



<b>Report Title:</b>	<b>Overview of the Capability Review Programme</b>		
<b>Report No:</b>	2024-0017		
<b>Date:</b>	<b>25 January 2024</b>		
<b>To:</b>	<b>Hon Nicola Willis, Minister for the Public Service</b>		
<b>Cc:</b>			
<b>Action Sought:</b>	Provide the Public Service Commission with your views on the priority areas or agencies, and any updates to the review framework, that the Capability Review Programme should focus on to advance the Government's priorities for the Public Service.	<b>Due Date:</b>	19 February 2024
<b>Contact Person:</b>	<b>Thor Gudjonsson, Deputy Commissioner System and Agency Performance</b>		
<b>Contact No:</b>	9(2)(a) privacy		
<b>Encl:</b>	Yes	<b>Priority</b>	Medium
<b>Security Level:</b>	<b>IN CONFIDENCE</b>		

## Executive Summary

1. This report provides an overview of the Capability Review Programme launched by the Public Service Commission in June 2023. It also provides an update on the first three Agency Capability Reviews underway and seeks your views on how the Programme can help advance the Government's priorities for the Public Service. This includes priority issues or agencies for review, and updating the review framework to place more emphasis on areas that you would like the Public Service to focus on.
2. The Capability Review Programme (the Programme) provides independent, future focused reviews to inform the strategic direction and capability of public service agencies. It builds on the successful elements of the Performance Improvement Framework (PIF) introduced in 2009, and incorporates lessons learned from similar review programmes overseas.
3. Capability Reviews aim to:
  - support senior leaders to lift the capability of their agencies by providing an independent perspective on future needs and insights into key challenges
  - embed a culture of continuous improvement across the Public Service
  - ensure agencies and systems are well-placed to deliver government priorities and outcomes for New Zealanders, and
  - provide useful insights to support wider shifts across the Public Service to lift its performance.
4. The Reviews are undertaken by highly experienced independent Lead Reviewers, who bring a strong understanding of the public sector operating environment and how organisations

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can build capability to lift performance. Most are experienced former chief executives and governance leaders.

5. The Programme plays a key role in the Public Service Commission's performance management system. Review findings and recommendations are incorporated into the Commission's performance management of chief executives and agencies, with regular monitoring and assurance to assess implementation progress.
6. The Programme is a helpful mechanism to drive the Government's priorities for the Public Service. Reviews provide Ministers with an important lever to shape the long-term direction, focus and capability of their agencies, which helps to position agencies to deliver on Government priorities. The reviews also ensure chief executives are actively preparing their agencies to respond to future trends and issues within their sectors.

7. 9(2)(f)(iv) confidentiality of advice

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10. 9(2)(g)(i) free and frank

### **Recommended Action**

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We recommend that you:

- a **note** that the Public Service Commission 9(2)(f)(iv) confidentiality of advice
- b **note** that the Public Service Commission will provide you and the responsible Minister for each agency with a copy of draft Agency Capability Reviews for consideration before they are finalised, 9(2)(f)(iv) confidentiality of advice
- c **provide** the Public Service Commission your view on how you wish to engage on individual review findings and their release
- d **provide** the Public Service Commission with your views on the priority areas or agencies, and any updates to the review framework, that you consider the Capability Review Programme could focus on to implement your direction and priorities for the Public Service.

Hon Nicola Willis

**Minister for the Public Service**

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## Purpose of Report

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1. This report provides an overview of the Capability Review Programme, and a brief update on three Agency Capability Reviews that are currently being finalised. This follows initial high-level information provided to you in the Briefing to the Incoming Minister. This report also seeks your views on how the Programme could be used to help advance the Government's priorities for the Public Service.

## The Capability Review Programme is a Public Service Commission initiative to lift agency capability

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2. The Capability Review Programme (the Programme) is a key lever for driving public service performance. The Programme's reviews aim to:
  - support senior leaders to lift the capability of their agencies by providing an independent perspective on future needs and insights into key challenges
  - embed a culture of continuous improvement across the Public Service
  - ensure agencies and systems are well-placed to deliver government priorities and outcomes for New Zealanders, and
  - provide useful insights to support wider shifts across the Public Service to lift its performance.
3. For Ministers, these reviews are an important opportunity to shape the long-term direction, focus and capability of agency, and to ensure they are positioned to effectively deliver the Government's key priorities. They also provide Ministers with an independent, trusted-advisor's view of the issues, opportunities, and challenges their agencies are facing and how these might be addressed.

*The Programme focuses on driving both agency and system performance*

4. There are two parts to the Programme:
  - **Agency Capability Reviews:** These reviews support chief executives by providing an understanding of their agency's desired future state and what shifts are needed to successfully achieve it. Agency Capability Reviews are based on the Agency Capability Model (an overview of the model is attached as Appendix One)
  - **System Capability Reviews:** These reviews provide a forward-looking view of the capability needed across groups of agencies that are delivering shared outcomes and working across common customers, clients, and businesses. We are currently developing the System Capability Model and review process.

*Capability Reviews are led by experienced Lead Reviewers*

5. Each review is led by two independent Lead Reviewers, selected from the Commission's Lead Reviewer Panel. These are highly experienced people (most are former chief executives and/or are current board chairs and members) who have a strong understanding of the public sector operating environment, and how organisations can build capability and lift performance. The Commission supports the Review process.
6. At the end of the review process, a report is published on the Commission's website, and the Commission provides ongoing support and oversight to ensure the agency (or agencies) develop and implement a plan to address report recommendations.

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*The Programme builds on the successful elements of the Performance Improvement Framework*

7. The Programme was launched in 2023, as an update to and a replacement of the Performance Improvement Framework (PIF) (which was implemented in 2009). Over 50 PIF reviews were completed by 2020 before competing priorities associated with COVID-19 meant further PIF reviews were not progressed. The PIF programme was well regarded internationally and has helped inform the development of similar programmes overseas.<sup>1</sup>
8. The updates reflected changes in best practice in Public Sector Management since the PIF was implemented, including lessons from similar programmes in other jurisdictions. We have particularly sought to align the Programme with similar initiatives in Australian jurisdictions (including the capability programmes run in Western Australia, and the Australian Public Service). As part of this engagement, we have established a community of practice with these jurisdictions to share best practice on building agency capability.


### **We are piloting the new Agency Capability Model and Review Process**

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9. The Commission is currently progressing the first three Agency Capability Reviews. An overview on the three reviews is provided in Table One below.

*Table One: Status of the three Capability Reviews currently underway*

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<sup>1</sup> See Australia and New Zealand School of Government ([ANZSOG](#)) report “Developing Agency Capability” May 2021.

10. 9(2)(f)(iv) confidentiality of advice

11. 9(2)(g)(i) free and frank

**We seek your input on how the Capability Review Programme can best support the Government's priorities**

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**Next Steps**

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14. We seek your feedback on the Programme and opportunities to ensure it supports the Government's priorities for the Public Service – this includes any feedback you may wish to provide on potential agencies or areas for review in 2024, and any updates to the review framework. We can also meet with you to discuss your feedback and any questions you may have.

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## Appendix One: Agency Capability Model

### Future Excellence Horizon

What contribution will New Zealanders need from the agency in the medium term?

### Delivery


- 1 How does the agency respond to Government Priorities?
- 2 For each core function, how does the agency deliver value and make a positive impact for New Zealanders?
- 3 For each core function, how does the agency demonstrate increased value and impact over time?
- 4 How does the agency meet its system stewardship responsibilities (including regulatory stewardship)?
- 5 How does the agency provide advice and services to Ministers?

### Capability

	Element	Lead question	
Leadership, Culture, and Direction	Purpose, vision, and strategy	6 What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?	
		7 What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?	
	Leadership and governance	8 What is the agency's capability to exercise relevant system and sector leadership roles?	
		9 What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?	
		10 What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?	
	Values, behaviour and culture	11 What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for it to succeed?	
	Continuous improvement	12 What is the agency's capability to encourage, use, and learn from evaluative activity?	
		13 What is the agency's capability to report, monitor and use performance information?	
	Collaboration and delivery	Customers, clients, and citizens	14 What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and use these to innovate and drive better experiences?
			15 What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
			16 What is the agency's capability to be open, transparent and accessible in actively engaging with stakeholders and citizens?
		Māori- Crown Relationship	17 What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?
		Operating model	18 What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
19 What is the agency's capability to evaluate service delivery options?			
Partnerships and engagement		20 What is the agency's capability to contribute to the success of its wider operating system(s), including collaborating with partners and providers?	
21 What is the agency's capability to manage its context with external stakeholders and the public?			
Workforce	Workforce development	22 What is the agency's capability to develop its people (including its diversity and leadership)?	
		23 What is the agency's capability to anticipate and respond to future capacity and capability requirements, and how are they organised to meet demand?	
	Performance focus	24 What is the agency's capability to promote and develop a high performing workforce?	
		25 What is the agency's capability to manage or improve performance that is not meeting expectations?	
	Workforce engagement	26 What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?	
27 What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?			
Public Finance and Resource Management	Investment and asset management	28 What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?	
	Data and technology	29 What is the agency's capability to manage and use information as a strategic asset?	
		30 What is the agency's capability to leverage data and technology to drive improvements in service delivery and outcomes?	
	Public finance	31 What is the agency's capability to understand, plan, direct and control financial resources to deliver sustainable value-for-money?	
Risk and assurance	32 What is the agency's capability to identify and manage agency, Crown and system-wide risk?		
	33 What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?		

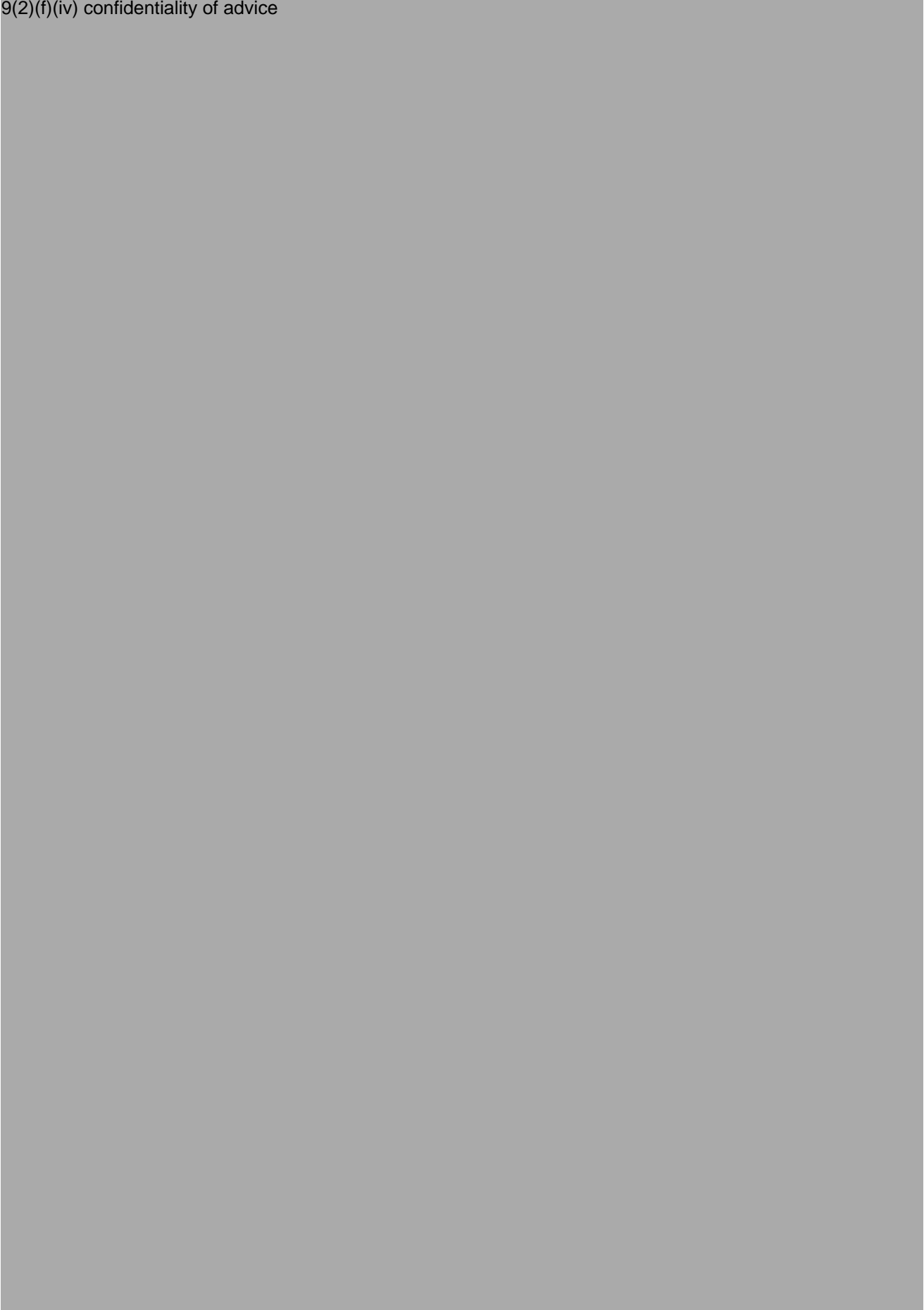
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