

ADMINISTRATIVE AND SUPPORT SERVICES BENCHMARKING REPORT

**CORPORATE AND EXECUTIVE SERVICES (CES) PERFORMANCE
FINDINGS**

FY 2011/12

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1. COMMENTARY

Communications: Lisa-Marie Richan, Head of Profession – Core Government Communications Group, SSC

Legal Services: Philip Griffiths, Programme Director, Government Legal Network (GLN)

Information Management: Greg Goulding, **Greg Goulding, Chief Archivist and General Manager, Archives New Zealand**

Enterprise Portfolio Management Offices: Ricky Utting, Senior Advisor, The Treasury

Commentary

Given the amount of spending on this function, we should improve our understanding of its performance and business value. The 29 agencies who participated in this benchmarking exercise spent almost \$195 million in FY 2011/12 on this function, making it the third largest area of expenditure within A&S services after ICT and property. Building our understanding of the cost, quality, and value of these services across government supports a robust discussion about whether or not there are meaningful opportunities for improvement or savings.

The findings of this and other reports suggest we can lift performance through greater collaboration. Larger agencies continue to be significantly more efficient in delivering CES, showing the impact of fixed costs on small agencies and suggesting that costs can be reduced by leveraging scale across government.

Work is underway to strengthen management and performance in the larger service areas. Recent activity in the three largest service groups in this function - communications, legal services, and information management - is described in service-specific commentary below.

Work is also underway to strengthen a new CES service measured this year – Enterprise Portfolio Management Offices (EPMOs). These groups have an important role to play in strategy execution, helping allocate resources to high priority initiatives track the costs and benefits of these initiatives, and support course correction and resource reallocation as initiatives falter or priorities change.

Commentary

Communications

Measurement of communications strategy and tactics remains one of the most vexed areas of the profession globally for both private and public organisations. Although there is no one 'super-tool' to effectively evaluate communications performance, BASS measurement continues to provide a helpful benchmark and along with additional data, helps in understanding the wider picture.

Communications staff across government continue to work together as we strive to deliver better public services and achieve more with less. This also includes the need to create and then meaningfully measure our collective impact. This collaboration is also necessary as numbers of communications employees cannot grow due to the full time equivalent (FTE) numbers being specifically monitored within the wider government 'cap' on the number of positions in core government administration. During this FY 2011/12 benchmarking period, Public service communications staff numbers remained relatively static despite added public information requirements such as the post-Christchurch Earthquake rebuild, the change communications requirements of integrating government departments such as MBIE and MPI, and the preparation for the 2013 Census.

To further mature the metric sets for government communications measurement, we will also need to factor in how the growth of new technology in public sector dialogue and the use of social media channels is helping the function. This work has already begun, as we are working to introduce a Capability Maturity Model to replace the MPI measure for next year's report. Although much work still lies ahead we are confident that successive reporting periods should produce a greater understanding of just how effective we really are in our communications with New Zealanders.

Commentary

Legal Services

The GLN offers a cross-agency approach to managing and delivering legal services. It reduces duplicative activity, improves the value of third party spend, and strengthens legal knowledge management and capability. The ultimate goal is to focus legal service expenditure on the highest value legal activity – providing high quality legal advice that supports agency decision-making and minimises Crown risk.

Since the last BASS report, the GLN has established an online collaboration tool featuring a directory of lawyers, a database of shareable materials, and communities of practice. It has also established aggregated procurement arrangements with Thomson Reuters and Lexis Nexis for annual cost savings.

Current work includes but is not limited to establishing common resources for capability building and sharing work, maintaining knowledge-sharing relationships with international jurisdictions, and strengthening performance measurement for legal services. I believe we can have more a more meaningful understanding of legal service performance and business value, and I look forward to working with practitioners and the BASS team to establish new indicators.

Commentary

Information Management

A number of opportunities exist to reduce the costs associated with information management across the public sector. At present, information is frequently duplicated across multiple systems and agencies. More effective information sharing, and clearer identification and re-use of authoritative data sources can help reduce the cost of storing and managing duplicate data and information.

Archives New Zealand encourages agencies to understand the nature and value of their information holdings, and to actively and routinely implement disposal programmes to ensure that unnecessary information is disposed of in a timely and efficient manner. Most agencies find themselves in the position of managing information across multiple platforms, including historic paper systems, legacy IT applications, and contemporary applications. The inefficiency associated with maintaining these multiple information environments is driving a more aggressive transition to fully digital information management.

Further, current digital information management practices often simply replicate paper models in the digital environment. Electronic Document Management Systems often impose a significant burden on end-users. Better use of technology to avoid inefficient human classification and processing of information can drive further savings as new models emerge.

In respect of paper, many agencies have substantial amounts of records in storage without clear understanding of the cost, or value of these information assets. Often, legal authority to destroy the information is already in place. Archives NZ is working to streamline disposal processes to support agencies in identifying and disposing of unneeded records and information. Importantly, designing business systems with due consideration of whole-of-life information management requirements ‘by design’ will enable costs to be minimised, in contrast to current practices where the costs of implementing information disposal or preservation are often higher than necessary because they are ‘add ons’.

Commentary

Enterprise Portfolio Management Offices

Enterprise portfolio management is a central function designed to oversee the investment, delivery, and associated processes relating to an organisation's projects and programmes on behalf of senior management.

Questions were introduced in BASS in FY 2011/12 to gauge the level of uptake of this management practice approach across government.

The Enterprise Portfolio Management Office (EPMO) is still an emergent function, with most (16 of the 29) agencies indicating they do not have this function. Of those that do have them, they generally have the lowest spend as a percentage of organisational running cost of any of the functions covered in the BASS analysis. This reflects the lean approach organisations are currently taking to EPMOs. The larger agencies therefore reflect the lowest EPMO costs per FTE. There are different approaches to running an EPMO too, reflecting the specific need of the organisation, which may account for the wide range of cost per FTE in the medium-sized agency cohort. It will be informative to watch the metrics related to EPMOs in relation to performance of major initiatives over the coming years to ascertain any correlation in the New Zealand context. BASS will be piloting the use of the P3M3 (Portfolio, Programme and Project Management Maturity Model) as a Capability Maturity Model (CMM) over the remainder of the 2012/13 year with selected agencies, with high level findings to be included in the FY 2012/13 report. The intention is to use the measurement to focus activity on raising agency and overall capability in making change happen successfully.

2. HIGHLIGHTS

Highlights

Agencies reported spending \$4.1 million (2.1 percent) less than FY 2009/10 when adjusted for inflation.

Agencies reporting the largest cost reductions cited reduced expenditure on consultants, staff vacancies, and the conclusion of organisational development investments as the primary reasons.

Three services – communications, legal and information management -- make up the majority (64 percent) of expenditure in the CES function. There are now *seven* services measured across the CES function, with the inclusion of enterprise portfolio management offices (EPMO) for the first time this reporting period.

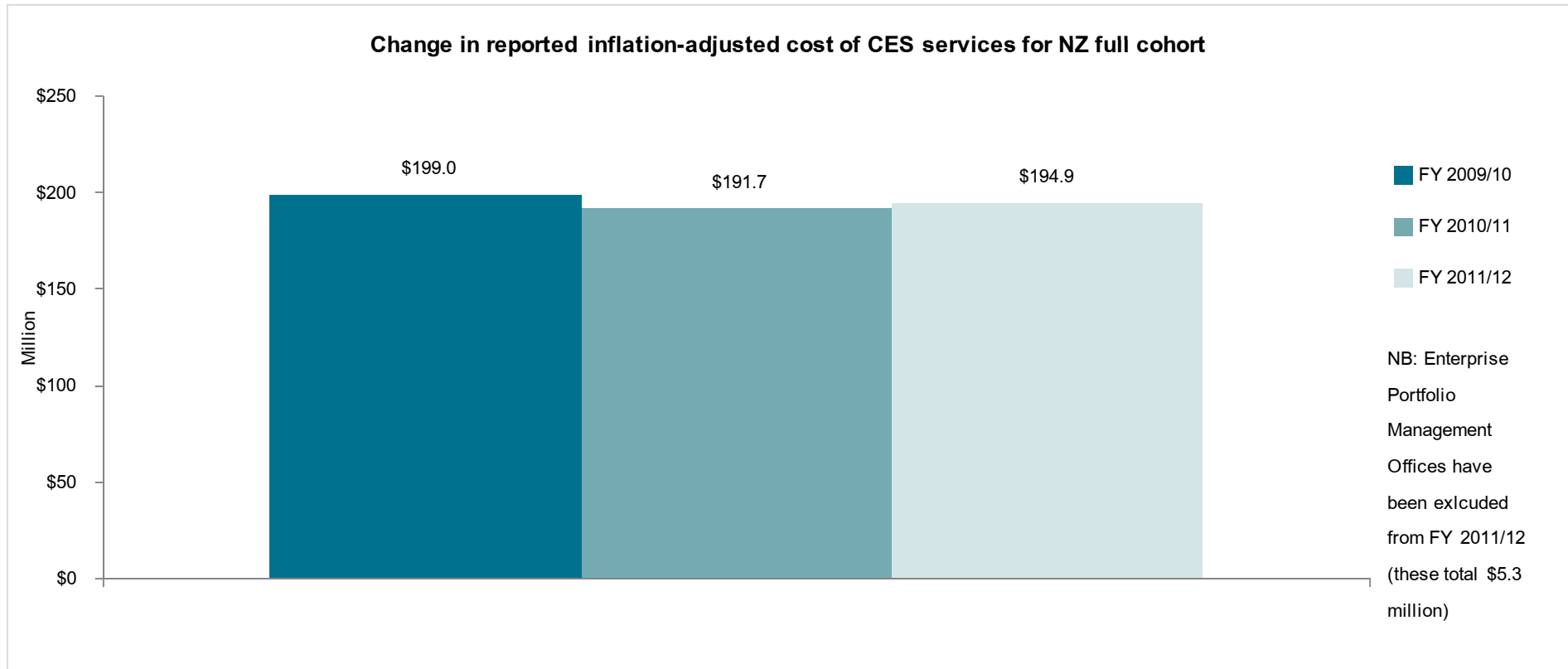
Agencies reported similar efficiency levels as in FY 2010/11. The large agency cohort delivers the CES function significantly more efficiently than the medium-sized and small agency cohorts. The cost of CES as a percentage of organisational running costs (ORC) is 4.5 times higher in the small agency cohort than it is in the large agency cohort. The medium-sized cohort reported costs 1.7 times higher.

The reported maturity of Communications and Legal services have not improved since FY 2009/10. The mean MPI score for communications has stayed flat at 85 percent, and the mean legal services score has reduced to 68 percent from 71 percent since FY 2009/10.

3. COST

Cost findings include total spending overall and by cohort. This section also provides information about changes in spending since the previous reporting period both in nominal and inflation-adjusted terms.

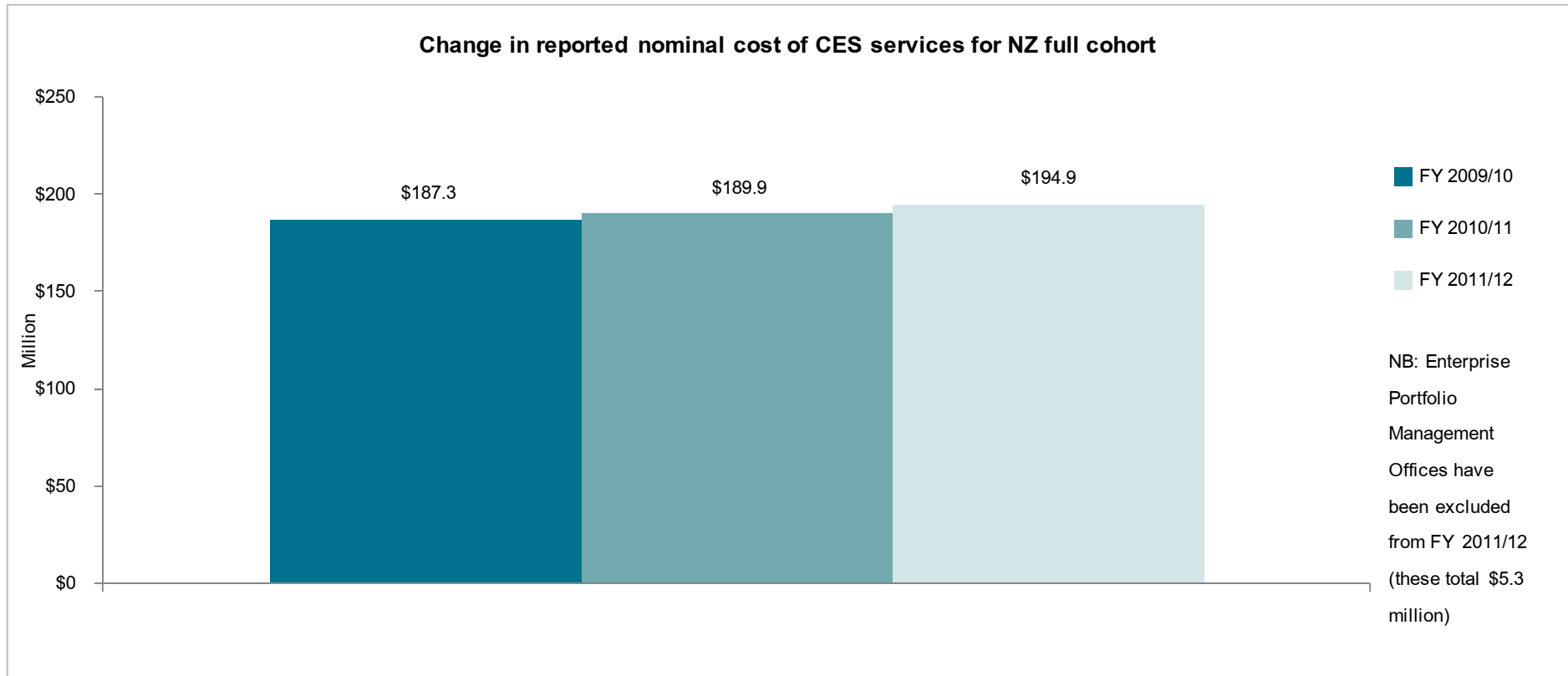
Agencies spent \$194.9m on the CES function in FY 2011/12, down \$4.1m (or 2.1 percent) from FY 2009/10 when adjusted for inflation



Costs in the graph above are represented in FY 2011/12 dollars. Nominal costs – i.e. costs that are not adjusted for inflation – appear on the next slide.

Note that Enterprise Portfolio Management Offices have been excluded from FY 2011/12 to enable a time series. EPMO costs were not measured in FY 2010/11 or FY 2009/10.

Agencies reported a nominal spending increase of \$7.6m (or 4.1 percent) since FY 2009/10, \$5.0 million of which is attributed to increases this year

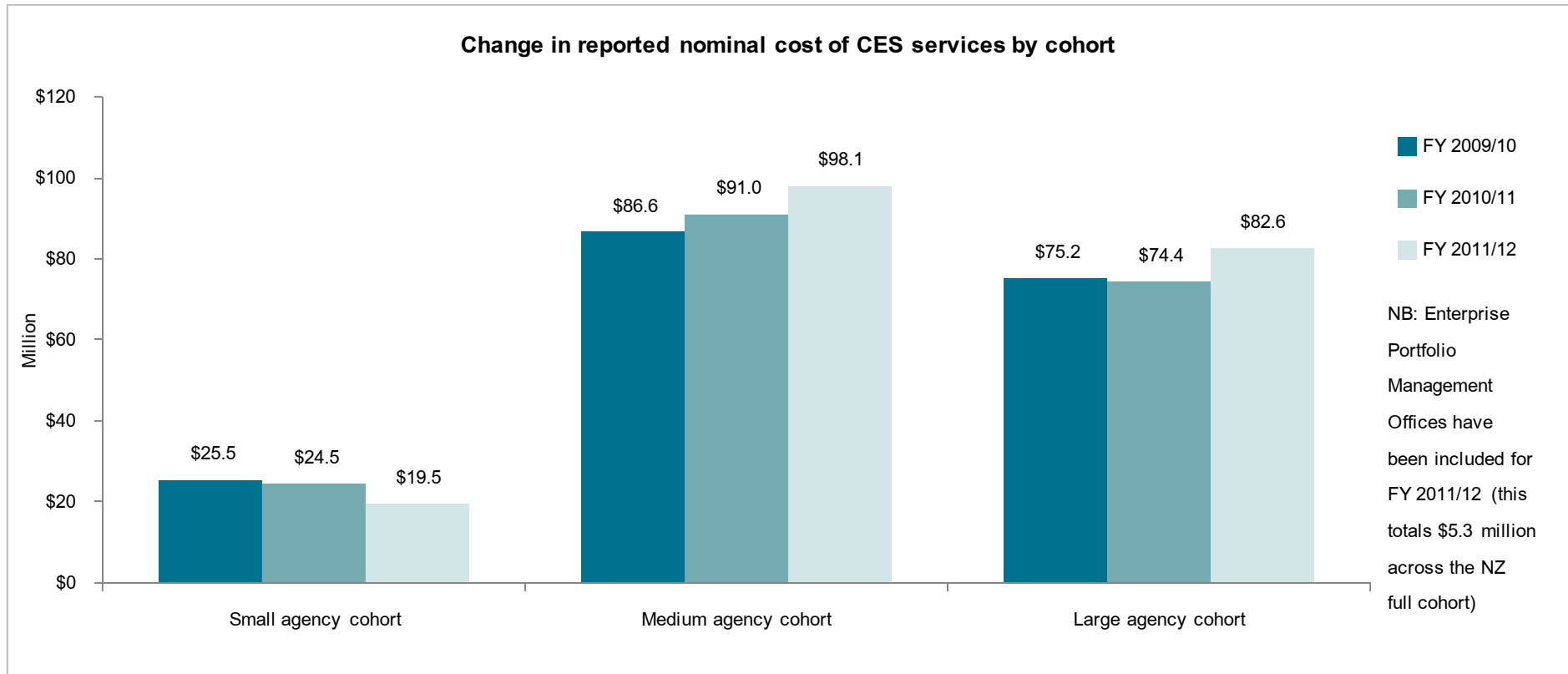


Note that Enterprise Portfolio Management Offices have been excluded from FY 2011/12 to enable a time series. EPMO costs were not measured in FY 2010/11 or FY 2009/10.

A net nominal spending increase of \$5.0m in FY 2011/12 results from 15 agencies spending \$12.8m less and 14 agencies spending \$17.8m more

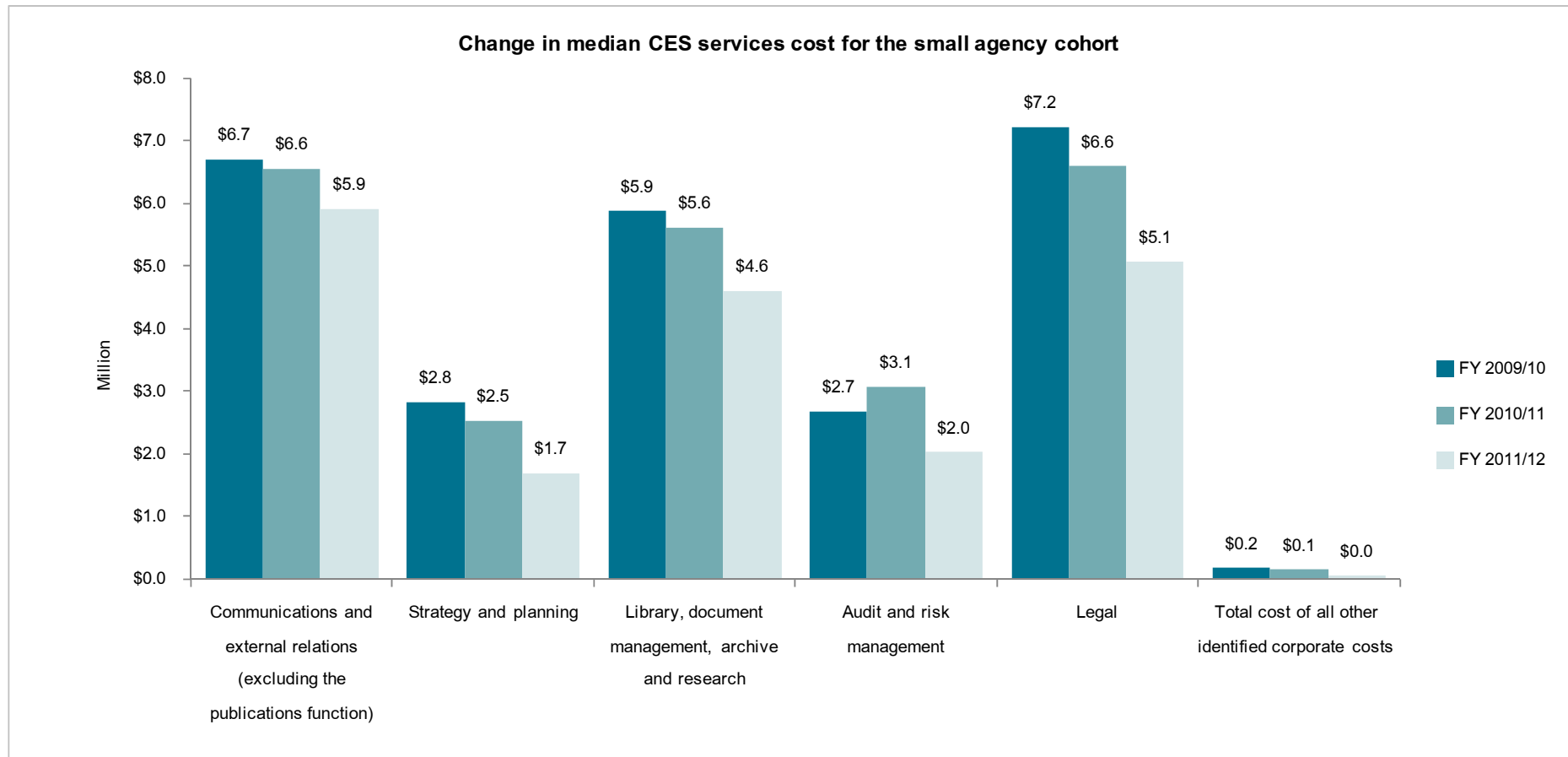
- 15 agencies reported a collective reduction of \$12.8 million. Five of these reported a reduction of \$8.7 million (or 68 percent) of the total reported reduction.
 - These agencies cited reasons including: reduced consultancy costs, staff vacancies, and the conclusion of previous investments in organisational development.
- 14 agencies reported a collective increase of \$17.8 million. Four of these reported an increase of \$15.4 million (or 87 percent) of the total reported increase.
 - These agencies cited reasons including: organisational restructure, increased use of contractors and consultants, increased FTEs in business continuity and risk management roles and increased audit and legal costs associated with operational pressures.

The small agency cohort is the only cohort to report year-on-year reductions in overall CES expenditure since FY 2009/10



Note that the Ministry of Fisheries used to be included in the small agency cohort, but for FY 2011/12 is included as part of the Ministry of Primary Industries. Ministry of Fisheries spend on CES in FY 2010/11 was \$2.4 million.

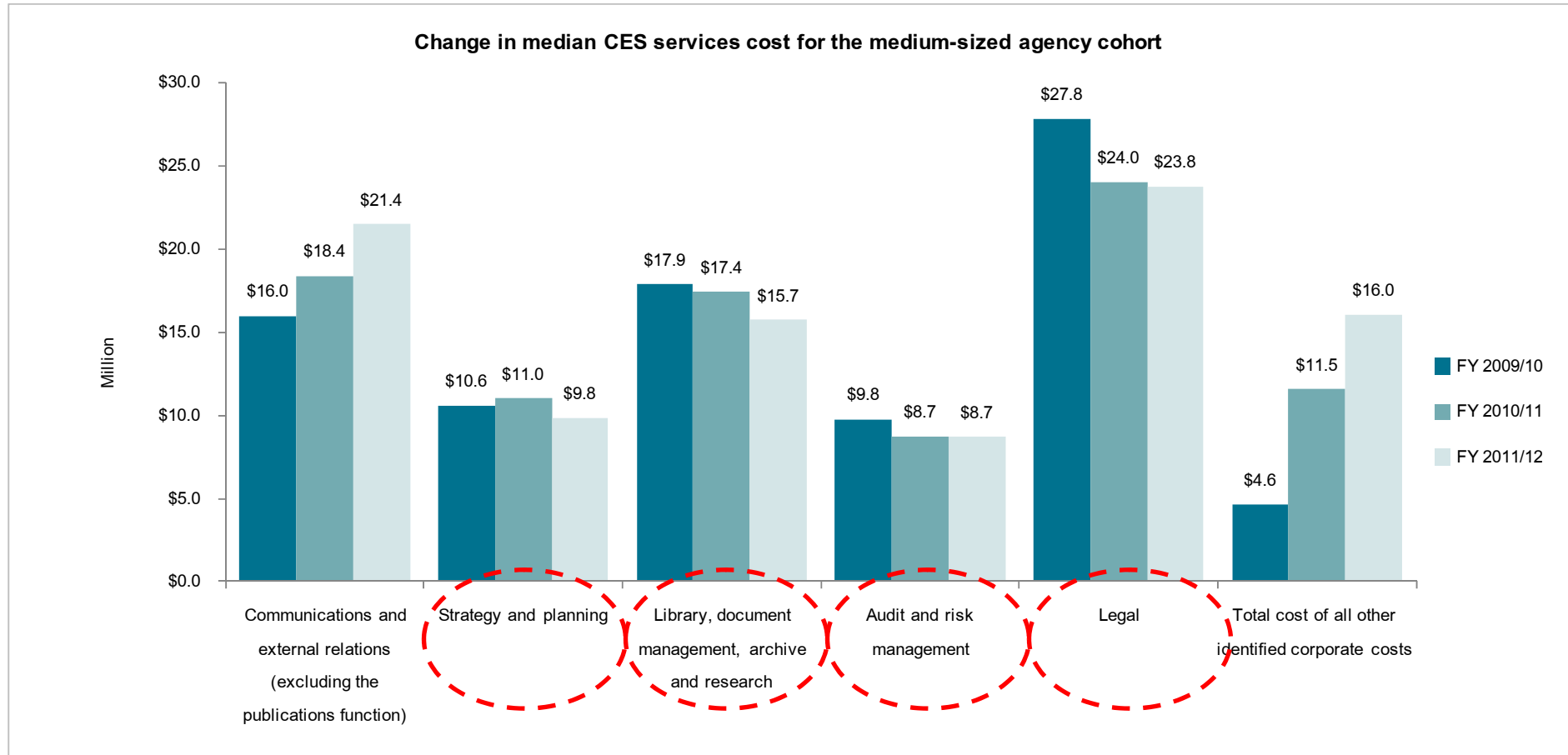
The small agency cohort reports year-on-year cost reductions in each service area since FY 2009/10



Small agency CES costs have reduced by \$6 million since FY2009/10.

Note that Enterprise Portfolio Management Offices have been excluded as they were not measured in FY 2010/11 or FY 2009/10.

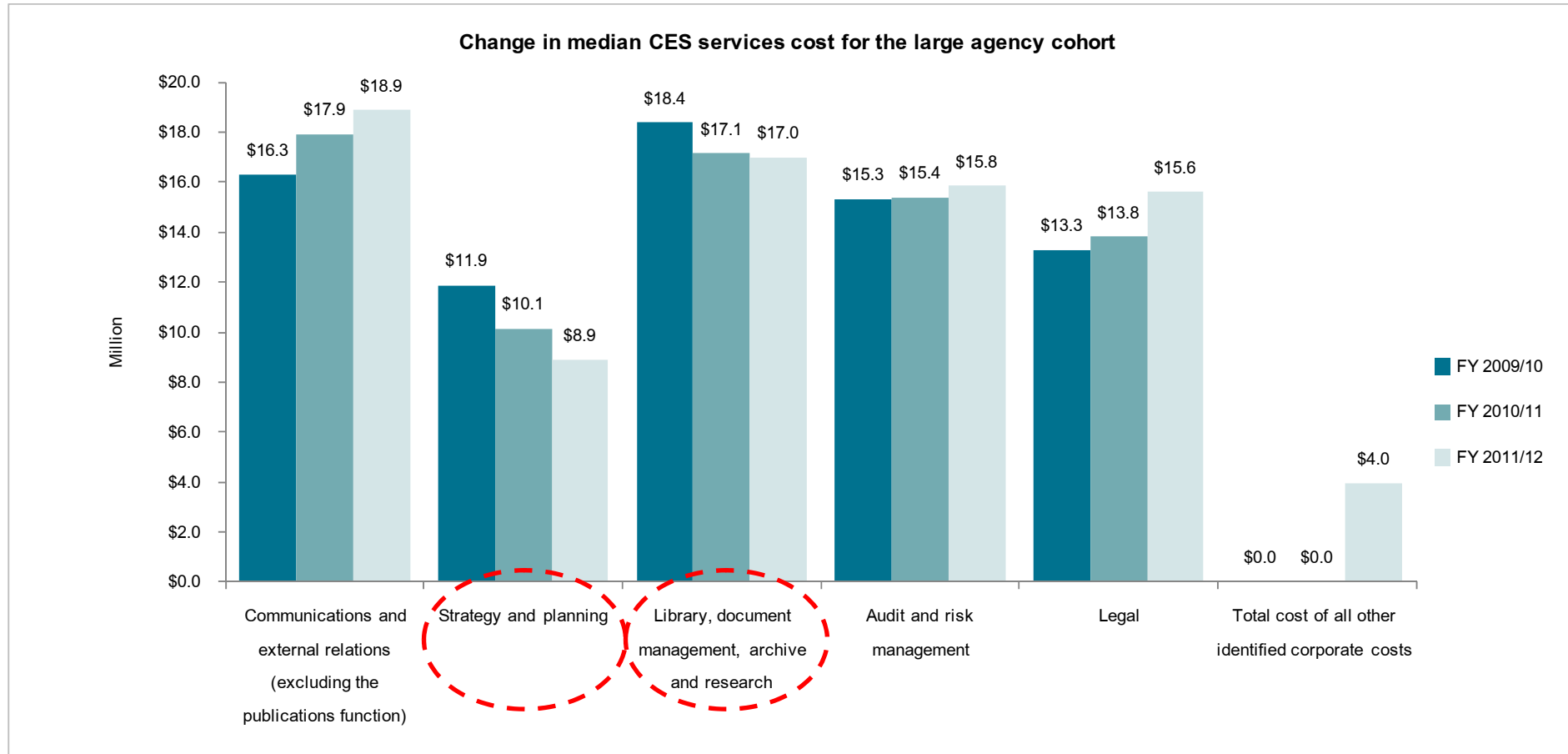
The medium-sized agency cohort reports cost reductions in four of six service areas since FY 2009/10



Medium-sized agency service costs have increased by \$11.5 million since FY2009/10.

Note that Enterprise Portfolio Management Offices have been excluded as they were not measured in FY 2010/11 or FY 2009/10.

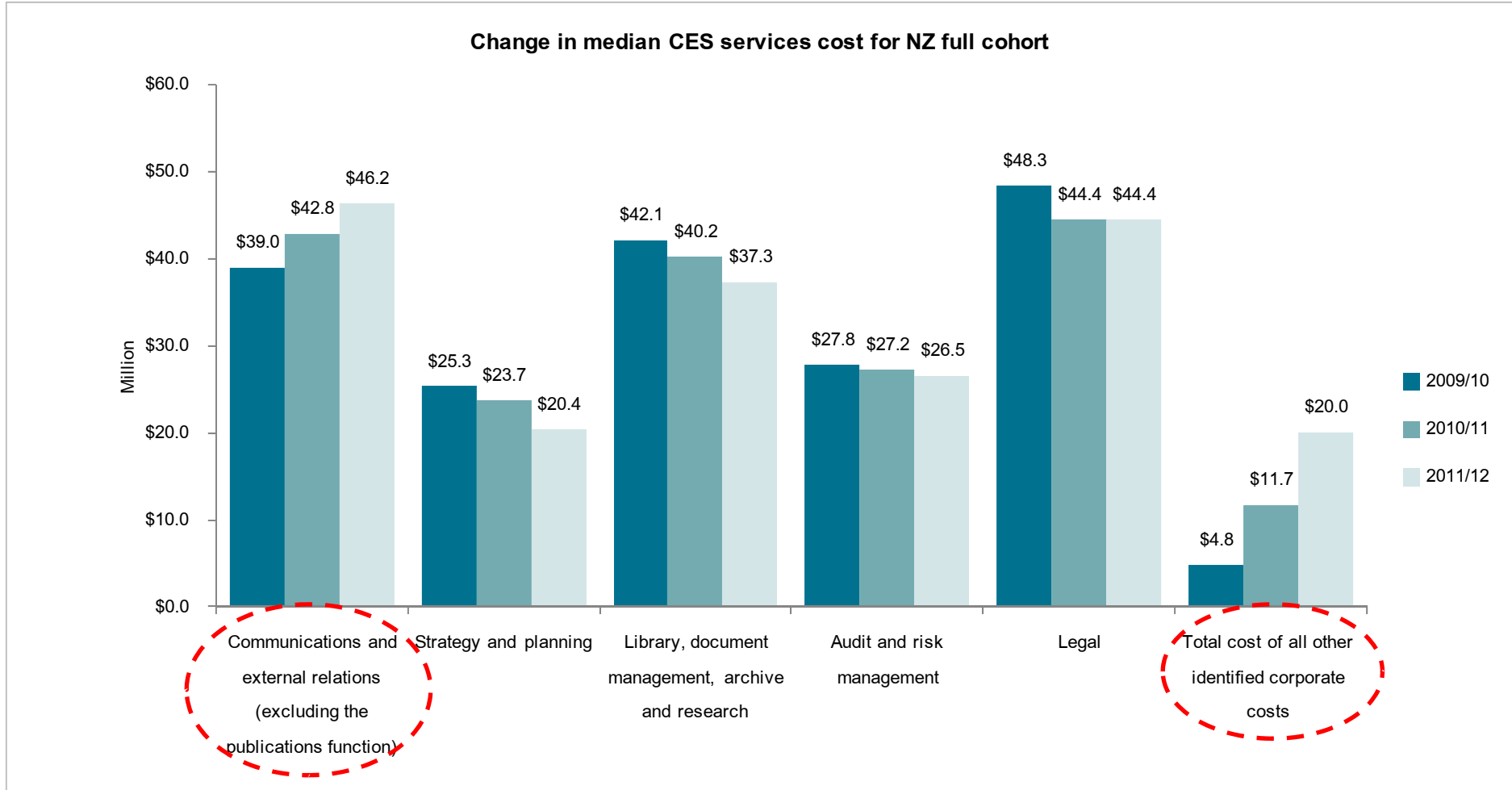
The large agency cohort reports cost reductions in two of six service areas since FY 2009/10



Large agency service costs have increased by \$7.4 million since FY2009/10.

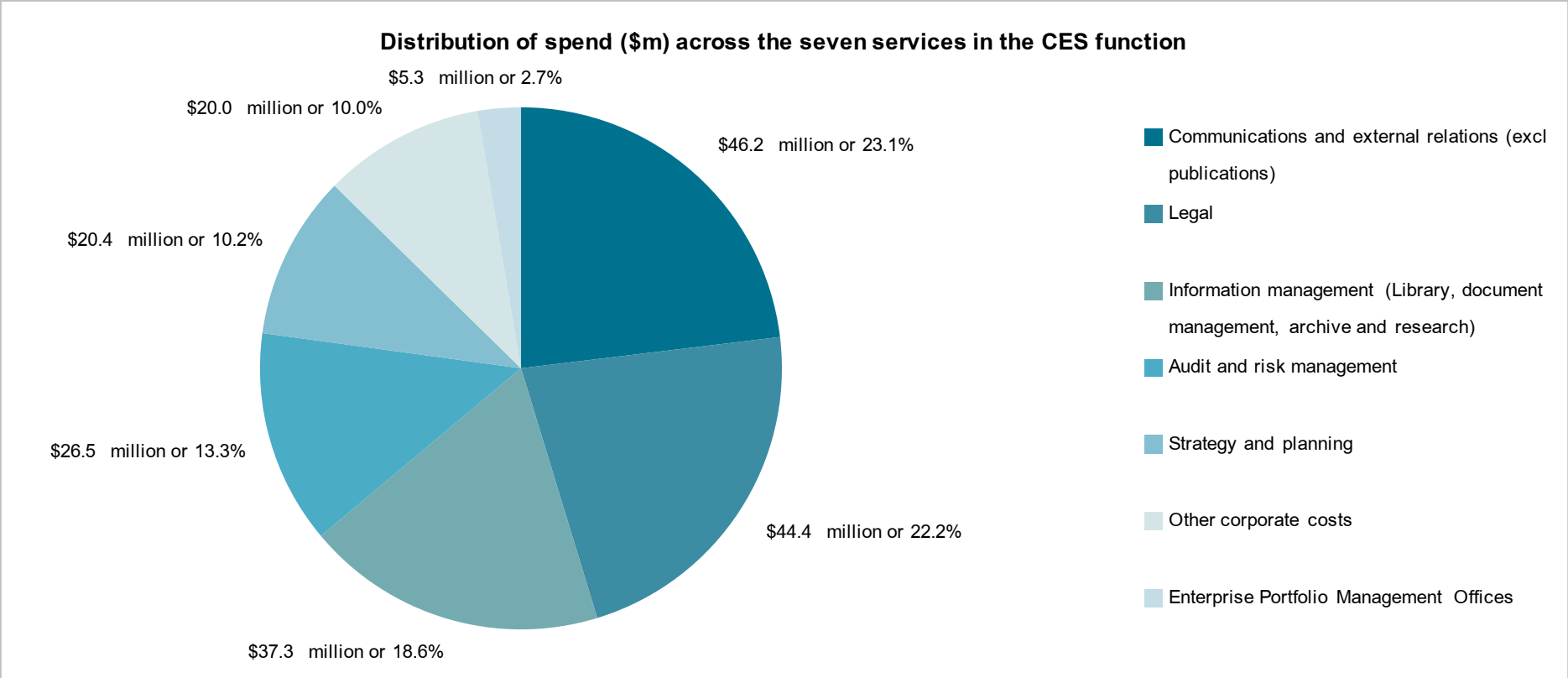
Note that Enterprise Portfolio Management Offices have been excluded as they were not measured in FY 2010/11 or FY 2009/10.

The NZ full cohort continues to report cost increases in two of six service areas since FY 2009/10

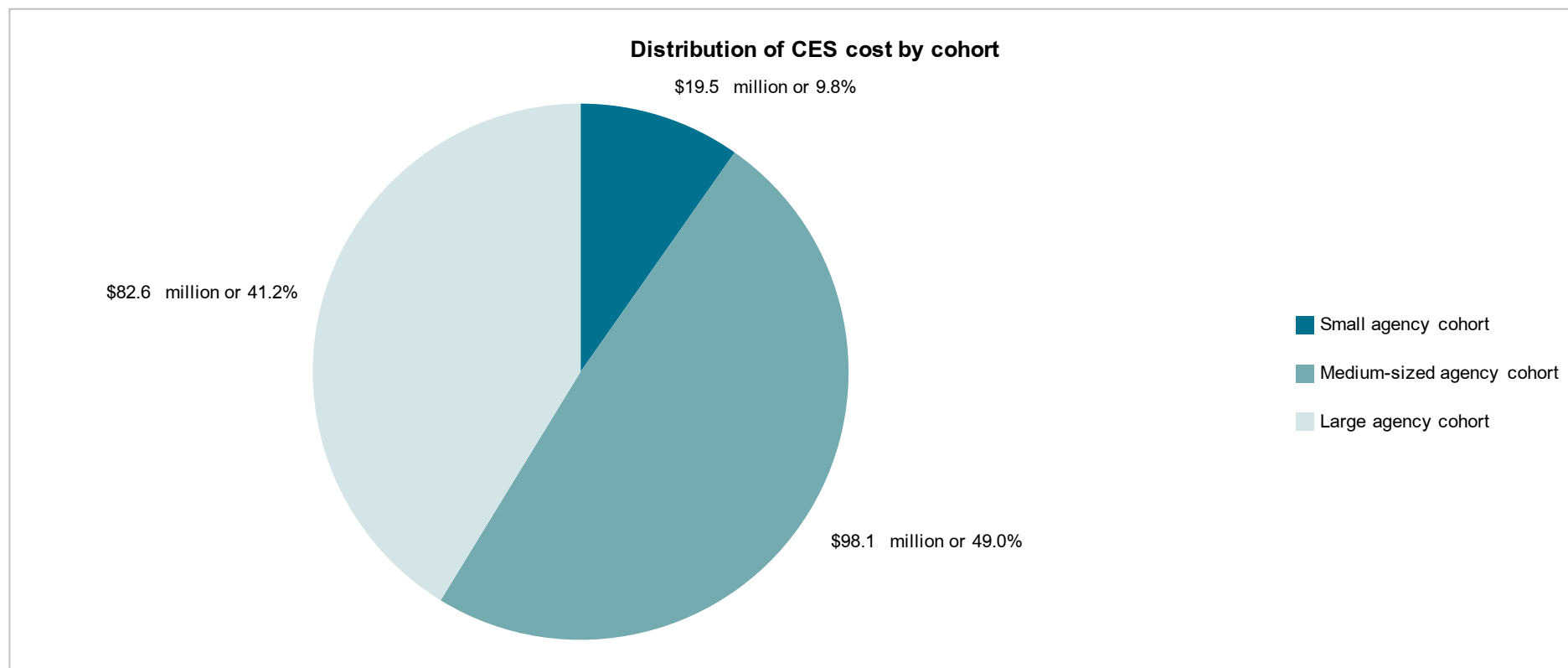


Note that Enterprise Portfolio Management Offices have been excluded as they were not measured in FY 2010/11 or FY 2009/10.

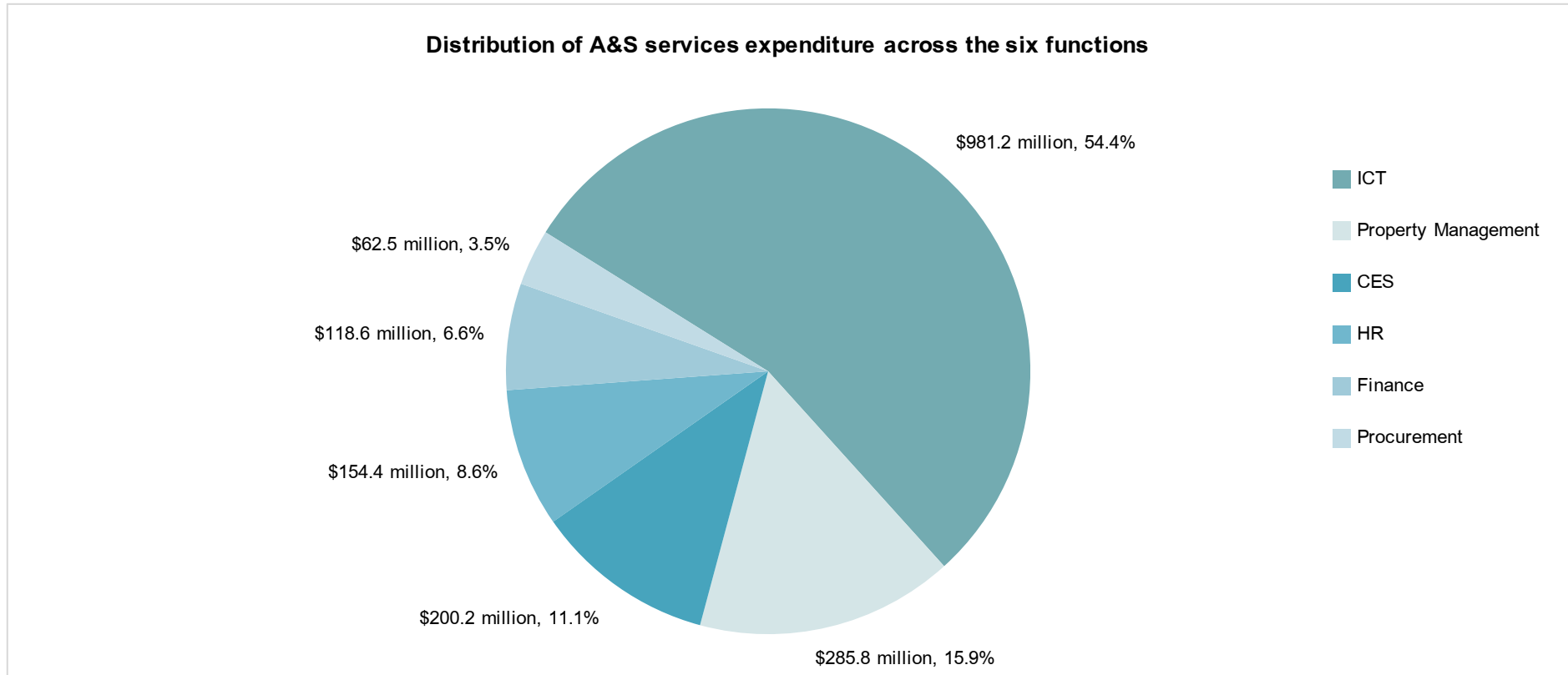
Communications, information management and legal services make up the bulk (63.9 percent) of CES expenditure in FY 2011/12



The medium-sized and large agency cohorts make up 93.6 percent of reported CES expenditure



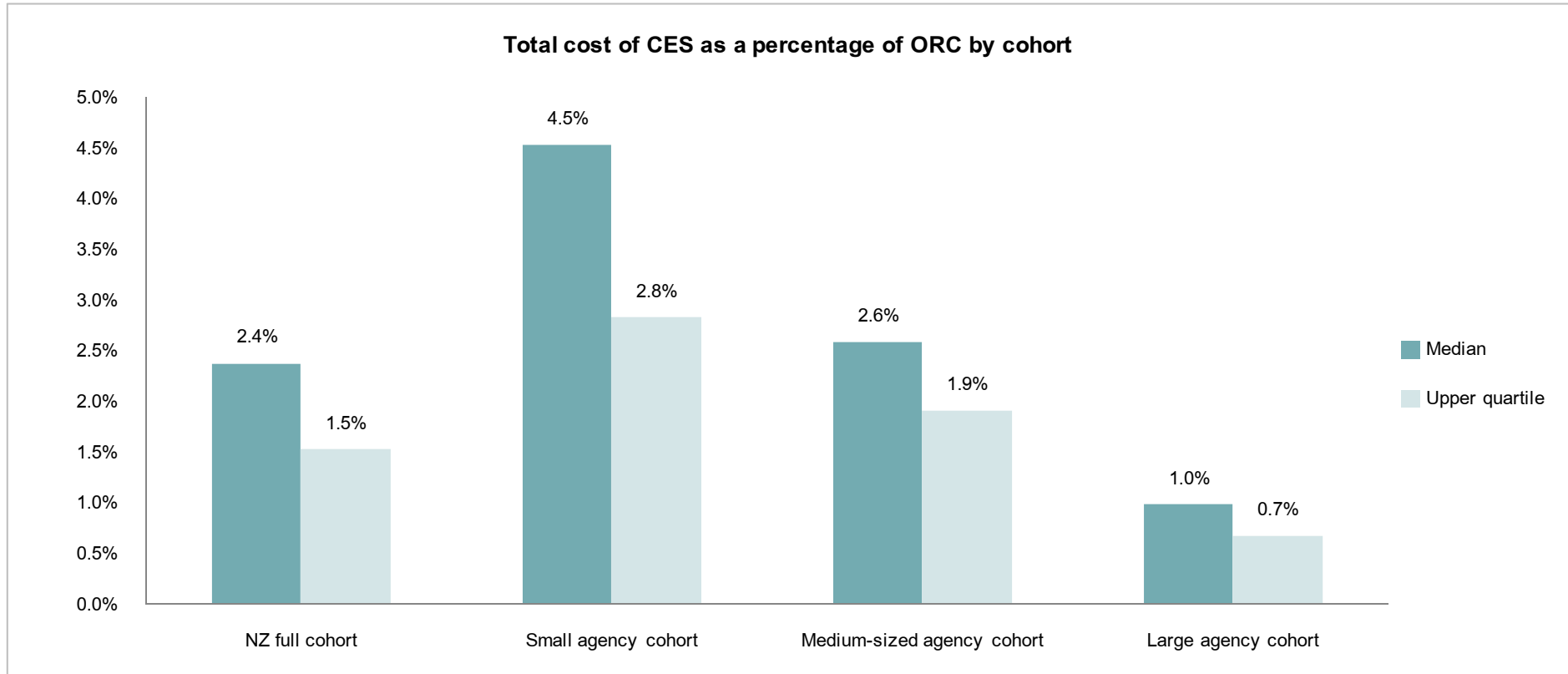
CES make up 11.1 percent of A&S service spending, making it the third largest function by reported expenditure



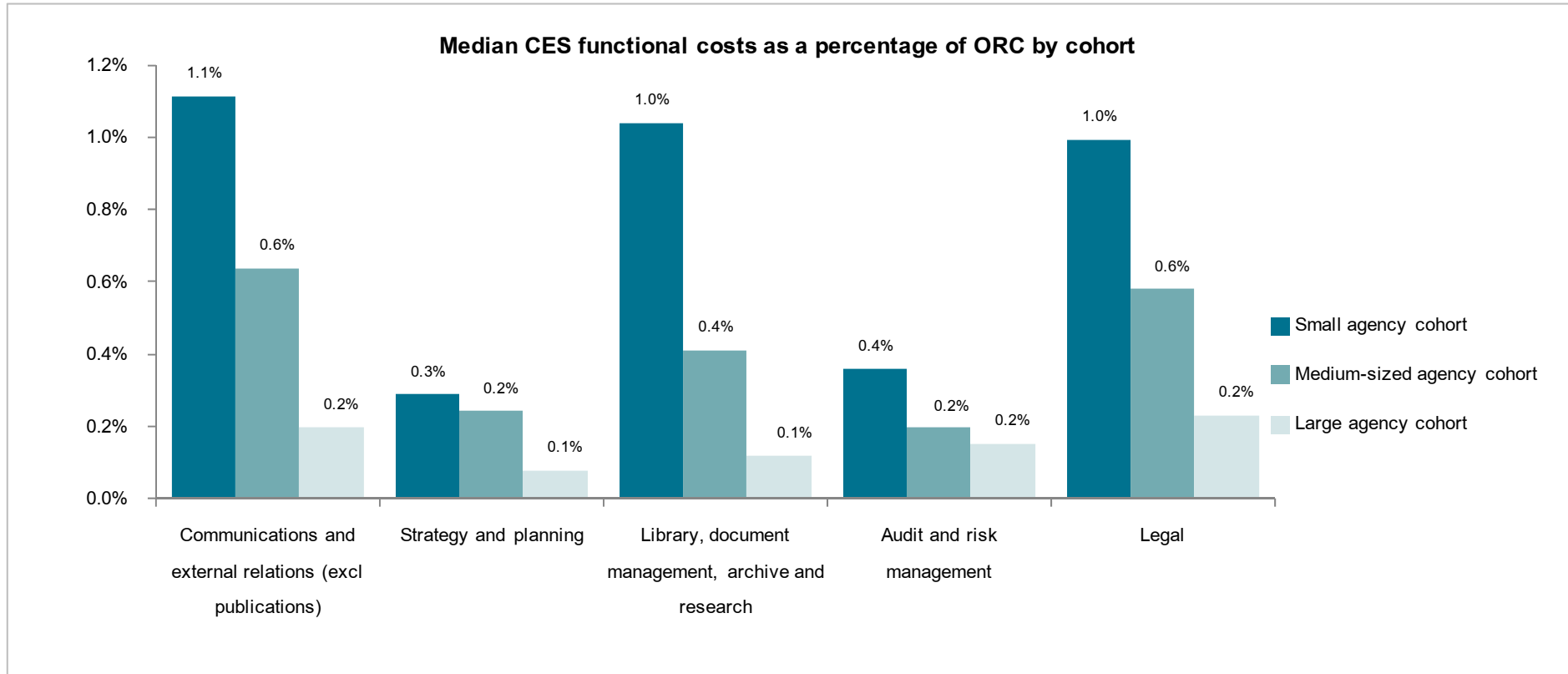
4. EFFICIENCY

Efficiency findings report on the ratio of input to output (or the use of resources in a manner that minimises cost, effort, and time) as well as opportunities for efficiency gains and their implications for potential gross savings. This section also examines changes in efficiency since previous reporting periods. Efficiency findings are based on the cost of the CES function overall as a percentage of organisational running costs (ORC). Efficiency findings also examine the cost of the seven services within the CES function as a percentage of ORC.

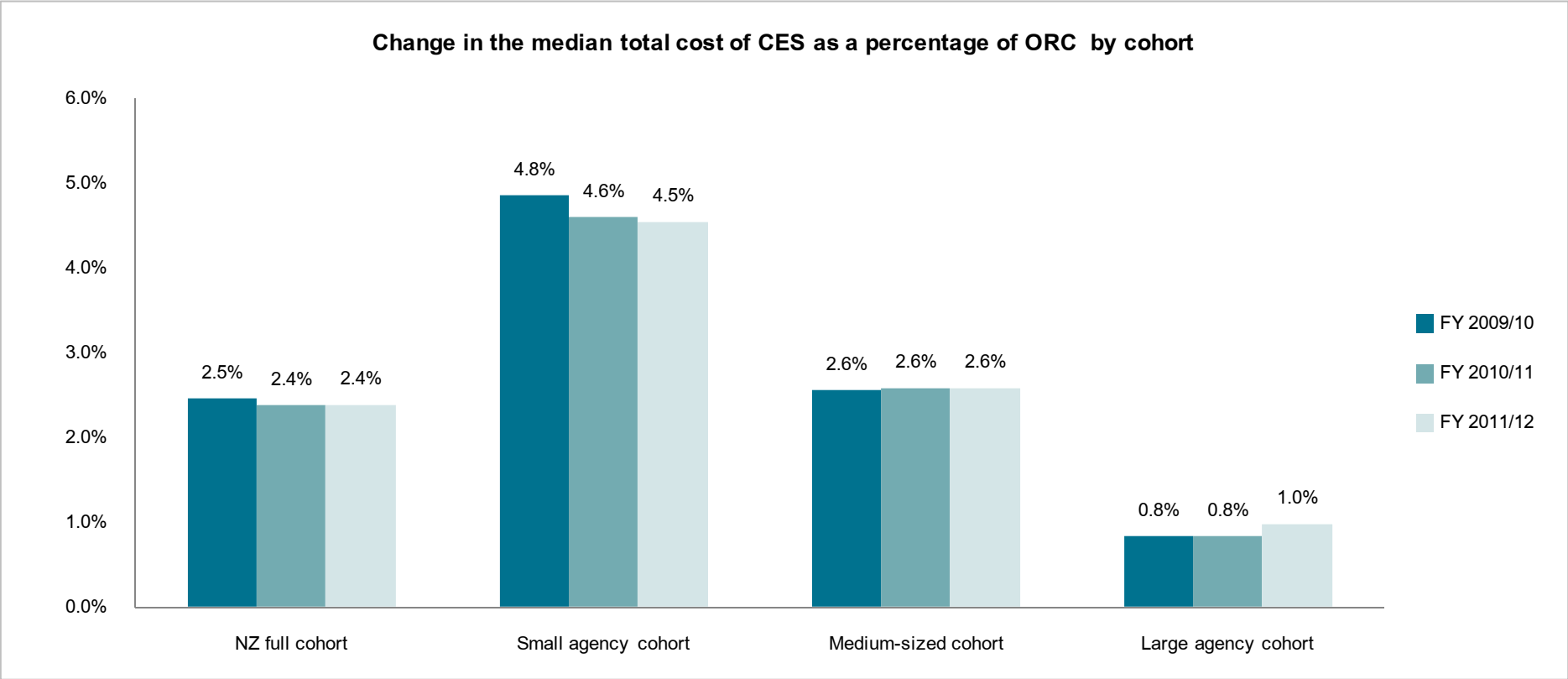
The large agency cohort delivers CES services significantly more efficiently than the small and medium-sized agency cohorts



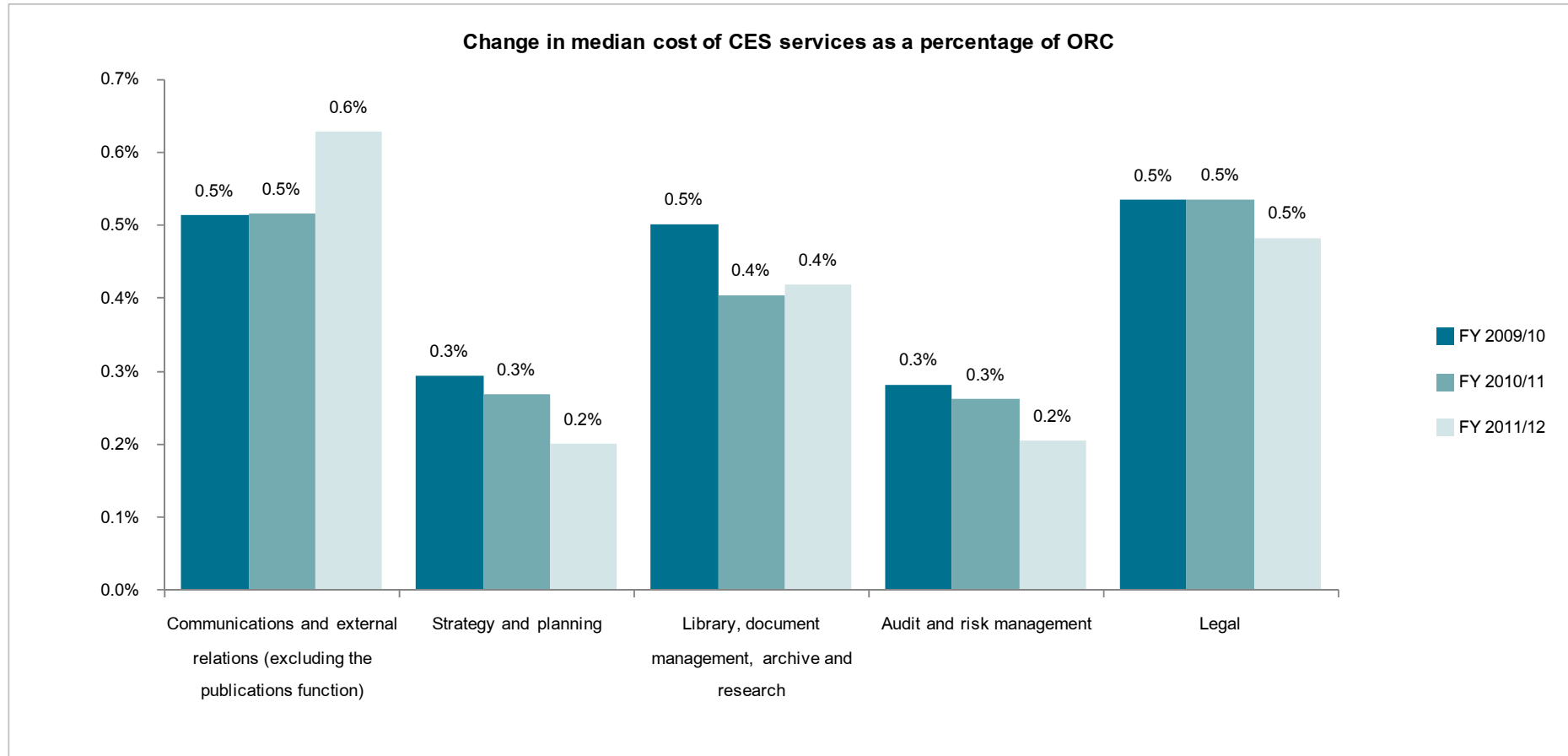
The large agency cohort delivers all component service types within CES more efficiently than the medium-sized and small agency cohorts



The reported efficiency of the CES function has remained flat over the three reporting periods for the NZ full cohort

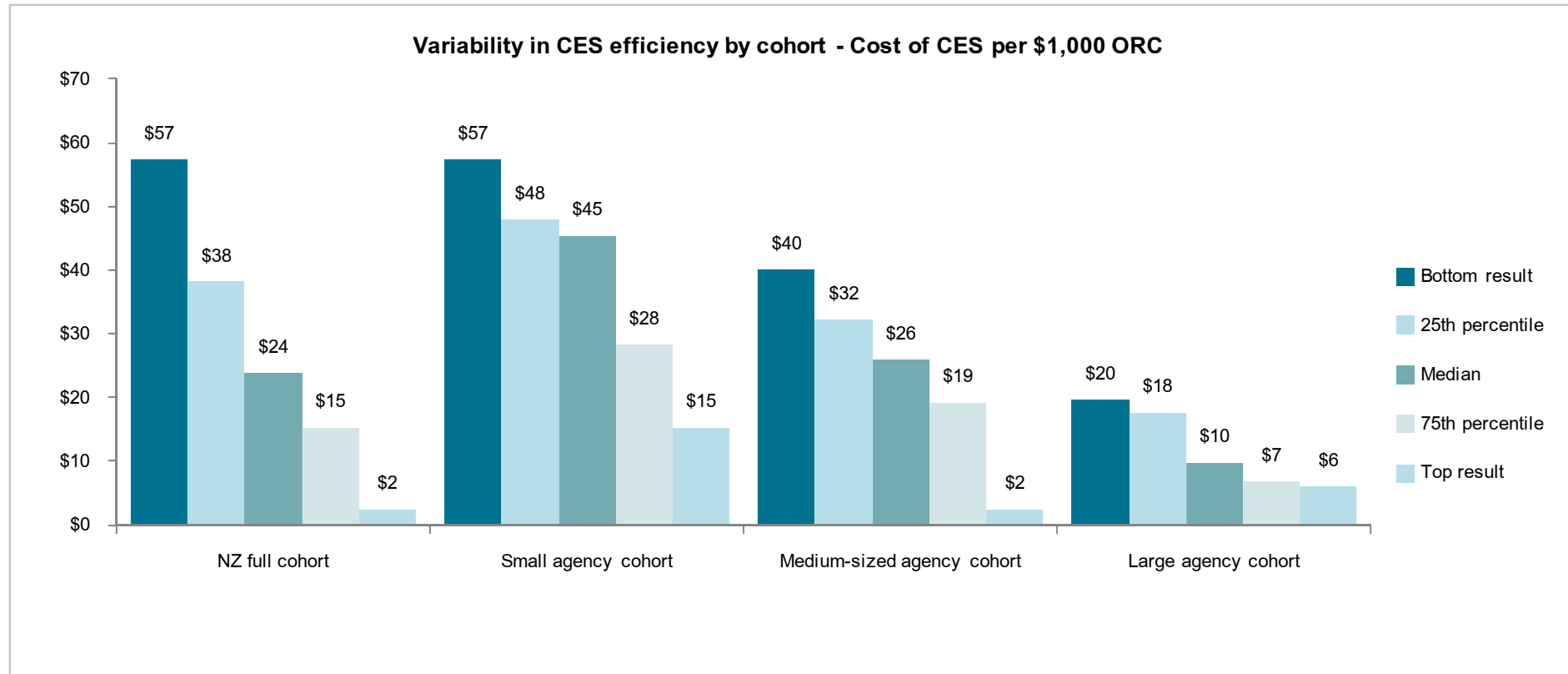


There are marginal changes in the reported efficiency of each component service over the three reporting periods

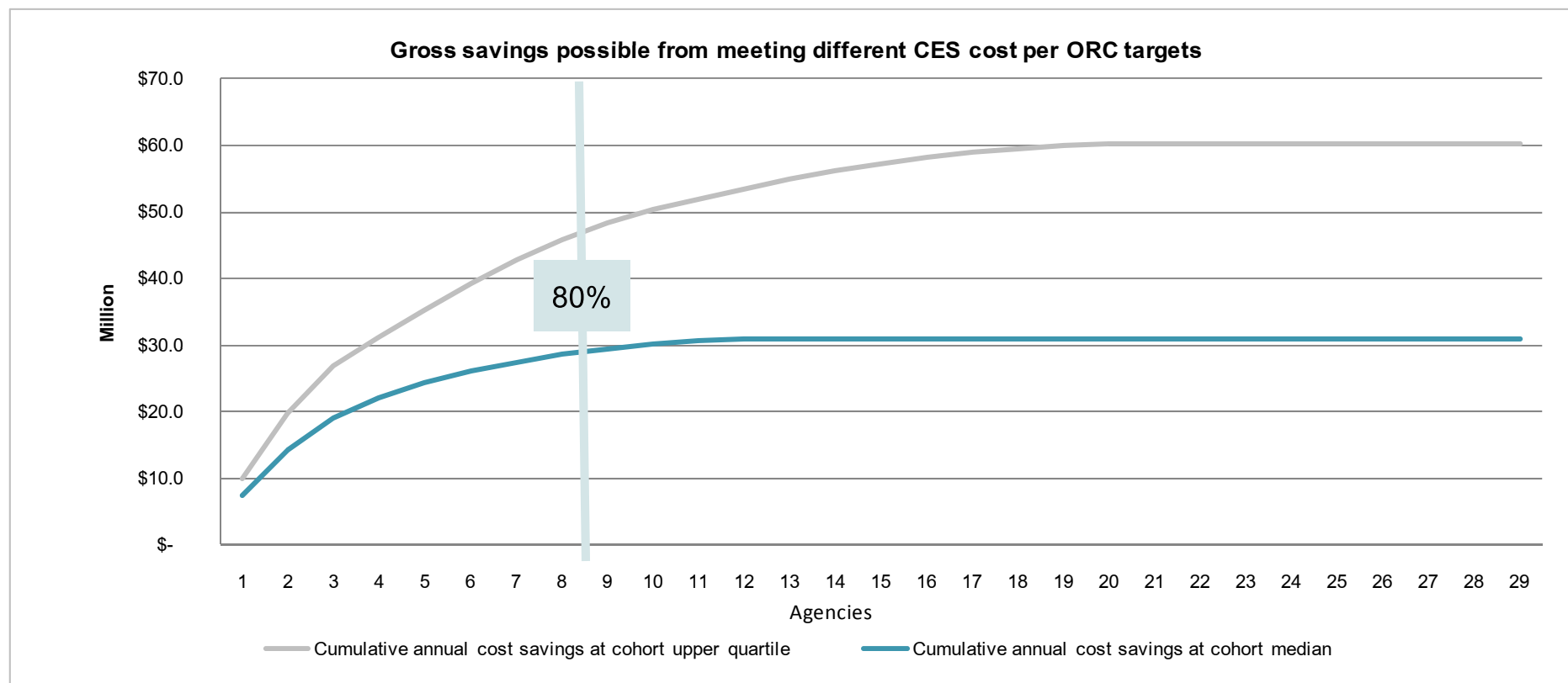


As illustrated in Slide 25, changes in year-on-year spend for the different services is all-but balanced out for overall CES spend for the NZ full cohort.

There is high variability in reported efficiency of the CES function for FY 2011/12, particularly within the small and medium-sized agency cohorts



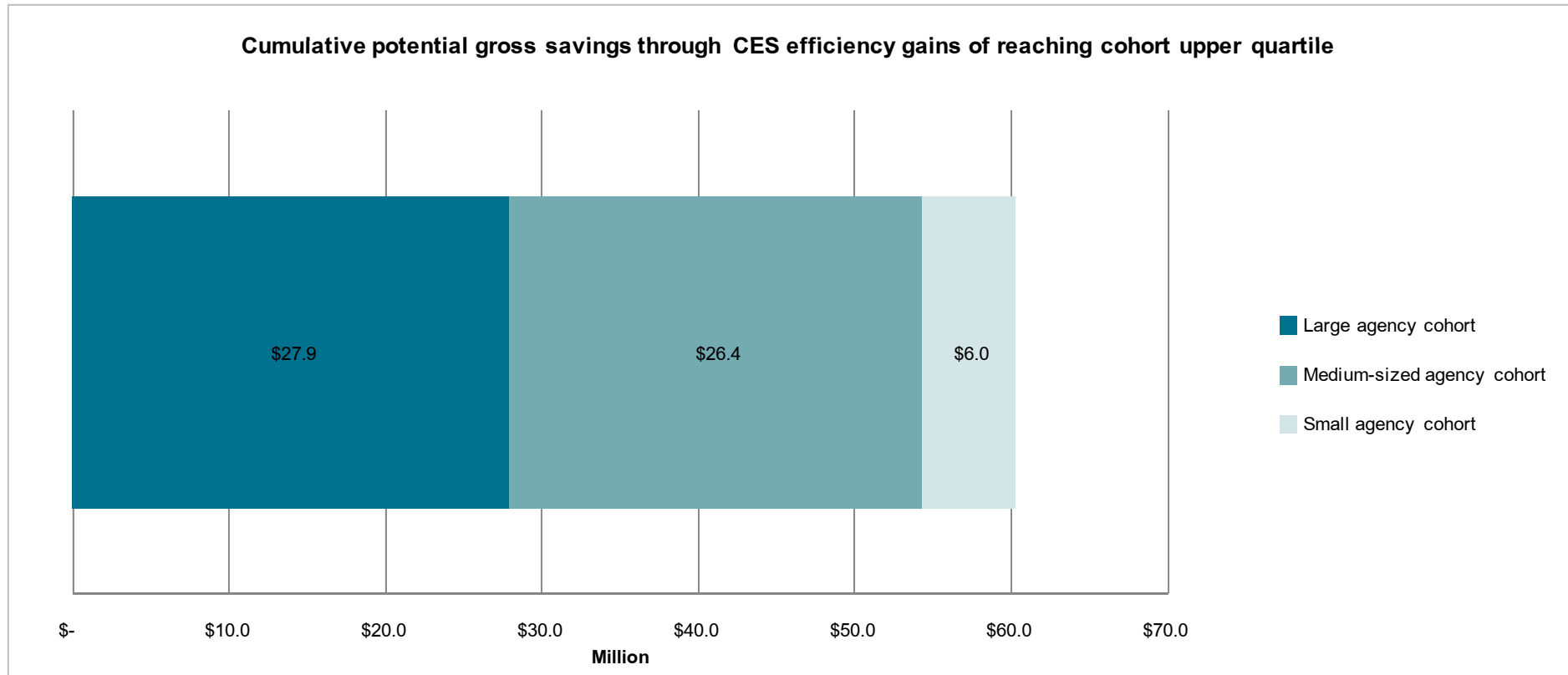
Gross annual savings of \$31.0 to \$60.3m could be made by reducing variability in efficiency within cohorts



The potential scenarios for gross savings by improved CES cost per ORC targets are:

- \$31.0 million in gross savings if the 15 agencies below the median reach median performance within their cohort
- \$60.3 million in gross savings if the 22 agencies below the upper quartile meet upper quartile performance for their cohort.

The greatest potential for cost savings is in the medium-sized and large agency cohorts

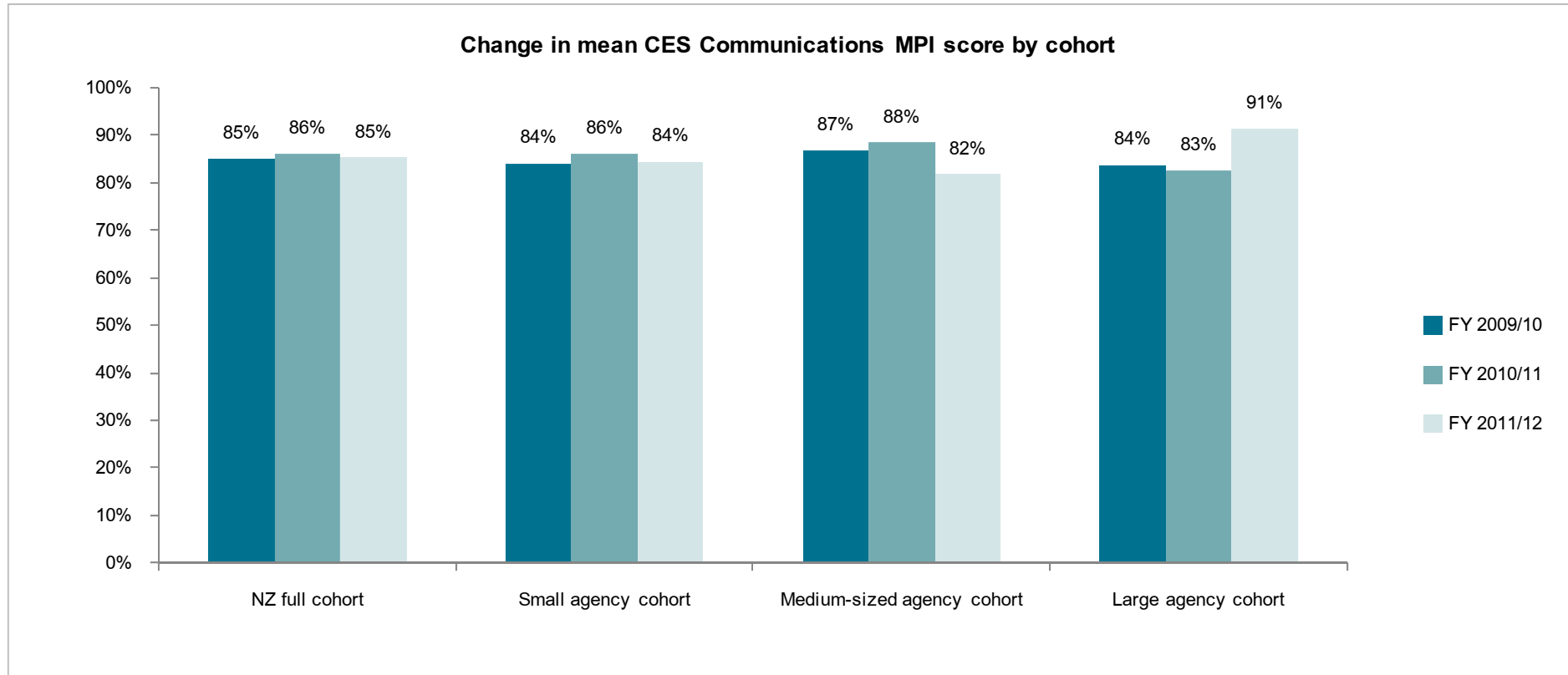


Even though the large and medium-sized agencies are more efficient, \$54.3 million, or 90 percent, of a potential gross saving of \$60.3 million would be realised from these cohorts moving to their cohort upper quartile. Conversely, only around \$6.0 million, or 9.9 percent, would be realised from small agencies moving to their cohort upper quartile, because they make up only 9.8 percent of CES expenditure.

5. EFFECTIVENESS

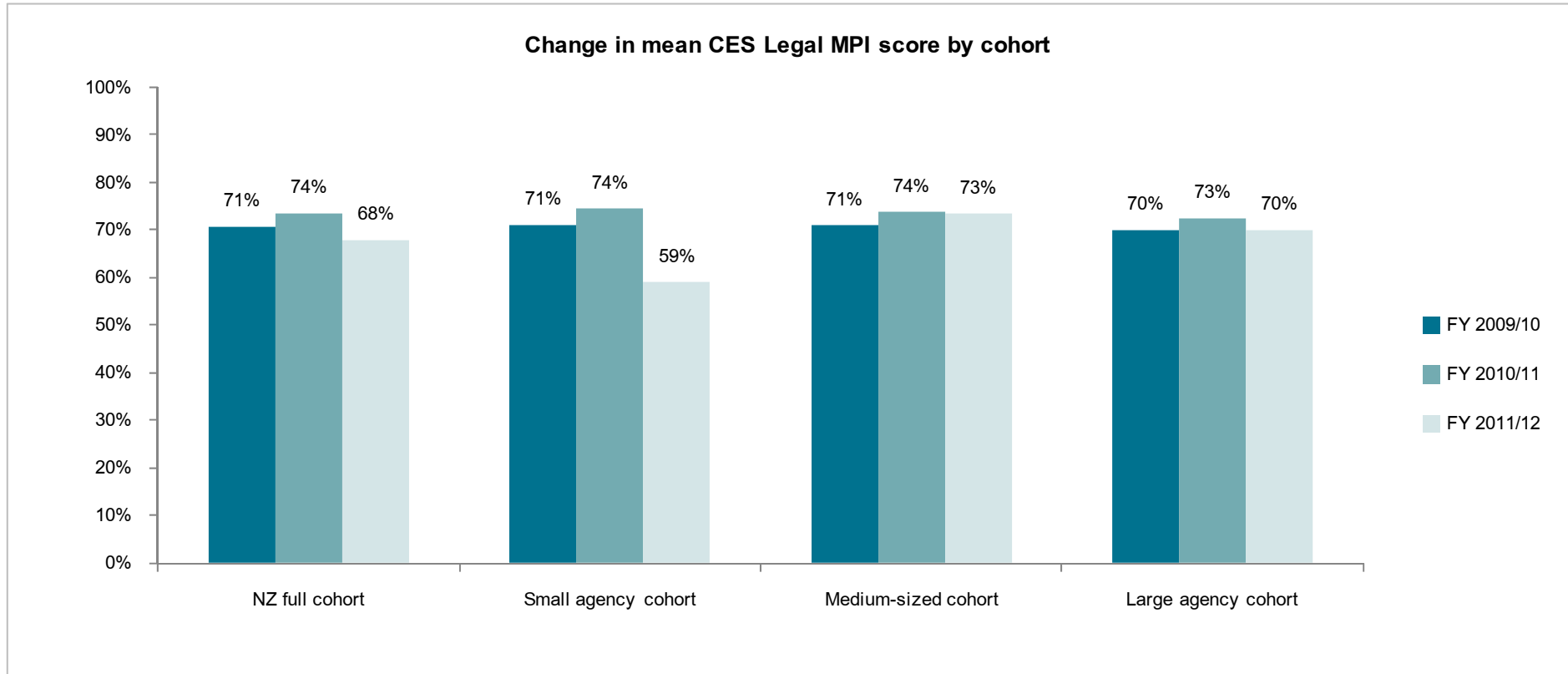
Effectiveness findings report on the extent to which CES activities achieve intended or targeted results. CES effectiveness metrics are limited to Management Practice Indicators (MPIs) for communications and legal services, where a higher score is considered more effective. International comparator data is not available for these metrics.

Overall, self-assessed communication MPI scores have stayed flat since FY2009/10, remaining at a high level

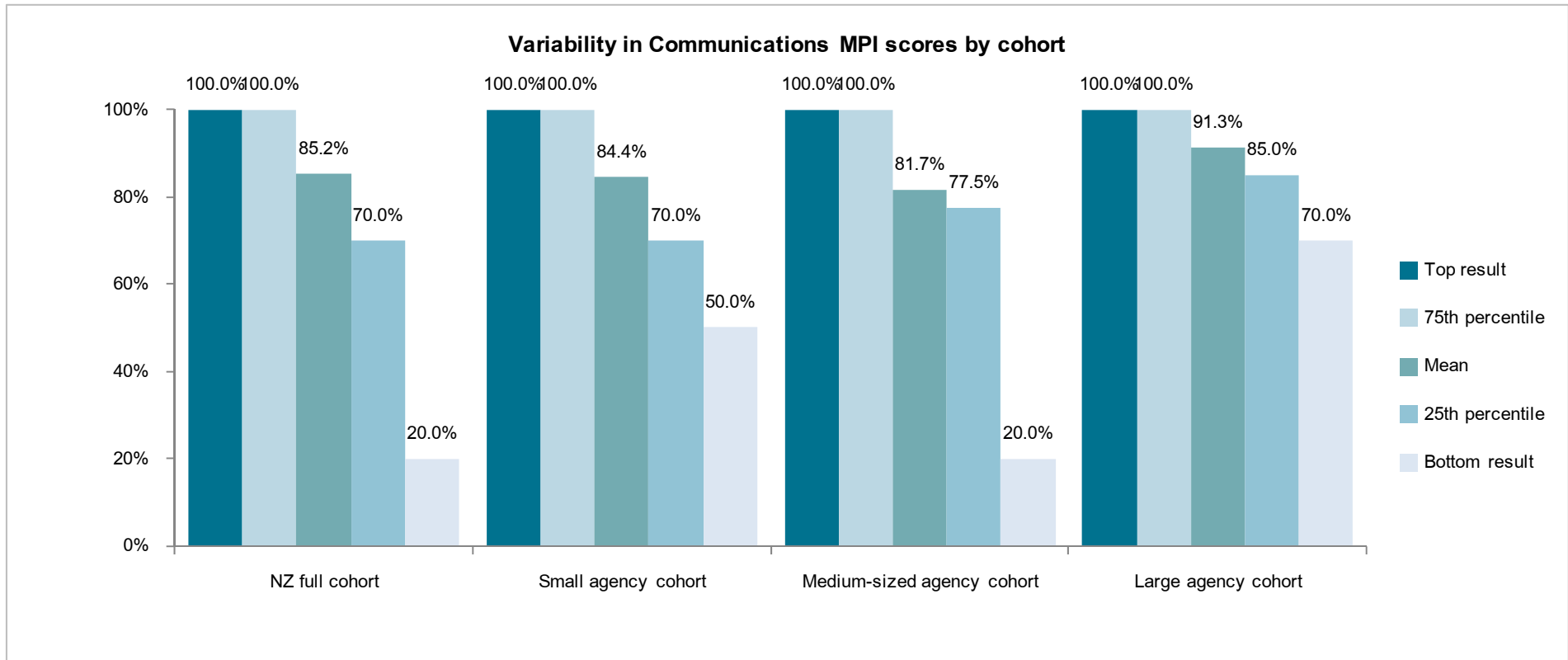


The gains made in the large agency cohort are offset by the reduction in MPI scores for the medium-sized agency cohort.

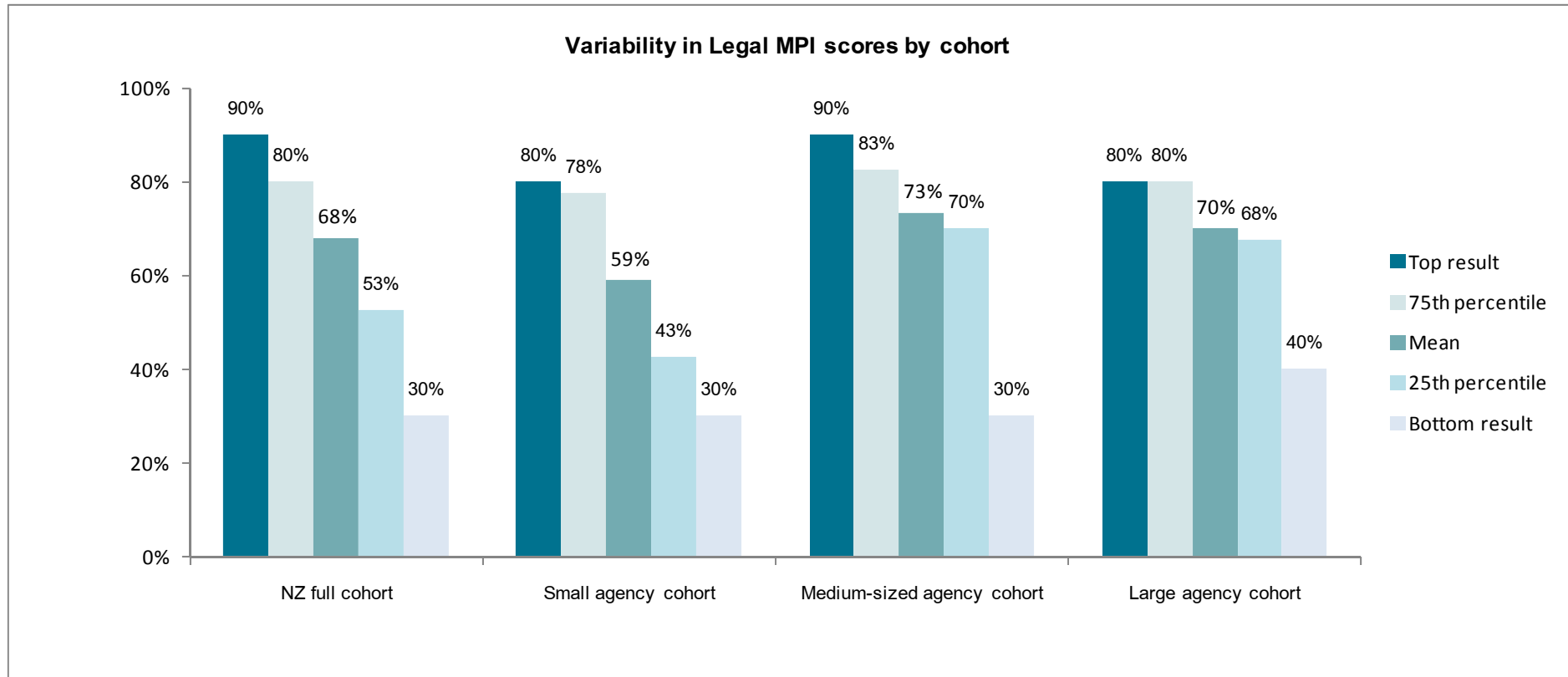
Overall, self-assessed legal MPI scores have reduced since FY 2009/10



There is variability in MPI scores for the Communications function across all cohorts, suggesting opportunities for agencies to learn from each other



There is variability in MPI scores for the Legal function across all cohorts, suggesting opportunities for agencies to learn from each other



6. QUALITY OF MANAGEMENT INFORMATION

These findings report on known CES data quality issues, limitations of the indicator set in providing insight into CES service performance, and opportunities for improvement. The introduction section in the summary BASS report includes common quality of management information findings across all functions that are not repeated in this chapter.

Quality of Management Information

There are concerns with data quality for the CES function. In New Zealand and around the world, organisations undertake a range of activities within this function without standard definitions, and it is uncommon for organisations to benchmark these services. When they do benchmark, the quality of management information is impaired by data consistency issues and a limited pool of reliable comparator data.

There are opportunities to develop and implement more meaningful performance indicators. Indicators used in this report are based on the American Productivity & Quality Center (APQC) and the UK Audit Agencies' (UKAA) performance measurement methodologies. Because of low maturity globally in measuring these services relative to other A&S functions, ongoing discussion with practitioners on how to improve the quality of management information is essential to developing a more useful indicator set and making annual CES benchmarking relevant and useful to the management of their functions.

Quality of Management Information

Some costs may be understated. Agencies have varied reliance on certain corporate functions depending on the nature of their role. For example, agencies with direct engagement with the public have a greater need for communications. To improve the comparability of data, marketing and printing costs were excluded from communications costs and 'front-line' costs, such as prosecution teams, were excluded from legal costs. This approach improves the comparability of the data but does mean that costs are not a full reflection of the total cost of each service for every agency.

Note also that costs associated with functions performed by the Office of the Chief Executive, and administration and mailroom costs are outside of the seven CES functions. Dedicated research and evaluation teams are also excluded.

Enterprise Portfolio Management Office costs have been included for FY 2011/12 for the first time. Note that EPMO costs have been excluded from FY 2011/12 for some of the charts to enable a time series.

More information

A glossary of terms, definitions and source material can be accessed via the main report, available on the Treasury website: <http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2011-12>

A full set of BASS data can also be accessed via the Treasury website:
<http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2011-12>

Questions about the findings in this report should be directed to BASS@treasury.govt.nz