

Frequently Asked Questions

Administrative and Support Services Benchmarking Report for the Financial Year 2013/14

7 August 2015

1. What is the purpose of the report?

This report provides information on the cost, efficiency, and effectiveness of administrative and support (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. This information would otherwise be less visible as agencies include overhead within output costs, and they typically do not report externally on A&S service efficiency and effectiveness.

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, making sure money is not spent unnecessarily on A&S services when directing it to front line services would yield better results for New Zealanders. The performance information in this report 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 management practices in the State sector. A&S services are fundamental to establishing and maintaining high performing organisations, which is why this report measures not only cost and efficiency, but also the effectiveness of these services.

2. What does the report provide?

This report provides information on the cost, efficiency, and effectiveness of five A&S functions (Human Resources (HR), Finance, Information and Communications Technology (ICT), Corporate and Executive Services (CES), and Procurement) for the 26 participating government departments and Crown entities.

3. What supporting documents are released with the report?

Supporting documents released by the Treasury with the main report are the functional chapters and individual agency data. The functional chapters provide a detailed view of the costs, efficiency and effectiveness for each of the five functions. The individual agency data is a spreadsheet with the complete set of data used to generate the full range of reports.

Each participating agency releases their individual agency report on their website. Links to all individual agency reports are provided alongside the main BASS report on the Treasury's website. The individual agency reports provide each agency's results and, where available, the New Zealand and International cohort comparison.

4. How many administrative and support services benchmarking reports have been published?

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

5. How much did the participating agencies spend on A&S services?

The 26 agencies spent \$1.682 billion on A&S services in FY 2013/14, and the distribution of A&S service expenditure shows that ICT continues to make up the bulk (66.6%) of expenditure.

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

This report features commentary and key findings for the following five A&S functions: Human Resources (HR); Finance; Information and Communications Technology (ICT); Procurement; and Corporate and Executive Services (CES). The latter includes but is not limited to Legal Services, Communications, and Information Management.

Data for the Property function has not been collected as part of the A&S benchmarking exercise since FY 2012/13. Property Management is now being managed by the Property Management Centre of Expertise (PMCoE), and is reported annually in the Crown Office Estate Report. A summary of Property Management findings for FY 2013/14 can be found in Appendix 5. Detailed findings and data for FY 2013/14 can be found at:

<https://www.msd.govt.nz/documents/about-msd-and-our-work/about-msd/structure/pmcoe/publications/crown-estate-report-2014.pdf>

Metric definitions for each function are in Appendix 4.

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

This report focuses on results for financial year 2013/14, with data from the most recent years, 2011/12 and 2012/13, used for understanding changes in recent performance. Information going back to 2009/10 is available on the Treasury's website, although care is needed in interpreting longer trends where there have been changes in metrics or participating agencies.

8. Are the results comparable?

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: UK Audit Agencies, American Productivity & Quality Centre, and The Hackett Group.

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.

While agencies have common features, each has their own unique functions and cost drivers that need to be considered when interpreting results. For example, results can be expected to differ depending on whether an agency is asset intensive, has large service delivery activities, has a wide range of activities (e.g., multiple Votes) or is supporting significant non-departmental activity. Accordingly, benchmarking results are only a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context, with comparators chosen according to which function within a particular agency is being reviewed.

9. Has there been any measurable improvement in the effectiveness and efficiency of the different A&S functions over the years since BASS began?

The report advises that results should be understood within the operational context of each agency; accordingly, benchmarking results are only a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context. Similar caution is needed in interpreting aggregate results over time given changes in metrics and changes in entities participating in the BASS exercise.

Bearing these points mind, agencies report improved capability indicators across all five functions, although they identify significant further improvement is needed to meet their aspirations. Results for other effectiveness indicators are more mixed depending on the function and agency.

In looking at efficiency indicators, there is greater variability in results across agencies and functions. For example, since 2009/10 the trend has been improvements in key Finance (cost of finance function as a % of organisational running costs) and Procurement efficiency metrics (cost of procurement function as % of total purchase value); whereas a key metric for Human Resources (cost of HR per employee) indicates it is less efficient overall.

Initiatives underway across government to support agencies in making measurable progress include, but are not limited to:

- the Government ICT Strategy and Action Plan
- Procurement Functional Leadership
- the Property Management Centre of Expertise
- the Government Legal Services programme
- the Communication Head of Professions engagement Capability Improvement Programme

10. Are the upper quartile targets achievable?

The upper quartile target is deliberately ambitious, with the level of challenge differing for each agency depending on factors such as their current performance and size. The initiatives to support agencies to achieve this target are identified above.

11. 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 support 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 report was informed by workshops and feedback from participating agencies and relevant functional leaders and heads-of-profession.

12. 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. Improvements to the ICT metrics took place between FY 2011/12 and FY 2012/13, which involved collaboration with an Australian jurisdiction.

13. How were the metrics decided?

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

- Metrics reflect performance – they provide meaningful management information
- Results can be compared – they are comparable across New Zealand 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.

14. How were the New Zealand cohorts identified?

Participating agencies are grouped into three New Zealand 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 full-time equivalent's FTEs, agency type by primary function, and distribution of people/service. Using these criteria, participating 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.

15. 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 the following 26 government departments and Crown entities:

1. Department of Conservation
2. Department of Corrections
3. Department of Internal Affairs
4. Inland Revenue Department
5. Land Information New Zealand
6. Ministry of Business Innovation and Employment
7. Ministry for Culture and Heritage
8. Ministry for the Environment
9. Ministry for Primary Industries
10. Ministry of Education
11. Ministry of Foreign Affairs and Trade
12. Ministry of Health
13. Ministry of Justice
14. Ministry of Social Development
15. Ministry of Transport
16. New Zealand Customs Service
17. New Zealand Defence Force
18. New Zealand Fire Service
19. New Zealand Police
20. New Zealand Tourism Board
21. New Zealand Trade and Enterprise
22. New Zealand Transport Agency
23. State Services Commission
24. Statistics New Zealand
25. Te Puni Kokiri
26. The Treasury