
PERFORMANCE IMPROVEMENT FRAMEWORK

Formal Review of the Ministry of Social Development (MSD)

MAY 2011

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 Ministry of Social Development (MSD) we would like to acknowledge the thoughtful and generous input made by MSD staff and the Leadership Team. In addition, we had considerable input from a cross section of MSD's external partners and stakeholders, who were equally committed to building stronger collaboration in the future.

MSD recognised this as an opportunity to identify and make performance improvements. There was open and constructive engagement by the Chief Executive and his Leadership Team in the process. This bodes well for the future of social sector outcomes.

We would like to thank Greg Nicholls, from the State Services Commission for his assistance, his perseverance and his guidance.

**Performance Improvement Framework
Formal Review: Ministry of Social Development**

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

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AGENCY'S RESPONSE

The Performance Improvement Framework Review was carried out by three highly respected Reviewers who undertook an extensive exercise to really get to grips with this large and complex Ministry. They reviewed an extensive range of documents and spent many hours talking with the Leadership Team, staff from right across the Ministry and a cross section of external partners and stakeholders to gain an insight into how we operate and deliver on government priorities and core business.

I am pleased that the report has highlighted several areas of strength in the organisation and a number of areas of capability to be maintained.

The Reviewers have identified some changes that will enhance the effectiveness of the social sector in general. I look forward to working with the central agencies and others to implement these.

The Reviewers have rightly identified a number of areas for improvement, in particular the need to continue our focus on the long-term unemployed. Our response to the Welfare Working Group provides both a context and opportunities for doing that.

We accept all of the recommendations in the report in their totality and have developed an Action Plan to implement them. Our Plan captures how we will improve effectiveness and efficiencies in key areas, who we will work with to help us achieve the best outcomes and sets out progress indicators to enable us to see that we are making progress.

I would like to acknowledge and thank the States Services Commission, the Technical Review Team and the Lead Reviewers for the opportunity of participating in this Review.

Progress Indicator	Proposed Actions	Timeframe
Effective whole of government outcomes (PIF REC 1)		
<p>Additional tools and processes are in place to support sector leaders.</p>	<p>Support for Sector Leadership</p> <p>SSC and other central agencies are to address the accountability levers available to sector leaders as part of the implementation of the state sector effectiveness programme.</p> <p>Sector leaders need to have the levers available to them to influence the participation and contribution that other chief executives make to sector outcomes.</p> <p>The sector leader’s role could include informing the public from time to time about key issues. This in turn contributes to well informed policy development.</p> <p>The opportunities to enhance the effectiveness of sector leadership could include:</p> <ul style="list-style-type: none"> • through sector ministerial governance accountabilities and arrangements • the role title of sector leaders • the existing agency accountability tools of expectation setting and chief executive performance reviews for sector agencies • involvement in the selection of sector agency chief executives 	Ongoing
<p>MTSU provides policy support to the Social Sector Forum.</p>	<p>Policy Support to the Social Sector Forum</p> <p>MSD will continue to dedicate resources in the form of the Medium Term Strategy Unit (MTSU) to support the Social Sector Forum, and consider the option of seconding staff from other social sector agencies into the MTSU where appropriate.</p> <p>MSD will also consider opportunities to join up evaluation teams across agencies.</p> <p>MSD will continue to explore new ways to ensure that social sector services and policy are joined up in a way that are client centric and improve outcomes.</p>	Ongoing

Progress Indicator	Proposed Actions	Timeframe
Effective whole of government outcomes (PIF REC 1)		
Forum engages regularly with the Chair of Social Policy Cabinet Committee.	The Social Sector Forum will regularly engage with the Chair of Social Policy Cabinet Committee and the programme of work is updated regularly	Ongoing
The Social Sector Briefing to the Incoming Government is completed.	Social Sector Briefing to the Incoming Government for the 2011 election includes advice on priorities and areas of focus for the Forum and suggestions for strengthening the Forum and its work.	November 2011
Proposal for the establishment of a social sector data warehouse is completed.	<p>Data Sharing</p> <p>MSD will develop a proposal to establish a social sector data warehouse linking information across the social sector to support whole of social sector research, monitoring and policy development.</p>	July 2012
Dealing with the long term beneficiaries (PIF REC 2)		
Policy advice will be delivered in accordance with the work priorities identified and advised by Ministers.	<p>This is a policy decision for the Minister of Social Development.</p> <p>MSD is providing advice to the Minister on ways to reduce the long-term forward liability, including the approach taken by the ACC. This work is being done to assist the Government to formulate its response to the recommendations to the Welfare Working Group.</p>	Initially June 2011
Enhance Child, Youth and Family practice (PIF REC 3)		
The quality of social work decision making has been strengthened.	<p>MSD will continue to develop its child-centred quality management system to improve the quality and consistency of Child, Youth and Family social work practice. This system has six key elements. These are:</p> <ul style="list-style-type: none"> • Professional accountability • Policy and procedures • Leadership • Learning and development • Performance management • Quality mechanisms. 	Initially June 2011

Progress Indicator	Proposed Actions	Timeframe
Strengthen information and communications technology (PIF REC 4)		
<p>External expert advisors are appointed to a Board and have met at least once.</p>	<p>MSD, initially in conjunction with Inland Revenue, will establish an Information and Communication Technology Expert Advisory Board to strengthen the advice and guidance available to it in relation to the direction of technology change and the opportunities this presents in terms of business strategy.</p> <p>MSD and Inland Revenue will appoint external expert advisors to the Information and Communication Technology Expert Advisory Board including advisors from the private sector. The Board will meet at least twice a year.</p>	<p>June 2012</p>
Enhance Outcome Based Evaluations (PIF REC 5)		
<p>Initial work is completed to identify some longer-term outcomes.</p> <p>New outcome measures for child safety are developed.</p> <p>Initial outcomes for children who transition from Child, Youth and Family Care are tracked.</p>	<p>MSD will continue to place a stronger focus on outcome and impact evaluations in line with the Minister of Social Development's expectations. For example, MSD has recently agreed with the Minister to undertake a Vulnerable Children's research and evaluation strategy that includes a greater focus on real time research and evaluation activity.</p> <p>Early deliverables include:</p> <ul style="list-style-type: none"> • identifying the long-term outcomes for families participating in contracted home visitation programmes • identifying the outcomes for children who leave Child, Youth and Family Care by matching benefit and Police data and comparing results with non-participants' results. 	<p>June 2013</p> <p>October 2011</p> <p>August 2011</p>
<p>Data linking processes are streamlined.</p>	<p>We will also investigate:</p> <ul style="list-style-type: none"> • trialling a number of data-linking exercises, both within the Ministry and with other agencies to establish processes to undertake this type of analysis more regularly • linking benefit and Child, Youth and Family data to enable us to better target services to reduce poor outcomes for children such as long-term welfare dependency 	<p>July 2011</p> <p>July 2011</p>

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LEAD REVIEWERS' SUMMARY

The Ministry of Social Development (MSD) is the largest government department in New Zealand, with 9,500 staff in 300 sites. MSD's areas of responsibility are very diverse and services are provided to 1.1 million clients.

The Review team interviewed Ministers as well as a wide cross section of stakeholders and staff. The results from these interviews and from our research is not universal but it is remarkably consistent.

By the time this report is published, the Chief Executive of MSD, Peter Hughes, will have announced his intention to retire in October 2011, after 10 years in the role. We have written our report as part of the Performance Improvement Framework programme but also with the knowledge of the Chief Executive's departure.

In this context, this summary and the list of areas for action at the end of this report provide an overview of our guidance

MSD is a large and complex organisation and the job of Chief Executive will be a hard one to fill well. It will be important that a new Chief Executive is chosen who has the ability to grasp the size and complexity of the role, respect the strengths of the organisation and then strive to continue to improve its performance. Challenges will also be faced, in particular with the opportunity to drive social sector issues which we have canvassed in our report.

Overview

MSD is a very high performing department. Of note are the following findings:

- despite its size, MSD is extremely agile. It is able to change direction fast and responds quickly to events both nationally and locally
- MSD is well governed and uses an approach that provides strong controls at the centre (in Wellington) and significant autonomy at the local level
- the Chief Executive, Peter Hughes, is an exceptional leader and not surprisingly the leadership of the organisation and the engagement with staff by the Chief Executive and the Leadership Team is excellent
- as a result of its proven track record, MSD has progressively been given additional functions, including the transfer of the Child, Youth and Family role in 2006. Since taking over this function the performance of this service has been transformed
- MSD does an outstanding job at getting people off unemployment benefit and into a job
- in MSD there are many examples of excellent 'bottom-up innovation'. New ideas are trialled at the front line. They are then evaluated and the best are adopted nationally
- MSD is also exemplary at managing risk and, in particular, at reducing the extent that the media distract the organisation from its work
- Despite the constraints described in this report, MSD has provided good cross-sector leadership on social policy issues
- MSD has played an important role in the recovery phase of recent natural disasters
- MSD has made commendable progress with its 'Value for Money' programme
- MSD is strong at external and internal communication

- MSD has outstanding external relationships. With a few exceptions, stakeholders were very positive about MSD, the responsiveness of the front line, the energy of the leadership and about the Chief Executive.

Strengths

There are areas of strength evident in MSD that are worthy of further exploration in this summary.

The first of these is, in our view, the core strength of MSD - the way in which the staff at the front line are given a lot of discretion to make the most sensible decision in the context of each individual, family and community. The staff know they have two responsibilities – ‘a bottom line’ of service delivery which, for example, is to only make a payment within the eligibility criteria of the legislation. They also have ‘a top line’. The ‘top line’ responsibility is to ensure that whenever they interact with an individual they think about what they can do so the individual can be more independent. For many this is about helping them on the path to a job.

This ‘outcomes’ approach is important because ensuring each staff member understands their broader role will enable the most value to be gained from each interaction. This ‘top line and bottom’ line approach and thinking applies in all areas of MSD, and as people move to a new function or programme they will continue to generate more value and make better decisions as a result. It is critical that this approach is preserved. The second strength of MSD is the culture itself. In our report we have described this as a culture of responsiveness, agility, commitment, innovation, alignment and desire to achieve. This needs to be preserved and built on over time. Two key approaches for ensuring this culture continues to be enhanced will be the ongoing investment in people and the visibility of the Chief Executive and other senior leaders.

The third strength is that MSD is excellent at identifying and managing risk. There are two major benefits from this. It reduces the adverse impact on MSD’s clients and it also reduces the amount of remediation, rework and media reaction to adverse events. This enables the organisation to get on and to do its work.

While the Review team found the overall performance of MSD to be very high, there are some opportunities, some risks emerging and several areas for attention.

Opportunities

The Review team believes that key opportunities that should be pursued are:

- the role of the social sector leader needs to be strengthened, which is probably also the case for other sector leaders although we did not look at those roles. Suggestions on how to do this are provided below
- the MSD role following a major disaster, as the Chair of the Welfare Recovery Coordination Group, needs to be broadened to oversee the social sector aspects of recovery, including housing. MSD should also further build the infrastructure it needs to do this well
- ServiceLink could become a national asset. The work on this needs to be appropriately resourced
- MSD holds considerable data which if made more publically available would be in the national interest. We also note that linking MSD and data from other social sector agencies would be of even greater benefit to New Zealand.

Emerging Risks

The key emerging risk is the departure of the Chief Executive.

As noted above, it will be very important to manage very well the selection of and the transition to the new Chief Executive.

Areas for attention

Key areas for attention are:

- **Whole-of-Government Outcomes:** Effective whole-of-government outcomes will depend on better alignment of Ministry and Ministerial leadership, structures and policy resources.

The most important change in our view is having the active engagement of a senior Minister who has responsibility for overall sector coordination on key issues and who, ideally, is supported by Ministerial colleagues, such as in a Ministerial team.

Central agencies should also reinforce that joint work is a core responsibility for all the relevant chief executives and that this is included in all performance expectations, induction and performance feedback and assessments.

The Standards of Integrity and Conduct issued by the State Services Commissioner includes an expectation that advice be 'free and frank', and we believe there would be value from more wide ranging discussions with Ministers and officials on how to give effect to this.

Finally, this cross social sector work should be supported by a dedicated strategic policy capability that is quarantined from being drawn off for other purposes. This group should be sufficiently expert to take the hard issues through to effective solutions, and include expertise from all the social sector areas (health, education, social development, housing and tax) perhaps on secondment.

- **Dealing with the long-term beneficiaries:** Work and Income (W&I), in particular, responds well to clear targets. A move to a system based on reducing the long-term forward liability, as suggested by the Welfare Working Group, would be an important measure to adopt. Legislative changes to allow work testing for other than unemployment beneficiaries would be necessary to give MSD sufficient levers to reduce this forward liability by getting those people into work. MSD could learn a lot from the approach taken by ACC to dealing with long-term beneficiaries who have medical barriers to work. Subject to this, MSD should look at the experience of ACC in this specialised work and consider whether this work should be contracted to ACC or other providers.
- **Work of Child Youth and Family (CYF):** the focus on lifting the quality and consistency of CYF practice should be maintained. MSD is dependent on the quality of social work education to train new social workers who can undertake statutory social work roles. There appear to be problems with the quality of this education from some institutions. MSD should take action to help improve the quality and take actions to shape the market for social workers who are trained appropriately for their work.
- **Information and Communications Technology (ICT):** MSD's business model depends partly on saving costs in transactions that can be moved online or streamlined and using these savings to be able to intervene more effectively with those who need more support. Although MSD's systems operate well and there have been good ongoing improvements, there is a need to strengthen the advice and guidance it has available about the longer term and more strategic technology opportunities that may be available.

As a minimum we suggest inviting key independent experts to join MSD’s Information Technology Governance Committee. However, we believe there will be real benefits in setting up an Information Technology Advisory Board of experts and include some suggestions about this in this Review.

- **Outcome based Evaluations:** the outcomes focus of MSD would be enhanced with more emphasis on real-time programme evaluations, married with evaluations of the longer-term effects which might be overlooked in a pure real-time scrutiny. This should be done both at the MSD level and wider. Attention should be paid to doing work in conjunction with other social sector agencies as part of the cross sectoral agenda. There may be merit in joining up evaluation teams across agencies to exploit expertise and any economies of scale.

Peter Bushnell
Lead Reviewer

David Butler
Lead Reviewer

Jeff Whalan
Technical Expert

CENTRAL AGENCIES' OVERVIEW

This report is one of five comprising the 2nd tranche of Performance Improvement Framework reviews¹. In September last year we released the findings and responses to the Pilot and 1st tranche reviews². We want to thank the leaders, staff and stakeholders of the agencies that have been reviewed for being open to external review to provide both assurance and constructive criticism.

What is the Performance Improvement Framework and what are we trying to achieve?

The Performance Improvement Framework is a framework applied by a small group of respected organisational leaders to provide insights into agency performance, identifying where agencies are strong or performing well and where they are weak or need to improve. The framework covers both results (in terms of effectiveness and efficiency) and the organisational management factors that underpin sustainable superior performance.

Because a common framework is used, the reviews not only inform agency performance improvement plans, but also help us build a body of knowledge that provides us with a better picture of cross-system performance and identifies issues which we need to address at sector or system level.

The Performance Improvement Framework is an initiative developed by central agency and State services chief executives to respond to the need for improved effectiveness and efficiency in the State services. It is also important to acknowledge that the New Zealand State services operates from a position of strength and continues to be recognised internationally as among the top performers. However, we recognise that we must meet the ever-increasing and reasonable expectations of Ministers and the public generally, especially in these times of economic and fiscal stress.

What are we learning?

We now have 11 reviews completed.

In general, the reviews confirm that we have a 'can do' service, which is strong on delivering the results government wants now. We have a service that values probity and the systems and processes that support transparency and ensure accountability for the expenditure of taxpayers' funds. We have a service that recognises that its people, and their combined knowledge, experience and commitment, are our greatest assets. We are relatively good at putting in place the systems and processes (in particular human resources (HR) and financial management systems) that should support them to make their best contribution.

At the other end of the spectrum, we are not as good as we should be at working across internal and external silos, progressing the medium- to long-term work programmes that will position us to meet the future needs of governments and taxpayers and reviewing the ongoing need for, or methods of delivery of, the services we currently provide.

We need to be better at measuring the results of what we do and comparing them to the results

1. Ministry of Social Development, the Treasury, New Zealand Transport Agency (NZTA), New Zealand Trade and Enterprise (NZTE) and Inland Revenue.

2. Ministry of Agriculture and Forestry, Department of Internal Affairs, Department of Conservation, Ministry of Foreign Affairs and Trade, Te Puni Kōkiri and Land Information New Zealand.

government was seeking to achieve. We need to bring together the information we have to make better decisions about what we do and how we do it. For example, we need to use our financial management systems to understand and manage the costs of the services we provide, rather than simply to develop and monitor budgets.

Next steps?

We have 11 agencies at various stages of implementation of their responses to their reviews. We will work with them to support and monitor their implementation of those responses and to evaluate whether their actions are having the improvement results anticipated.

As indicated above, we are looking across the Performance Improvement Framework review results to identify both the agencies that others can learn from and the areas of systemic weakness that we need to tackle as a service rather than on an agency by agency basis. Key to these will be our ability to monitor long-term effectiveness (are we actually achieving the outcomes as opposed to merely delivering the outputs?) and our ability to review the effectiveness and efficiency of what we do (are we providing services the best way we can or indeed can the services be better provided by someone else?).

Iain Rennie
State Services Commissioner

John Whitehead
Secretary to the Treasury

Maarten Wevers
Chief Executive
Department of the
Prime Minister and Cabinet

SUMMARY OF RATINGS

Results

GOVERNMENT PRIORITIES	RATING
Unrelenting focus on work, a fair system	
Protecting our children	
Opportunities for youth	
Older people are better supported and participate in their communities	
Communities - getting on with it	
Delivering our services better	

CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
Social sector leadership, including youth, disabilities, and senior citizens		?
Income support and employment services for working age people		
Income support and information for seniors		
Youth justice services		
Care and protection, and adoption services		
Management of Student Loans and Allowances		
Facilitation, coordination and funding of early intervention and preventative family support services		
Policy advice		
Emergency response		?
Regulatory impact	Not rated	

Rating System

 Strong	 Well placed	 Needing development	 Weak	 ? Unable to Rate
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Organisational Management

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

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

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

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Efficiency	
Financial Management	
Risk Management	

Rating System

 Strong	 Well placed	 Needing development	 Weak	? Unable to Rate
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AGENCY CONTEXT

Role and responsibilities

MSD is the Government's lead provider of policy advice and services for children and young people, working-age people, older people, families and communities. It is responsible for:

- the statutory care and protection of children and young people, youth justice services, adoption services and funding to community service providers
- delivering employment and income support services, New Zealand Superannuation and the administration of New Zealand's international welfare portability arrangements
- providing student allowances and student loans
- getting access to affordable health care for older people, families and lower income New Zealanders
- ensuring the benefit system has integrity and minimises the debt levels of clients
- leading and coordinating social and support services, and funding to community service providers
- negotiating access to concessions and discounts for senior citizens.

Ministers

MSD provides services to Ministers in six portfolio areas including: Social Development and Employment, Senior Citizens, Disability Issues, Youth Affairs, Veterans' Affairs and Whānau Ora.

Services

MSD has 9,500 staff located in around 300 sites providing services to more than 1.1 million clients. As at the end of December 2010, the Ministry was providing:

- retirement income support to around 561,000 older people
- financial support to around 353,000 working-age people unable to work through health, family, or employment circumstances
- help with living expenses for the 1,014,000 people with a Community Services Card.

Also, over 2010 MSD provided:

- student loans to around 212,000 people to help with their study costs
- student allowances to around 96,000 students to help with their living costs

Sector

MSD works with other government agencies, non-government organisations, advisory and industry groups, and communities and iwi to achieve results. It provides leadership and co-ordination among various government and non-government organisations. It has a Cabinet mandate to lead the Social Sector Forum of Chief Executives, the Chief Executives' Group on Disability Issues and the Chief Executives' Group on the Community Sector, and participates in the Justice Sector Chief Executives Forum.

MSD provides whole-of-social-sector second opinion advice to government.

Structure

MSD is structured into the following clusters:

- Policy – the Social Sector Strategy group provides social sector-wide policy advice, policy advice on communities and community-government relationships, second opinion advice to Ministers and to the Cabinet Social Policy Committee. The group’s evaluation, research and information provide an evidence base in support of MSD’s advice, policy development and operational delivery. The Social Services Policy group provides advice on services for children and families, young people, working-age New Zealanders and older people. This group includes the Ministry of Youth Development.
- Service Delivery – provides services to clients through four service lines:
 - W&I: providing employment and income support services
 - Students, Seniors and Integrity Services (SSIS): processing student allowances and loans (StudyLink), providing superannuation services to seniors and undertaking fraud investigations and debt collection
 - Child, Youth and Family (CYF): providing the care and protection of, and youth justice services for, at-risk children and young people
 - Family and Community Services (FACS): connecting families with their communities and funding early intervention programmes.
- Corporate – supports the service delivery and policy clusters: People, Capability and Resources; Risk and Assurance and Corporate and Governance.

MSD includes two offices within the Social Sector Strategy group:

- the Office for Senior Citizens – supporting the Minister for Senior Citizens to promote positive ageing and the interests of older people
- the Office for Disability Issues – supporting the Minister for Disability Issues to oversee government implementation of the New Zealand Disability Strategy and the UN Convention on the Rights of Persons with Disabilities addressing the challenges and advancing the interests of disabled New Zealanders, as well as supporting the Ministerial Committee on Disability Issues.

RESULTS SECTION

Part One: Delivery of Government Priorities

This section reviews the agency’s current ability to deliver on its strategic priorities agreed with the Government. It is based on the completeness of the agency’s plans, the stage at which the priority is at, and the capability and capacity of MSD to deliver on the priority. The report is also informed by consideration of identified risks.

Government Priority 1 – Unrelenting focus on work, a fair system	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>MSD does an excellent job at getting the unemployed into work. Staff at the front line understand that it is in the best interests of the individual, their family, the community and for New Zealand for people to be in work. Staff think creatively about what needs to be done to enable this to happen and are very effective at this work. This includes looking at the barriers that individuals face in entering or remaining in work and how best to remove these.</p> <p>One of the reasons this system works so well is because of the integration of the case management of income support and employment within the one organisation. People on unemployment benefit will always attend the office of the organisation paying their benefit and each visit gives an opportunity for a discussion about getting a job. This structural integration should be preserved.</p> <p>In recent times there has not been the same policy or service delivery focus on getting long-term beneficiaries into work. Success in this area is difficult and relies on the right policy settings and an appropriate approach to delivery. Legislative change requiring work testing for those on long-term benefits would enable MSD to be more active in encouraging these people into work.</p> <p>We note the report of the Welfare Working Group and its suggestion to move to a system based on reducing the long-term forward liability. Work and Income in particular responds well to clear targets and thus we believe there is considerable value in this suggestion which refocuses the ‘outcomes’ approach MSD has been taking.</p> <p>We note that MSD tends to rely on the judgement of the medical profession in making a decision about ability to work. We believe there would be value in making more use of staff with specialist skills around work capacity, which would add to the advice provided by doctors and assist in getting more people back to work. This approach has been successfully used by ACC and a better alignment of the approaches taken by the two organisations would be beneficial. With the right policy settings, one option is for this work to be contracted through ACC or its providers.</p>

Government Priority 2 – Protecting our children

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>MSD took responsibility for CYF in 2006. It has done an excellent job since that time at improving the performance in this area. It is widely acknowledged that MSD has been able to greatly reduce the number of unallocated cases, that it has been better at managing the risk in this highly sensitive area and that it has invested heavily in training and improved the leadership capability within CYF. It has also improved the range of services funded through non-government organisations and the partnership with these organisations.</p> <p>A number of new initiatives have been introduced including high profile public education programmes such as ‘It’s Not OK’ and ‘Never Shake a Baby’.</p> <p>Having now brought the backlog of unallocated notifications under control, and improved the confidence of the public in the work done by CYF, MSD is able to focus on further improvements to the quality and consistency of the services being provided. The Review team agrees this is the next priority.</p> <p>We note the importance of the work done by MSD on ‘at risk six to nine year olds’ and the way in which they have used an evidence based approach to identifying those most at risk. This is important work.</p> <p>Further progress is dependent on the quality agenda being pursued. However, MSD alone cannot succeed. MSD is also dependent on the work done by others, including in the health, education and housing sectors.</p>

Government Priority 3 – Opportunities for youth

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>This priority covers a wide range of work across MSD, some of which is undertaken in conjunction with other agencies. It covers two MSD outcome lenses, being ‘More young people stay on track’ and ‘Reduced reoffending by young people’. Programmes under this priority are undertaken across all MSD service lines. Across central government the relationships with the Ministry of Education, the Tertiary Education Commission and the Ministry of Justice are particularly important.</p> <p>Feedback from stakeholders was that generally MSD is doing a good job with youth. MSD has increased the focus on ensuring that young people are in education, training or work. Examples were given of MSD providing a more integrated approach to providing support to young people in local communities and of MSD taking the lead on a joined up approach to supporting youth at risk in the court system. MSD is seeking to expand this integrated approach to more communities.</p> <p style="text-align: right;">contd...</p>

	<p>MSD also does a very good job with students, encouraging them to make good financial choices in tertiary education.</p> <p>Despite these endeavours the issues of the ‘youth pipeline’ remain considerable. Papers indicate a large spend across agencies on youth programmes but note that “much of this activity is uncoordinated, has competing outcomes and accountabilities, and is not joined up”. MSD, the Tertiary Education Commission and the Ministry of Education are working to improve coordination and will report to Cabinet soon on this. This area is another example of the sector coordination issues MSD faces.</p>
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Government Priority 4 – Older people are better supported and participate in their communities

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>The Government has a number of priorities based on the Positive Ageing Strategy, which is directed at supporting the independence of older workers. This includes a focus on the opportunities, for employers and employees, of older New Zealanders being actively engaged in the workplace.</p> <p>There has been some recent good progress by MSD, with one point of contact being available for older New Zealanders. There is also a strategy of graduated assistance where, for example, home visits will be offered for people over 85 years of age. Overall, interventions are directed at assisting older people to be aware of their options and this could, for example, include immunisation to reduce the need for hospitalisation. Clearly early interventions such as these can help reduce outlays across government.</p> <p>A strength of the approach used by MSD is the flexibility of operational practices that allows individual circumstances to be taken into account when seeking a solution to any issues.</p> <p>There has been very good progress made with the electronic filing of applications for New Zealand Superannuation. Namely, the target of 50% during 2010/11 of new applications being filed electronically will likely be exceeded.</p>
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Government Priority 5 – Communities - getting on with it

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>This priority reflects the Government’s desire: to give communities more say over what social services are funded in their area; build non-government organisation (NGO) capability; and limit compliance costs on NGOs. Some initiatives that contribute are the Community Response Model, high trust contracting, streamlined contracting, Whānau Ora, contract mapping and services to assist NGO capability.</p> <p>Initiatives such as the Community Response Model and Whānau Ora are at an early stage and thus it is difficult to assess progress. High trust contracting is also reasonably new and is welcomed by the NGOs that it will benefit most.</p> <p>The Family and Community Services (FACS) service line, primarily responsible for this priority, is regarded by stakeholders as being good at contracting and partnerships.</p>

Government Priority 6 – Delivering our services better

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>Perhaps the most exciting recent development in delivering better services to the community is the Community Link initiative. At the early sites a high level of involvement with the community has been achieved, which understandably takes some time to happen, and a wide range of government services have been brought together. Clearly there is value in providing integrated services that are shaped from community input, and which therefore are more likely to meet the real needs of a particular community. Many senior people in MSD have expressed the view that Community Link is the way MSD should operate in the future and we agree with this.</p> <p>We are also of the view that the new ServiceLink initiative, that will bring together electronically a number of government services, provides a great opportunity to further enhance the services available to New Zealanders. This initiative will need to be skilfully developed and implemented with the right balance between making some early runs on the board as well as having clear longer-term objectives.</p> <p>As noted elsewhere in this report MSD has made good progress in providing electronic services to clients, the most notable being for student loan borrowers and for people applying for New Zealand Superannuation.</p> <p>There have also been some good improvements in ‘wrap around’ services for customers, where not only is the immediate issue resolved but the broader issues in, say, a family are then considered and solutions found.</p>

RESULTS SECTION

Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. The report is based on a judgement about the current performance of the agency and the trend that they have demonstrated over the last 3-4 years.

Core Business 1 – Social sector leadership, including youth, disabilities, and senior citizens	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> <p>?</p>	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Unable to Rate</p> <p>There has been strong social sector leadership from Peter Hughes, supported by MSD to move toward service integration among government agencies and NGOs. This has been successful in taking forward a significant number of different programmes with cross-agency input and impact, including : Whānau Ora, integrated contracts, Community Link, Community Response Model, trialling new approaches to local service delivery, Youth Gangs in Counties Manukau and Drivers of Crime.</p> <p>Good progress has been made at the level of service integration with some innovative approaches being developed. It has been, however, quite dependent on the leadership efforts of Peter Hughes.</p> <p>We think the success of this process could be further enhanced in three ways:</p> <ul style="list-style-type: none"> • ensuring a dedicated strategic policy capability with expertise in health, education and housing (perhaps staff on secondment from relevant agencies) that gives room to go beyond tactical issues to those with a longer-run impact. • having the interest and engagement of a standing group of Ministers with strong senior leadership. One approach that has been successful in the past is the use of Ministerial teams led by a senior front-bench Minister with responsibilities for overall sector coordination on major issues. One option that might be worth considering is having a Minister with a broad social sector responsibility and a separate Minister for MSD with a focus on service delivery. • Central agencies using more of the formal levers to reinforce that joint work is a core responsibility for all the relevant chief executives. This would include reference to social sector participation as an expectation for chief executives’ performance agreements, in induction and in performance feedback. <p style="text-align: right;">contd...</p>

	<p>There might be value in using the full flexibility that exists in the Public Finance Act 1989 to revise funding arrangements to more readily allow joined-up services.</p> <p>In suggesting some more formal processes to reinforce the leadership role we are conscious of the importance of leadership by persuasion rather than command and our suggestions support the persuasive style .</p> <p>While the role of social sector leadership to date has focused on service integration, if that leadership is to crack some of the really big social issues in the future, it will inevitably intrude into the mainstream realms of health, education and housing. This will only be fully successful if supported and driven at the Ministerial level, as suggested above.</p>
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Core Business 2 – Income support and employment services for working age people

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed Performance Rating (Efficiency): Well placed</p> <p>W&I is the biggest MSD business line with around 4000 staff, an internal budget of \$355m, paying benefits of \$4.9 billion in working-age benefits, having more than 1 million clients and operating from 147 service centres.</p> <p>It is a very well run service line with good leadership depth. W&I is agile and responds quickly to changes in priorities. It was able to reconfigure its approach to cope with the very large increases in unemployment claims after the financial crisis in 2008. W&I has used a methodology called Lean Six Sigma to improve its efficiency and effectiveness by revising its business processes.</p> <p>W&I has been very effective at dealing with the number of people on unemployment benefit. It needs to be as effective at intervening with long-term beneficiaries and supportive policy settings, which require work testing, are an important component of this.</p> <p>It retains tight controls on the process surrounding income support payments while encouraging innovation at the local level around the best way to get people into work. It then captures and assists with the ‘roll-out’ of these learnings. W&I has a very impressive outcomes-based culture which emphasises that every interaction with a client is an opportunity to improve people’s lives – with the main emphasis being to get them into work or on the pathway to work. This has been focused in recent years at the unemployed rather than other beneficiary groups.</p> <p>As funding allows, MSD is moving more towards a service delivery model based on Community Link centres. This will assist in simplifying things for clients and improve outcomes by being better able to provide the services each client needs.</p>
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Core Business 3 – Income support and information for seniors

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed Performance Rating (Efficiency): Well placed</p> <p>MSD recognises the need for responsive and integrated services that meet the needs of the diverse group of people who are older New Zealanders. As noted elsewhere these services are based on a graduated approach that enables the greatest impact to be achieved within the resources available.</p> <p>MSD recognises that older workers are the ones more likely to be unemployed in a recession and that they may not be able to return to the workplace. There is also widespread awareness that an increasing number of New Zealanders will be entitled to apply for New Zealand Superannuation.</p> <p>MSD has given careful consideration to these challenges. New structural arrangements have been put in place that bring people together in one team and new specialist case managers for seniors have been established. This well planned transition is very close to completion.</p> <p>There is good information available on the MSD website for older New Zealanders and there has been ongoing strong take-up of the opportunity to apply for New Zealand Superannuation through it.</p> <p>There is also evidence of the value of MSD staff being able to take extra steps to assist older people. Examples are arranging for Housing New Zealand to clean the driveway of a house that would otherwise have been dangerous for the elderly occupant with a risk of ensuing hospitalisation, and providing financial assistance to the elderly to assist with unexpected costs. There appears to be good practices in place to ensure consistency in approach for these cases, although more might need to be done to determine the appropriate boundaries between the responsibilities of MSD and of, say, the local district health board (DHB).</p>
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Core Business 4 – Youth justice services

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well Placed Performance Rating (Efficiency): Needing development</p> <p>There has been a marked lift in performance against youth justice targets since Child Youth and Family (CYF) services were transferred to MSD in 2006. All targets were met in 2009/10 and we were told this was the first time in 20 years this has occurred.</p> <p>The next challenge is to move from a focus on managing the youth justice process to ensuring the system is resulting in reduced reoffending.</p> <p style="text-align: right;">contd...</p>
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	<p>MSD has led some notable cross-sectoral work in this area, including the work on reducing the impact of youth gangs in Auckland.</p> <p>CYF has been working to lift the quality and consistency of practice of its staff in this service line by investing in professional practice training.</p> <p>Statutory social work requires a different set of skills than other social work roles. Stakeholders raised concerns with the Review team about the variable quality of social work education. MSD is the largest employer of social workers in New Zealand and needs to take action to ensure that tertiary institutions are producing graduates capable of statutory social work.</p> <p>The rating of 'needing development' for efficiency reflects that while the management focus to date has been in lifting performance and getting budgetary control there are opportunities to become more efficient. For example, the Future Focus work programme provides a growing base of information about which programmes are more effective in reducing offending and therefore increasing efficiency.</p>
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Core Business 5 – Care and protection, and adoption services

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Well Placed</p> <hr/> <p>This area is the responsibility of the CYF service line, where there has been very strong leadership. As noted above, this was a service line under significant difficulty and since it was transferred to MSD its performance has dramatically improved.</p> <p>Last year CYF achieved all of its Output Plan performance targets for the first time in ten years. Unallocated notifications of children at risk have been reduced from 5,000 in 2006 to 99 in 2010.</p> <p>MSD has brought improved systems and processes, a stronger approach to managing risk, a broader resource base to deal with the fluctuations in demand, stronger governance, better external communications and improved collection and use of information.</p> <p>This is one of the most challenging areas of government endeavour and CYF should be congratulated for the improvements it has made. Comment was made that the progress made by CYF has been such that it is now acknowledged as being one of the best care and protection agencies in Australasia.</p> <p style="text-align: right;">contd...</p>
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	<p>Many of the challenges facing this service line are similar to those being faced by Youth Justice Services. Both need to focus on improving quality and consistency of practice, helping to ensure that social work education is providing graduates to meet their needs and working effectively with external agencies to improve outcomes for children and youth at risk.</p> <p>Although the Lean Six Sigma approach has not yet been applied in CYF there has been a shift in focus to early permanent places for children in care. This changed approach has delivered both gains for the children concerned and significant fiscal savings. Overall, the shift in management focus and the rethinking of processes of care mean that MSD is well placed to deliver ongoing efficiency gains in this area.</p>
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Core Business 6 – Management of Student Loans and Allowances

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Strong Performance Rating (Efficiency): Strong</p> <hr/> <p>The student loans and allowances programme functions very well and operates at relatively low cost. There is extensive self-service through various internet applications, where students are able to borrow, review account status and make payments. Take-up is very high at over 96% and client satisfaction at 84%.</p> <p>There has been ongoing innovation with, for example, notifications about changes to student loan accounts sent by text message to students who can then access their account to see what changes have been made.</p> <p>In recent years there has been some good work undertaken to help students understand the long-term consequences of taking out a student loan and to assist them to make sound decisions about the amount they should borrow. Useful information is available through the MSD website and advice and guidance is available on a case by case basis.</p> <p>There has been stronger working across government, although the current arrangements for StudyLink, spread across three departments, need to have very strong governance arrangements, particularly during a time of systems changes. More is probably necessary. It is also difficult to get the incentives operating throughout for efficient management of the system. Consideration might be given to adopting metrics throughout to encourage greater management attention to reducing the overall fiscal cost of the scheme.</p>
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Core Business 7 – Facilitation, coordination and funding of early intervention and preventative family support services	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Well placed</p> <hr/> <p>The FACS service line provides or funds a large range of preventative and early intervention services and acts as a facilitator or coordinator of services to families (at a general and case-work level).</p> <p>FACS maintains good relationships with the NGO sector. FACS and MSD are seen as very approachable. The National Advisory Council is regarded as a good forum, although some other government agencies no longer attend, which lessens its usefulness.</p> <p>FACS is highly regarded for its contracting skills. Developments including multi-year contracting, high trust contracting and streamlined contracting are starting to make a difference for NGOs.</p> <p>There were differing views from stakeholders on how well FACS and CYF work together but the split is seen as appropriate as it allows CYF to maintain its focus on its statutory child protection and youth justice roles, which some stakeholders advocated should be its sole focus. More can be done to improve coordination and possibly reduce duplication between the two service lines. FACS funds or administers a wide range of programmes, with these increasing as new programmes have been added. Some NGOs are confused by the range of programmes and also sometimes with the overlap with non-government funded programmes. As opportunities arise, MSD should seek to reduce the number of programmes by consolidating them. This will increase the flexibility to achieve outcomes and reduce confusion.</p> <p>It is acknowledged that effectiveness is difficult to assess with preventative and early intervention services. FACS and the Centre for Social Research and Evaluation (CSRE) have undertaken work to assess the effectiveness of programmes but more could be done in both evaluation and in decisions to change or cease programmes that are not effective. There has been recent media coverage about some programmes including the implementation choices made and the process of making changes to improve the programmes. The Community Response Model may help to make decisions on which programmes to stop. FACS is also undertaking good work to improve the outcomes focus of its performance measures.</p>

Core Business 8 – Policy advice	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Needing development</p> <p>Performance Rating (Efficiency): Well placed</p> <p>The Policy Advice function at MSD has about 200 full time equivalents (FTEs) in the Policy cluster, including about 84 FTEs in CSRE which undertakes research and evaluation, forecasting and modelling, and information analysis.</p> <p>Policy Advice team is generally well regarded for its ability to support Ministers. In respect to delivery of the Government’s directions it is seen as providing fast, pointed and effective advice. A particular strength of Policy Advice has been the way MSD brings other agencies and its own front-line staff into policy development so that proposals are readily implementable. Cabinet committee papers are well structured for decisions by Ministers and contain all the relevant information. The Ministry collaborates well with other agencies and is helping to translate concepts like Whānau Ora into concrete service delivery processes.</p> <p>As has been noted by the Review of Policy Advice, there has been a tendency across the public sector for robust advice to be provided orally and in writing only on rare occasions. This trend has been observed with recent administrations of both major parties. This practice also has been true of MSD. We received comments that MSD leaders do provide frank and robust oral advice to Ministers. We understand the pressures that have led to this public sector shift toward providing free and frank advice orally, but think that an important contribution to transparency and better public sector decision-making has been diminished as a result.</p> <p>Prior to the last election there was a substantial body of work led by MSD with other agencies on significant social problems. This was drawn on for the joint social sector Briefing to the incoming Government (BIG). Among other things, it advocated a much larger focus on early intervention. The focus since then has been on responsive advice and taking opportunities to advise on the benefits of focused early intervention.</p> <p>MSD has a large policy group in a Wellington context. In our view, it and other social policy agencies need to make a greater contribution to finding solutions to the big policy problems that are proving hard to crack. This means that focusing on these long-term issues needs to be on-going and not just every three years for the BIG.</p> <p>To add the greatest value, this sort of information should be demanded by Ministers. Having a committed Ministerial engagement, such as that identified above in relation to social sector leadership, would make an appreciable difference.</p> <p style="text-align: right;">contd...</p>

Greater support needs to be provided by Central Agency chief executives to leaders of line departments to undertake this work and solve some of these difficult long-term problems. The Standards of Integrity and Conduct issued by the State Services Commissioner includes an expectation that advice be 'free and frank', and we believe there would be value from more wide-ranging discussions with Ministers on how to do to this.

Changing the external demand and support for a focus on the big tough issues would help managers devote sufficient priority to this work.

The Welfare Working Group, like the Tax Working Group, has been a means to expose options for a difficult problem and to increase public understanding. New Zealand has a very small number of sources of informed independent policy analysis and advice compared with overseas jurisdictions.

One means of increasing the understanding and discussion of key issues might be for MSD to proactively release for use by others a wide range of the datasets and models developed within MSD. The value of such information would be further enhanced by releasing linked datasets from health, education, justice sector and MSD sources.

Another means of increasing public interest in key issues might be for more widespread adoption of the approach of the Minister of Finance who has encouraged the Secretary to the Treasury to take part in a programme of public speeches.

MSD has been putting greater emphasis on publishing the results of evaluations and research undertaken by CSRE. This can be another contribution to the wider understanding of key issues. It also increases external confidence that MSD will recognise and act based on the assessed effectiveness of the policy.

If the evaluation work is to contribute more to policy choices and value-for-money decisions consideration might need to be given to placing more weight on evaluating the effects on outcomes from the programmes being assessed, as well as finding ways to ensure most programmes are evaluated.

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	<p>Overall, we see that responsive policy advice has been delivered, to a high standard and is well regarded for its contribution to Ministers’ decision-making. If this was the only expectation for the policy area then it would be ‘well placed’. Dealing with big policy issues is a separate consideration. Some innovative quantitative work that has promise is occurring now and we should expect to see policy leadership in MSD’s response to the Welfare Working Group. Where the challenge lies is in MSD consistently providing policy leadership on big policy and social issues, crunching them through to solutions. This could be supported by action from Central Agencies.</p> <p>In regard to the rating of being ‘well placed’ for efficiency, MSD is aware of the full cost of its policy and of the main drivers of that cost. The Scott Review of Policy Advice identified MSD as having expensive policy advice. While there may have some weaknesses in the data supplied for this benchmarking (such as overstatement of MSD overheads, and the inclusion of non-policy activities) which are being rectified, it is clear that MSD is still relatively expensive, in part because of its management layers.</p> <p>Senior management has recognised there is scope for efficiency and has been acting to lift efficiency for some time. A variety of approaches have been adopted including structural changes to reduce management overhead and to increase the ease of alignment, rethinking administration and policy processes to reduce unproductive use of policy adviser time, and providing greater technical guidance to increase the ease of staff dealing with new issues and processes. Headcount has been proactively managed down. As a consequence a significant sum has been returned internally for application to the Minister’s new priorities</p>
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Core Business 9 - Emergency Response	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p> <div style="text-align: center;">  </div> <p>Efficiency</p> <p style="text-align: center;">?</p>	<p>Performance Rating (Effectiveness): Strong Performance Rating (Efficiency): Unable to Rate</p> <hr/> <p>Emergency Response could be regarded as ‘business as usual’ for MSD. We have chosen to discuss it as an area of core business because of the importance of the work that has been done and could be done in the future by MSD.</p> <p>The national Civil Defence Emergency Management Plan mandates MSD as the Chair and lead agency for the National Welfare Recovery Coordination Group. MSD is well placed to lead the welfare recovery work after natural disasters as a result of its other responsibilities, its role as the lead agency for the Social Sector and because of its size and agility. The size of MSD provides the Government with a capability not available elsewhere; it is more able to shift work and staff across locations and to support an emergency response.</p> <p style="text-align: right;">contd...</p>

	<p>The review has received some feedback about the difficulties in achieving an integrated approach to recovery at the early stages of the Recovery phases following the Christchurch earthquake. An example here has been the approach to the provision of accommodation. There would be value at looking again at the governance arrangements in the Canterbury Earthquake Recovery Act 2011 and to strengthen the role of the Welfare Recovery Coordination Group. This would help to ensure an integrated and citizen centric approach.</p> <p>The Review was given extensive feedback about the speed, quality and comprehensiveness of the MSD response to recent disasters. There are a number of examples of MSD quickly innovating in response to the Christchurch earthquakes, including the use of mobile servicing from campervans, phone calls and visits to vulnerable clients to establish their needs and the quick establishment of ‘one-stop-shops’ in the community.</p> <p>There is the potential to further build on this capability through, for example:</p> <ul style="list-style-type: none"> • a strengthening of its role in the recovery phase • leasing mobile servicing units with inbuilt communications and power that can be used in the response phase of emergencies (and used for outreach at other times) • ensuring that other portable equipment and communications capability is available that are able to operate effectively in disaster zones to enable the rapid deployment of MSD staff.
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Regulatory Impact	
<p>PERFORMANCE RATING</p>	<p>Performance Rating: Not assessed</p> <hr/> <p>MSD’s regulatory work is most significant in relation to the management of statutory powers to protect children, policy advice on benefit system changes and the requirements imposed on NGO providers.</p> <p>We consider MSD is appropriately considering regulatory impact in its work but we have undertaken limited work on this and have not rated this area.</p>

ORGANISATIONAL MANAGEMENT SECTION

Part One: Leadership, Direction and Delivery

<p>Vision, Strategy & Purpose</p> <p>How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 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></p>	<p>Performance Rating: Strong</p> <p>MSD often describes itself as a ‘holding company’ and the MSD brand is believed not to be well known outside Wellington. Rather, the service lines such as W&I and CYF are what the community would recognise and are what staff outside national office align themselves to.</p> <p>There are a number of documents that clearly set out the key priorities for MSD as a whole. Separate documents set out key directions and objectives for the major service lines.</p> <p>The Statement of Intent (SOI) clearly highlights the strategic direction for MSD and aligns this to government priorities. The SOI sets out the key issues for MSD over the coming years.</p> <p>There are also documents that set out how the various parts of MSD will work together and for example, there is one clear set of principles that flow across MSD. These ‘MSD Principles’ are akin to values and would influence the work of all parts of MSD.</p> <p>There is evidence that strategies for MSD as a whole are discussed by the Leadership Team on an ongoing basis with a focus on those issues of greatest risk or opportunity to MSD as a whole. Considerable interaction occurs to test out the implications for MSD overall. This process has helped identify key trends such as overall fiscal stringency, and the gains from integrated service delivery and enabled MSD to move early on these issues. However, in general these overarching strategies are not as well documented as they could be, nor were they articulated by a number of members of the Leadership Team. There is an advantage in having an evolving approach to strategy development as this will keep the strategies fresh as circumstances change. Even so, it would be advantageous to capture these more comprehensively than has been the practice to date.</p> <p>The overall rating of ‘strong’ for Vision, Strategy and Purpose encompasses the articulation of that vision which is done in an exemplary way. This outstanding leadership has been a key element in forming the culture of an agile responsive organisation with an outcomes focus. MSD also has leadership practices in place that look out for a number of years and enable it to be well placed to deal with possible changes in its role and purpose, though the strategies that emerge from those processes are often less visible outside the organisation than internally</p>

Leadership & Governance	
How well does the senior team provide collective leadership and direction to the agency?	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p> <p>While this section is about the Leadership Team as a whole, it is worthy noting the strength of leadership that is provided by the Chief Executive, Peter Hughes. It is the strength of his leadership that underpins the performance of the team.</p> <p>The Leadership Team comprises the deputy chief executives and the Chief Executive. They meet regularly and cover a mix of strategic and tactical issues. They are a team, united with a strong common purpose, who model their leadership.</p> <p>There is strong and effective governance with a number of focused committees, some of which have external experts as members.</p> <p>The Chief Executive has used the chairing of these committees as one way of grooming high performing deputies for future Chief Executive roles. He has also required his deputies to work together in the best interests of MSD and to agree between themselves on priorities and resource reallocations. It is unusual to see this working as well as it does in MSD.</p> <p>MSD identifies and invests in future leaders. The top team is strong and there is a depth of leadership talent within the organisation. It is because of this that some of the top talent has been selected for jobs elsewhere and this has put some pressure on the 'bench strength'.</p> <p>A suggested area for further improvement is to extend the use of external experts (from the business sector and/or from other departments) on to all the governance committees.</p>

<p>Culture & Values</p> <p>How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?</p>	
<p>PERFORMANCE RATING</p> <p></p>	<p>Performance Rating: Strong</p> <p>One of the key strengths of MSD is the succinct and frequently repeated messages about the behaviours that are expected. Clearly these behaviours are what underpin a culture of responsiveness, agility, commitment, innovation, alignment and desire to achieve. The ‘MSD Principles’ which have been referred to above are a good example of this approach.</p> <p>The Chief Executive is personally very involved in the ongoing communications with the people in MSD and the environment is one where everyone is able to personally contact the Chief Executive about ideas or concerns. It is our view that it is uncommon to see such a strong cultural alignment in an organisation as large and diverse as MSD.</p> <p>One of the cultural features of MSD is that freedom is given to the regions to innovate but this is coupled with a responsibility to achieve national consistency. Best practice is recorded and once a change is made, all service centres are expected to adopt the new practice. The balance between encouraging and allowing innovation, as well as maintaining consistency, is difficult to achieve and MSD has done this well.</p> <p>MSD has the ability to move quickly and has a ‘can do’ approach. Sometimes MSD is said to move too quickly for other departments.</p> <p>The speed of change is a question of balance between the need to meet a tight timeframe and the importance of obtaining appropriate input from the wide number of stakeholders MSD has to deal with. If this balance is not correct, MSD could run the risk of seeing solutions through its experience only.</p> <p>Given the nature of the issues MSD deals with, media is necessarily managed tightly. There is a focus on the immediate as well as the longer-term outcomes and there is also the ability to think ahead to pick an intervention that will most likely ensure the best outcome. There are some excellent practices in place for media management. These practices should only be changed with great care and a good degree of caution. The section on risk management discusses the application of risk management to external stakeholders.</p>

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?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p>
	<p>As noted already, MSD describes its business model as that of a ‘holding company’ of service lines, some of which have very different responsibilities and require different ways of working. This is an effective approach that helps ensure there is a focus on working with the public rather than on the organisation itself. It also recognises that there is value in having different cultures in different service lines, as the culture needs to be appropriate to the work being done.</p> <p>The business model is complemented by the behaviours and approaches which are fostered across the organisation. Staff know their job is to do the task or job for which they are responsible and to operate within the limits of the law, rules, guidelines and accountabilities, but they also know that they have an overarching aim to “do the right thing for New Zealanders”. They further understand that ‘the Right Thing’ is what is in that person’s long-term interest, for example – to get a job.</p> <p>Structures, roles and responsibilities are changed to support the changing business priorities. A good example was the creation of a Deputy Chief Executive role responsible for the earthquake response.</p> <p>MSD also has a clearly documented and well understood approach to ensuring that responsibilities and accountabilities are cascaded throughout the organisation.</p>

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>Overall, the service performance information (and associated controls and systems) have been assessed as ‘good’ by the Office of the Auditor-General. These tend to focus on outputs and processes, with some outcomes also being measured. Further work is under way to increase the focus on outcomes in the measures.</p> <p style="text-align: right;">contd...</p>

	<p>In focus areas, such as unemployment, measurement is strongly built into the management processes. Tracking outcomes has been difficult in the past when clients move beyond the record of a service line within MSD. Links with other government agencies (Police, Inland Revenue (IR), Health) and internally between CYF and W&I have recently been established that allow data matching and the ability to track the effectiveness of particular programmes and providers. This offers a promising way to increase the ease of evaluating in-house programmes, and of assessing the quality of services provided by contracted suppliers. It will greatly increase the possibility of results-based contracting.</p> <p>CSRE is the internal unit that carries out evaluations. Questions were raised by Ministers over the visibility of the output, and whether research and evaluation has been used to inform resourcing decisions. In response, there is an internal expectation of increased publication.</p> <p>Research and evaluation information was used in the line-by-line expenditure review for Ministers, although there was a limited number of impact evaluations to draw on. Lack of quality data has limited the number of impact evaluations that have been able to be carried out to date, so there has been a high demand from the service lines for (process) evaluations to fine-tune service delivery. Controls are hard to find to enable clean impact evaluations, so CSRE has looked to find less conclusive links to outcomes. This is a desirable step. With an ability to develop data matches more readily, it should be possible to find much better information on the effectiveness of different treatment programmes even if full impact assessments are not possible.</p> <p>A key innovation has been in joining up datasets across CYF, W&I, and Police and Health. This allows real opportunities for MSD to increase the focus on outcomes for all its programmes and contracted services. We think the development of joint data warehouses covering linked data (appropriately anonymised) of, at least, social development, health, education, housing and justice would be an important contribution to the design of better services and policies for people with complex circumstances.</p> <p>MSD has developed diagnostic tools to enable better targeting of services and guidance on what sorts of information should be collected to subsequently track the results of services, whether in-house or contracted.</p> <p style="text-align: right;">contd...</p>
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In some ways MSD is 'well placed' in relation to its review activities. It has solid reporting on current activities and has an increased outcome focus under development. This puts it at the forefront of public sector organisations. It has the capability to carry out evaluations and reviews, has widespread demand within some of the services for evaluations and has developed ways to generate new information on outcome effects and how best to target services.

In regard to longer-term effectiveness analyses, however, MSD has some considerable way to go. Obtaining assessments of effectiveness is often hard given the lags before full effects can be seen and furthermore data limitations exist in many cases. While the new approaches are promising and allow quick judgements to be made in immediate effects, a lot more needs to be done before evidence is available across the large number of different programmes MSD runs. Such evidence must be at the heart of judgments on cost-effectiveness.

Current work plans include increased real-time programme evaluations but still at a level unlikely to enable anything close to the level of assessment demanded for a line by line review. Consideration might be given to exploring the gains from scale from close linking with the evaluation units in the other main social sector agencies. Real-time evaluation that leads to rapid shifts in programme design can run the risk that the longer-term effects are not adequately determined, or that it is unclear what causes those longer-term effects. The evaluation programme will need to avoid this potential trap.

While MSD has yet to fully demonstrate to Ministers that it is open about the results of its evaluative activity, given the commitment of the Leadership Team to increased publication we do not expect this to be of major concern in the future.

ORGANISATIONAL MANAGEMENT SECTION

Part Two: External Relationships

Engagement with the Minister(s)	
How well does the agency provide advice and services to its Minister(s)?	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>The Minister for Social Development and Employment is the responsible Minister, and MSD provides services to five other Ministers and an Associate Minister. MSD is highly responsive to the needs and expectations of Ministers. Staff are clear that the Chief Executive puts a lot of emphasis on servicing Ministers.</p> <p>In addition, Peter Hughes, as Chair of the Social Sector Forum, reports directly to the Chair of the Cabinet Social Policy Committee. As Chair of the governance group for ServiceLink, he also reports to the Ministers of Finance and Revenue.</p> <p>MSD is very well organised in its support of its Ministers, and Associate Minister. The Ministry puts significant effort into supporting the eight private secretaries in Ministers’ offices and has a well organised process to manage the substantial work flow, which includes high numbers of Parliamentary Questions, Ministerial Official Information requests, information requests and correspondence. These are handled well.</p> <p>Ministers reported a good relationship overall with MSD. It is seen as being very responsive and particularly capable in dealing with emergency responses, such as the Christchurch earthquake. The capacity of MSD to mobilise resources and deal well with emergencies received high praise.</p> <p>While all areas of MSD are well regarded by the responsible Minister, the good performance of the policy area in supporting her initiatives was noted particularly. Most Ministers expressed their sense of a contrast between the speed of MSD response on issues where it was supportive, with a slower response when there was disagreement.</p> <p>A point made by some Ministers was that they wanted to have an independent source of advice on longer-term issues. They did not think that advice from officials, of any department, was giving them incisive advice on the tough long-term issues that needed to be solved.</p>

Sector Contribution	
How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?	
PERFORMANCE RATING 	<p>Performance Rating: Well placed</p> <p>A Cabinet decision last year formalised Peter Hughes’s leadership role for the social sector which he has carried out for some time. In this capacity he reports to the Chair of the Social Policy Committee.</p> <p>Peter Hughes has successfully encouraged the Health, Education and Justice chief executives to participate in the Social Sector Forum and has separate engagement with housing officials. This has led to a series of initiatives to provide more integrated services. The activities of the Forum have been supported by the Medium Term Strategy Unit within MSD.</p> <p>The sector role that MSD plays, whether in support or taking the lead, has many strands. Each Regional Commissioner has an important coordinating role across the social sector in their region. For example, there is a formal social sector group in Auckland, which is undertaking considerable work to develop the relationship between central government and the new local government in Auckland.</p> <p>MSD has welcomed joint work with other agencies to provide a more joined up service. A particularly noteworthy example is in the Community Link service centres. The aim in doing this has been mainly to remove blocks to clients accepting a job and has had the side benefit of providing a faster and more convenient service for clients.</p> <p>Other agencies commented that MSD is good to work with and provides strong sector leadership.</p>

Collaboration & 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: Strong</p>
	<p>The Review team met with a wide range of stakeholders. There are exceptionally strong relationships with the business sector and with NGOs. There are good relationships with most external agencies.</p> <p>Several NGOs commented about the extent of the improvement in relationships over recent years. They noted they were now consulted about future directions and believed they were in a strong partnership with MSD.</p> <p>Work being done in local communities to establish Community Link service centres and to establish service centres within the Courts are worthy of mention.</p> <p>MSD is very responsive to local circumstances. It is flexible in the way that it works with local communities to establish the best way of working within that community. MSD’s response to the way it delivers services in Christchurch, following the earthquakes, is an excellent example of this responsiveness.</p> <p>In Wellington the size, breadth and confidence of MSD is seen as an impediment to effective collaboration by some government agencies. This will always be an issue for a large and successful organisation but it is an issue that needs to be watched.</p>

Experiences of the Public
 How well does the agency meet the public’s expectations of service quality and trust?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>MSD has undertaken good work in capturing the public’s expectations and experience in dealing with MSD.</p> <p>MSD measures client expectation and experience in a number of service lines using the Common Measurement Tool which is provided by the State Services Commission. Some examples of seeking client input are arrangements to monitor the experience of clients within W&I service centres and contact centres, StudyLink client satisfaction; employer satisfaction and the satisfaction of clients who access services from overseas.</p> <p>CYF is looking to introduce monitoring client satisfaction. This would be a good initiative.</p> <p>The information gained from these surveys is used to underpin changes to service delivery and to improve training and procedures.</p>

ORGANISATIONAL MANAGEMENT SECTION

Part Three: People Development

<p>Leadership & 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: Well placed</p> <p>There are a number of excellent practices in place in MSD to develop future leaders and the workforce more broadly. There are many examples where people have been given opportunities to grow and develop through structured programmes, stretch assignments or secondments.</p> <p>In recent times a number of Tier Two managers have been successful in obtaining more senior positions in other organisations which is a testament to the quality of the senior leaders in MSD and demonstrates the benefits of ongoing investment in people.</p> <p>The Chief Executive and the Leadership Team of MSD have for a number of years taken a personal interest in the development of people in the organisation. Structured learning has been provided through leadership development workshops, in-house executive coaching and mentoring programmes.</p> <p>MSD could be well advised to further develop its understanding of its future capability requirements. A deeper understanding of the workforce and capability requirements for the various regions and nationally would be of benefit to MSD as a whole.</p>

Management of People Performance
 How well does the agency encourage high performance and continuous improvement among its workforce?
 How well does the agency deal with poor or inadequate performance?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p>
	<p>When asked who they work for, the people in MSD almost always respond that they work in a particular service line. The service line approach is common in many areas of MSD, including its people management. While this has its strengths, it is important to also consider the opportunities and synergies of adopting approaches across all of MSD.</p> <p>The advantage of a service line approach for people management performance is that the particular needs of a service line can be taken into account. The multiple systems that result from this (four in the case of MSD) require managers to become familiar with a new performance management system when they move to a new service line.</p> <p>MSD is clear about what performance is not acceptable. Managers are trained in managing poor performers and specialist assistance is available when needed.</p>

Engagement with Staff
 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>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p>
	<p>For many years the Chief Executive has undertaken very extensive and creative ways of communicating with staff. This has included 'Frontline Forums' where the Chief Executive and deputy chief executives hold open sessions with staff, where any issues can be discussed.</p> <p>A number of other chief executives have described Peter Hughes as a master at communicating with his staff and that he is very visible to his people.</p> <p>There is also frequent and ongoing communications to staff about developments and important initiatives. With the recent Christchurch earthquake there was daily information provided to all people in MSD to keep them abreast of developments.</p> <p>MSD has used the Gallup engagement survey on two occasions and although there was a slight drop in the overall results in the last survey we understand this was a common outcome across the public service owing to a number of external factors. Further, CYF was included for the first time in the second survey, which would likely have had an impact on overall results.</p>

ORGANISATIONAL MANAGEMENT SECTION

Part Four: Financial and Resource Management

Asset Management How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?	
PERFORMANCE RATING 	Performance Rating: Well placed
	<p>MSD had a gross asset base of \$633m at 30 June 2010. Information Technology (hardware and software) and property make up the bulk of assets.</p> <p>Overall, MSD manages its asset base well within existing funding levels. Asset policies are clearly stated and followed. Physical stock-takes are conducted annually and no audit issues were highlighted in the Annual Report.</p> <p>The ten year Capital Intentions Plan is the vehicle used for planning MSD's asset portfolio. IT issues are discussed more fully in the section below.</p> <p>MSD has been identified as a Centre of Property Excellence for the public sector.</p>
Information Management How well does the agency utilise information & communications technologies to improve service delivery?	
PERFORMANCE RATING 	Performance Rating: Needing development
	<p>Like many organisations, MSD is heavily reliant on the successful operation and ongoing enhancement of its information and communication technologies.</p> <p>It has recently re-tendered its telephony contracts and is working actively with a new provider to implement changes to improve efficiency and provide higher levels of customer service. The new provider spoke highly of its positive relationship with MSD and recent improvements include a new video-conference facility.</p> <p>MSD will shortly retender its data centre contracts and this should also provide the opportunity for innovation and perhaps savings for these major contracts.</p> <p>There are different information systems in the various service lines and staff often need to use multiple systems to undertake their work. A lot of paper may be sent from one office to another to smooth out workloads.</p> <p style="text-align: right;">contd...</p>

	<p>For a number of years MSD has been transitioning some of its systems to a new system called Curam, which is an international software program developed specifically for social welfare departments. Like any major information technology programme there will be ongoing challenges with this work and as there are still 26 systems to be transitioned it will still take some time to finish (seven to ten years).</p> <p>Senior people in MSD are well aware of the need for this further transition to be well managed to ensure all risks are recognised and mitigated to the maximum extent possible. However, there is still some considerable way to go and while the ongoing investment in Curam is important, it will be at the expense of other opportunities.</p> <p>A good achievement in recent times has been the changes made to a core system for MSD called SWIFTT. For many years SWIFTT has been used to make the many and varied payments that MSD is responsible for. There has been a successful transition of this system from a mainframe application to a mid-range application in a more modern language. This transition has reduced the risk MSD faced with a very old legacy system and has resulted in savings.</p> <p>Many commentators say there will be even more rapid changes in IT over the coming years. Given this, and the importance of IT to MSD, senior leaders will need to continually challenge themselves to be aware of and take full advantage of, opportunities as they arise.</p> <p>There is already a good engagement and advice provided by MSD’s telecommunications and IT services providers. However, this should be complemented with advice from independent experts, academics and leaders from the IT industry. This advice could be sought on a case by case basis but it may be preferable to establish an Information Technology Advisory Board of experts that could meet two to three times a year.</p> <p>This IT Advisory Board would take into account MSD’s current business priorities, telephony and technology environment and then provide advice and guidance with a longer-term and strategic focus. This should be directed at ‘benchmarking’ MSD’s current environment, practices and strategic direction for telephony and IT against leading New Zealand and international organisations.</p> <p>It would also be worthwhile thinking through the benefits of involving other New Zealand departments that have large IT operations as members of an IT Advisory Board. In many areas, the challenges will be common and by involving others, opportunities for synergies can be canvassed.</p>
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<p>Efficiency</p> <p>How robust are the processes in place to test for efficiency and make efficiency improvements? How well does the agency balance cost and quality when considering service delivery options?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>MSD began a value for money (VFM) program in 2007, and has a current four year programme in place to save \$270m of departmental operating expenditure over the next four years. This will be reallocated to priorities within the department including meeting cost pressures. This is approximately 6% of departmental baselines over that period. It recently received the Fairfax Media 2011 New Zealand CFO award for the project initiative of the year.</p> <p>A focus on increased efficiency has been strongly reinforced from the top of MSD and is part of expected behaviour. MSD has put in place a VFM unit as a centre of expertise to promote efficiency savings, to support proposals from the service lines and to challenge where necessary. It has looked to draw on ideas from overseas, as well as using external experts.</p> <p>Relevant approaches have included applying the Lean Six Sigma methods to re-engineer business processes within W&I leading to a much more efficient flow of clients to case managers. This has generated efficiencies of some 30-40% for that service line. Significant further gains could be expected from continuing to apply Lean Six Sigma to W&I and to extend it actively to other service lines.</p> <p>Movement to online services for more clients is another broad direction offering more convenient services to clients and efficiency gains. Student loans are now largely online and superannuation is increasingly being handled this way.</p> <p>Technology has also enabled cost savings. As noted earlier, SWIFTT has been 'replatformed' with substantial savings in licensing costs due under the previous language.</p> <p>The VFM processes are examples of excellent practice, and given that MSD started earlier than other agencies it would seem reasonable to expect that MSD is further down the road and should get recognition for having seized low hanging fruit.</p> <p>We think there is scope for more work around Lean Six Sigma on internal business processes and on end to end business processes across departments. Both these directions are being planned now.</p> <p style="text-align: right;">contd...</p>

	<p>In addition, there is more to be gained through looking at the value of programmes delivered than in a narrow focus on operating expenditure. This calls for better evidence on effectiveness.</p> <p>The current initiatives to join up data internally and with agencies such as IR, Police and Health provide an opportunity to design smarter and simpler policies, drawing on the Christchurch earthquake experience. It will also allow better assessment of the effectiveness of a wide range of programmes and services provided by MSD or by contracted organisations. This may help overcome some of the data limitations to evaluation work. It might, in time, enable an informed view to be made on most or all of the line items if there was to be a repeat of the 2009 line-by-line review.</p> <p>In terms of benchmarking, MSD has been a participant in the BASS survey of administration and support services carried out by Treasury and is a member of the steering group.</p>
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<p>Financial Management</p> <p>How well does the agency manage its financial information and ensure financial probity across the business?</p>

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>MSD has robust external reporting and receives unqualified audit opinions. Its forecasting unit produces reliable forecasts for all benefit types. Outputs are clearly identified and costed, although the methods used for allocating internal costs were identified internally as being more complex than necessary. Oversight of the Finance function is provided by the Finance and Assets Management Committee.</p> <p>Benchmarking work from the BASS survey indicates that the MSD finance function operates with a very high number of best practice methods. Management accounting is strong, although it would be useful to extend this so all important activities could be costed.</p>
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<p>Risk Management</p> <p>How well does the agency manage agency risks and risks to the Crown?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p>
	<p>Risk management is an ever present thread running through the day-to-day functioning of MSD. There is a strong and mature risk management framework based on a ‘no surprises – ever’ principle. This is particularly the case for Ministers and there is a commonly held belief that MSD should ‘...never let a Minister down’.</p> <p>Risks are regularly considered at both a strategic and operational level by the Chief Executive and the Leadership Team. Accountability is given to senior managers for risks in their service line and monthly feedback is required on the success or otherwise of mitigation strategies in place.</p> <p>As already noted, one area of strength is the tight management of media and this has proven to be very successful. In respect of all media interactions there is a focus on the immediate as well as the possible longer-term outcomes. Reputational and other risks are also considered. We have noted already that there are some excellent practices in place for media management which should only be changed with great care and a good degree of caution.</p> <p>The same tight management thinking has also been applied to engagement with external stakeholders. Given the strong and positive relationship MSD has with its external stakeholders, we believe this approach could be modified and the current tight control of the release of information could be relaxed.</p> <p>There is a strong and effective Risk and Assurance Committee with an external chair who is very engaged with the organisation. An external member of the Risk and Assurance Committee commented that his involvement with MSD is very stimulating and there is no real difference between the way MSD and a private sector organisation operates.</p>

SUMMARY OF PRIORITY AREAS FOR ACTION

The Review team believes that the work of the current and the incoming Chief Executive ought to focus on maintaining four key things and improvements or changes to five other areas:

To be maintained

1. The 'outcomes focus' of the Ministry. This underpins the approach taken by front-line staff in MSD, the work of each service sine and the way in which success is measured. In terms of front-line staff it means that whatever the task or service that they are providing, they think about doing it in a way that helps the person (the client) to become more independent and to live a better life.
2. The culture of the Ministry. The culture can be characterised as 'can do', caring about the difference made to people's lives, innovating and doing what gets the best results in local communities and above all, 'doing the right thing for New Zealanders'.
3. Continuing the excellence at managing risk well. With respect to operations and the media, as this is inherently a risk-laden business and if risk is not managed well the department can become consumed by the consequences and unable to do its work.
4. The excellent performance at getting unemployed New Zealanders into work. This performance is underpinned by the integration of the case management of Work and Income. It is the view of this Review that if this work is split, outcomes will diminish.

Areas of improvement or change

1. The effectiveness of 'whole of government' outcomes would be improved if there were better alignment of MSD and Ministerial leadership, structures and policy resources:
 - As is the case with other sector leaders, the lead Social Sector Chief Executive will have difficulty doing this work effectively unless there are changes to reinforce their formal authority and also to the alignment of Ministerial structures.

The most important change is to have the engagement of a senior Minister with a broad responsibility for the overall sector coordination on key issues that aligns with the responsibilities of the social sector leader, and who has the support of Ministerial colleagues (such as previously with Ministerial teams).

The Review also recommends that Central Agencies reinforce that joint work is a core responsibility for all the relevant chief executives. This would mean inclusion in chief executive performance expectations, induction and performance feedback and assessments.
 - The cross sectoral agenda also requires access to dedicated policy resources which are quarantined from the day-to-day operational demands of social sector agencies, are sufficiently expert, also include health, education, and housing expertise (perhaps on secondment) and have the room to go beyond tactical issues. The development of joint data warehouses (suitably anonymised) would be highly desirable as a support.
2. More can be done to work with long-term beneficiaries. A move to a system based on reducing the long-term forward liability as recommended by the Welfare Working Group would be an important measure to adopt. Legislative changes to allow work testing for other than unemployment beneficiaries would be necessary to give MSD sufficient levers to reduce this forward liability by getting those people into work. MSD could learn a lot from the approach taken by ACC to dealing with the long-term beneficiaries who have medical barriers to work.

Subject to this, MSD should look at the experience of ACC in this specialised work and consider whether this work should be contracted to ACC or other providers.

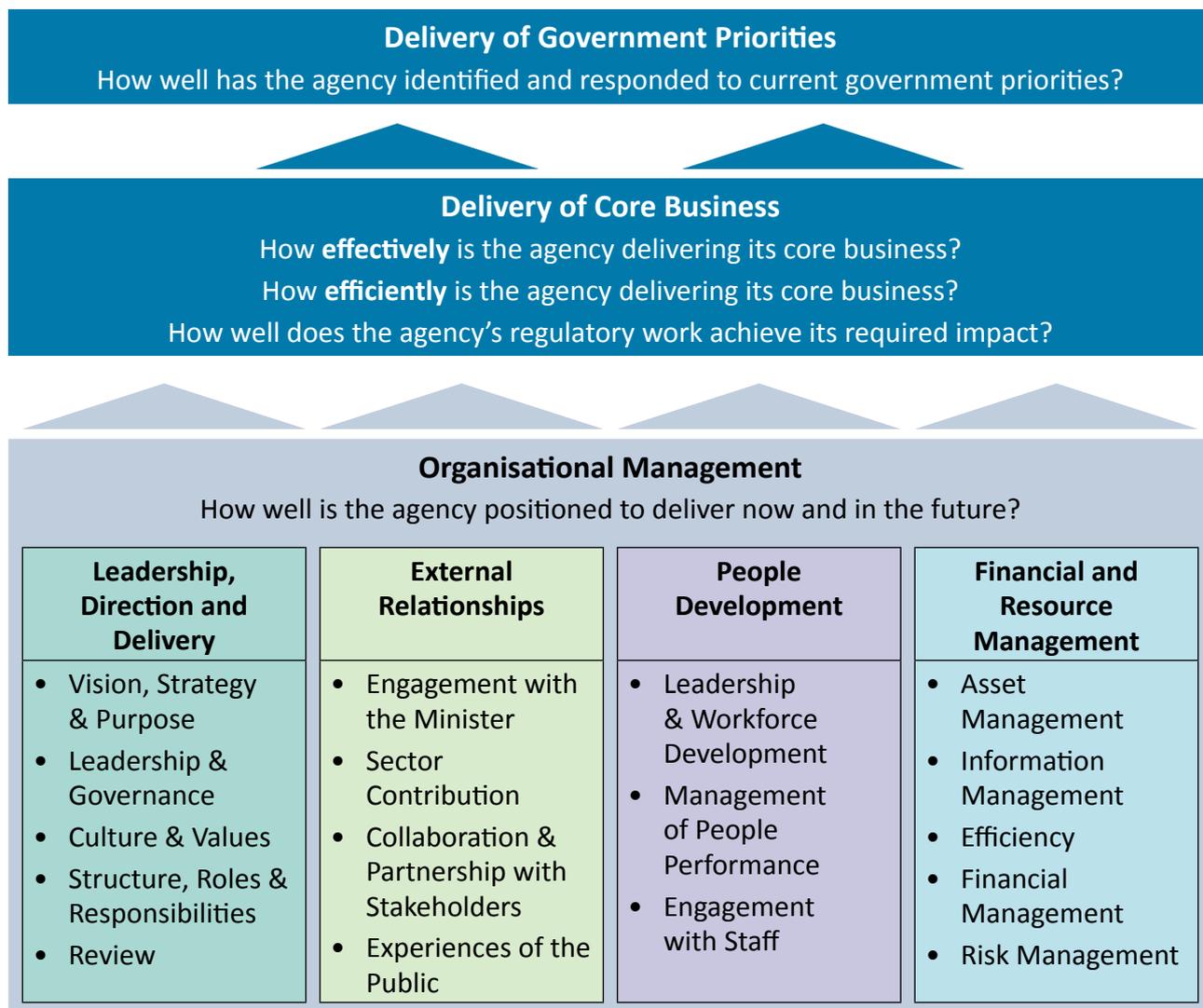
3. The focus on lifting the quality and consistency of CYF practice should be maintained. MSD is dependent on the quality of social work education to train new social workers who can undertake statutory social work roles. There appears to be problems with the quality of this education from some tertiary institutions. Until this issue is resolved at source, MSD should use its power as a major employer and give preference to graduates from those tertiary institutions that adequately prepare social workers for work in a statutory role.
4. MSD's business model depends partly on saving costs in transactions that can be moved online or streamlined and using these savings to be able to intervene more effectively with those who need more support. Although MSD's systems operate well and there have been good ongoing improvements, there is a need to strengthen the advice and guidance it has available about the longer term and more strategic opportunities which may be available.

As a minimum, we suggest inviting key independent experts to join MSD's Information Technology Governance Committee. However, we believe there will be real benefits in setting up an Information Technology Advisory Board of experts and we include some suggestions about this in this Review.

5. The outcomes focus of MSD would be enhanced with more emphasis on real-time programme evaluations married with evaluations of longer-term impacts. Attention should also be paid to doing work in conjunction with other social sector agencies as part of the cross-sectoral agenda. There may also be merit in joining up the evaluation teams across agencies to exploit expertise and any economies of scale.

APPENDIX A

Overview of the Model



Lead Questions

Results

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

Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Vision, Strategy & Purpose	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 & 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? <i>(For Crown Entities only)</i>
	Culture & Values	9. How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?
	Structure, Roles & 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 & 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 quality and trust?
People Development	Leadership & 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?
	Information Management	24. How well does the agency utilise information & communications technologies to improve service delivery?
	Efficiency	25. How robust are the processes in place to test for efficiency and make efficiency improvements? 26. How well does the agency balance cost and quality when considering service delivery options?
	Financial Management	27. How well does the agency manage its financial information and ensure financial probity across the business?
	Risk Management	28. How well does the agency manage agency risks and risks to the Crown?

APPENDIX B

List of Interviews

This review was informed by input provided by a number of MSD staff, relevant Ministers, and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
Auckland Chamber of Commerce
Audit New Zealand
Business New Zealand
Canterbury Earthquake Recovery Commission
Child Protection Services
Department of Families, Housing, Community Services and Indigenous Affairs
Family Court
Genesis Youth Project
Gen-i Ltd
Inland Revenue
Institute of Policy Studies
Meat Industry Association of New Zealand
Ministry of Education
Ministry of Justice
New Zealand Council of Christian Social Services
New Zealand Defence Force
New Zealand Federation of Voluntary Welfare Organisations
Office of the Auditor-General
Office of the Children's Commissioner
Ogden Consulting Ltd
Relationship Services
Te Puni Kōkiri
The Open Home Foundation
Tindall Foundation
VisionWest
Waikato Enterprise Agency
Watchfield Hall Ltd
Welfare Working Group
Wellington Peoples Centre
Youth Court

