
Administrative & Support Services Benchmarking Report for FY 2008/09 and FY 2009/10

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Foreword by the Minister of Finance

Hon Bill English, Minister of Finance, Deputy Prime Minister

Public policy and public management are challenging tasks at the best of times—much more difficult than commentators, business people and the public often think.

It's that challenge that attracts so many capable, well motivated New Zealanders to every level of public service.

As New Zealand faces new economic challenges and tight spending constraints, motivated innovative public servants and good public sector management will be critical.

Public management in the foreseeable future will need to focus more on sorting out which public services and income support measures are the most effective and working out how to provide those within a tightly-constrained budget.

Together we will be under persistent pressure, over the next decade or more, to deliver better services for no extra money.

It's our task to deliver 21st Century frontline services with smaller, smarter back offices. This is a change in direction.

What has been needed in the public sector for many years is robust and transparent management information so that informed decisions can be made. This report is an important step towards that transparency and puts new scrutiny on areas of public expenditure that were previously hidden.

This will challenge chief executives to lift their game, learn from other agencies, and look at other ways of providing back office support.

Over the past two years, chief executives and their agencies have contributed to a range of collective processes, such as joint procurement and greater shared services. Those processes are already bearing fruit. For example, the first four joint procurement projects are expected to save around \$115 million over the next five years.

The challenge now facing senior public servants is to develop and implement new plans to release savings from back office functions and redirect these to much needed frontline services.

The Government is committed to delivering high quality public services and improving value for money, and we look forward to the public sector responding in an informed and measured way to the financial challenges facing us all.

Statement by the Secretary to the Treasury

By John Whitehead, Secretary to the Treasury

The New Zealand Government is committed to improving our public services. Doing so requires responding not only to the current economic climate but also Public demands for quality service delivery with greater levels of efficiency and transparency regarding the way government is managed.

Management information, such as that provided in this report, is key to transparency and driving sustainable performance improvements across the State sector. The frequently referenced Peter Drucker quote “If you can’t measure it, you can’t manage it,” summarises the importance of benchmarking: it provides an evidence base for assessing current performance, setting targets, identifying and quantifying opportunities for improvement, and tracking changes in performance over time.

This report provides a new level of management information quality and transparency regarding State sector overhead spending. For the first time, we have published administrative and support service performance information from across 33 State sector agencies with over 83,000 employees including Human Resources, Finance, Information and Communications Technology, Procurement, Property Management, and Corporate and Executive Services.

This exercise shows that measured agencies spend over \$1.8 billion dollars each year on administrative and support services. Significant variations among agencies in service efficiency and effectiveness indicate opportunities to deliver these services in new ways to save millions each year that could be redirected to other Government priorities.

Management information supports a robust, evidence-based discussion regarding the way we currently do business and opportunities for improvement, but it does not allow us to make quick judgements about the relative quality of management in different agencies. Sometimes variations in expenditure and efficiency among agencies are based in their operational differences, and it will be important to use the information in this report constructively and understand each agency’s performance within its operational context.

The Treasury will continue to work in partnership with measured agencies to publish A&S performance information each year. The quality of management information will improve in future reports, mainly because successive benchmarking exercises will show valuable trend information and the impact of our improvement efforts over time.

Executive Summary

Background

The State sector is facing a period of protracted fiscal constraint. Nominal baselines are likely to remain fiscally constrained for the next three to five years, and Ministers want assurance that agencies are shifting resources from Administrative & Support (A&S) services to higher priorities.

In November 2010, Cabinet directed some larger departments and expected some larger Crown agents to report A&S service cost and quality to the Treasury each year.¹

The report is based on the results of two benchmarking exercises. The initial exercise measured A&S service performance in 14 agencies for FY 2008/09, and the second exercise measured A&S service performance in 33 agencies for FY 2009/10.

The purpose of this report is to provide managers in agencies with management information that improves transparency and scrutiny and helps identify opportunities for improvement and savings.

Future reports

In addition to providing annual information on the cost and quality of A&S services, future reports will comment on the extent to which agency responses to fiscal constraint result in savings and service quality improvements.

The quality of management information will improve in future reports in part because metric sets and data collection methods will improve based on lessons learnt year to year, and in part because successive years of data will provide valuable trend information.

Key findings

Key cost findings

The 33 agencies measured for FY 2009/10 spent approximately 10 percent of organisational running costs (ORC), or \$1.849 billion, on A&S services.

The subset of 11 agencies that measured for both FY 2008/09 and FY 2009/10 reported overall efficiency improvements and an \$87 million reduction in A&S service expenditure between the two reporting periods.

¹ The Treasury, *Better Administrative and Support Services Programme: Report on Phase One findings and proposal for Phase Two*, Wellington, CAB Min (10) 38/4B refers.

Key efficiency findings

Reducing variability in agency efficiency can reduce A&S service spending by \$236 million annually for the 33 measurement agencies. Below are illustrative scenarios for how cost reductions might be achieved:

- **Information and Communications Technology (ICT)—\$124 million:** Agencies would spend \$124 million less each year if all agencies above the NZ cohort median of ICT infrastructure costing 3 percent of ORC met that level of ICT efficiency.
- **Property Management—\$43 million:** Agencies would spend at least \$43 million less each year if they were all at or below 16 m² per full time equivalent (FTE).
- **Human Resources (HR)—\$33 million:** Agencies would spend \$33 million less each year if all agencies above the NZ cohort median of \$2,350 in HR cost per employee met that level of HR efficiency.
- **Finance—\$15 million:** Agencies would spend \$15 million less each year if all agencies above the NZ cohort median of Finance costing 1.3 percent of ORC met that level of Finance efficiency.
- **Corporate & Executive Services (CES)—\$21 million:** Agencies would spend \$21 million less each year if all agencies above the NZ cohort median of CES costing 2.3 percent of ORC met that level of CES efficiency.

Opportunities for A&S cost reductions of between \$361 million and \$425 million annually for the 33 measurement agencies are possible if agencies achieve upper quartile performance in their NZ cohort or international benchmarks for efficiency. Below are illustrative scenarios if agencies achieved upper quartile performance or international benchmarks:

- **ICT—\$168 million:** Agencies would spend \$168 million less each year if all agencies met upper quartile performance in their NZ cohort for ICT infrastructure spend as a percentage of ORC.
- **Property Management—\$52 million to \$72.5 million:** Agencies would spend \$52 million less each year if they all moved to best demonstrated practice in the NZ cohort of 15 m² per FTE. Agencies would spend \$72.5 million less each year if they all met the UK central government mean of 13 m² per FTE.
- **HR—\$62 million to \$90 million:** Agencies would spend \$62 million less each year if they all moved to upper quartile performance in their NZ cohort for HR cost per employee. Agencies would spend \$90 million less each year if they met the American Productivity & Quality Center (APQC) similar industries top performer benchmark.
- **Finance—\$28 million to \$44 million:** Agencies would spend \$28 million less each year if they all moved to upper quartile performance in their NZ cohort. Agencies would spend \$44 million less each year if they met the APQC similar industries top performer benchmark.
- **CES—\$51 million:** Agencies would spend \$51 million less each year if they all moved to upper quartile performance in their NZ cohort.

Overall, large agencies are significantly more efficient than smaller and medium-sized agencies, showing the impact of fixed costs and indicating opportunities to improve efficiency by leveraging scale. For example, smaller agency property costs per FTE are 56 percent more expensive than in larger agencies, and smaller agency HR costs per employee are 104 percent more expensive than in larger agencies. This trend is found in all functions.

Although the smaller measured agencies are the least efficient overall, they are not the major source of potential cost reductions because they make up only about 7 percent (\$129 million) of A&S service spending. The bulk of opportunities to realise cost reductions through efficiency gains are in the medium-sized and larger agencies.

Caveats regarding efficiency findings

Agencies should set targets appropriate to their operational context, and the scenarios listed above are for illustrative purposes only and may not feature appropriate targets for each agency.

These scenarios simplify agency operational conditions by only taking into account one metric. For example, the scenario for reducing property costs involves reducing the m² per FTE, but cost reductions are likely to be achieved through a combination of different changes, including changes to the cost per m².

Potential gross cost reductions in scenarios should not be confused with potential net savings, as experience indicates that significant efficiency gains require time and investment, and more investigation is required into options for lifting efficiency as well as balancing costs, benefits, and risks of those options.

Findings may not reflect the current performance of agencies across the State sector if significant improvements have been made in FY 2010/11, and some improvements may be realised by programmes of work that are already underway such as the Common ICT Capability work programme, the Procurement Reform Programme, the emerging Property Centre of Expertise, and agencies' own response to the current environment of fiscal constraint. Large all-of-government programmes were not underway for the Finance and HR functions at the time this report was written.

Key effectiveness findings

In general, A&S service functions can play a more strategic role in their organisations. Other recent government reports have noted that A&S service functions are not currently playing a strategic role across government. Below are findings from FY 2009/10 benchmarking that support this conclusion:²

- Seventy-six percent of agencies reported not having a fully automated accruals system. As a proxy indicator for overall Management Information System (MIS) capability, this finding suggests that, overall, agencies need better systems if they are to provide quality management information in a timely fashion to support agency decision making.

² The full descriptions of management practice indicator statements can be found in Appendix 4.

- Seventy-three percent of agencies reported not having specific and measurable targets for cashable and non-cashable benefits to be delivered by the Procurement function.
- Fifty-five percent of agencies reported not having a statement that anticipates workforce requirements for at least the next three years.
- Thirty-five percent of agencies reported not having a rolling programme of reviewing and benchmarking organisational costs across major service areas.

Playing a strategic role requires investment in A&S service staff capability. Several recent government reports have found that A&S service staff must build capability to be more effective. The findings below from the FY 2009/10 benchmarking support this conclusion:³

- Seventy percent of agencies reported not having a comprehensive professional development programme for HR staff with at least five days of development.
- Fifty-eight percent of agencies reported not having a comprehensive professional development programme for ICT staff with at least five days of development.
- Forty-eight percent of agencies reported not having a rolling programme in place to develop procurement skills and capabilities across their organisations.
- Forty-five percent of agencies reported not having a comprehensive professional development programme for Finance staff with at least five days of development.

Data quality

Overall, the quality of data submitted by agencies was 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. Procurement costs are difficult to measure, and the report makes no conclusions about Procurement function costs or efficiency due to data quality issues. CES function results should also be used with caution as organisations undertake a wide range of functions without standard definitions. This impairs data consistency and the ability to compare across New Zealand agencies and internationally.

While results are broadly comparable, results need to be understood within the context of each agency. While agencies have common features, some have unique functions and cost drivers. For example, large service delivery agencies are expected to have higher ICT costs than policy agencies, especially if they have more expensive ICT requirements such as specialised line business applications or a distributed network. Therefore, agencies' 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.

³ The full descriptions of management practice indicator statements can be found in Appendix 4.

Next steps

Agency response to management information to date has been positive, with some agencies participating voluntarily and indicating interest in working together to build more detailed data sets to support efficiency initiatives. The Treasury is sharing data and methods with other governments as A&S service efficiency is of broad interest, and management information is widely recognised as fundamental to identifying and tracking improvement opportunities.

The Treasury will continue to produce annual reports on A&S service performance. Selected departments and Crown agents with more than 250 FTEs will continue to provide A&S service performance annually as per the Cabinet decision, and several smaller agencies have indicated interest in participating voluntarily. The Treasury will continue its support to agency measurement activities and will publish a benchmarking summary report each year to support transparency, identify opportunities for improvement, and track performance changes over time.

Introduction

This introduction provides the purpose, background, and scope of this report. It also describes benchmarking methods and next steps.

Purpose of this report

This report provides information on the performance of Administrative and Support (A&S) services across government. Based on the largest and most comprehensive benchmarking exercise of its kind in the New Zealand State sector, this is the first of a series of annual reports on the cost, efficiency, and effectiveness of A&S services across agencies. A&S services support the delivery of services to the public and include Human Resources, Finance, Information and Communications Technology, Procurement, Property Management, and Corporate and Executive Services.

This report provides transparency across a significant area of expenditure. Agencies spend \$1.849 billion, or just under 10 percent of organisational running costs, on A&S services each year. The publication of a consistent set of objective cross-agency performance results on this significant area of expenditure increases transparency, allowing Ministers, agencies, and the public to assess whether this spending is providing value for money and track performance over time.

This report does not propose agency-specific solutions for optimising A&S service delivery. There is significant activity underway in agencies to lower the cost and strengthen the efficiency and effectiveness of A&S services. This report provides management information to support those initiatives and track performance changes each year. While this report identifies general opportunities, it does not suggest specific operational changes or comment on the progress of initiatives specific to individual agencies.

Background

This report responds to Government demands for better, smarter public services for less. The current economic climate is a key driver of the Government's focus on delivering public services more efficiently and effectively and redirecting resources from A&S services to higher priorities where possible.

Benchmarking is a key to driving sustainable A&S service performance improvements across the State sector. Benchmarking provides an evidence base for assessing current performance, setting targets, identifying and quantifying opportunities for improvement, and tracking changes in performance over time.

While performance results are broadly comparable across agencies, they should be understood within the operational context of each agency. While agencies have common features, some have unique functions and cost drivers. For example, large service delivery agencies are expected to have higher ICT costs than smaller policy agencies, especially if they have more expensive requirements

such as specialised line business applications or a distributed network. Readers should use benchmarking results as a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context.

Scope of this report

This report shares the results of two benchmarking exercises, each with a different set of participating agencies and different reporting periods. In May 2010, 14 agencies voluntarily participated in a benchmarking exercise for the FY 2008/09 reporting period. And, in December 2010, 33 agencies participated in a benchmarking exercise for FY 2009/10, either voluntarily or based on Cabinet decision.⁴ Results from both exercises are included in this report.

Results cover six A&S service functions. In addition to a chapter summarising overall findings, this report features a chapter specific to each of the following functions: Human Resources, Finance, Information and Communications Technology, Procurement, Property Management, and Corporate and Executive Services. The latter includes but is not limited to Legal Services and Communications.

Benchmarking methods

The New Zealand measurement methodology was adapted from established international benchmarking methodologies. Rather than building a bespoke methodology, the New Zealand agency benchmarking exercise adopted metrics and methods from the UK Audit Agencies and two leading international benchmarking organisations: the American Productivity & Quality Center and The Hackett Group. The metrics and methods used in an initial benchmarking exercise for FY 2008/09 were refined for FY 2009/10 based on feedback and lessons learnt.

Benchmark values were selected that are comparable and practical. Median values are the primary values used for comparison as these reflect average performance and mitigate the effect of large outliers. Upper quartile values are used for more ambitious benchmarks. The upper quartile value is the lowest performer in the upper quartile, or the 75th percentile in the dataset.

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
- 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 and is described in an appendix to this report.

⁴ The Treasury, *Better Administrative and Support Services Programme: Report on Phase One findings and proposal for Phase Two*, Wellington, CAB Min (10) 38/4B refers.

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.

Consistency in data collection is a key component of effective benchmarking, and there was deliberate up-front investment in data quality. A Metrics Guide with detailed definitions for all data points supported consistent data collection, and new Treasury system functionality (in CFISnet)⁵ allowed agencies to upload data in a common format. Measured agencies participated in group training workshops to establish a common understanding of the methodology, and the Treasury provided three tiers of ongoing support during data collection. Tier one provided information and reference documents through a shared website; tier two provided a dedicated helpline for more detailed questions; and tier three provided one-on-one case management for agencies that had specific issues accessing data. Once data collection was complete, agencies submitted draft versions of their data for validation and for a quality check before final submission.

The quality of management information will improve over time. 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. Most notably, Procurement costs are difficult to measure, and this report does not make conclusions regarding Procurement function costs or efficiency due to data quality issues. The quality of management information will improve in future reports in part because metric sets and data collection methods will improve based on lessons learnt year to year, and in part because successive years of data will provide valuable trend information.

Next steps

The Treasury will continue to produce annual reports on A&S service performance. Selected departments and Crown agents with more than 250 FTEs will continue to provide A&S service performance annually as per Cabinet decision, and several smaller agencies have indicated interest in participating voluntarily. The Treasury will continue its support to agency measurement activities and will publish a benchmarking summary report each year to support transparency, identify opportunities for improvement, and track performance changes over time.

⁵ CFISnet is the Crown's Financial and Information System. Crown reporting entities input information to CFISnet and Treasury uses that information to produce reports.

Overview of findings

Results highlights

Highlights of A&S service cost findings

On average, agencies spend just under 10 percent of their organisational running costs (ORC) on Administrative & Support (A&S) services.⁶ The 33 agencies measured during this benchmarking study spent 9.8 percent of ORC, or \$1.849 billion, on A&S services in FY 2009/10.

Agencies that measured for both FY 2008/09 and FY 2009/10 reported an \$87 million reduction in expenditure between the two reporting periods. The 11 agencies that provided data for FY 2008/09 and FY 2009/10 reported that spending as a percentage of ORC decreased from 11.5 percent in FY 2008/09 to 10.4 percent in FY 2009/10. In dollar terms, the 11 agencies reported spending \$1.143 billion in FY 2008/09 and \$1.056 billion in FY 2009/10—an \$87 million reduction.

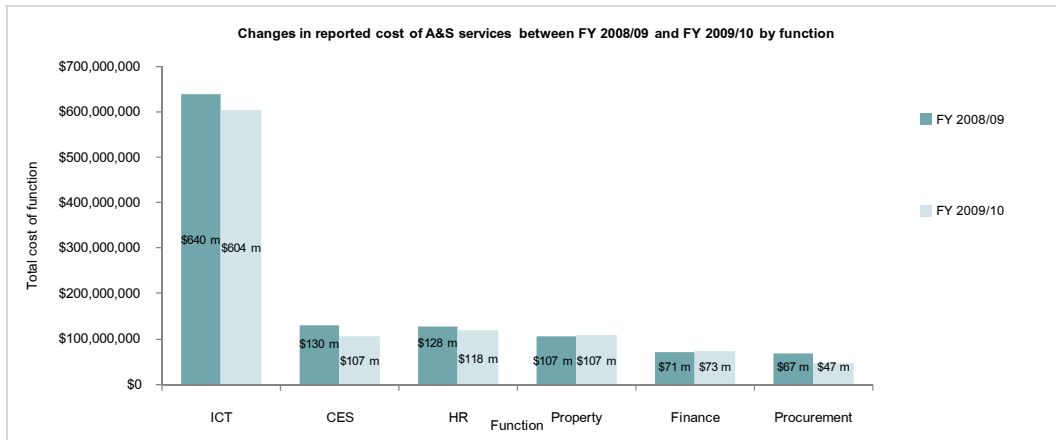
Figure 1 below provides an overview of how the cost of A&S services changed across the six functions between the two reporting periods for a net spending reduction of \$87 million. Spending in Information and Communications Technology (ICT) is reported to be down by \$36 million, Corporate and Executive Services (CES) by \$23 million, Procurement by \$20 million, Human Resources (HR) by \$10 million. Reported spending in Finance increased by \$2 million, and there was a small increase in Property spending.⁷

Note that procurement cost information should be treated with caution due to data quality issues described in the Procurement chapter of this report.

⁶ Organisational running costs: total actual revenue for 12 months, excluding transfer payments. See Appendix 2: Glossary of terms and abbreviations for more detail.

⁷ Property spending increased by \$277,000 over the two reporting periods, however this change does not show up in figure 1 as the costs as shown in millions of dollars.

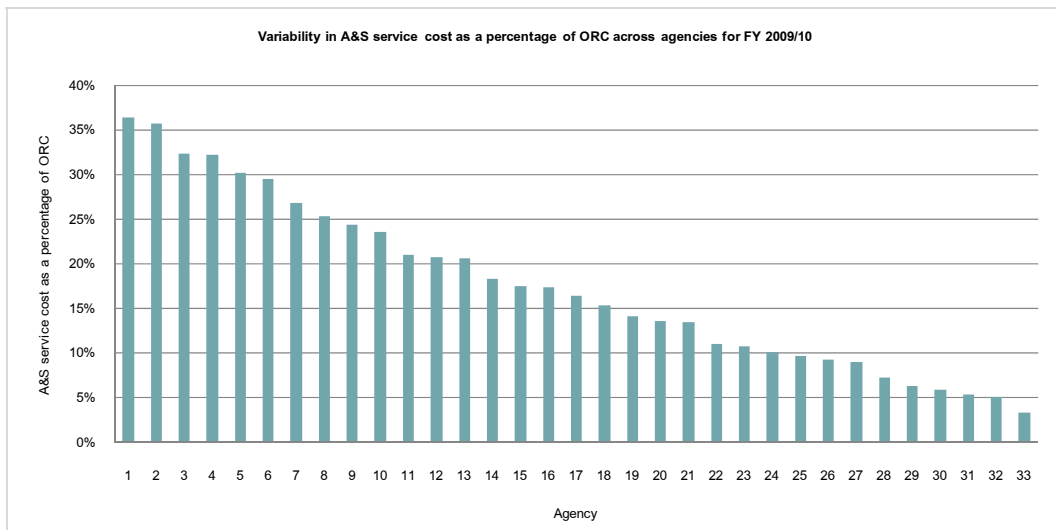
Figure 1 | Changes in reported cost of A&S services between FY 2008/09 and FY 2009/10 by function



There is high variability in A&S service expenditure across agencies. For FY 2009/10, spending ranged from 36 percent to 3 percent of ORC as depicted in figure 2 below. Variability across agencies is a result of agencies having different levels of efficiency and different needs. For example, large service delivery agencies are expected to have higher ICT costs than policy agencies, especially if they have more expensive ICT needs such as specialised line-of-business applications or a distributed network.

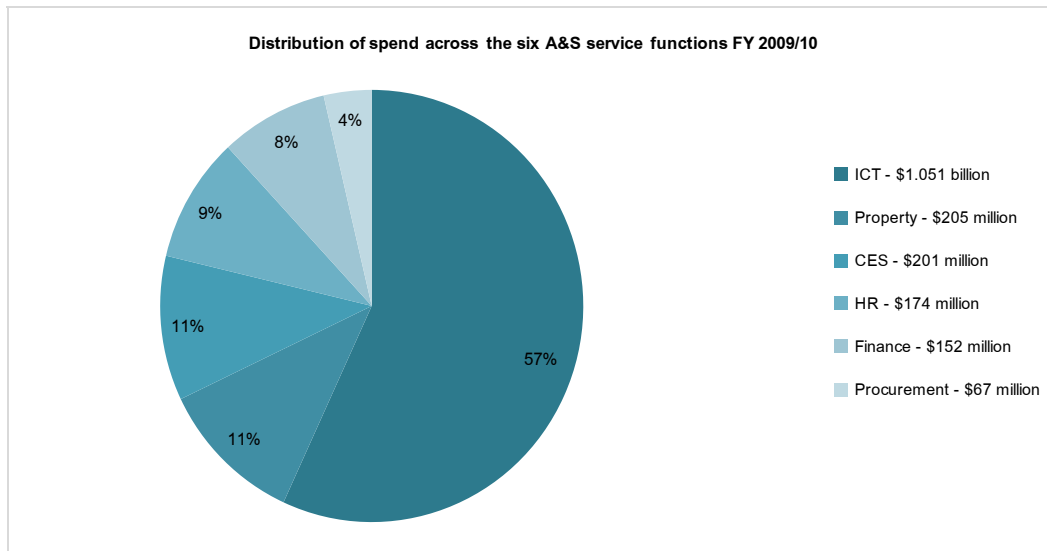
Findings for a single agency in any one year can be significantly affected by special projects such as restructurings or large system development initiatives.

Figure 2 | Variability in A&S service cost as a percentage of ORC across agencies for FY 2009/10



ICT is the bulk of A&S service cost. For FY 2009/10, ICT comprises 57 percent of A&S service spending, or \$1.051 billion annually. The other functions, in decreasing order of spend, are as follows: Property at 11 percent, or \$205 million; CES at 11 percent, or \$201 million; HR at 9 percent, or \$174 million; Finance at 8 percent, or \$152 million; and Procurement at 4 percent, or \$67 million. Figure 3 below shows this distribution of spend across the six A&S service functions.

Figure 3 | Distribution of spend across the six A&S service functions FY 2009/10



Highlights of A&S service efficiency findings

Total A&S service spending would reduce by \$236 million annually if agencies reduced variability in A&S service efficiency. Below are illustrative scenarios for how cost reductions could be achieved.

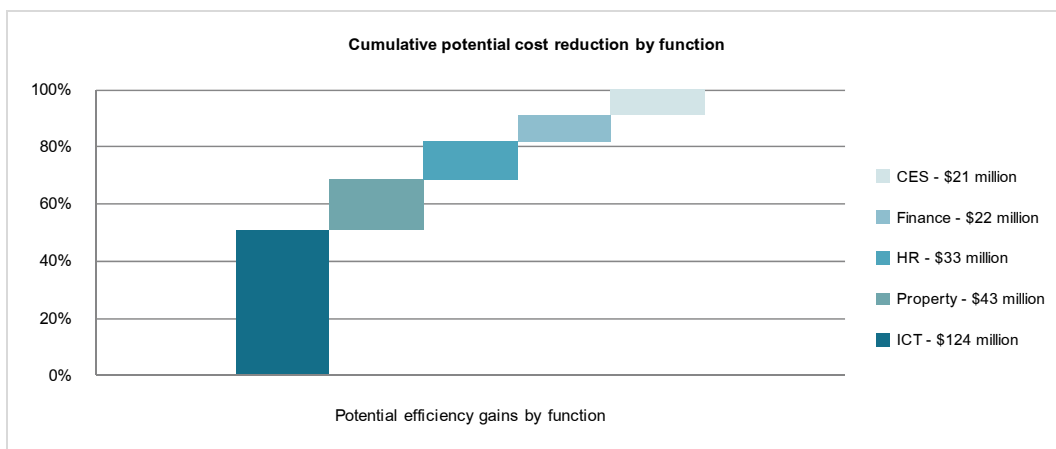
These scenarios simplify agency operational conditions by taking into account only one metric. For example, the scenario for reducing property costs involves reducing the m² per full time equivalent (FTE), but cost reductions are likely to be achieved through a combination of different changes, including changes to the cost per m². More investigation is required into options for lifting efficiency and the costs, benefits, and risks of those options.

- **Information and Communications Technology (ICT)—\$124 million:** Agencies would spend \$124 million less each year if all agencies above the NZ cohort median of ICT infrastructure costing 3 percent of ORC met that level of ICT efficiency.
- **Property Management—\$43 million:** Agencies would spend at least \$43 million less each year if they were all at or below 16 m² per FTE.
- **Human Resources (HR)—\$33 million:** Agencies would spend \$33 million less each year if all agencies above the NZ cohort median of \$2,350 in HR cost per employee met that level of HR efficiency.
- **Finance—\$15 million:** Agencies would spend \$15 million less each year if all agencies above the NZ cohort median of Finance costing 1.3 percent of ORC met that level of Finance efficiency.
- **Corporate & Executive Services (CES)—\$21 million:** Agencies would spend \$21 million less each year if all agencies above the NZ cohort median of CES costing 2.3 percent of ORC met that level of CES efficiency.

This report cannot make definitive conclusions about the cost or efficiency of the Procurement function as the results of the benchmarking study did not represent an accurate cost of agencies' Procurement functions. Data collection practices, which are aligned with international data collection practices, require only capturing costs where procurement makes up more than 20 percent of a person's time (one day a week). Because the Procurement function in the New Zealand State sector is highly devolved, it is expected that the bulk of effort spent on procurement activities is not fully captured in reported costs.

Figure 4 below shows the cumulative potential efficiency gains across the five functions by reducing variability in efficiency across the NZ cohort.

Figure 4 | Cumulative potential cost reductions by function



Findings may not reflect the current performance of agencies across the State sector if significant improvements have been made in FY 2010/11, and some improvements may be realised by programmes of work that are already underway such as the Common ICT Capability work programme and agencies' responses to the current environment of fiscal constraint.⁸

Further opportunities for cost reductions are possible if agencies pursue upper quartile performance in New Zealand or international benchmarks for efficiency. Individual agencies using this benchmarking exercise to set organisational targets may choose best demonstrated practice within the NZ cohort or international benchmarks rather than the overall NZ cohort median performance. Doing so would achieve significantly greater cost reductions as described below:

- **ICT—\$168 million:** Agencies would spend \$168 million less each year if all agencies met upper quartile performance in their NZ cohort for ICT infrastructure spend as a percentage of ORC.
- **Property Management—\$52 million to \$72.5 million:** Agencies would spend \$52 million less each year if they all moved to best demonstrated practice in the NZ cohort of 15 m² per FTE. Agencies would spend \$72.5 million less each year if they all met the UK central government mean of 13 m² per FTE.

⁸ Enabling Directions and Priorities for Government ICT, Page 1, www.dia.govt.nz/Directions-and-Priorities-for-Government-ICT (accessed 18 March 2011)

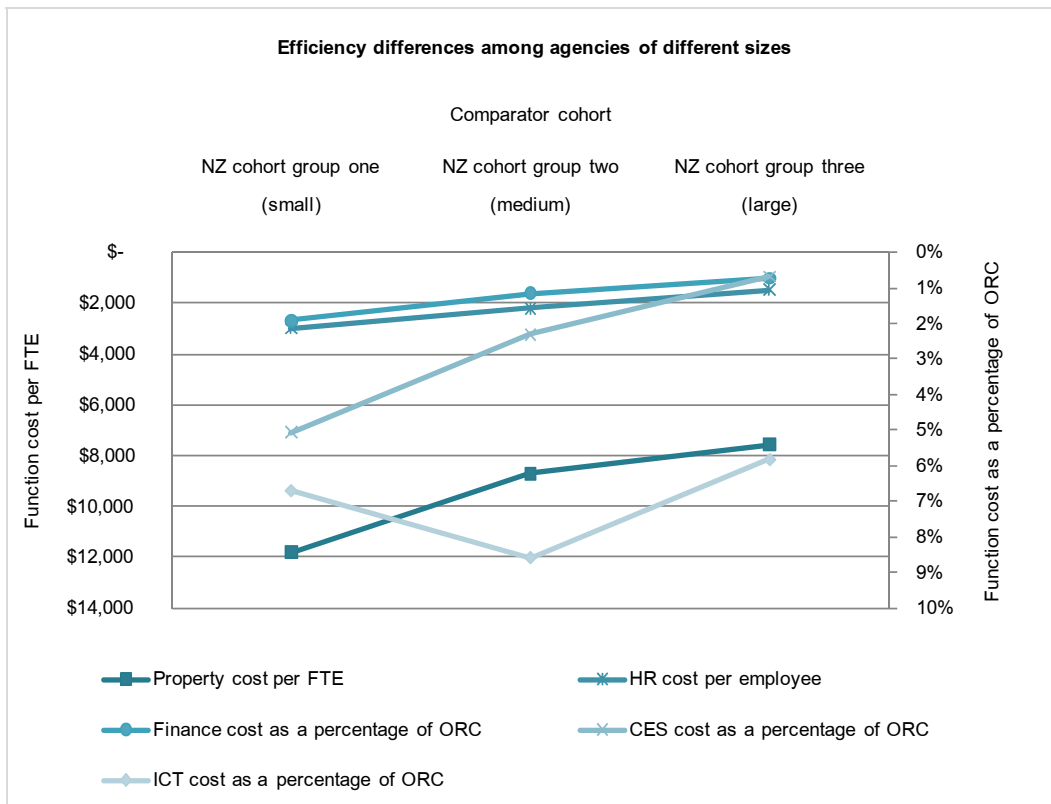
- **HR—\$62 million to \$90 million:** Agencies would spend \$62 million less each year if they all moved to upper quartile performance in their NZ cohort for HR cost per employee. Agencies would spend \$90 million less each year if they met the American Productivity & Quality Center (APQC) similar industries top performer benchmark.
- **Finance—\$28 million to \$44 million:** Agencies would spend \$28 million less each year if they all moved to upper quartile performance in their NZ cohort. Agencies would spend \$44 million less each year if they met the APQC similar industries top performer benchmark.
- **CES—\$51 million:** Agencies would spend \$51 million less each year if they all moved to upper quartile performance in their NZ cohort.

Small and medium-sized agencies are significantly less efficient than large agencies,⁹ showing the impact of fixed costs and the need to leverage scale for efficiency gains. Figure 5 shows the significant efficiency differences among agencies of different sizes as described below:

- **ICT:** Small agencies are 15 percent more expensive as a percentage of ORC than large agencies, and medium-sized agencies are 47 percent more expensive.
- **Property Management:** Small agency property costs per FTE are 56 percent more expensive than in large agencies, and medium-sized agencies are 15 percent more expensive.
- **HR:** Small agency HR costs per employee are 104 percent more expensive than in large agencies, and medium-sized agencies are 49 percent more expensive.
- **Finance:** Small agencies are 163 percent more expensive as a percentage of ORC than large agencies, and medium-sized agencies are 56 percent more expensive.
- **CES:** Small agencies are 629 percent more expensive as a percentage of ORC than large agencies, and medium-sized agencies are 229 percent more expensive.

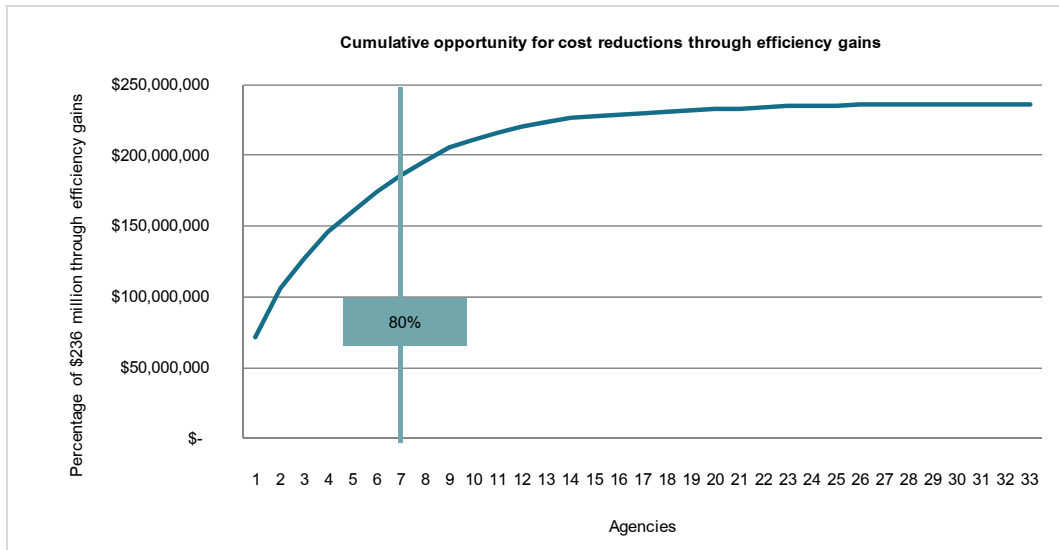
⁹ Small agencies, labelled 'NZ cohort group one' throughout this report have <500 FTEs and ORC of <\$95 million; medium-sized agencies, labelled 'NZ cohort group two', have 500 to 2,500 FTEs and ORC of \$95 million to \$300 million, and large agencies, labelled 'NZ cohort group three' have >2500 FTEs and ORC of >\$300 million.

Figure 5 | Efficiency differences among agencies of different sizes



The bulk of opportunities to realise cost reductions through efficiency gains are in the medium-sized and larger agencies not performing at the NZ cohort median. Although the smallest agencies are the least efficient overall, they are not the major source of cost reductions because they make up only about 7 percent (\$129 million) of A&S service spending. Figure 6 below shows the potential cost reductions possible through efficiency improvements. Eighty percent of the total potential cost reductions of \$236 million would be realised by moving the seven largest agencies not performing at the median in each function to the median. Conversely, moving small agencies to the median would only realise 20 percent of possible cost reductions.

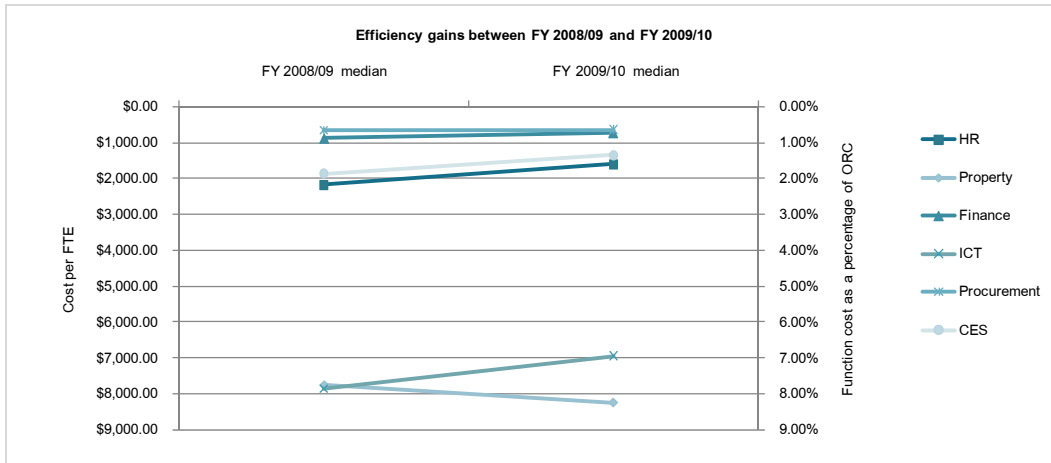
Figure 6 | Cumulative opportunity for cost reductions through efficiency gains



In general, efficiency improved in the subset of agencies that measured for both FY 2008/09 and FY 2009/10. With the exception of the Property Management function, efficiency improved for the 11 agencies that measured for two reporting periods, as depicted in figure 7 and described below:

- The median cost of the ICT function as a percentage of ORC reduced from 7.85 percent to 6.94 percent—a reduction of 0.91 percent of ORC.
- The median cost of office property per FTE increased from \$7,744 to \$8,238—an increase of \$494 per FTE.
- The median cost of the HR function per employee reduced from \$2,173 to \$1,593—a reduction of \$580 per employee.
- The median cost of the Finance function as a percentage of ORC reduced from 0.87 percent to 0.73 percent—a reduction of 0.14 percent of ORC.
- The median cost of the CES function as a percentage of ORC reduced from 1.86 percent to 1.34 percent—a reduction of 0.52 percent of ORC.
- This report does not make conclusions regarding changes in Procurement function efficiency because of cost data quality issues discussed in the Procurement chapter of this report.

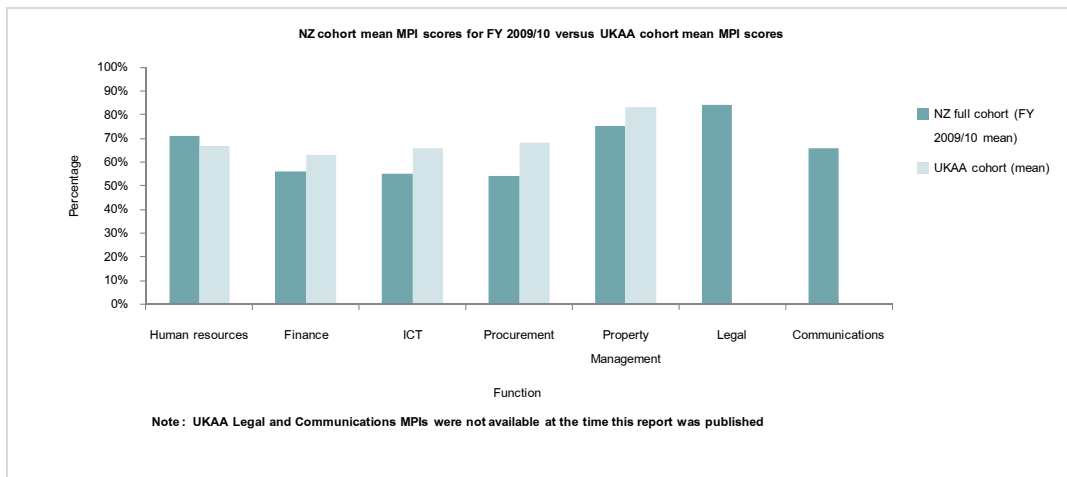
Figure 7 | Efficiency gains between FY 2008/09 and FY 2009/10



Highlights of A&S service effectiveness findings

On average, NZ full cohort agencies and international comparators have similar levels of management practice. As shown in figure 8 below, the mean UK Audit Agencies (UKAA) cohort management practice indicator (MPI) scores for each function are slightly higher than those for the NZ full cohort agencies in all functions where comparator data is available except for HR.¹⁰ For HR, the NZ full cohort mean is slightly higher.

Figure 8 | NZ cohort mean MPI scores for FY 2009/10 versus UKAA cohort mean MPI scores

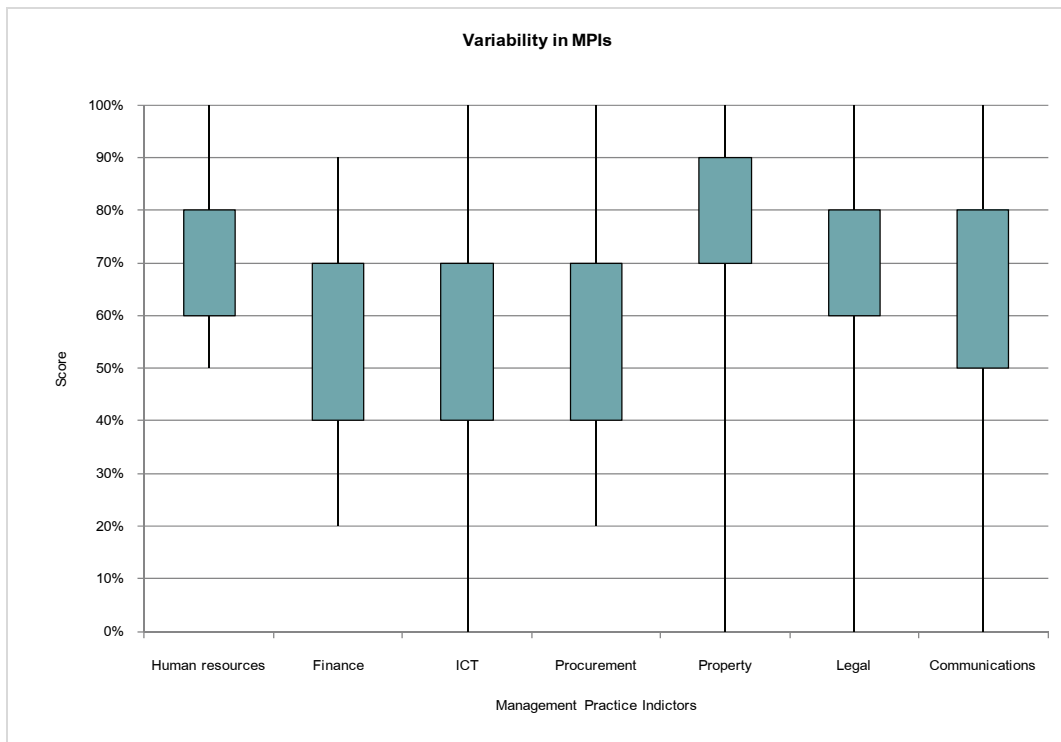


¹⁰ Management Practice Indicators (MPI) are adopted from the UK Audit Agencies A&S service performance measurement methodology. Within that methodology, the MPI score assesses “the extent to which ... [a] function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernised and mature function”. See HR Primary Indicator 7 (p. 14), Finance Primary Indicator 7 (p. 19), and ICT Primary Indicator 8 (p. 24) of *Value for Money in public sector corporate services: A joint project by the UK Public Sector Audit Agencies*, National Audit Office, London, 2007. Available at <http://www.public-audit-forum.gov.uk/performanceindicators.pdf> (accessed 15 March 2011).

Wide variability in management practice indicates opportunities for agencies to share knowledge and skills. Figure 9 below shows wide variability in MPI scores across the 33 agencies.¹¹ There were very strong reported practices, as some agencies reported perfect scores for HR, ICT, Procurement, Property Management, Legal, and Communications.

Variation is widest for ICT, Property Management, Legal, and Communications with some agencies reporting scores of 0 percent, and some reporting perfect scores of 100 percent. Procurement and Finance scores also have wide variability, with 80 and 70 point differences between the highest and lowest reported score respectively. The function with the least variability is the HR function, with 50 percent being the lowest score and 100 percent being the highest.

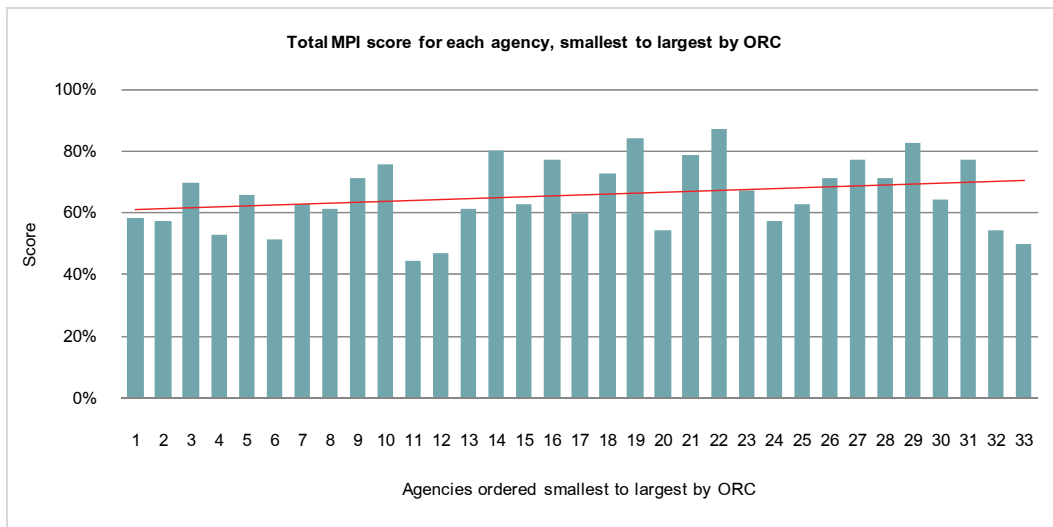
Figure 9 | Variability in agency MPI scores by A&S service



Overall, larger agencies do not have significantly stronger management practice than small agencies, but large agencies have more consistent levels of management practice levels across functions. As shown in figure 10 below, which plots the total MPI score for each agency by agency size, large agencies do not demonstrate stronger overall management practice across the seven MPI scores. The two smallest agencies at the left of the graph have higher overall MPI scores than the two largest agencies at the right end of the graph, and the red trend line shows only slight improvement in scores as agencies move from smallest to largest by ORC.

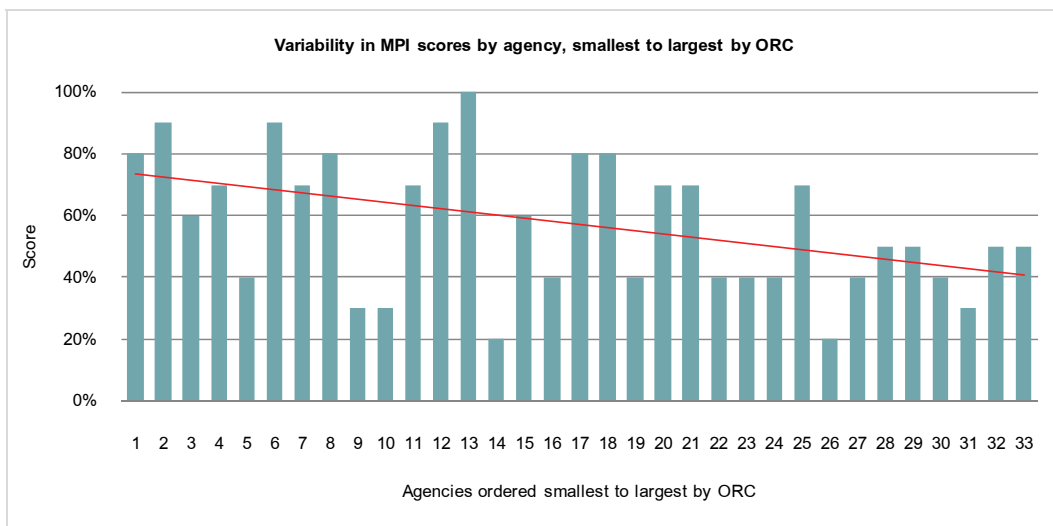
¹¹ Each agency has an MPI score for seven functions: HR, Finance, ICT, Procurement, Property, Communications, and Legal Services. Each MPI has a minimum score of 0/10, or 0 percent, and a maximum score of 10/10, or 100 percent. A score of 0 percent indicates that an agency has none of the management practices featured in the MPI, while 100 percent indicates that an agency has all of the management practices featured in the MPI.

Figure 10 | Total MPI score for each agency, smallest to largest by ORC



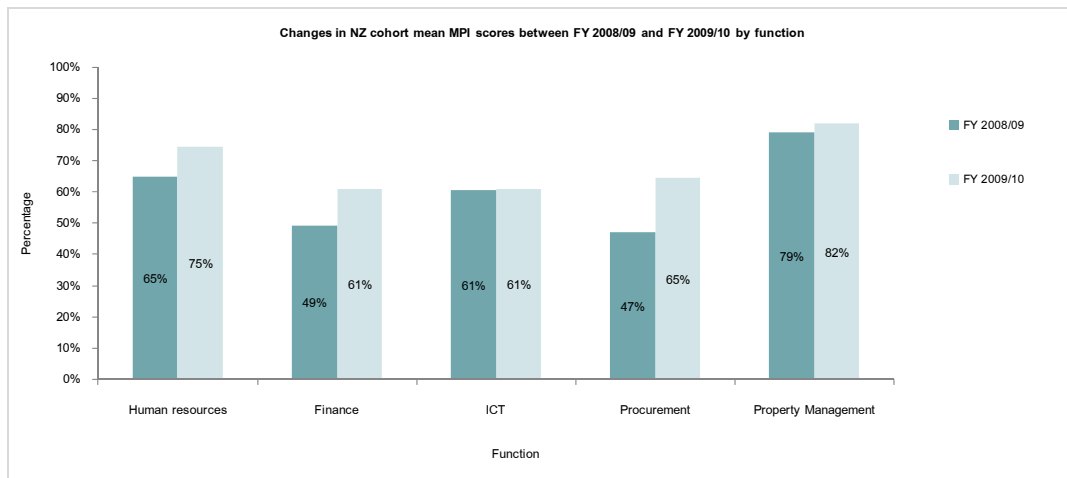
Large agencies are, however, more likely to have consistent levels of management practice across their functions. Figure 11 below shows how variable MPI scores are in a single agency. For example, agency 13 below has the largest possible spread between its highest and lowest MPI score, with its highest MPI score at 100 percent, and its lowest MPI score at 0 percent. As in figure 10 above, agencies are ordered left to right by size, and the trend line shows that large agencies have less variability in management practice across their functions.

Figure 11 | Variability in MPI scores by agency, smallest to largest by ORC



Overall, management practice has improved in the subset of agencies that measured for FY 2008/09 and FY 2009/10. As shown in figure 12 below, mean MPI scores have improved for HR, Finance, Procurement and Property Management and stayed the same for ICT. Note that because Communications and Legal Services MPIs were not in the FY 2008/09 metric set, no changes are reported.

Figure 12 | Changes in NZ cohort mean MPI scores between FY 2008/09 and FY 2009/10 by function



In general, A&S service functions can play a more strategic role in their organisations. While the spending on A&S service functions is limited to 10 percent of ORC, these functions can have a tremendous impact on the quality of decisions made across the entire ORC budget and therefore have a strategic role to play in their organisations.

Other government reports have noted that A&S service functions are not currently playing a strategic role across government.¹² Below are the findings from the FY 2009/10 benchmarking that support this conclusion:¹³

- Seventy-six percent of agencies reported not having a fully automated accruals system. As a proxy indicator for overall MIS capability, this finding suggests that, overall, agencies need better systems to provide quality management information quickly to support agency decision making.
- Seventy-three percent of agencies reported not having specific and measurable targets for cashable and non-cashable benefits to be delivered by the Procurement function, and 64 percent of agencies have no head of procurement reporting to the senior management team
- Fifty-five percent of agencies reported not having a statement that anticipates workforce needs for the next three years.
- Thirty five percent of agencies reported having no rolling programme of reviewing and benchmarking organisational costs across major service areas.

¹² The Treasury, *Public Sector Financial Management Capability Survey August 2008*, New Zealand Government, Wellington, 2008, p. 6 (survey done in 2008; information released in 2009); and State Services Commission, *Assessment of Strategic Human Resource and Organisation Development Capability*, New Zealand Government, Wellington, May 2009, p. 29.

¹³ The full descriptions of management practice indicator statements can be found in Appendix 4.

Playing a strategic role requires a greater investment in A&S service staff capability. Several government reports have found that agencies must invest in A&S service staff capability in general and strategic capability in particular to be more effective.¹⁴ Below are findings from the FY 2009/10 benchmarking that support this conclusion:¹⁵

- Seventy percent of agencies reported not having a comprehensive professional development programme for HR staff with at least five days of development.
- Fifty-eight percent of agencies reported not having a comprehensive professional development programme for ICT staff with at least five days of development.
- Forty-eight percent of agencies reported not having a rolling programme to develop procurement skills and capabilities.
- Forty-five percent of agencies reported not having a comprehensive professional development programme for Finance staff with at least five days of development.

Quality of management information

Measurement practice was consistent 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.

While results are broadly comparable, results must be understood in the context of each agency.

While agencies have common features, each has its own functions and cost drivers. For example, large service delivery agencies are expected to have higher ICT costs than policy agencies, especially if they have costlier ICT needs such as specialised line business applications or a distributed network. Therefore, agencies should use the benchmarking results as a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context.

¹⁴ The Treasury, *Public Sector Financial Management Capability Survey, August 2008*, p. 6; State Services Commission, *Assessment of Strategic Human Resource and Organisation Development Capability*, May 2009, p. 4; Communications Function Review 2009, Annex—Communications Function Review 2009 Recommendations; MED Informal Survey of Public Practitioners (2009), Government Legal Services Review, Report to the Attorney General, p. 15, part B—Developing Capability.

¹⁵ The full descriptions of management practice indicator statements can be found in Appendix 4.

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 are particularly difficult to measure as explained below:

- **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. That would make the cost of the Procurement function in New Zealand agencies understated and less reliable for comparison between agencies and over different reporting periods.
- **CES:** Agencies undertake a wide range of activities within this function without standard definitions, and it is not common for agencies 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.

Management information for the HR, Finance, Property Management, and ICT functions is therefore more reliable and more comparable across agencies than that for Procurement or CES.

Management Practice Indicators (MPI) are self reported. It should be noted that management practice indicators are self-reported by agencies, and the responses have not been checked for accuracy.

Management information quality will improve over time. This report's findings are designed to provide meaningful management information to public sector leaders. The quality of this information will improve over time in part because metric sets and data collection methods will improve based on lessons learnt year to year, and in part because successive years of data will provide valuable trend information. Any changes to measurement will be made in consultation with State sector managers and practitioners as the source of data and as a key audience for A&S service benchmarking.

Benchmark information in this report provides cost, efficiency, and effectiveness information that can drive future performance. Benchmarking current performance is a first step to strengthen the efficiency and effectiveness of A&S services. This report and successive benchmarking exercises will provide valuable management information and contribute to the better management of operational activities.

Human Resources

Commentary

By Lynley Sinclair, Group Manager, Human Resources, People and Business Capability, Ministry of Education

People are our most critical asset. Human performance will determine our response to new demands that we transform public service delivery to do more with less. We can change our structures, processes, and technologies for service delivery, but without the right people to lead, manage, execute, and innovate, we cannot build and maintain high performing organisations and services.

People are also one of our most expensive assets. The 33 agencies participating in the FY 2009/10 benchmarking exercise spend billions each year on personnel costs. Clearly, managing our costs requires managing our people.

Human resource professionals need to play a more strategic role. Less than half of the 33 agencies have a statement that anticipates workforce requirements for the next three years, suggesting that Human Resource (HR) leaders can play a more strategic role in many organisations. Similarly, a 2009 study found a need to strengthen strategic HR capability planning across government.¹⁶ It also found a need to strengthen the effective design of initiatives to change behaviours and to provide insights and advice to senior management.

Agencies should collaborate to deliver better HR services. Findings indicate that we can deliver HR services at lower cost if we are willing to collaborate. Success requires a new level of cross-agency leadership and a greater willingness to share our knowledge, processes, and systems. It also requires a programme of work with a dedicated team comparable to those led by the Ministry of Economic Development (for Procurement) and by the Department of Internal Affairs (for Information and Communications Technology). Funding and staffing this team will be the challenge for HR managers and central agencies.

The management information in this report is the basis for a robust debate and plan of action to strengthen the performance of the HR function across government. I look forward to having that debate with my colleagues across the State sector and propose some next steps below.

- **Establish a formally recognised General Manager HR Council comparable to the CIO Council.** Representative HR managers should provide expert advice, develop a Government HR Capability Roadmap, and pursue benefits for all-of-government.

¹⁶ See State Services Commission, *Assessment of Strategic Human Resource and Organisational Development Capability*, New Zealand Government, Wellington, May 2009.

- **Undertake a cross-agency HR process review.** A focused plan of action to drive efficiencies in the HR function needs a process review to uncover the root causes of the gap between our costs and international benchmarks. Activity should focus on the three process groups that contribute most to New Zealand efficiency gap: reward and retain employees, develop and counsel employees, and redeploy and retire employees.
- **Assess new service delivery models.** Chief executives and HR leaders should commission a scoping exercise to understand the costs and benefits of moving to one or more service delivery models that leverage knowledge and scale for HR services across government.

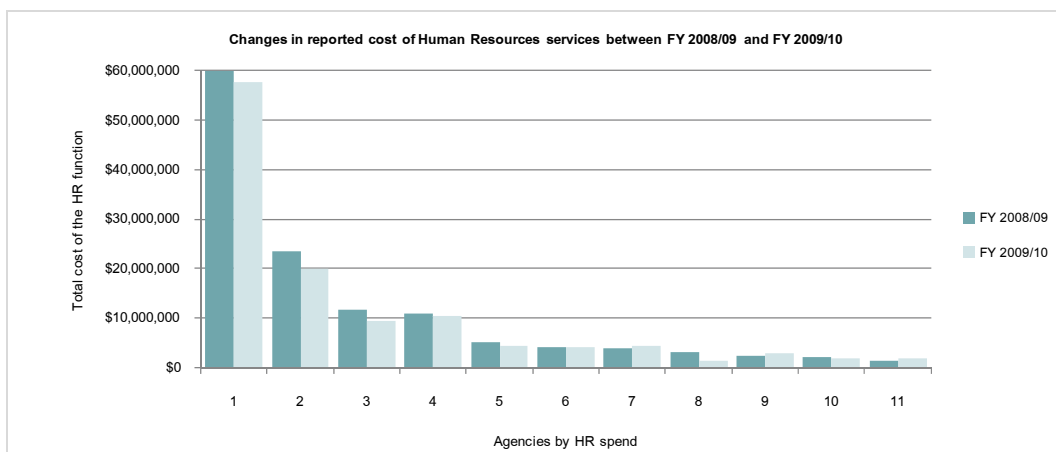
Result highlights

Highlights of cost findings

Agencies spent \$174 million on HR services in FY 2009/10, or 1 percent of ORC. HR is the fourth largest administrative and support (A&S) service function in terms of expenditure, making up 9 percent of \$1.849 billion in A&S service spending for FY 2009/10. Like all other functions, it is significantly less costly than ICT, the largest expenditure area at \$1.051 billion. HR spending levels are more comparable to the approximately \$200 million spent on each of the Property Management or Corporate and Executive Services (CES) functions that year or the \$152 million spent on Finance.

Agencies that measured for both FY 2008/09 and FY 2009/10 reported a \$9 million reduction in HR expenditure between the two reporting periods. As depicted in figure 13 below, HR service costs are down in eight agencies and up for three, resulting in a net spending reduction of \$9 million.

Figure 13 | Changes in reported cost of Human Resources services between FY 2008/09 and FY 2009/10



Highlights of efficiency findings

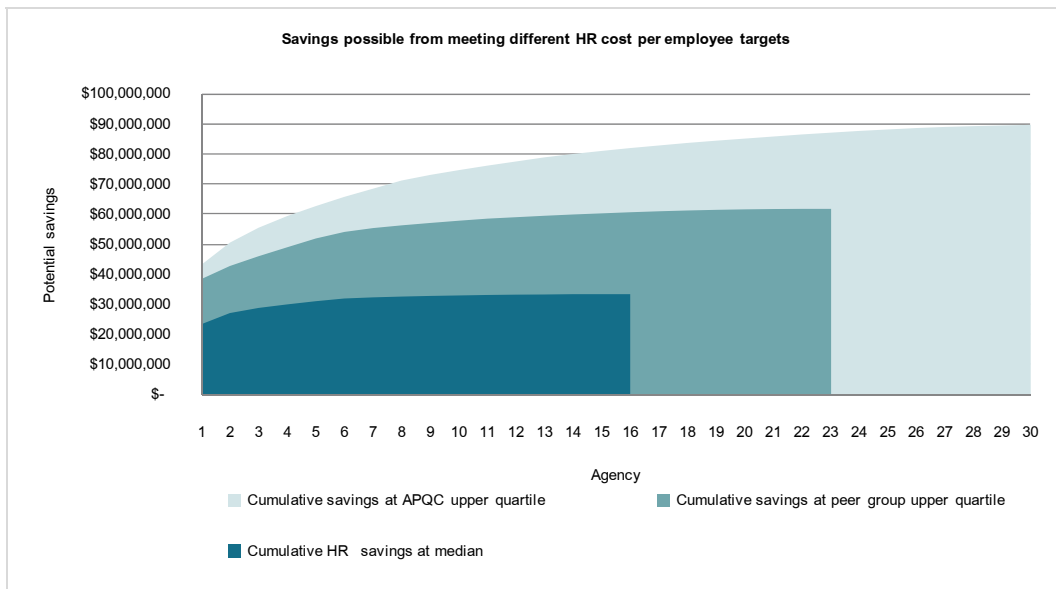
Findings show opportunities to spend approximately \$33 million less each year by reducing the variability in efficiency across agencies in the NZ cohort. There is wide variability in the HR function cost per employee across the NZ cohort with median performance at \$2,350, upper quartile performance at \$1,500, and best demonstrated practice at \$980.

If all agencies above the NZ full cohort median cost of \$2,350 moved to that cost, New Zealand agencies would spend \$33 million less each year.

More savings are possible if agencies pursue more aggressive targets for HR cost per employee, including upper quartile performance in New Zealand agency cohorts or international benchmarks. Agencies should set realistic efficiency targets, taking into account their operational context. Choices can include meeting more aggressive targets than NZ cohort median performance at \$2,350, such as:

- Upper quartile performance for their NZ cohort, which is \$2,707 for small agencies, \$1,638 for medium-sized agencies, and \$1,333 for larger agencies.
- International benchmarks, such as American Productivity & Quality Center (APQC) similar industries top performers at \$1,000 per employee or UK Audit Agencies (UKAA) upper quartile performance at \$870 per employee.
- Figure 14 below shows the possible cost reductions for different efficiency improvement scenarios along with the number of agencies required to achieve the savings in each scenario. Sixteen agencies are required to reach NZ cohort median performance for \$33 million in savings; 23 agencies are required to meet upper quartile performance for their NZ cohort for \$62 million in savings; and 30 agencies are required to reach APQC upper quartile benchmark for similar industries for \$90 million in savings.

Figure 14 | Savings possible from meeting different HR cost per employee targets



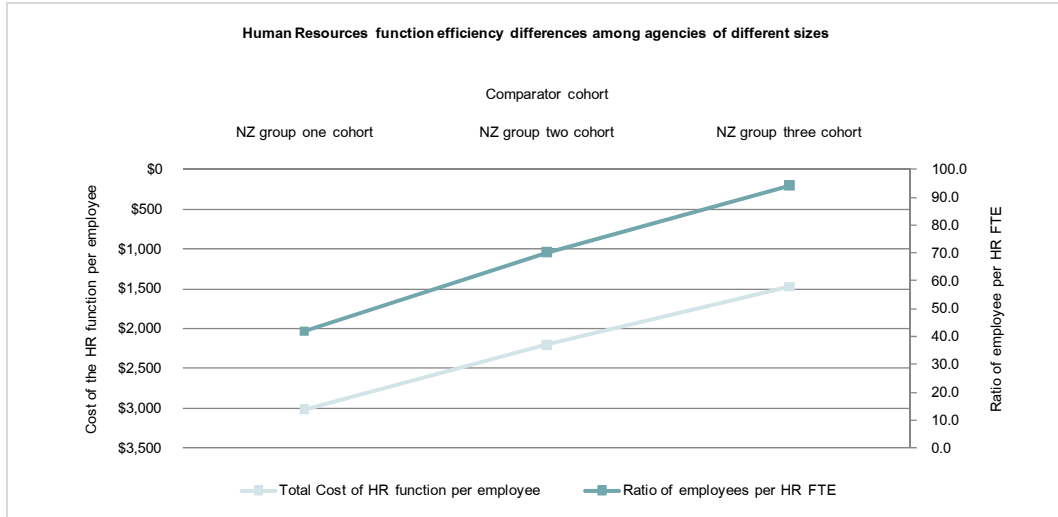
Small and medium-sized agencies are significantly less efficient than larger agencies, showing the impact of fixed costs and the need to leverage scale for efficiency gains.¹⁷ Figure 15 below shows HR function efficiency differences among agencies of different sizes. The two efficiency measures for HR—cost of HR function per employee and number of employees per HR FTE—both show that bigger agencies with greater scale are more efficient.

- **HR cost per employee:** The small agency median is \$3,012, the medium-sized agency median is \$2,147, and the larger agency median is \$1,474. Small agency HR costs per FTE are therefore 104 percent more expensive than in larger agencies, and medium-sized agencies are 46 percent more expensive than larger agencies.

¹⁷ Small agencies, labelled 'NZ cohort group one' in this report have <500 FTEs and ORC of <\$95 million; medium-sized agencies, labelled 'NZ cohort group two' have 500 to 2,500 FTEs and ORC of \$95 million to \$300 million; and large agencies, labelled 'NZ cohort group three' have >2,500 FTEs and ORC of >\$300 million.

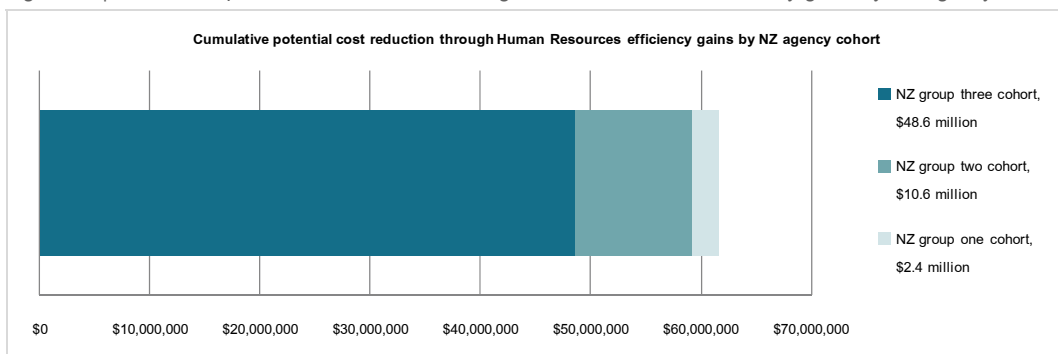
- Employees per HR FTE:** The small agency median is 42, the medium-sized agency median is 70, and the large agency median is 94. Large agencies have more than double the number of employees per HR FTE than smaller agencies and 34 percent more than medium-sized agencies.

Figure 15 | Human Resources function efficiency differences among agencies of different sizes



Medium-sized and large agencies have the most opportunities to realise cost reductions through efficiency gains. Although the smallest agencies are the least efficient overall, they are not the major source of cost reductions because they make up only about 6 percent (\$10 million) of the \$174 million spent on HR services. Figure 16 below shows potential for differing sized agencies to achieve HR cost reductions. Almost \$49 million, or 80 percent, of the potential cost reduction would be realised from large agencies moving to their NZ cohort upper quartile. Conversely, only around \$2.4 million, or 3 percent, would be realised from small agencies moving to their NZ cohort upper quartile.

Figure 16 | Cumulative potential cost reduction through Human Resources efficiency gains by NZ agency cohort

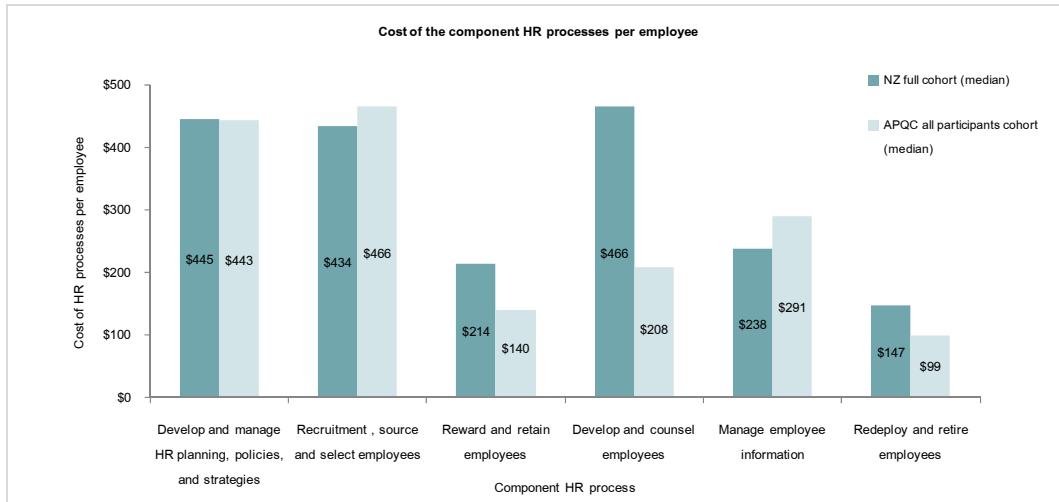


Three specific process groups should be targeted for efficiency gains. The three process groups that develop and counsel employees, reward and retain employees, and redeploy and retire employees are significantly more costly than international comparators. Figure 17 below shows the cost of component HR processes per employee. The differences between median APQC and NZ cohort median performance are:

- for develop and counsel employees—124 percent

- for reward and retain employees—65 percent
- for redeploy and retire employees—48 percent.

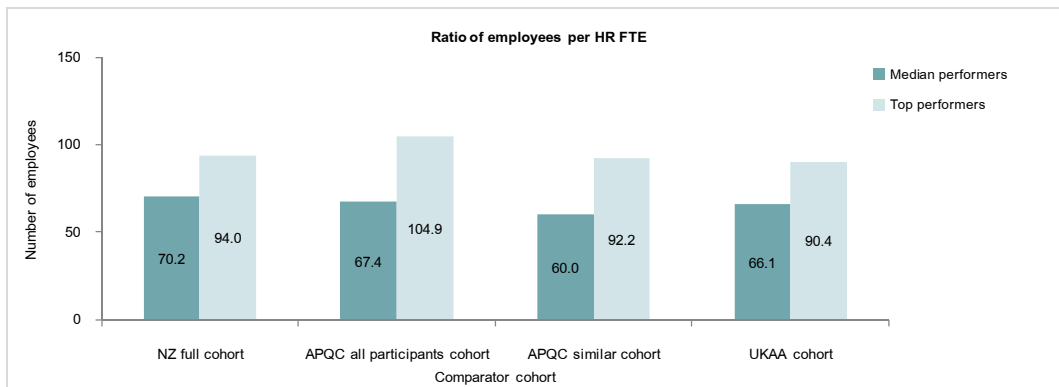
Figure 17 | Cost of the component HR processes per employee



Fewer HR staff are unlikely to provide significant efficiencies. The relatively high ratio of employees to HR FTEs as shown in figure 18 below indicates that efficiency improvements cannot rely on reductions in the number of HR staff. NZ cohort median performance is 4 percent to 6 percent stronger than median APQC all participants and median UKAA cohort performance. And NZ cohort performance for median and top performers is stronger than the APQC similar industry top performer benchmark.

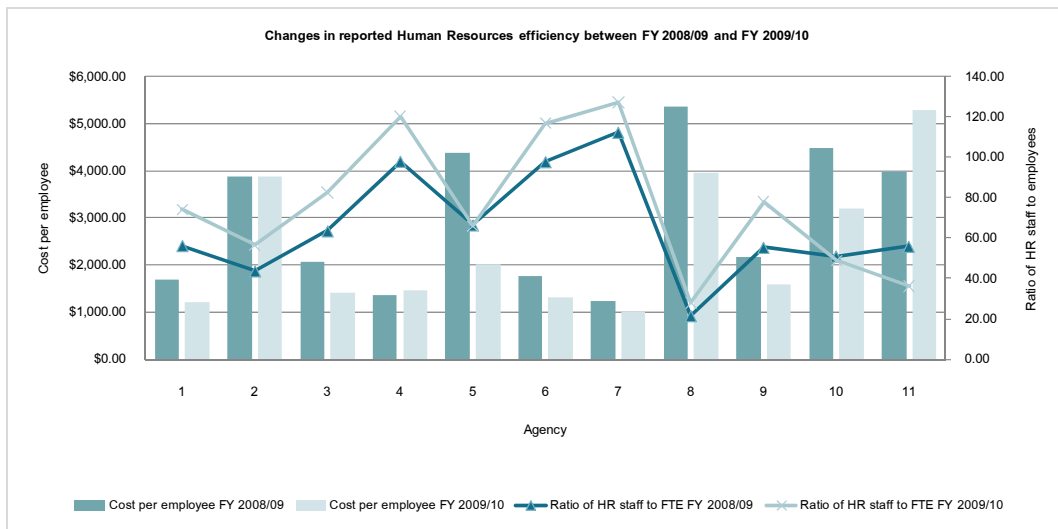
This finding indicates that international organisations spend less on HR than New Zealand agencies despite having larger HR staff groups relative to the employee group they serve. Therefore, the root cause of the HR efficiency gap is unlikely to be the number of HR employees, but rather outsourcing costs, relative HR employee salary costs, or other non-personnel costs. It is possible that, especially in smaller agencies, more senior and higher paid staff are doing work that could be delegated to more junior, less expensive staff in larger agencies. If so, there are opportunities to reduce cost by using staff across agencies in a service delivery model that leverages knowledge and scale.

Figure 18 | Ratio of employees per HR FTE



Agencies that measured for both FY 2008/09 and FY 2009/10 reported an improvement in HR efficiency between the two reporting periods. As figure 19 below shows, in the 11 agencies who reported for two fiscal years, the cost per employee reduced in nine agencies, stayed the same in one agency, and increased in one agency while the ratio of HR staff to employees increased in eight agencies, stayed the same in two agencies, and decreased in one agency. Overall the median cost of the HR function per employee reduced from \$2,173 to \$1,593—a reduction of \$580 per employee, while the median ratio of HR staff to employees increased from 56 to 74 – an increase of 18.

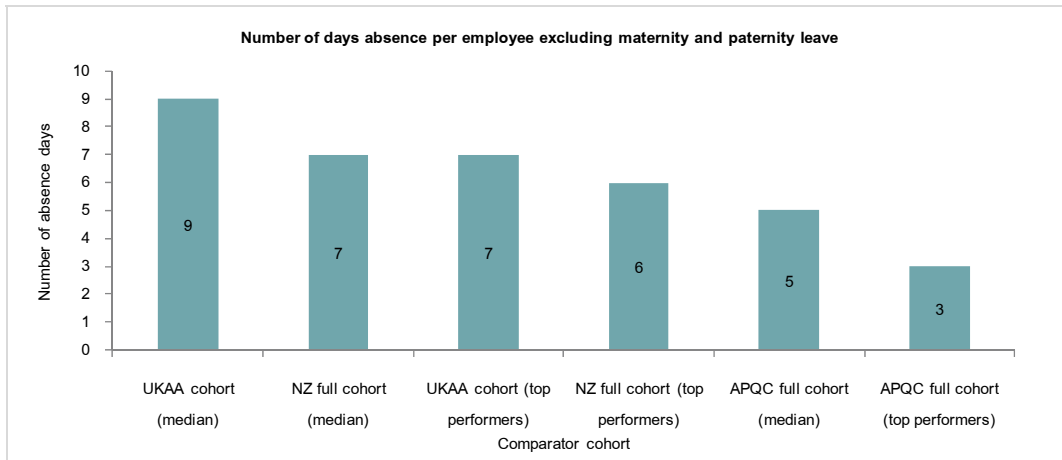
Figure 19 | Changes in reported Human Resources efficiency between FY 2008/09 and FY 2009/10



Highlights of effectiveness findings

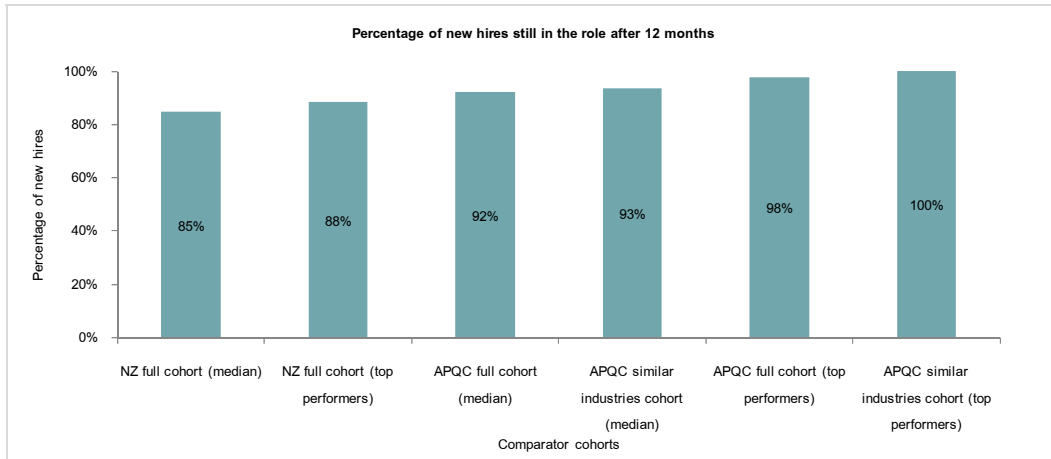
HR effectiveness, as measured by sickness absence, is similar to international comparators, but there is an opportunity for improvement. Although the median sickness absence of seven days each year is the same as the UKAA upper quartile of seven days, it is higher than the APQC full cohort median of five days. Across the 33 agencies, there were 610,600 days absence; therefore, reducing absence levels to the APQC full cohort median would add 194,000 productive days. Based on 220 working days per year, this represents 881 FTEs.

Figure 20 | Number of days absence per employee excluding maternity and paternity leave



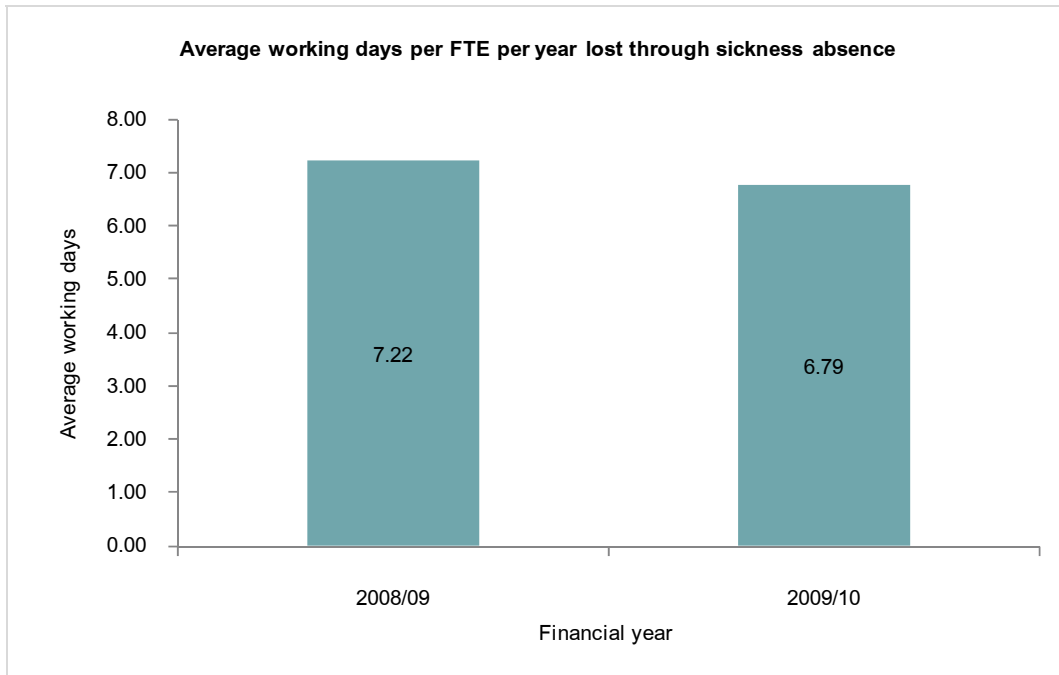
HR effectiveness, as measured by the retention of new hires after 12 months, is lower than international comparators. As figure 21 below shows, the NZ cohort median is 85 percent and top performers are at 88 percent. Both these percentages are below the APQC full cohort median of 92 percent and APQC similar cohort median of 93 percent. Of the 10,323 new recruits in FY 2008/09, 8,194 were in the same substantive role in FY 2009/10. These findings show there is an opportunity to improve the effectiveness of recruitment to reduce churn within agencies.

Figure 21 | Percentage of new hires still in the role after 12 months



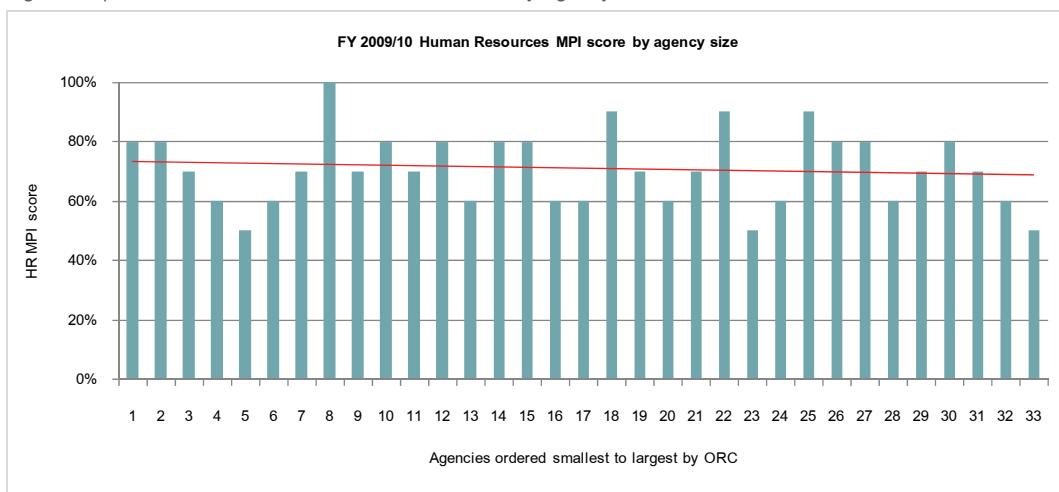
HR effectiveness as indicated by sickness absence has improved over the two reporting periods. As figure 22 below shows, the median number of days lost to sickness absence has reduced from 7.22 days to 6.79 days for the 11 agencies who completed measurement in FY 2008/09 and FY 2009/10.

Figure 22 | Average working days per FTE per year lost through sickness absence



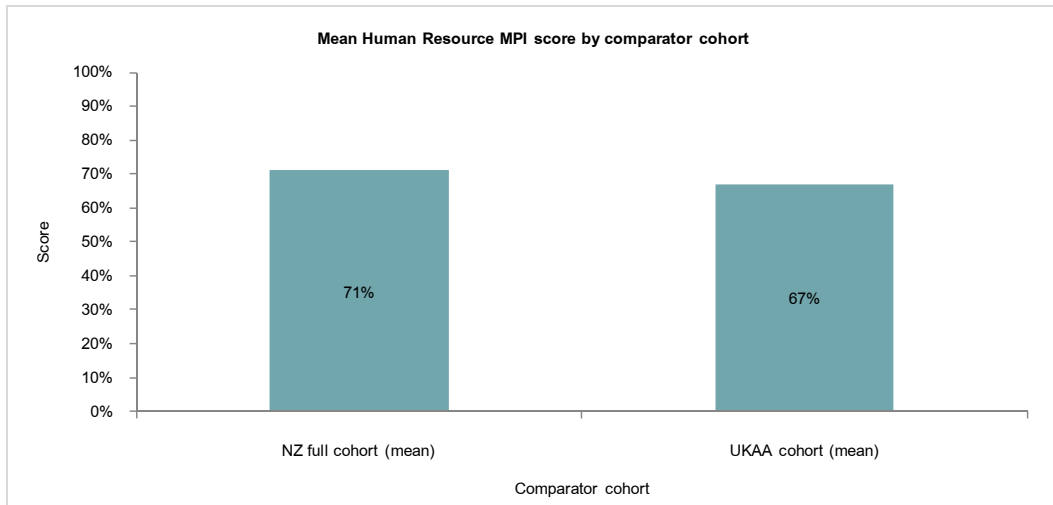
Significant variability in management practice and instances of strong practice indicate opportunities to leverage knowledge across agencies. As figure 23 below shows, HR MPI scores range from 50 percent to 100 percent. Larger agencies are not more likely to have a higher HR MPI score, and several small and medium-sized agencies outperform larger agencies. These findings show that there are opportunities for improvement and knowledge-sharing across most agencies, regardless of size.

Figure 23 | FY 2009/10 Human Resources MPI score by agency size



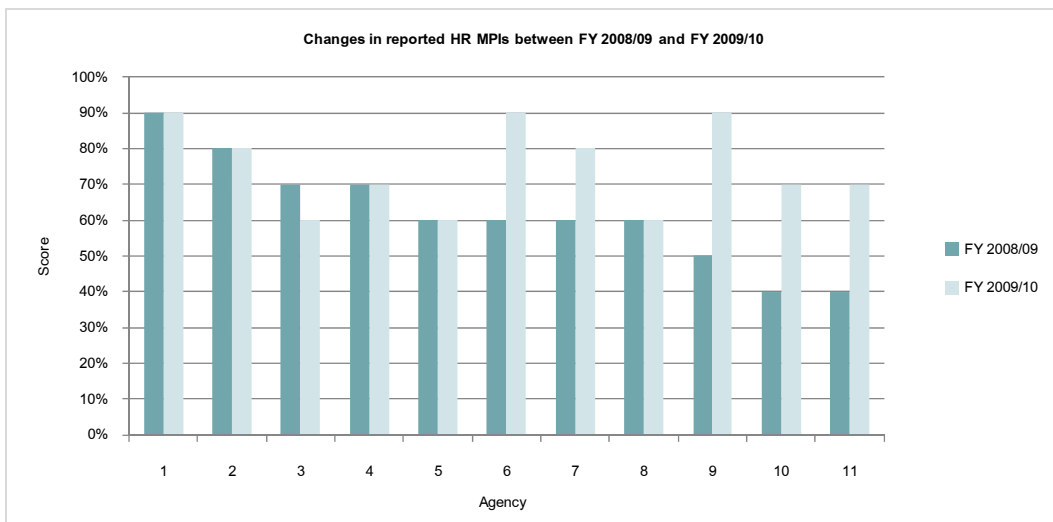
The maturity of the HR function is slightly higher than the international comparator group. As figure 24 below shows, the mean score for the HR MPI is 71 percent, and the UKAA mean is 67 percent. This finding indicates that management practice in New Zealand agencies is at a similar level to the comparator group.

Figure 24 | Mean Human Resources MPI score by comparator cohort



Overall, reported management practice has improved between FY 2008/09 and FY 2009/10. In the 11 agencies who reported for two fiscal years, the mean HR MPI has improved from 62 percent to 75 percent. As figure 25 below shows, five agencies improved, five stayed the same, and one decreased its score.

Figure 25 | Changes in reported HR MPIs between FY 2008/09 and FY 2009/10



A closer look at the most common missing elements of HR management practice shows opportunities to strengthen the strategic role and capability of the HR function. A 2009 study into HR capability across government found the need for HR to play a more strategic role and the need for HR capability development.¹⁸ Two findings from this benchmarking study support these conclusions.¹⁹

¹⁸ State Services Commission, *Assessment of Strategic Human Resource and Organisational Development Capability*, New Zealand Government, Wellington, May 2009.

¹⁹ The full descriptions of management practice indicator statements can be found in Appendix 4.

- **Fifty-five percent of agencies reported not having a statement that anticipates workforce needs for the next three years.** This benchmarking exercise did not explore the reasons why many New Zealand agencies do not forecast workforce requirements, but the 2009 HR capability study suggests that some agencies may lack the capability to complete this work.
- Seventy percent of agencies reported having a comprehensive professional development programme for HR staff with at least five days of development. Limited development of HR staff is a barrier to filling important capability gaps identified in the 2009 HR capability study, including designing initiatives to change behaviours, using measurement and analysis, undertaking continuous improvement, responding to workforce capability issues, and strategic HR capability planning. Notably, all of these capabilities are essential for transforming service delivery to achieve more for less.

Quality of management information

The quality of the data underlying the metrics is of a high standard, and information can be meaningfully compared. Data quality is high for two reasons.

- HR data is collected and stored centrally by agencies, making high quality data readily available.
- Participating agencies were aligned to common definitions and data collection practices and filled data gaps as required.

Management information quality will improve over time. The metric set was revised between FY 2008/09 and FY 2009/10 reporting periods to enhance the quality of management information. There were three significant metric changes:

- While the cost of the HR function as a percentage of ORC can be calculated with the data provided by agencies, this metric has not been provided in this report in favour of two other efficiency metrics: (i) the cost of the HR function per employee; and (ii) the number of employees per HR FTE.
- The cost of the HR function per employee rather than per FTE has been used to recognise that the workload of part-time employees differs from that of full-time employees.
- The percentage of new hires still in the role after 12 months has been used rather than new hires still in the organisation after 12 months. This approach more accurately measures the effectiveness of the recruitment function of HR instead of retention rates.

Costs may be understated. Agencies were asked to only include HR activity costs for staff that spend more than 20 percent of their time on HR. The implication of this data collection practice is that, if agencies have highly devolved processes for such activities as recruitment, the true cost of the activity may be understated if a line manager's time and effort are excluded from the cost of a process.

Payroll costs are not included. In this report, the payroll process is included within the Finance function for comparability with international benchmarks. However, operationally, most agencies consider the payroll process to be part of the HR function.

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 functions and cost drivers. For example, some agencies may have higher recruitment costs due to the need for more specialised skills, or higher training costs due to greater need for technical knowledge. Therefore, agencies should use the benchmarking results as a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context.

Finance

Commentary

By Fergus Welsh, Chief Financial Officer and Chief Accountant, the Treasury

To build higher performing Finance functions across the sector, we need a clear vision that promotes a deeper understanding of opportunities for improvement. As the Chief Financial Officer (CFO) of the Treasury, I also have the role of Chief Accountant for the public sector, which includes leading the development and implementation of strategies for improving financial resource management across government. Together with the CFO forum, I intend to develop a vision that supports Finance leaders in making decisions about people, processes, and technology, knowing that we are all moving in a common direction in a coordinated and collaborative way.

The vision will be supported by a clear work programme that builds a foundation for change. I see five building blocks to a successful programme as follows:

- **Effective leadership and governance.** Successful change requires effective cross-agency leadership. The CFO forum can support my role as Chief Accountant and be the key vehicle for shaping the direction of financial management.
- **Positioning the Finance function to play a more strategic role.** Traditional responsibilities of the Finance function include transactional, administrative, and compliance activities. In addition to delivering on these traditional responsibilities, Finance needs to play a more strategic role by supporting chief executives and senior leadership teams with advice and management information for decision making. This change requires both establishing effective working relationships with the business and building a broader understanding of how the Finance function can add value, including advising on delivering more efficient and effective frontline services.
- **A coordinated and multifaceted approach to lift financial management capability.** As the Finance function becomes increasingly involved in strategic matters and business planning, it needs to respond to the demands of the organisation and its customers, becoming communicators and collaborators rather than just the instructors and gatekeepers of the past. Aligning Finance workforce capability with these more strategic requirements starts with articulating clear expectations for CFOs, Finance staff, and budget holders. Once expectations are clear, development activities can include on-the-job mentoring, short-term secondments, and third party training by providers willing to support improved financial management capability across the sector. Initiatives led or supported by professional bodies such as the New Zealand Institute of Chartered Accountants and CPA Australia will be a key input to Finance capability.

- **A vision and roadmap that supports agencies in making wise investments in technology.** Measurement shows that agencies currently spend a significant proportion of effort on transaction processing activities such as payroll, accounts payable, and general accounting. Streamlining and automating processes can enable Finance teams to spend less time on the transactional aspects of their role and more time in assisting agency management in short and longer term decision making. There are a large number of different Management Information Systems (MIS) in place across government, resulting in duplicative activity in developing, implementing, supporting, and maintaining these systems and missed opportunities to leverage knowledge and scale for greater quality and efficiency. As each agency reaches a decision point regarding the maintenance, upgrade, add-on, or replacement of their existing system, there is an opportunity to move toward more common practices, processes, and systems. However, this collaborative activity requires an agreed vision for broader agency management information strategies, an understanding of the current state, and a roadmap for achieving the agreed vision.
- **Increased collaboration across the sector.** Collaboration can occur at many different levels, from sharing knowledge and best practice through to implementing shared service delivery models for transactional services. The CFO forum can become a strong network, where agencies can learn from the experiences of others and share concrete examples of best practice. The CFO forum also has the potential to drive wider transformational change to finance service delivery across the sector.

The results of the benchmarking study show a clear relationship between agency size and efficiency. It is likely that three factors are contributing to this result. First, fixed costs have a greater impact on smaller organisations. Second, it is suspected that a number of small agencies may have older financial management information systems with limited automation and self-service capabilities, resulting in manual paper-based processes that are labour-intensive and inefficient. Third, small agencies often have relatively high personnel costs as senior staff are often required to perform a broad range of tasks, including routine administrative tasks that in larger agencies would be performed by more junior staff on lower salaries.

I encourage organisations to use the results of this benchmarking study to inform their own improvement programmes within the context of a wider strategic approach. I look forward to having further discussions about the way forward for Finance across the sector and seeing the impact of our improvements in future benchmarking reports.

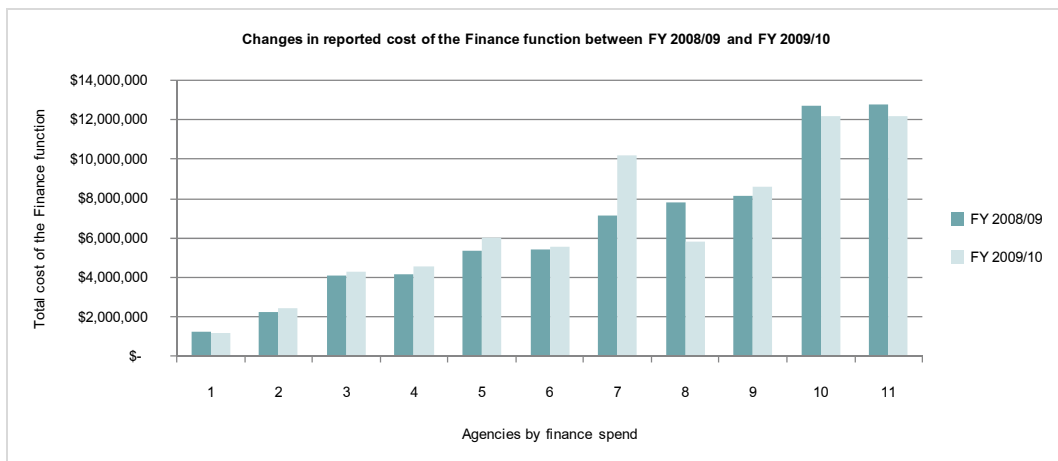
Result highlights

Highlights of cost findings

Agencies spent \$152 million on the Finance function in FY 2009/10. Finance makes up about 8 percent of \$1.849 billion in administrative and support (A&S) service spending for FY 2009/10. Like all other functions, it is significantly less costly than the largest expenditure area, which is Information and Communications Technology (ICT) at \$1.051 billion. The Finance function costs less than the approximately \$200 million spent on each of the Property Management or Corporate and Executive Services (CES) functions that year or the \$174 million spent on Human Resources (HR).

The subset of agencies that measured for both FY 2008/09 and FY 2009/10 reported that spending on Finance increased by \$2 million. As figure 26 below shows, the 11 agencies that provided data for two fiscal years reported that Finance function costs are down in four agencies and up for seven, resulting in a net spending increase of \$2 million.

Figure 26 | Changes in reported cost of the Finance function between FY 2008/09 and FY 2009/10



Highlights of efficiency findings

Reducing variability in Finance function efficiency across agencies could reduce annual spending on Finance by \$15 million. There is wide variability in the Finance function efficiency across the NZ cohort, with median performance of Finance costing 1.24 percent of organisational running costs (ORC) and best demonstrated practice of 0.42 percent.

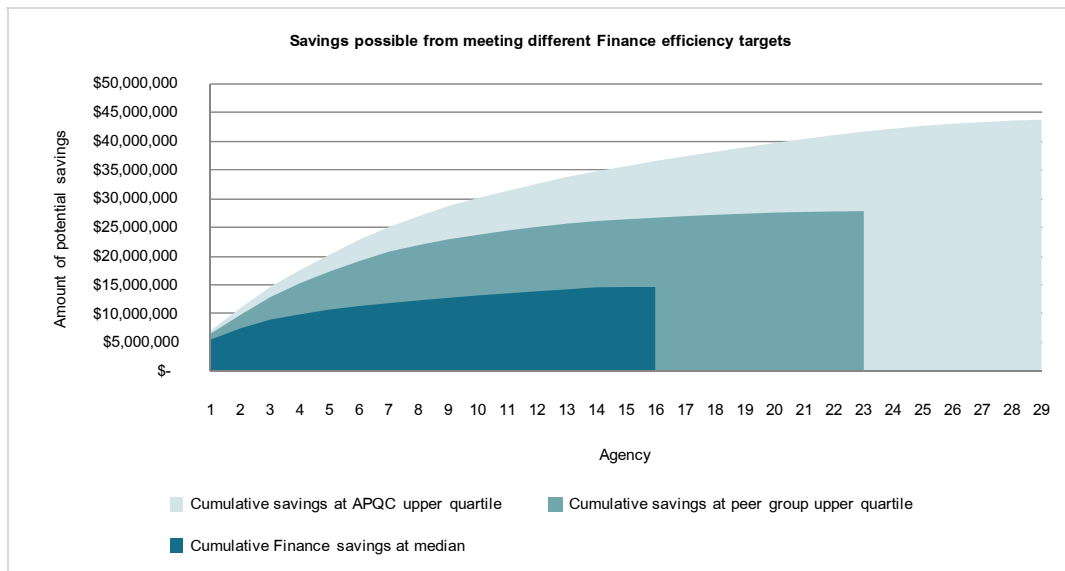
If all agencies that spend more than the NZ cohort median cost as a percentage of ORC moved to the median, they would spend \$15 million less each year.

More savings are possible if agencies pursue more aggressive efficiency targets, including upper quartile performance in New Zealand agency cohorts or international benchmarks. Agencies should set realistic efficiency targets, taking into account their operational context. Choices might include meeting more aggressive targets than the NZ cohort median efficiency of Finance costing 1.24 percent of ORC, including:

- upper quartile performance for their NZ cohort, which is 1.7 percent for small agencies, 0.8 percent for medium-sized agencies, and 0.7 percent for large agencies
- international benchmarks, such as American Productivity & Quality Center (APQC) similar industries top performer benchmark of Finance costing 0.62 percent of ORC.

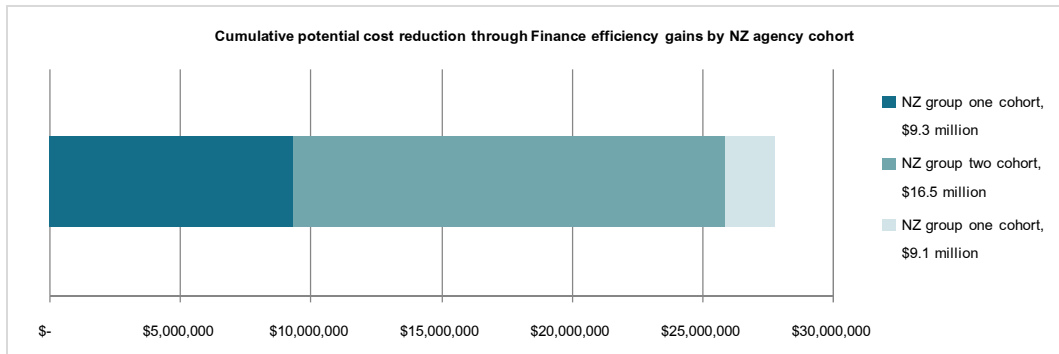
Figure 27 below shows the possible cost reduction for each of the efficiency improvement scenarios along with the number of agencies required to achieve the savings in each scenario. Sixteen agencies are required to reach NZ cohort median performance for a \$15 million cost reduction; 23 agencies are required to meet upper quartile performance for their NZ cohort for a \$28 million cost reduction; and 29 agencies are required to reach APQC upper quartile benchmark for similar industries for a \$44 million cost reduction.

Figure 27 | Savings possible from meeting different Finance efficiency targets



Medium-sized and large agencies have the most opportunities to realise savings through efficiency gains. Figure 28 below shows the potential to achieve savings by NZ agency cohorts. Although the smallest agencies are the least efficient overall, they are not the major source of savings because they make up only about 7 percent (\$10 million) of the \$152 million spent on the Finance function. About \$9 million, or 32 percent, of the potential cost reduction would be realised from large agencies moving to their NZ cohort upper quartile. Conversely, only about \$2 million, or 7 percent would be realised from small agencies moving to their NZ cohort upper quartile.

Figure 28 | Cumulative potential cost reduction through Finance efficiency gains by NZ agency cohort



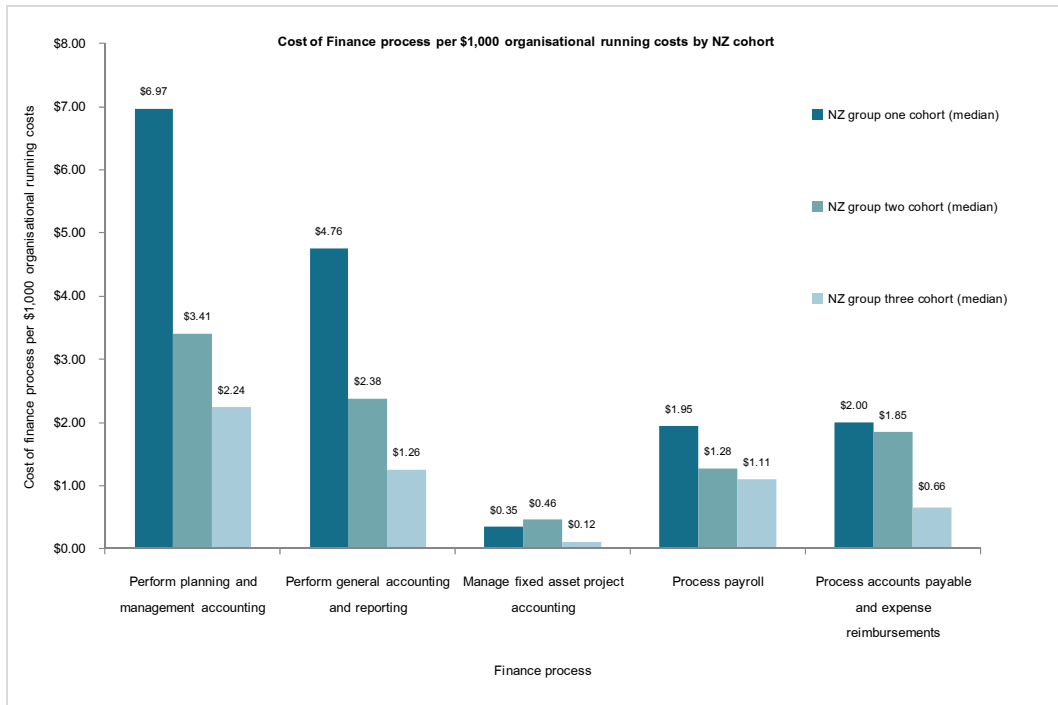
Large agencies have more efficient Finance functions. The median cost of Finance function processes per \$1,000 of ORC for three NZ cohorts show that large agencies with greater scale are more efficient as depicted in figure 29 below.²⁰ For example, the percentage difference in the cost per \$1,000 of ORC between small agencies and large agencies is:

- for the planning and management accounting process—211 percent
- for the general accounting and reporting process—242 percent
- for the payroll process—76 percent
- for the accounts payable and expense reimbursement process—203 percent.

Increasing size correlates with reducing Finance function costs as a percentage of ORC. This is to be expected, as fixed costs have a greater impact on smaller agencies. This finding provides some evidence to support the adoption of opportunities to leverage scale to reduce costs.

²⁰ Small agencies, labelled 'NZ cohort group one' in this report have <500 FTEs and ORC of <\$95 million; medium-sized agencies, labelled 'NZ cohort group two' have 500 to 2,500 FTEs and ORC of \$95 million to \$300 million; and large agencies, labelled 'NZ cohort group three' have >2,500 FTEs and ORC of >\$300 million.

Figure 29 | Cost of Finance process per \$1,000 organisational running costs by NZ cohort

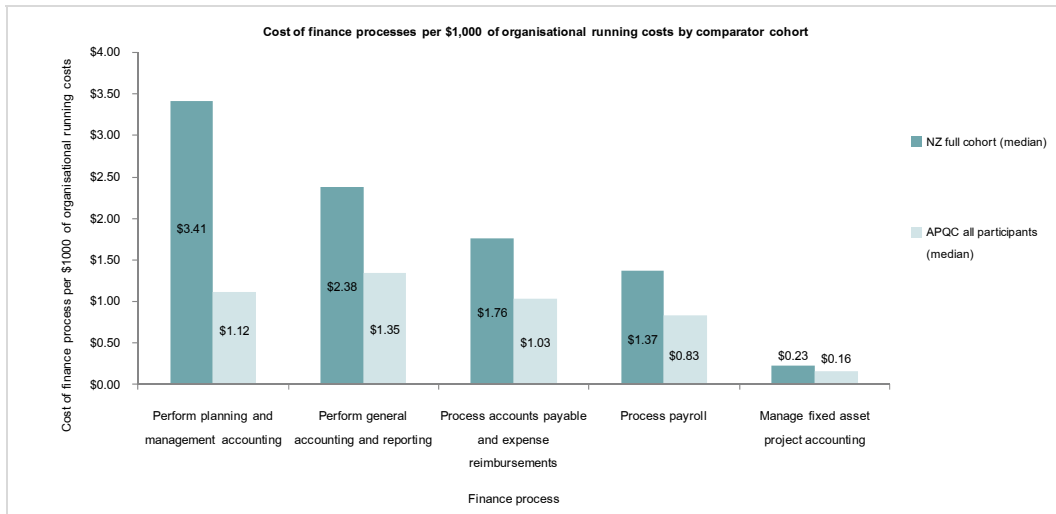


Efficiency has improved over the two reporting periods. In the 11 agencies who reported for two fiscal years, there has been a 12 percent improvement in Finance efficiency with the cost of the Finance function as a percentage of ORC moving from 1.13 percent down to 0.99 percent.

Four processes should be targeted for efficiency gains. The planning and management accounting, general accounting, payroll processing, and accounts payable processes are significantly more costly than international comparators. As figure 30 below shows, the percent difference between median APQC and NZ median performance is:

- for the planning and management accounting process—204 percent.
- for the general accounting and reporting process—76 percent.
- for the accounts payable and expense reimbursement process—70 percent.
- for the payroll process—64 percent.
- for managing fixed assets—44 percent.

Figure 30 | Cost of Finance processes per \$1,000 of organisational running costs by comparator cohort

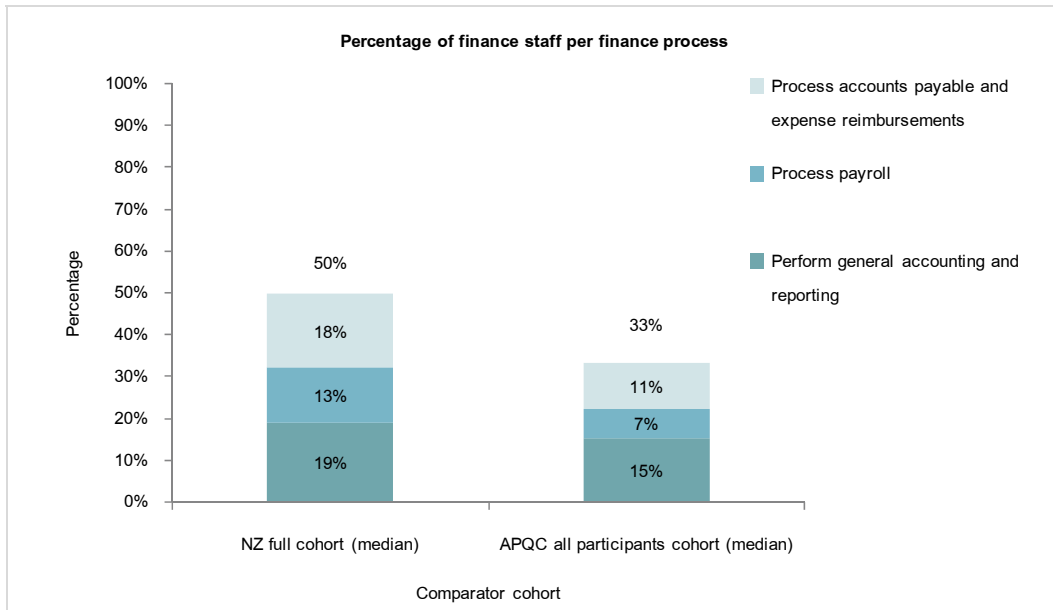


New Zealand agencies spend more effort on transactional processes than international comparators. When comparing full time equivalent (FTE) allocation in the NZ cohort with the APQC median, significant differences are found in three transactional processes: general accounting, payroll processing, and accounts payable. As figure 31 below shows:

- the general accounting and reporting process uses 19.0 percent of Finance function FTEs for the NZ median compared with 15.4 percent for the APQC median
- the payroll process uses 13 percent of Finance function FTEs for the NZ median compared with 7.0 percent for the APQC median
- the accounts payable and expense reimbursement process uses 18.0 percent of Finance function FTEs for the NZ median compared with 11 percent for the APQC median.

Overall, half of all Finance function FTEs are allocated to these three transactional processes for the NZ median cohort. This compares with only 33 percent for the APQC median. This finding shows that the New Zealand agencies are spending a disproportional amount of effort on transaction processing, and that there is an opportunity to improve transaction processing efficiency and, therefore, redeploy Finance staff to more strategic matters.

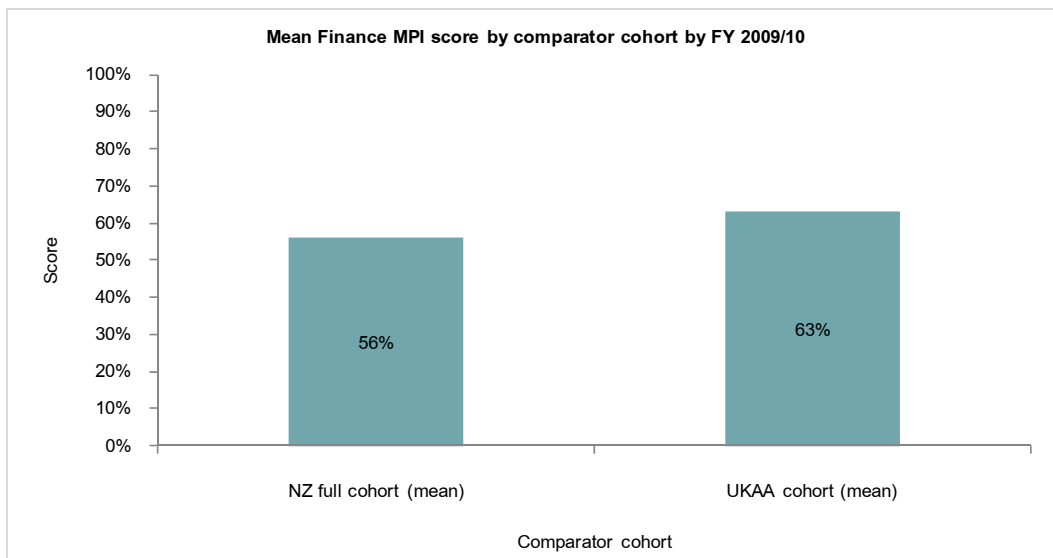
Figure 31 | Percentage of Finance staff per Finance process



Highlights of effectiveness findings

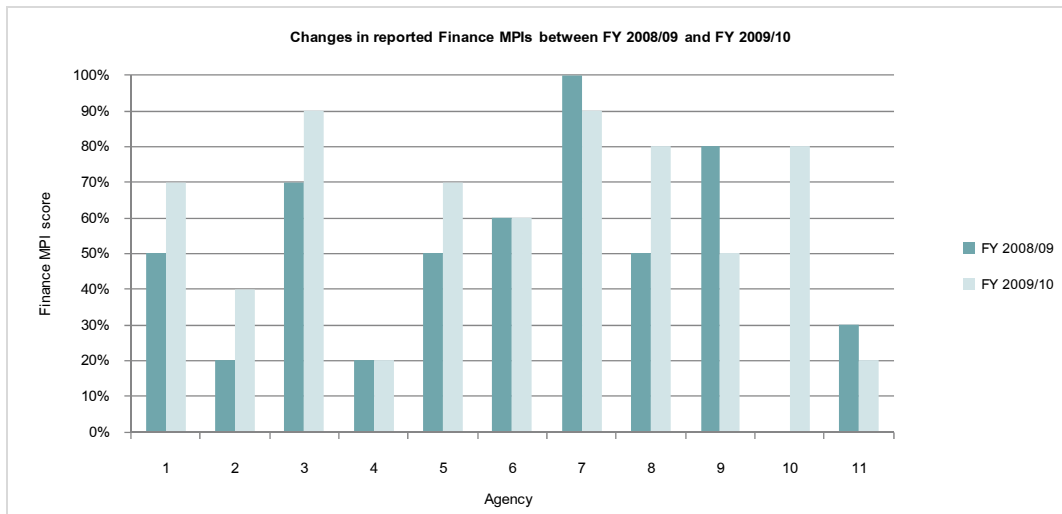
Average Finance management practice scores are low but are only slightly lower than international comparators. The mean Finance management practice indicator (MPI) score for FY 2009/10 is 56 percent, which is close to the UK Audit Agencies (UKAA) mean of 63 percent as shown in figure 32 below.

Figure 32 | Mean Finance MPI score by comparator cohort by FY 2009/10



The subset of agencies that reported in FY 2008/09 and FY 2009/10 reported improvement in management practice. The mean Finance MPI has improved from 48 percent to 61 percent in the 11 agencies who reported for both fiscal years. As figure 33 below shows, MPI scores improved overall with six agencies improving and three having a decreased score over the two reporting periods.

Figure 33 | Changes in reported Finance MPIs between FY 2008/09 and FY 2009/10



A closer look at the most common missing elements of Finance management practice shows opportunities to strengthen the strategic role and capability of the Finance function. A recent study found the need for Finance to play a more strategic role and the need for Finance capability development.²¹ Three findings from the FY 2009/10 benchmarking study support these conclusions:²²

- Fifty-five percent of agencies reported not having a comprehensive professional development programme for Finance staff with at least five days of development. Limited development of Finance staff is a barrier to addressing the capability gaps identified in a previous review.²³
- Twenty-seven percent of agencies reported not having customer satisfaction surveys at least annually with results published and acted upon. Understanding and acting on the needs and views of customers enables the Finance function to build effective relationships with the business and provide more strategic services.
- Twenty-four percent of agencies reported not having a fully automated accruals system. While automated accruals functionality is just one feature of a modern and effective financial management information system (MIS), when taken into consideration alongside other research it does provide a proxy indicator of the likely overall MIS capability.²⁴ An effective MIS environment across the sector is necessary to provide quality management information in a timely fashion, support agencies with their decision making, and support the efficient operation of the Finance function.

²¹ The Treasury, Public Sector Financial Management Capability Report 2008, New Zealand Government, Wellington (survey done in 2008; information released in 2009).

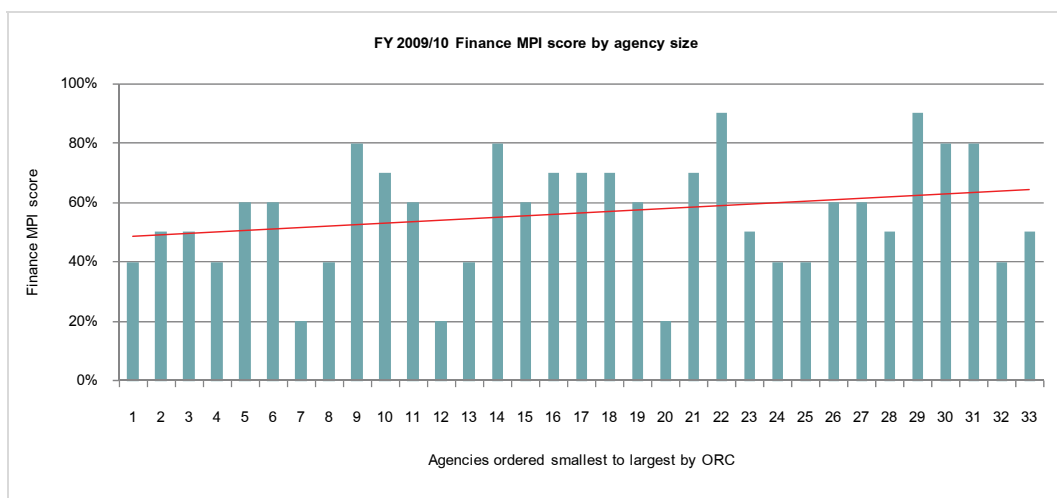
²² The full descriptions of management practice indicator statements can be found in Appendix 4.

²³ The Treasury, Public Sector Financial Management Capability Report 2008, New Zealand Government, Wellington (survey done in 2008; information released in 2009).

²⁴ The Treasury, Public Sector Financial Management Capability Report 2008, New Zealand Government, Wellington (survey done in 2008; information released in 2009).

High variability in management practice and instances of strong practice indicate opportunities to leverage knowledge across agencies. As figure 34 below shows, there is a high variability in management practice, with MPI scores ranging from 20 percent to 90 percent. Large agencies are more likely to have a higher Finance MPI score, but several small and medium-sized agencies outperformed large agencies. These findings show that there are opportunities for improvement and knowledge-sharing across most agencies, regardless of size.

Figure 34 | FY 2009/10 Finance MPI score by agency size



Quality of management information

The quality of the data underlying the metrics is of a high standard, and information can be meaningfully compared for two reasons:

- Finance data is collected and stored centrally by agencies, making high-quality data readily available for metric calculation.
- Data was collected to a high standard by agencies.

Note that for this exercise the payroll process is included within the Finance function for comparability with international benchmarks. However, operationally, most agencies consider payroll to be part of the HR function.

Some costs may be understated. Agencies were asked to only include Finance activity costs for staff that spend more than 20 percent of their time on Finance. The implication of this data collection practice is that, if agencies have highly devolved processes for Finance, the true cost of the activity is likely to be understated as the data would exclude a line manager's time and effort.

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 functions and cost drivers for the Finance function.

Information and Communications Technology

Commentary

By Stephen Crombie, Deputy Chief Executive—Knowledge, Information, Research and Technology, Department of Internal Affairs.

The Directions and Priorities for Government Information and Communications Technology (ICT) policy was endorsed by Cabinet in November 2010, and seeks to address many of the issues and opportunities raised by this benchmarking exercise.²⁵ The implementation of this policy is being led by the ICT Strategy Committee and the ICT Council. The direction focuses the government ICT sector on aggregating demand to procure lower cost ICT goods and services from third parties, leveraging scale across government for common services, and improving ICT effectiveness by standardising and enabling service transformation.

The four steps below will strengthen the efficiency and effectiveness of ICT functions across the sector:

- **Support ICT's strategic role as an enabler of overall agency performance.** The high system reliability findings in this report show that agencies are effective at supporting and maintaining existing ICT infrastructure and systems. In the current fiscal environment however, ICT functions are asked to do more: increasingly, Chief Information Officers (CIO) are asked to reduce the cost of ICT while enabling more efficient and effective frontline operations.

The Directions and Priorities for Government ICT policy helps agencies respond to new demands by setting out a strategic vision where ICT operations management is more cost effective, investment in ICT is focused and prioritised, and there are more collaborative approaches to common ICT needs. Standardisation is central to driving efficient and effective frontline operations, facilitating service transformation, and enabling joined-up, citizen centric services.

- **Implement a common roadmap to reduce complexity in the environment.** A more coordinated and collaborative approach to ICT investments and a more standardised environment could reduce costs and improve the quality of services. Aligning agency ICT plans to the Government ICT Capability Roadmap will help to optimise investments, standardise capabilities, and aggregate demand over time.

²⁵ Department of International Affairs, Directions and Priorities for Government ICT, Wellington, 2010, available at www.dia.govt.nz/Directions-and-Priorities-for-Government-ICT (accessed 14 March 2011) CAB Min (10) 35/5A refers.

- **Increase collaboration for common services across the sector.** There are already collaborative infrastructure initiatives, such as the all-of-government contracts for desktop and laptop computers and the 'infrastructure as a service' initiative. Further opportunities for collaboration include joint approaches to software acquisition, standardising development platforms, and joint approaches to voice and mobility services.
- **Strengthen ICT labour productivity.** In this benchmarking exercise, New Zealand agencies report using significantly more Human Resources than international comparators. We do not yet know all the reasons for this difference, but complexity in the ICT environment is likely to be a contributing factor.
- This report is an important early step in improving our ICT management information, and agencies should work together to develop more detailed management information to support ICT decision making. ICT is the bulk of administrative and support (A&S) service cost, and agencies must understand their ICT spend better if they are to manage it better.

In particular, process-level measurement can provide more detailed information to support better spending decisions and to help us understand why New Zealand agency ICT labour productivity is higher than that of international comparator organisations. We must also track changes in the complexity of the ICT environment and the ongoing value the ICT function provides within agencies.

Result highlights

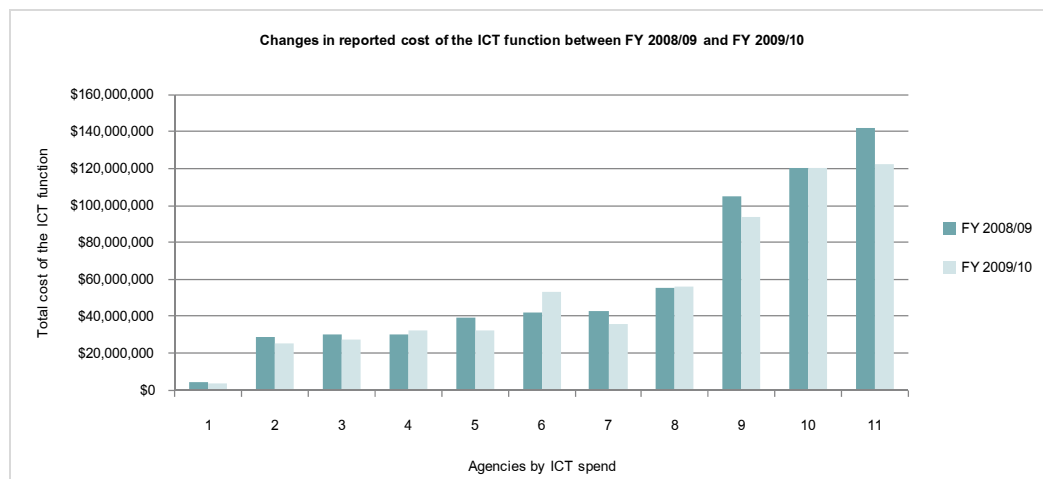
Highlights of cost findings

ICT is the bulk of A&S service spending, comprising 57 percent of A&S service spending, or \$1.051 billion in FY 2009/10. ICT is the largest A&S service function in terms of expenditure, making up 57 percent of \$1.849 billion in A&S service spending for FY 2009/10.

There is high variability in ICT spending across agencies. For FY 2009/10, ICT spending ranges from 2 percent to 25 percent of organisational running costs (ORC), with median expenditure at 6 percent of ORC. In dollar terms, spending ranges from \$0.88 million to \$122 million, with median ICT spending at \$21 million. Variability across agencies is a result of different levels of efficiency and the different needs of agencies. For example, large service delivery agencies are likely to have higher ICT costs than small policy agencies, because they are more likely to have expensive ICT needs such as specialised line-of-business applications or distributed networks.

The subset of agencies that measured for both FY 2008/09 and FY 2009/10 reported total ICT costs have decreased by \$36 million between the two reporting periods. For the 11 agencies that measured for two reporting periods, total spending was \$640 million in FY 2008/09 and \$604 million in FY 2009/10. As depicted in figure 35 below, ICT function costs are down in seven agencies, the same for one, and up for three, resulting in a net spending decrease of \$36 million.

Figure 35 | Changes in reported cost of the ICT function between FY 2008/09 and FY 2009/10



Highlights of efficiency findings

Stronger ICT efficiency in large agencies shows opportunities to leverage economies of scale and economies of scope.²⁶ Figure 36 below shows total ICT cost as a percentage of ORC by NZ cohort. It shows that large agencies are significantly more efficient when ICT efficiency is measured as the cost

²⁶ The term 'economies of scale' refers to lower unit costs for delivering the same single product or service, and 'economies of scope' refers to lower costs for delivering multiple products or services.

of ICT as a percentage of ORC. Small agency ICT costs as a percentage of ORC are 15 percent higher than in large agencies, and they are 47 percent higher in medium-sized agencies.

Medium-sized agencies are expected to be the least efficient against this measure as many of them need costly specialised line-of-business applications or distributed networks, yet have significantly lower ORC than large agencies.²⁷ Large agencies are expected to be more efficient overall because they have advantages of economies of scale and economies of scope, such that the marginal costs to develop, implement, and support additional line-of-business applications are lower.

Figure 36 | Total ICT cost as a percentage of ORC by NZ cohort²⁸

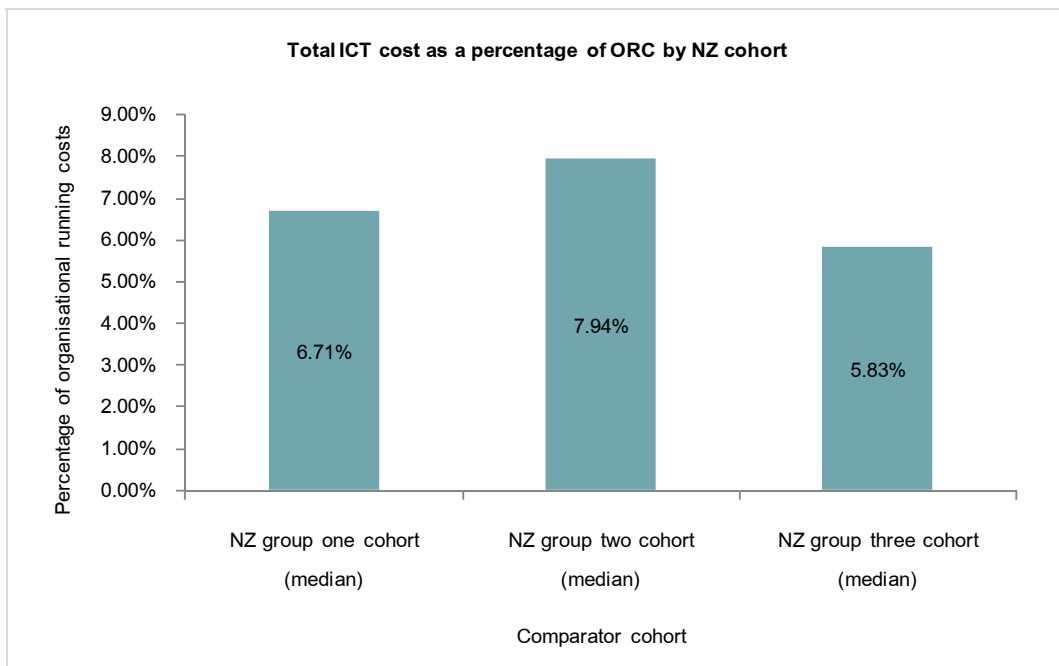


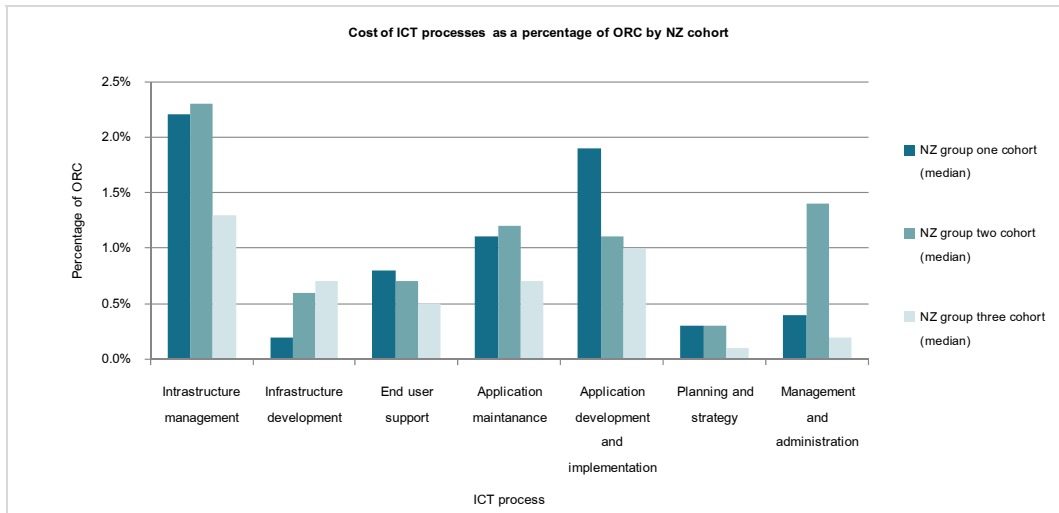
Figure 37 below shows the cost of ICT processes as a percentage of ORC by NZ cohort. It shows that large agencies are more efficient if they share processes and services, including infrastructure management, end user support, application maintenance, and application development and implementation.²⁹ Current operations can be run more efficiently by collaborating for common services and reducing the variability in the efficiency of ICT processes.

²⁷ Examples include NZ Customs, Ministry of Foreign Affairs and Trade, Statistics NZ, and Land Information NZ.

²⁸ Small agencies, labelled 'NZ cohort group one' throughout this report have <500 FTEs and ORC of <\$95 million; medium-sized agencies, labelled 'NZ cohort group two', have 500 to 2,500 FTEs and ORC of \$95 million to \$300 million, and large agencies, labelled 'NZ cohort group three' have >2500 FTEs and ORC of >\$300 million.

²⁹ While large agencies (NZ group three cohort) are more costly for infrastructure development, they are less costly for infrastructure overall. This includes three process groups: infrastructure management, infrastructure development, and end-user support.

Figure 37 | Cost of ICT processes as a percentage of ORC by NZ cohort

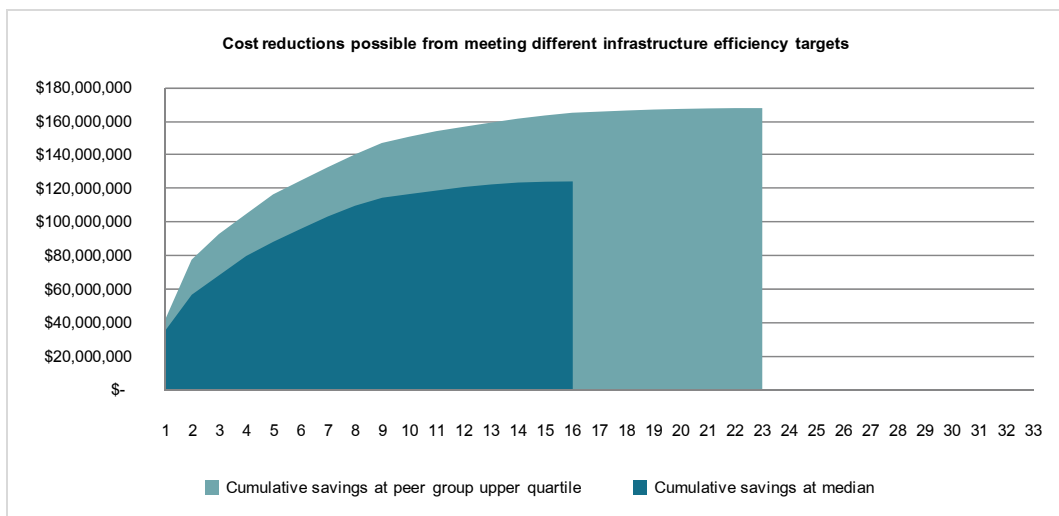


Findings show potential to spend \$124 million to \$168 million less each year by reducing the variability in infrastructure efficiency across agencies in the NZ cohort. ICT infrastructure is a good candidate for achieving savings through cross agency collaboration for two reasons: ICT infrastructure makes up a large percentage (49 percent) of total ICT spend; and infrastructure costs are lower when purchased in higher volumes.

As depicted in figure 38 below, if the 16 agencies above the NZ full cohort median infrastructure costing 3 percent of ORC moved to that cost, they would spend \$124 million less each year. If 23 agencies moved to upper quartile performance for their NZ cohort—which is 2.7 percent for smaller agencies, 3.0 percent for medium-sized agencies, and 2.1 percent for larger agencies—agencies would save \$168 million each year.

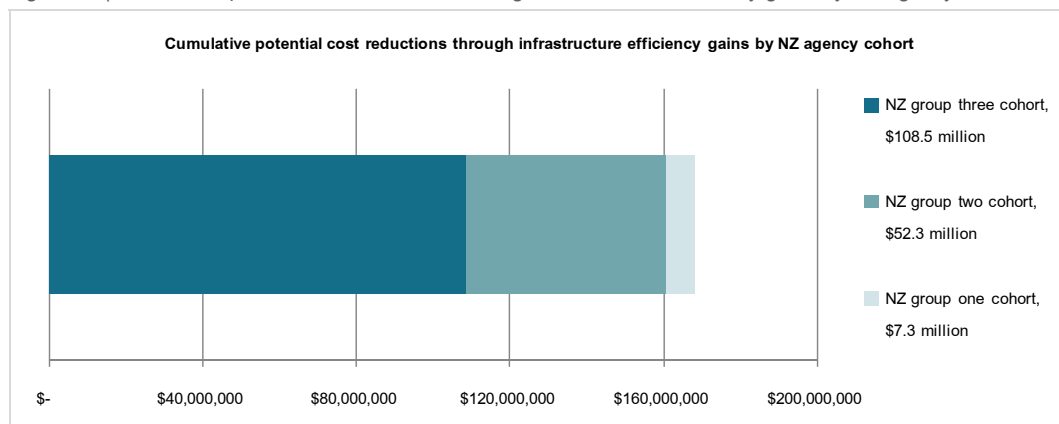
Agencies should set targets appropriate to their operational context, and these scenarios are for illustrative purposes only and may not feature appropriate targets for each agency.

Figure 38 | Cost reductions possible from meeting different infrastructure efficiency targets



The bulk of potential cost reductions through infrastructure efficiency gains are in the large agencies. Figure 39 below shows the potential to achieve infrastructure cost reduction by agencies of different sizes. Although the small and medium-sized agencies are less efficient than large agencies, they are not the major source of cost reduction because they make up only about 35 percent (\$179 million) of the \$515 million spent on infrastructure each year. Sixty-four percent (\$108 million) of the potential cost reduction would be realised from large agencies moving to their NZ cohort upper quartile for infrastructure efficiency. Only 4 percent (\$7 million) would be realised from small agencies moving to their NZ cohort upper quartile, and 31 percent (\$52 million) would be realised from medium-sized agencies moving to their NZ cohort upper quartile.

Figure 39 | Cumulative potential cost reductions through infrastructure efficiency gains by NZ agency cohort



Over time, reduced complexity in the applications environment can strengthen ICT efficiency.

Other studies of the ICT function in New Zealand agencies have found that the applications environment is more complex than it needs to be: “fragmented agency-centric investment in ICT is still the norm. This silo approach, and current legislative impediments, constrains standardisation and the sharing of resources and solutions which could reduce costs.”³⁰ A highly-complex environment is inefficient due to the higher cost of building and maintaining duplicative applications.

Benchmark study findings suggest that application management, development, and implementation are potential areas for efficiencies and savings because of the magnitude of spending and effort on these processes. As depicted in figures 40 and 41 below, application management and applications development and implementation is a significant amount of the total ICT spend (42 percent) and the largest area of ICT staff effort (42 percent).

However, reducing complexity in the ICT environment is not a quick fix. It requires agencies to move to a more common, standardised environment as current applications reach the end of their life. Transformation must be driven by a clear vision for the future state of the applications environment and supported by a multi-year and coordinated plan of action.

³⁰ Department of International Affairs, Implementation of Directions and Priorities for Government ICT, Wellington, 2010, p. 6. Available at www.dia.govt.nz/Directions-and-Priorities-for-Government-ICT (accessed 14 March 2011).

Figure 40 | Distribution of total ICT cost

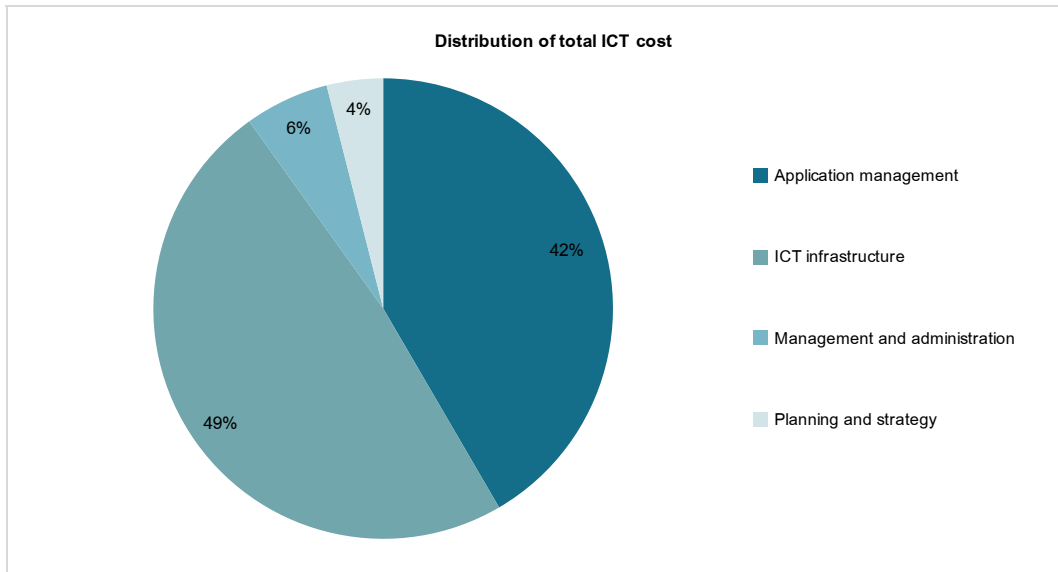
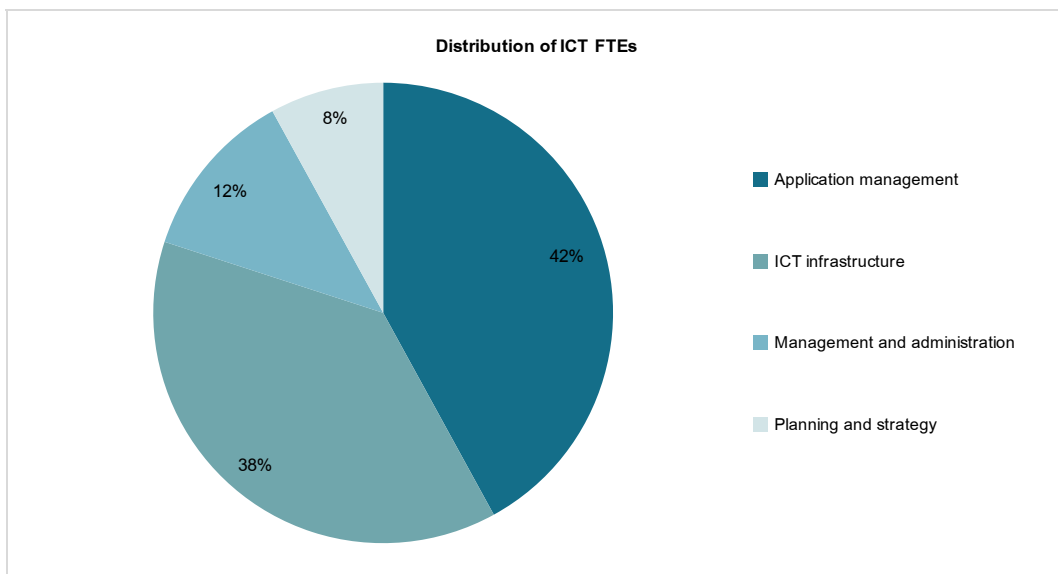
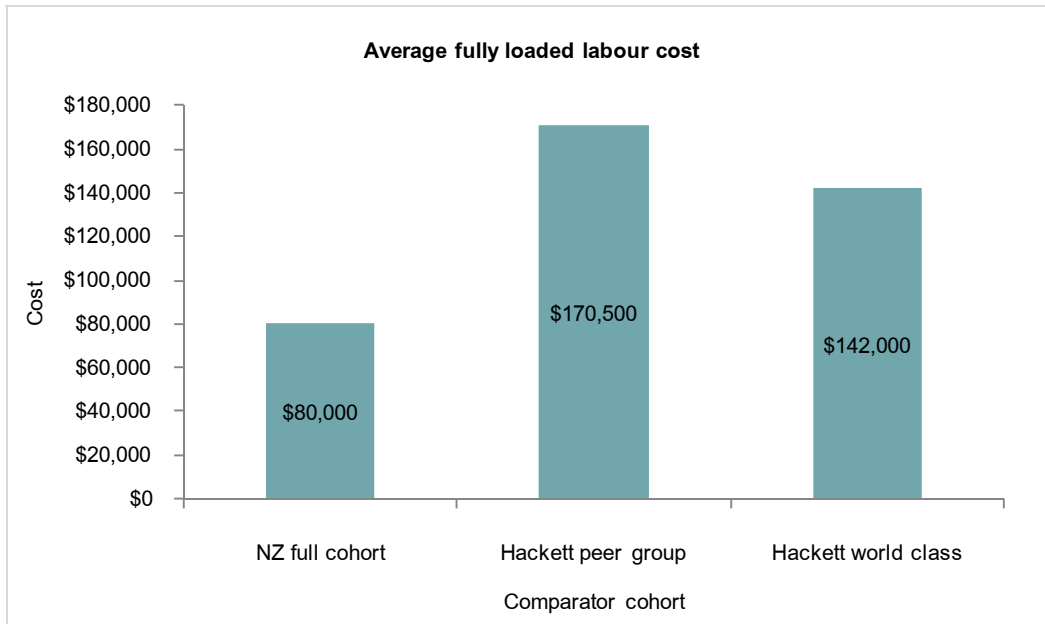


Figure 41 | Distribution of ICT FTEs



New Zealand agencies have a significant labour cost advantage compared to international peers, which supports relatively strong cost per end user performance. The New Zealand median cost per end user of \$12,200 compares well with the Hackett World-Class benchmark of \$11,400 per agency. Because labour costs make up 27 percent of the total cost of the ICT function, and because New Zealand has a lower cost labour market, agencies have a substantial advantage over international comparators. As shown in figure 42, New Zealand ICT labour costs are 53 percent lower than the Hackett Peer Group and 43 percent lower than Hackett World-Class organisations.

Figure 42 | Average fully loaded labour cost

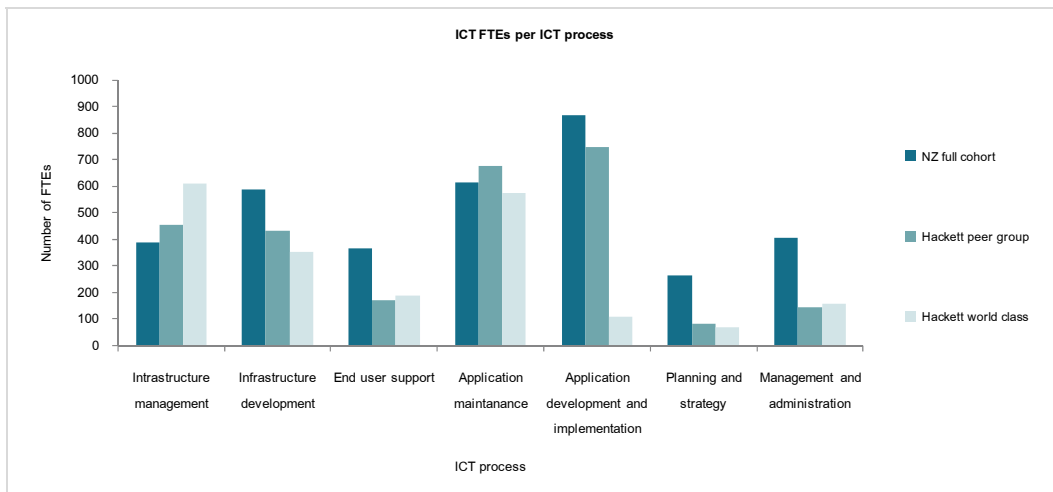


Despite strong cost per end user performance, opportunities exist to improve efficiency against this measure by strengthening ICT labour productivity. Overall, the ICT functions in New Zealand agencies are using 30 percent more FTEs than the Hackett Peer Group.³¹ In the processes of infrastructure development, IT business planning, and management and administration, New Zealand agencies have more than twice the number of FTEs than the Hackett Peer Group, as shown in figure 43 below.

Further investigation is needed to fully understand why New Zealand agencies use more Human Resources than comparator organisations. The reason is probably the complexity of the ICT environment, where duplicative applications create duplicative costs and effort. It is also possible that more senior specialist resources are spread too thinly across a large number of agencies. This leads to more junior or more generalist staff being assigned more advanced and specialist work that takes them longer to complete. Lower overall salary costs suggest a prevalence of more junior and more generalist staff relative to international comparators, but understanding the root causes of labour productivity differences was not in scope for this study, and this report cannot provide definitive conclusions.

³¹ The Hackett Peer Group has been normalised for the same user-base.

Figure 43 | ICT FTEs per ICT process

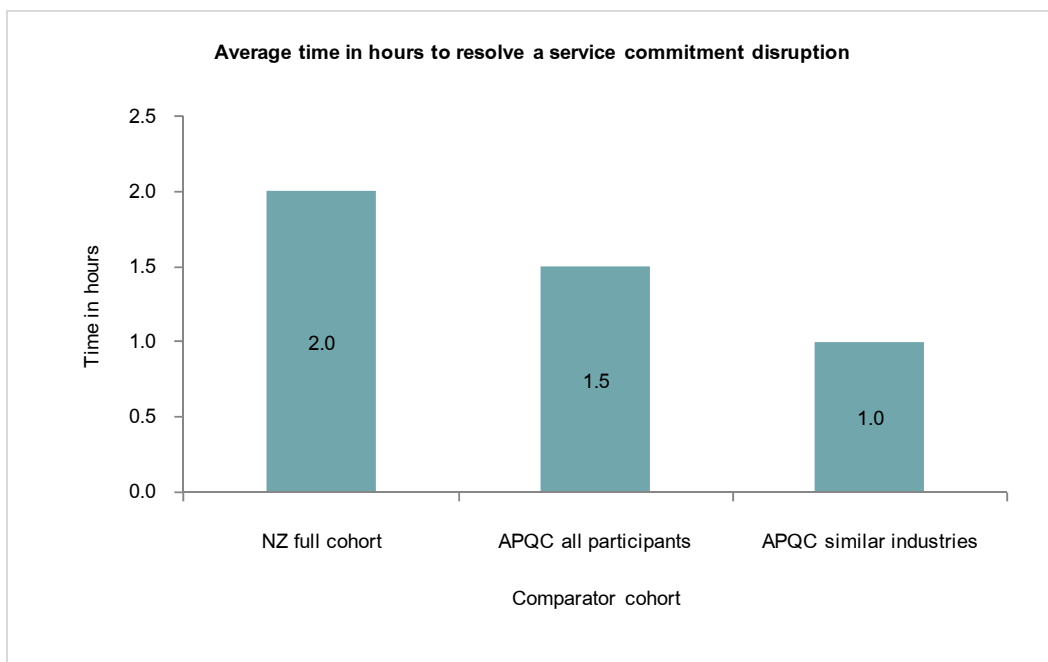


There was an increase in the efficiency metrics for the subset of agencies that measured for both FY 2008/09 and FY 2009/10. The median cost of the ICT function as a percentage of ORC improved from 7.85 percent of ORC to 6.94 percent of ORC for the 11 agencies that measured in both periods.

Highlights of effectiveness findings

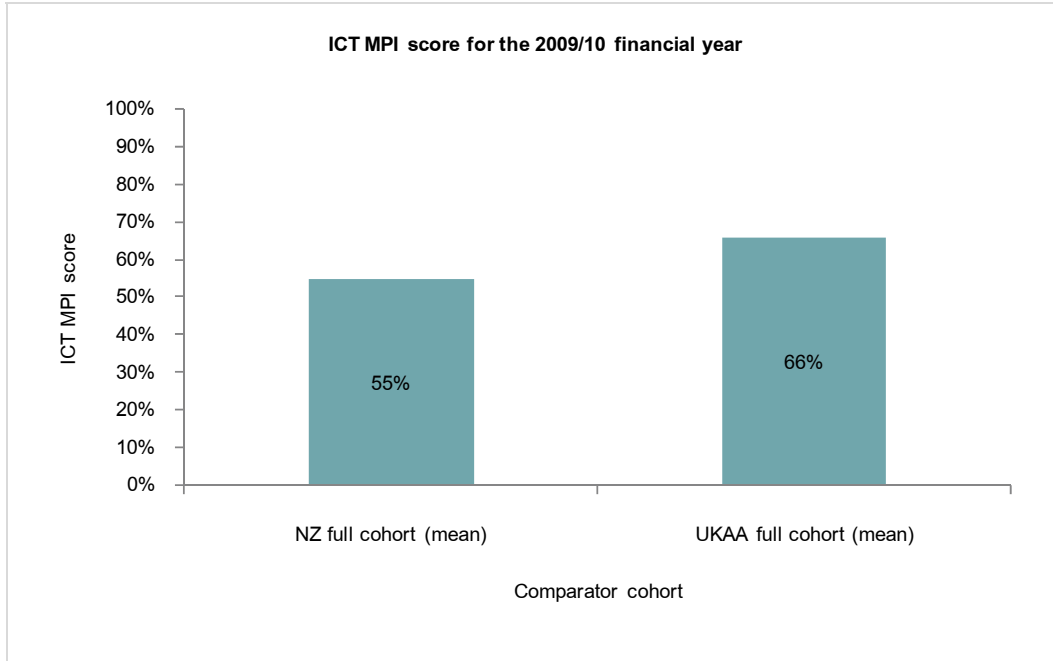
New Zealand agencies are effective at supporting and maintaining systems. The New Zealand mean time in hours to resolve a service commitment disruption is 2.0 hours, which is similar to the APQC all participants cohort mean time of 1.5 hours and the APQC similar cohort mean time of 1.0 hours, as shown in figure 44 below. Levels of reliability are high, with median NZ reliability at 99.90 percent.

Figure 44 | Average time in hours to resolve a service commitment disruption



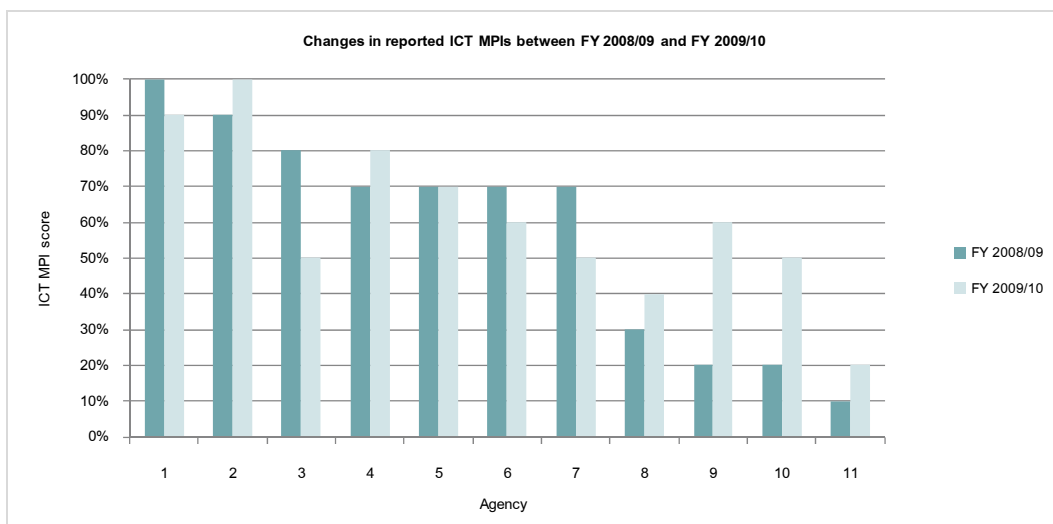
Average ICT management practice scores are low but are only slightly lower than international comparator groups. The mean ICT management practice indicator (MPI) score is 55 percent, which is close to the UK Audit Agencies (UKAA) mean of 66 percent as depicted in figure 45 below.

Figure 45 | ICT MPI score by comparator cohort



ICT management practice has improved overall between FY 2008/09 and FY 2009/10 for the subset of agencies that reported for both periods. The mean ICT MPI has improved from 57 percent to 61 percent in the 11 agencies who reported for two fiscal years. As shown in figure 46 below, MPI scores improved overall with six agencies improving, one remaining the same, and four having a decreased score over the two reporting periods.

Figure 46 | Changes in reported MPI between FY 2008/09 and FY 2009/10

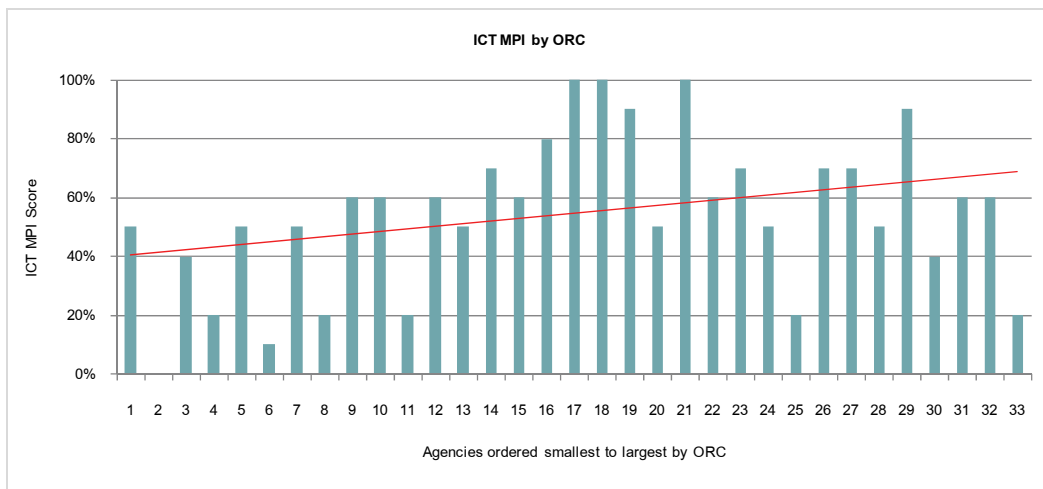


A closer look at FY 2009/10 ICT management practice shows three main opportunities for improvement. The three least-adhered to management practices for FY 2009/10 are as follows:³²

- Seventy percent of agencies reported not assessing the ICT competence of end-users within the last 12 months and putting in place an appropriate training and development programme to address areas of weakness. Calls to the help desk and demands on ICT staff time would be lower in agencies that have ICT-competent end users. Reduced demands on ICT staff time will help increase the efficiency of the ICT function.
- Sixty-four percent of agencies reported having no formal Service Level Agreements (SLAs) with key internal customers with regular service review meetings. SLAs can be used internally to define requirements for help desk services, network performance and availability, application performance and availability, and internal processes. SLAs help the ICT function to prioritise work and manage expectations and relationships with business units, and can incentivise the ICT function to provide good service.
- Forty-eight percent of agencies reported not having a comprehensive professional development programme for ICT with at least five days of development. An investment in the professional development of ICT staff can increase workforce productivity and the overall efficiency and effectiveness of the ICT function.

High variability in management practice and instances of strong practice indicate opportunities to leverage knowledge and practice across agencies. As figure 47 below shows, there is a high variability in management practice, with MPI scores ranging from 0 percent to 100 percent. While large agencies are more likely to have higher ICT MPI scores than small agencies, some small agencies have higher ICT MPI scores than large agencies, showing opportunities for improvement and knowledge-sharing across most agencies, regardless of size.

Figure 47 | FY 2009/10 ICT MPI score by agency size



³² The full descriptions of management practice indicator statements can be found in Appendix 4.

Quality of management information

The quality of the data underlying the metrics is generally of a high standard, and information can be meaningfully compared. The data used to calculate some ICT metrics were not routinely collected by all agencies, so some ICT information was collected for the first time. Nevertheless, agencies overall collected high quality data for both reporting periods with consistent definitions and data collection methods across the New Zealand cohort and the international comparator groups.

Management information quality will improve over time. There are three main opportunities for improving management information in successive measurement exercises:

- **Clarify definitions for application management process cost allocation.** This report makes no conclusions about the cost of application maintenance versus the cost of application development. This is because findings from the FY 2009/10 benchmarking exercise differ so significantly from the findings of the 2008 Government Use of ICT Survey that there are likely to be issues with definitions and therefore data accuracy. The 2008 study found that ICT departments spent 80 percent of their budgets on maintaining business as usual and 20 percent on new applications that can improve services. The FY 2009/10 benchmarking results showed application maintenance at 45 percent and application development at 55 percent. Further investigation is needed before drawing any conclusions, and definitions for the two studies will be confirmed and clarified for the FY 2010/11 reporting period.
- **Measure the complexity of the ICT environment.** Complexity is a major driver of performance, and ICT management information could be enhanced by introducing new measures that identify sources of, and opportunities to, reduce complexity.
- **Measure the value of ICT to overall agency performance.** Management information could be improved by introducing new measures for the impact of ICT solutions and services on agency performance. Measuring ICT impact is a challenge globally and will take considerable practitioner input and trial and error in future benchmarking exercises to achieve.

Costs may be understated. Agencies were asked to only include Finance activity costs for staff that spend more than 20 percent of their time on Finance. The implication of this data collection practice is that, if agencies have highly devolved processes for Finance, the true cost of the activity is likely to be understated as a line manager's time and effort would not be included.

While results are broadly comparable, results need to be understood within the context of each agency. While agencies have common features, each has their own functions and cost drivers. For example, large service delivery agencies are expected to have higher ICT costs than policy agencies, especially if they have more expensive ICT requirements such as specialised line business applications or a distributed network. Therefore, agencies should use the benchmarking results as a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context.

Procurement

Commentary

By Christopher Browne MCIPS, Director, Commercial Solutions Branch, Ministry of Economic Development.

In May 2009 the Government launched the Government Procurement Reform Programme to transform procurement performance.³³ When this programme started it faced scepticism, with many agencies believing they already had the best deals. While this programme is in its early days it is already delivering results and supporting procurers in their jobs: work completed to date will deliver an estimated \$115 million in savings over the next five years from the first all-of-government contracts.

Agencies participating in this benchmarking exercise experienced the same problems measuring this function as their counterparts around the world, and therefore the reported cost of the Procurement function does not represent an accurate cost of agencies' end to end Procurement functions. Typically the Procurement function in the NZ State sector is highly devolved, and it is expected that the bulk of effort spent on procurement activities is not fully captured in reported costs. Data collection practices require only capturing costs where procurement makes up more than 20 percent of a person's time. Due to cost data accuracy issues, this report cannot make definitive conclusions regarding the cost or efficiency of the Procurement function.

There are more opportunities for savings through improved management of third party spend than in making the Procurement function itself more efficient. The total third party spend across the 33 measured agencies for FY 2009/10 is \$13.497 billion. Even if the reported cost of the Procurement function of \$67 million is only 25 percent of the actual cost, spending on the Procurement function is only a small fraction of third party spend. A mature Procurement function typically demonstrates its value by achieving tangible cost savings each year on organisational third party spend, which can be more than three times the cost of running the Procurement function.³⁴ While international experience shows that significant savings can be achieved by automating the procure-to-pay (P2P) process, international experience also shows that much greater savings can be achieved by having a well resourced, appropriately positioned, effective, and strategic Procurement function that is focused on realising savings in third party spend.

I have outlined five steps below that can strengthen the efficiency and effectiveness of Procurement functions across the sector:

³³ See www.procurement.govt.nz for more details about the Government Procurement Reform Programme

³⁴ Accenture, *Outsourcing and Procurement Mastery*, 2008, available at <http://www.accenture.com/us-en/Pages/insight-bpo-procurement-mastery-leverage-performance-summary.aspx> (accessed 15 March 2011), p. 4.

- **Empower the Procurement function to play a more strategic role.** Across most agencies, third party spend is managed in a fragmented and reactive manner. In these times of fiscal constraint, the Procurement function should focus on a thorough analysis of organisational spend, being clear on what the organisation's money is being spent on and with whom, and identifying patterns for possible consolidation or challenge. Procurers can then identify opportunities to improve performance.

Organisations must also recognise that procurement is not just about stationery and facilities. The spend on construction, information technology, marketing, and professional services are also areas ripe for improved performance, but require a different procurement skill set and approach than that for routine goods. Procurement strategies should therefore be differentiated based on a mixture of total expenditure, the business risk to the agency and the degree of influence the agency has with its suppliers. This more strategic way of operating represents international best practice procurement and should become business-as-usual for New Zealand agencies, rather than merely a temporary tactical procurement response to a specific fiscal crisis.

Chief Executives and agency managers should consider if procurement is given an appropriate level of attention. In many organisations, third party spend can be higher than staff salary spend, but it often does not get the same level of management attention. All Chief Executives should know their top 10 areas of organisational spend, who their top suppliers are, and have plans in place to get the best value from their spend.

- **Increase procurement capacity and capability.** This benchmarking study found that only half of the agencies measured have programmes to develop internal procurement skills and capabilities – this is despite the Government heavily subsidising procurement education and training. This finding is consistent with the general view of New Zealand businesses that current agency procurement capability is mixed, and a Ministry of Economic Development (MED) survey that found only seven Chartered Institute of Purchasing and Supply accredited procurement professionals across the sector, four of whom were within MED itself. However, things are improving with over 60 people now studying for this qualification through the New Zealand Procurement Academy. Agencies need to take advantage of the investment Government has made in building the capacity and capability of procurers by reducing their reliance on contractors. It is also clear that a lot of procurement is undertaken by non-procurement staff within the organisation. Given these staff can be spending large sums of money, they require appropriate commercial training.
- **Improve procurement management information.** Agencies must understand their third party spend better if they are to manage it better. Comprehensive, accurate, and timely management information enables agencies to focus procurement and management resources where they can have the biggest impact on the value of third party spend. Only 27 percent of agencies have Procurement functions with specific and measurable targets for cashable and non-cashable benefits and can demonstrate that they are meeting those targets. Without a

thorough understanding of information about how much is being spent, with whom, and for what purpose, Procurement function performance will always be limited.

- **Undertake a cross-agency review of the procure to pay (P2P) process.** Agencies are likely to benefit from standardising, streamlining, and automating activities within the P2P process. A review of the P2P process will help uncover specific opportunities and enablers for driving process efficiency. A simple example of this is increasing the use of purchasing cards for low value purchases. International experience shows that organisations can reduce total purchasing costs by an average of 8 percent by implementing best practices, with common enabler themes being enabling software, supplier relations, and training.³⁵
- **Increase collaboration across the sector.** Agencies typically collaborate for procurement in three ways. First, leveraging scale by aggregating buying power can drive cost savings in common spending areas. Syndicated contracts and all-of-government contracts have the potential to deliver significant cost savings. Second, agencies can standardise procurement systems, processes, templates, and tools. The Government Procurement Reform Programme has made inroads in this area with the launch of the NZ Government e-marketplace, the development of a wide range of best practice procurement tools, templates, guidance, and associated training. Third, agencies can leverage knowledge. There is currently demand, from small agencies in particular, to share access to specialist procurement resources. All too often agencies use contractors to augment their procurement resources, limiting the development of institutional knowledge within agencies.

Despite concerns with the quality of Procurement function cost information, this report provides valuable management information about the state of the Procurement function across government. Individual agencies can use these findings to identify opportunities for improvement and collaboration, and, ultimately, to better manage their third party spend.

³⁵ See 'I-SAVE: Independent Savings Analysis Verification and Evaluation—A guide to show how organisations can achieve significant cost reduction in their procurement to payment process', Mohammed Saad, Peter James, Andrew Douglas, Mark Day, and Mark Payne, Bristol Business School, University of West of England, Bristol, June 2002, pp. 5–6. Available at http://www.uwe.ac.uk/bbs/research/research/ribs/isave2_brochure.pdf (accessed 15 March 2011)

Result highlights

Highlights of cost findings

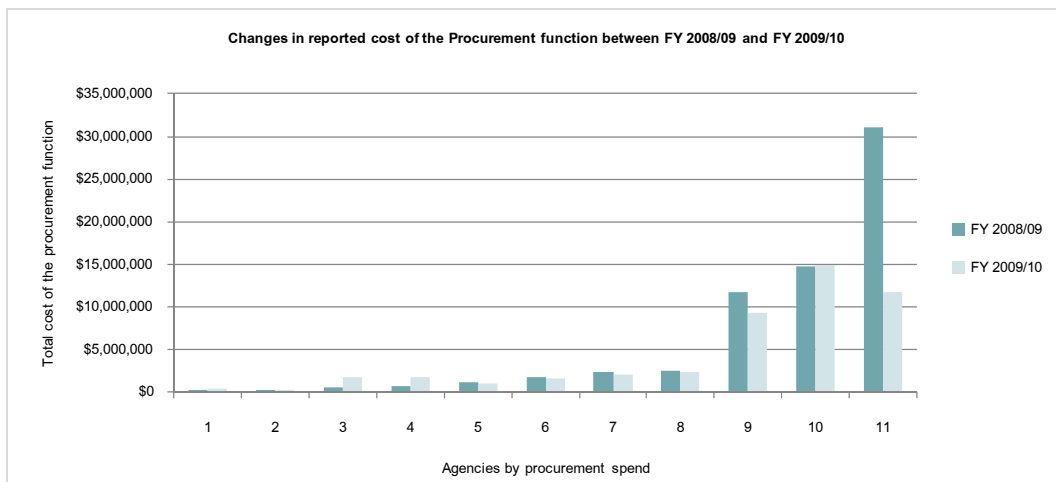
Measurement did not capture the full cost of the Procurement function. The 33 participating agencies reported spending \$67 million on the Procurement function for FY 2009/10, but this cost information is inaccurate.

The highly devolved nature of the Procurement function in NZ cohort agencies 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. This would make the cost of the Procurement function in New Zealand agencies understated and unreliable for comparison among NZ cohort agencies, international comparator groups, and different reporting periods.

The reported drop in procurement spending between the two reporting periods is likely to be inaccurate. Figure 48 below shows how reported spending changed for the 11 agencies that provided Procurement function cost data for both FY 2008/09 and FY 2009/10. There was a significant (\$20 million) reported drop in the total cost of the Procurement function between the two reporting periods.

Given the difficulty with measuring the Procurement function and no known significant staff reductions in Procurement functions (personnel costs typically make up 77 percent of Procurement function costs), the measurement across FY 2008/09 and FY 2009/10 has likely been inconsistent.

Figure 48 | Changes in reported cost of the Procurement function between FY 2008/09 and FY 2009/10



Highlights of efficiency findings

While New Zealand agencies appear to be much more efficient than their international comparators, due to understated cost data, this report makes no conclusions about procurement efficiency. As figure 49 shows, the NZ cohort median of the Procurement function costing 0.37 percent of total purchase value shows significantly greater efficiency than the UK Audit Agencies (UKAA) median of 0.55 percent, the APQC full median of 1.38 percent, and the American Productivity & Quality Center (APQC) similar median of 1.85 percent. Similarly, in figure 50, the NZ cohort median

of \$26 million per procurement full time equivalent (FTE) shows significantly greater efficiency than the APQC all participants of \$13 million and the APQC similar median of \$13 million.

Due to the understated agency procurement costs discussed above, this report does not conclude that NZ cohort agencies are significantly more efficient than comparator organisations.

Figure 49 | Total cost of the Procurement function as a percentage of the total purchase value

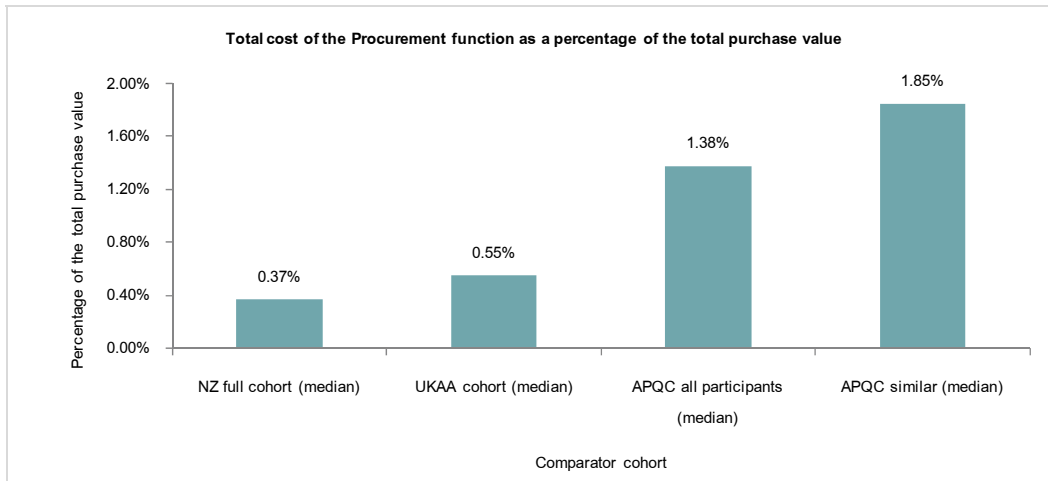
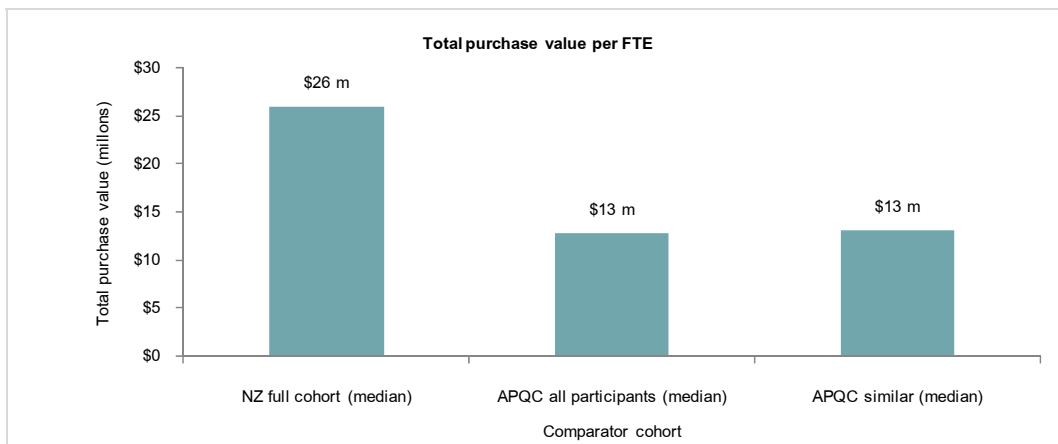


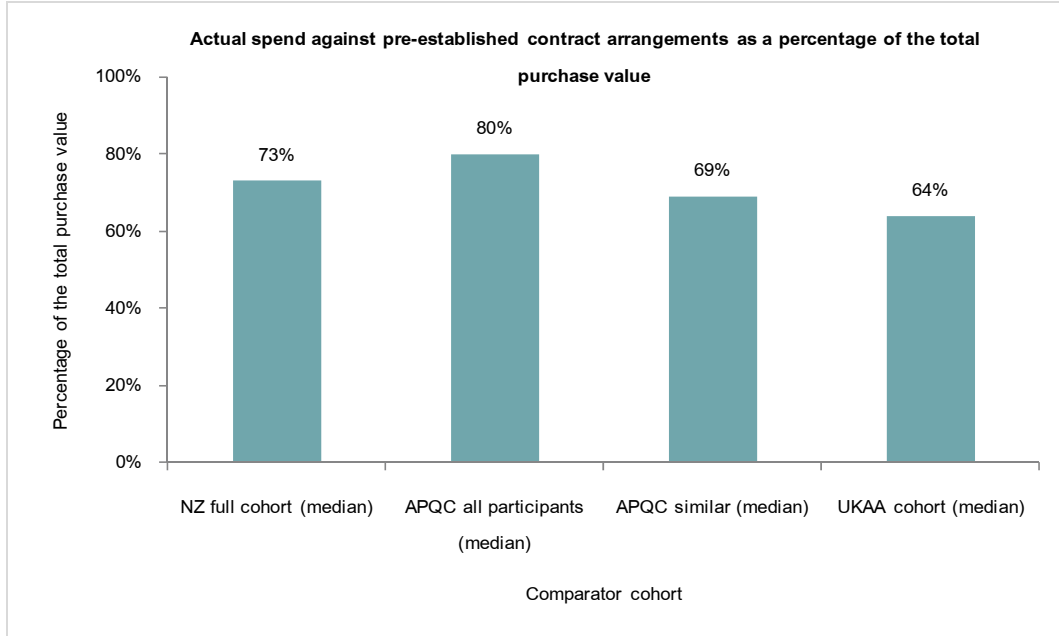
Figure 50 | Total purchase value per FTE



Highlights of effectiveness findings

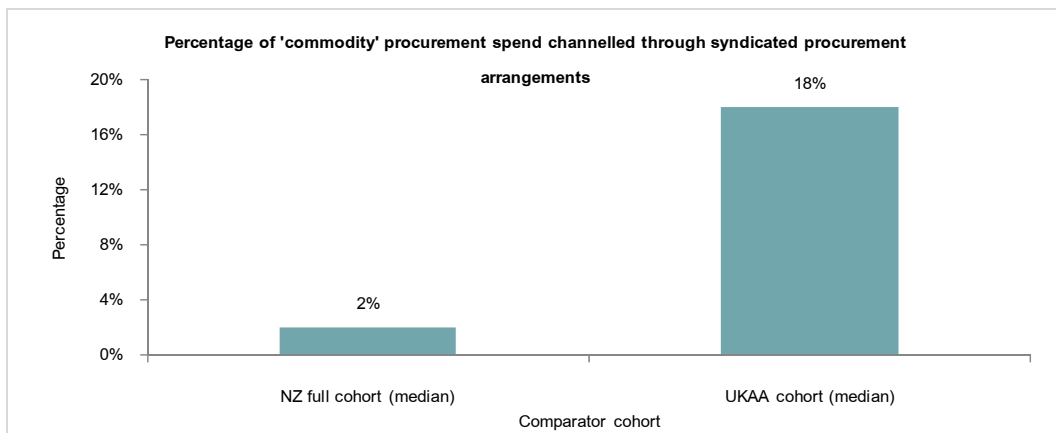
There is an opportunity to increase the level of preferred spend. Figure 51 shows actual spend against pre-established contract arrangements as a percentage of total purchase value. Actual spend against pre-established contract arrangements for the NZ cohort is above the APQC similar benchmark and the UKAA benchmark, but 9 percent below the APQC all participants benchmark. An agency can reduce inefficient spending by improving the level of preferred spend while reducing the level of off-contract or 'maverick' spend. The Procurement function can establish panel contracts for common areas of spend and monitor and control off-contract spend, but agency staff must understand how to access existing contracts to get goods and services.

Figure 51 | Actual spend against pre-established contract arrangements as a percentage of the total purchase value



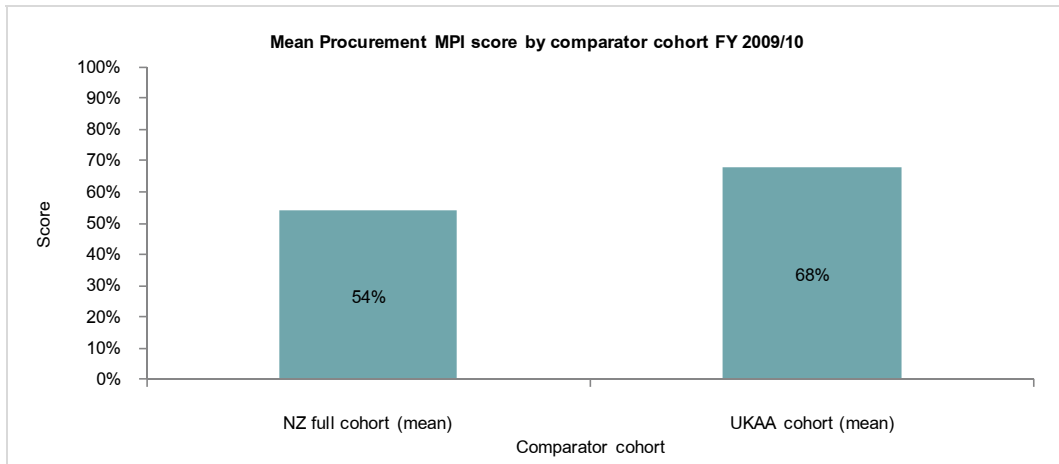
There is an opportunity to increase the use of all-of-government contracts and syndicated procurement arrangements. Aggregation of buying power through collaborative procurement can drive significant cost savings in common spending areas. Figure 52 below shows the percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements. The NZ cohort channelled only 2 percent of spend through syndicated procurement arrangements in FY 2009/10 compared with the UKAA median of 18 percent. The reporting period was before the negotiation of the first four all-of-government contracts, so this result will likely improve in future years.

Figure 52 | Percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements



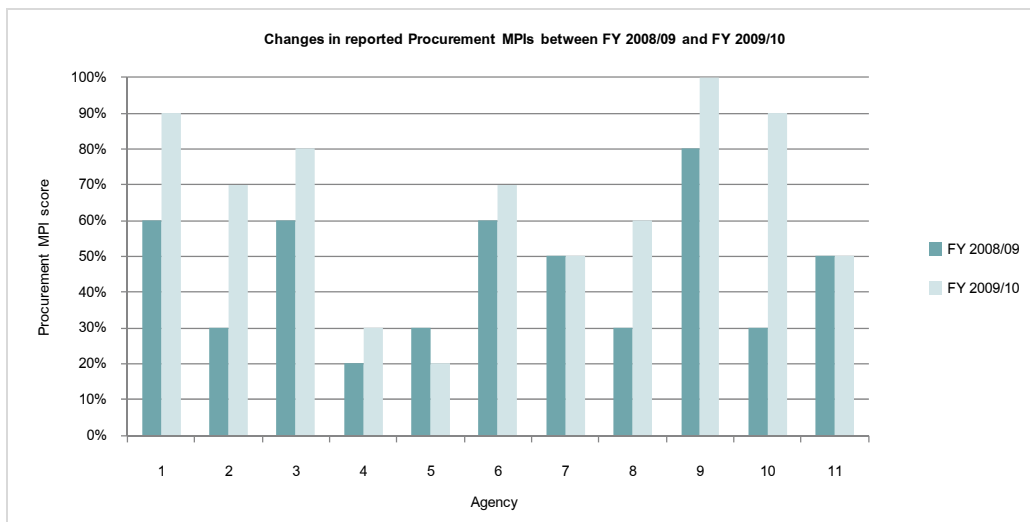
Average procurement management practice scores are low, but only slightly lower than international comparators. The NZ cohort mean procurement management practice indicator (MPI) score is 54 percent, which is close to the UKAA mean of 68 percent as depicted in figure 53 below.

Figure 53 | Mean Procurement MPI score by comparator cohort FY 2009/10



Overall, Procurement management practice has improved between FY 2008/09 and FY 2009/10. The mean Procurement MPI has improved from 45 percent to 65 percent, in the 11 agencies who reported for both fiscal years. As figure 54 below shows, eight agencies improved, two stayed the same, and one decreased its score over the two reporting periods.

Figure 54 | Changes in reported Procurement MPIs between FY 2008/09 and FY 2009/10



A closer look at the Procurement management practices shows significant opportunities for improvement. Four specific areas can be improved across the NZ cohort:³⁶

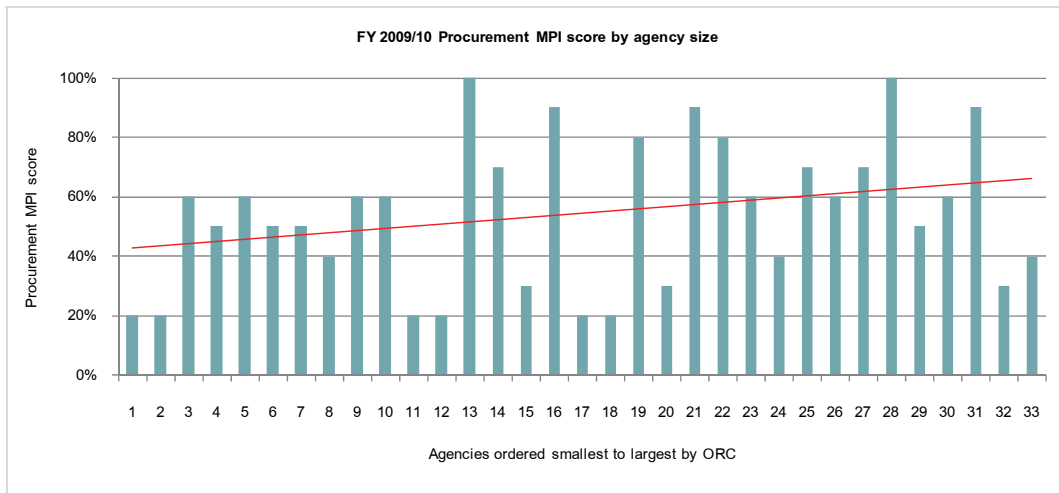
- Seventy-three percent of agencies reported not having specific and measurable targets for the cashable and non-cashable benefits to be delivered by procurement and not being able to demonstrate that at least 85 percent of targets were met for the previous financial year.
- Forty-eight percent of agencies reported having no internal rolling programme to develop procurement skills and capabilities at all levels.

³⁶ The full descriptions of management practice indicator statements can be found in Appendix 4.

- Forty-eight percent of agencies reported that they have not identified and developed strategic partners for collaborative procurement and are not able to demonstrate measureable cashable benefits over the previous 12 months from this collaboration.
- Eighty-two percent of agencies reported not undertaking customer satisfaction surveys at least annually with the results published internally and fed into an improvements plan.

High variability in management practice and instances of strong practice show opportunities to leverage knowledge across agencies. As figure 55 below shows, there is a high variability in management practice, with MPI scores ranging from 20 percent to 100 percent. While larger agencies are more likely to have a higher Procurement MPI score, several small and medium-sized agencies outperform larger agencies. These findings show opportunities for improvement and knowledge-sharing across most agencies, regardless of size.

Figure 55 | FY 2009/10 Procurement MPI score by agency size



Quality of management information

There are concerns with the quality of management information for the Procurement function. 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. Therefore, it is expected that the cost of the Procurement function in New Zealand agencies is understated and less reliable for comparison between agencies and over different reporting periods.

Procurement cost and efficiency information will improve over time. Successive benchmarking activities will improve the accuracy of cost data over time. However, widespread procurement cost data quality issues globally means that this function most likely will provide less accurate cost and efficiency information than the others for several future benchmarking exercises.

While results are broadly comparable, results need to be understood within the context of each organisation. Care should be taken when comparing agency results and caution is warranted for three reasons:

- Cost information is likely to be inaccurate for reasons outlined earlier in this chapter.
- Agencies that submit more complete procurement cost information may appear to be less efficient than agencies with less complete procurement cost information.
- The Procurement function varies according to the primary role of the agency and the nature of its third party spend. For example, the nature of the Procurement function in agencies with large capital procurement programmes is considerably different to the Procurement function in a policy agency.

Property Management

Commentary

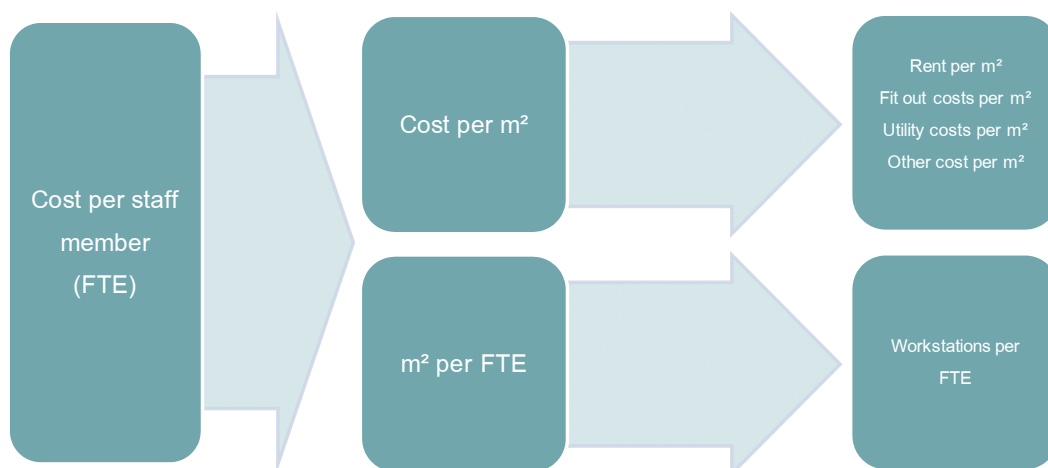
By Marc Warner, Deputy Chief Executive, People Capability and Resources, Ministry of Social Development (MSD). Marc is leading the development of a Property Management centre of expertise for all-of-government within MSD.

We can make significant savings on office accommodation. Reducing the m² per full time equivalent (FTE) from the current mean of 21m² to 16m² would save more than \$43 million each year across the 33 agencies who participated in the FY 2009/10 benchmarking exercise. This is a significant proportion of the \$205 million they spend annually on office accommodation.

More savings are possible if agencies meet targets of below 16m². They would save \$52 million each year if they all moved to best demonstrated practice in the NZ cohort of 15m² per FTE and \$72.5 million each year if they all met the UK central government mean of 13m² per FTE.

We need to focus on providing productive workspaces and managing property cost per FTE. Setting expectations for m² per FTE is a practical next step, but there is, of course, no point in achieving a m² per FTE target if we end up with smaller, more expensive office accommodation that offers unproductive workspaces. Decisions about office size, location, and cost will vary from agency to agency depending on their functions and the needs of customers and staff. When exploring opportunities for efficiencies, the full range of cost drivers as depicted in figure 56 below should be considered, not just m² per FTE.

Figure 56 | Property cost driver model³⁷



³⁷ Modified from Office of Government Commerce (OGC), The State of the Estate in 2009, p. 30. Can be accessed through www.ogc.gov.uk/high_performing_property_the_state_of_the_estate_2009.asp (accessed 21 March 2011)

Some agencies are already taking action on office accommodation performance. Since the 16m² guideline was first proposed in 2009, four agencies have signed major new lease agreements that meet that threshold, and the Treasury estimates the collective savings at \$2.45 million per annum.³⁸ Notably, three participating agencies were already below 16m² per FTE in the FY 2009/10 reporting period, setting best demonstrated practice in the NZ cohort and approaching international benchmarks.³⁹

Property Management opportunities are part of a bigger conversation about where and how we do business. Reducing our office footprint can realise significant savings, but there are even greater gains to be made from service delivery innovations that make use of new locations and new layouts. As agencies find new ways to provide better services for less, they will have opportunities to move all or part of their operations to less expensive, non-CBD locations; to co-locate with other organisations; to share technology and other assets; and to provide mobile workforces with fewer workstations per FTE.

The MSD has agreed to play a lead role in Property Management across government. In other jurisdictions, savings have been realised with the support of a property centre of expertise that provides leadership, guidance, support, monitoring, and brokerage services. In December 2010, Cabinet agreed to establish a property centre of expertise in MSD.⁴⁰

The Property Management centre of expertise will support improvements. This centre of expertise will:

- Provide leadership by working with agencies to identify and promote opportunities to drive efficiency and effectiveness gains in Property Management and recommending Property Management expectations for Cabinet approval.
- Provide guidance and support by documenting and publishing best practice, working with agencies to move towards best practice, and identifying agencies with strong Property Management expertise that are willing to advise and support their peers.
- Monitor and report performance by collecting and collating office property metrics and information and publishing an annual report on property.
- Provide a brokerage service to match Crown agencies seeking space with those who have surplus space, investigate shared contracting of property related supplies and facilities management, and support co-location of agencies (including identifying common barriers to co-location and developing solutions).

³⁸ The Department of Corrections, the Department of Prime Minister and Cabinet, the Ministry of Education, and the Ministry of Social Development.

³⁹ The New Zealand Fire Service, the New Zealand Police, and the New Zealand Qualifications Authority.

⁴⁰ The Treasury and Ministry of Social Development, *Improving the management of office accommodation across Government*, Wellington, CAB Min (11) 1/4 refers.

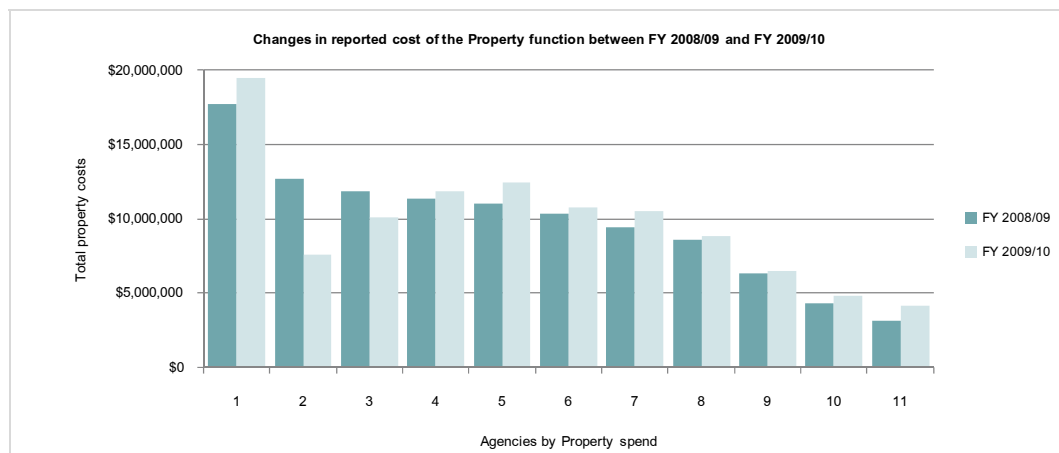
Result highlights

Highlights of cost findings

Agencies spent \$205 million on Property Management in FY 2009/10, or 1 percent of organisational running costs (ORC). Property Management is the second largest administrative and support (A&S) service function in terms of expenditure, making up 11 percent of \$1.849 billion in A&S service spending for FY 2009/10. Like all other functions, it is significantly less costly than Information and Communications Technology (ICT)—the largest expenditure area at \$1.051 billion. Management spending is more comparable to the \$203 million spent on Corporate and Executive Services (CES) and more expensive than the \$174 million spent on Human Resources (HR) or the \$152 million spent on Finance that year.

Agencies that measured for both FY 2008/09 and FY 2009/10 reported a slight increase in property expenditure between the two reporting periods. As shown in figure 57 below, the eleven agencies that submitted data for FY 2008/09 and FY 2009/10 all experienced changes to their property costs with a net increase in property spending of \$277,000 over the two reporting periods.

Figure 57 | Changes in reported cost of the Property function between FY 2008/09 and FY 2009/10



Highlights of efficiency findings

Achieving a space per FTE target of 16m² per FTE would save \$43 million per annum across the 33 agencies who participated in the FY 2009/10 benchmarking exercise. Space per FTE is a key driver of office efficiency, and the mean space per FTE of 21m² is significantly higher than international comparators, including the UK central government mean of 13m² per FTE.⁴¹ Targets in other public sector jurisdictions are helpful for understanding our current property performance: the UK central

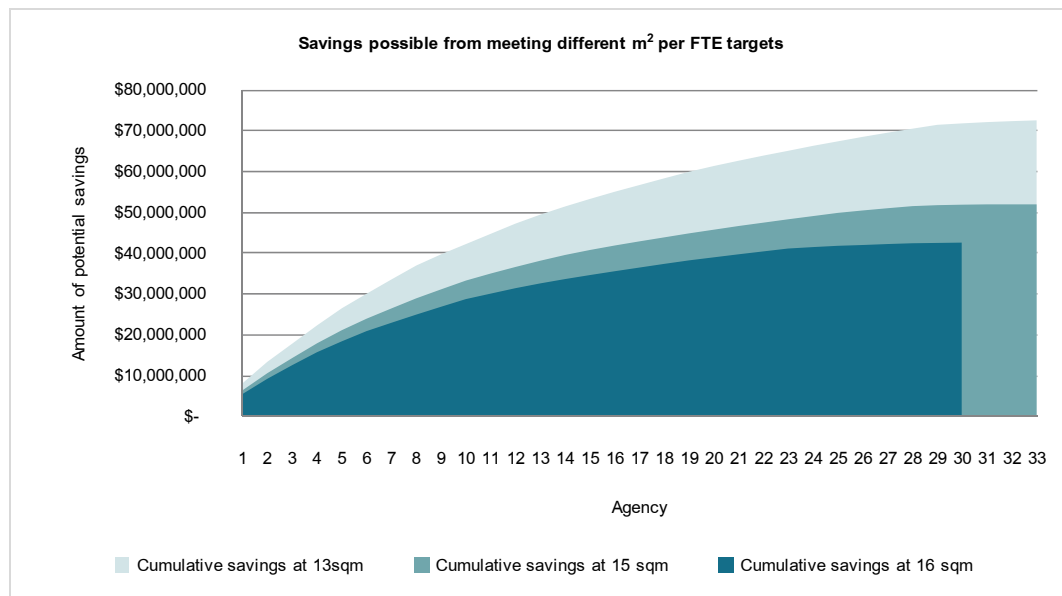
⁴¹ HM Government, The State of the Estate in 2009: A report on the efficiency and sustainability of the Government estate, Office of Government Commerce, HM Treasury, London, 2010, p. 32, available at http://www.ogc.gov.uk/documents/SOFTE_brochure.pdf (accessed 4 March 2011).

government targets 10m² to 12m² per FTE;⁴² and the Australian Commonwealth government targets 16m² per FTE.⁴³

Significantly higher savings are possible if agencies achieve more aggressive targets for m² per FTE. As shown in figure 58 below, \$43 million each year would be saved if the 30 agencies above 16m² per FTE moved to 16m². Agencies would save \$52 million each year if they all moved to best demonstrated practice in the NZ cohort of 15m² per FTE. If agencies all met the UK central government mean of 13m² per FTE, they would save \$72.5 million each year.

Each agency should set an appropriate target based on their operational context, with the goal of providing productive workspaces and managing the overall property cost per FTE.

Figure 58 | Savings possible from meeting different m² per FTE targets

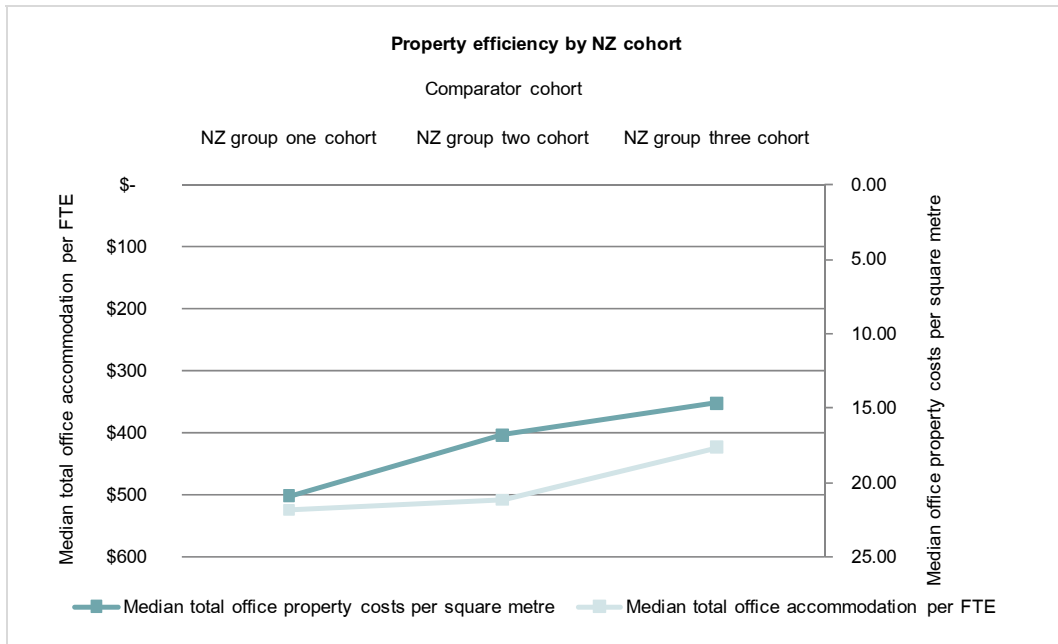


In general, larger agencies demonstrate significantly better property efficiency than smaller agencies. While the mean cost per FTE across the New Zealand public sector is \$9,000, results vary from a median of \$7,400 for large agencies to a median of \$11,800 for small agencies. As shown in figure 59 below, the higher efficiency of larger agencies is driven by both lower cost per m² and lower m² per FTE as shown in the figures below. These results suggest that some agencies may benefit from leveraging scale through co-location.

⁴² HM Government, *Benchmarking the Back Office: Central Government*, HM Treasury Publishing Unit, London, 2009, p.39, available at www.hmg.gov.uk (accessed 4 March 2011).

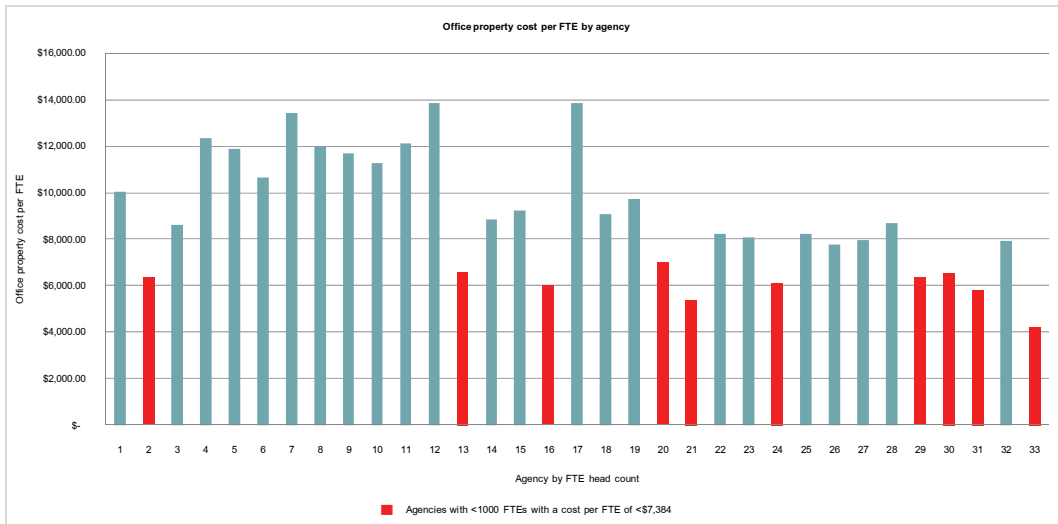
⁴³ Commonwealth of Australia, *Commonwealth Property Review Branch, Australian Government Property Office Occupancy Report 2009*, Canberra, 2009, p.4 (Executive Summary), available at http://www.finance.gov.au/property/docs/australian_government_property_report_2009.pdf (accessed 4 March 2011).

Figure 59 | Property efficiency by NZ cohort



Agency size alone does not dictate Property Management performance, and there are opportunities for improvement across agencies of all sizes. Whilst there is an obvious relationship between the size of an agency and its property performance, some small and medium-sized agencies have outperformed the large agencies. As figure 60 below shows, 10 agencies with fewer than 1,000 FTEs have achieved a property cost per FTE lower than that of the large agency median of \$7,384. These findings show opportunities for improvement across all agencies, regardless of size.

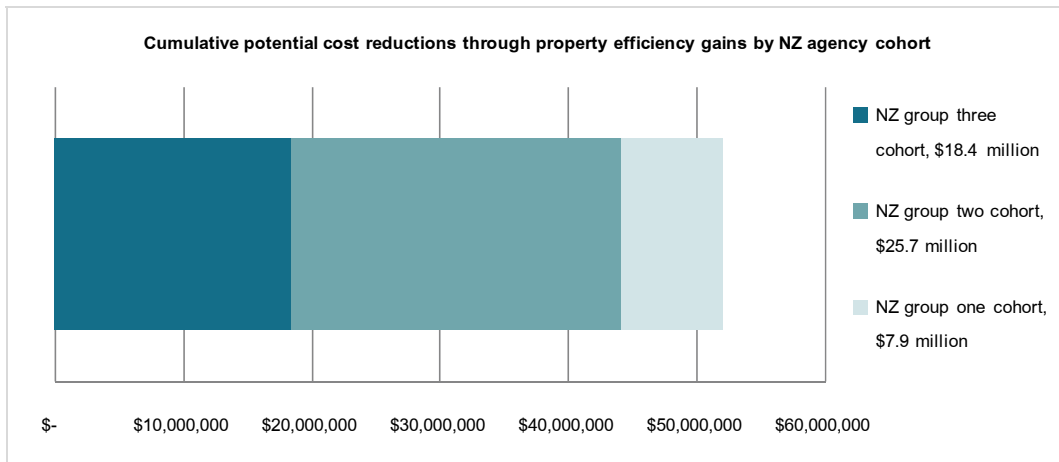
Figure 60 | Office Property cost per FTE by agency



The bulk of opportunities to realise savings through efficiency gains are in the medium-sized and larger agencies not performing at the NZ cohort best demonstrated practice. Although the smallest agencies are the least efficient overall, they are not the major source of savings because they make up only about 13 percent (\$27 million) of the \$205 million spent on Property Management. As shown in

figure 61 below, 35 percent (\$18.4 million) of the total potential savings of \$52 million would be realised by moving the nine largest agencies not performing at 15m² per FTE to that target. Conversely, the accumulated savings of moving small agencies to the target would only realise 15 percent (\$7.9 million) of possible savings.

Figure 61 | Cumulative potential cost reductions through property efficiency gains by NZ agency cohort

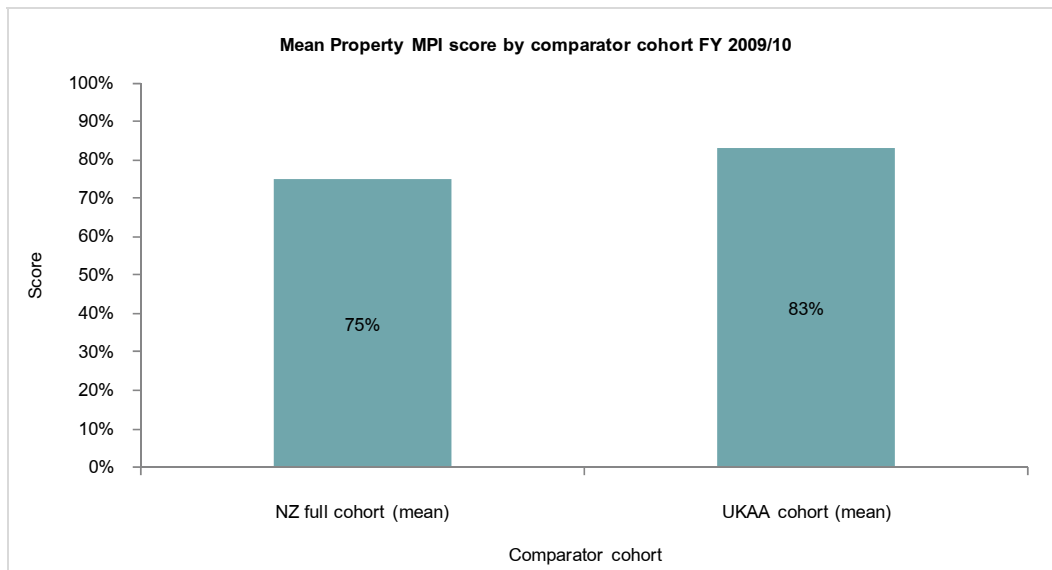


Highlights of effectiveness findings

Property Management practice as measured by a management practice indicator (MPI) score⁴⁴ is close to the international comparator group. The mean Property MPI score for FY 2009/10 is 75 percent, which is close to the UK Audit Agencies (UKAA) mean of 83 percent as depicted in figure 62 below.

⁴⁴ The property Management Practice Indicator (MPI) is adopted from the UK Audit Agencies A&S service performance measurement methodology. In that methodology, the MPI score assesses “the extent to which ...[a] function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernised and mature function”. See National Audit Office, Value for Money in public sector corporate services: A joint project by the UK Public Sector Audit Agencies, London, 2007, p. 30, available at <http://www.public-audit-forum.gov.uk/performanceindicators.pdf> (accessed 15 March 2011). This explanation of the MPI score assessment is repeated in the National Audit Office document for HR (p. 14), Finance (p. 19), ICT (p. 24), and Procurement (p. 27).

Figure 62 | Mean Property MPI score by comparator cohort FY 2009/10



A closer look at the most common missing elements of Property management practice indicates a need for more robust performance measurement and greater levels of collaboration with other agencies.

- Eighty-seven percent of agencies reported not having Property Management functions that manage the value for money of assets by challenging, managing, benchmarking and monitoring targets for improvement or that use asset management performance indicators to track performance. This finding suggests that property performance across government has likely been hampered by a lack of management information to support decision making.
- Forty-five percent of agencies reported not having Property Management functions that work with other organisations to identify opportunities to share assets or to manage and own assets differently to derive better value for money and wider community benefits. This finding is evidence of the need for a brokerage service to match agencies seeking space with those who have surplus space, investigate shared contracting of property related supplies and facilities management, and support co-location of agencies, including identifying common barriers to co-location and developing solutions.

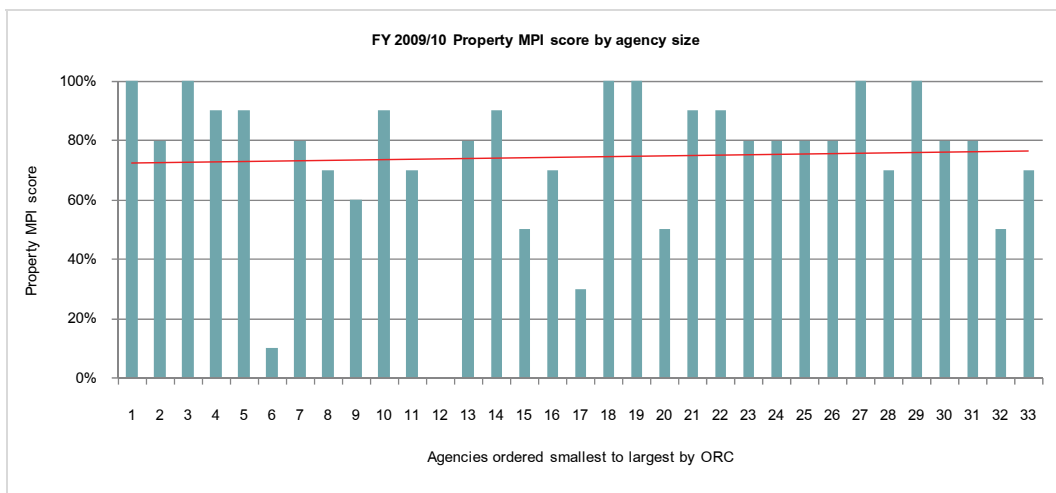
Overall, reported management practice has improved between FY 2008/09 and FY 2009/10. In the 11 agencies who reported for two fiscal years, the mean Property MPI has improved from 79 percent to 82 percent, with four agencies improving, six staying the same, and one having a decreased score.

Figure 63 | Changes in reported Property MPIs between FY 2008/09 and FY 2009/10



High variability in management practice and instances of strong practice indicate opportunities to leverage knowledge across agencies. As shown in figure 64 below, there is a high variability in management practice, with MPI scores ranging from 0 percent to 100 percent. Large agencies are not more likely to have higher Property MPI scores, with several small and medium-sized agencies outperforming large agencies. These findings show opportunities for improvement in Property management practice and knowledge-sharing across many agencies, regardless of size.

Figure 64 | FY 2009/10 Property MPI score by agency size



Quality of management information

The quality of the data underlying the metrics is generally of a high standard, and information can be meaningfully compared. Office space performance can be understood using a small number of recognised metrics that can be calculated with accurate data. The three primary metrics are property cost per FTE, cost per m², and m² per FTE. The data required to calculate these metrics can be readily obtained from tenancy agreements and basic HR reports.

Report findings are consistent with previous studies of how office space is used across government, and the way forward is in line with international leading practice. Another property study⁴⁵, had similar findings re office use efficiency, and both measurement methods and the role and responsibilities of the Property Management centre of expertise are consistent with international leading practice and lessons learnt in other jurisdictions, most notably in the UK central government.

Management information quality will improve over time. This report provides a limited snapshot of office Property Management, and there are opportunities to improve the quality of management information.

- For the purposes of this report, Property is defined as “head-office accommodation” where the purpose of property is to accommodate head office or administrative staff. This definition excludes buildings where there is a substantial interface with the public, which means that office space on regional and service delivery properties are excluded from this report.
- The 33 participating agencies are generally larger departments and Crown agents with >250 FTEs, so property information for 13 departments and 22 Crown Agents is not included in these findings. Some of the 13 small agencies not included in this benchmarking exercise may exceed the small agency median property cost of \$11,800 per FTE, though large variations in agency results make small agency costs hard to predict.

While results are broadly comparable, results need to be understood within the context of each organisation. Different agencies have different property needs. For example, Wellington-based office operations, especially where there is a case for a CBD location, will be more costly than operations dispersed in less expensive locations around the country.

⁴⁵ Report on Public Service Accommodation in the Wellington CBD (2008).

Corporate & Executive Services

Commentary

Given the amount of spending on this function, we should improve our understanding of performance and opportunities. The 33 agencies participating in this benchmarking exercise spend \$201 million each year on the Corporate and Executive Services (CES) function, which is roughly equal to annual expenditure on office accommodation. Building our understanding of the cost and quality 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. Large agencies are significantly more efficient in delivering CES than small ones, showing the impact of fixed costs on small agencies and suggesting that costs can be reduced by leveraging scale across agencies.

Work is already underway to strengthen CES efficiency and effectiveness. Recent activity in the three largest service groups in this function—communications, legal services, and information management⁴⁶—is described below:

- **Communications:** In 2009, the Communication Function Review found opportunities to share knowledge and leading practice across agencies and to aggregate procurement for communications services. At the time of this benchmarking report, the majority of the recommendations in the Review were complete, including gaining access to the UK's Government Communications Network resources and developing competency frameworks for implementation across the State sector.
- **Legal Services:** In 2009, the Government Legal Services Review found opportunities to increase the efficiency and effectiveness of government legal services through greater cooperation and collaboration. A Government Legal Services Governance Group, including the Solicitor-General as chair and the Chief Parliamentary Counsel, has been set up to oversee development of an ongoing programme of work.

⁴⁶ Information management includes library, document management, archive, and research services

- Also, the Ministry of Economic Development is researching opportunities in the area of External Legal Services expenditure under the umbrella of the Government Procurement Reform Programme. Currently, agencies act independently to purchase external legal services from private sector suppliers. The External Legal Services Project aims to improve the value for money delivered in external legal services by aggregating demand, including, if appropriate, negotiating one or more all-of-government contracts. The project also aims to improve the procurement capability of the purchasers of external legal services to assist them better manage expenditure so as to reduce costs.
- **Information Management:** Annual reviews of recordkeeping done by Archives New Zealand have found opportunities to standardise information systems and adopt common technical standards for information management. Two special programmes are currently underway. In 2009, the Government launched the Digital Continuity Action Plan, which articulates the key high-level public sector digital continuity issues and details tactical approaches for managing them, including development of a shared government digital archive service. A programme is also underway to help public offices to introduce more cost-effective approaches to manage or dispose of records in their custody that are over 25 years old.

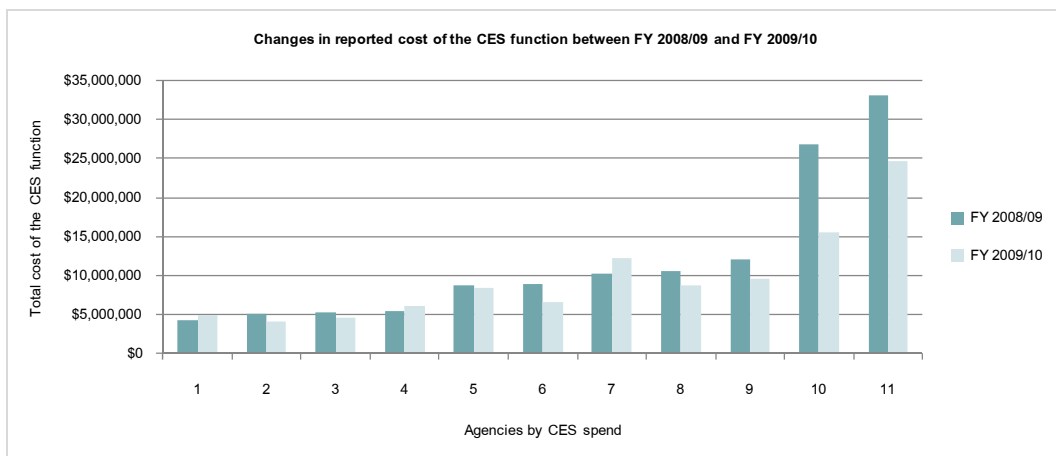
Result highlights

Highlights of cost findings

Agencies spent \$201 million on CES in FY 2009/10, or 1 percent of organisational running costs (ORC). CES is the third largest administrative and support (A&S) service function in terms of expenditure, making up 11 percent of \$1.849 billion in A&S service spending for FY 2009/10. Like the other A&S service functions, it is significantly less costly than ICT—the largest expenditure area at \$1.051 billion. CES spending is only slightly less than the \$205 million spent on property that year, and considerably more than the \$174 million spent on Human Resources (HR) or the \$152 million spent on Finance.

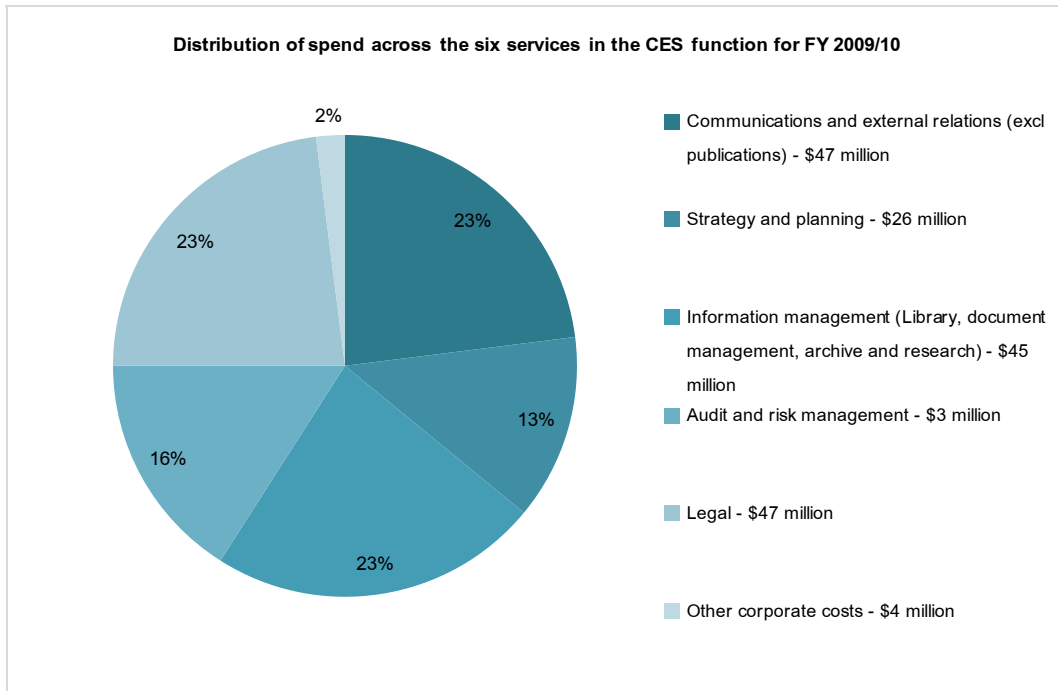
The subset of agencies that measured for both FY 2008/09 and FY 2009/10 reported a \$23 million reduction in CES expenditure between the two reporting periods. As shown in figure 65 below, eight agencies had decreased costs and three had increased costs, resulting in a net CES spend decrease of \$23 million.

Figure 65 | Changes in reported cost of CES between FY 2008/09 and FY 2009/10



Communications, information management and legal services make up the bulk of expenditure in CES. Together, these three service types represent 70 percent of spending in this function, each costing \$45 million to \$47 million annually across the 33 participating agencies and costing a total of \$138 million each year as depicted in figure 66 below.

Figure 66 | Distribution of spend across the six services in the CES function for FY 2009/10



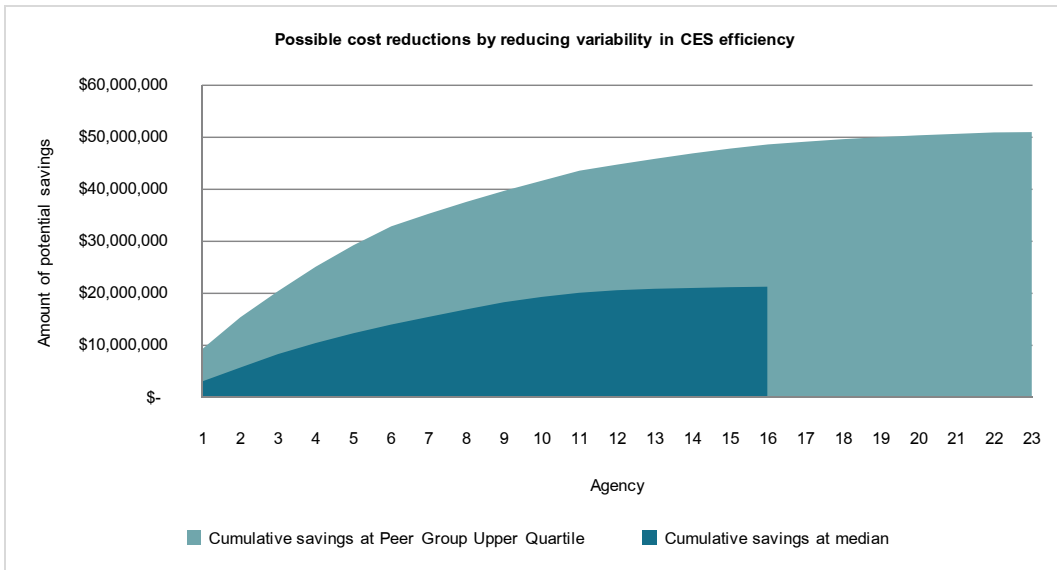
Highlights of efficiency findings

Findings show opportunities to spend \$21 million to \$51 million less each year by reducing the variability in CES efficiency across agencies in the NZ cohort. Figure 67 below shows possible efficiency gains by reducing variability in CES efficiency. Agencies would spend \$21 million less each year if all agencies above the NZ cohort median of 2.31 percent of ORC reduced spending to that level. They would spend \$51 million less each year if they set a more ambitious target of meeting upper quartile performance for their NZ cohort, which is 4.48 percent for smaller agencies, 1.57 percent for medium-sized agencies, and 0.6 percent for larger agencies.

Agencies should set targets appropriate to their operational context, and these scenarios are for illustrative purposes only and may not feature appropriate targets for each agency.

Figure 67 below shows the possible cost reductions for each of the efficiency improvement scenarios along with the number of agencies required to achieve the savings in each scenario. Sixteen agencies are required to reach NZ cohort median performance for \$21million in savings, and 23 agencies are required to meet upper quartile performance for their NZ cohort for \$51 million in savings.

Figure 67 | Possible cost reductions by reducing variability in CES efficiency

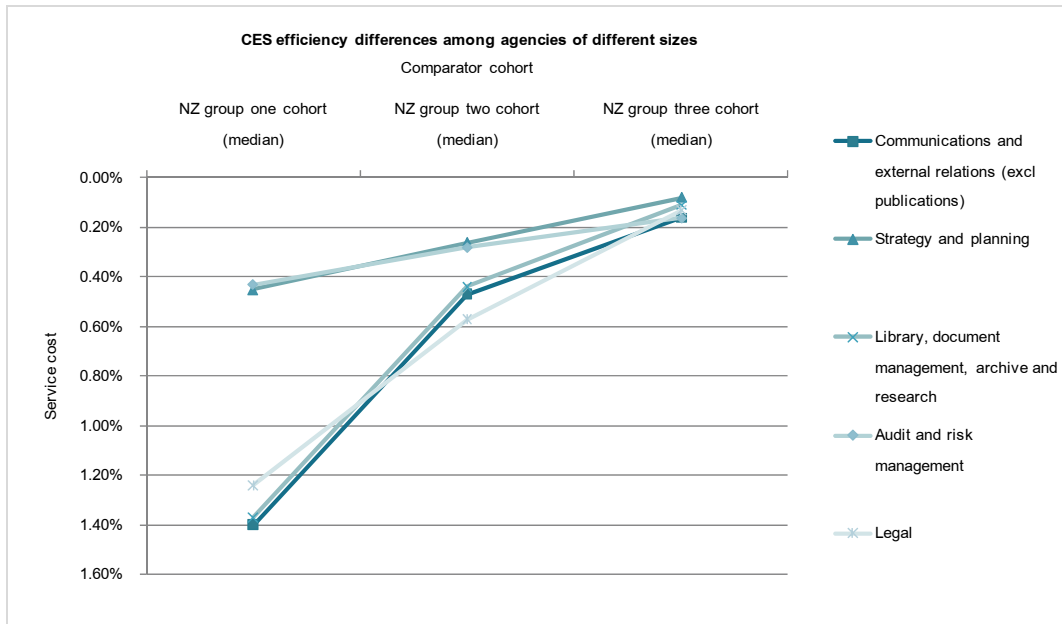


Large agencies deliver services more efficiently than small ones. Total CES costs as a percentage of ORC for small agencies are seven times higher than for large agencies. The cost of the three largest service areas is eight to twelve times higher as a percentage of ORC. Specifically:

- communications costs for small agencies are eight times higher than for large agencies
- legal costs are nine times higher
- information management costs are 12 times higher.

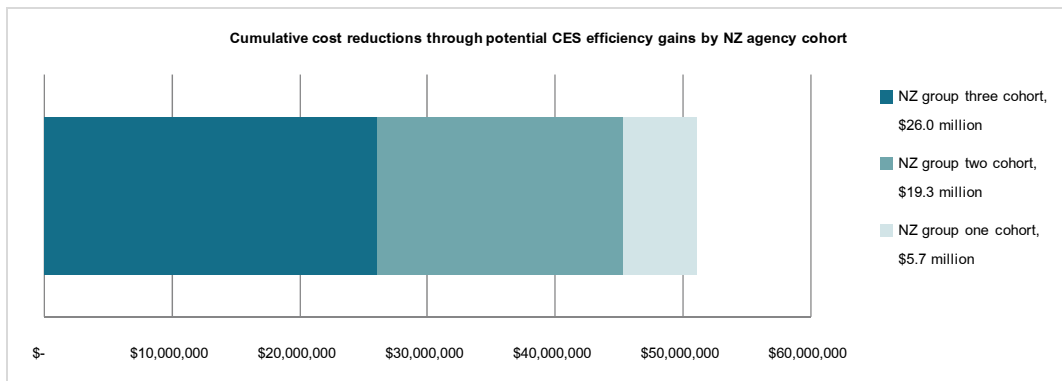
As figure 68 below shows, this trend is consistent across all the service areas in the CES function, showing that fixed costs have a greater impact on small organisations and suggesting opportunities to reduce costs by sharing knowledge and scale across agencies.

Figure 68 | CES efficiency differences among agencies of different sizes



The bulk of opportunities to realise savings through efficiency gains are in the medium-sized and larger agencies not performing at their NZ cohort upper quartile for efficiency. Although the smallest agencies are the least efficient overall, they are not the major source of savings because they make up only about 13 percent (\$27 million) of CES spending. As shown in figure 69 below, \$26 million, or 51 percent, of the \$51 million in potential cost reductions would be realised from large agencies moving to their cohort upper quartile. Conversely, only \$5.7 million, or 12 percent, would be realised from small agencies moving to their NZ cohort upper quartile.

Figure 69 | Cumulative cost reductions through potential CES efficiency gains by NZ agency cohort

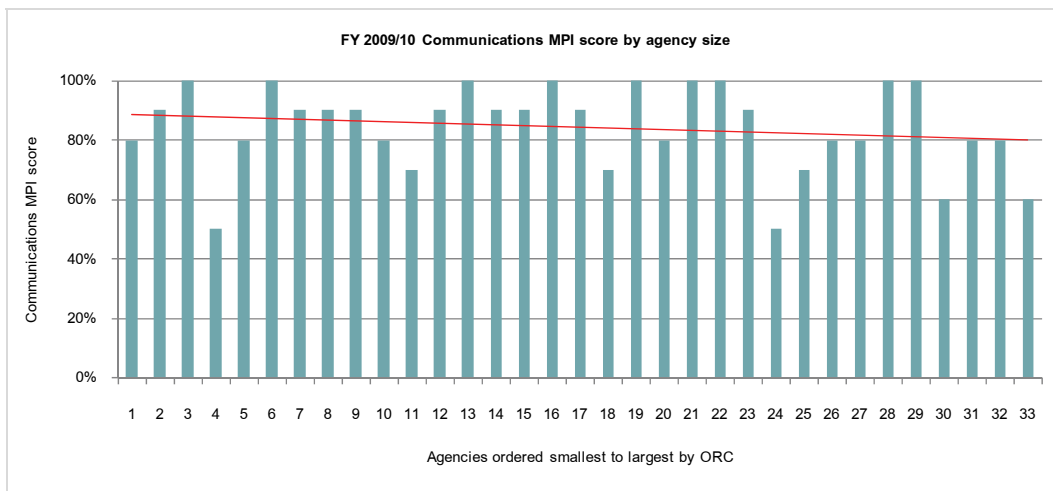


There was an improvement in efficiency for the subset of agencies that measured for both FY 2008/09 and FY 2009/10. The median cost of the CES function as a percentage of running costs improved from 1.86% of ORC to 1.34% of ORC for the 11 agencies that measured in both periods.

Highlights of effectiveness findings

A mean Communications management practice indicator (MPI) score of 84 percent shows strong overall practice management. As depicted in figure 70 below, agency MPI scores are high overall with limited variability compared to other A&S functions. This figure also shows no strong correlation between agency size and MPI scores, with many smaller-sized and medium-sized agencies having stronger MPI scores than larger-sized agencies. This finding is consistent with the conclusions of the 2009 Communication Function Review, which found opportunities to share good practices across agencies of all sizes.⁴⁷

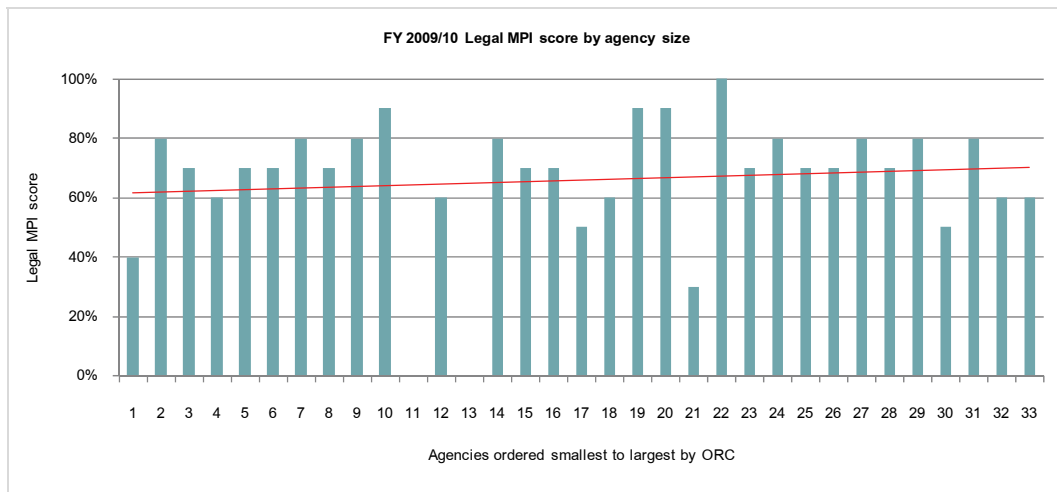
Figure 70 | FY 2009/10 Communications MPI score by agency size



High variability in the Legal MPI score shows opportunities for improved legal management practice across agencies of all sizes. The mean Legal MPI is 66 percent, with high variability in scores across agencies and no strong correlation between agency size and MPI as shown in figure 71 below:

⁴⁷ Communications Function Review 2009, Annex—Communications Function Review 2009 Recommendations

Figure 71 | FY 2009/10 Legal MPI score by agency size



A closer examination of the Legal MPI scores shows limited management information about the cost of the Legal function in agencies. The two least adhered to legal service management practices both support understanding the cost of the legal function.⁴⁸

- Eighty-two percent of agencies reported not having costs for their internal legal services and have not developed charge-out rates for their internal lawyers.
- Seventy-three percent of agencies reported not having a time recording system for legal staff to record their time against legal matters.

Quality of management information

There are concerns with the quality of management information 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.

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' legal 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 for every agency.

Note also that costs associated with functions performed by the Office of the Chief Executive, administration and mailroom costs are outside of the five A&S functions, and dedicated research and evaluation teams are excluded.

⁴⁸ The full descriptions of the management practice indicator statements can be found in Appendix 4.

The quality of management information will improve over time. Ongoing discussion with practitioners on how to improve the quality of management information is essential to making annual CES benchmarking relevant and useful to the management of their functions. A unique challenge for this A&S function is the lack of a clearly defined taxonomy for the CES functions—either in New Zealand or internationally. Therefore, compared to the other A&S service functions, CES has a bigger opportunity to improve the quality of its information by fine-tuning and expanding the metric set and developing relationships with other jurisdictions to build internationally comparable data.

Work to date is based on American Productivity & Quality Center (APQC) methods⁴⁹ and the UK Audit Agencies' (UKAA) performance measurement methodologies for communications and legal services.⁵⁰ Data collection activities were aligned with international practice to support the development of an internationally comparable data set.

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 functions and cost drivers. For example, the provision of a Judicial Library service is a necessary CES cost specific to only one agency. Therefore, agencies should use the benchmarking results as a guide to relative performance, and conclusions regarding efficiency and effectiveness should be made in light of each agency's operational context.

⁴⁹ Further detail on APQC can be found in Appendix 3: Dataset descriptions

⁵⁰ More information on the UK Audit Agency methodology can be found at <http://www.public-audit-forum.gov.uk/publicat.htm>

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Appendix 2: Glossary of terms and abbreviations

This appendix describes the terms and abbreviations used in this report.

Table 1 | Glossary of terms

Terms	Definition
A&S services	See administrative and support services
Administrative and support services	Services that support the work of Government agencies without directly being part of the service offered to the public end-user. These include the following functions: Human Resources, Finance, Procurement, Information and Communications Technology, Property and Corporate and Executive Services.
Benchmark	A standard or set of standards, or another point of reference, used as a basis for evaluating performance or level of quality. The activity of benchmarking is comparing things to such a standard or point of reference. The point of reference for a benchmarking activity is often the current status or best practice.
Centre of expertise	An organisational unit that provides critical insights, specialised functional expertise and decision support services to business management, characterised by: <ul style="list-style-type: none"> ▪ its highly skilled resources, focused on expertise and analytical activities rather than transactional, operational or delivery activities ▪ a role of business partner for multiple decision bodies within the businesses ▪ a value and reward structure based on business impact and value provided ▪ its provision of a centralised or bundled resource that avoids fragmentation of skills and capabilities ▪ its focus on supporting the functional perspective of the performance of the business ▪ its functional experts that can drive standards and integration across business units—sharing knowledge, improving information sharing and reducing the need to 're-invent the wheel'.
Departmental Internal Control Evaluation	Reports commissioned by the Treasury and conducted by Audit New Zealand or audit providers contracted by them.
DICE	See Departmental Internal Control Evaluation

Terms	Definition
Economies of scale	Refers to lower unit costs for delivering the same single product or service
Economies of scope	Refers to lower unit costs for delivering multiple products or services
Efficiency	The ratio of output to input; the use of resources in a manner that minimises cost, effort and time.
Effectiveness	The extent to which activities achieve intended or targeted results.
FTE	See full time equivalent
Full time equivalent	Full time equivalent staff (FTEs) are employees weighted by the proportion of a full-time position that they fill. A staff member that works four days a week in a pro-rated full time role would be considered to be one employee but 0.8 (4/5) of an FTE.
Leading Practice	Superior performance within a function (independent of industry, leadership, management, or operational methods or approaches) that leads to exceptional performance.
Management Practice Indicator	Management Practice Indicators (MPI) are adopted from the UK Audit Agencies A&S service performance measurement methodology. Within that methodology, the MPI score assesses “the extent to which...[a] function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernised and mature function.” ⁵¹
MPI	See management practice indicator
Optimisation	The adjustment of a process within certain constraints in order to improve some specified set of parameters. The most common goals are minimising cost and maximising efficiency and effectiveness.
ORC	See organisational running costs

⁵¹ <http://www.public-audit-forum.gov.uk/performanceindicators.pdf> (accessed 10 March 2011)

Terms	Definition
Organisational running costs	<p>The revenue of the organisation minus revenue that is passed on to another organisation or individual who then makes the decision on how it is spent. Organisational running costs exclude:</p> <ul style="list-style-type: none"> ▪ transfer payments, including benefit payments and other unrequited expenses ▪ grants made to other organisations, such as community groups ▪ subsidies paid to third parties ▪ funding passed on to other Crown organisations to undertake their own operations ▪ capital expenditure should be excluded and depreciation funding should be included. The Capital Charge should be excluded. <p>Where a third party is contracted by the organisation to provide a service, that cost is not included in the organisational running cost for the organisation.</p>
P2P	See procure-to-pay
NZ cohort	<p>To support comparison among agencies with operational similarities, agencies have been grouped into smaller cohorts of the NZ full cohort using the following criteria:</p> <ul style="list-style-type: none"> ▪ Size of operating budget ▪ Number of organisational FTEs ▪ Agency type by primary function ▪ Distribution of people/service.
PIF	See performance improvement framework
Procure-to-pay	The end-to-end procurement process from requisition through to invoice payment.
Shared Services	Consolidation of A&S functions from several agencies into a single, standalone organisation that has A&S service delivery as its core business.
State sector	<p>The State sector is broader than the State Services. It includes:</p> <ul style="list-style-type: none"> ▪ all the State Services ▪ some departments that are not part of the State Services ▪ tertiary education institutions ▪ Offices of Parliament ▪ State-Owned Enterprises.

Terms	Definition
State services	<p>The term for a broad range of organisations that serve as instruments of the Crown in respect of the Government of New Zealand. It consists of:</p> <ul style="list-style-type: none"> ▪ all Public Service departments ▪ other departments that are not part of the Public Service ▪ all Crown entities (except tertiary education institutions) ▪ a variety of organisations included in the Government's annual financial statements by virtue of being listed on the Fourth Schedule to the Public Finance Act ▪ the Reserve Bank of New Zealand.
Strategic processes	<p>Processes that deal with issues that are complex, high-level and that tend to be unique to agencies, such as budgeting and strategic planning. They are distinguished from transactional process.</p>
Taxonomy	<p>In this context a taxonomy is a set of agreed terms and definitions that assist ensuring consistency of information. For example, the HR taxonomy lists all the processes that fit within the HR function.</p>
Transactional processes	<p>Transactional processes are often common across all agencies. They tend to be well-defined, repeatable processes, and common to several agencies.</p>
Transformation	<p>In this context, transformation is change in order to align people, process and technology aspects of an organisation more closely with its business strategy and vision. Transformation aims to support new business strategies, meet long term objectives, and lift organisational performance.</p>

Table 2 | Abbreviations used in this report

Abbreviation	Description
A&S	Administrative and Support (services)
ACC	Accident Compensation Corporation
ACE	Autonomous Crown Entity
APQC	American Productivity & Quality Center
BASS	Better Administrative and Support Services (programme)
CA	Crown Agent
CE	Chief Executive
CES	Corporate & Executive Services
CFO	Chief Financial Officer
CIO	Chief Information Officer

Abbreviation	Description
CM-DHB	Counties Manukau District Health Board
CoE	Centre of Expertise
Corrections	Department of Corrections
Customs	New Zealand Customs Service
DBH	Department of Building and Housing
DHB	District Health Board
DIA	Department of Internal Affairs
DoC	Department of Conservation
DoL	Department of Labour
GBR	Chief Executive Group for Government Business Reform
HNZC	Housing New Zealand Corporation
HR	Human Resources
ICE	Independent Crown Entity
ICT	Information and Communication Technology
IR	Inland Revenue
LINZ	Land Information New Zealand
MAF	Ministry of Agriculture and Forestry
MCH	Ministry for Culture & Heritage
MED	Ministry of Economic Development
MFAT	Ministry of Foreign Affairs
MFish	Ministry of Fisheries
MoE	Ministry of Education
MFE	Ministry for the Environment
MoH	Ministry of Health
MoJ	Ministry of Justice
MoT	Ministry of Transport
MSD	Ministry of Social Development
NM-DHB	Nelson-Marlborough District Health Board
NSPD	Non-Public Service Department

Abbreviation	Description
NZ Fire	New Zealand Fire Service
NZ Police	New Zealand Police
NZDF	New Zealand Defence Force
NZFSA	New Zealand Food Safety Authority
NZQA	New Zealand Qualifications Authority
NZTA	New Zealand Transport Authority
NZTE	New Zealand Trade and Enterprise
ORC	Organisational Running Costs
P2P	Procure-to-pay
PSD	Public Service Department
RFI	Request for Information
SDP	Service Delivery Provider
SOE	State Owned Enterprise
SSC	State Services Commission
SSO	Shared Services Organisation
Stats	Statistics New Zealand
TEC	Tertiary Education Commission
Tourism	New Zealand Tourism Board
TPK	Te Puni Kokiri (Ministry of Maori Development)
Treasury	The Treasury
UKAA	UK Audit Agencies
W-DHB	Whanganui District Health Board

Appendix 3: Dataset descriptions

This appendix describes the datasets used in the analysis provided in this report, which includes data from NZ agencies and comparator data from organisations around the world. Note that not all comparator datasets have results for the same metrics used by NZ agencies.

The report makes reference to six datasets, some of which are narrowed into one or more smaller datasets to facilitate comparison as described below:

- **New Zealand full cohort (NZ full cohort):** a database of results for all measured agencies in New Zealand
- **New Zealand cohorts one, two, and three:** three subsets of the NZ full cohort contain agencies grouped based on their operational similarities
- **UK Audit Agencies (UKAA):** a database of results for agencies from across the UK (England, Wales, Scotland, Northern Ireland) benchmarked on a voluntary and anonymous basis
- **UK operational efficiency programme (UKOEP) cohort:**⁵² a database of results for all UK central government agencies with greater than 250 FTEs
- **American Productivity & Quality Center full cohort (APQC full cohort):** a database of results for public and private sector organisations from around the world
- **APQC similar industries:** a subset of the APQC full cohort with results from organisations suitable for comparison with public sector organisations
- **The Hackett Group (Hackett) full cohort:** a database of public and private sector organisations from around the world
- **Hackett peer group:** a subset of the Hackett database with results from organisations suitable for comparison with public sector organisations
- **Office of Government Commerce (OGC) Property Database:** a database of property management results for UK central agencies.

Below is a more detailed description of each of dataset.

New Zealand full cohort (NZ full cohort)

The NZ cohort comprises all agencies measured in a specific reporting period. For FY 2008/09, the NZ full cohort is made up of 14 Public Service Departments, Non-Public Service Departments and Crown Agents as listed in Appendix Six. For FY 2009/10, the NZ full cohort is made up of 33 Public Service Departments, Non-Public Service Departments and Crown Agents as listed in Appendix Eight.

⁵² Used in FY 2008/09 only

Eleven agencies are included in the NZ full cohort for both reporting periods:

- Department of Internal Affairs
- Housing Corporation New Zealand
- Inland Revenue
- Ministry of Agriculture and Forestry
- Ministry of Education
- Ministry of Social Development
- New Zealand Fire Service
- New Zealand Police
- New Zealand Defence Force
- New Zealand Transport Authority
- The Treasury

NZ cohorts one, two and three

To support comparison among agencies with the greatest operational similarities, the NZ full cohort for FY 2009/10 is divided into three subsets, or cohorts, using the following criteria:

- Size of operating budget
- Number of organisational FTEs
- Agency type by primary function
- Distribution of people/service.

Agencies with common features for at least three of the four criteria are grouped into three cohorts as outlined in the table below.

Table 3 | Description of NZ cohorts

NZ cohort number	Agencies in the cohort	Profile (agencies will have at least three profile features)
NZ group one cohort (mean of 287 employees)	<ul style="list-style-type: none"> ■ Department of Building and Housing ■ Ministry for Culture & Heritage ■ Ministry for the Environment ■ Ministry of Fisheries ■ Ministry of Transport ■ New Zealand Qualifications Authority ■ State Services Commission ■ Tertiary Education Commission ■ Te Puni Kokiri ■ The Treasury 	<ul style="list-style-type: none"> ■ Less than \$100m budget ■ Fewer than 500 FTE positions ■ Have a policy, regulatory or compliance focus ■ Have centralised services

NZ cohort number	Agencies in the cohort	Profile (agencies will have at least three profile features)
NZ group two cohort (mean of 1,200 employees)	<ul style="list-style-type: none"> ▪ Department of Internal Affairs ▪ Department of Conservation ▪ Department of Labour ▪ Land Information New Zealand ▪ Ministry of Agriculture and Forestry ▪ Ministry of Economic Development ▪ Ministry of Foreign Affairs and Trade ▪ Ministry of Health ▪ New Zealand Customs Service ▪ New Zealand Transport Authority ▪ New Zealand Tourism Board ▪ New Zealand Trade and Enterprise ▪ Statistics New Zealand 	<ul style="list-style-type: none"> ▪ \$100-\$500m budget ▪ 500-2500 FTEs ▪ Mainly have an operational or service delivery focus ▪ Mainly have centralised or centre-hub led services
NZ group three cohort (mean of 6,845 employees)	<ul style="list-style-type: none"> ▪ Accident Compensation Corporation ▪ Department of Corrections ▪ Housing Corporation New Zealand ▪ Inland Revenue ▪ Ministry of Education ▪ Ministry of Justice ▪ Ministry of Social Development ▪ New Zealand Fire Service ▪ New Zealand Police ▪ New Zealand Defence Force 	<ul style="list-style-type: none"> ▪ More than \$500m budget ▪ More than 2500 FTEs ▪ Have an operational or service delivery focus ▪ Have distributed services

UK Audit Agencies (UKAA cohort)

The UK Audit Agencies (UKAA) comprise the five UK public sector organisations of Audit Scotland; the National Audit Office (England); Northern Ireland Audit Office; Wales Audit Office; and the Audit Commission. UKAA has designed and implemented a set value for money indicators for Finance, HR, ICT, Property, Procurement, Communications, and Legal services in a joint initiative. The details of their methodology can be found at www.public-audit-forum.gov.uk/performanceindicators.pdf.

The UKAA cohort database includes results from over 200 UK public sector organisations, and this data has been collected on a voluntary and anonymous basis. At the time this document was written, the communication and legal services indicators were relatively new additions to the indicator set, so comparator data for these services was not available.

As the management practice indicators (MPIs) described in Appendix Four are unique to the UKAA methodology, the UKAA cohort is the only comparator dataset for this set of metrics. NZ agencies measured seven MPIs in FY 2009/10: Finance, Human Resources, Procurement, Property, ICT, Communications, and Legal Services.

UK Operational Efficiency Programme (UK OEP cohort)

The final report of the Operational Efficiency Programme (OEP) review, published in 2009, recommended that all UK central government organisations employing more than 250 FTEs collect and publish data using the UK Audit Agencies' approved value for money indicators (as discussed above) for A&S services.

The UK OEP dataset used in this report was for the FY 2008/09 reporting period and was published in 2009. It includes results for 13 indicators in 153 organisations, and these results are available online at www.hmg.gov.uk/media/52718/benchmarkingthebackoffice.pdf.

A more recent UK OEP dataset was not available at the time this document was written, but UK OEP FY 2009/10 results are available online at <http://www.cabinetoffice.gov.uk/resource-library/back-office-benchmark-information-200910>.

American Productivity & Quality Center (APQC) Full Cohort

The American Productivity and Quality Centre (APQC) is a not-for-profit organisation founded in 1977. The APQC database (the Open Standards Benchmarking Collaborative database) is one of the largest in the world with data from more than 7,000 public and private sector organisations.

APQC similar cohort

A subset of the APQC full cohort database that includes Government and military agencies, banks, utilities, not-for-profits, and research organisations deemed suitable for comparison with NZ State sector agencies.

The Hackett Group (Hackett) Full Cohort

The Hackett Group benchmarking and best practices database is built on more than 5,000 benchmarking engagements with 2,700 major corporations and government agencies, including 97 percent of the Dow Jones Industrials, 73 percent of the Fortune 100, 73 percent of the DAX 30 and 50 percent of the FTSE 100.⁵³

Hackett Peer Group

A subset of the Hackett Group full cohort database that includes Government and military agencies, banks, utilities, not-for-profits, and research organisations deemed suitable for comparison with NZ State sector agencies.

Office of Government Commerce (OGC) Property data

The OGC produces an annual report to Parliament on the efficiency and effectiveness of the UK Government's central civil estate, including data regarding property used in this report for comparison purposes.

⁵³ www.thehackettgroup.com (accessed 22 March 2011).

Appendix 4: Metric definitions

This appendix provides a description of the metrics used for the FY 2008/09 and 2009/10 measurement exercises.

FY 2008/09 metric definitions

This section describes the metrics that were measured for financial year 2008/09. The metrics were agreed by the BASS Programme Steering Committee, an advisory group of functional specialists, and the agencies that were measured for FY 2008/09. Metric descriptions for each function are largely based on the UK Audit Agencies experience in this measurement. This is published information and available through the Public Audit Forum at <http://www.public-audit-forum.gov.uk/publicat.htm>.

Table 4 | FY 2008/09 Human Resources metric definitions

Ref	Metric name	Metric description
HR1 (a)	Total cost of the HR function as a percentage of organisational running costs	The total cost of providing HR services divided by the organisational running costs.
HR1 (b)	Total cost of the HR function per full time equivalent (FTE)	The total cost of providing HR services divided by the total number of employees serviced by the HR function.
HR2	Ratio of employees to HR FTEs	The average number of organisational employees serviced by each fulltime equivalent in the HR function.
HR3	Average learning and development spend per FTE per year	The total budget allocated to training for the 12-month period divided by the number of organisational FTE's.
HR4	Average working days per FTE per year lost through sickness absence	The total number of sick days in the year divided by the total FTEs.
HR5	Percentage of staff/new hire retention after 12 months by: <ul style="list-style-type: none"> - middle management - operational staff 	The number of staff that remain in the organisation one year after being hired.
HR6	Human Resources management practice indicator	The number of selected leading HR management practices undertaken by the function.

Table 5 | FY 2008/09 Finance metric definitions

Ref	Metric name	Metric description
FIN1	Total cost of the Finance function as a percentage of organisational running costs	The total cost of the finance function divided by the organisational running costs.
FIN2	Cycle time in working days from period-end to closure of reports in the financial systems	The working days from period end closure to distribution of routine financial reports to all budget managers, boards and committees.
FIN3	Total cost of the process group "payroll process" per payroll FTE	The total cost of the finance function allocated to the payroll process.
FIN4	Cost of accounts payable per accounts payable invoice processed	The total cost of the process 'accounts payable' divided by the total number of invoices processed annually.
FIN5	Planning and management accounting FTEs per \$10 million of organisational running costs	The number of Finance FTE's dedicated to the planning and management accounting process.
FIN6	Finance management practice indicator	The number of selected leading Finance management practices undertaken by the function.

Table 6 | FY 2008/09 ICT metric definitions

Ref	Metric name	Metric description
ICT1	Cost of the ICT function as a percentage of organisational running costs	The total cost of ICT services divided by the organisational running costs.
ICT2	Organisational ICT spend (investment in ICT infrastructure and hardware across the organisation) per end user	The total cost of ICT services divided by the number of end users. End user is defined as a person who directly interacts with the system. This includes all public service customers of the function but not members of the public who interface with ICT systems.
ICT3	Unavailability of ICT services to users	This metric assesses the reliability of the key ICT applications by measuring how often they are unavailable to users.
ICT4	Number of contractors vs. permanents in the ICT function	The number of contractors divided by the total number of ICT establishment positions.
ICT5	Average time in hours to resolve a service commitment disruption	The average time in hours to resolve a service commitment disruption, including the time from when the problem is detected until the service again satisfies the service level agreement. (Service commitment disruption refers to the situation where an SLA is not met).
ICT6	ICT management practice indicator	The number of selected leading ICT management practices undertaken by the function.

Table 7 | FY 2008/09 Procurement metric definitions

Ref	Metric name	Metric description
PR1 (a)	Total cost of the Procurement function as a percentage of organisational running costs	The total cost of procuring goods and services divided by the organisational running costs.
PR1 (b)	Total cost of the Procurement function as a percentage of total purchase value	The total cost of procuring goods and services divided by the total value of goods and services procured.
PR2	Actual spend committed against pre-established contract arrangements as a percentage of total purchase value	The percentage of total goods and services purchased where there is an existing arrangement in place for that type of good or service before the need to source the good or service arises.
PR3	Total purchase value (spend, in thousands of dollars), per FTE	The total amount purchased divided by the number of full-time equivalent procurement staff.
PR4	Percentage of total purchase value channelled through syndicated/collaborative procurement arrangements with other buying organisations.	The percentage of commodity goods and services purchased through syndicated or collaborative contracts.
PR5 (a)	Use of technology within procurement: percentage of total goods and services spend approved electronically within the organisation	This is measured as purchases where order, receipt and payment are completed electronically.
PR5 (b)	Use of technology within procurement: percentage of total goods and services spend managed through e-procurement	The use of e-procurement is measured as the percentage of the entity's purchase order line items is transacted using e-procurement enabled catalogue suppliers.
PR6	Procurement management practice indicator	The number of selected leading Procurement management practices undertaken by the function.

Table 8 | FY 2008/09 Corporate & Executive Services metric definitions

Ref	Metric name	Metric description
CE1	Total property costs (occupancy, operational and management) per square metre	Total office property costs (management, occupancy and operational) divided by the net leasable area.
CE2	Total accommodation (square metre) per staff full-time equivalent	The net leasable area of office buildings divided by the average number of FTE accommodated in those buildings.
CE3 (a)	Space use efficiency: Workstations per full-time equivalent staff (FTE)	The total net leasable area of office accommodation divided by the number of work stations in that accommodation.
CE3 (b)	Space use efficiency: Area (square metres) per workstation	The total net leasable area of office accommodation divided by the number of work stations in that accommodation.
CE4 (a)	Total cost of the corporate and executive services function per FTE	The total cost of combined CES functions divided by total organisational FTE's.
CE4 (b)	Total cost of the corporate and executive services function as a percentage of organisational running costs	The total cost of combined CES functions divided by organisational running costs.
CE5	Property management practice indicator	The number of selected leading Property management practices undertaken by the function.

FY 2009/10 metric definitions

This section describes the metrics that were measured for financial year 2009/10. The metrics were agreed by the BASS Programme Steering Committee, an advisory group of functional specialists, and the agencies that were measured for FY 2009/10. Metric descriptions for each function are largely based on the UK Audit Agencies experience in this measurement. This is published information and available through the Public Audit Forum at <http://www.public-audit-forum.gov.uk/publicat.htm>.

Table 9 | FY 2009/10 Human Resource metric definitions

Ref	Metric name	Metric description
HR1	Total cost of HR function per employee	The total cost of providing HR services divided by the total number of employees serviced by the HR function.
HR2	Ratio of employees per HR FTE	The average number of organisational employees serviced by each fulltime equivalent in the HR function.
HR3	Cost of HR function by HR process: HR3.1: Develop and manage HR planning, policies and strategies HR3.2 Recruitment, source and select employees HR3.3 Reward and retain employees HR3.4 Develop and counsel employees HR3.5 Manage employee information HR3.6 Redeploy and retire employees	This is a measure of the distribution of cost across the HR function.
HR4	Cost of recruitment per new recruit	The direct cost to the HR function of hiring a new recruit divided by the number of hires during the period.
HR5	Percentage of HR staff by HR process: HR5.1: Develop and manage HR planning, policies and strategies HR5.2: Recruitment, source and select employees HR5.3: Reward and retain employees HR5.4: Develop and counsel employees HR5.5: Manage employee information HR5.6: Redeploy and retire employees	This is a measure of the distribution of FTEs across the HR function.
HR6	Number of days absence per employee (excluding maternity and paternity leave)	The total number of sick days in the year divided by the total FTEs.
HR7	Percentage of new hires still in the role after 12 months	The number of new hires that remain in their role after 12 months.
HR8	Human Resources management practice indicator	The number of selected leading HR management practices undertaken by the function.

Table 10 | FY 2009/10 Finance metric definitions

Ref	Metric name	Metric description
FIN1	Total cost of the Finance function as a proportion of organisational running costs	The total cost of the finance function divided by the organisational running costs.
FIN2	Cost of Finance function by Finance process: FIN2.1: Perform planning and management accounting FIN2.2: Perform revenue accounting FIN2.3: Perform general accounting and reporting FIN2.4: Manage fixed asset project accounting FIN2.5: Process payroll FIN2.6: Manage internal controls FIN2.7: Process accounts payable and expense reimbursements	The distribution of cost across the Finance function.
FIN3	Total cost of the Finance function per organisational FTE	The total cost of the finance function divided by the total number of full-time equivalent staff in the finance function.
FIN4	Percentage of Finance staff by Finance process: FIN4.1: Perform planning and management accounting FIN4.2: Perform revenue accounting FIN4.3: Perform general accounting and reporting FIN4.4: Manage fixed asset project accounting FIN4.5: Process payroll FIN4.6: Manage internal controls FIN4.7: Process accounts payable and expense reimbursements	The distribution of Finance FTE across the Finance function.
FIN5	Finance management practice indicators	The number of selected leading Finance management practices undertaken by the function.

Table 11 | FY 2009/10 ICT metric definitions

Ref	Metric name	Metric description
ICT1	Total ICT cost as a proportion of the organisational running costs	The total cost of ICT services divided by the organisational running costs.
ICT2	Total ICT cost by ICT process: ICT2.1: Infrastructure Management ICT2.2: Infrastructure Development ICT2.3: End User Support ICT2.4: Application Maintenance ICT2.5: Application Development and implementation ICT2.6: Planning and strategy ICT2.7: Management and administration	The distribution of ICT cost across the ICT function.
ICT3	Percentage of ICT FTE by ICT process: ICT3.1: Infrastructure Management ICT3.2: Infrastructure Development ICT3.3: End User Support ICT3.4: Application Maintenance ICT3.5: Application Development and implementation ICT3.6: Planning and strategy ICT3.7: Management and administration	The distribution of ICT FTE across the ICT function.
ICT4	Percentage of ICT establishment (non-project) positions occupied by contractors	The number of contractors in the ICT establishment divided by the total number of ICT establishment positions.
ICT5	ICT Reliability	For five key ICT applications, the total time that an application was able to perform its required function.
ICT6	ICT Supportability	The average time in hours to resolve a service commitment disruption, including the time from when the problem is detected until the service again satisfies the service level agreement. (Service commitment disruption refers to the situation where an SLA is not met.)
ICT7	ICT management practice indicators	The number of selected leading ICT management practices undertaken by the function.

Table 12 | FY 2009/10 Procurement metric definitions

Ref	Metric name	Metric description
PR1	Total cost of the Procurement function as a percentage of the total purchase value.	The total cost of procuring goods and services divided by the total value of goods and services procured.
PR2	Actual spend against pre-established contract arrangements as a percentage of total purchase value	The percentage of total goods and services purchased where there is an existing arrangement in place for that type of good or service before the need to source the good or service arises.
PR3	Percentage of commodity procurement spend channelled through syndicated procurement arrangements	The percentage of commodity goods and services purchased through syndicated or collaborative contracts.
PR4	Total procurement value per procurement function FTE	The total amount purchased divided by the number of full-time equivalent procurement staff
PR5	Procurement management practice indicators	The number of selected leading Procurement management practices undertaken by the function.

Table 13 | FY 2009/10 Property metric definitions

Ref	Metric name	Metric description
PTY1	Total property office costs per square metre	Total office property costs (management, occupancy and operational) divided by the net leasable area in square metres.
PTY2	Total office accommodation per FTE	The net leasable area of office buildings divided by the average number of FTE accommodated in those buildings.
PTY3	Average square metres per workstation	The total net leasable area of office accommodation divided by the number of work stations in that accommodation.
PTY4	Property management practice indicators	The number of selected leading Property management practices undertaken by the function.

Table 14 | FY 2009/10 Corporate & Executive Services metric definitions

Ref	Metric name	Metric description
CES1	Total cost of CES as a percentage of organisational running costs	The total cost of combined CES functions divided by organisational running costs.
CES2	Total cost of CES by CES function: CES2.1: Communications and external relations CES2.2: Strategy and planning CES2.3: Library, document management, archives and research CES2.4: Audit and risk management CES2.5: Legal CES2.6: Total cost of all other identified corporate costs	The total cost of each CES function.
CES3	Total cost of CES per organisational FTE	The total cost of combined CES functions divided by the average total number of full-time equivalents in the organisation.
CES4	Legal management practice indicators	The number of selected leading Legal management practices undertaken by the function.
CES5	Communications management practice indicators	The number of selected leading Communications management practices management practices undertaken by the function.

Management practice indicator descriptions

This section describes the management practice indicators (MPI) that were measured in FY 2008/09 and FY 2009/10. MPIs are adopted from the UK Audit Agencies (UKAA) administrative and support (A&S) service performance measurement methodology. Within that methodology, the MPI score assesses “the extent to which...[a] function achieves a set of key management practices which will provide an indication of whether it is a well-run, modernised and mature function.”⁵⁴

For FY 2008/09, agencies have an MPI score for five functions; HR, Finance, ICT, Procurement and Property. For FY 2009/10, two more MPI sets were also measured for Communications and Legal Services. Each MPI has a minimum score of 0/10, or 0 percent, and a maximum score of 10/10, or 100 percent. A score of 0 percent indicates that an agency has none of the management practices featured in the MPI, and 100 percent indicates that an agency has all of the management practices featured in the MPI.

Table 15 | HR management practice indicator definition

Ref	Metric Description
1	Within the last three years the HR function has reviewed and rationalised the number of sets of Terms and Conditions in use in the organisation by at least five per cent.
2	The organisation has undertaken equality impact assessments across all key service areas within the last three years, and is implementing an action plan which targets areas of vulnerability.
3	There is employee self-service through desktop access to modify non-sensitive HR data.
4	All employees have clear and measurable outcome-based targets set at least annually.
5	All employees have had a formal, documented performance review, at least on an annual basis which can track personal / professional development.
6	The organisation carries out a survey of staff satisfaction levels at least biennially, publishes the results, has developed an action plan and monitors delivery of that plan on at least a quarterly basis.
7	The organisation explicitly requests that employees declare that they have complied with any Continuous Professional Development requirements of their professional institute (where applicable).
8	The organisation has a statement which anticipates the workforce requirements of the organisation over the medium-term (at least three years) and an action plan agreed by the Executive / Corporate Management Team which sets out how those requirements are met and is monitored on a 6 monthly or more frequent basis.
9	A comprehensive professional development programme is in place for professional HR staff which ensures that they receive at least five days of continuing professional development per annum.
10	It is possible to apply online for all vacancies for which external applications are invited.

⁵⁴ <http://www.public-audit-forum.gov.uk/performanceindicators.pdf>

Table 16 | Finance management practice indicator definition

Ref	Metric Description
1	The responsibilities of budget holders are clearly understood and embedded in performance appraisals.
2	Service levels and expectations have been set with key internal customers using a documented approach such as a Service Level Agreement (SLA), with regular service review meetings held (i.e. at least every quarter).
3	A rolling programme (i.e. a programme of continuous improvement activities that produce monthly output for reviewing and benchmarking purposes) of reviewing and benchmarking the organisation's costs is in place across major service areas (i.e. across the key components of the operation of the operation of the organisation).
4	Standardised organisation-wide integrated software is in place with centralised data processing. This should cover, as a minimum, purchase to payment of supplier and invoice to cash receipt from a customer.
5	The organisation can demonstrate that it has used at least two of the following to streamline (i.e. reduce cost, headcount and cycle time of the operation) financial processes in the last three years: <ul style="list-style-type: none"> ▪ Bar coding ▪ Invoice scanning / imaging ▪ Workflow ▪ Web technologies to build extranets with external stakeholders ▪ Intranet to build self-service capabilities for staff to check status and run reports ▪ Online travel and expense system used by claimants that is fully integrated with the accounting system.
6	A fully automated accruals system based on purchase order and goods / services received information held within a fully integrated accounting system.
7	Budget holders have online, real-time insight into the status of their budget and can run standard financial and manpower reports through their desktop PC—these reports should show as a minimum a subjective analysis of actual expenditure and budget for the current period, and on a cumulative basis for specific cost centres.
8	A needs-based budget, based on activity levels rather than historical baselines, is prepared at least every three years (a needs-based budget takes into account the underlying volume / activity and price associated with the budget heading, as opposed to building a budget that is based on a previous period's funding with adjustment for inflation etc.).
9	Customer satisfaction surveys (distributed across all finance customers as opposed to a selection of customers) are conducted at least annually with results openly published and acted upon.
10	A comprehensive professional development programme is in place for finance staff which ensures that they receive at least five days of continuing professional development per annum.

Table 17 | ICT management practice indicator definition

Ref	Metric Description
1	Formal Service Level Agreements are in place with key internal customers governing business requirements, with regular (i.e. at least quarterly) service review meetings held at agreed intervals.
2	There are formal procedures in place supporting the operation of the ICT function, based upon good practice guidance such as COBIT (Control Objectives for Information and Related Technology), ITIL (IT Infrastructure Library), ISO / IEC:2000 and / or other sector specific guidance / methods.
3	Information quality assurance and security management are managed and implemented in accordance with ISO27001 (or its equivalent).
4	User satisfaction surveys are conducted at least biannually with results openly published, supported with improvement plans where necessary.
5	A short survey is undertaken upon resolution of a sample of reported incidents and the data is collated and analysed at least monthly and used to drive service improvements.
6	The most senior officer in the organisation with a dedicated ICT role has a direct report to the Executive / Corporate Management Team of the organisation.
7	The organisation's strategic management links governance, leadership and long-term planning into the corporate strategy.
8	The organisation has assessed the ICT competence of end users within the last 12 months and put in place an appropriate training and development programme to address areas of weakness and delivery of this programme is monitored on a quarterly basis.
9	A comprehensive professional development programme is in place for ICT staff which ensures that they receive at least five days of continuing professional development (relevant accredited training) per annum, covering technical, management and business focussed training.
10	Business continuity management processes are in place to recover business and ICT services in the timescales as specified by the business. These processes are tested at least annually and are reviewed on a regular basis to confirm appropriateness.

Table 18 | Procurement management practice indicator definition

Ref	Metric Description
1	The individual with lead responsibility for procurement is a member of, or reports directly to, the organisation's Senior Management Team, and there is a Board (if relevant) member with responsibility for procurement.
2	Customer satisfaction surveys are undertaken at least annually to understand user views on the added value brought about by the professional Procurement function, with the results published internally and fed into an improvement plan which is regularly monitored.
3	Future demand for goods and services is forecast on at least an annual basis alongside analysis of new technology and commodities, and emerging market developments, both of which inform the organisation's procurement strategy and results in a prioritised work plan for the next 12 months.
4	Specific and measurable targets have been set in relation to the cashable and non-cashable benefits to be delivered by procurement, and the organisation can demonstrate that at least 85% of targets were met for the previous financial year.
5	Specifications for high value purchasing decisions are made based on a detailed understanding of the total cost of ownership (TCO)—also known as whole of life costs.
6	The organisation keeps a comprehensive and cross-referenced record of all contracts worth over \$25,000, which can be sorted (at least) by supplier and by contract end date.
7	Benchmarking data from both public and private sector sources is actively used to undertake price comparisons on key goods and services.
8	The organisation has identified and developed strategic partners for collaborative procurement and can demonstrate measurable cashable benefits over the previous 12 months from this collaboration. For large organisations, e.g. central government departments, this may be interpreted as having facilitated collaborative procurement with smaller organisations.
9	The organisation has clearly defined ethical procurement standards in place (e.g. in line with the CIPS Ethical Code demonstrating that procurement activities are demonstrably lawful and fair and should as a minimum define the organisation's position in relation to environmental sustainability, equal opportunities and corporate social responsibility within procurement), which are actively monitored across the organisation, with any breaches recorded and acted upon.
10	A rolling programme is in place to develop procurement skills and capabilities across the organisation at all levels.

Table 19 | Property Management practice indicator definition

Ref	Metric Description
1	The organisation has strategies, policies, decision-making structures and roles to manage assets as a corporate resource to meet priorities, operational and service needs and provide sustainable outcomes for local communities.
2	The organisation has comprehensive information on assets which supports its strategies and decision-making on investment and disinvestment.
3	The organisation is narrowing the gap between the current condition of the asset base and an acceptable standard of maintenance with high-levels of required maintenance being reduced.
4	Capital investment supports the delivery of corporate priorities. There is a systematic process in place for appraising competing demands for spending on assets against corporate priorities.
5	The organisation performance manages the value for money of assets by challenging, managing, benchmarking and monitoring targets for improvement. Asset management performance indicators are used to track performance.
6	The organisation undertakes property reviews that challenge whether all its assets are required, fit for purpose and provide value for money to meet current and future needs. Underperforming or surplus assets are rationalised or disposed of in ways that deliver best value.
7	The organisation is improving the performance of its assets. It is: reducing health, safety and security risks from its assets; upgrading and monitoring facilities; improving access to services; protecting architectural and historical heritage, where applicable.
8	The organisation uses and develops its assets in a way that mitigates environmental impacts, limits the consumption of natural resources and is resilient to the effects of climate change.
9	The organisation evaluates the best option for significant investment decisions in asset developments using option appraisal and whole life appraisals.
10	The organisation is working with others, for example, NGOs, local government and community groups, to identify opportunities for shared use of assets, and alternative options for the management and ownership of its assets, to derive better value for money and wider community benefits.

Table 20 | Communications management practice indicator definition

Ref	Metric Description
1	Communication strategy and activity is explicitly linked to organisational business objectives (in central government, Public Service Agreements and Departmental Strategic Objectives).
2	Communication activity, for the most part, is underpinned by a recorded communications strategy.
3	Communication strategy and annual plan are signed off by the relevant board or equivalent governance group.
4	Communication strategy, plan and activity are based on customer / audience understanding and insight where appropriate.
5	External communication activity is integrated across channels and includes an appropriate mix of marketing, media, digital and stakeholder activity.
6	Communication outputs and outcomes are evaluated through appropriate methods and the findings used to inform future activity.
7	The most senior officer in the organisation with a dedicated communication role is a member of or has a direct report to the board or equivalent management group.
8	Communicators regularly advise policy and business delivery colleagues on the development of strategy.
9	The organisation offers continuing professional development for all our communication staff and all members of staff undertook this activity over the last year.
10	The organisation has driven down the cost of acquiring procured communication products and services this year (i.e. procured services included in Indicator 1: Costs), based on a like-for-like comparison with the previous year.
Note: Communications management practice indicators were not measured in FY 2008/09.	

Table 21 | Legal management practice indicator definition

Ref	Metric Description
1	A time recording system is in place and all legal staff record their time against legal matters.
2	The most senior officer in the organisation with a dedicated legal role has a seat on the corporate management team.
3	The legal unit has costed its internal legal services and developed charge-out rates for its internal lawyers.
4	All requests for legal services are coordinated through the legal services unit.
5	The legal unit has a formal business planning process which deals with its ability to deliver programmes and services.
6	A rigorous process of market testing is adopted when purchasing external legal services involving comparative analysis of all relevant costs and benefits.
7	Our tender specification(s) accurately reflect the expected needs for legal services.
8	We do not have 'evergreen' contracts (contracts that have no expiry date or that include a 'perpetual option').
9	The legal unit undertakes periodic reviews (at least biennially) of their legal services arrangements to ensure that arrangements continue to give value for money to the organisation.
10	There are personal development plans for all legal staff linked to the business planning process and the organisation's objectives.
Note: Legal management practice indicators were not measured in FY 2008/09.	

Appendix 5: Function benchmarking results for FY 2008/09

This appendix compares the NZ full cohort for FY 2008/09 to a range of comparator datasets.

Table 22 | Human Resources function results for FY 2008/09

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants cohort (median)	UK OEP cohort (median)	Hackett similar cohort (median)
HR1 (a)	Total cost of the HR function as a percentage of organisational running costs	0.80%	0.99%	-	1.80%	1.28%
HR1 (b)	Total cost of the HR function per employee	\$1,915	\$782	\$1,644	-	\$2,626
HR2	Ratio of employees to HR staff (days)	64.98	66.05	66.67	44.00	64.65
HR3	Average learning and development spend per FTE per year	\$1,078	-	\$466	-	-
HR4	Average working days per FTE lost through sickness absence (days)	7.63	8.81	5.00	7.10	-

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants cohort (median)	UK OEP cohort (median)	Hackett similar cohort (median)
HR5	Percentage of staff/new hire retention after 12 months for:					
	- Middle management	92.92%	-	90%	-	-
	- Operational workers	83.35%	-	87%	-	-
HR6	Human resource management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	65%	67%	-	-	-
Note: MPI scores are represented as a percentage of the mean, rather than the median						

Table 23 | Finance function results for FY 2008/09

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants cohort (median)	UK OEP cohort (median)	Hackett similar cohort (median)
FIN1	Total cost of the Finance function as a percentage of organisational running costs	0.78%	1.02%	1.26%	1.50%	0.87%
FIN2	Cycle time in working days from period-end to closure of reports in the financial systems (days)	4.00	9.00	5.00	8.00	5.00
FIN3	Total cost of the process group "payroll process" per payroll FTE (in \$ thousands)	\$95,293	-	\$135,659	-	\$92,041
FIN4	Cost of accounts payable per accounts payable invoice processed	\$6.15	\$9.29	\$10.96	-	\$10.03
FIN5	Number of FTEs for the process group "perform planning and management accounting" per \$10 million of organisational running costs (FTE's)	0.20	-	0.18	-	-
FIN6	Finance management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	49%	63%	-	-	-
<p>Note: MPI scores are represented as a percentage of the mean, rather than the median</p>						

Table 24 | ICT function results for FY 2008/09

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants cohort (median)	UK OEP cohort (median)	Hackett similar cohort (median)
ICT1	Cost of the ICT function as a percentage of organisational running costs	5.29%	1.62%	4.60%	2.58%	2.84%
ICT2	Organisational ICT spend (investment in ICT infrastructure and hardware across the organisation) per end user	\$3,939	\$8,044	-	\$10,314	-
ICT3	Unavailability of ICT services to users	0.01%	-	-	-	-
ICT4	Number of contractors vs. permanents in the ICT function	0.14%	-	-	-	-
ICT5	Average time in hours to resolve highest priority problems (current year)	1.91	4.00	-	3.00	-
ICT6	Management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	60%	66%	-	-	-
Note: MPI scores are represented as a percentage of the mean, rather than the median						

Table 25 | Procurement function results for FY 2008/09

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants cohort (median)	UK OEP cohort (median)	Hackett similar cohort (median)
PR1 (a)	Total cost of the Procurement function as a percentage of organisational running costs	0.26%	0.19%	0.42%	0.57%	0.26%
PR1 (b)	Total cost of the Procurement function as a percentage of total purchase value	0.63%	0.55%	1.15%	1.19%	1.96%
PR2	Actual spend committed against pre-established contract arrangements as a percentage of non-pay spend	71.26%	63.63%	-	87.50%	-
PR3	Total purchase value (spend, in thousands of dollars), per FTE	\$109.16	-	-	\$132.18	-
PR4	Percentage of total purchase value channelled through syndicated/collaborative procurement arrangements with other buying organisations.	0.98%	18.01%	-	-	-
PR5 (a)	Percentage of total goods and services spend approved electronically within the organisation	85.50%	11.04%	100.00%	31.46%	100.00%
PR5 (b)	Percentage of total goods and services spend managed through e-procurement	3.50%	23.23%	15.00%	11.73%	20.00%
PR6	Procurement management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	47%	68%	-	-	-
Note: MPI scores are represented as a percentage of the mean, rather than the median						

Table 26 | Corporate & Executive Services function results for FY 2008/09

Ref	Metric name	NZ full cohort (median)	UKAA cohort (mean)
CES1 (a)	Total property costs (occupancy, operational and management) per square	334.73m ²	-
CES2	Total accommodation (square metre) per staff full-time equivalent	20.99m ²	-
CES3 (a)	Space used efficiently for workstations per FTE	1.20	-
CES3 (b)	Space used efficiently for area (square metres) per workstation	17.59m ²	-
CES4 (a)	Total cost of the corporate and executive services function per FTE	\$3,354	-
CES4 (b)	Total cost of the corporate and executive services function as a proportion of organisational running costs	2.3%	-
CES5	Estates management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	79%	83%
<p>Note 1: There is no comparator data for Corporate & Executive Services.</p> <p>Note 2: MPI scores are represented as a percentage of the mean, rather than the median.</p>			

Appendix 6: Summary of agency results for FY 2008/09

This appendix shows the results for the NZ full cohort that measured in FY 2008/09 across each metric.

Table 27 | Human Resources function agency results for FY 2008/09

Agency	HR1: Total cost of the HR function		HR2: Ratio of employees (FTE's) to HR staff	HR3: Average spend per year invested in learning and development	HR4: Average working days per employee (FTE) per year lost through sickness absence	HR5: Percentage of new staff hire retention after 12 months		HR6: HR MPI score
	HR1 (a): As a percentage of organisational running costs	HR1 (b): per employee				2 nd level management	Operational staff	
CM-DHB	0.56%	\$1,310	113.70	\$2,846	7.87	100%	97%	90%
DIA	1.07%	\$1,697	56.27	\$1,416	7.22	96.97%	92.53%	70%
HNZC	0.49%	\$3,887	43.72	\$1,084	7.76	71%	86%	50%
IR	1.99%	\$2,075	63.52	\$952	10.38	88%	75%	90%
MAF/NZFSA	0.82%	\$1,360	97.94	\$1,070	6.41	90.90%	89.70%	60%
MoE	0.38%	\$1,755	97.76	\$993	7.62	97.49%	80.25%	60%
MED	1.41%	\$4,372	66.45	\$1,276	5.50	78%	80%	60%
MSD	0.73%	\$1,233	112.30	\$504	11.62	89%	83%	70%
NM-DHB	0.77%	\$1,563	93.20	\$558	7.70	96%	94%	70%
NZDF	3.79%	\$5,354	21.56	\$308	1.02	93.33%	80.10%	80%

Agency	HR1: Total cost of the HR function		HR2: Ratio of employees (FTE's) to HR staff	HR3: Average spend per year invested in learning and development	HR4: Average working days per employee (FTE) per year lost through sickness absence	HR5: Percentage of new staff hire retention after 12 months		HR6: HR MPI score
	HR1 (a): As a percentage of organisational running costs	HR1 (b): per employee				2 nd level management	Operational staff	
NZ Police	1.86%	\$2,174	55.36	\$3,102	7.64	92.50%	95.83%	60%
NZTA	0.32%	\$4,488	51.04	\$1,789	5.97	94.40%	55.60%	40%
Treasury	2.40%	\$3,980	55.88	\$1,116	5.45	100%	83.70%	40%
W-DHB	0.37%	\$891	102.63	\$575	9.47	75%	80%	70%

Table 28 | Finance function agency results for FY 2008/09

Agency	FIN1: Total cost of the Finance function as a percentage of organisational running costs	FIN2: Cycle time in working days from period-end closure to distribution of routine	FIN3: Total cost of the process group "payroll process" per payroll FTE (in thousands)	FIN4: Cost of accounts payable function per accounts payable invoice processed	FIN5: Number of FTEs for the process group "perform planning and management accounting" function per \$10 million of organisational running costs	FIN6: Finance MPI score
CM-DHB	0.59%	7.0	\$92,318	\$2.28	0.16	70%
DIA	2.08%	4.5	\$115,534	\$6.55	0.58	50%
HNZC	0.71%	2.0	\$139,600	\$4.16	0.19	20%
IR	1.36%	3.0	\$111,435	\$13.65	0.30	70%
MAF/NZFSA	1.18%	3.0	\$91,098	\$8.33	0.17	20%
MoE	0.54%	2.0	\$66,816	\$4.79	0.18	60%
MED	1.09%	4.0	\$98,268	\$11.62	0.44	50%
MSD	0.87%	4.0	\$66,285	\$3.73	0.40	10%
NM-DHB	0.60%	5.0	\$89,818	\$6.13	0.21	50%
NZDF	0.85%	6.0	\$106,066	\$3.31	0.31	50%
NZ Police	0.66%	2.0	\$100,549	\$6.18	0.11	80%
NZTA	0.53%	8.0	\$137,754	\$26.57	0.05	-
Treasury	2.57%	4.0	\$90,642	\$18.02	0.56	30%
W-DHB	0.68%	5.0	\$90,462	\$5.22	0.17	40%

Table 29 | ICT function agency results for FY 2008/09

Agency	ICT1: Total cost of the ICT Function as a percentage of organisational running costs	ICT2: Organisational ICT spend (investment in ICT infrastructure and hardware across the organisation - capital) per end user		ICT3: Unavailability of ICT services to users	ICT4: Number of contractors versus permanents in the ICT function	ICT5: Average time in hours to resolve a service commitment disruption	ICT6: ICT MPI score
		As percentage of organisational running costs (expenditure)	Per user (thousands)				
CM-DHB	1.09%	0.64%	\$1,488	0.14%	0.00	2.50	10%
DIA	25.24%	10.99%	\$14,455	0.16%	0.16	1.98	70%
HNZC	3.34%	0.99%	\$6,229	0.44%	0.31	1.00	10%
IR	18.67%	6.66%	\$6,699	0.04%	0.13	2.43	20%
MAF/NZFSA	9.70%	0.65%	\$1,051	0.12%	0.25	0.93	20%
MoE	3.66%	1.27%	\$5,169	0.73%	0.16	10.60	70%
MED	12.30%	2.69%	\$6,968	0.06%	0.48	1.83	90%
MSD	8.95%	2.91%	\$4,647	0.06%	0.07	1.12	10%
NM-DHB	1.83%	0.88%	\$1,470	0.00%	0.00	0.00	80%
NZDF	2.43%	0.05%	\$70	1.07%	0.03	33.50	30%
NZ Police	7.85%	3.00%	\$3,255	0.18%	0.21	2.24	80%
NZTA	2.21%	0.58%	\$4,624	0.00%	0.06	4.00	70%
Treasury	6.93%	2.51%	\$2,783	0.07%	0.01	0.50	70%
W-DHB	2.51%	0.66%	\$1,038	0.31%	0.25	0.00	40%

Table 30 | Procurement function agency results for FY 2008/09

Agency	PR1 (a): Total cost of the Procurement function as a percentage of organisational running costs	PR1 (b): Total cost of the Procurement function as a percentage of total purchase value	PR2: Actual spend committed against pre-established contract arrangements as a percentage of total purchase value	PR3: Total purchase value (spend, in thousands of dollars) per FTE	PR4: Percentage of total purchase value channelled through syndicated/collaborative procurement arrangements with other buying organisations	PR5 (a): Percentage of total goods and services spend that is approved electronically	PR5 (b): Percentage of total goods and services spend managed through e-purchasing	PR6: Procurement MPI score
CM-DHB	0.22%	1.02%	6.77%	\$50	9.22%	100%	0%	70%
DIA	0.30%	0.56%	77.93%	\$86	0.90%	0%	5.0%	60%
HNZC	0.09%	0.14%	48.83%	\$496	0.19%	100%	0%	30%
IR	0.30%	0.78%	77.14%	\$40	0.53%	100%	6.0%	60%
MAF/NZFSA	0.43%	0.65%	40.18%	\$108	1.00%	0%	0.0%	20%
MoE	0.22%	0.25%	99.04%	\$407	0.39%	99%	6.0%	60%
MED	0.10%	0.14%	22.82%	\$211	0.57%	100%	2.0%	30%
MSD	1.02%	1.56%	98.65%	\$110	0.97%	63%	12.0%	50%
NM-DHB	0.15%	0.22%	89.4%	\$134	1.22%	0%	0.0%	50%
NZDF	2.05%	5.55%	89.31%	\$52	1.87%	100%	9.8%	30%
NZ Police	0.21%	0.72%	65.38%	\$34	20.92%	100%	59.38%	80%
NZTA	0.68%	0.68%	18.28%	\$1,392	0.04%	0%	0.45%	30%
Treasury	0.19%	0.56%	80.52%	\$58	2.72%	72%	89.0%	50%
W-DHB	0.37 %	0.60%	7.65%	\$147	82.36%	0%	0.0%	40%

Table 31 | Corporate & Executive Services function agency results for FY 2008/09

Agency	CE1: Total property costs (occupancy, operational and management) per square metre	CE2: Total accommodation (square metre) per staff full-time equivalent	CE3: Space used efficiently		CE4 (a): Total cost of the corporate & executive services function per FTE	CE4 (b): Total cost of the corporate & executive services function as a proportion of organisational running costs	CE5: Estates MPI score
			CE3 (a): Workstations per FTE	CE3 (b): Area per workstation			
CM-DHB	\$180.63	14.74m ²	1.22	12.09m ²	\$2,479.10	1.06%	90%
DIA	\$363.98	21.28m ²	1.05	20.26m ²	\$3,803.08	2.40%	80%
HNZC	\$421.62	18.69m ²	1.39	13.44m ²	\$3,965.71	0.50%	80%
IR	\$332.56	24.81m ²	1.20	20.72m ²	\$1,951.96	1.87%	80%
MAF/NZFSA	\$452.50	16.83m ²	0.90	18.63m ²	\$4,678.99	2.82%	40%
MoE	\$316.34	22.11m ²	1.20	18.39m ²	\$3,495.80	0.76%	100%
MED	\$414.31	22.78m ²	1.41	16.11m ²	\$6,797.85	2.19%	90%
MSD	\$258.70	21.45m ²	1.34	16.00m ²	\$1,136.47	0.67%	100%
NM-DHB	\$324.59	20.59m ²	1.30	15.84m ²	\$3,212.35	1.59%	70%
NZDF	\$336.90	18.49m ²	1.10	16.8m ²	\$2,183.47	1.54%	80%
NZ Police	\$269.51	15.00m ²	1.02	14.66m ²	\$893.05	0.76%	70%
NZTA	\$377.66	24.87m ²	1.27	19.55m ²	\$26,060.80	1.86%	70%
Treasury	\$535.29	21.77m ²	1.17	18.53m ²	\$13,844.11	8.33%	80%
W-DHB	\$150.00	20.71m ²	1.04	19.96m ²	\$2,395.32	1.01%	70%

Appendix 7: Function benchmarking results for FY 2009/10

This appendix compares the NZ full cohort for FY 2009/10 to a range of comparator datasets.

Table 32 | Human Resources function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	APQC all participants cohort (median)	UKAA cohort (median)
HR1	Total cost of HR function per employee	\$2,363	\$1,221	782
HR2	Ratio of employees per HR FTE	70.20	67.40	66.05
HR3	Cost of HR Process per employee:			
HR3.1	Develop & manage HR planning, policies and strategies	\$445	\$335	-
HR3.2	Recruitment, source and select employees	\$434	\$360	-
HR3.3	Reward and retain employees	\$231	\$108	-
HR3.4	Develop and counsel employees	\$466	\$161	-
HR3.5	Manage employee information	\$238	\$141	-
HR3.6	Redeploy and retire employees	\$147	\$76	-
HR4	Cost of recruitment per new recruit	\$3,121	\$1,299	-
HR5	Percentage of HR staff by HR process:			

Ref	Metric name	NZ full cohort (median)	APQC all participants cohort (median)	UKAA cohort (median)
HR5.1	Develop and manage HR planning, policies and strategies	22%	13.9%	-
HR5.2	Recruitment, source and select employees	19%	19.2%	-
HR5.3	Reward and retrain employees	10%	13.3%	-
HR5.4	Develop and counsel employees	23%	19%	-
HR5.5	Manage employee information	15%	15.6%	-
HR5.6	Redeploy and retire employees	8%	5.6%	-
HR6	Number of days absence per employee excluding maternity and paternity leave	6.8	5.0	8.81
HR7	Percentage of new hires still in the role after 12 months	85%	92%	-
Ref	Metric name	NZ full cohort (mean)	UKAA cohort (FY 2008/09 mean)	
HR8	Human Resources management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	71%	67%	
Note: UKAA MPI data for FY 2009/10 is yet to be made publically available.				

Table 33 | Finance function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	APQC all participants cohort (median)	UKAA cohort (median)
FIN1	Total cost of the Finance function as a proportion of organisational running costs	1.26%	1.20%	1.02%
FIN2	Cost of Finance processes per \$1000 revenue:			
FIN2.1	Perform planning and management accounting	\$3.41	\$0.87	-
FIN2.2	Perform revenue accounting	\$0.51	\$3.97	-
FIN2.3	Perform general accounting and reporting	\$2.38	\$1.04	-
FIN2.4	Manage fixed asset project accounting	\$0.23	\$0.12	-
FIN2.5	Process payroll	\$1.37	\$0.65	-
FIN2.6	Process accounts payable and expense reimbursements	\$1.76	-	-
FIN2.7	Other	\$0.80	-	-
FIN3	Total cost of the Finance function per organisational FTE	\$3,126	\$4,679	-
FIN4	Percentage of Finance staff per Finance process:			
FIN4.1	Perform planning and management accounting	26%	14.3%	-
FIN4.2	Perform revenue accounting	4%	-	-
FIN4.3	Perform general accounting and reporting	19%	15.4%	-
FIN4.4	Manage fixed asset project accounting	2%	4.1%	-

Ref	Metric name	NZ full cohort (median)	APQC all participants cohort (median)	UKAA cohort (median)
FIN4.5	Process payroll	13%	7%	-
FIN4.6	Process accounts payable and expense claim reimbursements	18%	10.8%	-
FIN4.7	Other	6%	-	-
Ref	Metric name	NZ full cohort (mean)	UKAA cohort (FY 2008/09 mean)	
FIN5	Finance management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	56%	63%	
Note: UKAA MPI data for FY 2009/10 is yet to be made publically available.				

Table 34 | ICT function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	APQC all participants (median)	APQC similar cohort (median)
ICT1	Total ICT cost as a proportion of the organisational running costs	6.47%	1.59%	2.54%
ICT2	Total ICT process cost as a percentage of organisational running costs			
ICT2.1	Infrastructure management	2.1%	-	-
ICT2.2	Infrastructure development	0.6%	-	-
ICT2.3	End user support	0.6%	-	-
ICT2.4	Application maintenance	1.0%	-	-
ICT2.5	Application development and implementation	1.1%	-	-
ICT2.6	Planning and strategy	0.2%	-	-
ICT2.7	Management and administration	0.3%	-	-
ICT3	Percentage of ICT FTE per ICT process			
ICT3.1	Infrastructure management	11%	-	-
ICT3.2	Infrastructure development	7%	-	-
ICT3.3	End user support	15%	-	-
ICT3.4	Application maintenance	15%	-	-
ICT3.5	Application development and implementation	25%-	-	-

Ref	Metric name	NZ full cohort (median)	APQC all participants (median)	APQC similar cohort (median)
ICT3.6	Planning and strategy	8%	-	-
ICT3.7	Management and administration	13%	-	-
ICT4	Percentage of ICT establishment (non-project) positions occupied by contractors	3.9%	-	-
ICT5	Reliability	99.9%	-	-
Ref	Metric name	NZ full cohort (mean)	UKAA cohort (FY 2008/09 mean)	
ICT6	ICT management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	55%	66%	
Note: UKAA MPI data for FY 2009/10 is yet to be made publically available.				

Table 35 | Procurement function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	UKAA cohort (median)	APQC all participants (median)	APQC similar cohort (median)
PR1	Total cost of the Procurement function	0.37%	0.55%	1.38%	1.85%
PR2	Actual spend against pre-established contract arrangements as a percentage of total purchase value	73%	64%	80%	69%
PR3	Percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements	2%	18%	-	-
PR4	Total purchase value per Procurement function FTE	\$26,600,596	-	\$9,933,770	\$10,101,520
Ref	Metric name	NZ full cohort (mean)	UKAA cohort (FY 2008/09 mean)		
PR5	Procurement management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	54%	83%		
Note: UKAA MPI data for FY 2009/10 is yet to be made publically available.					

Table 36 | Property Management function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	
PTY1	Total office property costs per square metre	\$429	
PTY2	Total office accommodation per FTE	21.20m ²	
PTY3	Average square metres per workstation	17.30m ²	
Ref	Metric name	NZ full cohort (mean)	UKAA cohort (FY 2008/09 mean)
PTY4	Estates management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	75%	68%
<p>Note 1: There is no comparator data for corporate and executive services.</p> <p>Note 2: UKAA MPI data for FY 2009/10 is yet to be made publically available.</p>			

Table 37 | Corporate & Executive Service function results for FY 2009/10

Ref	Metric name	NZ full cohort (median)	
CES1	Total cost of CES as a percentage of organisational running costs	2.3%	
CES2	Percentage of CES cost by CES process:		
CES2.1	Communications and external relations (excluding the publications function)	22.8%	
CES2.2	Strategy and planning	11.8%	
CES2.3	Library, document management, archive and research	19.7%	
CES 2.4	Audit and risk management	11.8%	
CES2.5	Legal	22.0%	
CES2.6	Total cost of all other identified corporate costs	0.0%	
CES3	Total cost of CES per organisational FTE	\$4,735	
Ref	Metric name	NZ full cohort (mean)	UK AA (FY 2008/09 mean)
CES4	Legal management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	84%	-
CES5	Communications management practice indicators provide an indication of whether the function is a well-run, modernised and mature function.	66%	-
Note 1: There is no comparator data for corporate and executive services.			
Note 2: UKAA MPI data for FY 2009/10 is yet to be made publically available.			

Appendix 8: Summary of agency results for FY 2009/10

This appendix shows the results for the NZ full cohort that measured in FY 2009/10 across each metric.

Table 38 | Human Resources function agency results for FY 2009/10

Agency	HR1: Total cost of HR Function per employee	HR2: Ratio of employees per HR FTE	HR3: Cost of HR Process per employee						
			HR3.1: Develop and manage HR planning, policies and strategies	HR3.2: Recruitment, source and select employees	HR3.3: Reward and retain employees	HR3.4: Develop and counsel employees	HR3.5: Manage employee information	HR3.6: Redeploy and retire employees	
NZ group one cohort									
DBH	\$3,060	41.50	\$765	\$306	\$458	\$337	\$800	\$394	
MCH	\$2,965	47.92	\$292	\$708	\$256	\$1,114	\$412	\$183	
MFE	\$5,292	42.28	\$735	\$2079	\$185	\$1,395	\$362	\$536	
MFish	\$2,393	115.00	\$300	\$1494	\$240	\$120	\$180	\$60	
MoT	\$4,459	38.68	\$826	\$893	\$604	\$1,133	\$261	\$741	
NZQA	\$2,651	93.69	\$1239	\$434	\$372	\$197	\$197	\$212	
SSC	\$3,943	39.23	\$563	\$570	\$342	\$1,896	\$341	\$230	
TEC	\$2,452	36.00	\$332	\$362	\$355	\$1,144	\$83	\$176	
TPK	\$2,876	44.49	\$902	\$806	\$395	\$163	\$489	\$122	
Treasury	\$5,278	36.09	\$950	\$1689	\$528	\$1,847	\$106	\$158	

Agency	HR1: Total cost of HR Function per employee	HR2: Ratio of employees per HR FTE	HR3: Cost of HR Process per employee						
			HR3.1: Develop and manage HR planning, policies and strategies	HR3.2: Recruitment, source and select employees	HR3.3: Reward and retain employees	HR3.4: Develop and counsel employees	HR3.5: Manage employee information	HR3.6: Redeploy and retire employees	
NZ group two cohort									
Customs	\$1,401	100.00	\$497	\$326	\$99	\$99	\$280	\$99	
DIA	\$1,201	74.03	\$113	\$301	\$116	\$315	\$147	\$209	
DoC	\$1,984	89.02	\$445	\$52	\$59	\$1,131	\$238	\$59	
DoL	\$2,203	77.42	\$559	\$337	\$499	\$513	\$189	\$105	
LINZ	\$2,652	46.37	\$904	\$869	\$84	\$557	\$174	\$64	
MAF	\$1,458	120.05	\$283	\$425	\$175	\$428	\$123	\$24	
MED	\$2,027	65.81	\$408	\$382	\$253	\$648	\$123	\$212	
MFAT	\$6,385	24.21	\$1,340	\$705	\$617	\$1,980	\$1,040	\$703	
MoH	\$1,638	88.94	\$459	\$164	\$197	\$377	\$295	\$147	
NZTA	\$3,204	48.83	\$1,096	\$325	\$359	\$607	\$547	\$270	
NZTE	\$2,417	64.44	\$343	\$615	\$172	\$515	\$293	\$208	
Stats	\$2,363	70.21	\$129	\$487	\$300	\$953	\$371	\$123	
Tourism	\$2,312	57.08	\$415	\$600	\$231	\$466	\$457	\$138	

Agency	HR1: Total cost of HR Function per employee	HR2: Ratio of employees per HR FTE	HR3: Cost of HR Process per employee					
			HR3.1: Develop and manage HR planning, policies and strategies	HR3.2: Recruitment, source and select employees	HR3.3: Reward and retain employees	HR3.4: Develop and counsel employees	HR3.5: Manage employee information	HR3.6: Redeploy and retire employees
NZ group three cohort								
ACC	\$2,353	93.95	\$238	\$343	\$417	\$1,109	\$118	\$128
Corrections	\$980	94.25	\$49	\$245	\$98	\$294	\$98	\$196
HNZC	\$3,869	56.53	\$174	\$480	\$214	\$2,205	\$303	\$493
IR	\$1,404	82.48	\$427	\$163	\$63	\$462	\$188	\$101
MoE	\$1,310	116.72	\$287	\$337	\$139	\$329	\$203	\$15
MoJ	\$1,442	140.59	\$485	\$483	\$41	\$331	\$73	\$30
MSD	\$1,021	127.18	\$306	\$153	\$41	\$306	\$194	\$20
NZ Fire	\$1,506	125.14	\$452	\$271	\$212	\$293	\$49	\$230
NZ Police	\$1,593	77.77	\$184	\$516	\$87	\$191	\$511	\$103
NZDF	\$3,960	27.98	\$739	\$1,199	-	\$399	\$1,623	-

Agency	HR4: Cost of recruitment per new recruit	HR5: Percentage of HR staff by HR process					
		HR5.1: Develop and manage HR planning, policies and strategies	HR5.2: Recruitment, source and select employees	HR5.3: Reward and retain employees	HR5.4: Develop and counsel employees	HR5.5: Manage employee information	HR5.6: Redeploy and retire employees
NZ group one cohort							
DBH	\$1,814	17.5%	17.5%	17.5%	11.3%	21.3%	15.0%
MCH	\$3,541	15.4%	19.6%	14.2%	27.5%	12.9%	10.4%
MFE	\$7,797	25.2%	20.3%	5.0%	23.6%	16.1%	9.9%
MFish	\$5,485	25.0%	25.0%	20.0%	10.0%	15.0%	5.0%
MoT	\$6,289	25.3%	22.0%	4.4%	22.0%	13.2%	13.2%
NZQA	\$2,597	46.7%	16.4%	14.0%	7.5%	7.5%	7.9%
SSC	\$2,718	21.8%	24.2%	9.7%	29.1%	12.1%	3.1%
TEC	\$1,375	16.0%	18.7%	17.3%	28.7%	6.0%	13.3%
TPK	\$6,687	21.7%	29.0%	14.5%	3.6%	27.5%	3.6%
Treasury	\$11,688	18.0%	32.0%	10.0%	35.0%	2.0%	3.0%

Agency	HR4: Cost of recruitment per new recruit	HR5: Percentage of HR staff by HR process					
		HR5.1: Develop and manage HR planning, policies and strategies	HR5.2: Recruitment, source and select employees	HR5.3: Reward and retain employees	HR5.4: Develop and counsel employees	HR5.5: Manage employee information	HR5.6: Redeploy and retire employees
NZ group two cohort							
Customs	\$4,885	33.3%	25.0%	8.3%	8.3%	16.7%	8.3%
DIA	\$2,147	10.3%	26.0%	8.7%	22.6%	13.4%	19.0%
DoC	\$722	28.6%	4.2%	5.1%	41.4%	15.8%	4.9%
DoL	\$3,044	25.4%	15.3%	22.6%	23.3%	8.6%	4.8%
LINZ	\$5,046	22.7%	13.6%	9.1%	31.8%	18.1%	4.5%
MAF	\$7,850	21.0%	23.6%	14.2%	33.2%	4.9%	3.2%
MED	\$4,164	18.6%	30.0%	12.8%	20.5%	15.9%	5.5%
MFAT	\$8,536	13.2%	10.5%	13.2%	21.1%	23.7%	18.4%
MoH	\$1,202	27.5%	11.8%	11.8%	23.5%	17.6%	11.8%
NZTA	\$2,709	26.1%	13.0%	11.7%	24.4%	15.9%	8.9%
NZTE	\$3,679	11.1%	27.8%	16.7%	24.4%	17.8%	13.3%
Stats	\$2,745	5.5%	16.4%	9.6%	21.9%	35.6%	11.0%
Tourism	\$3,915	25.0%	24.2%	20.0%	20.0%	10.0%	0.8%

Agency	HR4: Cost of recruitment per new recruit	HR5: Percentage of HR staff by HR process					
		HR5.1: Develop and manage HR planning, policies and strategies	HR5.2: Recruitment, source and select employees	HR5.3: Reward and retain employees	HR5.4: Develop and counsel employees	HR5.5: Manage employee information	HR5.6: Redeploy and retire employees
NZ group three cohort							
ACC	\$3,009	33.7%	16.4%	5.6%	24.9%	12.1%	7.5%
Corrections	\$1,129	5.0%	25.0%	10.0%	30.0%	10.0%	20.0%
HNZC	\$2,860	4.9%	14.7%	6.8%	45.2%	21.5%	6.8%
IR	\$3,437	32.0%	7.7%	5.8%	38.2%	6.7%	9.7%
MoE	\$1,332	25.3%	18.5%	14.6%	26.5%	13.3%	1.7%
MoJ	\$2,573	49.2%	21.1%	4.0%	20.9%	4.4%	0.7%
MSD	\$1,308	20.0%	14.0%	6.9%	29.7%	27.1%	2.5%
NZ Fire	\$11,145	31.5%	17.7%	16.0%	8.8%	4.4%	22.1%
NZ Police	\$12,635	14.1%	32.8%	6.7%	14.7%	23.8%	7.9%
NZDF	\$17,121	16.3%	19.4%	0.0%	15.7%	48.6%	0.0%

Agency	HR6: No of days absence per employee (excl maternity/paternity)	HR7: Percentage of new hires still in the role after 12 months	HR8: HR MPI score
NZ group one cohort			
DBH	5.30	49.3%	100%
MCH	6.25	92.3%	80%
MFE	4.67	56.9%	60%
MFish	6.09	84.6%	80%
MoT	4.89	90.0%	80%
NZQA	9.78	86.2%	70%
SSC	5.65	88.2%	70%
TEC	4.97	74.4%	50%
TPK	10.04	74.4%	60%
Treasury	5.38	76.5%	70%

Agency	HR6: No of days absence per employee (excl maternity/paternity)	HR7: Percentage of new hires still in the role after 12 months	HR8: HR MPI score
NZ group two cohort			
Customs	7.93	85.8%	80%
DIA	7.76	94.3%	60%
DoC	7.46	90.6%	60%
DoL	7.10	80.9%	70%
LINZ	7.70	86.8%	80%
MAF	6.24	95.5%	60%
MED	6.46	99.0%	90%
MFAT	5.93	86.5%	50%
MoH	6.12	84.5%	50%
NZTA	7.08	93.2%	70%
NZTE	2.99	78.0%	80%
Stats	6.88	86.3%	60%
Tourism	4.53	75.0%	70%

Agency	HR6: No of days absence per employee (excl maternity/paternity)	HR7: Percentage of new hires still in the role after 12 months	HR8: HR MPI score
NZ group three cohort			
ACC	7.67	61.5%	60%
Corrections	10.56	81.3%	80%
HNZC	8.33	84.2%	90%
IR	9.30	83.1%	90%
MoE	6.44	77.9%	80%
MoJ	6.94	81.1%	60%
MSD	9.76	78.4%	70%
NZ Fire	10.68	94.1%	70%
NZ Police	6.79	84.7%	60%
NZDF	3.78	85.1%	80%

Table 39 | Finance function agency results for FY 2009/10

Agency	FIN1: Total cost of the Finance function as a proportion of organisational running costs	FIN2: Cost of Finance processes per \$1000 revenue							FIN3: Total cost of the Finance function per organisational FTE
		FIN2.1: Perform planning and accounting management	FIN2.2: Perform revenue accounting	FIN2.3: Perform general accounting and reporting	FIN2.4: Manage fixed asset project accounting	FIN2.5: Process payroll	FIN2.6: Process accounts payable and expense reimbursements	FIN2.7: Other	
NZ group one cohort									
DBH	1.96%	\$2.80	\$1.01	\$2.85	\$0.52	\$1.38	\$2.12	\$2.95	\$4,115
MCH	1.62%	\$3.78	\$0.21	\$4.94	\$0.39	\$2.50	\$1.76	\$2.60	\$2,204
MFE	1.26%	\$3.15	\$0.43	\$1.87	\$0.16	\$0.97	\$1.89	\$4.13	\$2,484
MFish	1.61%	\$6.85	\$0.35	\$3.43	\$0.49	\$2.42	\$2.59	-	\$3,456
MoT	2.54%	\$7.98	\$0.42	\$9.36	\$0.02	\$0.91	\$3.47	\$3.22	\$4,751
NZQA	2.39%	\$5.29	-	\$15.59	\$0.21	\$1.37	\$0.52	\$0.96	\$4,684
SSC	2.93%	\$7.10	\$2.74	\$4.97	\$1.35	\$2.16	\$2.74	\$8.27	\$6,496
TEC	1.89%	\$7.98	\$0.09	\$6.65	\$0.20	\$2.01	\$1.44	\$0.49	\$3,917
TPK	2.05%	\$7.52	\$0.23	\$4.55	\$0.90	\$2.99	\$3.32	\$0.97	\$3,568
Treasury	1.78%	\$9.16	\$0.60	\$4.58	\$0.30	\$1.90	\$1.00	\$0.30	\$3,522

Agency	FIN1: Total cost of the Finance function as a proportion of organisational running costs	FIN2: Cost of Finance processes per \$1000 revenue							FIN3: Total cost of the Finance function per organisational FTE
		FIN2.1: Perform planning and accounting management	FIN2.2: Perform revenue accounting	FIN2.3: Perform general accounting and reporting	FIN2.4: Manage fixed asset project accounting	FIN2.5: Process payroll	FIN2.6: Process accounts payable and expense reimbursements	FIN2.7: Other	
NZ group two cohort									
Customs	1.65%	\$3.41	\$0.83	\$2.88	\$0.53	\$3.76	\$2.58	\$2.50	\$1,755
DIA	1.92%	\$7.07	\$0.76	\$3.98	\$2.31	\$2.15	\$1.94	\$0.99	\$2,857
DoC	3.32%	\$4.28	\$2.80	\$14.51	\$1.04	\$2.64	\$4.19	\$3.71	\$4,731
DoL	1.93%	\$7.69	\$1.94	\$2.04	\$0.51	\$2.55	\$4.07	\$0.51	\$2,496
LINZ	1.61%	\$7.77	\$1.17	\$3.17	\$0.66	\$1.28	\$1.22	\$0.80	\$3,126
MAF	1.52%	\$3.21	\$3.96	\$3.00	\$0.34	\$2.27	\$1.85	\$0.58	\$2,574
MED	0.91%	\$5.08	\$0.40	\$1.50	\$0.04	\$0.93	\$0.78	\$0.37	\$3,457
MFAT	0.49%	\$0.66	\$0.08	\$0.82	\$0.23	\$0.55	\$0.56	\$2.04	\$3,298
MoH	0.42%	\$1.53	\$0.01	\$0.44	\$0.00	\$0.15	\$1.93	\$0.17	\$7,718
NZTA	0.55%	\$0.94	\$2.49	\$0.45	\$0.06	\$0.23	\$0.57	\$0.83	\$7,506
NZTE	0.84%	\$2.63	\$0.53	\$2.38	\$0.60	\$0.97	\$1.78	-	\$1,968
Stats	1.13%	\$3.98	\$0.80	\$2.30	\$0.46	\$2.06	\$1.03	\$0.69	\$1,193
Tourism	1.14%	\$2.46	\$1.37	\$4.05	\$0.04	\$0.78	\$2.29	\$0.46	\$8,176

Agency	FIN1: Total cost of the Finance function as a proportion of organisational running costs	FIN2: Cost of Finance processes per \$1000 revenue							FIN3: Total cost of the Finance function per organisational FTE
		FIN2.1: Perform planning and accounting management	FIN2.2: Perform revenue accounting	FIN2.3: Perform general accounting and reporting	FIN2.4: Manage fixed asset project accounting	FIN2.5: Process payroll	FIN2.6: Process accounts payable and expense reimbursements	FIN2.7: Other	
NZ group three cohort									
ACC	0.74%	\$0.53	\$4.30	\$1.47	\$0.10	\$0.72	\$0.19	\$0.11	\$5,906
Corrections	1.05%	\$1.14	\$1.14	\$1.15	\$1.15	\$1.15	\$1.16	\$1.16	\$1,291
HNZC	0.70%	\$2.03	\$0.55	\$1.22	\$0.21	\$0.26	\$0.45	\$2.24	\$5,436
IR	1.00%	\$2.92	\$0.04	\$2.36	\$0.07	\$3.14	\$0.43	\$0.97	\$1,027
MoE	0.47%	\$1.91	\$0.06	\$1.22	\$0.10	\$0.52	\$0.66	\$0.24	\$2,267
MoJ	0.82%	\$2.52	\$0.51	\$2.28	\$0.15	\$0.97	\$1.72	-	\$1,586
MSD	0.73%	\$3.92	\$0.06	\$1.30	\$0.08	\$1.20	\$0.65	\$0.06	\$1,294
NZ Fire	1.24%	\$2.45	\$1.92	\$2.72	\$1.33	\$1.09	\$2.03	\$0.86	\$1,665
NZ Police	0.64%	\$1.06	\$0.20	\$0.95	\$0.14	\$1.64	\$2.04	\$0.36	\$726
NZDF	0.69%	\$3.99	\$0.08	\$1.21	-	\$1.13	\$0.46	-	\$961

Agency	FIN4: Percentage of Finance staff per Finance process							FIN5: Finance MPI score
	FIN4.1: Perform planning and accounting management	FIN4.2: Perform revenue accounting	FIN4.3: Perform general accounting and reporting	FIN4.4: Manage fixed asset project accounting	FIN4.5: Process payroll	FIN4.6: Process accounts payable and expense reimbursements	FIN4.7: Other	
NZ group one cohort								
DBH	10.6%	7.3%	14.6%	2.4%	6.5%	16.3%	42.3%	40%
MCH	27.6%	1.2%	20.2%	2.9%	20.6%	19.8%	7.8%	40%
MFE	26.0%	4.3%	16.9%	1.5%	10.7%	23.5%	17.0%	60%
MFish	36.4%	1.6%	18.0%	1.9%	16.2%	25.9%	0.0%	70%
MoT	28.6%	2.9%	32.9%	0.0%	2.9%	22.9%	10.0%	50%
NZQA	24.3%	0.0%	44.9%	1.5%	12.5%	7.4%	9.6%	80%
SSC	26.1%	8.7%	8.7%	8.7%	13.0%	17.4%	17.4%	50%
TEC	41.6%	1.6%	30.8%	2.2%	10.8%	11.9%	1.1%	60%
TPK	25.5%	0.9%	24.1%	3.3%	19.1%	25.5%	1.5%	40%
Treasury	46.0%	3.0%	23.0%	1.5%	18.0%	5.0%	1.5%	20%

Agency	FIN4: Percentage of Finance staff per Finance process							FIN5: Finance MPI score
	FIN4.1: Perform planning and accounting management	FIN4.2: Perform revenue accounting	FIN4.3: Perform general accounting and reporting	FIN4.4: Manage fixed asset project accounting	FIN4.5: Process payroll	FIN4.6: Process accounts payable and expense reimbursements	FIN4.7: Other	
NZ group two cohort								
Customs	21.4%	0.0%	14.3%	7.1%	28.6%	21.4%	7.1%	80%
DIA	33.3%	6.1%	22.0%	10.0%	11.4%	11.8%	5.5%	70%
DoC	11.9%	12.6%	35.5%	3.8%	7.9%	19.1%	9.2%	70%
DoL	39.8%	10.0%	10.6%	2.7%	13.2%	21.1%	2.7%	60%
LINZ	37.4%	9.0%	18.6%	5.1%	7.2%	9.5%	13.3%	20%
MAF	20.7%	26.2%	19.0%	2.1%	16.7%	11.7%	3.7%	20%
MED	47.1%	8.1%	13.0%	0.7%	14.7%	12.3%	4.2%	70%
MFAT	11.5%	3.8%	19.2%	3.8%	11.5%	23.1%	26.9%	50%
MoH	17.5%	0.0%	7.0%	0.0%	3.5%	70.2%	1.8%	50%
NZTA	16.6%	35.6%	6.8%	1.0%	3.4%	24.9%	11.6%	80%
NZTE	24.4%	7.4%	24.4%	8.1%	11.1%	24.4%	0.0%	60%
Stats	32.7%	7.3%	15.5%	4.5%	23.6%	10.0%	6.4%	40%
Tourism	15.0%	17.9%	31.0%	0.0%	2.1%	30.0%	4.0%	60%

Agency	FIN4: Percentage of Finance staff per Finance process							FIN5: Finance MPI score
	FIN4.1: Perform planning and accounting management	FIN4.2: Perform revenue accounting	FIN4.3: Perform general accounting and reporting	FIN4.4: Manage fixed asset project accounting	FIN4.5: Process payroll	FIN4.6: Process accounts payable and expense reimbursements	FIN4.7: Other	
NZ group three cohort								
ACC	7.8%	67.4%	11.4%	1.6%	4.1%	5.7%	2.1%	40%
Corrections	17.9%	4.7%	1.6%	7.2%	24.7%	15.7%	8.2%	60%
HNZC	24.3%	13.8%	15.7%	4.1%	2.0%	7.6%	32.5%	40%
IR	29.7%	0.5%	23.3%	0.7%	30.0%	6.7%	9.0%	90%
MoE	36.2%	1.4%	24.6%	2.4%	14.2%	17.6%	3.6%	60%
MoJ	24.4%	5.2%	26.3%	6.3%	13.4%	24.4%	0.0%	40%
MSD	39.8%	1.1%	15.0%	1.5%	24.8%	16.5%	1.1%	90%
NZ Fire	15.2%	16.8%	16.5%	11.0%	9.7%	24.8%	6.1%	70%
NZ Police	17.5%	3.4%	15.7%	2.3%	23.3%	31.8%	5.9%	50%
NZDF	36.4%	3.2%	23.9%	0.0%	22.7%	13.8%	0.0%	80%

Table 40 | ICT function agency results for FY 2009/10

Agency	ICT 1: Total ICT cost as a proportion of the organisational running costs	ICT2: Total ICT process cost as a percentage of organisational running costs						
		ICT2.1: Infrastructure management	ICT2.2: Infrastructure development	ICT2.3: End user support	ICT2.4: Application maintenance	ICT2.5: Application development and implementation	ICT2.6: Planning and strategy	ICT2.7: Management and administration
NZ group one cohort								
DBH	8.90%	4.60%	0.00%	0.40%	0.88%	2.33%	0.45%	0.23%
MCH	7.21%	1.82%	0.00%	1.40%	1.19%	1.91%	0.42%	0.48%
MFE	6.94%	1.21%	0.59%	0.18%	1.07%	2.87%	0.55%	0.47%
MFish	5.57%	0.83%	0.15%	1.81%	0.49%	1.80%	0.10%	0.39%
MoT	6.47%	3.04%	0.15%	0.77%	1.21%	0.80%	0.29%	0.22%
NZQA	19.95%	2.97%	1.80%	0.39%	1.16%	11.61%	0.15%	1.87%
SSC	2.47%	0.67%	0.09%	0.31%	0.86%	0.13%	0.16%	0.25%
TEC	22.38%	2.84%	3.40%	0.89%	3.78%	8.27%	1.52%	1.69%
TPK	5.40%	2.63%	0.30%	1.10%	0.28%	0.37%	0.28%	0.43%
Treasury	5.90%	1.16%	0.43%	1.02%	1.59%	1.12%	0.17%	0.41%

Agency	ICT 1: Total ICT cost as a proportion of the organisational running costs	ICT2: Total ICT process cost as a percentage of organisational running costs						
		ICT2.1: Infrastructure management	ICT2.2: Infrastructure development	ICT2.3: End user support	ICT2.4: Application maintenance	ICT2.5: Application development and implementation	ICT2.6: Planning and strategy	ICT2.7: Management and administration
NZ group two cohort								
Customs	7.94%	3.20%	0.72%	1.07%	1.18%	1.10%	0.20%	0.46%
DIA	25.33%	6.13%	1.68%	0.61%	4.24%	10.58%	0.91%	1.18%
DoC	5.05%	2.06%	0.39%	0.70%	0.44%	0.29%	0.30%	0.87%
DoL	15.59%	2.33%	2.67%	0.92%	3.91%	5.18%	0.31%	0.26%
LINZ	20.50%	9.59%	0.54%	0.69%	6.01%	1.14%	0.90%	1.63%
MAF	9.25%	3.73%	0.91%	0.71%	1.20%	1.75%	0.56%	0.38%
MED	12.08%	3.06%	0.09%	0.86%	2.19%	5.43%	0.23%	0.23%
MFAT	4.43%	1.91%	1.10%	0.13%	0.52%	0.29%	0.13%	0.34%
MoH	1.88%	0.47%	0.32%	0.07%	0.23%	0.42%	0.19%	0.17%
NZTA	1.77%	0.11%	0.11%	0.25%	0.17%	0.55%	0.28%	0.30%
NZTE	5.23%	1.49%	0.64%	0.31%	0.83%	1.24%	0.22%	0.50%
Stats	21.47%	1.45%	10.69%	2.83%	1.62%	4.06%	0.30%	0.53%
Tourism	3.31%	2.63%	0.00%	0.40%	0.14%	0.09%	0.01%	0.03%

Agency	ICT 1: Total ICT cost as a proportion of the organisational running costs	ICT2: Total ICT process cost as a percentage of organisational running costs						
		ICT2.1: Infrastructure management	ICT2.2: Infrastructure development	ICT2.3: End user support	ICT2.4: Application maintenance	ICT2.5: Application development and implementation	ICT2.6: Planning and strategy	ICT2.7: Management and administration
NZ group three cohort								
ACC	3.90%	1.31%	0.74%	0.06%	1.01%	0.65%	0.05%	0.08%
Corrections	5.64%	1.19%	0.90%	0.41%	0.27%	2.58%	0.07%	0.22%
HNZC	2.95%	0.55%	0.59%	0.12%	0.28%	1.14%	0.06%	0.21%
IR	20.62%	7.63%	0.95%	0.55%	3.33%	6.62%	1.26%	0.27%
MoE	3.00%	0.52%	0.74%	0.24%	0.53%	0.43%	0.15%	0.39%
MoJ	8.25%	2.56%	1.46%	0.58%	1.12%	2.01%	0.24%	0.29%
MSD	7.30%	1.08%	0.63%	0.44%	2.30%	2.54%	0.13%	0.18%
NZ Fire	6.02%	2.57%	0.02%	2.21%	0.91%	0.12%	0.04%	0.16%
NZ Police	6.94%	2.34%	1.68%	0.82%	0.17%	0.79%	0.03%	1.11%
NZDF	3.01%	0.34%	0.33%	1.66%	0.22%	0.13%	0.21%	0.13%

Agency	ICT3: Percentage of ICT FTE by ICT process						
	ICT3.1: Infrastructure management	ICT3.2: Infrastructure development	ICT3.3: End user support	ICT3.4: Application maintenance	ICT3.5: Application development and implementation	ICT3.6: Planning and strategy	ICT3.7: Management and administration
NZ group one cohort							
DBH	18.6%	0.0%	9.3%	16.3%	34.9%	16.3%	4.7%
MCH	5.7%	0.0%	0.0%	0.0%	71.4%	8.6%	14.3%
MFE	16.7%	8.2%	27.7%	13.9%	9.2%	10.5%	13.7%
MFish	11.3%	0.0%	22.6%	15.3%	35.7%	3.0%	12.1%
MoT	10.9%	3.6%	20.0%	18.2%	18.2%	14.5%	14.5%
NZQA	10.0%	5.0%	5.0%	15.0%	40.0%	2.0%	23.0%
SSC	10.8%	7.5%	27.5%	17.0%	10.8%	11.2%	15.2%
TEC	8.4%	8.2%	12.0%	9.3%	24.8%	14.4%	22.9%
TPK	5.0%	5.0%	55.0%	7.3%	10.4%	8.1%	9.2%
Treasury	19.7%	7.3%	17.4%	26.9%	18.9%	2.8%	7.0%

Agency	ICT3: Percentage of ICT FTE by ICT process						
	ICT3.1: Infrastructure management	ICT3.2: Infrastructure development	ICT3.3: End user support	ICT3.4: Application maintenance	ICT3.5: Application development and implementation	ICT3.6: Planning and strategy	ICT3.7: Management and administration
NZ group two cohort							
Customs	1.9%	0.4%	10.3%	17.3%	54.1%	8.5%	7.5%
DIA	11.5%	7.4%	8.4%	13.2%	45.9%	8.4%	5.3%
DoC	7.5%	9.9%	16.4%	7.1%	15.6%	16.2%	27.2%
DoL	7.5%	16.9%	12.2%	17.4%	30.8%	6.6%	8.5%
LINZ	21.3%	4.8%	8.6%	23.8%	14.6%	11.3%	15.6%
MAF	10.5%	3.4%	9.2%	14.5%	39.5%	9.4%	13.5%
MED	8.8%	8.8%	14.7%	11.8%	26.5%	11.8%	17.6%
MFAT	25.9%	14.8%	11.1%	8.6%	7.4%	7.4%	24.7%
MoH	13.8%	8.4%	6.7%	17.3%	20.0%	14.7%	19.1%
NZTA	6.0%	5.6%	20.4%	10.0%	31.6%	12.3%	14.2%
NZTE	18.7%	6.3%	19.4%	15.6%	21.2%	5.0%	13.7%
Stats	11.8%	12.2%	23.1%	13.2%	33.1%	2.4%	4.3%
Tourism	5.0%	0.0%	15.0%	15.0%	15.0%	10.0%	40.0%

Agency	ICT3: Percentage of ICT FTE by ICT process						
	ICT3.1: Infrastructure management	ICT3.2: Infrastructure development	ICT3.3: End user support	ICT3.4: Application maintenance	ICT3.5: Application development and implementation	ICT3.6: Planning and strategy	ICT3.7: Management and administration
NZ group three cohort							
ACC	16.9%	7.2%	11.7%	13.0%	34.4%	8.9%	7.8%
Corrections	10.7%	2.9%	13.6%	9.7%	49.5%	2.9%	10.7%
HNZC	10.0%	11.3%	19.0%	8.4%	33.1%	1.4%	16.9%
IR	14.1%	3.6%	7.0%	40.6%	19.7%	12.2%	2.8%
MoE	8.9%	4.6%	16.3%	18.4%	33.4%	5.6%	12.8%
MoJ	7.5%	13.1%	14.8%	15.5%	33.7%	6.8%	8.5%
MSD	11.5%	14.9%	22.9%	18.5%	20.7%	5.6%	6.0%
NZ Fire	3.5%	1.1%	45.0%	27.5%	12.6%	2.1%	8.2%
NZ Police	10.6%	21.8%	19.8%	4.2%	16.3%	0.7%	26.7%
NZDF	4.2%	24.1%	40.9%	11.9%	4.9%	8.0%	5.9%

Agency	ICT4: Percentage of ICT establishment (non project) positions occupied by contractors	ICT5: Reliability	ICT6: ICT MPI score
NZ group one cohort			
DBH	5.88%	99.90%	20%
MCH	10.00%	99.66%	50%
MFE	0.00%	99.90%	10%
MFish	7.55%	99.93%	60%
MoT	0.00%	99.44%	0%
NZQA	13.95%	99.81%	60%
SSC	0.00%	99.90%	40%
TEC	15.22%	99.82%	50%
TPK	0.00%	99.90%	20%
Treasury	5.18%	99.98%	50%

Agency	ICT4: Percentage of ICT establishment (non project) positions occupied by contractors	ICT5: Reliability	ICT6: ICT MPI score
NZ group two cohort			
Customs	7.52%	99.95%	70%
DIA	5.49%	99.81%	80%
DoC	0.00%	99.95%	100%
DoL	0.00%	99.91%	90%
LINZ	1.59%	99.20%	60%
MAF	16.22%	99.66%	50%
MED	0.00%	99.94%	100%
MFAT	3.90%	99.31%	70%
MoH	9.02%	99.83%	20%
NZTA	2.35%	100.00%	60%
NZTE	0.00%	99.99%	60%
Stats	0.00%	99.98%	50%
Tourism	0.00%	100.00%	20%

Agency	ICT4: Percentage of ICT establishment (non project) positions occupied by contractors	ICT5: Reliability	ICT6: ICT MPI score
NZ group three cohort			
ACC	5.10%	99.85%	60%
Corrections	10.20%	99.83	70%
HNZC	15.47%	99.18%	20%
IR	1.26%	99.46	60%
MoE	3.38%	99.46%	70%
MoJ	5.60%	99.57	50%
MSD	0.00%	99.98%	90%
NZ Fire	2.40%	100.00%	100%
NZ Police	4.16%	99.88%	50%
NZDF	18.29%	100.00%	40%

Table 41 | Procurement function agency results for FY 2009/10

Agency	PR1: Total cost of the Procurement function as a percentage of the total purchase value	PR2: Actual spend against pre-established contract arrangements as a percentage of total purchase value	PR3: Percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements	PR4: Total purchase value per Procurement function FTE	PR5: Procurement MPI score
NZ group one cohort					
DBH	0.28%	49.22%	1.58%	\$27,149,792	40%
MCH	1.01%	95.00%	1.72%	\$7,664,092	20%
MFE	0.93%	14.69%	0.60%	\$16,560,937	50%
MFish	0.22%	82.99%	0.00%	\$33,373,341	60%
MoT	0.08%	0.00%	0.00%	\$14,202,218	20%
NZQA	0.71%	54.78%	19.87%	\$17,846,000	60%
SSC	0.37%	1.14%	36.33%	\$28,763,518	60%
TEC	0.63%	26.92%	3.18%	\$20,620,035	60%
TPK	2.26%	71.01%	1.78%	\$4,878,125	50%
Treasury	1.45%	85.73%	1.95%	\$5,445,779	50%

Agency	PR1: Total cost of the Procurement function as a percentage of the total purchase value	PR2: Actual spend against pre-established contract arrangements as a percentage of total purchase value	PR3: Percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements	PR4: Total purchase value per Procurement function FTE	PR5: Procurement MPI score
NZ group two cohort					
Customs	0.34%	92.52%	5.15%	\$18,339,990	70%
DIA	1.64%	80.60%	6.46%	\$7,274,195	90%
DoC	0.28%	27.51%	7.05%	\$62,407,750	20%
DoL	0.17%	70.00%	3.64%	\$56,163,000	80%
LINZ	0.51%	49.18%	29.72%	\$13,964,315	20%
MAF	0.64%	75.57%	0.37%	\$27,177,911	30%
MED	0.08%	6.34%	0.97%	\$138,898,833	20%
MFAT	0.32%	73.01%	0.14%	\$26,600,596	60%
MoH	0.40%	49.60%	82.51%	\$20,820,767	40%
NZTA	0.53%	86.98%	4.15%	\$79,965,114	90%
NZTE	0.14%	88.10%	0.00%	\$25,830,029	30%
Stats	2.05%	89.18%	0.41%	\$3,608,618	100%
Tourism	0.05%	27.81%	0.01%	\$82,943,001	20%

Agency	PR1: Total cost of the Procurement function as a percentage of the total purchase value	PR2: Actual spend against pre-established contract arrangements as a percentage of total purchase value	PR3: Percentage of 'commodity' procurement spend channelled through syndicated procurement arrangements	PR4: Total purchase value per Procurement function FTE	PR5: Procurement MPI score
NZ group three cohort					
ACC	0.17%	87.98%	0.63%	\$105,833,805	30%
Corrections	0.21%	0.00%	0.00%	\$51,470,685	60%
HNZC	0.17%	68.54%	5.05%	\$40,932,941	70%
IR	0.64%	79.18%	0.01%	\$12,355,800	80%
MoE	0.18%	0.00%	1.11%	\$113,090,388	70%
MoJ	0.16%	73.86%	1.07%	\$54,428,013	40%
MSD	1.43%	98.34%	14.45%	\$6,277,011	50%
NZ Fire	0.34%	78.91%	7.38%	\$33,388,148	90%
NZ Police	0.62%	85.00%	26.33%	\$15,345,357	100%
NZDF	1.89%	89.31%	78.95%	\$3,674,680	60%

Table 42 | Property Management function agency results for FY 2009/10

Agency	PTY1: Total office property costs per square metre	PTY2: Total office accommodation per FTE	PTY3: Average square metres per workstation	PTY4: Property MPI score
NZ group one cohort				
DBH	\$429.33	24.78m ²	18.47m ²	70%
MCH	\$350.78	18.08m ²	14.35m ²	100%
MFE	\$549.58	20.53m ²	15.32m ²	10%
MFish	\$601.81	22.34m ²	19.07m ²	90%
MoT	\$495.65	24.01m ²	18.53m ²	80%
NZQA	\$446.36	14.73m ²	13.45m ²	60%
SSC	\$423.60	29.10m ²	25.35m ²	100%
TEC	\$548.68	21.33m ²	15.37m ²	90%
TPK	\$506.88	23.70m ²	22.83m ²	90%
Treasury	\$635.15	21.20m ²	17.26m ²	80%
NZ group two cohort				
Customs	\$273.69	21.98m ²	20.08m ²	90%
DIA	\$406.42	19.63m ²	18.61m ²	70%
DoC	\$346.92	23.69m ²	21.98m ²	30%
DoL	\$478.63	16.84m ²	16.24m ²	100%
LINZ	\$329.16	28.02m ²	25.91m ²	0%
MAF	\$500.27	19.44m ²	15.78m ²	50%

Agency	PTY1: Total office property costs per square metre	PTY2: Total office accommodation per FTE	PTY3: Average square metres per workstation	PTY4: Property MPI score
MED	\$403.56	22.51m ²	17.69m ²	100%
MFAT	\$552.70	25.08m ²	20.28m ²	80%
MoH	\$320.86	20.39m ²	15.28m ²	70%
NZTA	\$373.44	23.32m ²	19.70m ²	80%
NZTE	\$576.01	21.06m ²	15.24m ²	50%
Stats	\$321.49	16.72m ²	14.83m ²	80%
Tourism	\$473.53	21.17m ²	18.45m ²	70%
NZ group three cohort				
ACC	\$377.04	16.18m ²	16.01m ²	50%
Corrections	\$339.94	20.58m ²	18.83m ²	80%
HNZC	\$514.83	17.19m ²	16.56m ²	80%
IR	\$352.21	23.39m ²	16.78m ²	90%
MoE	\$352.46	22.47m ²	18.41m ²	100%
MoJ	\$475.61	16.34m ²	13.48m ²	80%
MSD	\$272.52	21.31m ²	17.27m ²	100%
NZ Fire	\$547.17	15.72m ²	15.10m ²	90%
NZ Police	\$282.66	15.00m ²	15.00m ²	70%
NZDF	\$350.04	18.10m ²	18.10m ²	80%

Table 43 | Corporate & Executive Services function agency results for FY 2009/10

Agency	CES1: Total cost of CES as a percentage of organisational running costs	CES2: Percentage of cost of CES by CES process						CES3: Total cost of CES per organisational FTE	CES4: Legal MPI score	CES5: Comms MPI score
		CES2.1: Communications and external relations (excluding the publications function)	CES2.2: Strategy and planning	CES2.3: Library, document management, archive and research	CES2.4: Audit and risk management	CES2.5: Legal	CES2.6: Total cost of all other identified corporate costs			
NZ group one cohort										
DBH	5.08%	34.5%	5.6%	27.8%	8.6%	23.4%	0.0%	\$10,702	70%	90%
MCH	4.44%	25.3%	6.7%	30.1%	8.8%	29.1%	0.0%	\$6,040	40%	80%
MFE	6.10%	23.7%	7.9%	12.8%	7.1%	48.6%	0.0%	\$12,023	70%	100%
MFish	2.48%	20.1%	9.6%	18.8%	12.3%	33.7%	5.5%	\$5,310	90%	80%
MoT	11.72%	24.7%	17.1%	23.6%	1.9%	32.7%	0.0%	\$21,947	80%	90%
NZQA	2.43%	22.3%	19.0%	29.6%	17.9%	11.1%	0.0%	\$4,752	80%	90%
SSC	4.61%	36.7%	4.2%	34.1%	7.4%	17.6%	0.0%	\$10,223	70%	100%
TEC	5.04%	26.8%	13.3%	24.0%	11.8%	11.0%	13.1%	\$10,458	70%	80%
TPK	5.50%	26.4%	7.9%	28.3%	10.5%	25.5%	1.5%	\$9,578	60%	50%
Treasury	6.21%	13.0%	13.7%	22.6%	20.8%	29.9%	0.0%	\$12,264	80%	90%

Agency	CES1: Total cost of CES as a percentage of organisational running costs	CES2: Percentage of cost of CES by CES process						CES3: Total cost of CES per organisational FTE	CES4: Legal MPI score	CES5: Comms MPI score
		CES2.1: Communications and external relations (excluding the publications function)	CES2.2: Strategy and planning	CES2.3: Library, document management, archive and research	CES2.4: Audit and risk management	CES2.5: Legal	CES2.6: Total cost of all other identified corporate costs			
NZ group two cohort										
Customs	2.44%	21.7%	19.3%	0.0%	17.5%	41.5%	0.0%	\$2,595	80%	90%
DIA	2.08%	22.4%	12.3%	16.1%	13.5%	35.7%	0.0%	\$3,093	70%	100%
DoC	2.49%	26.8%	4.7%	13.7%	11.4%	43.5%	0.0%	\$3,557	50%	90%
DoL	3.26%	19.3%	15.2%	16.5%	20.0%	22.8%	6.1%	\$4,213	90%	100%
LINZ	3.74%	18.6%	9.8%	19.7%	38.6%	13.2%	0.0%	\$7,277	60%	90%
MAF	2.80%	6.8%	14.0%	39.0%	10.2%	20.5%	9.5%	\$4,735	90%	80%
MED	2.31%	12.5%	8.6%	29.0%	6.8%	43.1%	0.0%	\$8,782	60%	70%
MFAT	1.63%	28.6%	11.5%	45.7%	8.6%	5.6%	0.0%	\$10,875	70%	90%
MoH	0.18%	20.6%	7.2%	28.5%	20.2%	23.6%	0.0%	\$3,305	60%	60%
NZTA	1.34%	11.7%	11.8%	7.2%	3.6%	52.3%	13.3%	\$18,186	80%	80%
NZTE	2.68%	28.2%	24.6%	16.6%	14.8%	15.7%	0.0%	\$6,275	70%	90%
Stats	1.57%	14.0%	29.0%	47.5%	9.5%	0.0%	0.0%	\$1,659	0%	100%
Tourism	1.45%	60.7%	17.5%	7.8%	7.1%	6.9%	0.0%	\$10,319	0%	70%

Agency	CES1: Total cost of CES as a percentage of organisational running costs	CES2: Percentage of cost of CES by CES process						CES3: Total cost of CES per organisational FTE	CES4: Legal MPI score	CES5: Comms MPI score
		CES2.1: Communications and external relations (excluding the publications function)	CES2.2: Strategy and planning	CES2.3: Library, document management, archive and research	CES2.4: Audit and risk management	CES2.5: Legal	CES2.6: Total cost of all other identified corporate costs			
NZ group three cohort										
ACC	0.38%	13.2%	1.5%	13.9%	36.1%	35.4%	0.0%	\$3,054	60%	80%
Corrections	0.65%	25.8%	5.8%	20.8%	26.9%	20.6%	0.0%	\$797	70%	80%
HNZC	0.58%	28.0%	14.1%	8.9%	29.4%	4.7%	14.8%	\$4,515	70%	70%
IR	1.64%	21.9%	19.2%	7.0%	39.7%	12.1%	0.0%	\$1,689	100%	100%
MoE	0.56%	24.9%	22.7%	18.2%	13.5%	22.7%	0.0%	\$2,724	80%	80%
MoJ	2.09%	8.2%	6.5%	72.9%	4.6%	7.7%	0.0%	\$4,058	80%	50%
MSD	0.52%	22.8%	15.4%	17.9%	31.7%	12.2%	0.0%	\$934	80%	100%
NZ Fire	0.69%	20.4%	9.1%	17.3%	35.2%	18.0%	0.0%	\$922	30%	100%
NZ Police	0.90%	31.0%	5.3%	3.3%	17.5%	42.8%	0.0%	\$1,025	70%	100%
NZDF	0.88%	24.1%	33.6%	22.7%	10.4%	9.2%	0.0%	\$1,230	50%	60%