
PERFORMANCE IMPROVEMENT FRAMEWORK

Review of the Department of the Prime Minister and Cabinet (DPMC)

JUNE 2013

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

Lead Reviewers' Acknowledgement

As Lead Reviewers for this Performance Improvement Framework (PIF) Review for the Department of the Prime Minister and Cabinet (DPMC) we would like to acknowledge the thoughtful and generous input made by the DPMC Chief Executive, Senior Leadership Team (SLT) and staff. DPMC staff have also supported us well in undertaking the review process.

A cross section of DPMC's external partners and stakeholders provided valuable comment. We also had the benefit of input from DPMC's central agency partners, the State Services Commission and the Treasury, which proved to be insightful, and assistance from Neil Walter, expert advisor on the intelligence and security aspects of the Review.

All those with whom we talked understand the value of the diverse functions that DPMC undertakes, and are committed to helping it perform effectively. DPMC has itself recognised the PIF as an opportunity to identify and make performance improvements. Since completing its Self-review in mid 2012 and through the current assessment, the Chief Executive and his SLT have been actively responding to issues under discussion.

A PIF Review of the intelligence and security agencies will be undertaken later this year. It has been agreed that the related functions of DPMC will also be covered in that sector picture. Accordingly this Review does not go deeply into these areas.

Central agencies play a key role in any PIF. DPMC has not participated in any aspects of the DPMC PIF that call for central agency input or review. This is consistent with the approach taken for the review of the Treasury, and is also the approach used for the review of the State Services Commission.

**Performance Improvement Framework
Review: Department of the Prime Minister and Cabinet**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet
Wellington, New Zealand**

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AGENCY'S RESPONSE

DPMC is very appreciative of the work undertaken by the Lead Reviewers. I would like to thank them for producing this report, and also thank all staff and stakeholders who contributed their time and added their perspectives as part of this PIF Review.

The Review has been a valuable exercise for the Department, giving us a clear picture on what we are doing well (and should keep doing), and on what areas we need to apply more focus and energy to meet our performance challenge going forward.

The Review's findings build upon, and are largely consistent with, the key judgements of our Self-review (completed in July last year). We are encouraged by the assessment that, overall, DPMC operates effectively and is highly regarded by its key stakeholders.

But we also acknowledge that the Department faces some serious challenges and risks in continuing to meet the highest standards of service for its senior stakeholders. In many areas, work is well under way; in others, it is beginning or about to begin. This PIF Report provides us with an essential benchmark against which we can check progress and measure our success, as we seek to improve ourselves and the quality of our work.

To work towards our 'future state' within the Four-year Excellence Horizon set out in this PIF Review report, we will need to do a number of things, including:

- rebuild organisational **resilience**, so that the Department has significantly improved infrastructure and systems to enable staff and business units to deliver high performance
- confirm a shared **purpose, strategy and action programme** that will unite all staff and business units and underpin collective leadership and direction across the Department by the SLT
- consider the optimal senior management structure for delivering the Department's leadership and coordination priorities in both **national security and intelligence** and implement any changes if required
- put in place a more proactive and strategic approach to **staff development**
- **communicate better to the public** on key aspects of DPMC's work, eg, New Zealand's core constitutional processes, including the role and responsibilities of the Head of State and Governor-General, and the role and objectives of the intelligence community
- further develop DPMC's role within and key contributions to the **Corporate Centre**
- improve our **measurements of performance**, consistent with the size of the Department, so we are better able to determine whether or not we are being successful.

Resilience

It is vital that DPMC maintain organisational resilience and effectiveness so it can best carry out its varied functions in support of the nation's leadership.

Over a number of years the Department's core administrative infrastructure gradually deteriorated, as resources were reprioritised to cover front line activities. Corporate service functions and staffing levels in business delivery units were progressively reduced. Both our own Self-review and the PIF Lead Reviewers reached similar conclusions – that the status quo was no longer sustainable.

In Budget 2013 Ministers agreed new investment for DPMC, specifically to enhance the Department's leadership and coordination of the national security sector; address a number of fiscal cost pressures; and to help rebuild the Department's administrative infrastructure.

National Security: While the current system is well placed to manage a single national emergency, more depth is required to ensure appropriate organisational resilience is being developed, and that DPMC's staff and systems are able to coordinate agencies effectively in responding to multiple national emergencies or crises. New capability will accordingly be provided to the Security and Risk Group (SRG), so that it is better able to build national resilience by rolling out an integrated, whole-of-government national security system, and to respond, if necessary to simultaneous national emergencies or crisis, in New Zealand or offshore.

Infrastructure: DPMC is already benefiting from the Central Agency Share Services (CASS), which is providing a more resilient, comprehensive and robust delivery of core corporate service functions. But this remains a work in progress. Our immediate priorities are to make our Information Technology (IT) and Information Management (IM) systems fit for purpose to enable high performance from our staff. DPMC's desktop IT system will be significantly updated and revamped. We are developing a work programme of practical, fast steps to diminish risk and reduce inefficiency in our IM system. These include, but are not limited to, a rebuild of our present I-Manage system; reviewing our support model for IM services; implementing a number of identified 'quick wins' that will improve compliance and efficiency; and driving through a change in culture, so IM becomes "everyone's job".

Alignment of Purpose, Strategy and Action

SLT has taken the lead in working with staff on developing a shared purpose and strategy that unites the Department's disparate business units. Some good progress has already been made. We have a purpose statement in our (2013-17) Statement of Intent – *"Advancing a confident, well-governed and secure New Zealand"*. At the time of writing we are working with staff on how best we can support this purpose with aligned values, strategy and work programmes.

SLT is making good progress in becoming a more cohesive leadership group. We meet more frequently, with agendas that drive more strategic and whole-of-Department decision-making. This is evidenced by individual Directors taking mandated responsibility for corporate projects and issues, in addition to leading their individual business groups, the reshaping of the Office of the Chief Executive and deepening the connections with CASS (illustrated by the CASS Director becoming a member of SLT).

Security and Intelligence

We have started, or are about to start, a number of initiatives to enhance DPMC's leadership and coordination of the intelligence and national security sector.

An internal review of the arrangements for coordinating national security and intelligence priorities is currently under way. This Review is considering (inter alia) whether greater collaboration between the intelligence and national security communities, underpinned by a more integrated organisational and governance structure, would provide for better decision-making. In this context, the Review will also consider whether DPMC has the most optimal structure in place for delivery of its leadership and coordination responsibilities.

As noted earlier, DPMC will be increasing its capability on national security: to help build national preparedness and resilience; and to work with other agencies to rebuild trust in the intelligence community and make the work of the intelligence community more relevant to decision-makers. The National Assessments Bureau (NAB) have already implemented plans to improve the relevance of its product, to ensure senior decision-makers get what they want and need in the most user-friendly and timely ways.

Staff Development

Our key objective is to complete a comprehensive workforce strategy by the end of this year. This will need to reference the 'other' workforces to which DPMC staff also belong, especially the intelligence community, and detail how the strategy supports the Department's purpose and achievement of its key objectives.

While we will continue to utilise DPMC's strong brand to attract highly talented staff, we will also put greater emphasis on internal staff development. We will achieve this by providing for training and mentoring to develop leaders within DPMC and the wider public service (thereby helping to mitigate the 'key person risk' identified by the Lead Reviewers) and provide them with different and varied work experiences. In doing so, we will seek to enhance DPMC's attractiveness as an employer of choice for talented staff.

Communicating with the public

We agree with the Lead Reviewers' assessment that in some specific areas there is a greater need for parts of DPMC to engage more with the wider public.

A key priority for DPMC will be to make information available to the public that explains how the intelligence community fits within and supports the national security system. With the New Zealand Security Intelligence Service (SIS) and the Government Communications Security Bureau (GCSB), we have established a single intelligence community website (www.nzic.govt.nz). Together we will back this up with a programme of speaking engagements and other communications.

Another key focus area will be lifting awareness in the community about the function, powers and duties of New Zealand's Governor-General and Head of State, including on the international dimension of the Governor-General's activities. As part of this awareness-raising, we will look to develop the (recently opened) Government House Visitor Centre's capacity to handle public visits and investigate ways of broadening its appeal.

Corporate Centre

Within the Corporate Centre DPMC will continue to work proactively with a broad range of lead agencies responsible for specific policy outcomes, to ensure their work is on track and their advice is consistent with broader government priorities. Additionally, we will seek to deepen our links with local government and the private sector; think creatively about how we can help improve the quality of policy advice across the public sector, including the quality of Cabinet papers submitted to Ministers; and consider developing a future strategy function so that we can be 'ahead of the curve'. When implemented, CabNet will enable officials to better collaborate and consult on draft submissions, thereby improving the overall quality of submissions to Cabinet. In terms of future strategy, it should be noted that assessing risks and opportunities affecting New Zealand's national security interests and the international environment is a core part of NAB's work.

Demonstrating our success

We have recently tightened our output performance measures and standards so that they are more objective. These have been incorporated in this year's Information Supporting the Estimates and the 2013-2017 Statement of Intent. We will regularly survey key stakeholders to help us determine whether or not we have been successful in achieving our objectives. Baselines to support these surveys will be established by the end of this year.

Andrew Kibblewhite

Chief Executive

LEAD REVIEWERS' VIEW

In undertaking this Review the Lead Reviewers considered: 'What is the contribution that New Zealand needs from the Department of the Prime Minister and Cabinet and, therefore, what is the performance challenge?'

Background

DPMC occupies a unique position in New Zealand's machinery of government. It exists to support the effective conduct of executive government by ensuring constitutional conventions are maintained and that the formal business of Cabinet can be conducted effectively and efficiently. While it operates at the heart of the Government, it is one of the smallest Departments, with only around 130 employees (112 full time equivalents). Of these, approximately 45 work in the Beehive – in the Cabinet Office or in the Policy Advisory Group. The other employees work in the security and intelligence business units or at Government House.

DPMC as one of the central agencies

There are three 'central agencies' in the New Zealand State Services – the State Services Commission (SSC), the Treasury and DPMC. They work together, as the Corporate Centre, to lead the implementation of the 'Better Public Services' (BPS) initiatives and to provide a corporate perspective on the State Services.

Delivering better public services within tight financial constraints is one of the Government's four priorities for this term. Achieving results that make a difference to New Zealanders is at the heart of that. The public sector represents one-quarter of New Zealand's real economy and has a big influence on how our society and economy perform. As such, government agencies need to perform better by finding new and different ways of working that deliver greater value and better results for New Zealanders. As well as responding to the priorities of the government of the day it must also ensure the enduring capability of the State Services.

Although it is the smallest of the three central agencies, DPMC provides a pivotal role in this process as it is uniquely placed to draw together and focus other government agencies to support the Government's priorities and to deal effectively with issues and implementation of agreed programmes and policies. While the Treasury dominates the control of information and resources on funding and SSC has responsibility for leadership and management of people in the Public Service, DPMC has the lever of direct communication and influence with the Prime Minister and Cabinet. By working alongside the Prime Minister and Cabinet, it has the advantage of proximity to the Government's decision-makers.

The Performance Challenge

Overall, DPMC operates effectively and is highly regarded by key stakeholders. However, it faces some serious challenges and risks. In particular, the infrastructure and systems of DPMC are weak and have been under-invested in for some time. This is the result of a series of decisions over the last few decades that have created a Department with insufficient resources and powers and little ability to adapt to changing circumstances and challenges. The Department was described to us as having slipped from frugality to poverty without any action being taken. This has led to a lack of resilience, which has been masked to a large extent by the capability and performance of individuals within it. We see the principal challenges as:

Structure

DPMC's lack of resilience is exacerbated by its structure of seven separate operating units that have very few links between them. It has been suggested that the Department is too small and fragmented to offer the flexibility and capability that should be provided to support the Prime Minister. This conclusion was supported last year by Dr Murray Horn's report on DPMC's budget, *DPMC: Value for Money and Right-Sizing the Budget*, where he found that under its current structure DPMC is "doomed to struggle" and is financially unsustainable.

DPMC has recognised this risk. The focus of SLT meetings is now much more on collective decision-making and direction setting by the heads of the major business units. SLT expects that the provision of services from the recently created CASS which combines the back-office functions, IT, Finance, Information Management and Human Resources (HR) of the three central agencies will, over time, address its infrastructure challenges. However, CASS has only been in operation since March 2012 and its potential value for DPMC is not yet fully realised.

An overarching challenge for the SLT is to develop a unifying purpose and perform as a team to ensure these risks are adequately addressed, their resources effectively deployed and shared and that opportunities to lift performance are taken.

Strategic vision

By its nature and role within the machinery of government, DPMC is responsible for the analysis of complex issues. Some can be anticipated, for example, where they arise out of the introduction and implementation of government policy. Others cannot, such as the issues arising from the Pike River mine disaster and the Christchurch earthquakes. DPMC must necessarily respond to current issues and pressures. However, it must also look to the future with a strategic perspective and consider the stewardship of national resources and systems for the long term. The task is to 'keep ahead of the curve' while handling day-to-day pressures. Stakeholders are looking to DPMC to develop a longer-term strategic approach and perspective.

Some of DPMC's units do have a future focus. For instance, a key part of the NAB's work is to assess the risks and opportunities that could affect New Zealand's national security interests and the international environment for New Zealand's foreign policy. This in turn informs the activities of the Intelligence Coordination Group (ICG) and the SRG, whose work on the national security system is to anticipate, and ensure the country is prepared for, potential national security risks and emergencies. The Government's Chief Science Advisor also has a future-focused role.

Nonetheless, we believe a more dedicated focus is needed. At present the Policy Advisory Group (PAG) advisors are occupied in advising on the immediate issues within their areas of expertise, with little time for consideration of longer-term perspectives. The combination of skills within DPMC should enable greater leadership in ensuring the delivery of strategic policy advice by the State Services. We suggest that consideration and development of advice on future strategy should be a dedicated function within the Department and not an add-on to the roles of executives who are responsible for dealing with day-to-day priorities. Alternatively, this future strategy function could be seen as a Corporate Centre role and thus the responsibility of all three central agencies.

Political neutrality

DPMC staff carry the Prime Minister's imprimatur; they are close to the Prime Minister and the Government's thinking, but there is a clear differentiation between their roles as professional public servants and the political roles of elected representatives and their political advisors. The PAG team in particular operates as the close interface between the public sector and the political process. PAG

advisors are very clearly the Prime Minister's advisors but they are apolitical. The Cabinet Office is responsible for the impartial and effective operation of the Cabinet system and for the impartial recording of Cabinet decisions. The Cabinet Office has long established protocols and practices in place, which are respected and adhered to by all parties. These protocols and processes have been developed over time through changes of personnel, Government and Prime Ministers, the introduction of Mixed Member Proportional representation and the operation of coalition parties in Government.

As a review team we have been pleased to see the well developed and clear appreciation of differences between the role of DPMC staff as professional public servants and the role played by the political advisors in the Prime Minister's and Ministers' offices. Both groups need to maintain an understanding of their respective boundaries and an awareness of the protocols that necessarily apply. Importantly, both have established mechanisms to deal with any events that 'test' these protocols. These arrangements have been refined over time, but the challenge will be to continue to maintain clarity of the different roles as new circumstances arise and new individuals are introduced.

Introduction of CabNet

The Cabinet Office is part way through the development of CabNet, a new electronic management system to replace the existing paper-based system for the preparation and delivery of Cabinet papers. This system is long overdue, reflecting no doubt the relative paucity of resources available to DPMC. The project will go live in the first quarter of next year. The effective implementation of CabNet is vital for not only the efficient operation of the Cabinet Office but also the wider State Services as participants in Cabinet decision-making processes. The full potential of the efficiencies available across the State Services in the interfaces involving Cabinet will not be realised until this is complete. By facilitating effective consultation and collaboration across government and delivering real efficiencies, we will then be able to see CabNet as a tangible example of 'Better Public Services' in action.

Recruitment and development of staff

A key challenge for DPMC is to maintain its high level of credibility and competence into the future. DPMC has traditionally relied on its reputation and central position in government to attract a sufficient pool of high calibre and experienced candidates to positions in DPMC. Employment in DPMC is regarded by many as a career development opportunity. Thus highly capable executives are typically employed to work in PAG for three to five years and then move on to other positions in either the public or private sectors.

This approach has served DPMC well. It does have some real advantages as it enables the PAG talent pool to be frequently refreshed and attracts individuals who are highly motivated and ambitious for further development. However, it does bring greater, or more frequent, risks and, in particular, can lead to a loss of institutional understanding and expertise. It can also disrupt the close working relationships which develop over time between advisors and the Prime Minister. For example, note later in this Report the weaknesses in the information management infrastructure in DPMC, which can exacerbate the problem.

More strategic management and development of these executives may be necessary if the best results are to be achieved long term. This would especially apply to individuals who, for example, may well be excellent subject specialists but who have received little exposure to other cultures. DPMC needs to establish its own active career management programme including staff development, which would link into the programmes of others in the Corporate Centre, and to broader, system-wide talent management initiatives. This should not be confined to PAG and could extend to the

informal links in, for example, the intelligence or justice sector networks. Most staff in DPMC would benefit from such an approach.

An associated challenge is 'key person' risk. DPMC is dependent upon the skills and expertise of relatively few individuals. We question whether the organisation would be sufficiently robust to cope with the sudden or unexpected departure of some of these individuals or if multiple crises or emergencies occur in a similar timeframe. There is a need to build greater resilience for the future.

Diversity

To be able to provide balanced and well-rounded advice to the Prime Minister and the Government it is important that the PAG team, in particular, is able to understand and reflect the diversity of New Zealand society and its members are professionally and culturally competent. Ideally, this would see the PAG group having a mix of staff from the public or private sectors, representation of diverse ethnicities, including Māori and Pasifika, and a good gender mix. Similarly, having regard to the Governor-General's community leadership role, we would also expect Government House staff to reflect the diversity of the wider community. In a small team achieving good representation will always be a challenge but it is one that should be recognised and actively addressed where possible.

Links with the wider community

DPMC has invested in maintaining good contacts and relationships and works to well established protocols with central government agencies. It is equally important that DPMC has strong links with the private sector and with local government. We question whether these relationships are sufficiently developed, particularly with local government and businesses in Auckland, which will continue to dominate as the population and economic base of the country for the foreseeable future. SRG also needs to maintain strong links to local government and civil defence services throughout the country and in each of our main cities in particular.

We observe that at present DPMC may be a little short of private sector experience. We wonder whether there is scope for a more active secondment programme of rising stars from the private sector. Without them there is a risk that some of the policy advice provided may be insufficiently reflective of the private sector or local government implications of changes. It may also be seen as too 'Wellington-centric'.

Resilience

DPMC is a small agency with limited resources. This brings the risk that it has insufficient 'critical mass' or resilience to deliver at an optimum level. The debate is between having a highly skilled and responsive team of managers, advisors and analysts who necessarily must focus their efforts tightly on the task at hand, versus a larger team that could undertake more tasks but would need to work in a more structured and bureaucratic manner.

The clear balance of the advice we received was that small and nimble is best, but that DPMC should avail itself of opportunities to continue to establish separate working groups or project teams using secondees from other agencies as appropriate to address critical issues or major events. To make this style of operation effective, the Department must maintain strong networks to draw on a wide range of talent and expertise to solve complex problems fast.

Streamlining delivery

The interface between PAG and the Cabinet Office and the apparent potential for duplication of advice on Cabinet papers has also been raised as an issue. The two functions do serve different purposes. The PAG group provides the Prime Minister with tailored analysis and critical assessment of Cabinet papers, and the Cabinet Office provides all Ministers in Cabinet with an objective executive summary of the issues to be addressed and ensures that the recommendations for consideration are clear.

Nonetheless, we wonder whether efficiencies could be achieved by requiring the Departments who prepare cabinet papers to provide appropriately 'neutral' drafts of the cover note, for review and refinement by the Cabinet Office where required. This is an area where a concerted effort by DPMC, through a combination of skills from the Cabinet Office and PAG, could be applied to streamline this process. This has been proposed before but rejected by Government because of concern to ensure that impartiality is maintained. The implementation of CabNet should provide DPMC with a suitable opportunity to work with other agencies to upgrade their skills and thereby reduce the workload on the Cabinet Office.

Support of the Governor-General

DPMC must provide seamless support for the role and person of the Governor-General. The Governor-General Act 2010 introduced a new funding regime that came into effect for the term of the current Governor-General. The new regime must be effectively implemented, and assessed to ensure it is meeting its objectives and supporting the Governor-General to carry out his role and functions. The challenge for DPMC is to ensure that the public understands and values the role and function of the Governor-General as the representative of the Head of State and to support the Governor-General to undertake this role effectively. This extends to responsibility for the maintenance and operation of the Government houses in Wellington and Auckland, recognising that these public facilities are also the home of the Governor-General's family.

Intelligence sector leadership

DPMC's involvement in this sector has expanded significantly in recent years as it was realised greater attention needed to be paid to coordination of New Zealand's intelligence community and New Zealand's response to security threats such as cyber attacks and international crime. Currently, DPMC's role is setting intelligence policy and coordinating the response to emerging security issues and threats. It would be fair to say that this role is evolving. Although there have been some early successes in facilitating more cooperation within the wider intelligence community, the whole area of activity is comparatively new to DPMC, and it is under-resourced.

The challenge is for DPMC to consolidate the current coordination structures and processes in the sector to ensure that priority activities are appropriately resourced and delivered by the responsible agencies. In this regard DPMC must work collaboratively with the intelligence community to achieve more effective policy development and to ensure appropriate coordination and leadership of the roles and responsibilities of all agencies within the wider community including the border security agencies, New Zealand Police, the Ministry of Foreign Affairs and Trade, the Ministry of Defence and the New Zealand Defence Force.

Emergency response

SRG's challenge is to ensure that there is adequate capability and capacity within the national security system. National emergency preparedness must include developing the competency to both mitigate and manage risk in new threat areas and testing the system to ensure there is adequate

capacity to cope with national emergencies. This includes making sure that future risks are understood, response scenarios are developed, appropriate governance is in place and roles and responsibilities are clear. We suggest that this could include further refinement and rationalisation of the Officials Committee for Domestic and External Security Coordination (ODESC) structures so they are targeted to deal with specific risks and responsibilities.

Participation in the Corporate Centre

DPMC is part of the 'Corporate Centre' of the State Services (in association with the Treasury and SSC). This places DPMC, and particularly its Chief Executive, in a leadership role where, with other central agencies, it is expected to set the operational tone and style of the entire State Services and the priorities for achieving this. The concept of the Corporate Centre is not entirely new but the current Chief Executives of the three central agencies are agreed that they must deliver greater coherence and consistency in their actions if the State Services are to lift performance. This approach has been endorsed by Cabinet and follows from the recommendations of the Better Public Services Advisory Group Report (the BPS reforms). It will be reinforced by legislative changes to the State Sector Act 1988 currently before the House and scheduled for implementation this year.

The creation of an effective Corporate Centre is still a work in progress. It is the responsibility of all three of the central agencies, led by the State Services Commissioner as Head of State Services (HoSS). They must ensure that all three agencies are aligned with, and committed to, the proposed change programmes. They must speak publicly with one voice and demonstrate strong and collective ownership and accountability for delivering better services through the BPS reforms. The Corporate Centre Executive Board and the respective leadership teams need to be 'joined at the hip' as the changes are implemented.

The role of DPMC in delivery of the Government's BPS reforms through the Corporate Centre requires a new way of working. All stakeholders regard DPMC's role as critical to achievement of the BPS objectives and delivery of government priorities. DPMC's Chief Executive is a member of the Executive Board, along with the Secretary to the Treasury, and is effectively a Deputy HoSS. The PAG team has an important role in providing system, sector and agency advice and assurance. DPMC is seen as a pivot. Its direct link with the Prime Minister and Cabinet provides influence and authority for the State Services, while providing assurance for the Prime Minister and Cabinet in return.

Within DPMC, PAG has the most involvement with, and responsibility for, corporate centre functions. This does not mean PAG must itself implement the BPS changes – it has insufficient resources for that - but it must provide the leadership across the system so that other agencies are cajoled into improving their performance and delivering the necessary changes. DPMC must work in close collaboration with the Treasury and SSC, who must provide the delivery functions of the Corporate Centre. DPMC must use its capabilities of critical analysis and effective networking and the unique advantage of its position at the centre of government and proximity to Ministers to deliver the leadership and leverage the changes referred to above will need.

FUTURE STATE: THE FOUR-YEAR EXCELLENCE HORIZON

Environment

DPMC describes its overarching purpose as “to support a system of executive government that is trusted and acknowledged for its integrity, service, resilience and high ethical standards”. Integral to this purpose is the role it must play in the implementation of the State Sector reforms needed to deliver better public services, which are central to achieving a desired future state for not only DPMC but for the wider State Services. Its role is to lead and model the changes that are necessary to meet the most challenging international economic environment New Zealand has faced in a generation.

DPMC’s priorities over the next four years will inevitably be strongly influenced by the policy priorities of the Prime Minister and the Cabinet. To deliver on these expectations the Department must remain responsive and flexible, while developing a more robust infrastructure and resilience to maintain high standards of performance. DPMC must also maintain a broader perspective to ensure that the State Services are best placed to ensure that New Zealand endures as a ‘most resilient and respected democracy’. This stewardship role is paramount.

The central agencies must be seen to act in a strong and coordinated manner leading the State Services agencies to deliver better performance which is reflected in achieved results. Namely - better public services for less cost, so that New Zealand is a place where its residents can live and prosper and is seen internationally as a ‘domicile of choice’. Some moves towards this goal have already been taken, including the establishment of the Corporate Centre and the Performance Hub within it. But much more must be achieved. The Corporate Centre must be recognised as providing stewardship, direction and guidance that is valued by both the Government and the agencies it leads. This requires combining the advantages DPMC brings, through its proximity to the Prime Minister and Cabinet, with the capacity and reach of the Treasury and SSC into the State Services agencies through the budget and performance management processes.

DPMC starts from a relatively strong position, as it is well respected and seen as a problem-solving organisation that tackles difficult issues well, with a whole-of-government rather than a single Department view. However, its pivotal role in the triumvirate leading better public services is not yet established. In particular, there remains some doubt about the ability of the three central agencies to provide a united voice at all organisational levels – not just at the top.

Operating Model

In four years’ time DPMC will have implemented some fundamental changes so that it becomes a robust and resilient agency providing outstanding stewardship in its role as leader of the public services as well as delivering excellent policy advice and support to the Prime Minister, the Governor-General and the Cabinet. This includes further work to develop its capacity to match its functions.

DPMC will work more efficiently and effectively through modern systems and the provision of high quality corporate support services by CASS. Information management systems will be fit for purpose and secure. These systems will enable DPMC to resolve its resilience risks, to develop a more robust infrastructure to support the dynamic nature of the working environment and to be more productive. Specifically, CASS will have proved its value to DPMC and its roles will have been extended into the delivery of other support functions, such as communications and legal services.

SLT must drive delivery and for this purpose we recommend that the structure of the Department be reshaped to provide more cohesion and a unified whole. We recognise that this is challenging due to the small size and diverse nature of DPMC's roles. In light of the significant increase in the demands of the security and intelligence sector, consideration should be given to the appointment of a Deputy Chief Executive, with specific responsibility for the security and intelligence functions of DPMC. In addition, continuing to include the Director of CASS as a member of SLT will be useful to ensure effective alignment of the support services with the business requirements of DPMC.

We suggest the Department could comprise three functional groupings:

- *Constitutional*: The Cabinet Office (including the Honours Unit) and Government House.
- *Assessment and Advisory*: PAG, including DPMC's role in the Corporate Centre and NAB, which will work in both this and the Security and Intelligence group.
- *Security and Intelligence*: Comprising SRG, ICG, the Cyber Policy Office and, where appropriate, NAB.

These business units would be supported by the Office of the Chief Executive and CASS.

DPMC would retain its 'small and nimble' characteristics but it would be robust and resilient and include a strategic function either within the Assessment and Advisory group - or within the Corporate Centre (on behalf of all three central agencies).

Corporate Centre

In four years' time BPS will be part of the normal operating environment for all of the State Services. The three central agencies will act as the Corporate Centre and speak with one voice, acting as the coach rather than as the referee or as opinionated bystanders. The Corporate Centre will reflect a unified way of operating. The central agencies will be active participants rather than passive observers in a system that focuses on results for New Zealand. For DPMC this means, in addition to the roles it currently fulfils, it must focus on longer-term stewardship to lift the quality of policy advice across the State Services and on modelling the culture and behaviours required for delivery of BPS.

Patsy Reddy
Lead Reviewer

Garry Wilson
Lead Reviewer

CENTRAL AGENCIES' OVERVIEW

DPMC supports New Zealand's system of executive government through its support for the Prime Minister, Cabinet, and the Governor-General. It plays a vital role in coordinating New Zealand's security and intelligence agencies, and in the identification of, and response to, national security risks.

DPMC is the second of the three central agencies to undergo a PIF Review (the Treasury's PIF was published in 2011 and SSC's PIF will be published later this year). The Report provides a helpful discussion of DPMC's role as part the Corporate Centre for New Zealand's State Services and of opportunities to increase the Corporate Centre's effectiveness overall.

This Review recognises the significant assets DPMC brings to the public sector, including high quality staff, robust advice that has earned the confidence of successive Prime Ministers and other Ministers and a view that goes beyond immediate issues to provide a strategic perspective. PAG's recruitment approach provides skill and career development opportunities that support the wider public and private sectors.

DPMC has increased its leadership role in New Zealand's Intelligence Community and its priority now is to drive this sector to ensure appropriate coordination and to rebuild the public's trust. The upcoming PIF Review of the intelligence community will assist in this area.

DPMC is both a part-owner and client of CASS and has a key role in the Corporate Centre as a facilitator and influencer in relation to the system as a whole and in relation to Ministers. DPMC, together with the Treasury and SSC, not only has the opportunity to play its part in the here and now but also actively engage in the ongoing development of the Corporate Centre.

This PIF Review confirms that DPMC is a high-performing department, well regarded by its stakeholders. The Review also identifies key challenges and risks for DPMC as it seeks to maintain its high standards – particularly the need to ensure its strong performance is underpinned by greater organisational resilience and fit-for-purpose systems and infrastructure. DPMC's Agency Response lays out a plan to address the challenges identified and some measures are already underway.

As colleague agencies in the Corporate Centre, the Treasury and SSC are committed to continuing to support DPMC in its response to the challenges and opportunities it faces, in particular, through continued bedding-in of CASS, joint support of the BPS programme, and continued development of the Corporate Centre.

Iain Rennie
State Services Commissioner

Gabriel Makhoul
Secretary to the Treasury

Geoff Dangerfield
Chief Executive, NZ Transport
Agency¹

¹ Geoff Dangerfield participated in the Central Agency Chief Executives' discussion of DPMC, to provide an additional independent perspective.

SUMMARY OF RATINGS

Results

GOVERNMENT PRIORITIES	RATING
1. Decision Making by the Prime Minister and Cabinet is well supported	
2. Executive Government is well conducted and continues in accordance with accepted conventions and practices	
3. The Governor-General is appropriately advised and supported in undertaking his constitutional, ceremonial and community leadership roles	
4. The national security priorities and intelligence system are well led, co-ordinated and managed	
5. Work with Treasury and SSC to provide central agency leadership	

CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
1. Policy advice and secretariat and co-ordination services		
2. Support services to the Governor-General and maintenance of the residence		
3. Intelligence and national security priorities		

Rating System

 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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Organisational Management

LEADERSHIP, DIRECTION AND DELIVERY	RATING
Purpose, Vision and Strategy	
Leadership and Governance	
Values, Behaviour and Culture	
Structure, Roles and Responsibilities	
Review	

EXTERNAL RELATIONSHIPS	RATING
Engagement with the Minister(s)	
Sector Contribution	
Collaboration and Partnerships with Stakeholders	
Experiences of the Public	

PEOPLE DEVELOPMENT	RATING
Leadership and Workforce Development	
Management of People Performance	
Engagement with Staff	

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Improving Efficiency and Effectiveness	
Financial Management	
Risk Management	

Rating System

 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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AGENCY CONTEXT

Purpose

DPMC's overarching purpose is to support a system of executive government that is trusted and acknowledged for its integrity, service, resilience and high ethical standards.

It exists to support New Zealand's Head of State and Governor-General in the conduct of their responsibilities, and the effective conduct of executive government by the Prime Minister and members of the Cabinet. It provides a broad range of outputs: policy advice and secretariat and coordination services: support services to the Governor-General and maintenance of the official residences: intelligence coordination and national security priorities.

DPMC was established in January 1990 following a review that recommended structures to provide two separate streams of advice to the Prime Minister: one, a new government Department to supply impartial, high quality advice and support to the Prime Minister and Cabinet (DPMC), and another, a Prime Minister's Private Office (which is not part of DPMC) to provide personal support and media services, and advice of a party political nature. The Cabinet Office became a unit within DPMC, with its head, the Secretary of the Cabinet and Clerk of the Executive Council, responsible directly to the Prime Minister and Governor-General for carrying out the functions of that position.

In 1991, the External Assessments Bureau moved to DPMC. In 2010, after a review of the intelligence agencies, SRG and ICG were set up. The External Assessments Bureau EAB was renamed NAB. In mid 2012 the National Cyber Policy Office was established.

Earlier that year the corporate support functions were subsumed into CASS, housed within the Treasury. CASS delivers the IT, IM, HR and Finance functions to all the central agencies.

DPMC is a small agency of 112 full-time-equivalent staff (in 2012/13), organised into seven business units:

- **Government House:** provides administrative and support services for the Governor-General to enable him to carry out the functions of the office and to maintain the official residence and grounds in Wellington, as well as the smaller Government House in Auckland.
- **Cabinet Office:** acts as a 'Government secretariat' that provides impartial support to central government decision-making processes. It advises the Governor-General, the Prime Minister and other Ministers on certain constitutional, policy and procedural matters, assists in the coordination of the Government's legislation programme, administers the New Zealand Royal Honours System and acts as a communication channel between the Governor-General and the Government (with responsibility for the policy and administration of Government House).
- **PAG:** provides free and frank advice on all items of government business, including issues of the day directly to the Prime Minister and, on occasion, to other Ministers; contributes to policy development across the full range of government issues, and supports the Prime Minister in all Cabinet Committees; from time to time leads policy projects specially commissioned by the Prime Minister to 'cut through' on issues of significance.
- **NAB:** provides assessments to the Prime Minister, other Ministers, senior officials and New Zealand's diplomatic missions abroad, on events and developments that bear on New Zealand's interests, especially in regard to national security matters.

- ICG (including the National Cyber Policy Office): leads and coordinates the intelligence community agencies for requirements, priority setting, risk management and functional performance reporting; coordinates the New Zealand intelligence community's overall relationships with foreign partners; leads the development of cyber security policy advice for government and advises on investing government resources in cyber security activities.
- SRG: coordinates and provides leadership on a range of strategies, policies and operations for strengthening national security and stability.
- Office of the Chief Executive.

Its Chief Executive is Andrew Kibblewhite who took up the post in 2012 following Sir Maarten Wevers' departure. Sir Maarten had been Chief Executive since 2004.

Priorities

The Department's priorities are, by necessity, determined by the policy priorities of the Prime Minister and the government of the day. DPMC must be prepared, accordingly, to adjust its work programmes to reflect the particular needs of the Prime Minister, as the leader of the Government.

DPMC will continue to be required to undertake a broad range of tasks in support of effective government and building national resilience.

The Department's key objectives are:

- *Decision-making by the Prime Minister and Cabinet is well informed and supported.* DPMC supports the Prime Minister and Ministers by ensuring they receive timely, high quality and coordinated advice that enables them to carry out the Government's business in an effective manner. Secretariat services for the Cabinet and its committees are provided in an impartial, accurate and timely manner.
- *Executive government is well conducted and continues in accordance with accepted conventions and practices.* DPMC provides advice to the Governor-General, the Prime Minister and Ministers on the constitutional issues and procedures that support the conduct and continuity of executive government. The Department ensures that constitutional procedures such as the appointment of Ministers are well managed and administered correctly: and it provides policy advice on constitutional issues that have implications for executive government.
- *The Governor-General is appropriately advised and supported in undertaking his constitutional, ceremonial and community leadership roles.* As the representative of the Head of State, the Governor-General requires high quality advice and support. The Clerk of the Executive Council and the Official Secretary support the Governor-General in undertaking his constitutional, ceremonial, international and community leadership roles.
- *The intelligence system and national security priorities are well led coordinated and managed.* DPMC has a sector lead role in the security and intelligence sectors. The Department continues to support the Domestic and External Security (DES) cabinet committee. It chairs ODESC so that it is an effective vehicle for managing national security risks and provides coordinated advice to Ministers. While agencies have made a lot of progress in collaborative working, DPMC (as the security sector lead) must keep up the momentum and take a sector-wide view of resources. It will also be focused over the next four years on ensuring a more trusted, integrated and customer-oriented intelligence community.

- *State services performance is improved.* With the Treasury and SSC, DPMC is part of the 'Corporate Centre' for the State Services. In this capacity, DPMC has a key leadership role in supporting HoSS, supporting the implementation of the BPS initiative, and supporting the achievement of the Government's four priorities and the Prime Minister's Results for New Zealand.

Of the Corporate Centre agencies, DPMC has the closest day-to-day relationship with the Prime Minister and his office and is in a key position to ensure that the State Services are well attuned to the Prime Minister's top policy priorities. The Corporate Centre is still evolving, and DPMC has a key role in gaining support and understanding of it among Ministers, State Services chief executives, and other key stakeholders

Funding

The DPMC funding model for its core functions has not changed over a number of years. It has received some additional funding over the last four years to deliver on additional intelligence sector functions and for the restoration of Government House. To address rising cost pressures in accommodation and other fixed costs, however, DPMC has progressively reduced its corporate service functions and staffing levels in delivery business units.

Baseline profile – October Baseline Update 2012	2012/13 \$m	2013/14 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m
Operating expenditure – departmental	20.314	18.458	18.408	18.408	18.408
Operating expenditure – non-departmental	4.266	3.548	3.548	3.548	3.548

In 2012/13 approximately 38% of the budget will be expended in intelligence coordination and national security priorities, 21 % on support services to the Governor-General and the maintenance of official residences, 21 % on support, secretariat and coordination services, 18 % in providing policy advice to the Prime Minister and Cabinet and 2% supporting the science advisory committee.

Central agency shared services represent 10% of the total operating expenditure. Just over 60% is expended on workforce costs, mostly salaries. Recruitment, staff training and conference attendance accounted for less than 2% of workforce costs in 2012.

RESULTS SECTION

Part One: Delivery of Government Priorities

This section reviews the agency’s ability to deliver on its strategic priorities agreed with the Government. While the questions guide Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

Government priority 1 – Decision Making by the Prime Minister and Cabinet is well supported	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p> <p>Providing support to the Prime Minister and Cabinet is DPMC’s principal function. Through the PAG it provides a continuous flow of advice to the Prime Minister on all major issues and also provides leadership in focusing agencies to support the Government’s priorities. DPMC also has a role in assuring the consistency and quality of policy advice across government and leading multi-agency policy initiatives that have a high priority for the Government, such as youth mental health, Canterbury earthquake recovery policy and developing a methamphetamine action plan. Advice given to the Prime Minister by PAG is produced very rapidly. It is primarily responsive to the issues raised by agencies or the Prime Minister and is of uniformly high quality.</p> <p>Through the Cabinet Office, DPMC provides a secretariat to support decision-making by the Cabinet and its committees. The Cabinet Office provides impartial cover notes for every Cabinet paper, including a précis of the paper and the recommendations for Ministers’ consideration, plus briefing notes on procedural matters for the Prime Minister or committee chair.</p> <p>NAB provides assessments to the Prime Minister and selected other Ministers on events and trends which affect New Zealand’s security and external interests.</p> <p>Overall, this work is well regarded by the key stakeholders who have a high level of confidence in DPMC and the capabilities of its staff. It is seen as professional and is valued for taking a whole-of-government, rather than single department view.</p> <p>DPMC also performs other less well recognised roles:</p> <ul style="list-style-type: none"> As one of the three central agencies, DPMC, through PAG, has a central role in developing and implementing BPS initiatives. DPMC’s role has been described as helping to eliminate any administrative or operational road blocks in the way of sensible progress. It also plays a key role in ensuring that the BPS initiatives are aligned to the Government’s targets and, in conjunction with its partners, that progress is effective. <p style="text-align: right;">Contd...</p>

	<ul style="list-style-type: none"> • SRG co-ordinates multi-agency responses to emergencies and security threats and PAG leads work on current issues of concern for government. For example, SRG had a lead role overseeing the emergency responses to the Canterbury earthquakes. • ICG and SRG are responsible for leading and coordinating New Zealand’s national security and intelligence sector. This is a complex task, given the multiplicity of agencies that contribute (not just the obvious security agencies, but also agencies such as Ministry of Defence, New Zealand Police, New Zealand Customs Service, and Ministry of Business, Innovation and Employment). Additionally, the Cyber Policy Office has a role to help ensure New Zealand is adequately equipped to respond appropriately to new threats in cyber security. <p>Perhaps the biggest challenge facing DPMC is to identify future pressures New Zealand is likely to face and to think strategically about how to ensure that the Prime Minister and Cabinet are adequately prepared to cope with them DPMC analysts and advisors must find space in the course of dealing with immediate issues to think about the future, and this is not always possible.</p> <p>Some steps have been taken. For example, SRG has commenced working on a comprehensive National Security Strategy, which looks beyond the immediate landscape to future issues and challenges. The Chief Executive has also established a special working group using seconded skills from MFAT to develop a long-term perspective on China, to bring a cross-government lens to look at what New Zealand needs to do to prepare itself for the impact of China over the next twenty years. While this project is recognition of the need for a longer strategic view, we are not convinced this topic by topic approach is sufficient. As commented previously, this need for a future focus, although particularly relevant to PAG and the Security and Intelligence groups, is a challenge across DPMC more generally.</p>
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Government priority 2 – Executive Government is well conducted and continues in accordance with accepted conventions and practices

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p> <p>Executive Government comprises the functions of the Governor-General, the Prime Minister, other Ministers and the Public Service. DPMC plays a pivotal role in ensuring all aspects of Executive Government are well conducted and is widely regarded as adding value to the process.</p> <p>The Cabinet Office is responsible for supporting central government decision-making by acting as an impartial secretariat to preserve and distribute Cabinet and Cabinet Committee records and decisions. It also supports the functions of the Executive Council and provides advice to the Governor-General, Prime Minister and other Ministers on constitutional, policy and procedural issues. Stakeholders are universally impressed with the Cabinet Office’s professional approach and delivery. They regard the staff as very helpful; pro-actively providing valuable advice in neutral and confidential ways.</p> <p style="text-align: right;">Contd...</p>
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	<p>The Cabinet Office has codified most of these constitutional arrangements in a comprehensive Cabinet Manual. This Manual is regarded as international best practice and was used by the UK Government as the model for its first manual in 2011. The transition of government administrations in 2008 and 2011, the appointment of new Ministers, establishing ministerial appointments in and outside Cabinet and the change of Governor-General have all been handled efficiently and smoothly, as was the management of the caretaker arrangements in the periods surrounding each election.</p> <p>An area for further improvement by DPMC is in educating agencies on the requirements and standards expected in preparation of Cabinet papers, not only in format but also in policy content so that Cabinet decision making is effectively supported. As noted above, this is an opportunity for more collaboration between the different business units in DPMC to raise the standard of the policy advice, as well as the means by which it is delivered.</p> <p>We also see scope for the Cabinet Office to require agencies to provide neutral drafts of the cover papers for the papers they prepare. This should streamline the process for delivery of papers and, once implemented, reduce the workload of the Cabinet Office staff. The successful introduction of the CabNet system (referred to in more detail later in this report) is essential to achieving efficiencies, reducing risk and being more effective through modernising management of Cabinet papers.</p>
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Government priority 3 – The Governor-General is appropriately advised and supported in undertaking his constitutional, ceremonial and community leadership roles

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>The Governor-General is the representative of the Head of State, the Queen of New Zealand. In carrying out these functions, the Governor-General requires expert advice and support. The Clerk of the Executive Council (the Secretary to the Cabinet) and the Official Secretary to the Governor-General support him in undertaking his constitutional, ceremonial, international and community roles. These services are highly regarded and well delivered.</p> <p>DPMC is also responsible for the maintenance of the Government House buildings and gardens. The recent refurbishment and conservation of Government House in Wellington was completed within budget and ahead of schedule and has received awards for excellence in heritage conservation. The completion of the new Visitor Centre as a Jubilee gift for the Queen was also well managed. It will be necessary to ensure that the maintenance and depreciation of these facilities is properly funded into the future.</p> <p style="text-align: right;">Contd...</p>
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	<p>The current Governor-General has developed a strategic plan to set the direction and establish his priorities for his term of office. It is a working document that is a practical reference point for the Governor-General and Government House programme staff. It identifies the key priorities and establishes principles for assessing initiatives or invitations. It provides an excellent guide for decisions about the Governor-General’s priorities and we wonder whether a summary might be provided for public information via the Governor-General’s website. This would be a useful guide to inform the public about the nature of the role and would assist in understanding the importance and value of the role to New Zealand.</p> <p>DPMC’s performance is strong in the ceremonial environment but we noted some concern about the management of certain operational aspects of the Governor-General’s role. In addition, some unintended consequences arising from the implementation of the Governor-General Act 2010 are as yet unresolved, although they are being worked on.</p> <p>Through the Honours Unit, DPMC provides support for the administration of the Royal Honours system. In recent years, steps have been taken to identify areas for improvement and it is pleasing to see good progress has been made in implementing better processes and systems.</p>
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Government priority 4 – The national security priorities and intelligence system are well led, co-ordinated and managed

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p><i>A PIF Review of the intelligence and security agencies will be undertaken later this year and the related functions of DPMC will also be covered. Accordingly, this Review does not cover these areas in detail.</i></p> <p>This role is a major one for DPMC and has assumed greater significance in recent times, with the changing geo-political environment and the advent of new risks to national security, such as cyber-crime. In addition, dealing with the Government’s response to the Christchurch earthquakes placed exceptional demands on DPMC’s resources.</p> <p>Following the Murdoch Review of the Security and Intelligence Community in 2010, DPMC implemented a number of changes to deal with this Government priority and this resulted in significant additional resourcing. This included the establishment of ICG as a new business unit and the renaming and refocusing of the Domestic and External Security Group to SRG. Last year the National Cyber Policy Office was established within DPMC, reporting to the Director of ICG. The mandate of NAB has also been redefined and expanded.</p> <p style="text-align: right;">Contd...</p>
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	<p>The national security system is established through DES and ODESC, which comprises the chief executives of agencies with security responsibilities. Sub-committees of ODESC have been established to deal with particular types of security risks - ODESC (I) comprises the chief executives of the intelligence community and ODESC (G) oversees the governance of intelligence activities. 'Watch Groups' are also established from time to time to deal with particular issues and risks, such as people smuggling. ODESC is chaired by the Chief Executive of DPMC and is supported by SRG (for security purposes) and ICG (for intelligence purposes).</p> <p>Normally, ODESC is focused on the routine business of monitoring national security risks and emergency planning but the national security system has been tested in recent years. ODESC oversaw and managed the Government's response to the Christchurch earthquakes in 2011. DPMC, through its leadership of ODESC, took a central and 'hands-on' role. This role is considered by affected parties and other participants to have been well handled and effective. The general consensus is that the system coped well at a national level, through the operation of ODESC.</p> <p>While ODESC has proved to be effective in times of significant crisis and emergency, there is some criticism of the way it operates in a 'business-as-usual' environment. We suggest the committee is too big to engender meaningful engagement by all of the members. There is a risk that busy chief executives will too frequently delegate their attendance because they do not see it as an immediate priority. The subcommittees and watch groups are considered more effective because they are dedicated to specific issues.</p> <p>In October 2012 as part of its responsibility for sector leadership for the New Zealand Intelligence Community (NZIC), DPMC seconded the Cabinet Secretary, Rebecca Kitteridge, to be Associate Director of GCSB to undertake a compliance review. This followed concerns about legal compliance within GCSB. This report was published in April 2013. It contains a number of recommendations for change within GCSB in the context of "significant, ongoing efforts to improve the performance of the NZIC as a whole" and notes that ODESC should take an interest in the PIF Review of the intelligence agencies (and related aspects of DPMC) planned for later this year. We would expect ODESC to do so.</p> <p>It is clear that DPMC has grasped the nettle in implementing the restructuring recommended in the Murdoch Review and that substantial progress has already been achieved. NZIC is working together more effectively, with co-location, shared services and shared budgeting for the two principal intelligence agencies. Consideration is being given to extending these shared services to include DPMC. Increased collaboration and coordination of NZIC has been ably led by ICG, and has made a significant improvement to the overall management of the sector. SRG has also had a positive impact on the national coordination and planning for national security risks and natural disasters.</p> <p style="text-align: right;">Contd...</p>
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	<p>However, because the global environment has changed, the security risks facing New Zealand are now far more challenging and demand even more focus by DPMC. We understand that the Chief Executive is considering the merits of reorganising the ODESC structure to incorporate the security agencies more formally in a security and intelligence sector. This may require providing the Chief Executive with more explicit powers of oversight over agencies and functions dealing with the external security risks in addition to the intelligence coordination role.</p> <p>DPMC will need to tighten processes and increase resources in some key areas, eg, developing and coordination of cyber policy). DPMC has recognised its current structure and resources are not sufficient to enable it to achieve a strong rating for this Government priority. Moreover, it should move to improve coordination of security and intelligence activities through more assertive leadership. We deal with these issues under the Core Business section.</p>
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Government priority 5 – Work with the Treasury and State Services Commission to provide central agency leadership

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>As a consequence of the public management reforms of the late 1980s and early 1990s, the Public Service agencies in New Zealand moved away from a centralised approach and chief executives were given more discretion over their own business processes. Strong centrally prescribed policies were removed and individual chief executives were made directly accountable for the operation of their own agencies. Chief executives have had a much higher degree of operational autonomy than their counterparts in other countries. This direct accountability has been recognised as a valuable feature of our State Services.</p> <p>However, the challenges of New Zealand’s social and economic issues have brought the added costs of this system into focus. New Zealand’s State Services are relatively small and the Better Public Services Advisory Group Report concluded that a consequence of having so many small autonomous agencies has been a lack of economies of scale, resulting in higher back-office costs and incompatible systems. Similarly, the large number of small independent agencies has made it difficult for the Government to achieve efficiencies of scale and even to assess whether the agencies are operating efficiently or effectively. It has slowed down the ability to achieve cross-sector results making it more difficult to deliver the outcomes New Zealanders are entitled to expect.</p> <p style="text-align: right;">Contd...</p>
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	<p>The BPS Report called for stronger system-oriented leadership from the three central agencies to initiate, expedite and, where needed, impose a system-wide response from the Public Service. This recommendation was adopted by the Government. The Corporate Centre is the means by which the three central agencies are delivering this leadership.</p> <p>The Corporate Centre concept has similarities with the model of a large conglomerate or head office where all the subsidiaries have to work together to deliver benefits for their customers and stakeholders. A group head office ensures that all of the subsidiaries have a clear purpose and strategy that these are synergistic and, where possible, shared. It also builds leadership capability across the group, ensures common policies and practices to protect brand reputation and integrity of the system, shares or integrates services and activities where there are benefits from scale and reach, and manages investment flows and financial policy. In a top performing corporate group the head office also acts as the system-wide coach in developing skills, setting expectations and monitoring performance.</p> <p>While the Corporate Centre is much more formal and focused than previous collaboration models, the central agencies have worked together on many different projects over the last three years, including welfare and social sector reform, the Canterbury earthquake response, the development and operation of the PIF programme for assessing the performance of agencies, Four-year Plans, vulnerable children, the Te Puni Kōkiri review, priority agency assurance and setting chief executive priorities, to name a few.</p> <p>In addition, they have already worked together on some PS reforms. This is still a work in progress but there are some obvious gains emerging from initiatives such as the:</p> <ul style="list-style-type: none"> • amalgamation of a number of agencies and Departments such as the Ministry of Business Innovation and Employment, the Report identified that there are too many small agencies • establishment of a number of agency sector groupings each with a chief executive appointed as sector leader, to encourage joined-up responses to community problems and delivery of results, eg, the grouping of Justice, Corrections and Police • appointment of functional leaders to establish system-wide functional leadership of activities such as IT, property and procurement • establishment of shared services across Departments. SSC, the Treasury and DPMC have a jointly managed central agency shared services function (CASS). <p style="text-align: right;">Contd...</p>
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We have seen copies of detailed analysis and well articulated policy frameworks setting out the Corporate Centre's functions and how each of the agencies participates in it. In March 2013 the Cabinet validated and reinforced the model by acknowledging that the foundations for delivery of the BPS reform agenda have been established. Cabinet provided seed funding to speed up the implementation of projects required to support the delivery of the Government's ten Result areas and the functional leaders' initiatives.

On the other hand, we have been surprised at the level of scepticism and doubt expressed by many stakeholders, internal and external. Many of the people we interviewed expressed doubts about whether the Corporate Centre concept would work and would have the capability to facilitate the sweeping changes needed to the way the State Services operate. A common complaint was that the strategic direction has been articulated but there has been little progress in delivery or implementation. Most chief executives expressed a willingness – or even desire – to see the central agencies take a more directive role in leading the State Services, but then questioned whether this would be achieved. A common view was that the programme had been 'over-processed' and 'under-implemented' and that the central agencies now needed to 'get on with it'. This is in part because the culture and mind-set shifts needed to make the Corporate Centre work are not yet seen as fully accepted or adopted in the three central agencies, including DPMC.

A common criticism was that the process of agreeing to CASS had been a very poor model for the ability of the central agencies to work together and to get things done. Many chief executives considered that it took too long to set up and there had been a lot of 'noise' for the size of the potential benefits.

Our observation was that the evolution of the Corporate Centre itself has been too slow and unconvincing. This view is held both by external stakeholders and internally by some managers in the central agencies. We did see a common vision between the three chief executives and indeed the creation of the Performance Hub, with dedicated policy analyst resource is an illustration of the implementation of their intentions. While there is now an evident sense of energy and determination within the three central agencies that the Corporate Centre will make a positive impact and will deliver on its expectations, there is still much to achieve.

The challenge for the central agencies, including DPMC will be to realise the gains that are expected of BPS. Agencies are looking for support, Ministers and all New Zealanders are looking for better public services, delivered more flexibly and speedily and providing greater value for money. Those engaged in the State Services need an environment that enables them to do the best job they can and assurance that they are delivering what is expected of them. Excellence will see the agencies actually deliver these gains.

In an Independent Quality Assurance report delivered in December 2012, Ernst and Young concluded that *"the senior leaders of the public sector need to increase their ownership and leadership of better public services: they and they alone are the ones that can lead this change"*.

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	<p>DPMC is recognised as crucial to the success of this Government priority. It is seen as best placed to act as a ‘bridge’ between the Executive Government, particularly the Prime Minister, and the State Services. DPMC’s proximity to the Prime Minister and the Cabinet is unique. It enables DPMC to understand the Government’s priorities and to reflect that understanding to the State Services. The Chief Executive of DPMC has a vital leadership role because of the natural authority of his office.</p> <p>We agree with Dr Murray Horn in his ‘Value for Money’ Report when he states that DPMC does not <i>“have the capacity or reach to deliver the results the government is seeking; effectively monitor performance; and take remedial action if ... agencies go off track. Treasury and SSC have these levers and DPMC needs to work ‘as one’ with its central agency colleagues to provide a full range of Corporate Centre capability and capacity in order to provide the Prime Minister and the Cabinet with the advice and assurance they need”</i>.</p> <p>We conclude this section by noting that we believe the Corporate Centre can succeed and that the foundations are there for it to happen. Importantly, the three central agencies are determined to deliver. However, they will need to do a much more effective job in engaging with agency chief executives and communicating what they are doing. They also need to be seen to be ‘doing’ not just defining what they will do. Their implementation and review plans will need to be dynamic and demonstrably rigorous. To date they have not invested sufficiently in winning over the hearts and minds of the people whose actions will ultimately determine the Corporate Centre’s success.</p>
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RESULTS SECTION

Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. While the questions guide Lead Reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

We have found it difficult to differentiate Government Priorities from Core Business. Accordingly, the two sections cover similar ground and should be read together.

Core business 1 – Policy advice and secretariat and co-ordination service	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Well placed</p> <p>DPMC has an excellent reputation for the work it does in meeting both the policy advice needs of the Prime Minister (non-political, independent, formal and professional) and as secretariat to Cabinet, Cabinet Committees and the Executive Council. Its ability to serve successive governments well, to handle transitions of governments and induction of Ministers and Governors-General has been exemplary.</p> <p>In the policy space this reputation has been earned as a result of PAG operating to a consistently high standard. As noted earlier, the unit is relatively small, with 15 staff and a flat organisation structure. However, it responds quickly to deal with a myriad of issues that touch the Prime Minister and Cabinet. Members of the PAG team have excellent relationships within the State Services and can gain access to key players when required. They have an enviable reputation amongst their State Services colleagues for problem-solving. This reputation has been earned by the team’s abilities to bring a clear focus to issues across the agency boundaries, to help clear away organisational and bureaucratic obstructions and to assist the Government to achieve its policy objectives.</p> <p>The challenge for DPMC is to continue to provide consistently excellent and timely service, especially given the inevitable pressures created by day-to-day events. In addition, its quality assurance role in policy is as yet underdeveloped. DPMC should be the sector leader to raise the calibre of the policy advice provided to the Government. In his Review of Expenditure on Policy Advice in 2011, Dr Graham Scott described the quality of policy advice across the Public Service as variable and noted the lack of policy advice leadership. DPMC is able to co-ordinate the development of better quality policy advice across Departments and sectors to address the weaknesses noted by Dr. Scott in his Review. We suggest this is an area that needs more focus by the SLT, leveraging the strengths of the different parts of the Department to provide strong State Services leadership.</p> <p style="text-align: right;">Contd...</p>

During the process of this Review some criticisms were made regarding PAG’s apparently weaker engagement with key players external to government, eg, the larger private sector firms and local government. If DPMC is to achieve its full potential in providing advice to the Prime Minister, especially on emerging trends, opportunities and threats, a greater level of engagement beyond the Wellington beltway is needed. To be rated as strong in this area we would also expect to see greater attention paid to anticipating trends and issues and a wider level of engagement beyond core central government agencies.

DPMC attracts high performing staff but we wonder whether the agency has invested sufficiently in staff development, other than on-the-job skills transfer. We note later in this Report that there has been under-investment in DPMC’s infrastructure systems, computer systems, HR services, financial and information management systems. This issue is now being addressed through migration to shared services through CASS. We suspect DPMC achieves its consistently high stakeholder ratings in part through the achievements of the talented and dedicated individuals within the team, in spite of the gaps in the infrastructure supporting them.

There is debate as to whether the assessment and advisory business units should be small and nimble or larger and more structured (or bureaucratic). The risk with the former structure is that the demands can relatively easily exceed capacity. The clear preference, which we share, is that PAG remains around the current size but care is taken to ensure that advisors are not over-stretched and that the team is adequately resourced. Inevitably there will be ‘surges’, especially when there is a national emergency. We wonder whether it might be possible to maintain a group of PAG alumni who are able to be called on in times of need. The continued use of ‘interns’ (policy analysts with 2-6 years’ experience) and more senior executives with high potential seconded to DPMC for 6 -12 months may also provide some ‘surge’ capacity.

DPMC must not just respond to day-to-day priorities but be ‘in front of the curve’, testing issues that might confront the Government and the State Services in the future. Being responsive and effective is essential but ensuring that the Prime Minister is properly briefed on the longer-term issues and challenges is where DPMC can deliver additional value. The emphasis on the importance of stewardship is one of the foundations of the BPS programme.

The Cabinet Office will need to implement CabNet successfully, thereby realising the significant efficiencies that electronic interaction will bring for the State Services and the Government. This project and the steps we recommend to address the risks involved in implementing it, are referred to in more detail in the Information Management section of this Report. We note that attention has been given to ensuring that the project is well monitored and that roll-out risks of service failure are minimised.

DPMC’s efficiency in delivery of these services, and the other Core Businesses, is not specifically measured. However, data provided by a Benchmarking Administrative and Support Services (BASS) internal book exercise shows that DPMC has had low corporate overheads compared to other small government agencies and it consistently meets targets for timeliness of delivery.

Core business 2 – Support services to the Governor-General and maintenance of the residence	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Well placed</p> <p>DPMC supports the Governor-General to perform his constitutional, ceremonial, and community leadership roles as well as his Head of State role when he represents New Zealand internationally. In addition, DPMC is responsible for all functions and the operational aspects of Government House, including the maintenance and security of the properties in both Auckland and Wellington.</p> <p>In the constitutional area, the support provided by DPMC for the Governor-General is excellent. The Governor-General is well briefed on constitutional issues by the Cabinet Office and in presiding over the Executive Council he is well supported by the Clerk of the Executive Council.</p> <p>The support of the Governor-General in carrying out his ceremonial and representational roles requires a high degree of coordination not only of the Government House team but also the multiplicity of organisations that he deals with. He is keen to focus a good proportion of his time and efforts into community leadership activities that he believes will make a difference for New Zealanders, eg, the support and development of young people. The Governor-General has set his own goals and targets for his time in office by developing a strategic plan with the Government House leadership team which includes these objectives. Implementing it requires the staff to adapt to changing processes and different ways of delivering services and will greatly assist in future measurement of their overall effectiveness.</p> <p>As noted earlier, there are some concerns about the management of certain operational aspects of the Governor-General’s role. The Governor-General Act 2010 is being applied for the first time with the current Governor-General. Some unintended consequences arising from the implementation of the new legislation are as yet unresolved, although they are currently being worked on.</p> <p>It is important for DPMC to establish sensible working practices that meet the needs of the new legislation on the one hand, but which also ensure the Governor-General is fully informed and appropriately engaged in the decisions that impact his role. In addition to the operational aspects of the Governor-General’s activities and issues involving the expenditure of the operational budget, this also applies to decisions relating to security and the maintenance of the grounds and buildings at the Government Houses (where the decisions can impact on the Governor-General and his family).</p> <p style="text-align: right;">Contd...</p>

	<p>The Governor-General hosts a substantial number of functions each year. These are supported seamlessly and to a high standard. There are no specific efficiency measures we were able to observe, however the operation is very lean and may in fact be under-resourced. We understand that a comparable Government House overseas operates with around twice the staff and handles half as many guests.</p> <p>In previous years the facilities at both Government House residences were not adequately maintained and as a consequence had become badly rundown. DPMC has recognised, in its Four-year Plan, the need to adequately provide for maintenance and depreciation of the two Government House properties, now that they have been significantly upgraded and restored. Without such a provision there is a risk the buildings will not be able to be maintained to an adequate standard, having regard to their heritage status, and history will repeat itself.</p>
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Core business 3 – Intelligence and national security priorities

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Needing development Performance Rating (Efficiency): Needing development</p> <p><i>A PIF Review of the intelligence and security agencies will be undertaken later this year and the related functions of DPMC will also be covered. Accordingly this Review does not cover these areas in detail.</i></p> <p>DPMC plays a central role in the New Zealand security and intelligence community. This role stems from the need for the Prime Minister to have immediate oversight and understanding of the implications of any emergency or security issue of national significance.</p> <p>DPMC is responsible for a number of key functions:</p> <ul style="list-style-type: none"> • coordinating the New Zealand Government’s activities to enhance national security • providing advice and guidance on policies in the intelligence sector • overseeing the preparedness of New Zealand’s national security, and maintaining a watch on key threats and trends • producing intelligence assessments on subjects affecting New Zealand’s external interests. <p>DPMC is the sector lead for the intelligence agencies and, through the Director of ICG, has responsibility for coordinating the activities of the wider intelligence community. The Director’s role is a relatively new one and in a short space of time he has achieved significant improvements in coordination across the wider intelligence community. A good example is the work that has resulted in a joint Statement of Intent and Four-year Plan and consequently</p> <p style="text-align: right;">Contd...</p>
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a combined budget submission for the intelligence agencies. They are now better placed to work more effectively together. In addition, co-location of the three DPMC units with GCSB and SIS will contribute significantly to the efficiency of not only DPMC but the wider intelligence community.

The challenge for DPMC is to keep ahead of growing threats (often international). In the past, New Zealand could rely on distance to protect it from many threats but today faster travel and transport and especially improved electronic communications and global access to the internet, means threats are internationalised to a level never previously envisaged. DPMC has responded with its work in intelligence coordination and the creation of a new group to focus on cyber threats facing New Zealand. Both of these activities are new and currently under-resourced. DPMC agrees it will not be able to deliver fully in this area until these resourcing issues are resolved.

Addressing these issues is not simply a matter of additional funding. The skills needed to provide good analysis and policy advice are scarce, and the machinery of ensuring staff are appropriately cleared for access to the material and activities of intelligence prolongs the appointment processes. If DPMC is to improve its ability to assess and deal with the threat of new risks, eg, cyber crime, emphasis will need to be placed on building the skills of the team in these units. Working more closely with PAG could assist. Furthermore the public needs to be informed and understand the nature of and risk from these threats. DPMC has recognised this issue needs to be addressed and that it should take responsibility for developing a more effective communications strategy for national security.

We also observe that the Chief Executive's responsibilities for security and intelligence are large and growing. We suggest the appointment of a Deputy Chief Executive with responsibility for security and intelligence activities might be desirable to strengthen the linkages between the defence and intelligence agencies and provide the Prime Minister with an advice stream that more formally incorporates a national security perspective.

The provision of intelligence assessments is a key role of the 28 staff in the NAB team. Many of their assessments necessarily carry security ratings that severely limit the number of people who can legitimately access the material and analyses they provide. NAB has recently reviewed its business model and has sought to better use its resources to improve its effectiveness. However, while the quality of the advice and reports provided is undoubted, feedback from its stakeholders and NAB's own analysis indicates that further refinements would be desirable to ensure that analyses are better pitched to the needs of their recipients and delivered in a more timely fashion.

We suggest NAB should also work more closely with other analytical agencies to provide reports that have a wider currency and address issues with most relevance to the Government. This would widen the range of readers who can access and utilise its work and ensure more collaborative reporting with less risk of duplication and overlap.

ORGANISATIONAL MANAGEMENT SECTION

This section reviews the agency’s organisational management. The questions guide Lead Reviewers to current and future performance. Final judgements and ratings are informed by the scope and scale of the performance challenge.

Part One: Leadership, Direction and Delivery

<p>Purpose, Vision and Strategy</p> <p>How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders?</p> <p>How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>The general perception of DPMC is that it carries out the functions of PAG and the Cabinet Office. Both of these business units have well understood purposes and functions. However, DPMC is more than this, and although it seeks to articulate its purpose, vision and strategy in documents such as its SOI and Four-year Plan, there is no overarching vision statement.</p> <p>DPMC recognises in its Self-review that it has no systemic, whole-of-Department, approach to strategic planning. Budgets and business plans tend to be developed at a business unit level and the results reflect a collection of dissimilar business units operating under a convenient administrative banner. There is no plan connecting the Department’s role beyond delivering the five Government priorities, supporting the effective conduct of Executive Government and the Governor-General and coordinating the intelligence community. Indeed the Department’s Self-review states that SLT amends strategy and adjusts direction in response to the policy priorities of the Prime Minister and the government of the day. This is a business response – not a medium-to-longer-term vision or strategy.</p> <p>Developing a longer-term strategy, underpinned by an analytical framework, would enable DPMC to prioritise work and monitor progress. This would enable the Department to shift from a reactive approach to a pro-active one. At one level it is hard to see how a strategic plan can be developed that effectively deals with the diverse range of responsibilities and activities within DPMC, ranging from dealing with a change of government to a change of plantings on the driveway at Government House. The business units are disparate and it might be more sensible for strategic planning purposes to recognise these differences.</p> <p>Each of the business units has a clear sense of its purpose. The Cabinet Office, in particular, has a strategic plan, which is currently being updated. Government House also has a strategic plan, which was initiated by the Governor-General to cover his term in office.</p> <p style="text-align: right;">Contd...</p>

	<p>Overall, notwithstanding the lack of common vision, the staff in DPMC have a clear awareness of the values and behaviours expected of them, the importance of maintaining political neutrality and how they contribute to DPMC’s purpose. The challenge for SLT is to bring these dissimilar activities together in a coherent and sensible manner, recognising their differences but seeking, where relevant, to establish a more common approach and style, enabling proactive, longer-term strategic planning.</p> <p>DPMC is also an integral part of the Corporate Centre vision. Although its vision, goals and raison d’être have been set out, including a description of what the Corporate Centre needs to do to achieve these goals, this analysis is still at a high level and the roles of the agencies or individuals within them are not yet clearly defined. It needs to be completed to demonstrate to staff and stakeholders how these goals will be achieved. The challenge for DPMC (and for SSC and the Treasury) is to ensure its staff own this vision and model the culture and collaborative behaviour needed to deliver it.</p>
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<p>Leadership and Governance</p> <p>How well does the senior team provide collective leadership and direction to the agency?</p>

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>As noted above, DPMC has tended to operate as a holding company of groups engaged in quite disparate activities. The new Chief Executive has recently sought to develop an SLT rather than a senior management group working to implement the vision and direction set by the Chief Executive. SLT is intended to bring the Department together in a more cohesive way. To the extent that the members of SLT can share expertise and assist each other across the business units, they will succeed to add value to DPMC as a whole.</p> <p>There are signs that SLT is developing an increased ability to work together to provide collective leadership and direction. The members support the rationale for the change and agree that the business units should seek to work together to improve the overall outcomes for DPMC. During recent times of financial pressure the resources of the Department have been deployed across business units to best effect, with units assisting each other. A difficulty facing DPMC at present is that even taking this collaborative approach, it simply does not have adequate funding and resources to continue to support the Prime Minister and Cabinet and to lead the State Services in implementing the Government’s priorities to the level of excellence required. It must change what it does and how it does it, or find other ways to address the funding gap.</p> <p>A major goal for SLT is to promote a culture where the whole is greater than the sum of the parts and then to drive that culture through the Department. It will need to build on this shared vision and understanding and proactively seek to achieve a greater interchange of resources. This will result in an increased ability to work together more cohesively.</p> <p style="text-align: right;">Contd...</p>
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	SLT must firstly agree upon DPMC’s role in, and contribution to, the Corporate Centre and then convey this to staff, through their words and actions. It needs to show leadership to help staff to understand where and how they fit and to ensure they are engaged in setting expectations consistent with the vision.
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Values, Behaviour and Culture
 How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>DPMC staff are proud of their workplace and their roles. There is a strong organisational culture, a clear understanding of the importance of their role in government, a strong adherence to public sector values, professionalism and political neutrality. The stakeholder survey conducted by UMR in October 2012 records the high level of confidence stakeholders have in DPMC. The ability to problem-solve, take a whole-of-government view and remain apolitical are also identified as key strengths. Importantly, the Chief Executive and SLT demonstrate these values and celebrate the Department’s culture.</p> <p>The June 2012 Employee Climate and Engagement Survey reflects scores above the benchmark across all factors and significantly higher in ‘pride in workplace’ and ‘satisfaction with leadership’ measures. One of the highest rated elements was ‘values’. However, the scores on all culture measures have fallen since the previous survey in 2010. The reason for this is not clear to us but may be related to the impact of a number of recent organisational changes and the move to shared services through CASS, which had an initial disruptive impact. We would expect the culture survey measures to improve as the changes are bedded in and SLT becomes more established.</p> <p>If DPMC can establish a more cohesive senior leadership team model, demonstrably working as interdependent, rather than separate units, developing more cooperative and collaborative working relationships and interchanging skilled staff (and these are realistic goals), the joined-up nature of DPMC should be able to be more effectively demonstrated.</p> <p>DPMC’s values, behaviour and culture must be explicitly connected to those of BPS and the Corporate Centre. This should not be difficult, as we observe that in many ways these are already aligned, as DPMC has a record of effective engagement across agencies on issues of national significance.</p>
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Structure, Roles and Responsibilities

How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?

How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?

PERFORMANCE RATING



Performance Rating: **Needing development**

DPMC has a clear view of the Government’s priorities, which are reflected in the Department’s core business areas. Staff have been involved as these priorities have been developed and are involved in helping monitor progress against these goals. Similarly each business unit within DPMC has clear roles, responsibilities and accountabilities – even if interconnection points between business units are not immediately obvious.

The recent reorganisation of SRG and NAB and the establishment of ICG and the National Cyber Policy Office following the Murdoch Intelligence Agencies Review have enhanced DPMC’s ability to deliver its security and intelligence responsibilities. In particular, the creation of the role of Director of the Intelligence Co-ordination Group has strengthened DPMC’s leadership of the intelligence sector, enabling much greater cohesion and accountability. The sector is now working to a set of priorities agreed to by Cabinet. Each of the DPMC intelligence and security business units has a current business plan.

As noted earlier, there is a gap in DPMC’s ability to co-ordinate the wider security sector (of which the intelligence community is a part) and in addition to strengthening its resources, there may need to be more clarity provided in the Chief Executive’s responsibility and accountability in this area.

A review of the staffing structure at Government House has improved clarity of roles and the development of a strategic plan for the Governor-General has provided a vision, mission and identified values for that business unit. However, there is still room for improvement in monitoring performance and accountability.

As noted in the Four-year Excellence Horizon, some changes to the organisation structure may strengthen the ability of SLT to meet future demands. DPMC must focus on building an enduring institution. SLT must devise an organisational structure that builds on and combines the strengths of all of the business units to deliver results, both as part of the Corporate Centre and in complying with the Government’s priorities.

DPMC must also act, as one of the three central agencies, to ensure that the State Services as a whole have this same clarity and vision of purpose. The central agencies must work together to ensure that the clarity of structure, roles and responsibilities permeates the entire State Services, that progress is effectively monitored and results achieved. This is still work in progress and a number of challenges remain. The objective to achieve more joined-up and accountable State Services delivering better public services is accepted but delivery is incomplete.

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	<p>The challenge for the central agencies is to implement the necessary system changes, to empower chief executives and their teams to develop greater capability within the State Services for now and the future and thereby deliver the expected gains and results against the Government’s priorities. This is the ‘stewardship’ challenge.</p>
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Review
 How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC has a tradition of active engagement with stakeholders and subjective review of its activities, based largely on feedback from principal stakeholders, such as the Prime Minister.</p> <p>There have been, and continue to be, some objective measures, eg, the timeliness of Cabinet papers, but these are measures at the machinery end of the scale. In their management reports to the Chief Executive for the past three years Audit New Zealand has rated DPMC’s service performance information and associated systems as ‘Good’, which means that improvements would be beneficial. In its 2011 report Audit New Zealand commented “As there are no clear measurement targets specified for the objectives set, it is unclear how the Department will demonstrate progress for these objectives”.</p> <p>While stakeholder feedback is a valid and important performance measure, DPMC needs to give further consideration to developing more objective measures and performance targets. A recent internal review acknowledges the challenges but does not provide any clear answers as to how this should be achieved.</p> <p>Independent reviews and assessments such as Simon Murdoch’s review of the intelligence sector, Murray Horn’s Value for Money Review and Michael Wintringham’s review of overseas liaison (to quote a few undertaken since 2006) provide further monitoring. However, as DPMC does not plan regular reviews and does not have a budget allocation for them, they tend to be event driven.</p> <p>DPMC should develop a systematic programme to monitor its progress and performance, as well as to check that its operating policies and practices are up to date. This should include an assessment of how effectively it is performing its role in the Corporate Centre.</p>
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ORGANISATIONAL MANAGEMENT SECTION

Part Two: External Relationships

<p>Engagement with the Prime Minister, the Governor-General and Cabinet (with Ministers inside and outside cabinet)</p> <p>How well does the agency provide advice and services to its Minister(s).</p>	
<p>PERFORMANCE RATING</p> <p></p>	<p>Performance Rating: Strong</p> <p>DPMC has a close working relationship with the Prime Minister and, to a slightly lesser extent, with all Ministers. This encompasses all of the PAG advisors, as well as the members of SLT. This is assisted by the proximate location of PAG and Cabinet Office in the Beehive, which enhances communications between the parties and enables rapid feedback.</p> <p>The relationship with the Prime Minister is 24/7 as DPMC staff are expected to be able to be contacted at all times. Importantly, they work on a ‘no surprises’ basis where the advice is provided with awareness of a need for a high degree of accuracy, timeliness and attention to the need to provide robust advice. Their reputation and standing is high and they are generally regarded as exemplars of professional public servants. The relationships with Ministers, including the Prime Minister are strong and trusted.</p> <p>The Cabinet Office’s relationship with its stakeholders is also strong. The staff are considered to be extremely professional and helpful, although they are viewed by some of the Ministers as rather remote – perhaps due to the strict observation of their role as professional and ‘neutral’ public servants. They are particularly valued for the assistance and advice they provide to Minister’s offices and departments in the preparation of Cabinet Papers and for the enduring nature and consistency of the processes involved in submitting them. They also provide valuable legal advice on associated issues.</p> <p>The Governor-General’s relationship is primarily with the Official Secretary and the Clerk of the Executive Council, although he interacts daily with the Government House staff. The Chief Executive and Secretary of the Cabinet/ Clerk of the Executive Council regularly hold formal feedback meetings with the Prime Minister and the Governor-General and the Governor-General completes a six-monthly performance review of Government House operations and support. The feedback we received from the Ministers we met with and the Governor-General reinforced the view that the engagement and professionalism of senior DPMC staff is acknowledged and valued.</p> <p style="text-align: right;">Contd...</p>

	<p>In the future the challenge to DPMC will be to maintain this high level of trust and rapport. PAG, in particular, must ensure it maintains the high calibre and competence of its team, despite the relatively short-term nature - and thus more frequent turnover - of appointments to those roles. The team will need to 'keep ahead of the curve' and anticipate more issues pro-actively. As indicated elsewhere in this Report, we consider that a dedicated strategy or future-focused function is needed. This applies to PAG, NAB and SRG in particular.</p> <p>We also note the importance of ensuring that DPMC analysts and advisors are culturally competent and engage more pro-actively with local government, the private sector and thought leaders beyond Wellington.</p>
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Sector Contribution
 How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC operates at two levels in its sector engagement as:</p> <ul style="list-style-type: none"> • one of the central agencies DPMC has a leadership role across the State Services • the sector lead for the New Zealand security and intelligence sector DPMC has a much more focused level of engagement. <p>DPMC, and particularly its Chief Executive, must work with colleagues in SSC and the Treasury to advance the BPS initiatives. The focus is on providing leadership to the State Services as a whole, seeking to ensure that the sector delivers better quality, more responsive and better value-for-money services, as envisaged by the Better Public Services Advisory Group Report. That Report assumes many of the major 'hands-on' levers reside most clearly with the SSC (for leadership of the State Services, talent identification and development, performance monitoring etc), while the Treasury's role is more like that of a Chief Financial Officer, testing the logic of proposed actions and questioning cost-benefit analyses. The three central agencies have, since that Report was released, assumed responsibility for implementing many of these system-wide functions through the Corporate Centre. DPMC has a pivotal role in leadership and coordination because of its close connection with the Prime Minister and Cabinet. It has a detailed knowledge of the Government's expectations and can provide an assurance function, by reporting on issues formally and informally, regarding the implementation of the necessary changes to implement BPS.</p> <p>The Report further questioned whether DPMC and SSC should be combined; and this approach was endorsed by the chief executives of the three central agencies. Although Government decided not to adopt the merger proposal at this stage, it is essential that these two agencies work closely together to achieve the leadership and culture changes throughout the State Services.</p> <p style="text-align: right;">Contd...</p>
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We see no reason why they (and the Treasury) should not share a common budget to cover their Corporate Centre roles.

From our dialogue with Ministers and chief executives of government agencies, it is clear there is an expectation that the central agencies can improve their leadership and should take a more directive approach to lifting system performance. They are expected to do more to eliminate bottlenecks and barriers in the system. Promoting system-wide innovation and continuous improvement to set best practice, set common standards and identify and develop talent are all seen as necessary if the State Services are to achieve better results.

Like the other central agencies, DPMC must support Corporate Centre initiatives that will have collective impact, even if they are not directly within DPMC's scope. As mentioned previously, DPMC can add value to the system through its assurance of the quality of policy advice.

The chief executives providing functional leadership in areas such as property, procurement and IT should be included as part of the Corporate Centre and thereby more actively empowered to act from the centre. Real progress will only be made when the decision-making ground rules and cost allocation processes are developed and endorsed – otherwise these roadblocks will continue to stifle development and the expected gains will not be delivered in a timely fashion. We note that DPMC, on behalf of the Corporate Centre, has picked up these issues to ensure they are addressed.

We were surprised at the openness of many of the chief executives we interviewed to the culture and system changes this approach necessarily requires. They recognised the need to work for the common good, to identify areas where collaboration would be useful and encouraged the central agencies to take a bolder approach in mandating the necessary changes across the system. The challenge will be to deliver these gains, while preserving the functional independence of the chief executives in managing their agencies and direct accountabilities to their Ministers. It is not an impossible task, the gains look to be significant but the momentum of delivery needs to be increased. Early delivery of some more obvious gains is desirable.

The security and intelligence sector, led and coordinated by DPMC, is working collaboratively towards a set of agreed sector priorities, putting in place the mechanisms (like joint plans, multi-agency teams) that support its objectives. The Kitteridge Report comments that ODESC (G) has an interest in the performance of the sector and the report itself is a useful prompt to DPMC to examine what more should be done both to manage risks but also to lift performance. The PIF Reviews of the intelligence sector agencies and associated units of DPMC planned for later in the year will provide more insight in this area.

There is scope, if it is involved earlier, for the newly established National Cyber Policy Office to make a stronger sector contribution to matters related to cyber-security, particularly in IT design. In addition, as noted elsewhere, improvements will be made by restructuring the ODESC forum to have a more targeted operation and relevance for participants.

Collaboration and Partnerships with Stakeholders How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>DPMC has, in its own words, a set of activities where ‘collaboration and partnership describe what DPMC does and how it does it’. The reason it is so successful, especially in its PAG and Cabinet Office roles, is because it understands the need to work with stakeholders to help them and the government of the day achieve their goals and objectives.</p> <p>DPMC is a small agency that survives on its intellectual capacity and ability to partner with others to achieve results. It is in the unique position of being able to be the Government’s eyes and ears across a broad set of players and perspectives. We have commented previously that representation of sectors and interests other than the State sector could be strengthened.</p> <p>The Chief Executive chairs regular meetings of State Services’ chief executives and ensures they are all aware of the issues of the day and the Government’s responses to them. His insight and leadership role is acknowledged and valued.</p> <p>Advisors from PAG and ICG have regular meetings with the chief executives and senior leaders of the agencies they work with. Their communication style is open and collaborative and this is reflected in the impression many have of DPMC as a group that can help clear blockages and facilitate progress towards achieving the Government’s objectives.</p> <p>The Cabinet Office team has a more formal role ensuring the smooth working of Cabinet and its interface with government agencies - but it is a role that is equally highly regarded. CabNet’s success will depend on how well relationships and partnerships are established. It impacts the whole of government and stakeholder engagement is a key part of the project planning.</p> <p>To be rated as strong in this area, DPMC should take a leadership role in seeking to improve the standard of policy advice provided to the Government. The Chief Executive acknowledges that more can be done here, but immediate priorities have consumed effort and capacity to date. We would also expect to see a stronger connection or outreach to local government and the private sector.</p> <p>The Security and Intelligence Groups in DPMC have a responsibility to bring together the various agencies that have roles in delivering security and intelligence services. By their very nature these activities often exist below the public radar, so it was pleasing to see how various intelligence agencies had begun to define common goals and objectives. DPMC is encouraging these agencies to recognise common goals and work in a coordinated way to achieve them. As noted elsewhere, there is more to be achieved here and</p> <p style="text-align: right;">Contd...</p>

	<p>some strengthening of DPMC’s role may be required. ICG and NAB are also responsible for maintaining key international relationships and for developing links with the private sector, which are particularly important in the cyber security area.</p> <p>Elsewhere we have commented on the ability of the team at Government House to support the Governor-General in his formal activities with New Zealanders in all walks of life. That these activities appear to ‘go like clockwork’ is a credit to all those involved. The demands on the small team that supports the Governor-General are considerable and its ability to deliver this support is commendable.</p>
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<h3>Experiences of the Public</h3>	
<p>How well does the agency meet the public’s expectations of service quality and trust?</p>	

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC has limited direct contact with the public except with respect to the Governor-General’s role and events involving Government House.</p> <p>The public interface with the Governor-General and the Honours Unit works well and with a high level of professionalism. The role of DPMC in supporting and facilitating the activities of the Governor-General is an important one that is effectively in the background. If all goes well DPMC, or the Government House team, are rarely seen and that is how it should be.</p> <p>A challenge for DPMC is to ensure New Zealanders are better informed about the role and constitutional functions of the Governor-General and the value of this role in New Zealand’s political and constitutional processes.</p> <p>DPMC’s Self-review did not provide a rating on this aspect mainly because the interface with the public is very limited. DPMC generally operates behind the scenes as far as the public is concerned. However, we suggest that there are times when there is a greater need for parts of DPMC to engage more with the public.</p> <p>Two such areas, in addition to the Government House role noted above, are:</p> <ul style="list-style-type: none"> • communicating the reasons for the Government’s intelligence activities; what they do, why they do it and their value for New Zealand citizens. For example, New Zealanders do not seem to understand the magnitude or the reality of the threats of cyber crime or the risks to New Zealand of people smuggling. • explaining the role of the Cabinet Office, especially the constitutional roles in the processes of change of government, and in a more limited sense, ensuring that government agencies understand how Cabinet decision-making processes work. <p>We suggest DPMC should consider how to improve communication and public understanding of these functions.</p>
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ORGANISATIONAL MANAGEMENT SECTION

Part Three: People Development

<p>Leadership and Workforce Development</p> <p>How well does the agency develop its workforce (including its leadership)?</p> <p>How well does the agency anticipate and respond to future capability requirements?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC prides itself on the high calibre of its workforce and its ability to attract highly talented staff who see DPMC as an employer of choice.</p> <p>The workforce development strategy of the PAG group can be summarised in simple terms:</p> <ul style="list-style-type: none"> • talented and ambitious individuals aspire to work in DPMC • employees are rigorously selected from the best candidates and typically move on to other roles within three and five years • their aptitude for the role becomes apparent within a short space of time • they will learn new skills while they are at DPMC • this experience will add significant value to their credentials for future employment when they leave. <p>Consequently, other than initial orientation training and induction most of the PAG group training is learning on the job. Each advisor is teamed with a 'buddy' for the first few months to learn the ropes and the style of operation. We gained the impression that the staff back each other up well and provide strong mutual support.</p> <p>We were pleased to learn of the recent introduction of a programme of employing younger advisors and analysts from the State Services as interns for a 6 - 12 month period. Their salaries are met in part by their employing agencies and the secondment is regarded as part of their development and training. In addition, more senior staff are being seconded into the team. Both of these offer mutual benefits in building the capability of DPMC and the originating agency, thereby lifting the overall capability of the State Services.</p> <p>By contrast, employees working in the Cabinet Office, the Government House team and the security and intelligence teams are typically employed on a permanent basis and serve for a longer term. These staff indicated there was a 'light-handed' approach to career development, although the wider intelligence sector is working to develop a training programme based on an international (UK) model, adapted to the local environment and development needs. The development of such a training programme, available across the sector, was recommended by the Murdoch Intelligence Agencies Review in 2009. This programme will enable greater integration of skills and capability and lead to more staff mobility around the wider intelligence community.</p> <p style="text-align: right;">Contd...</p>

In some areas of DPMC, the Cabinet Office for example, work has been undertaken recently to define the competencies of various roles and levels. This seems to have been an attempt to develop career pathways for staff and to show them the skills needed to progress.

In developing the capability of its work force, the challenges for SLT include:

- *Ensuring it maintains a strong pool of highly talented and experienced advisors.* The success of the present model depends on the Department's ability to make astute selection of a regular flow of appropriately qualified individuals who are prepared to join for a relatively short term, gain on-the-job experience and then move on. Each PAG advisor must have significant experience and expertise so they are able to operate at a very high level, dealing easily with chief executives and Ministers. The maintenance of a high reputation for excellence and achievement is essential if this recruitment model is to endure. We see this as a risky strategy although we acknowledge it seems to have been effective in recent years.
- *Developing appropriate development and training opportunities for employees in the Cabinet Office, Government House and the Security and Intelligence groups.* The light handed approach of the past is not sufficient to ensure that adequate capability is maintained, particularly where resources are stretched. It will always be more efficient and effective to develop existing talent and we believe that this requires a more structured and deliberate approach to developing the capability of the staff deployed in DPMC – regardless of their core competency.
- *Promoting a culture where the whole of DPMC is greater than the sum of its constituent business units.* The DPMC Four-year Plan acknowledges the importance of this goal and the role of SLT in promoting this change by setting the direction and defining new ways of working together. We agree this is an important objective that should enable DPMC to achieve operating efficiencies and more effective delivery. We note here that there are practical difficulties in running units within DPMC whose staff have very stringent security requirements. This can create barriers to the normal interaction and cooperation with staff in the other operating units.
- *Focusing on the development of tomorrow's leaders of the State Services within DPMC and the Corporate Centre.* To embed the BPS approach across the wider State Services it is important to provide its future leaders with experience in the central agencies as well as in more operational aspects of management through roles in other agencies. This will enable individuals with high potential to increase their knowledge and hone their skills. Employees in DPMC similarly need to be well rounded in their development and understanding. In the past, experience in DPMC has provided rapid career acceleration in the Public Service. This is demonstrated by the fact that 11 people subsequently appointed as public service chief executives worked in DPMC in the 1990s. In recent years the rate has slowed significantly.

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	<ul style="list-style-type: none"> • <i>Developing a secondment programme with other agencies and organisations.</i> This offers benefits for the agencies and private sector organisations that provide the secondees, for the individuals who are offered the opportunity to work in DPMC, and for DPMC itself. <p>We recommend that consideration should also be given to ensuring that DPMC staff have a broad base of diverse experience and cultural competency. This is particularly important for the PAG team, which needs to have appropriate skills and aptitude to develop stronger relationships beyond Government and the wider State Services, with local government, private sector and academic leaders. In addition, we recommend that DPMC utilises opportunities to call on experienced and competent specialist advisors to assist where more specific understanding or experience is required. Often these skills can be brought into project teams from both the public and private sectors – they just need to be identified, developed and nurtured.</p> <p>DPMC has developed a framework for its workforce strategy, but this is still embryonic. Building a comprehensive plan to implement the framework that paints a picture of future workforce capability and capacity should be a priority for DPMC.</p>
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<p>Management of People Performance</p> <p>How well does the agency encourage high performance and continuous improvement among its workforce?</p> <p>How well does the agency deal with poor or inadequate performance?</p>

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>We have previously noted that DPMC is regarded as a highly performing agency. This applies in particular to the PAG and Cabinet Office teams, although this may be in large part because they are the teams that have the most interaction and communication with other agencies and external stakeholders. Typically, high performance occurs in organisations where the management of people performance is also effective. Good performance stands out – as does any service failure or lack of competence. DPMC is a sought-after employer and therefore can choose the best from a strong field of candidates. Consequently the problem of poor performance is relatively rare, but some mistakes are inevitably made on appointment and must be dealt with.</p> <p>DPMC has a reputation for identifying problems early and handling poor performers quickly. Managers appear to be reasonably effective in managing performance within their teams but we suspect this may be at least in part by virtue of individual skills and aptitudes rather than through systematic implementation of robust management practices and systems.</p> <p style="text-align: right;">Contd...</p>
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	<p>During our Review we observed that people performance is appropriately managed from a process perspective. This process is now administered for DPMC by CASS, which is introducing more robust systems and controls. However, the transfer of the HR function to CASS has been not been entirely smooth as the previous support within DPMC had been under-resourced and did not have adequate capability to perform the function. CASS’s involvement and expertise has not yet been developed to a stage that it adds value to the DPMC HR capability, in addition to process. This is acknowledged as a priority by CASS management and DPMC.</p> <p>The challenge generally within DPMC is not so much to deal with poor performance but to recognise and reward strong performance amongst a team of strong performers. Although staff are relatively well paid, recognition and reward of high performers is not a feature of their performance management. We suggest that performance measures should be sufficiently targeted to encourage and recognise outstanding performance and performance improvement.</p> <p>The diverse range of activities undertaken by DPMC probably means that a single approach to recognition is not feasible. However, we do see opportunity to develop appropriate forms of recognition and reward in different business units. These include formal acknowledgement and celebration of excellent service and performance and providing further opportunities for career development, study support and secondments, as well as financial incentives.</p> <p>We note the 2012 Engagement Survey revealed particularly low engagement by administrative staff and those working in the Government House team in response to questions on ‘Satisfaction with Leadership’, ‘Recognition and Reward’ and ‘Potential for Personal Growth’. Overall, these employees felt they were not sufficiently developed or recognised for their work. DPMC has accepted the need to address these issues with Government House staff.</p>
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<p>Engagement with Staff</p> <p>How well does the agency manage its employee relations? How well does the agency develop and maintain a diverse, highly committed and engaged workforce?</p>

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Overall, employees in DPMC have a strong sense of pride in their workplace and are positively engaged, with only 11% classified as ‘not engaged’ in the 2012 Engagement Survey. However, within that score there are some occupational groups who have reported markedly lower engagement than in 2010. In particular, administration and support staff have dropped from the most highly engaged group in 2010 to the least engaged, alongside the household staff (at Government House). There also appears to be a gulf between the satisfaction and engagement of household staff and managers at Government House which deserves some particular attention. Overall, the average engagement score has decreased from 4.07 in 2010 to 3.86 in 2012.</p> <p style="text-align: right;">Contd...</p>
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	<p>Notwithstanding this decline in engagement and climate ratings, over 90% of employees are satisfied with their roles and committed to the organisation. The proportion of employees actively looking to leave has halved (to 11%). Employees also rate the agency highly for ‘integrity’ and ‘equal employment opportunities’. They also understand and support the values and standards of DPMC.</p> <p>Areas for improvement include communication and workload, where the latest survey results fall below ‘good practice’. There is also some evident frustration with the perceived inadequacy in infrastructure and support, which have become more visible since the move to the provision of services through CASS. The Information Management systems in DPMC (apart from those in the Cabinet Office and NAB) are inadequate and this leads to significant frustration and concern for staff. We consider that these frustrations will, in large measure, be adequately addressed once CASS is fully effective and the IT and IM system deficiencies have been addressed. This work is under way.</p> <p>There is a general feeling that staff in the security and intelligence business units are over-stretched and under-resourced. This is, in part, due to the significant increase in workload and scope that has occurred in the past year or so without a commensurate increase in resources.</p> <p>There is a real challenge to connect the different business units within DPMC. In particular, the Government House employees have little in common with and are physically separate from the rest of DPMC, as are the Intelligence and Security teams, who are more naturally part of the intelligence sector located in Pipitea House. SLT needs to ensure that each group is appropriately engaged and motivated and has a clear understanding of the overall vision for the Department. This challenge is well understood by the Chief Executive who has initiated more active engagement with staff, particularly at Government House and is addressing resourcing issues for the Intelligence and Security teams.</p>
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ORGANISATIONAL MANAGEMENT SECTION

Part Four: Financial and Resource Management

Please note on 1 August 2012 three of the five elements in this critical area of the Performance Improvement Framework were significantly upgraded. The three elements are Asset Management, Improving Efficiency and Effectiveness, and Financial Management. The upgrade affects comparability with previous reports. For more information on the revisions see: www.ssc.govt.nz/pif-reports-announcements.

Asset Management

How does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?

As noted at the start of the Financial and Resource Management area this is one of three elements that were significantly upgraded in August 2012.

PERFORMANCE RATING



Performance Rating: **Needing development**

DPMC is a relatively small Department with few assets. Its main expenditure items are wages and salaries and contractor payments and it has been assessed by Audit New Zealand as having ‘good’ management and accountability mechanisms to operate its budget. DPMC maintains an asset register for all capital items costing over \$2,000.

However, the basic infrastructural assets of the agency, eg, computer systems and information management systems, have not been replaced on a regular basis and are suffering from significant lack of investment. They have become run down and now carry a significant risk of failure. Additional capital expenditure is needed to ensure appropriate and efficient systems with good security and interoperability (see below). These issues are now being addressed through CASS, which is also responsible for the financial planning, processing and asset maintenance functions of DPMC.

DPMC is also responsible for maintaining two significant heritage assets – the Government Houses in Auckland and Wellington. These are effectively managed and controlled, with robust capital asset management policies in place and long-term maintenance programmes developed for each. An area of risk, noted earlier, arises from the need to provide an adequate maintenance budget to deliver the maintenance programmes for these heritage buildings. This is likely to require at least \$1 million per annum from DPMC’s budget.

DPMC is developing a new asset in its CabNet system. This has the promise of improving business practice and efficiency. This asset will need to be appropriately maintained and updated to ensure it does not lose currency and the benefits erode over time.

<p>Information Management</p> <p>How well does the agency utilise information & communications technologies to improve service delivery?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Like many small agencies, DPMC has lacked the funding, expertise and competence to ensure its IT and Information Management systems and processes are effectively maintained and up-to-date. In addition, as noted above, inadequate investment has meant many of the information management and technology systems in DPMC are poor. There are three major initiatives under way:</p> <p>CabNet</p> <p>CabNet is an electronic support system that will provide a secure shared electronic platform to support Cabinet Office processes. This system will enable the Cabinet Office, Ministers’ Offices and government agencies and Departments to work together more effectively and provide for greater security for communication and delivery of information than is possible with the current paper based systems. It is recognised that this project is not simply implementing a new technology solution, but that changes in business processes and behaviour across the State Services will be required.</p> <p>During our Review we learnt that the project, originally scheduled for service-wide roll-out by year-end, will now go live in the first quarter of next year. This change, made with the support of the project’s inter-Departmental Advisory Group, avoided going live at the busiest (pre-Christmas) time of the year. In addition, the tendering process has revealed that a commercial off-the-shelf approach with the desired functionality will cost more than the bespoke approach, which was originally scoped and budgeted in 2010. This results from the refinement of requirements and the cost of change management which had not been included. DPMC is looking at external options to address the shortfall, as it does not have the financial capacity within its baseline.</p> <p>The project itself appears to be managed appropriately, with project management disciplines and active governance arrangements in place. It is subject to both major project monitoring and Independent Quality Assurance review. A security and risk review of the solution has been carried out by an independent party. It would seem that appropriate steps are being taken to manage delivery risk.</p> <p>To ensure that the potential benefits of this new system (for the Cabinet Office and user agencies) are realised it will be important to ensure the project team continues to focus on ensuring the standards conform to those being proposed by the Office of the GCIO. Adequate training will also need to be provided for staff across the government and State Services to enable full utilisation and minimise the potential for disruption through operator and interface error.</p> <p style="text-align: right;">Contd...</p>

	<p>Consideration must also be given to formally designating the Cabinet Secretary as the business owner. CabNet is, in effect, a whole-of-government system necessitating changes in participant behaviour. It will need ongoing oversight at a senior level to ensure the practices become routine and the system (and its business processes) remain current over time. It is also important to determine how technical and user support will be provided, the asset managed and maintained across its lifecycle and who will be responsible for the vendor relationship.</p> <p>Intelligence Agency ICT infrastructure</p> <p>A new ICT infrastructure to support the intelligence agencies in Pipitea House is under development. This will enable better integration of the systems utilised by those in the wider intelligence community.</p> <p>System upgrade</p> <p>CASS is leading a project to ensure that DPMC’s internal systems (both administrative and operational) are upgraded and able to be better integrated into the systems operated by the other central agencies.</p> <p>These changes should all be completed within the next 12 - 18 months and should see a very significant improvement in the information management and IT capabilities of DPMC and those agencies with whom it communicates. Efficiency gains will only result when the systems are fully deployed to best advantage and an across-government roll-out of CabNet is achieved.</p>
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Improving Efficiency and Effectiveness

How robust are the processes in place to identify and make efficiency improvements?
 How well does the agency evaluate service delivery options?

As noted at the start of the Financial and Resource Management area this is one of three elements that were significantly upgraded in August 2012.

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC is aware that it doesn’t produce easily measurable outputs and that, therefore, the measures of its effectiveness tend to be more subjective than objective. Recognising this DPMC has, from time to time, commissioned a survey of its major stakeholders to evaluate its effectiveness in providing services and to identify areas for improvement. This is the principal tool by which the Department measures its effectiveness and service delivery. In 2012 this survey, conducted by UMR, concluded that stakeholder satisfaction is high. All of the business units received a positive rating from the stakeholders they deal with.</p> <p>Audit New Zealand has recognised the validity and strength of these satisfaction measures in assessing the effectiveness of DPMC’s role but has challenged the Department to develop some objective service measures. A number of reviews have been undertaken to identify what DPMC needs to do to deliver value for money and to measure its efficiency in this regard. Work is continuing in this area.</p> <p style="text-align: right;">Contd...</p>
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	<p>Combining its support functions with those of the other central agencies through the introduction of CASS will enable DPMC to develop much more robust data and performance measures to measure its effectiveness. CASS should enable the service standards of the three central agencies to be converged to improve managerial decision-making and staff efficiency more effectively than DPMC, in particular, could achieve on its own.</p> <p>It will also be important to identify measures that will show that CabNet is delivering the expected benefits and then to monitor these post implementation.</p> <p>DPMC has undertaken a BASS book exercise, but did not do so in 2012. We suggest that, as capacity allows, DPMC considers participating in BASS assessments or at least monitoring BASS results for CASS. This will provide a means by which DPMC can monitor the efficiency and effectiveness of these shared services for it relative to those of other small government agencies.</p> <p>In summary, DPMC has actively assessed the needs of its clients and is responding well to them – recognising changes and responding appropriately. Its ability to measure its efficiency and effectiveness beyond these subjective assessments is not yet developed but will be assisted by the introduction of CASS, which should enable more effective measurement across the three central agencies.</p>
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<p>Financial Management</p> <p>How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?</p> <p><i>As noted at the start of the Financial and Resource Management area this is one of three elements that were significantly upgraded in August 2012.</i></p>
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<p>PERFORMANCE RATING</p> <p></p>	<p>Performance Rating: Weak</p> <p>DPMC has a small budget, and has traditionally responded to immediate pressures by deferring expenditure on infrastructure and ‘back of house’. It has ‘robbed Peter to pay Paul’ and has diverted expenditure to cover front line activities. This has been a pragmatic solution to immediate needs, but has resulted in financial pressures that cannot be met from its existing funding.</p> <p>DPMC is under real budgetary pressure. It cannot afford to fund the expanded services it has been requested to provide in the security and intelligence sector or the range of necessary overhead services that CASS now provides. In addition, as noted earlier in this Report, a funding gap has now been identified through the tendering process for CabNet. DPMC will either need a significant lift in funding or it will need to reduce some of the functions that it performs resulting in a significant degradation in its ability and capacity to perform.</p> <p style="text-align: right;">Contd...</p>
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	<p>These risks are now recognised and understood by the Chief Executive and SLT. Advice has been sought on ‘right-sizing’ the budget and the Department’s year Plan has been developed to address these urgent needs. There remain concerns about its long-term financial viability, given its small and fragmented nature, which are noted previously in this report.</p> <p>Despite the current parlous state of its finances, DPMC has received consistently positive reports from its Auditors regarding the quality of its reporting and financial compliance. It has established a management control environment and this will be supported by CASS. Where it has failed, and development is needed, is in ensuring that DPMC retains its resilience and competence to undertake the tasks allocated to it in future. Its Four-year plan seeks additional resources to address these issues, but even with this support, DPMC will need to ensure that it has, either internally or through CASS support, the necessary skills, procedures and accountability in place to ensure that it remains both financially and functionally viable. The Chief Executive and SLT have the responsibility to implement effective budget controls, manage expenditure and ensure effective stewardship of future financial sustainability.</p>
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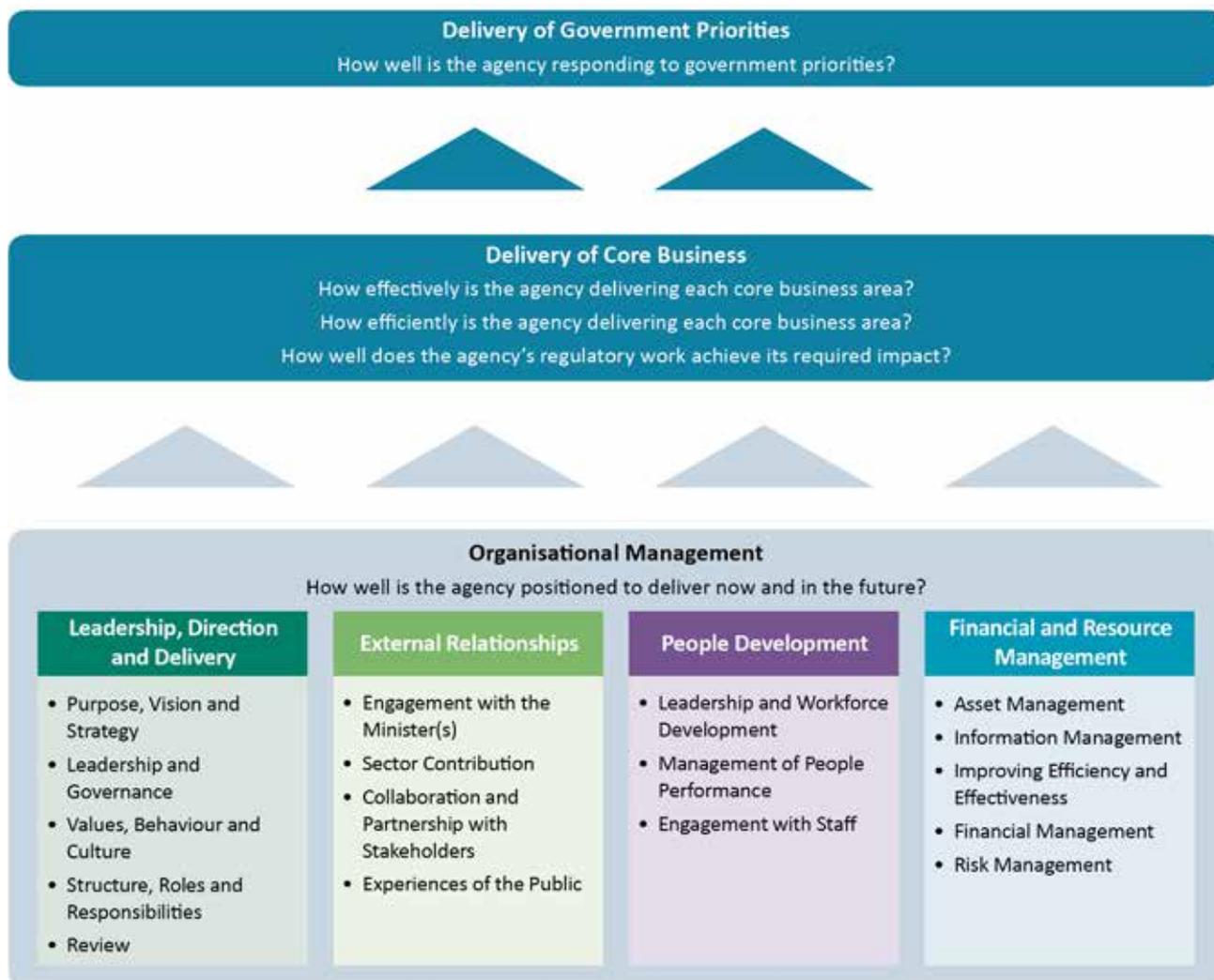
<p>Risk Management How well does the agency manage its risks and risks to the Crown?</p>	
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<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>DPMC has an established a risk management process through its Audit and Risk Committee. It has identified the key risks to the Crown that face the agency. Most of the ‘high’ exposure risks relate to its dependence on key personnel. For example, a lack of capable staff able to respond effectively with a surge of activity such as simultaneous emergencies. Many of these risks can be addressed with appropriate people management strategies (cross coverage in key portfolios), or by developing improved collaborative working arrangements with other agencies in the State Services, eg, an ability to second in experienced staff from other agencies. DPMC has managed to provide cover in emergencies in the past, often at the expense of its business as usual operation. This can work in the short-term – but longer-term solutions are needed.</p> <p>DPMC noted in its Self-review that “while risks to the Crown are managed well, risks to the Department are not”. In other words, it is the role of several of the business units to advise on and anticipate risks in the system that could impact on the Government or the country. However, we question whether the risk of system failure within the Department’s own infrastructure (particularly IM and IT) is such that this could create undue risks for the Crown, given DPMC’s central role.</p> <p style="text-align: right;">Contd...</p>
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	<p>We have referred previously in this Report to DPMC’s insufficient investment in the maintenance and development of its core infrastructure. In particular, the internal IT system is outdated with poor backup. This has created a lack of resilience and a potential quality of service risk. These risks will remain until CASS has implemented the investment needed in the core infrastructure and support services. This process is under way and CASS believes the key risks will be addressed this calendar year and the remedial work completed within 24 months. It is too early to assess progress but CASS is far better equipped and financed, as owner of the shared service infrastructure for the three central agencies, to deliver these solutions. It will remain the responsibility of SLT to ensure that it happens.</p>
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APPENDIX A

Overview of the Model



Lead Questions

Results

Critical Area	Lead Questions
Government Priorities	1. How well is the agency responding to government priorities?
Core Business	2. How effectively is the agency delivering each core business area? 3. How efficiently is the agency delivering each core business area? 4. How well does the agency's regulatory work achieve its required impact?

Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Purpose, Vision and Strategy	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 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? 8. How well 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?
	Structure, Roles and Responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. 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)	13. How well does the agency provide advice and services to its Minister(s)?
	Sector Contribution	14. How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?
	Collaboration and Partnerships with Stakeholders	15. 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	16. How well does the agency meet the public's expectations of service delivery quality and trust?
People Development	Leadership and Workforce Development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	19. How well does the agency encourage high performance and continuous improvement among its workforce? 20. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?
	Information Management	24. How well does the agency utilise information and communications technologies to improve service delivery?
	Improving Efficiency and Effectiveness	25. How robust are the processes in place to identify and make efficiency improvements? 26. How well does the agency evaluate service delivery options?
	Financial Management	27. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	28. How well does the agency manage its risks and risks to the Crown?

APPENDIX B

List of Interviews

This Review was informed by input provided by a number of current and former DPMC staff, the Governor General, the Prime Minister, relevant Ministers, and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
Auckland City Council
Better Public Services Advisory Group
Business NZ
Canterbury Earthquake Recovery Authority
Crown Law Office
Department of Conservation
Department of Internal Affairs
Environment Canterbury
Government Communications Security Bureau
KPMG
Leadership Development Centre
Ministry of Business, Innovation and Employment
Ministry of Civil Defence and Emergency Management
Ministry for Culture and Heritage
Ministry of Defence
Ministry for the Environment
Ministry of Foreign Affairs and Trade
Ministry of Health
Ministry of Justice
Ministry for Primary Industries
Ministry of Social Development
NZ Customs Service
NZ Defence Force
NZ Security Intelligence Service
NZ Transport Agency
Office of Auditor-General
Prime Minister's Office
Public Service Association
State Services Commission
The Treasury

