such as effectiveness, efficiency, and economy, improving over time? How is the agency improving and refining measurement and management of its performance over time? Should expectations for delivery of its Core Business be higher (quality, quantity, targeting, timeliness, location, cost and coverage)? Are Core Business results being achieved in a way that balances cost, quality and quantity?</p> <p>Review and alternatives. Does the agency use evaluation and feedback mechanisms to continuously learn from and improve its performance? Does the agency understand the changing needs of its customers? Does the agency understand the changing environment for its services (e.g., technology developments) and the opportunities and risks this may create? Does the agency consider alternative delivery/intervention options to achieve the intended impact?</p>
<p>4 How well does the agency exercise its stewardship role over regulation?</p>	<p>Understanding of regulatory span. How does the agency understand the scope of the regulation for which it has stewardship responsibility?</p> <p>Understanding of regulatory impact and risk. How does the agency know about the impacts (positive and negative, intended and unintended) of the different areas of regulation for which it is responsible? Has the agency clearly identified the key areas of risk to the effectiveness of that regulation?</p> <p>Approach to regulatory improvement. How proactive is the agency in identifying and flagging the need or opportunity for regulatory changes? Does the agency consider all avenues for potential regulatory improvement? How does the agency prioritise its identified opportunities for regulatory improvement?</p> <p>Quality of regulatory analysis and advice. How does the agency use evidence and operational intelligence to inform its analysis of the underlying problem and available policy options? How complete and coherent is the agency's analysis of potential impacts? To what extent does the agency offer free and frank advice to Ministers on the relative merits and risks of the regulatory options?</p> <p>Robustness of regulatory design. Are affected parties, subject experts and other stakeholders appropriately consulted on the regulatory design choices? What other testing processes and techniques are used by the agency to ensure the regulatory design is workable and covers all necessary matters?</p> <p>Capacity and capability to manage. How well does the agency understand the regulated community and how it operates? How effectively does the agency communicate with the regulated community, other agencies with related regulatory roles and other interested stakeholders? Does the agency have the technical skills, capacity and sources of evidence or intelligence to appropriately discharge its regulatory duties? What strategies does the agency employ for mitigating the key risks to the effectiveness of its regulation?</p>

Organisational Management

Critical Area: Leadership and Direction

Element: Purpose, Vision and Strategy

Lead Question	Lines of Enquiry
5 How well do the staff and stakeholders understand the agency's purpose, vision and strategy?	<p>Defining purpose, articulating vision and setting strategy. How does the agency define its purpose, set its long-term direction and strategic objectives and articulate its vision? Do staff and stakeholders contribute to this process? Do staff identify with the purpose and vision? Can staff articulate how their work contributes to that purpose and vision?</p> <p>Alignment. How does the agency identify and set short-term strategy in line with its strategic objectives, Government Priorities and organisational strengths? What processes does the agency use to determine outcomes in line with Government Priorities?</p> <p>Impact and outcomes. How does the agency identify and articulate the impacts it seeks, as well as the interlinkages with other sector and agencies' strategies?</p>
6 How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?	<p>Future focus. Does the agency consider its environment and the implications for its role and function in the future?</p> <p>Core competency. How does the agency align its organisational strengths and competencies so that it can remain agile?</p> <p>Innovation and risk. How does the agency balance innovation, experimentation and risk taking, while managing risk and maintaining quality?</p>

Element: Leadership and Governance

Lead Question	Lines of Enquiry
7 How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?	<p>Strategic focus. How effectively does the leadership team look at strategically important issues and matters that affect the agency?</p> <p>Common purpose. To what extent do members of the leadership team share a common and coherent vision for the future of the agency and critical issues it faces?</p> <p>Quality of interaction. To what extent does the leadership team engage in effective discussion and debate and agree actions on strategically important issues?</p> <p>Mutual support. How much support do the leadership team give each other?</p> <p>Role modelling. How successfully does the leadership team show it is 'walking the talk'? Does the leadership team assess its own performance?</p> <p>Stewardship and execution. How does the leadership team identify where and how the agency must change to meet current and future challenges, remain fit-for-purpose and deliver increased value over time? How well is change communicated and led?</p>

Lead Question	Lines of Enquiry
8 How well does the Board lead the Crown agent? (Crown entities only)	<p>Relationship. How effectively does the Chair lead the Board? How does the Board (through the Chair) maintain relevant and timely communication with the leadership team through the chief executive?</p> <p>Strategic management. How does the Board undertake strategy setting and performance monitoring?</p> <p>Self-review. How does the Board periodically assess its own performance and that of individual members?</p>

Element: Values, Behaviour and Culture

Lead Question	Lines of Enquiry
9 How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction and ensure customer value?	<p>Defining values. How does the agency define the values and culture needed to support policy advice, service delivery and regulation that deliver customer value?</p> <p>Developing culture. How does the agency promote the values and culture needed to support policy, service delivery and regulation that deliver customer value?</p> <p>Aligning behaviour. How does the agency ensure that behaviour is in line with its stated values and culture?</p> <ul style="list-style-type: none"> • Is the agency explicit about the behaviours it expects of its staff when they interact with its customers? • How does the agency reinforce the behaviours it expects? • Does the agency measure customer and stakeholder experiences of the behaviours of its staff?

Element: Review

Lead Question	Lines of Enquiry
10 How well does the agency encourage and use evaluative activity?	<p>Decision advantage. How does the agency use evaluative activity to engage people to learn, innovate and continuously improve?</p> <p>Demand. What processes does the agency use to demand targeted evaluative activity? How does the agency protect what works, while seeking and evaluating new ways of delivering results?</p> <p>Evaluating and taking action on results. Do reports on performance support assessing of achievement of results and value for money, including enabling benchmarking, such as the annual Benchmarking of Administrative and Support Services process, where feasible? Is there a documented action plan to respond to reports, agreed to by senior management and with progress tracked?</p> <p>Customers, partners and stakeholders. What processes does the agency use to review and evaluate outcomes and impacts in collaboration with those most affected and interested – customers, partners, providers and other stakeholders? How does the agency share data, methods and findings with others?</p>

Lead Question	Lines of Enquiry
	Incentives. What ongoing, active support and encouragement do senior leaders provide so the right climate for learning is built, including symbolic actions and consistent signalling? How does the agency make the tough calls to stop or change interventions that are not working?

Critical Area: Delivery for Customers and New Zealanders

Element: Customers

Lead Question	Lines of Enquiry
11 How well does the agency understand who its customers are and their short- and longer-term needs and impact?	<p>Customer identification. How does the agency think about who its customers (actual and intended) are, why they are customers and what it wants to achieve for them now and in the future? Does it understand where it fits within the customer's value chain and the nature of the relationship that implies?</p> <p>Customer needs. What does the agency know about its customers and their motivations? How does the agency develop a common understanding of its customers' aspirations, motivations and expectations (now and in the future) and why it may not reach them all? How does it continue to test those understandings with its customers? What does it do to anticipate their changing needs and behaviours and adjust its services accordingly?</p> <p>Customer groups. Does the agency consider segmenting its customer population? How does it use this process to ensure it reaches and is responsive to all its intended customers? How does customer segmentation align with the agency's strategy?</p>
12 How clear is the agency's value proposition (the 'what')?	<p>Clarifying value proposition(s). Has the agency articulated its value proposition(s) from the perspective of its intended customers and tested that with its customers?</p> <p>Options. Has the agency investigated alternative ways of delivery that enhance value to its intended customers?</p> <p>Relevance. Has the agency considered and aligned the delivery of value to customers with its purpose as a government agency?</p> <p>Emerging issues. How does the agency keep itself conversant with emerging policy issues for those most affected by and / or interested in its work?</p> <p>Achieving value. How does the agency evaluate how well it is delivering actual value to its customers over time?</p>

Element: Operating Model

Lead Question	Lines of Enquiry
<p>13 How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business?</p>	<p>Resources. How does the agency determine the resources it needs to acquire, develop or contract to deliver its services and to support that delivery? These may include organisational assets and capabilities, such as talent, culture, physical assets, technology, intellectual property, and partnerships with other organisations.</p> <p>Planning. How does the agency ensure its strategic, business and action plans remain dynamic, serviceable and appropriate to deliver value for customers and New Zealanders? Does its Four-year Plan show how the agency will improve and change its operating model over time?</p> <p>Accountability. What processes does the agency use to ensure governance policies and management accountabilities and responsibilities are appropriate, transparent, well understood (internally and externally), and applied consistently?</p> <p>Management and operational policies and practices. How well do the agency's policies and practices, including contract management, and systems and processes support its service delivery?</p> <p>Structure. How does the agency's deployment of resources, systems and contractual arrangements with third party providers support effective service delivery and its strategy?</p>
<p>14 How well does the agency evaluate service delivery options?</p>	<p>Customer-focused results. How does the agency identify and assess service delivery options to achieve the results needed to deliver value for customers and New Zealanders?</p> <p>Trade-offs and financial risks. When policy or intervention options are considered, how well are trade-offs (to maximise added value) identified? Does advice on options demonstrate a good understanding of the costs and benefits (internally and externally)? Does the agency understand the main organisational risks, and potential related costs, of options and the strategies needed to avoid or mitigate those risks?</p> <p>Harnessing choice. Does consideration of current and future options include common, third party and digital delivery, where appropriate?</p>

Element: Collaborations and Partnerships

Lead Question	Lines of Enquiry
<p>15 How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?</p>	<p>Working with partners (including Māori and iwi). How well does the agency collaborate with partners and providers when dealing with emerging policy issues, forming strategy, implementing policy or delivering services?</p>

Lead Question	Lines of Enquiry
16 How well do the agency and its strategic partners integrate services to deliver value to customers?	<p>Improving customer value and value to New Zealanders. Does the agency consider which other agencies its customers deal with, or may need to deal with, and why? Does it consider how its services can be joined up with other agencies and the benefits from the perspective of the customer and the Government as a whole?</p> <p>Identifying potential partners. How does the agency identify and work with potential partners (within or external to government) to provide services to shared customers?</p> <p>Evaluating impact. How does the agency (alone and together with its partners and providers) measure the impact of its collaboration in terms of the delivery of value to or for customers?</p>

Element: Experiences of the Public

Lead Question	Lines of Enquiry
17 How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?	<p>Fit-for-purpose design. Does the agency have an explicit approach to the design of its services and the implementation of policy interventions? Does it actively seek information from customers and the public about the design of services? How adept is the agency at trialling and testing innovations, scaling up successful pilots and recovering smoothly from failed initiatives?</p> <p>Feedback mechanisms. Does the agency seek information about both the experience and perceptions of service performance? Does the agency translate what it learns into improvements in the services it provides and/or the delivery of those services?</p>
18 How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?	<p>Monitoring. Does the agency understand and monitor public expectations of service quality and trust? Does the agency understand and monitor customers' views of the services they have received?</p> <p>Expectations. Does the agency use this information to set clear service standards and expectations?</p> <p>Service improvement. Does the agency use information on public expectations of service quality and trust to improve service delivery?</p>

Critical Area: Relationships

Element: Engagement with Ministers

Lead Question	Lines of Enquiry
19 How well does the agency provide advice and services to Ministers?	<p>No surprises. Does the agency maintain a culture of ‘no surprises’ with Ministers?</p> <p>Quality. How does the agency ensure it offers good advice in a timely manner? How well are the agency’s stewardship obligations reflected in advice to Ministers? How well does the agency’s advice secure alignment between Ministers and wider government?</p> <p>Crown entity advice. How well does the agency ensure the policy settings and intervention logic for each Crown entity are clear and relevant enough to provide useful guidance to the Board? How does the agency ensure it offers advice on Crown entity performance, in the context of sector and system performance? How well does the agency facilitate information flows between Ministers and Crown entity Boards?</p>

Element: Sector Contribution

Lead Question	Lines of Enquiry
20 How effectively does the agency contribute to improve public sector performance?	<p>Collective leadership and impact. How does the agency work out what needs to be managed vertically within agencies and what needs to be managed horizontally across particular parts of the public sector or the whole system? How well does the agency mobilise its own people and resources to ensure those leading complex system-wide issues are successful?</p> <p>Agency contribution. What is the agency’s unique contribution(s) to building public sector capability e.g. sector or functional leadership/followership, centre of excellence, sharing government information assets, developing talent? How does it build relationships in order to make that contribution? How does it bridge the space between organisational boundaries? How open and sensitive is it to the views of others when leading on issues and how interested in, and skilled at dialogue, when contributing to others’ leadership?</p> <p>Incentives. What ongoing active support and encouragement do senior leaders provide to the agency’s staff to encourage collaborative endeavour, innovation and resource sharing with other public sector agencies? How is the common interest demonstrated?</p> <p>Central and local government collaboration. How does the agency engage with local government to ensure effective and enduring relationships?</p>

Critical Area: People Development

Element: Leadership and Workforce Development

Lead Question	Lines of Enquiry
21 How well does the agency develop its workforce (including its leadership)?	<p>Alignment with strategy. How does the agency align its people development strategy and practices with its business strategy?</p> <p>Leadership capability. What approaches does the agency take to build its overall management and leadership capability? How effective are these approaches?</p> <p>Targeting development. What approaches does the agency take to enhance the capability of its general workforce and how effective are these? How well does the agency prioritise and manage its people development spend?</p>
22 How well does the agency anticipate and respond to future capability requirements?	<p>Planning. How does the agency anticipate and plan for future capability requirements and workforce risks?</p> <p>Implementation. What approaches does the agency take to ensure that future capability requirements are implemented and workforce risks are mitigated?</p>

Element: Management of People Performance

Lead Question	Lines of Enquiry
23 How well does the agency encourage high performance and continuous improvement among its workforce?	<p>Supporting processes. How does the agency set expectations, track progress and provide feedback to individual staff members? How does the agency ensure that its performance management processes are consistent, timely, fair and relevant?</p> <p>Alignment. How does the agency ensure that individual objectives are aligned with team, business unit and agency objectives?</p> <p>High performance. How does the agency encourage and support high performance and continuous improvement in both individuals and teams?</p>
24 How well does the agency deal with poor or inadequate performance?	<p>Identification. What systems does the agency have in place to identify inadequate or unacceptable performance?</p> <p>Managerial capability. How capable and willing are managers to address poor performance within their teams? What support does the agency provide to managers to help them address poor performance within their teams?</p>

Element: Engagement with Staff

Lead Question	Lines of Enquiry
25 How well does the agency manage its employee relations?	<p>Relationships. How well does the employee relations strategy align with the wider human resources and business strategy? How effectively does the agency engage with the union(s), other employee representative groups and individuals?</p> <p>Sector view. How does the agency ensure that its bargaining parameters and strategies reflect wider sector priorities?</p> <p>Safety. How does the agency ensure that it creates and maintains a safe working environment for all staff? How does the agency promote a 'culture of safety' among its staff?</p>

Lead Question	Lines of Enquiry
<p>26 How well does the agency develop and maintain a diverse, highly committed and engaged workforce?</p>	<p>Employee engagement. What processes does the agency have in place to understand the views and monitor the commitment and engagement levels of its workforce? What approach does the agency take to enhance the commitment and engagement levels of its workforce?</p> <p>Diversity. How well does the agency encourage diverse ideas, cultures and thinking throughout the organisation?</p>

Critical Area: Financial and Resource Management

Element: Asset Management

Lead Question	Lines of Enquiry
27 How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?	<p>Understand and define requirements. How well does the agency understand the current and future types and levels of service required, and the options (including non-asset based and common) for providing that service?</p> <p>Lifecycle decision-making. How well does the agency manage its key business assets to support service delivery and maximise added value over the long term, including depreciation and procurement issues? Are assets sufficiently resilient for business continuity needs?</p> <p>Asset management enablers. Does the agency have fit-for-purpose performance information, systems and structures to support effective asset management, including intangibles?</p>

Element: Information Management

Lead Question	Lines of Enquiry
28 How well does the agency manage and use information as a strategic asset?	<p>Trust and confidence. How does the agency improve access to public services, while ensuring personal information is protected? What approaches does the agency use to ensure confidentiality of information, particularly personal information? How does the agency consider all the issues related to open data publication and reuse? How does the agency prevent and respond to unacceptable use of information and unauthorised disclosures?</p> <p>Security. How does the agency make itself aware of potential security risks? How does the agency protect classified information, particularly as it relates to processes, people and places?</p> <p>Governance and capability. How does the agency understand the strategic value of the information it collects and uses? Is that valuation fit-for-purpose and whole-of-system?</p> <p>Realising value. How well does the agency use information to transform government through lower cost and higher quality public services?</p>

Element: Financial Management

Lead Question	Lines of Enquiry
<p>29 How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?</p>	<p>Transformation. Does the finance function help the agency to strategically understand and manage, in the medium to long term, both operational and balance sheet financial pressures and issues to support policy advice? Is performance information fit-for-purpose, effectively leveraging cross-agency programmes and driving strategic (disinvestment) decisions?</p> <p>Securing good governance and stewardship.</p> <ul style="list-style-type: none"> • Management. How well does the agency manage its expenditure throughout the year as planned, including capital depreciation? How well does the agency deal with issues of probity? Are procurement systems best practice? How well does the agency ensure it gets best value for money from a whole-of-government perspective? • Reporting. Is internal and external reporting consistent, timely and accurate? Are internal controls appropriate, documented, understood and adhered to? <p>Executing financial analysis and advice. Is financial management information and advice used for operational and strategic purposes, including service delivery model improvement? Does this financial advice demonstrate a good understanding of the main organisational risks, their potential cost and the strategies needed to avoid or mitigate them? Is the agency looking at innovative approaches to the use of financial and related information, tailored to the needs of the business as a whole and to subordinate business units? Are cost drivers and pressures well understood by management? Does resource allocation accord with Government Priorities?</p> <p>Economy. How does the agency seek to minimise the cost of resources used, while maintaining quality?</p>

Element: Risk Management

Lead Question	Lines of Enquiry
<p>30 How well does the agency identify and manage agency and Crown risk?</p>	<p>Risk scape. How does the agency understand its risk landscape? How often are those understandings used to anticipate future and new opportunities for itself and the Crown? How are other perspectives taken into account?</p> <p>Alignment. How well are the risk management processes aligned to the business strategy? How regularly is that alignment considered? Does the agency approach risk management as an enabler for success or does the agency avoid risk?</p> <p>Tolerance. How does the agency communicate its risk tolerance? How sensitive is that tolerance to Crown risks and opportunities?</p> <p>Crown risk. How well does the agency understand, identify and manage risk in relation to its agency and wider Crown interests, including legal and integrity risk? Do the agency's legal and other functions support the achievement of agency objectives, along with identification and management of agency and wider Crown risk?</p>

Appendix A: Key Changes to the PIF in 2015

We've upgraded the framework three times⁵ since its launch to keep in step with our changing environment.

This year we are refreshing the framework to better reflect how agencies are delivering on the reform agenda of Better Public Services that calls for agencies to build and deliver their services around a clear understanding of their customers. The aim of the refresh is to put the customer, and how we deliver value to customers and New Zealanders, at the heart of the framework. We have developed a new Critical Area, Lead Questions and Lines of Enquiry, and we have made adjustments to existing Critical Areas, Lead Questions and Lines of Enquiry to support this. There are three significant areas of change. We have:

- acknowledged the Four-year Excellence Horizon as a component of the Model
- changed the Lead Questions for the Results Critical Area: Core Business
- added a new Critical Area to Organisational Management: Delivery for Customers and New Zealanders.

Acknowledging the Four-year Excellence Horizon

The Four-year Excellence Horizon was developed in 2011 as a separate 'summary' section at the front of PIF Agency Review reports and Self-review reports. It provides a distillation of the findings, themes and conclusions about the priority areas for performance improvement, given the contribution New Zealand needs from the agency and its current and medium-term context, issues, risks and opportunities. The important role of the Four-year Excellence Horizon is made explicit in this refresh of the framework.

Government agencies that are required to produce a Four-year Plan need to ensure that the plan shows how the agency is responding to the Four-year Excellence Horizon and the commitment the agency made in its response to its Agency Review.

Changing the Lead Questions and Lines of Enquiry for delivery of Core Business

In this refresh, the Lead Questions for Delivery of Core Business have been upgraded to make explicit that the Core Business of State sector agencies is to deliver value for customers and New Zealanders, in accordance with each agency's purpose. The focus and ratings for each Core Business area have changed from 'effectiveness' and 'efficiency' to 'value to customers and New Zealanders' and 'increased value over time'. Where relevant, Crown entity monitoring and regulatory stewardship are to be rated as Core Business areas of each agency.

⁵ There have been three significant upgrades to the PIF Model since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The third was the Better Public Services upgrade in January 2014.

Adding a new Critical Area: Delivery for Customers and New Zealanders

A new Critical Area, Delivery for Customers and New Zealanders, focuses on the ‘who’, ‘what’ and ‘how’ of an organisation’s purpose, strategy and design. Some new concepts have been added: Customer; Value to Customers; Value to New Zealanders; Value Proposition; and Operating Model. These are explained in the ‘PIF Concepts’ section.

Consequential changes to the PIF

Not all the content in the refreshed PIF is new. Some Elements have been moved to the new Critical Area, Delivery for Customers and New Zealanders, with consequent changes to the titles of some Critical Areas, as well as new or amended Lead Questions and Lines of Enquiry. These changes are:

Critical Area: Leadership and Direction

There has been some refinement to the Elements for Leadership and Direction:

- *Purpose, Vision and Strategy* – the Lead Question on purpose, vision and strategy has been amended to focus on how well the agency’s purpose, vision and strategy are understood. How the agency goes about defining and articulating its purpose, vision and strategy is important in ensuring deep understanding and engagement by staff and stakeholders.
- *Leadership and Governance* – an existing Lead Question on aspects of collective leadership and direction has been amended to encourage examination of the leadership’s capability and capacity to implement change.
- *Structure, Roles and Responsibilities* – this Element has been removed. It has been replaced by a new Element, *Operating Model*, in the new Critical Area: Delivery for Customers and New Zealanders. As a result, the title of this Critical Area is now Leadership and Direction, previously Leadership, Direction and Delivery.

Critical Area: Delivery for Customers and New Zealanders

This Critical Area contains one new element: *Customers*. Three other Elements have been moved from other parts of the framework: *Operating Model*; *Collaboration and Partnerships* and *Experiences of the Public*. These use, and expand on, existing Lead Questions.

Critical Area: Relationships

This Critical Area (previously ‘External Relationships’) highlights the strategic relationships of trust and confidence that agencies must build and maintain to make their best contribution to the delivery of public services.

The other external relationship Elements have been moved to the new Critical Area: Delivery for Customers and New Zealanders with updates to the Lead Questions and Lines of Enquiry.

Critical Area: Financial and Resource Management

One Element, *Improving Efficiency and Effectiveness*, has been removed, as relevant Lead Questions and Lines of Enquiry address this topic in Core Business; *Review*; *Customers*; *Experiences of the Public* and *Financial Management*.

Appendix B: Glossary

Critical Area	There are seven Critical Areas in the PIF Model: two focused on results for Government Priorities and Core Business for results and five covering all aspects of organisational management.
FYEH	Four-year Excellence Horizon. This is about what it will take for the agency to be the best it can be for New Zealand in the medium term. Its purpose is to give the management and staff a degree of clarity about the most important issues they need to work on to lift their performance, plus a sense of what it might look like if they were to achieve the performance challenge.
Lead Question	The 30 Lead Questions guide a structured, future-focused strategic discussion or enquiry about all aspects of the agency to determine how prepared it is to deliver the contribution New Zealand needs from it.
Lead Reviewer	SSC has a panel of independent Lead Reviewers, selected through tender, assisted by Performance Review Managers from SSC who, by agreement with State sector agencies, conduct PIF Reviews and other PIF-related projects.
Lines of Enquiry	The Lines of Enquiry provide guidance on matters to consider in each Critical Area in determining how well-positioned the agency is to meet its future challenges and where the opportunities to improve performance are.
PIF	Performance Improvement Framework
Follow-up Review	As agreed between the central agency chief executives and the agency's chief executive, Follow-up Reviews using the framework may occur 12-18 months after a PIF Review to assess progress on achieving the priority performance challenges and on particular matters agreed with the chief executive.
Agency Review	A formal review conducted by independent Lead Reviewers of how well-positioned an agency is to deliver the contribution New Zealand needs from it and where it needs to focus to be more effective in the medium-term future. The agency develops a response indicating how it will meet the performance challenge posed by the Lead Reviewers.
Self-review	Agencies can use the framework to formally assess and help improve their performance. A Self-review using the framework is mandatory in preparation for an Agency Review.
Ratings	Ratings reflect judgements made by the Lead Reviewers against each of the Critical Areas in the PIF High-Level Model, based on the information gathered in a review. The greener the rating, the better positioned the agency is to deal with the future. The more red the rating, the more work needs to be done.