

Better Public Services

DRAFT ISSUES PAPER:

Results

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This paper sets out the Secretariat for State Sector Reform's thinking on the issues associated with lifting public service performance through a greater focus on results.

This paper is part of a series of background papers prepared by the Secretariat for State Sector Reform to support the work of the Better Public Services Advisory Group and, as such, this paper does not represent the views of the Advisory Group.

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Executive summary

The reforms to New Zealand's public management system in the late 1980s delivered benefits to state services¹ that should be retained and built on such as enhanced responsiveness and clear accountability which focused managers' attention on their performance.

However, the creation of many small, mostly single-objective autonomous agencies has created two significant problems:

- the resulting fragmentation of the state sector has caused a lack of coordination, and
- the lack of clear priority results around which to focus action.

The difficulty in steering the system to address the critical issues that cross agency boundaries has fuelled poor performance in many of these areas.

This paper concludes that lifting the performance of the state sector will be achieved through a ***focus on delivering a small number of priority results and using these to drive coordination, both structural and fiscal, across the state sector.***

A separate issues paper, "*Sectors: Organisational Arrangements to Deliver Results*", discusses how to address the inflexibility of the current organisational arrangements, a major barrier to the state services responding more effectively to results that cross agency boundaries.

This paper sets out possible approaches for determining priority results for state services to work to and setting indicators for success. Whatever the process, results must have certain characteristics if they are to effectively drive change – of critical importance, prioritised, tangible, clearly defined and communicated, and measurable.

The analysis in this paper also suggests that, to make a results focus effective, several key elements to how the state sector works will need to be strengthened. Particular objectives should be to:

- ***align state services with a results focus*** so that, where achieving a result will require cross-agency collaboration, the system both demands and facilitates this to happen
- ***use the results focus and information on results to more effectively manage the performance of leaders*** so that more attention is given to what will need to be done to achieve results, and
- ***ensure that each agency reports in a way which makes sense (to the organisation and to Parliament), given their role.***

Consolidating decision-points across the state sector to have fewer, stronger decision-points and ***enhancing leadership capability***, particularly in delivering a cross-agency result, are two further areas where change could support the design and delivery of results which are discussed elsewhere.²

¹ This paper uses the term "state services" in a deliberately wide concept of public services to ensure that opportunities to improve performance outside of core government departments are not overlooked.

² *Sectors: Organisational Arrangements to Deliver Results and Leadership for Improved Results*, Secretariat for State Sector Reform, November 2011.

The benefits of public reporting of results (and progress against them) are discussed in this paper, including reflections on the advantages of communicating national results at a local level.

The start of the term of a new government is an opportune time to align the direction of the state sector with the Government's priorities, although the majority of priority results are likely to cross political boundaries (eg, improving economic performance, safeguarding fresh water supplies and ensuring children and young people are on the path to success).

Making changes in unison is likely to maximise their impact and lead to more rapid progress than adjustments made incrementally over a long period.

And there is a base to build on: the previous Government began to communicate a clearer results focus in some social policy areas (eg, through the Welfare Working Group) and agencies in the justice sector, in particular, have started to work together more strategically.

Background and problem definition

The legacy of public sector reforms in the 1980s and since is an emphasis on vertical accountability

In general, New Zealand's public management system is well regarded in international comparisons and individual agencies tend to perform well within their responsibilities. However, the lack of collaboration around, or ownership of, the bigger challenges that cross agency boundaries is an ongoing source of challenge.

The Performance Improvement Framework³ system findings provide a concise summary of this issue: "we have 'can do' state services which are strong on delivering the results that government wants now... (but which are) weaker in developing sustainable public policies and services for difficult, longer-run issues, particularly when these need the support of multiple agencies".⁴

One reason for this state of affairs is that the strongest incentives in the system are vertical – to fund and deliver objectives controlled by individual agencies – and this occurs at the expense of working horizontally. The system does not have absolute barriers to collaborative behaviour, but offers few incentives through lines of accountability, reporting requirements, chief executive performance expectations or budget allocations.

Ministers are a key driver of this vertical focus – they enjoy a high level of autonomy over policy within their jurisdiction and can feel compelled to defend their own policy priorities or the interests of their department rather than the collective good.

The current system was substantively created in the late 1980s, in line with the "New Public Management" approach which was in vogue among many governments at that time.⁵ As well as resulting in a plethora of largely single-objective agencies and semi-autonomous organisations, policy design was deliberately separated from implementation in many areas of government. This decoupling was intended to generate efficiency gains through specialisation, facilitating contestability and clearer accountability for both policy and operational tasks.

The reforms of the late 1980s solved the problems of the time to a considerable extent – increasing accountability, increasing transparency in terms of resource allocation and lessening the inertia generated by large departments that were input dominated – but created new problems in their place. These separate agencies were enterprising about their own resources but not incentivised to connect up with others.

³ This is a formal review process based on an independent review of an agency's performance. For more information, see <http://www.ssc.govt.nz/pif>

⁴ Cabinet paper, *Performance Improvement Framework (PIF) – Second Tranche Results and System Findings*, May 2011.

⁵ Vigoda describes "New Public Management" as an approach that relies on embedding the theory of the marketplace and a business-like culture in public organisations. Its core principles are downsizing, managerialism, decentralisation, debureaucratisation and privatisation. See Vigoda, E, "From Responsiveness to Collaboration: Governance, Citizens and the Next Generation of Public Administration", *Public Administration Review*, Vol 62, No 5, Sept/Oct 2002, p 533.

The public management system we have today, shaped, in large part, by the changes in the 1980s and 1990s and less extensive changes since, exhibits some worrying signs of underperformance:

- clutter (time-consuming and duplicative interests and processes)
- a large number of variably specified priorities across government which distracts focus from clear priority outcomes
- gaps (issues that no one is responsible for)
- cross-agency working which is too often exclusively dependent on the personal commitment of chief executives (and sometimes Ministers), and
- barriers to priority and resourcing discussions from a whole-of-government perspective.

That state services struggle to work together effectively is a serious concern because the big challenges facing New Zealand cannot be solved by one agency alone. They fall across boundaries, with no one agency or Minister controlling the entire value chain. Often, these are areas where New Zealand performs poorly compared to other countries, despite its overall good reputation. Youth unemployment and disengagement is a good example of this.

Poor cross-agency working is a well-recognised issue, but has proved hard to address effectively

Silos will always exist, to some extent, within state services because the relationships between government and citizens and businesses, and the goods and services state services are responsible for, are multiple and complex. However, it has been recognised for some time that the fragmentation of New Zealand's system is excessive and acts as an unnecessary impediment to progress on the big issues.⁶ This problem is manifest at both a policy and a service delivery or operational level.

Efforts have been made to address this. Some chief executives have developed governance mechanisms, memoranda of understanding and cost-sharing arrangements to work with other agencies but report that this is difficult and time-consuming. They also argue it takes years to change the embedded culture and behaviours of organisations and individuals so that they can achieve cross-agency results. Efforts are easily derailed by consensus decision-making processes and the sluggish pace of change.

Cabinet committees and the Central Agencies (the Treasury, the State Services Commission and the Department of the Prime Minister and Cabinet) are entities which examine cross cutting issues. They have made several attempts to solve the problem, the most significant being *Managing for Outcomes* and the *Coordinated State Agencies Development Goal* "to ensure the total contribution of government agencies is greater than the sum of its parts".⁷ These initiatives developed mechanisms for collaboration and overlaid these on the system, but left intact the building blocks that drive a vertical outlook, including lines of accountability, Vote structure and machinery of government arrangements. Largely for this reason, these initiatives fell short of the shift in performance they aimed to achieve (see Annex 1 for further discussion).

⁶ For example, see the Report of the Advisory Group on the Review of the Centre, published January 2002, www.ssc.govt.nz/roc

⁷ Goal 4 of the State Services Commission *Statement of Intent*, <http://www.ssc.govt.nz/node/1971>. See Annex 1 for further discussion of Managing for Outcomes.

There have also been projects designed to work around the existing system – policy projects managed by Central Agencies on behalf of sectors (eg, the House Prices Unit within the Department of the Prime Minister and Cabinet) and service delivery programmes run by joint agencies (eg, Children and Young People with High and Complex Needs).⁸ But considerable effort is required to establish and sustain such initiatives.

This renewed emphasis on coordination of policy and management puts New Zealand in line with other countries that implemented “New Public Management”-style reforms in the 1980s and 1990s – for example, the “Joined-up-government” initiative in the United Kingdom and “Horizontalism” in Canada. These initiatives aimed to overtly manage cross-cutting issues; for example, the United Kingdom set up a Social Exclusion Unit which coordinated work across departments in order to form effective policy to help the most disadvantaged in society. More recent attempts in the United Kingdom have included Ministers with responsibilities spanning two closely-related departments such as education and training, pre and post compulsory school age.

These types of arrangements reflect a need to coordinate which is driven by an expanded range of public services, a desire to control the costs of these, and to cope with the increasing disaggregation of government organisations and programmes. Reaching a conclusion about the best solution for New Zealand will require consideration of the particular characteristics of the current system and assessment of how to constructively build on recent reform attempts.

⁸ For further information see <http://www.hcn.govt.nz/>

Driving system improvement through a results focus

There have been a number of attempts to shift the New Zealand system towards a greater focus on outcomes, and prioritisation of these, during the past 20 years. These have included:

- **the Chief Executive Forum** – launched in 1993 as a platform to promote the idea of a strategic, longer-term outcome perspective
- **Strategic Result Areas (SRAs)** – a coordinating device launched in the early 1990s (and existing until the late 1990s) which aimed to foster coherence in policy, planning and operational activities by defining medium-term, government-wide priorities at Cabinet level⁹
- **Key Result Areas (KRAs)** – set at departmental level and, as such, belonging to the prerogative of the chief executives¹⁰
- **Managing for Outcomes** – where the focus of accountability was moved to the outcomes that the agency was intended to achieve, with the results of particular programmes being assessed against the wider outcome that was to be achieved¹¹, and
- **more comprehensive sector reporting** – beginning with the environmental sector in 1997.

There has been much appraisal of why these reforms failed to deliver change to the extent desired.¹² A recurring theme is a failure to overcome the fragmented structure of the state sector and the barrier to coordination this presents, particularly when combined with the strongly hierarchical accountability regime.

A more sustainable solution lies in more clearly defining a set of priority results, but also aligning state services around achievement of these.

Results are fundamentally important because they provide focus – a basis for prioritisation. In the main, these would be results that agencies struggle to achieve on their own, although it is possible that some priorities will be very narrow and within the scope of a single agency (eg, this might include results relating to health or defence).

Debate on the priorities for investment and government action is, of course, central to any system of democratic government. However, without making improvements on complex and costly problems, it is difficult to see how any government will be able to lift economic performance and deliver improved living standards for all New Zealanders. Conversely, the potential yield from gaining traction on these, thus far, intractable problems is great.

Given the current financial context, it is worth emphasising the value in ensuring that investment (or divestment) decisions are made in the context of clear priorities.

⁹ Scott, G, *Public Management in New Zealand: lessons and challenges*, New Zealand Business Roundtable, 2001.

¹⁰ Beuselink, E, *New Zealand's Public Sector Coordination: Institutions or Actors as Driving Forces Behind the "Flavour of the Decade"?* Public Management Institute, 2008.

¹¹ See http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-15/#_tocAbstract

¹² See, for example, *The Review of the Centre*, 2001 www.ssc.govt.nz/sites/all/files/review_of_centre.pdf

Actions with a direct impact on these results would not be the only things Government would do. There are many other aspects of government operations that must continue as business-as-usual (eg, making welfare payments and issuing passports). It is important to note, however, that a results focus would require trade-offs to be made between priorities and other work, and “business as usual” would need to be part of discussions about priorities. In the current model these decisions would likely be for Ministers, made in consultation with chief executives.

This paper uses “results” in a broad sense – the final impact or consequence of a sequence of activities expressed qualitatively or quantitatively. The term can, therefore, describe a spectrum including outputs, impacts and outcomes. However, results should be focused on outcomes/impacts wherever possible. The use of outcomes/impacts simply and powerfully encourages a focus on the difference being made. It assists in driving partnership-working by subsuming multiple inputs and outputs across agencies, and allows for clearer comparison of value across programmes, leading to better decisions about allocation of resources.

Results will need to have certain characteristics to be effective

To ensure that they drive effective action, and collaboration to the extent this is necessary, results should have the following characteristics:

- ***of critical importance*** – covering the key issues for the Government, usually involving significant expenditure and often where performance needs to be turned around by doing things differently
- ***few in number*** – a small number of vital results (perhaps a dozen across government) would provide clear focus and a basis for prioritisation and would galvanise activity much more effectively than a larger number
- ***tangible*** – substantial and visible rather than high-level or abstract so that they drive a small number of practical actions
- ***measurable*** – tightly specified in terms of scope so they can be captured by one or two indicators that can be used to define and measure performance and demonstrate how each partner is contributing to the result over time, and
- ***clearly defined and communicated*** – those who are charged with delivering on results will do a much better job if they understand (a) what Government is seeking to achieve, (b) how progress will be measured, and (c) their specific role in this process.

Determining results

There are a number of options to determine results...

Determining the results that are priorities for resource allocation and the best ways to achieve results is central to the conversations between Ministers and state sector leaders. State sector leaders provide advice, backed by findings from research and evaluation, which has been interrogated by experts in policy teams and supported by consultation with a range of stakeholders. The state sector is expected to exercise a stewardship role and deliver results that support the long-term interests of New Zealanders (which is not necessarily consistent with achievement of immediate results, however popular these may be). Agencies provide free and frank advice to Ministers on priority results for citizens and what actions are needed to achieve these results. In determining priorities for expenditure, Ministers also listen to their constituents – individual citizens, community groups, business leaders, local government and non-government organisations.

There are four possible broad processes for determining results and setting appropriate indicators against which success can be measured:

- Ministers set both the results and indicators
- Ministers set the results and negotiate with state services on indicators
- Ministers negotiate both the results and indicators with state services, or
- Ministers ask state services to volunteer the results and indicators.

The experience of the United Kingdom highlights that not adequately including public servants in the process of determining success indicators can result in these being inappropriate or unachievable.

... but clear definition and communication are indispensable

A high-performing system will need to have priority results clearly defined and communicated. Ministers will need to clearly communicate their expectations to state services, and the State Services Commissioner will need to clearly communicate his or her expectations too. (Further discussion of the need for clear expectations can be found in the “*Leadership for Improved Performance*” issues paper.)

In response, agencies (and sectors) will need to clearly communicate their commitment to a focus on particular results through their strategic communications, both internal and external.

Delivering results

Regardless of the process by which specific results are determined, if a results focus is going to be effective as a driver of change; several elements of how the state sector works need to be strengthened. Three key areas are explored in this paper: coordinating state services around the achievement of results; changes to reporting for accountability; and the use of performance information.

A further two areas are the subjects of issues papers in their own right: consolidating decision-points across the state sector to reduce fragmentation¹³ and enhancing leadership capability and developing a results-based culture.¹⁴

Central Agencies have a critical role in leading and coordinating state services and in negotiating and supporting the government of the day. Much of the impetus for the changes outlined below will need to come from them, although some will also require legislative amendments, particularly to the Public Finance Act 1989 and the State Sector Act 1988.

a. Coordinating state services around the achievement of results

The power of a results focus is in the leverage this provides to manage the state sector less as a collection of individual agencies and more as a system focused on achieving the most important results. Capturing the gains, therefore, requires aligning the current system appropriately to support a results focus.

Sectors will be critical to achieving cross-agency results

Mobilising groups of agencies to operate as “sectors” would allow for effective prioritisation of resources and activity across agency boundaries to achieve results that might otherwise fall into the gaps between agencies. Sectors could be defined as a number of agencies grouped around a particular result that the Government has established as a priority. To operate effectively, sectors will need to have a clear leader.

Where agencies need to be organised to work together to achieve sector results, there would be value in having a wider range of options to structure cooperation than is currently available. This could enable a better match of sector arrangements to the particular needs and circumstances of each sector and to the shared results that are being pursued.

More formal sector arrangements could provide a useful complement and extension to the more informal sector arrangements that are currently in use. The use of sectors and more formal sector arrangements is likely to be selective rather than comprehensive or uniform, fitted to a particular result. The issues paper “*Sectors: Organisational Arrangements to Deliver Results*” considers approaches to identifying and defining sectors and criteria to assist the selection of appropriate sector arrangements.

It should be noted that a results focus will not necessarily translate into stable structural arrangements because results will likely evolve over time as relative priorities change, new challenges emerge and technological advances provide new ways to deliver public services and tackle issues.

¹³ *Decision-rights for Achieving Improved Performance*, Secretariat for State Sector Reform, November 2011.

¹⁴ *Leadership for Improved Results*, Secretariat for State Sector Reform, November 2011.

b. Using the results focus and information on results to more effectively manage the performance of leaders

Focusing on leadership and management of chief executives is likely to be a much more effective lever in driving results than reporting to Parliament

The current public management system in New Zealand attempts to achieve both accountability to Parliament and accountability to Ministers through reporting to Parliament. This sees a large amount of information being put forward in a reasonably disaggregated way.

It is likely to be ineffective to try and drive performance on results through reporting to Parliament, because:

- Parliamentary accountability scrutinizes components (ie, output classes) and it is very hard to connect up these component parts into a recognisable or meaningful whole, such as an outcome or a result, and
- the focus is on expenditure (whether funding has been expended on what it was appropriated for) which is fundamentally different from examining whether a result has been achieved and what contributed to this.

For these reasons a more valuable lever with which to drive performance on results is likely to be a focus on leadership and the management of chief executives in the context of the expectations which they agree with Ministers and the State Services Commissioner and what they report to them. The use of management approaches in this respect is discussed further in the issues paper "*Leadership for Improved Results*".

Statements of Intent have had unintended consequences...

Statements of Intent (SOIs), introduced by the Central Agency initiative *Managing for Outcomes* in the late 1990s, specify for Parliament the outcomes agencies seek to achieve and indicators for success. The intention was to use accountability mechanisms to get more focus on achievement of outcomes, whilst retaining accountability for expenditure. However, their impact has fallen short of the aspirations of their designers and they have fuelled the lack of traction on cross-agency working.

There are several reasons for this:

- ***emphasis on accountability rather than management.*** Embedding *Managing for Outcomes* into an accountability mechanism – the *SOI* – caused the focus to shift from ***management*** to achieve outcomes, to ***accountability*** for outcomes. Chief executives of agencies were reluctant to sign up to the achievement of outcomes that were beyond their control (in that they depended on the actions of other agencies, over which they had no authority and often limited influence)
- ***emphasis on attribution.*** Statements of Service Performance (in *SOIs*) are subject to audit. Auditors wanted to see the evidence of causality between actions and results through demonstrably attributable indicators. In some contexts, the evidence was available (and these contexts were put forward by Central Agencies as the exemplars for other agencies to follow, eg, road

transport). But in many contexts, attribution of causality was much more tenuous, with indicators based more on logic than evidence. An emphasis on attribution limited the scope of *SOIs* considerably, and

- ***emphasis on justifying departments' activities.*** Initially, the emphasis was on the vital few results, but, when embedded in an accountability document that purports to reflect the outputs of an entire organisation (the *SOI*), intervention logic maps tended to squeeze all outputs delivered by the agency into the bottom of the map, then used a process of ex-post justification to connect them, however tenuously, to the results. Rationalisation of existing activity tended to replace the intent, which was to determine the vital few actions that would better deliver the desired results and provide a basis to cut activity that did not contribute.

... and management of risk tends to trump innovation

To the extent that accountability mechanisms are used primarily to control expenditure and minimise risk for government, they stifle innovation. Moving to mechanisms that are more concerned with the achievement of results would free up actors to achieve those results in innovative ways. This shift requires an environment that is more tolerant of failure and is based on solid information about the achievement of high-level results.

Expenditure control and risk management are necessary functions for any accountability arrangements and should not be dismantled. It may be that the same mechanism is unable to serve different purposes (ie, both to ensure executive accountability to Parliament for appropriated expenditure and to ensure agency chief executive accountability to Ministers for achieving results). This deserves careful consideration if a results focus is to be pursued.

Put together, the issues that stand in the way of a more effective performance reporting and accountability approach include:

- much of the reporting focuses on inputs and outputs, providing only a partial picture of the wider results story and making it difficult to determine the effectiveness or efficiency of agencies in delivering results. Inputs, in particular, risk driving agencies to comply rather than innovate
- a large amount of documentation, much of which is scarcely used, generated by overlapping instruments and reporting requirements that are not differentiated according to size, function or risk profile of the agency
- what reporting there is on results or outcomes lacks impact and limits understanding of what works owing to weak data, often not evidence-based, and
- accountability reporting is frequently seen as a compliance activity rather than being a product or sub-set of agency planning and reporting processes.

What action is needed to address these issues?

Two objectives to improve the accountability system should be recognised:

- to use the results focus and information on results to more effectively manage the performance of leaders, and
- to ensure that each agency reports in a way which makes sense (to the organisation and to Parliament), given their role.

To achieve both objectives, it may be necessary to:

- ***Withheld under s9(2)(g)(i) of the Official Information Act***
- decouple reporting requirements with different purposes (eg, Ministerial accountability to Parliament and chief executive accountability to Ministers). This may mean changing the existing reporting mechanisms (eg, amending the Public Finance Act 1989 to specify reporting for accountability to Parliament only; changing the nature of the reporting vehicles (the *SOI* and *Annual Reports*); and providing guidance for the more detailed reporting needed by Ministers outside of the Public Finance Act 1989
- reduce the documentation required by accountability mechanisms to focus agencies on reporting information that they require to run the business (the vast majority already generate this as a core business practice). A subset of this information should be enough to satisfy Parliament that the business is being run effectively, and
- differentiate reporting requirements. In a results-focused state sector there will be sector leads that should be held to account for achieving results, leaders who should be held to account for contributing to the achievement of results, and other leaders who head agencies not connected to a result for which output reporting will continue to be the most effective approach to accountability.

The latter will require a shift away from one-size-fits-all reporting requirements to ensure that each agency reports in a way which makes sense (to the organisation and to Parliament) given their role. Which agencies are best placed to tell which parts of the “performance story” will need to be determined.

Changes to reporting requirements by better tailoring them to agencies’ characteristics such as their functions, size and risk profile, as well as their involvement in results, also have the potential reduce the sizeable compliance burden. This appeal has been made by the Office of the Auditor General for some time. Any changes should ensure that, when agencies report together as a sector, this reporting replaces their individual reporting requirements as far as possible.

The shifts required:

From	To
High volume of documentation. Overlapping requirements	Streamlined reporting requirements
One-size-fits-all reporting requirements	Differentiated reporting requirements on the basis of agency/sector size, complexity, function and risk profile
Emphasis of accountability on expenditure on inputs and completion of actions	Emphasis of accountability on performance improvement, moving towards the efficient and effective achievement of results
Accountability reporting separate from core business activity, seen as compliance	Information reported for accountability purposes is a sub-set of information used to govern and manage the business

Achievement of these shifts will require an accountability system that:

- is clear about the different levels and types of results that organisations are accountable for and differentiated on this basis (ie, does not try to drive accountability at all levels and in all situations through a single set of requirements)
- is less controlling (higher trust). This will require a greater acceptance of risk, and
- requires a clear line-of-sight between investment decisions/actions taken and the results achieved.

Consideration should also be given to strengthening the accountability arrangements administered by the State Services Commissioner in his or her role of employer of chief executives. Expectations of chief executives could be oriented more around the achievement of results at agency and (where relevant) sector level (see “*Leadership for Improved Results*” issues paper).

Other actions (covered elsewhere in this paper and others) that would have an impact on accountability are: reporting on progress against priority results; shifting the emphasis for reporting on contracted results from inputs/outputs to results (see “*Best-sourcing Public Services*” issues paper); and developing local, place-based reporting of results.

c. Using performance information more effectively

Results must be based on evidence and this will require new information to be generated

To know whether results are being achieved will require the system to accurately measure progress. Demonstration of the achievement of results is based on both quantitative and qualitative performance information. Quantitative performance information is attractive because it provides hard evidence, but dependence on this alone can lead to reporting performance that is easy to measure rather than important and a focus on results that are easier to achieve. Numbers by themselves can indicate results, but require context and interpretation to be meaningful. Because of this, reporting of results is often based on indicators – data that is proven to indicate success – and the logic sitting behind the indicators is provided.

Evidence is gathered through routine performance monitoring, operational audits or reviews, outcome or programme evaluations and issue-specific research (through commissioning and meta-analysis of research undertaken by others). Qualitative information; for example, from key stakeholders as part of an evaluation process, also provides evidence of achievement of results.

Information on the performance of government agencies in achieving results is a combination of data and analysis. Evidence that specific actions have achieved, or at least contributed to, results (attribution) is contested. Responsibility for delivering outputs is straightforward, but becomes more difficult with a shift towards higher-level outcomes. To give assurance that outputs and achievement of lower level results are linked to the achievement of higher level results and outcomes, “intervention logic” is used to link cause to effect, using evidence where available.

Critical tasks include:

- the development of success indicators that are based on evidence
- departments (and sectors) able to compellingly attribute actions to changes in these indicators
- the centre able to provide a meaningful response to agency performance based on a deep understanding of performance information, and
- assurance of a high degree of accuracy.

The value of information in driving performance is often underestimated

Attention to meaningful, evaluative performance information has value beyond holding parts of the system to account. It also:

- provides assurance – to government and to taxpayers – that delivery is on track
- facilitates good decisions throughout the system
- facilitates learning within organisations about what works
- helps to identify some areas of expenditure that could be reprioritised or discontinued, and
- exposes duplication of activity across state services, opportunities to gain economies of scale and to spread expert capability and leadership less thinly across the system.

The objective should be for a system that values and demands high-quality performance information (metrics on efficiency and effectiveness) to run the businesses (the responsibility of agencies) and to run the system (the responsibility of Ministers and Central Agencies).

To achieve this, barriers apparent in the current system and ways of working will need to be overcome, primarily:

- Relying on reporting for accountability purposes to drive improved agency performance has not been particularly effective in the past. Therefore, if a results focus is adopted, it should be expected that delivering a step-change in performance across state services will require the use of performance information more effectively as a lever for improvement.
- Agencies have found it difficult to produce high-quality, non-financial performance information despite encouragement from Central Agencies and the Auditor-General. This is, at least in part, a capability issue and also a pitfall of one-size-fits-all reporting constraints.

The findings of a recent survey of 1,700 managers across a range of government agencies underlines that there is room to improve: more than a third of managers (38%) didn't have information that gave them a good picture of how they were doing and almost half (47%) didn't have information that helped them to understand how to improve their performance, or the impact of their work on the public (56%).¹⁵

The experience of *Managing for Outcomes* had some particular lessons for how to generate and use performance information:

- Results maps should be used primarily as a management tool, particularly effective for sector leadership, rather than primarily as an accountability instrument (ie, about performance improvement not assessment).
- Consider indicators as just that – indicators – not determinants of success. If the indicators show trends heading in the wrong direction, that provides a basis for discussion about what to do differently, rather than a basis for sanction. View indicators as a developing technology. Derive indicators from different levels of results. Have (at least some) aspirational indicators.
- Map the vital few results only. Keep it simple. Don't attempt to force all current outputs to relate to the results.
- Use sector results maps as a basis for engagement in strategic conversations, between agencies and Central Agencies, and between agencies contributing to the same results areas.

¹⁵ Gill, D (ed.) *The Iron Cage Recreated: The Performance Management of State Organisations in New Zealand*, 2011, table 15.14.

Gains from public reporting

If a results focus is implemented in New Zealand, to what extent progress against results is reported through formal accountability mechanisms will be a key decision. *Managing for Outcomes* demonstrated that we cannot rely on driving progress the way we traditionally have, through formal accountability mechanisms. The experience of *Managing for Outcomes* was that this hampered progress by producing too much information which was poorly designed to drive progress and generated issues of attribution that were difficult to resolve.

Therefore an alternative method or mechanism for driving progress needs to be found. This paper proposes that public reporting (ie, making accessible and transparent) of both results and progress towards them would be the most effective lever. This would, in effect, broaden reporting within state services from just reporting for formal accountability purposes to regular and online progress updates for public consumption, something which an increasing number of overseas governments are adopting.

There are a raft of other benefits which may come through the public reporting of targets, benchmarks and progress updates:

- greater clarity of government priorities, which is sought by third sector organisations and businesses to provide a basis for planning and resource allocation
- creating additional scrutiny of services and performance, thereby maintaining the integrity of the public management system
- empowering New Zealanders to demand more from services, to exercise choice where applicable and to engage with decision-makers on the issues that matter to them. It would also allow for “crowd sourcing” to generate new ideas and test public opinion
- stimulating the responsiveness of agencies. Transparency is an especially powerful lever where market forces are weak or non-existent and is a practical, often more efficient, alternative to regulation
- improving internal government communication and efficiency, including reducing the pressure on the system to process requests made under the Official Information Act 1982
- maximising the return on investment for government-funded information by making this available to fuel innovation, and
- being consistent with the Open Government protocols that promote the general release of raw data with the expectation that non-government organisations will use it to provide information sets of use to citizens.

These benefits would need to be balanced with issues such as:

- the introduction of perverse incentives (eg, achievement of targets by trading-off other worthwhile benefits), and
- the resource involved in making this information fit for purpose; for example:

- publishing data in an accessible and usable form (ie, well signposted, easy to find, understand and work with)
- timely publication (made available as soon as possible), and
- provision of context (ie, including trends, benchmarks and giving the reasons behind information).

Bringing this information together

Some overseas jurisdictions use results as a public accountability tool by having a statement of their priorities at the core of the public sector system and reporting to the public on achievement of outcomes (eg, *Scotland Performs* and the *Singapore Performance Scorecard*). This is a high-level assurance for citizens that the Government is focused on, and making a difference to, the issues that are important to them. Whether to develop a similar report for New Zealand's public sector could be considered.

There is a strong case for consolidated reporting of sector results to replace current information that is less coherent and held on a multitude of individual agency web pages. A national report could have the following features:

- focus on a small set of results important for New Zealand
- information shared across agency boundaries
- transparency (open government), and
- involvement of citizens through easy access (web-based, non-technical) and opportunities to provide feedback on services.

A public sector-wide report would inevitably require some input from the Central Agencies. It would also require the interest and expertise of several agencies, primarily:

- Statistics New Zealand (in a lead role)
- the Treasury/Ministry of Economic Development (economic results)
- the Ministry of Social Development (social results), and
- the Ministry for the Environment (natural resources results)

Reporting results: *Scotland Performs*

Scotland Performs is an online government report on progress towards economic and social goals.

Citizens can judge for themselves how Scotland is progressing by going to *Performance at a Glance*, a web page that uses arrows to indicate if performance is improving, worsening or being maintained.

Assessments of progress are regularly updated from the latest evidence, and notes explain progress.

For example

7 purpose targets	<i>economic growth</i>
15 national objectives	<i>the most attractive place for doing business in Europe</i>
45 national indicators	<i>increase the business start-up rate</i>

Applying a results focus locally

The results approach, as described thus far, applies to government activity at a national level. Expressing national targets at a local level happens already in some areas of policy but could be applied more broadly.

Providing information on results of government actions in local areas, as well as national-level reporting, would help improve agency responsiveness to citizens. When setting results, it is worth considering whether any proposed results would be meaningful at a local level or if a sub-set of results would be appropriate to use. This is already common practice in health (eg, immunisation targets).

Citizens driving results – StateStat, Baltimore City

StateStat is a performance measurement and management tool designed to make state government more accountable and efficient. Governor O'Malley first developed the approach as Mayor of Baltimore City. In his words, successful large businesses: "...have a good handle on their assets and personnel and are able to make short and long-term strategic and tactical decisions based on accurate information. Given the off-the-shelf technology that is readily available and the vast experience that can be drawn from the private and public sectors, government can and should be better managed".

As a newly elected Mayor, O'Malley was hampered in addressing Baltimore's problems by a lack of real-time data – the information assiduously collected was not always the right information, often based on annual reviews and thus out of date, and rarely used to manage. He commented that progress on issues seemed glacial, and citizens expected more.

At the same time O'Malley watched the Police Department dramatically improve its performance using a computer management tool that provided hard data for weekly meetings where strategies and resources were adjusted constantly. Follow-up was immediate. They got results.

He applied this approach across the city and saw it as a critical component of projecting and achieving his vision for Baltimore. He says the city government is not trying to be all things to all people, but doing a few things well, making sure investments produce tangible results, and reporting these results to citizens.

StateStat is based on four tenets:

- accurate and timely intelligence shared by all
- rapid deployment of resources
- effective tactics and strategies, and
- relentless follow-up and assessment

The process depends on:

- clarity about what results are most important – for citizens
- use of empirical data to track and report on results over time (using indicators and baselines). Indicators are few in number and each has a story – causes, forces at work
- identifying partners, each with a role in the improvement strategy
- developing an action plan with partners, based on what works
- publishing performance against baselines on-line, with progress updated regularly, and
- convening a management board bi-weekly to hear presentations from programmes:
 - What action has been taken, and how well are partners coordinating
 - Explain the story behind the 3-5 most important indicators
 - An action plan for further improvement.

The social sector trials, which have an emphasis on transparency to local communities, are finding that citizens are willing to be involved in solving community problems such as truancy, educational achievement, youth crime and substance abuse. Transparent information about plans of action and results, provided in ways that citizens can access easily, could increase the ability of local communities to hold local service providers to account. (For more extensive discussion of transparency, see the issues paper “*Information and Participation*”.)

The downsides for agencies in reporting in general, which are possibly amplified at a local level, include having to invest resource and time into making data public-ready, and into considering and safeguarding against privacy concerns. These would have to be managed.

Summary

In summary, this paper outlines the need to make changes to the public management system to drive improvement on the difficult issues that cross agency boundaries.

The conclusion drawn is that the performance of the state sector can be lifted through ***greater clarity on the priority results for government***, and there are a variety of processes through which results and indicators for success could be determined.

To make a results focus effective will require changes to how state services work, particularly in the following areas:

- ***better coordinate the state sector around achievement of results***, so that where results require cross-agency collaboration, the system both demands and facilitates this to happen (unlike in previous reform attempts)
- ***use the results focus and information on results to more effectively manage the performance of leaders***, so that more attention is given to what will need to be done to achieve results, and
- ***tailor agencies’ reporting requirements in a way which makes sense (to the organisation and to Parliament), given their role.***

Changes to leadership and decision-rights, which would support the design and delivery of an effective results focus, are explored in issues papers specific to these areas.¹⁶

This paper also proposes that reporting should be broadened from reporting just for accountability purposes. Public reporting of results is likely to drive progress much more effectively than formal accountability mechanisms. Public reporting is increasingly common practice overseas and should be considered as a mechanism for driving results in New Zealand.

In addition, the practice of articulating national results at a local level, as currently happens for health targets, could be expanded to help improve agency responsiveness to citizens.

¹⁶ *Decision-rights for Achieving Improved Performance and Leadership for Improved Results*, Secretariat for State Sector Reform, November 2011.

Annex 1: Lessons from the 1990s and managing for outcomes

Mapping the actions of agencies to a results (or outcomes) framework was at the core of the public sector management system changes that had their origin in the late 1980s and were implemented in the 1990s, culminating in *Managing for Outcomes* in the late 1990s.

A results map (now found in most agency *SOIs*) shows the causal links between actions taken, outputs from those actions and improvements in desired outcomes or results. Indicators are developed to show the success or otherwise in achieving both intermediate results (or impacts) and ultimate results (or outcomes). These maps (sometimes called intervention logic maps) have considerable explanatory power if shown on a single page, but need to be underpinned by policy processes that develop much more complex maps of the links and development of indicators based on evidence.

When introduced to the New Zealand public management system, the expectation was that results mapping would provide clarity about what agencies should deliver and be held to account for. In this respect, the technology had some success but there was limited traction on managing for outcomes across agency boundaries (which matters as the most critical outcomes are usually impacted through the actions of several agencies).

As outlined earlier, using *Statements of Intent* to drive a more outcome-focused approach caused a shift from the intention to improve the management of outcomes to accountability for outcomes. This had perverse effects.

Some tentative conclusions from Managing for Outcomes

There are a number of tentative lessons that can be drawn from the experience with *Managing for Outcomes*.

- Use results maps primarily as a management tool, particularly effective for sector leadership, rather than primarily as an accountability instrument (ie, it should be about performance improvement not performance assessment).
- Use results mapping to develop new actions to achieve results, rather than to justify existing actions. Use logic to create line-of-sight from actions to ultimate outcomes.
- Base causal links and indicators on evidence where possible, but don't be a slave to attribution (as this is the enemy of creative conceptual leaps). Where necessary, use known causality as a platform to step into the unknown.
- Consider indicators as just that – indicators – not determinants of success. If the indicators show trends heading in the wrong direction that provides a basis for discussion about what to do differently rather than a basis for sanction. View indicators as a developing technology. Derive indicators from different levels of results. Have (at least some) aspirational indicators.
- Map the vital few results only. Keep it simple. Don't attempt to force all current outputs to relate to the results.

- Use sector results maps as a basis for engagement in strategic conversations, between agencies and Central Agencies, and between agencies contributing to the same results areas.
- Learn from experience – the failures of *Managing for Outcomes* are likely to be pointed out by agencies if Central Agencies re-introduce a new version. What will be different this time around?

This experience can be applied in the context of developing stronger sectors or clusters. A clear intervention framework to achieve priority results should be a key pre-condition for any sector. This suggests that a results framework, with associated intervention logic map, should provide the basis for sector establishment.