

Reference: 20230270

08 June 2023



Dear 

Thank you for your Official Information Act request, received on 10 May 2023. You requested the following:

Under the OIA I request all information relating to substantive analysis, advice, recommendations and decisions in regard to the appropriate/optimal methodology and framework for strategic assessment of the performance of departments.

On 12 May 2023, you were contacted to clarify the scope of your request. You were notified that

Your request is broad in scope and is likely to be refused under section 18(f) of the Official Information Act as substantial manual collation would be required to provide the information requested.

As such, I would like to suggest refining your request, so we are able to make the proper considerations on the information you are seeking. I recommend refining your request, for example by:

Defining what you mean by “performance of departments” noting that the Treasury has responsibility for the public sector financial management system, while the Public Services Commission leads the public sector. These different roles mean we focus on different but complementary elements of “performance”.

Defining a timeframe for the information requested. Please respond by 16 May 2023, this way we can consider the refinement in our response to your request.

On 12 May 2023, you responded to the above comments, stating:

I'm not sure the scope is too broad – I am asking in regard to 'strategic assessment' not 'assessment' – this refers to the assessment of the effectiveness of the department in achieving the government's and its strategic objectives as well as the core (strategic) policy issues that relate to its domain. This is distinct from financial performance. It is a role that Treasury plays (as a former Treasury employee I used to advise in regard to such strategic assessments) that is distinct from PSC's and is crucial to its advice to the govt about raising living standards.

In addition, I have narrowed the scope to 'substantive' analysis etc – this means that I am only looking for the core information/document or two that enables me to understand how the Treasury performs this assessment these days. I have used the word 'substantive' many times in OIA requests with departments (including Treasury) and have never had any problem with scope as a result.

There will likely be someone in whatever your strategy unit is called now who will know what I mean. Very happy to talk to you or them.

On 24 May 2023, you were contacted and agreed a revised scope of the request:

internal guidelines on assessing agency performance called Strategic Vote Analysis, and material on baseline reviews that has already been made public.

Information being released

Please find enclosed the following documents.

Item	Date	Document Description	Decision
1.	20 July 2021	Simplified SVA template	Release in full
2.	27 July 2021	Why do SVA?	Release in full

Information publicly available

The following information is also covered by your request and is available on the Treasury website:

Item	Date	Document Description	Website Address
1.	11 August 2022	Justice Portfolio - Budget 2022 Information Release	https://www.treasury.govt.nz/publications/information-release/justice-portfolio-budget-2022-information-release
2.	11 August 2022	Environment Portfolio - Budget 2022 Information Release	https://www.treasury.govt.nz/publications/information-release/environment-portfolio-budget-2022-information-release
3.	30 January 2020	Treasury Report T2020/151: Baseline Review of Defence: Final Report	https://www.treasury.govt.nz/sites/default/files/2020-07/b20-t2020-151-4220801.pdf
4.	26 June 2019	MSD Baseline Review 2019 Information Release	https://www.treasury.govt.nz/publications/information-release/msd-baseline-review

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the OIA, as the information requested is publicly available.

Some information has been removed from documents listed in the above table and continues to be withheld under the Official Information Act, on the grounds described in the documents.

This letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Tom Hall
Manager, Public Finance Policy

TOIA 20230270

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Why do Strategic Vote Analysis?

What do we want to achieve?

We all have high aspirations for New Zealanders, and we want to know if agencies are living up to their goals in this regard, this is our purpose. Strategic Vote Analysis (SVA) is a structured way of lifting thinking beyond the day-to-day, for analysing longer-term performance. It is designed to better place VAs to provide quality advice about whether agencies are doing the right things, and if they are doing them well, in ways that can be sustained. This performance lens will better empower Ministers to exercise choices and trade-offs, so that they can achieve their wellbeing priorities within fiscal constraints.

The Vote Work Leadership Group is encouraging strategic thinking, but it is not mandatory. It is up to Vote teams to decide if and how they wish to engage. Consistent with this, some Vote teams are already undertaking strategic thinking and analysis, while some will have taken a deliberate decision to take a light touch approach. This is all good.

Today we are focusing on those who may be keen, but do not yet know enough about SVA to commit. Accordingly, today I will be talking to the nature of the problems we are trying to resolve, the benefits and evidence supporting SVA, and allaying concerns about the effort needed to deliver SVA – spoiler it is not particularly arduous.

Problem identification and solution

We all trade-off the important for the urgent and necessary. This means our advice can lack sufficient context and insight when time pressures are high, which weakens our ability to influence Ministers. This is especially understandable during Budget rounds, when new initiative assessment deadlines are compressed. At this time, VAs have multiple competing demands, there is no time to invest in the background thinking needed to more fully investigate and understand agency execution capability and possible wider trade-offs.

The fix is a modest investment now, during the relatively quiet times, using the guidance we have developed to analyse overall agency performance. Some pre-thinking ahead of the Budget on agency performance would develop a strong foundation for influencing agency initiatives and better navigating Ministers through Budget process issues and choices. Plus, you can reduce future time pressures for yourself and future VAs by having some answers at the ready for when they are needed the most across a range of processes, not just Budget (i.e. commenting on SOIs, annual reports and any other evaluations).

The balance of this note sets out in more detail on what to expect, recent experience to support these claims, and some assurance that what is required is not onerous.

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What to expect – return on investment

After completion of an SVA, Vote teams should have a better understanding of whether an agency is achieving its objectives, their alignment with Government wellbeing objectives, and cost drivers now and in future. To this end, VAs can develop a view about the strength of agency strategy, and the quantity and quality of outputs through their relationship to outcomes, as well as self-reported performance information. In short, to know if the agency is overall delivering on what it is being paid for, and if its costs are reasonable. But also, is future capability being retained through the way staff and assets are being managed, plus the quality of risk management (i.e. stewardship)?

All this will expose where extra spending in an agency would be worthwhile, but also point to low value activities, where reprioritisation is an option. Building capability on these foundational Budget issues is the cornerstone of being able to quickly and nimbly tailor advice to these perennial issues, as well as answering those occasional left field questions.

You may be aware that in this year's Budget, there is going to be a greater emphasis on value for money, as well as the typical judgements about agency implementation readiness, risk, and capability constraints. So now more than ever, this is the right time to think about agency performance, and to understand past delivery to inform likely future performance. It will also better place you to have more valuable engagement with agencies, your more in-depth knowledge will make for higher quality, and possibly more satisfying interactions that can help agencies do better. This may even encourage information sharing and seeking Treasury input early on in processes, rather than at the due date.

Lastly, as part of public finance modernisation, regular spending reviews will be conducted of agencies within designated clusters to establish more cohesive spending paths that better reflect Government priorities and fiscal plans. If you want to prepare for an upcoming review, SVA is a good start by providing an early look at the key cost pressures, risks, and priorities and the data availability that can underpin the spending review investigations. This will allow you to front-foot issues and prime agencies for the review.

SVA may not answer all the questions needed to make definitive recommendations to Ministers, but it may provide a good sense of the key issues and questions to eventually test with agencies. The result could be a forward work agenda for the agency.

Supporting Experiences

A recent experience of a VA undertaking an SVA talks to the benefits of SVAs. In his own words *"... I would recommend Vote teams undertaking SVA for their departments. SVA allows for testing of hypotheses, deeper understanding of a department's financial, capital and HR position, and bringing to the surface of issues that might not have previously been considered. This provides an excellent basis for*

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meaningful engagement with departments and high-quality assessment of any requests for additional resources.”

Effort needed – modest?

SVA is a voluntary programme, and so is built around what Vote Teams want and are already doing. It is primarily an internal thinking exercise, so producing polished documentation for agency consultation is not expected. This significantly reduces the effort required. There is no mandated structure to the analysis, but there is guidance and tips to allow Vote teams to decide for themselves what is important within their resources and time available ([Simplified SVA template - final \(Treasury:4478260v2\)](#) refers). This would be characterised by the classic 80/20 approach.

When and how the work is done is up to Vote teams, whether it be short and sharp processes or slower and more drawn out, plus how the work is shared amongst the team. It all depends on your circumstances and what other urgent and important work needs to be managed at the same time. We will support you through tailoring individual programmes, check-ins on progress and to answer questions and make suggestions about analytical approaches, and who to talk to for further expertise.

Closure

As you have seen there are many reasons to commence SVA now and few downsides. We are keen to hear who is keen to start now while there is more time and capacity. Just contact me and we can work through your objectives and concerns and tailor a programme just right for you. We will be sending out a draft training schedule soon, once we know the level of participation. We are here to help, first in first served!

Simplified SVA template

Introduction

If you are ready to undertake a strategic review of your agency ([Why do SVA?](#) - refers), the template below will give you a structured approach to thinking about the key issues. It reflects a range of questions, prompts and analytical approaches for digging into agency performance.

While there are several parts to having an in-depth understanding of agency performance, it is not expected or necessary that all the aspects covered in this template be investigated. Just pursue the elements that are apt to your circumstances. Each Vote team faces different challenges, and have different levels of capability and resources. This means there is considerable flexibility in how the following is applied to your own contexts, and we can help you decide what is most relevant.

In responding to this framework, answering the questions, and completing the analysis, your opinion and judgement is more important than wordsmithing – this is mainly a thinking exercise. The framework is designed to help you think about performance questions, solicit judgement and weigh evidence.

There are other related analytical processes that are complementary to this work, which can reinforce and provide further detail performance. These include the work led by David Do and Katie Kay on Strategic thinking and planning, with its near-term emphasis on Statement of Intent, plus an upcoming presentation on how to analyse annual reports.

General Tips

This process should start as a desktop exercise. Collate your information, comments and evidence ahead of approaching agencies (see below for possible useful information sources). This will enable you to have more targeted conversations and information requests when your findings are eventually raised with agencies. Remember noting where the information is sourced from is important, as it will make easier to verify and update the information as needed.

Be prepared to use judgement. Using adjectives such as “good” and “bad” helps because it encourages thinking about the evidence to support these strong words, and to think more deeply about a supporting narrative. However, some questions are hard to answer, and you may not be able to be definitive in the time and evidence available, and that is OK. For example, in developing solutions to identified problems requires option analysis, costings, and implementation information, which is unlikely to be achievable without significant agency inputs. Never mind, just asking the questions and attempting to answer them is a good start in examining the strategic case for change.

Each section in the template is divided into two, first the relevant facts/story (basically description of the key points and facts)¹, and then a comment about this from a performance perspective (i.e. the analysis). Performance evaluation is not just about the quality and quantity of delivery, it is about whether delivery reflects Government priorities, is cost effective, and not cutting corners that will have long-term adverse repercussions. This boils down to the idea of value for money, a judgement across whether agencies are:²

- doing the right things through having good objectives, strategies and knowing if they are on track through having fit-for-purpose performance information, some of which may be qualitative in nature
- Doing things right through delivering what an agency has been paid to do (hopefully the right things), and doing this economically, but not necessarily at least cost (to allow for qualitative differences in delivery), and
- Being stewards through managing future staff and asset needs, as well as risks now and in future to assure future capability.

So, working backwards, ideally there should be a good mapping between spending on the right outputs to raise measured performance, which is most relevant to the outcomes consistent with good strategies and objectives, both now and in future. Remember try to be impartial, and avoid being too swayed by agency rhetoric, it is designed to be persuasive!

Wellbeing

In thinking about doing the right things, it is useful to apply a wellbeing dimension. To this end, within the Treasury we use the Living Standards Framework (LSF) and He Ara Waiora. Agencies are not bound by these approaches and can use different frames such as Integrated Reporting. The good news is that these alternatives typically examine similar concepts, but just using different explanations.

¹ This can cover why an agency exists (what it does), key facts (staff numbers, organisational design, legal frame, plus key take outs from financial statements), recent history and issues (policy and performance), and likely big future issues. Plus, agency vision, objectives, strategy and goals that are typically set out in their accountability documents.

² For the economists, you may see parallels here with economic efficiency, which is a catch all for these concepts, as it has three elements too:

- Allocative efficiency (akin to doing the right things) – but note that in non-competitive markets, such as many public sectors services, there is often no price information to assess value to the customer (i.e. there is only cost information).
- Productive efficiency (akin to doing things right) - noting that the concept of productivity (the ratio of outputs to inputs) in the public sector is not simple, as outcomes and even outputs can be hard to measure (i.e. volumes and quality),
- Dynamic efficiency (akin investing at the right time in the right things)

The key to thinking about wellbeing analysis is not be too focussed fiscally, but to think about what is trying to be achieved, now and in future, and taking a wide perspective. To this end, the LSF requires consideration of how your agency impacts on the domains of wellbeing, the capitals that sustain capacity for future delivery, and distributional outcomes, plus how it can collaborate with other stakeholders to be a more effective delivery agent.

He Ara Waiora also has a focus on distributional and environmental outcomes, and the quality of decision making through collaboration with partners and stakeholders.

He Ara Waiora encourages thought about matters such as:

- Te Taiao – how does the work of the agency enhance stewardship of the natural environment?
- Te Ira Tangata – how does the work of the agency enhance the mana of individuals and communities?

In future, public finance modernisation with its cluster-led approach, underpinned by more deliberate prioritisation processes, may further cement in this type of thinking.

The above is a very brief and partial overview. More reading is recommended for a fuller understanding of both frameworks. If you would like to read more see:

- <https://huihui/Key-Initiatives/living-standards/Pages/default.aspx>
- <https://huihui/news/Pages/He-Ara-Waiora-pilot.aspx> ; [He Ara Waiora \(treasury.govt.nz\)](https://treasury.govt.nz)

Unit of Analysis

The suggested unit for analysis is typically agencies because of the way public services are delivered at present. This requires a mix of both appropriations and agency level information for performance analysis and narrative purposes. However, where objectives and Votes are shared across agencies, a sector view may also be necessary. This is especially the case if your agency is about to have a cluster spending review, pursuant to the public finance modernisation proposals around clustering.

Useful Sources of Information

Usually we would expect the Vote team to use a range of public information, typically accessible from websites (agency or Budget), and private information that Treasury holds because of its central agency and finance roles. These include:

- Statement of Intent (SOI)
- Estimates for appropriation level data and specifications
- Annual reports
- CFISnet data
- Briefing for Incoming Ministers (BIM) - the agency's

- Investment Confidence Rating (ICR)
- Significant business cases
- Historical but perhaps still useful Performance Improvement Framework (PIF) reports, and 4-year and 10-year plans

Other useful context for thinking about how agencies fit within Government objectives and priorities can be found at:

<https://www.beehive.govt.nz/speech/speech-throne-3>

https://drive.google.com/file/d/13uhcVrn8HUXEoWoPQgkJYjHX_d_Za-00/view

Help

All agencies differ and so can have specific issues that need to be considered in more detail than is typical. For example, some agencies may differ from the norm because they are capital intensive, have a large workforce, or have organisational/Finance team challenges. If these extra challenges apply, we can provide extra specialised support. But in general, if you have any questions about applying this template please contact me - Jean-Pierre.Andre@treasury.govt.nz

Analysis Template

Hypothesis

It is sometimes useful to start with a hypothesis to test regarding an agency. For example, agency X is performance is good/bad because.... <add in what your overall conclusion is, and what your next steps are in response when your analysis is completed>. This provides a focus for the analysis and should be supported by the evidential detail from the elements of the analysis below.

Doing the right things

This is about whether agencies are doing the right things through examining agency objectives, strategy and performance information.

Description

Read your agency's latest annual report, statement of intent, and other corporate planning documents at hand to pull out the main points about what the agency does and why (a mix of its purpose and strategy), and how it assesses progress through its performance information.

Comment

Objectives and priority alignment

Questions about adequacy:

- Do objectives reflect statutory responsibilities?
- Is there good alignment between the agency and Government objectives (i.e. by the agency achieving its objectives, will it help Government realise its objectives for raising wellbeing)? If not, why not?
- Do priorities look about right, what would you change?

Conclusions- Good/OK/Poor based on the results of your interrogating questions

Strategy

Questions about adequacy:

- Is the strategy credible for delivering on objectives (i.e., based on core competencies), and are trade-offs clear?
- Is the agency working collaboratively, long term and widely consistent with good LSF/ He Ara Waiora practices?
- Is it clear through supporting financial information that money is being spent on outputs consistent with strategy, which will deliver on objectives (i.e. there is good logic mapping between interventions and priority outcomes)?
- Have recent new budget initiatives supported the strategy and objectives and take account of links to other agency work?

Conclusions: - Good/OK/Poor based on the results of your interrogating questions

Performance information

Questions about adequacy:

- Are performance indicators well aligned with what is important to achieving objectives and strategy, as well as actual spending (i.e. fit-for-purpose)?
- Are they outcome or output driven? And if output driven, is it measuring key outputs closely associated with outcomes?³
- If measurable, are indicators relevant, timely, coherent, reliable, comparable, concise, verifiable...and if overly specified is there a chance of creating perverse behaviours?
- Can better outcomes be attributable to further agency interventions (i.e. do targets/expectation get more ambitious with more funding in a way that enables attribution judgements over agency contribution)?

Conclusions: - Good/OK/Poor based on the results of your interrogating questions

Doing things right

This is about whether an agency is adequately delivering on what it is being paid to do and if this is being delivered at reasonable cost.

Description

Look at the Estimates and annual report to pull out the main performance targets and outturns relative to targets to see variances. Plus, pull out main points about overall spending and revenue trends (the baseline), and its components over time (i.e. outputs as well as wages and staff numbers).

Comment

Delivery

Questions about adequacy

- Are targets adequate (i.e. is the ambition level reasonable notwithstanding the quality of the metric itself)? And is performance relative to targets justifiable (i.e. is there a good reason if underachieving)?
- Is there a track record of delivery? Are things improving over time - especially where new money has been provided for existing services (i.e. more resources, more outputs better outcomes)?

³ The Public Finance Act used to require that agencies set out in the Estimates the outcomes they were trying to achieve through their spending. Outcome specification is no longer mandated, but an articulation of what it is trying to be achieved is still required. This is because of the difficulty of specifying and measuring progress with outcomes in some circumstances.

- Is the key work of the agency well-coordinated across government and with key partners outside government? Does it enhance the Māori-Crown partnership? This relates to the tikanga, kotahitanga and whanaungatanga principles in He Ara Waiora.
- Is there a feedback mechanism for getting customer feedback and improvement (i.e. adds to the credibility of delivery)? Has consideration been given to enabling communities to lead and develop their own solutions, if this is likely to be more effective than government-led provision? This aligns to the He Ara Waiora principles of tikanga and manaakitanga.
- Given all of this, are new future initiatives likely to be delivered on time and meet expectations (i.e. what is track record for spending against funding for recent new spending initiatives, and so what can be inferred for future performance against 2021/22 new initiatives)?

Conclusions: - Good/OK/Poor based on the results of your interrogating questions

Economy

Questions about adequacy:

- Has the agency had a flattish baseline over the last five to ten years and so had to absorb many cost pressures, and have there been new initiatives paid for within baselines (i.e. an agency more likely to be operating leanly if it is making trade-offs to achieve priorities)?
- Or has the baseline gone up significantly, if so in what areas, what is the track for FTE numbers and wages (i.e. can personnel cost increases be justified - did pay need to increase to retain and recruit)?
- Are there any cost benchmarks that could provide insights into the agency's economy (i.e. comparators for wages and staff numbers)?⁴ Is there any spending that looks excessive?
- Is there a track record of unappropriated expenditures, or budget cost pressure bids not signalled in advance through planning documents that would suggest weaknesses of foresight?
- Have cost pressure bids related to volumes or prices (i.e. what drives costs, what is fixed verses variable, and are their obvious patterns, and if so, what are likely future bids to sustain services over the medium term under fixed baselines)?

Conclusions: - Good/OK/Poor based on the results of your interrogating questions

⁴ Given the uniqueness of public sector agencies, cross sectional analysis should generally be restricted to common costs such as administrative and support services, salaries, and policy analysis. The old BASS survey looked at the cost of administration and support services across agencies. Even with time series analysis, caution is needed because agency structures and the nature and scope of appropriations can shift, so the consistency of time series data can become compromised.

Stewardship

This is about whether an agency is adequately investing to sustain future delivery. The He Ara Waiora principle of tiakitanga speaks to the duty of proper stewardship over taonga, assets and systems.

Description

Look at CFISnet to pull out the size and shape of the balance sheet and any capital injections over time. Note any significant changes in scale and shape of the balance sheet, and the drivers of changes that could have led to or could lead to future capital injections/withdrawals or major investments (i.e. transformations driven by policy or growing/lessening activities). Plus, from planning documents, pull what are the key elements of any risk and mitigation plans, or future scenarios and coping strategies.

Comment

Investing

Questions about adequacy:

- Have there been capital injections because of poor past asset management (i.e. depreciation funding, represented through accumulated debtor Crown has been diverted to non-critical uses creating urgent capability risk)?
- How does debtor Crown and cash holdings compare with accumulated depreciation now (i.e. in future will this be enough to replace critical assets)?
- Does your agency have an asset plan, if so look at its asset indicators (i.e. what do the condition, utilisation, and fitness for purpose measures of assets tell you – especially for critical assets)? If not available why not?
- Are their enough assets of the right mix to cope with future challenges?

Conclusions: - Good/OK/Poor based on the results of your interrogating questions

Risk management

Questions about adequacy:

- How has the agency coped with recent shocks, and how has it made trade-offs (i.e. less outputs/outcomes or more money sought to maintain services)?
- Are risk and mitigation plans adequate (i.e. they identify major and likely risks and mitigation plans)?
- Are there adequate financial buffers (e.g. working capital) and/or operational buffers (e.g. some operational redundancy) to cope with shocks?
- What is its thinking about the long-term impacts of technology and changing demographics in the workforce, and how will climate change or a change in government with new priorities impact?
- Is staffing stable and training adequate to sustain capability (i.e. are the finance staff that you deal with effective)?

Conclusion: - Good/OK/Poor based on the results of your interrogating questions

Overall Conclusion

Looking at the analysis above and individual conclusions, the following ...is good... is OK, and ... is poor. Using judgment to balance these factors, the agency is good/bad value for money primarily because.... (your overall conclusion that should reflect the opinion at the start to the hypothesis posed. However, this initial hypothesis may need to change once the analysis has been completed, if it is not confirmed.)

You may not be able to answer all the questions needed to make definitive recommendations to Ministers, but you should have a good sense of the key issues and questions to eventually test with agencies. The result could be a forward work agenda for the agency, an actionable set of next steps.