

FAQs

Administrative and Support Services Benchmarking Report for the Financial Year 2011/12

23 April 2013

1. How many benchmarking reports have been published?

This is the third annual administrative and support (A&S) service benchmarking report for the New Zealand (NZ) State sector. In December 2010, Cabinet directed selected larger agencies to undertake an annual A&S service benchmarking exercise.¹ Measurement agencies are a mix of larger departments and Crown Entities. The first report was published in April 2011. This third report has the same metrics as the previous reports (with limited exceptions) to enable time series analysis. *Background, Introduction*

2. What does the report provide?

This report provides information on the cost, efficiency, and effectiveness of A&S services in the State sector. Consistent performance information across agencies gives transparency over a significant area of expenditure and provides an evidence base for assessing performance. *Purpose, Introduction*

3. What is the purpose of the report?

This report identifies gross savings possible by reaching efficiency targets. For example, for the Property function, \$60 million could be saved if agencies met a target of 16m² per full time equivalent (FTE) (and the surplus accommodation was sub-let or released back into the market), and over \$116 million could be saved if agencies met a target of 12m² per FTE. It is important to note that these scenarios use illustrative targets, that agency-specific targets may differ from these, and that gross savings should not be confused with net savings. *Purpose, Introduction*

4. Why was this report written?

This report responds to Government demands for better, smarter public services for less. The current economic climate drives the Government's focus on delivering services more efficiently and effectively and redirecting resources from A&S services to higher priorities, including services to the public, where possible. The performance information in this report

¹ The Treasury, *Better Administrative and Support Services Programme: Report on Phase One findings and proposal for Phase Two*, Wellington CAB Minute (10) 38/4B directed departments with more than 250 FTEs to submit performance data to the Treasury each year.

helps agencies better understand the cost and quality of their internal services and make sound resource allocation decisions.

This report also responds to Government demands for stronger performance management practices in the State sector. Performance management involves using performance information to agree to targets; allocate and prioritise resources; and track, report, and learn from success. Performance information also identifies top performers and opportunities to share knowledge and practices. Performance management is desirable in any economic climate and is applicable to both A&S services and services to the public. *Background, Introduction*

5. What data is the report based on?

Findings are based on data from three reporting periods (Financial Years 2009/10, 2010/11 and 2011/12). Results for FY2011/12 cover six A&S service functions across 29 agencies. The functions are Human Resources (HR); Finance; Information and Communications Technology (ICT); Procurement; Property Management; and Corporate and Executive Services (CES). *Background, Introduction*

6. What are the findings in this report based on?

Findings regarding performance changes over time are based on data from three reporting periods. Findings about changes in service performance are based on data from three reporting periods: FY 2009/10, FY 2010/11 and FY2011/12. Appendix 3 in the main report has information on the scope of the benchmarking study for each reporting period. While some information is available for FY 2008/09 from a pilot measurement exercise, it is not used in this report because the limited number of agencies that participated in the pilot and changes to metrics and definitions limit the value of the time series analysis. *Background, Introduction*

7. Does the report prescribe agency specific targets?

This report does not make agency-specific findings or recommendations, and it does not prescribe targets for agencies. Agencies across the State sector are working to lower the cost and strengthen the efficiency and effectiveness of A&S services. While this report identifies general opportunities across agencies, agencies set their own targets based on their understanding of their operations, including the costs, benefits, and risks of pursuing specific targets. *Purpose, Introduction*

8. Which administrative and support service functions are discussed in the report?

Results cover six administrative and support (A&S) service functions. This year, the highlights are featured in a main report, and then detailed metric results chapters are available for each of the following functions: Human Resources (HR), Finance, Information and Communications Technology (ICT), Procurement, Property Management, and Corporate and Executive Services

(CES). The latter includes but is not limited to Legal Services, Communications, and Information Management. Function definitions are in Appendix 4 of the main report. *Scope of the report, Introduction*

9. Who wrote this report?

The Treasury is responsible for providing an annual benchmarking service across the public service and for compiling this report. This role involves providing practical supports to measurement agencies during data collection, validating and analysing data, producing a summary report, and working with practitioners to strengthen the metric set based on lessons learnt. The Treasury completes most work in house and draws on third parties such as American Productivity & Quality Center (APQC) and The Hackett Group for comparator data and specialist analysis as required. It also liaises with other governments to access comparator data and lessons learnt from similar exercises overseas. *Measurement and benchmarking approach, Introduction*

10. Have practitioners had input in to the development of the report?

Metrics have been selected with practitioner input, and leading State sector practitioners have provided insight into the findings for each function. Metric result findings in each function chapter are prefaced by expert commentary from senior managers in government playing a lead role in initiating or executing cross-agency reform programmes for a specific function. They are in a unique position to observe the key trends in findings across agencies and provide an update on current improvement initiatives that can have an impact on future performance. *Scope of the report, Introduction*

11. What methodology has been followed?

The Treasury's approach to benchmarking is adapted from established international methodologies. Rather than building a bespoke methodology, the New Zealand agency benchmarking exercise has adopted metrics and methods from the UK Audit Agencies (UKAA) and two leading international benchmarking organisations: APQC and The Hackett Group. For FY2011/12, the exercise also included working with an Australian jurisdiction – in order to complete the service tower model for agencies with large ICT spends. *Measurement and benchmarking approach, Introduction*

12. Was there consistent measurement practice across agencies and international comparator groups?

Agencies used common definitions and data collection practices, and these definitions and practices are aligned with those used by three main sources of comparator data: UKAA, APQC, and The Hackett Group. This consistency is foundational to the comparability of results and usefulness of management information. *Quality of management information, Introduction*

13. What is the quality of data submitted?

Overall, data quality is high.

Where there are concerns with data quality, the underlying problems are based in the maturity of measurement methods and are common in the private and public sectors around the world. Two functions in the benchmarking exercise are particularly difficult to measure:

- Procurement: The highly devolved nature of the Procurement function makes it hard to measure consistently because measurement only captures costs where procurement activities make up more than 20 percent of a person's time. While these data collection practices are consistent with international practice, they lead to an understatement of the cost of Procurement in agencies with a devolved function and are less reliable for comparison between agencies and over different reporting periods.
- CES: Organisations around the world undertake a wide range of activities within this function without standard definitions, and it is not common for them to benchmark these services. When they do benchmark, the quality of management information is impaired by data inconsistency and a limited pool of reliable comparator data in New Zealand or internationally.

14. Are the results comparable?

While results are broadly comparable, results need to be understood within the context of each organisation. While agencies have common features, each has their own unique functions and cost drivers. Benchmarking results are a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context. *Quality of management information, Introduction*

15. How much did the measured agencies spend on A&S services?

The 29 agencies spent \$1.803 billion on A&S services in FY 2011/12, and the distribution of A&S service expenditure shows that ICT continues to make up the bulk of (54%) expenditure.

Agencies that were measured across financial years 2009/10, 2010/11 and 2011/12 reported a nominal A&S spending increase of nearly \$37.5 million, which is a reduction of over \$55 million when adjusted for inflation. Excluding Property, A&S service costs are \$1.512 billion, and these costs are flat since FY2009/10. When adjusted for inflation, the \$1.474 billion spent on A&S services in FY 2009/10 is \$1.567 billion in FY 2011/12 dollars, representing a \$55.1 million (or 3.7 percent) reduction over the last two financial years.² *Overview of Findings*

²Inflation adjustment based on the annual average percent change of the CPI Index for year end June 2010 to year end June 2012, excluding the Goods and Services Tax (GST) increase.

16. How is total office accommodation (m²) per FTE calculated?

The net leasable area of office buildings divided by the number of FTE's accommodated in those buildings. It is not workstation size. Net leasable area (or net lettable area) is defined as the area of the building over which rents are usually charged.

17. How were the NZ cohorts identified?

Measured agencies are grouped into three NZ agency cohorts. To support comparisons of agencies with the greatest operational similarities, agencies are grouped using the following criteria: Size of operating budget, number of organisational FTEs, agency type by primary function, and distribution of people/service. Using these criteria, measured agencies fell into three groups of equivalent size with a profile that shared at least three of the four criteria. See Appendix 3 of the main report for more information.

18. How were the metrics decided?

Metrics were selected with measured agencies. Three principles guided metric selection:

- Metrics reflect performance – they provide meaningful management information
- Results can be compared – they are comparable across NZ agencies and comparator groups
- Data is accessible within agencies – the measurement costs are reasonable.

The final selected metrics were those most relevant and measurable in the New Zealand State sector environment. Measured agencies used a consistent underlying taxonomy based on definitions from the UK Audit Agencies, the American Productivity & Quality Center, and The Hackett Group. *Measurement and benchmarking approach, Introduction*

19. How were the agencies selected for measurement?

In December 2010, Cabinet agreed that departments with more than 250 FTEs be required, and Crown Agents be expected, to make an annual submission of A&S service performance data to the Treasury. Note that, Ministry for Culture & Heritage, Ministry of Transport, and State Services Commission all have less than 250 FTEs and participated in the measurement exercise on a voluntary basis.

The NZ cohort comprises all agencies measured in a specific reporting period. Accident Compensation Corporation and Tertiary Education Commission did not participate in the FY 2010/11 or FY 2011/12 exercise, and Housing Corporation New Zealand did not participate in the FY 2011/12 exercise. To allow comparison, the FY 2009/10 and FY 2010/11 NZ full cohort is made up of 29 Public Service Departments, Non-Public Service Departments and Crown Agents as listed alphabetically below:

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| ■ Department of Building and Housing | ■ Ministry of Justice |
| ■ Department of Conservation | ■ Ministry of Social Development |
| | ■ Ministry of Transport |

- Department of Corrections
- Department of Internal Affairs
- Department of Labour
- Inland Revenue
- Land Information New Zealand
- Ministry for Culture and Heritage
- Ministry for the Environment
- Ministry for Primary Industries
- Ministry of Economic Development
- Ministry of Education
- Ministry of Foreign Affairs and Trade
- Ministry of Health
- New Zealand Customs Service
- New Zealand Defence Force
- New Zealand Fire Service
- New Zealand Police
- New Zealand Qualifications Authority
- New Zealand Tourism Board
- New Zealand Trade and Enterprise
- New Zealand Transport Authority
- State Services Commission
- Statistics New Zealand
- Te Puni Kokiri
- The Treasury