
PERFORMANCE IMPROVEMENT FRAMEWORK

Formal Review of Statistics New Zealand

OCTOBER 2011

State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

Lead Reviewers' Acknowledgement

As Lead Reviewers for this Performance Improvement Framework Review for Statistics New Zealand (Statistics NZ) we would like to acknowledge the thoughtful and generous input made by the Chief Executive Geoff Bascand and his senior management team, the Statistics NZ Board, and their staff. In addition, we had considerable input from a cross-section of Statistics NZ's external partners and stakeholders. We also had the benefit of input from officials from the Department of the Prime Minister and Cabinet, the State Services Commission and the Treasury, which proved to be insightful.

Statistics NZ recognised this as an opportunity to identify and make performance improvements, leveraging strengths and addressing risks to the Statistics NZ transformation, Statistics 2020 – Te Kāpehu Whetū (Statistics 2020). There was open and frank engagement in the process and we note that, even as we undertook the review, the Statistics NZ Board began responding to issues from our discussions with them.

We appreciate the insights and availability of Denis Farrell, Chief Operating Officer of the Australian Bureau of Statistics. As technical advisor, Denis provided international perspectives and extensive national statistics office experience.

**Performance Improvement Framework
Formal Review: Statistics New Zealand**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet
Wellington, New Zealand**

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AGENCY'S RESPONSE

Statistics New Zealand is embarking on transformational change that will extend the many benefits gained from New Zealand's investment in official statistics. Statistics New Zealand leads the Official Statistics System (OSS) that covers the government-wide production of statistics. The system goal is 'an informed society using official statistics'.

We welcomed the Performance Improvement Framework (PIF) Review taking place in the early days of our ten-year change programme (called Statistics 2020 Te Kāpehu Whetū: Achieving the Statistical System of the Future). Our objective was to get early input to our goals, strengths, plans, identification of issues and our mitigating strategies. Our objective was met, as the Report is constructive and tallies with our own assessment of our capabilities and challenges. We fully accept the report and the reviewers' recommendations, which we will action.

We are particularly pleased with the confirmation of the effectiveness of statistics delivery. This highlights our staff's professionalism and passion for producing high quality statistics for New Zealanders' use. There is positive acknowledgement that we have a strong commitment to efficiency although legacy infrastructure, now being addressed, hampers achievement. The Reviewers commented on our well thought out plans to address areas of improvement. They also confirmed our capability and many excellent well embedded practices to achieve the improvement we seek.

The Review emphasised for me that we will need to step up even further to fulfil our vision and deliver the change programme successfully. Specific areas of focus identified for us are clarifying what the future looks like for different stakeholders, strengthening our change leadership capability, ensuring our strategic human resources function is contributing powerfully to our transformation, and achieving the further potential from our Official Statistics System leadership. We have actions and initiatives underway for all the recommendations and are engaging with central agencies on these in more detail, including milestones and triggers. The table below highlights critical actions.

The Reviewers' comments are fair given the Government approved our 10-year approach as recently as May 2011 and the PIF Review started in June. Since the approval we have been focussed on putting in place the additional capability, systems and processes we need.

I would like to acknowledge the input of staff and our external stakeholders to the review. It came at a busy time for us as management were quickly progressing the work that followed Government confirmation of our change programme, as well as responding to the June Canterbury earthquake.

I also want to formally thank the Reviewers. We appreciate their effort and thoughtfulness.

I am satisfied that this Review is helpful to Statistics New Zealand making sure New Zealand increasingly gets the information it needs to grow and prosper.

Geoff Bascand

Chief Executive of Statistics New Zealand and Government Statistician

Lead Reviewer's Recommendations and Statistics NZ's Response

Statistics NZ accepts and will action all of the Reviewers' recommendations. The table below outlines actions relating to the four recommendations that are most significant for the Statistics 2020 transformation.

Central agencies will be monitoring milestones for the Statistics 2020 transformation programme on behalf of the Government. Statistics NZ and central agencies will also work together to implement a robust management approach to the strategic papers going to Cabinet in 2012.

Flesh out the vision for Statistics 2020 in detail that explains what the future will look like for the various stakeholders and when.

I recognise the criticality of a clear future vision for our stakeholders to guide implementation throughout the transformation. Making the vision clear for our external stakeholders is important and the coming year offers opportunities in relationship to ministers and central agencies in particular.

Strengthen HR functioning including:

- *embedding an effective HR management and leadership function*
- *finalising a remuneration strategy to support the organisational transformation (including for the 2011 remuneration review and the contract round)*
- *strengthening performance management application*
- *introducing an enhanced remuneration banding structure.*

I agree that the transformation requires us to strengthen our HR function. Statistics NZ's actions include:

- currently implementing new HR management and leadership functions, which we will monitor to ensure that these are effective
- implementing the finalised Remuneration Strategy
- developing a Remuneration Policy Framework by 30 June 2012 to implement the Strategy, which will include the methodology for developing salary bands
- implementing a formal review of the performance management system by 30 June 2012.

Strengthen change management capacity, including:

- *change management budgeting;*
- *further development of the strategic CFO function to:*
 - *support Statistics 2020*
 - *contribute to a wider integrated performance reporting system*
 - *build in to the management systems advanced and robust methods for managing assets, liabilities and multi-year budgets*
- *internal and external key performance indicator finalisation backed by routine and prompt monitoring and reporting*
- *internal understanding and ‘buy-in’ by staff through strengthened cascading of messages from the top through all levels of management in regard to what transformation means for them*
- *implementation of external assurance to support the CE*
- *enhanced organisational strategic risk management.*

I agree that strengthening our change management capability is critical to our future success. The magnitude of change is significant for any organisation. We will learn and build experience as we implement Statistics 2020, and agree with the areas highlighted for particular focus. Statistics NZ’s actions include:

- completing more detailed budgeting for the Statistics 2020 workforce transition as part of the development of the Workforce Transition Plan which will be reported to Cabinet in November 2011
- completing an extended and comprehensive set of KPIs for both external reporting and internal reporting at the organisational and business unit level by December 2011
- building deeper understanding of the implications for each team and staff member is now underway, and will be ongoing throughout the Statistics 2020
- arranging external assurance, including external advice on change leadership
- strengthening the role and membership of the Internal Audit and Governance Committee, commencing in 2011
- reviewing the strategic risks by December 2011, and monitoring these regularly.

Extend the vision for OSS management responsibility and impact, including strengthening partnering with the Treasury; reviewing the Advisory Committee on Official Statistics value for money; and giving consideration to strengthening and better utilising the Statistics Act to better empower the OSS leadership role of the GS and Statistics NZ.

OSS leadership is one of our strategic priorities for which we have commenced an approved programme of work and we are increasing resources for this. We have identified a range of opportunities to strengthen our OSS leadership, and welcome the addition of those raised by the Reviewers. Statistics NZ's actions include:

- looking for opportunities to partner with the Treasury, e.g. the Secretary to the Treasury has been invited to join the OSS Chief Executive Steering Group
- investigating the potential for shared services by June 2012
- completing a review of OSS governance by July 2012 that will include consideration of the ACOS value for money, and
- completing a review of the Statistics Act by July 2016 to ensure ongoing effectiveness and relevance of its principles and processes.

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LEAD REVIEWERS' SUMMARY

Statistics New Zealand (Statistics NZ) is very effective in producing its mainstream economic and social statistics. Its preparations for the 2011 Census were impressive by way of its tight management and readiness to proceed until the February 2011 Christchurch earthquake forced a deferral. Statistics NZ is highly regarded by its local and international peers and by the users of its statistics.

We have been impressed with the very positive feedback from almost all of the many users interviewed. The international reputation Statistics NZ enjoys is a credit to the work its officials have put into leading particular projects for international statistics bodies and into contributing more widely to the exchanges between national official statistics organisations around improving the quality, effectiveness and costs of official statistics.

Statistics NZ has introduced important innovations across its businesses to raise its own effectiveness and efficiency and to lessen the costs on respondents who provide it with data. The latter include innovations to use administrative data more extensively and to reduce sample sizes while maintaining statistical reliability. It has also successfully innovated to produce new and better statistics, for example, the production of microeconomic databases offers exciting new possibilities for researchers and for government users.

The department is making good progress with conducting and developing its statutory role as the leader of the system of official statistics and has its sights on more fully realising the potential and meeting the demands of this role.

The way people throughout the department have managed the aftermath of the Christchurch earthquakes is outstanding, both in terms of looking after the people affected and in maintaining the workflow out of Christchurch, in spite of having to shift buildings twice and to work off-site. This event demonstrates a robust capability to respond and to manage is a reason for confidence about how the department will meet the challenges it faces ahead.

The Chief Executive is highly regarded by the staff and very effective, while the leadership team – or Board as it is called – displays a high level of cohesion and teamwork. Routine management systems are sound with some areas needing further development, particularly around lifting capability for organisational transformation. There are well embedded processes of monitoring and review of systems and projects and evidence of prompt action to implement recommendations from reviews.

Where Statistics NZ is challenged is in the area of business transformation. Since May 2011 it has had the necessary approvals and funding decisions to proceed with an ambitious strategy for transforming the organisation over ten years, which is known as Statistics 2020 Te Kāpehu Whetū (Statistics 2020). At the time the PIF Review was conducted, the broad vision of Statistics 2020 was well embedded and work in planning the transformation had progressed a long way, but much more remained to be done. In particular, there is work to be done to upgrade some cross-cutting management functions (HR, finance, IT) to strengthen them and deploy them more effectively to help drive, support and sustain the Statistics 2020 transformation. The readiness and alignment of systems and processes that are essential to successfully progress Statistics 2020 are set out through the details of this Report. The governance and management systems, while generally working well, are going to be tested by the challenges of fundamentally changing production processes, maintaining morale and engagement of staff, while leading them through possibly disruptive changes to skill requirements, job descriptions, business systems and organisational structures. HR and wider people-focused

systems right through the department are especially going to be challenged to drive and support these changes in organisational methods and culture.

The results rating pattern is different from other agencies, in that Statistics NZ's performance is lower on government priorities, which are more about transformation, than on the ongoing production of statistics in core business areas. Overall, ratings reflect the fact that Statistics NZ has been doing very well, and with the transformation is expected to continue to do well, in producing its statistical series and satisfying the users and stakeholders around these long-standing outputs. But implementing the transformation is what the government priorities are mostly about and the department is not seasoned in making such major changes. Some of its systems, that are fine for business as usual, are not yet in shape to support the transformation. Other systems are in shape and provide a sound foundation for transformation.

Some organisational management ratings may appear inconsistent, e.g., well placed on 'leadership and governance' while 'leadership and workforce development' needs development. The assessment is explained for each element and in general is forward looking in highlighting the strengths on which Statistics NZ can call to implement Statistics 2020 and the areas where strengthening is required. They also reflect that Statistics NZ has been tested by the unusually high ministerial interest and engagement in recent times and that the realisation of the full potential of the leadership of the OSS has some way to go.

Statistics NZ will need to have the full confidence of ministers and their advisors during a series of upcoming engagements over the design and funding of key parts of Statistics 2020. The Board will need to focus their attentions onto providing full business cases with a range of practicable alternatives and presenting them carefully. This includes full consideration of the options for collecting data covered by the Census.

Statistics NZ has many proven capabilities it will draw on and can expect to succeed in its transformation if it adds to these in the areas we have identified. The critical messages from this review are:

- Get early agreement to the specific milestones and funding triggers for Statistics 2020 and break the ten-year transformation programme down into well defined steps on time horizons of about three years or so.
- Flesh out the vision for Statistics 2020 in detail that explains what the future will look like for the various stakeholders and when. As part of this set out a vision and the practical implications for the leadership role of the OSS.
- Determine to 'ace' the engagements with the ministers and their advisors around forthcoming Cabinet decisions.
- Strengthen the HR, IT and finance functions to provide timely management information, risk assessments, options, scenarios and technical and advisory support to the Board on upcoming major decisions affecting Statistics 2020.
- Take early action to get squarely on top of the remuneration strategy, both in the short term and as a key component of broader workforce change longer term.
- Use the governance structures and processes to ensure that in monitoring the large number of detailed projects under way overall coherence and drive to the strategic vision is maintained. That is, make sure that the whole does not become less than the sum of its parts.

- Acknowledge that the team is not seasoned in this kind of fundamental transformation and may not always know what it does not know; and work methodically to build its change management capability in all its various facets, e.g. embed a performance-based culture through the various management systems.
- Build into the management, advanced and robust methods for managing assets, liabilities and budgets.

Sue Suckling
Lead Reviewer

Graham Scott
Lead Reviewer

CENTRAL AGENCIES' OVERVIEW

What is the Performance Improvement Framework and what are we trying to achieve?

The Performance Improvement Framework is a framework applied by a small group of respected organisational leaders to provide insights into agency performance, identifying where agencies are strong or performing well and where they are weak or need to improve. The framework covers both results (in terms of effectiveness and efficiency) and the organisational management factors that underpin sustainable superior performance.

Because a common framework is used, the reviews not only inform agency performance improvement plans, but also help us build a body of knowledge that provides us with a better picture of cross-system performance and identifies issues which we need to address at sector or system level.

The Performance Improvement Framework is an initiative developed by central agency and State services chief executives to respond to the need for improved effectiveness and efficiency in the State services. It is also important to acknowledge that the New Zealand State services operates from a position of strength and continues to be recognised internationally as among the top performers. However, we recognise that we must meet the ever-increasing and reasonable expectations of Ministers and the public generally, especially in these times of economic and fiscal stress.

What are we learning?

In general, the reviews completed so far confirm that we have a 'can do' service, which is strong on delivering the results government wants now – agencies engage well with Ministers, are responsive, and effectively deliver on Government priorities. We have a service that values probity and the systems and processes that support transparency and ensure accountability for the expenditure of taxpayers' funds. We have a service that recognises that its people, and their combined knowledge, experience and commitment, are our greatest assets. We are relatively good at putting in place the systems and processes (for example financial management systems) that should support them to make their best contribution.

At the other end of the spectrum, we are not as good as we should be at working across internal and external silos, progressing the medium- to long-term work programmes that will position us to meet the future needs of governments and taxpayers and reviewing the ongoing need for, or methods of delivery of, the services we currently provide.

We need to be better at measuring the results of what we do and comparing them to the results government was seeking to achieve. We need to bring together the information we have to make better decisions about what we do and how we do it. For example, we need to use our financial management systems to understand and manage the costs of the services we provide, rather than simply to develop and monitor budgets.

Next steps?

We are now in the second year of the Performance Improvement Framework programme, agencies reviewed to date are at various stages of implementation of their responses to their reviews. We will work with them to support and monitor their implementation of those responses and to evaluate whether their actions are having the improvement results anticipated.

As indicated above, we are looking across the Performance Improvement Framework review results to identify both the agencies that others can learn from and the areas of systemic weakness that we need to tackle as a service rather than on an agency by agency basis. Key to these will be our ability to monitor long-term effectiveness (are we actually achieving the outcomes as opposed to merely delivering the outputs?) and our ability to review the effectiveness and efficiency of what we do (are we providing services the best way we can or indeed can the services be better provided by someone else?).

The central agencies are in the process of identifying the key areas for improvement across the system, mapping the work that is currently underway in these areas and work that might be done in the future.

Iain Rennie
State Services Commissioner

Gabriel Makhoul
Secretary to the Treasury

Maarten Wevers
Chief Executive
Department of the
Prime Minister and Cabinet

SUMMARY OF RATINGS

Results

GOVERNMENT PRIORITIES	RATING
Statistics New Zealand Transformation	
Decision-Maker Trust and Confidence	
Better Value Official Statistics System	
Options for Future Population and Social Statistics	

CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
Coordinate Official Statistics System		
Produce Social Statistics		
Produce Economic Statistics		
2011 Census		

Rating System

 Strong	 Well placed	 Needing development	 Weak	? Unable to Rate
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Organisational Management

LEADERSHIP, DIRECTION AND DELIVERY	RATING
Vision, Strategy & Purpose	
Leadership & Governance	
Culture & Values	
Structure, Roles and Responsibilities	
Review	

EXTERNAL RELATIONSHIPS	RATING
Engagement with the Minister(s)	
Sector Contribution	
Collaboration & Partnerships with Stakeholders	
Experiences of the Public	

PEOPLE DEVELOPMENT	RATING
Leadership & Workforce Development	
Management of People Performance	
Engagement with Staff	

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Efficiency	
Financial Management	
Risk Management	

Rating System

 Strong	 Well placed	 Needing development	 Weak	? Unable to Rate
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AGENCY CONTEXT

Statistics New Zealand (Statistics NZ) is the leader of the Official Statistics System (OSS) and major producer of official statistics in New Zealand. Statistics NZ is a public service department and operates under the Statistics Act 1975. Official statistics are statistics derived by government departments, and some crown entities by agreement, from statistical surveys or administrative data for regular statistical analyses.

The Statistics Act mandates the Government Statistician to coordinate statistical activity across government. As the leader of New Zealand's OSS, Statistics NZ strives to fulfil this mandate by:

- driving the overall performance of the OSS and ensure New Zealand gets the information it needs and that this is value for money at the lowest possible cost to government, the community and suppliers of data
- providing direction to the OSS and engage other government departments to build shared ownership, minimise duplication and maximise reuse of data
- defining and agreeing on the results that agencies will focus on together
- coordinating statistical activities across government, including setting statistical standards, reviewing and commenting on the validity of statistics, monitoring progress and performance and ensuring action is taken if expected results are not achieved
- advising the Government on policies, priorities and the costs and benefits of statistical activities.

The Statistics Act requires Statistics NZ to collect and publish statistics to inform decision-making and monitor progress. As a producer of official statistics, Statistics NZ delivers and disseminates official statistics by:

- reporting on trends, patterns, changes and the state of New Zealand's population, economy, society, culture and environment
- producing the most important statistics that require the highest levels of credibility and integrity
- demonstrating best practice within the framework it establishes as leader of the OSS
- keeping the portfolio of statistics and means of production up to date
- continually improving effectiveness and efficiency.

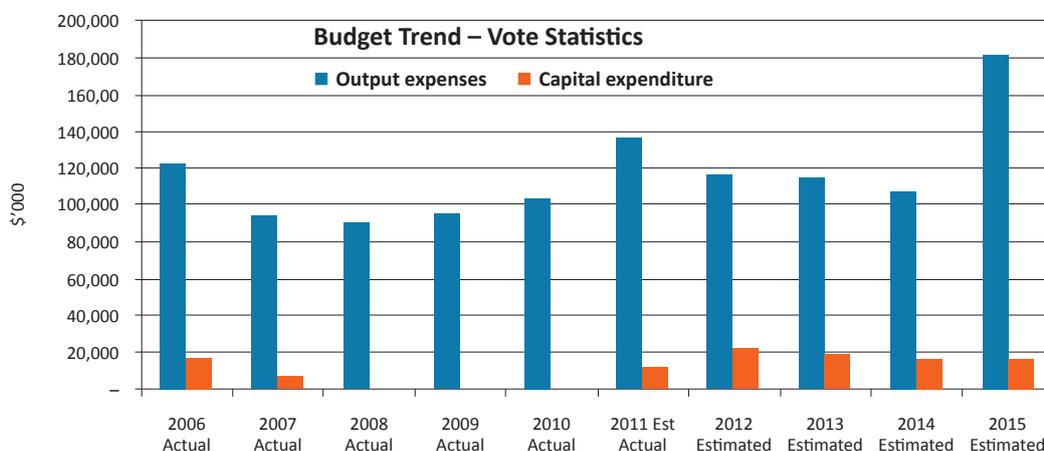
Statistics NZ's Chief Executive Geoff Bascand, who is also the Government Statistician, is leading Statistics 2020 – the ten-year programme of Statistics NZ transformation in both of its mandated roles. In Budget 2011 the Government approved Statistics 2020, which aims to bring Statistics NZ on a sustainable footing into the future, including replacement of legacy IT systems, standardisation of statistical production systems and increased use of administrative data.

A total of \$116 million is appropriated for the Official Statistics – Multi Class Output Appropriation comprising the following outputs:

- \$18 million for Coordination of Government statistical activities
- \$38 million for Economic and Business statistical information services
- \$60 million for Population, Social and Labour Force statistical information services.

A multi-year appropriation of nearly \$90 million covers Census across the five-yearly cycle. The Budget 2011 appropriations below have changed to reflect the deferral of the 2011 Census to 2013 in response to the February Christchurch earthquake.

Budget 2011 – Main Estimates for Vote Statistics



The Christchurch earthquakes have severely affected Statistics NZ, with staff significantly impacted and loss of buildings, with temporary premises and people working from home.

Statistics NZ has around 1,000 staff: half based in Wellington, a quarter in Christchurch and the remaining in Auckland and spread throughout the country. The primary occupations are: information professionals (37%), clerical and administrative workers (24%) and managers (14%).

Statistics NZ regularly engages with OSS partners in New Zealand, with other national statistical offices and external advisory committees.

Glossary

ACES	Advisory Committee for Economic Statistics
ACOS	Ministerial Advisory Committee on Official Statistics
BASS	Better Administrative and Support Services – A state sector programme based in the Treasury to lower the cost and strengthen effectiveness and efficiency
BES _t	'Building Economic Statistics' innovation
CE	Chief Executive
CFO	Chief Financial Officer
DGS	Deputy Government Statistician
GS	Government Statistician
KPI	Key performance indicator
POSS	Programme of Official Social Statistics
OSS	Official Statistics System
Statistics NZ	Statistics New Zealand
Statistics NZ Board	The Government Statistician as Chief Executive and his seven Deputy Government Statisticians
Statistics 2020	Statistics 2020 – Te Kāpehu Whetū; Statistics NZ transformation
TOPSS	Tomorrow's Official Population and Social Statistics

RESULTS SECTION

Part One: Delivery of Strategic Priorities

This section reviews the agency’s current ability to deliver on its strategic priorities agreed with the Government. It is based on the completeness of the agency’s plans, the stage at which the priority is at and the capability and capacity of the agency to deliver on the priority. The report is also informed by consideration of identified risks.

<p>Government Priority 1: Statistics New Zealand Transformation</p> <p>Progress Statistics NZ transformation, including the organisational readiness to implement the Cabinet-approved Statistics 2020 business case. The transformation is delivering innovation and change and delivering on the long-term plan to ensure business sustainability and increased value from fit-for-purpose Statistics NZ, including mitigating risks arising from aging IT systems and statistical methodologies.</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Statistics NZ’s well tuned systems for producing official statistics and seeking improvements in efficiency and effectiveness are being challenged by the legacy of obsolete IT platforms and the broader demands of Statistics 2020. There are proven strengths that will support the endeavour, some of which are:</p> <ul style="list-style-type: none"> • leadership • governance and structures • embedded professional values • ability to analyse, plan, execute and review • the IT future framework planning and capability • production capability of statistics • strong project management disciplines. <p>But there are weaknesses in some areas where the capability to support the transformation needs strengthening. In particular, concerns are expressed about ensuring that cross-organisation support systems (IT, finance, organisational development and direction and HR) are strengthened and engineered to provide active leverage for the CE and Board to drive, monitor and adjust the programme of transformation. Building transformation management experience and reputation will be essential to the successful implementation of Statistics 2020, which is different from and on a scale not previously undertaken by Statistics NZ.</p> <p style="text-align: right;">contd...</p>

	<p>Statistics NZ will need to ensure there are:</p> <ul style="list-style-type: none"> • methods and leadership to provide overarching assurance of progress towards the Statistics 2020 vision and staying on track • more detail and communication about the long-term vision for official statistics and Statistics NZ’s place in the system and the future possibilities of the vision for providers, users and others • real-time feedback capacity to support better, faster decisions • strong and timely use of cross-cutting strategic levers – HR, IT, Finance • Statistics 2020 milestones and funding triggers agreed with the Government and tight plans to ensure staged delivery of specific deliverables year by year. This will include breaking the ten-year transformation programme into well defined steps on time horizons of about three years or so. <p>The review identified a number of areas for Statistics NZ attention in implementing Statistics 2020. The Statistics 2020 areas to focus on are:</p> <ul style="list-style-type: none"> • building transformation management experience and reputation • making HR fit for workforce transformation. <p>Workforce is a key part of the Statistics 2020 transformation. It is therefore critical to make HR fit for workforce transformation. This includes:</p> <ul style="list-style-type: none"> • using the remuneration strategy strategically to support workforce transformation • ensuring tight coordination of HR policies and implementation within Organisation Development and across the business units • further developing HR systems: <ul style="list-style-type: none"> ○ deeper implementation of performance management ○ more discriminating remuneration system • actively managing the budget for restructuring costs • working for improved consistency and competence in the general leadership of staff by managers, especially Tier 4 managers and especially in performance management and in working through the implications of Statistics 2020 with staff.
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Government Priority 2: Decision-Maker Trust and Confidence

Ensure confidence by local New Zealand and international decision makers in key Statistics NZ statistics and the long-term integrity of the statistics system. This includes strengthening relationships with key stakeholders, further developing robust statistical policies, standards, and measures; improving the quality and reliability of statistical information including GDP measures; extending productivity measures and developing institutional sector national accounts.

PERFORMANCE RATING



Performance Rating: **Well placed**

Statistics NZ is well respected by international counterparts for the quality of its statistics and statistical methods and processes. It is acknowledged that New Zealand has an incomplete set of macro-economic statistics (in comparison with the International Standard). See core business 3 ‘Produce Economic Statistics’.

Statistics NZ actively participates in international fora and working parties and brings innovation and leadership expertise to these – this is particularly valued by the United Nations Economic and Social Commission for Asia and Pacific.

Key stakeholders, including the Treasury, Reserve Bank and Inland Revenue Department (IRD) indicate a high level of trust and respect for Statistics NZ staff and their work and a high level of trust and reliance on the information provided. Recently, Statistics NZ participated in a forum with respected commentators and private sector users (e.g. bank economists), which was very well received. Opportunities exist to engage in more of this targeted activity and improve communication in this area. Statistics NZ’s three external specialist advisory groups are very satisfied with the quality of deliverables and prioritisation discipline undertaken within Statistics NZ. In early 2011, concerns were raised in regard to measurement of the communication sector contribution to gross domestic product (GDP) and volatility in the Household Labour Force Survey information; however, these issues were related to ‘methodological’ differences and interpretation rather than data integrity. These concerns also highlighted the opportunity for improving key stakeholder communications.

Further development of statistical services for Māori and Pasifika is required, which is likely to require changes to the relevant stakeholder relationships and innovation in data sources.

The internal Standards Governance Board responsibility for statistical rules and methods is strong and focuses on standardisation and rationalisation of these key statistical parameters. Its work will be critical for the delivery of Statistics 2020 and it appears to have the capability and respect within the organisation to deliver on this.

See ‘Sector Contribution’ and ‘Collaboration and Partnerships with Stakeholders’.

<p>Government Priority 3: Better Value Official Statistics System</p> <p>Improve the value from the Official Statistics System (OSS), including (a) finalising an agreed list of New Zealand’s most important statistics (Tier 1), with revised proposals identifying collection and compliance costs and providing management options, (b) improving access to official statistics, and (c) identifying rationalisation opportunities to increase efficiency across the OSS.</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>The legislatively mandated leadership of the Official Statistics System (OSS) is a crucial role for Statistics NZ and a prominent and important role for the Government Statistician especially. The outcome sought is ‘An informed society using official statistics’. OSS has been under-resourced in the past. The OSS role is the assurance for stakeholders that the transformation is going to be focused on the outcome of better official statistics for a knowledge-based society. It is crucial to Statistics 2020, as it provides a great opportunity for the future that aligns perfectly with the Statistics 2020 transformation through strategic priority 1 ‘Lead the Official Statistics System’ and strategic priority 2 ‘Obtaining more value from official statistics’.</p> <p>Statistics NZ has made progress under the operating model for the OSS following Cabinet decisions in 2004 and now seeks to increase its capability to lead the OSS through:</p> <ul style="list-style-type: none"> • effective governance and engagement with partners • relevance and integrity of statistics, including relevance to Māori • accessibility – requiring a culture of access and common approaches to dissemination across government • efficient and sustainable production. <p>Activities include prioritisation of key statistics, domain planning and promoting common methodologies, tools, standards, principles and protocols. Efficiency is to be promoted through shared infrastructure, reduced burden on respondents and capability development.</p> <p>The initial emphasis of this work will be on strengthening governance arrangements, detailed activity planning and building on the achievements thus far in implementing the innovative Tier 1 statistics. The latter represents good progress and has attracted favourable attention internationally. Work remains to be done in advising and satisfying ministers, including challenges regarding trade-offs across government that commitment to funding Tier 1 will pose. Statistics NZ will need to take care to make the advice robust and present practicable options.</p> <p style="text-align: right;">contd...</p>

The organisation is recruiting to boost the OSS function full-time equivalents (FTEs). In addition to an officials' committee formed from nominees from the agencies that produce official statistics, in 2010 the GS established a chief executives' committee to oversee the OSS developments. This committee is going well and the GS's role in leading it is appreciated. This is a productive engagement that is necessary because the GS has limited powers to direct under the Act and relies on coordinating official statistics through forming consensus and gaining cooperation of other providers. (The Act might need to be strengthened in this regard at some point to make clear the leadership role of the GS in ensuring the quality of all official statistics that apply under the OSS provisions.)

Statistics NZ has developed critical success factors for the OSS for the future. It plans to invest in new workforce competencies and develop Tier 3 managers to support its plans for developing the OSS. It recognises there is a way to go in developing the domain of Māori statistics.

A powerful influence on developing OSS will come from the GS's leadership of the statistics profession across the government. Under the Cabinet decision to implement recommendations of the Policy Expenditure Review Committee, the GS can plan and lead the activities to strengthen the statistics profession across government.

OSS objectives will be supported by activities under the goal of obtaining more value from official statistics:

- improving accessibility
- understanding customer needs
- increasing knowledge and capability
- demonstrating the value of official statistics.

The strategies and plans are in place and the challenge going forward is to implement them.

<p>Government Priority 4: Options for Future Population and Social Statistics</p> <p>Progress options for the future of population and social statistics, ‘Tomorrow’s Official Population and Social Statistics’ TOPSS, including Census. Advise ministers on options, including Census frequency, and covering implementation and transition paths, international experiences and ways of reducing costs.</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p>
	<p>Statistics NZ is currently preparing a business case (for Cabinet approval, Budget 2012) for Crown investment 2015-2025 in the official population and social statistics (TOPSS), including future options for the Census. The existing social statistics funding (excluding Census) agreement expires in 2015.</p> <p>Census-based statistics are integrally linked to decisions on future population statistics, however the Government has clearly flagged it wants to explicitly explore options for collecting Census-type data in the future which could be cheaper and/or technology enabled. Whilst the TOPSS business case always included a review of Census options, post the Christchurch 2011 earthquakes (and the decision to postpone the 2011 Census) the Government’s interest in considering a more cost-effective option has increased, with a paper specifically on this matter due to go to Cabinet in 2012.</p> <p>While a process has been undertaken that identified 60 options for future Census, the robustness in the short listing is uncertain from material available. The new paradigm thinking demonstrated by the Statistics NZ Christchurch team post earthquake, that now looks at ‘statistics provision not relying on having a building’ could be leveraged and should be evident in the presentation of future Census options.</p> <p>Stage one of the TOPSS business case went through the State Services Commission (SSC) Gateway Review process in 2010 and received an ‘Amber’ assessment, noting that significance and benefit need to be more clearly identified, quantified and articulated.</p> <p>Statistics NZ has contracted external input to assist the further development of the TOPSS business case, including the Census options. It is critical that this external input is managed so that the final business case is ‘owned’ by Statistics NZ. The options analysis and presentation still requires more work to clearly demonstrate that all options have been thoroughly canvassed, including the option of no Census. While there is strong stakeholder support for the Census it is for ministers to make the decisions on the basis of options advised by Statistics NZ. At the time of the PIF Review, planning was commencing for the forthcoming SSC Gateway 2 review.</p> <p>Statistics NZ needs to plan and carefully manage the process leading up to the presentation of the TOPSS business case and the long-term approach to Census data collection, including presenting robust options (with thorough cost/benefit analysis) and demonstrating the value-add for NZ Inc. Significant work is still required to achieve this.</p>

RESULTS SECTION

Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. The report is based on a judgement about the current performance of the agency, the trend that they have demonstrated over the last 3-4 years and their preparedness for the future.

<p>Core Business 1: Coordinate Official Statistics System</p> <p>Leading the Official Statistics System (OSS) so that it efficiently meets the country’s needs for relevant, trustworthy and accessible information, including obtaining more value from government’s investment in official statistics.</p>	
<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Well placed</p> <p>Performance Rating (Efficiency): Well placed</p> <hr/> <p>This performance dimension is concerned with efficiently meeting the needs for relevant, trustworthy and accessible information and extracting value from the Government’s investment in official statistics.</p> <p>The components of the appropriation for coordination of the Official Statistics System (OSS) are:</p> <ul style="list-style-type: none"> • policy advice and ministerial support – see ‘Engagement with the Ministers’ • leadership of OSS – see government priorities 1 and 3 • international relations – see government priority 2 • concepts and classifications • dissemination. <p>This performance dimension is taken to be the current status of coordination of the OSS and is narrower in scope than within the broader coverage of the OSS, which is covered in government priority 3 – ‘Better Value Official Statistics System’. Much of what is said there applies here. However, the balance of credit for the current performance on managing the OSS versus preparing for realising the huge potential for further gains is more towards the former in this section of the report.</p> <p>Specifically, the development of Tier 1 statistics thus far while recognising further ministerial decisions are due, bringing together the CEs group around OSS and being recognised for good work in that arena deserve credit.</p> <p>The weaknesses in software platforms that raise risks to the investment in Statistics NZ are dealt with under other performance dimensions where they have greater impact.</p> <p style="text-align: right;">contd...</p>

	<p>Dissemination services are reflected in the positive experiences reported by almost all surveyed users. For comments on access to microdata by users – see ‘Collaboration & Partnership with Stakeholders’.</p> <p>Regarding efficiency, Statistics NZ can illustrate that a culture of prioritisation within the OSS (Tier 1) is developing and that within Statistics NZ efforts have been made to improve both efficiency and effectiveness. The OSS Principles and Protocols for Producers of Tier 1 Statistics emphasise actively seeking opportunities to reduce costs. These include use of administrative data, economies of scale, data integration and methodologies and systems that use generic, automated processes. It is noted costs can be contained by technical measures, including standardising and harmonising surveys, better exploitation of existing surveys (especially microdata), shared use of data (particularly administrative data), improved survey methods and sampling techniques. Within the OSS some duplication has been removed and other collections rationalised.</p>
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Core Business 2: Produce Social Statistics
 Ensuring that a coherent set of population, labour market and social statistics is available and meets the key information needs of government, business and the community to allow them to understand and monitor the state and progress of New Zealand and make policy and other decisions that advance the well-being of New Zealand society.

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Strong Performance Rating (Efficiency): Needing development</p> <p>The Programme of Official Social Statistics (POSS) is a ten-year programme running 2005-2015 with a budget of approximately \$100 million. This core programme is supplemented by some third party project funding.</p> <p>The POSS programme is very well respected by external stakeholders/users, as well as the Statistics NZ Advisory Group for Social Statistics. Positive endorsement was received in regard to scope, data integrity, responsiveness and innovation for POSS.</p> <p>Despite the department’s IT infrastructure limitations (which are being addressed through Statistics 2020) it has been innovative and is seen as a world leader in linking administrative datasets, including linked employer-employee data (LEED) and the planned extension to integrated longitudinal employment and education data (iLEED). New social surveys have been a feature of the POSS programme, including the General Social Survey and the Time Use Survey. The POSS programme review in 2010 reported progress on the five priorities within the programme. An external review is under way.</p> <p style="text-align: right;">contd...</p>
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	<p>More work is required on Māori statistics to assist economic and social development decision-making both centrally and at community level. Capability limitations within Statistics NZ are exacerbating progress in this area (see 'Leadership and Workforce development') although at a senior level there is a positive working relationship between Statistics NZ and Te Puni Kōkiri.</p> <p>Efficiency within the POSS system is limited by the IT infrastructure platform. Within these limitations Statistics NZ has looked to introduce processes to improve cost-efficiency, including more efficient collection processes (such as the introduction of survey scanning and the development of standardised demographic questions) and improved data editing.</p> <p>Efficiency enhancements need to be complemented by an embedded active KPI performance management culture within the organisation.</p>
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Core Business 3: Produce Economic Statistics
 Ensuring that a coherent set of macro-economic and business micro-economic statistics is available and meets the key information needs of government, business and the community to allow them to understand and monitor the state and progress of New Zealand and make policy and other decisions that advance the well-being of New Zealand society.

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Strong Performance Rating (Efficiency): Needing development</p> <hr/> <p>The production of economic statistics meets high standards of performance. There are gaps in statistics by comparison with international best practices, as advised by the international organisations interviewed in this Review. These gaps are in the areas of:</p> <ul style="list-style-type: none"> • quarterly income measure of GDP • quarterly sectoral accounts • financial accounts and balance sheet data. <p>Funding for these has not been available. To maintain the reputation of New Zealand's core economic statistics, this should be remedied when fiscal space, including re-prioritisation, permits.</p> <p>Statistics NZ has not moved to the 2008 framework for national accounts yet but plans to at the time most OECD countries intend to. Only Australia has done so, which is associated with the leadership of the framework by the Australian Bureau of Statistics.</p> <p style="text-align: right;">contd...</p>
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	<p>Recent questioning over the coverage of the communications sector in the economic statistics has been resolved, with no errors found in the data. The delay in the release of the first quarter GDP measure was undesirable but justified in terms of the explanation provided.</p> <p>The above issues of coverage aside, the feedback from major users of economic statistics contacted is uniformly positive about the quality and value of the economic statistics.</p> <p>Steps have been taken with the production of economic statistics to re-engineer existing products to lower costs both to the Crown and to respondents. The increased use of administrative data, rationalisation of questions and reduction of survey frequency have resulted in decreased compliance costs for businesses (e.g. reducing from 62% of eligible businesses being surveyed in 2002 to 20% in 2009). The sample size for the Annual Frame Update Survey has been reduced from 100,000 to 30,000 using administrative data. Process improvements have resulted in reduced numbers of staff and reduced costs of producing some statistics (e.g. 25% reduction in the cost of producing the Annual Enterprise Survey over the last five years). Data editing costs have been reduced using a risk-based method.</p> <p>There has been a number of improvements in the timeliness of key leading indicators, such as Trade. The use of administrative electronic card data has allowed the provision of a quick indicator of household consumption each month, with a more detailed survey of retail trade each quarter. This reduces the burden placed on businesses to provide information and increases the speed with which key information is available to market commentators. The development of Building Economic Statistics (BES_t) and the longitudinal business database are replacing legacy IT systems with platforms that will transform production flexibility and analysis and improve efficiency as well.</p>
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Core Business 4: 2011 Census

Given the deferral of 2011 Census of Population and Dwellings due to the February 2011 Christchurch earthquake, the focus is on the Statistics NZ preparation for the 2011 Census and handling of the deferral, rather than the delivery of the Census. This includes advice on options to address the deferral of the 2011 Census. It may draw on evidence from delivery of previous Census, as appropriate.

<p>PERFORMANCE RATING</p> <p>Effectiveness</p>  <p>Efficiency</p> 	<p>Performance Rating (Effectiveness): Strong Performance Rating (Efficiency): Well placed</p> <hr/> <p>The NZ Census is funded by a multi-year appropriation (approximately \$90 million over five years). A post 2006 Census review identified areas for improvement, including project consolidation, governance effectiveness, procurement and operational performance improvement plus risk management. These issues were addressed for the 2011 Census, including introducing Independent Quality Assurance (IQA), improved risk assessment at project and programme level and contracted in financial oversight expertise for the project.</p> <p>Sophisticated project management disciplines and reporting (using I-lign) were used to support the 2011 Census, including risk workshops (to identify interdependencies, issues, etc right down to individual project level), detailed monthly project by project financial and KPI reporting, etc.</p> <p>The Census internet and call centre went live on 18 February 2011, the full contingent of staff had been recruited and trained and all field offices were established. The project was on time and on budget. The Christchurch earthquake hit on 22 February 2011 and within two days the Government confirmed the Government Statistician’s decision to postpone the Census 2011. Most staff members and vendors were notified prior to the announcement being made public.</p> <p>The Census is a \$90 million multiyear project and is significantly bigger than any other project undertaken within Statistics NZ. It is essential the disciplines, processes and tools used for Census 2011 are leveraged into Statistics 2020.</p> <p>New Zealand Census cost-efficiency compares favourably to other New Zealand programmes, e.g. the General Election, which costs around the same, but involves fewer people (ie, 18 years + and does not follow up non-voters). International comparisons show New Zealand Census costs (\$20/head) are lower on a per citizen basis than most other countries using the same methodologies, (except United Kingdom, which has a cost of NZD \$18/head but a population base more than 12 times that of New Zealand).</p> <p style="text-align: right;">contd...</p>
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	<p>The Census project works under a memorandum of understanding (MOU) with the Electoral Commission – this MOU seeks to optimise field resources, including sharing temporary infrastructure solutions between the two organisations. Every 15 years the Census and electoral cycle occur in the same year as was the case in 2011, however, the two organisations demonstrated they were still able to leverage the efficient use of their shared resources in 2011 despite this difficulty.</p> <p>In 2011, further efficiencies and quality improvements were achieved through the introduction of optimisation tools for field force planning, moving to five day/week processing and the introduction of new centralised mail processing.</p>
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ORGANISATIONAL MANAGEMENT SECTION

Part One: Leadership, Direction and Delivery

<p>Vision, Strategy & Purpose</p> <p>How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Statistics NZ has a very clear vision of the future it wants to move to through the extensive work on Statistics 2020. It is fully understood and deeply embedded in the upper layers of the management team as the ‘Good to Great’ internal survey results reveal. The engagement survey shows strong and growing staff awareness of the vision. Among the frontline managers interviewed, and in the survey data, there is more variation in the degree of understanding about the vision the lower down the hierarchy one probes. This is less about whether staff understand Statistics 2020 and more about how engaged they are with it in terms of understanding what its implications are for them and what contribution to it they will make. Given how recently the Government decided to pursue the initiative, this is to be expected. That said, some frontline staff are already very clear about how they contribute.</p> <p>There are variations in how well staff understand the project strategy that has been, and is being, developed to bring the vision into reality. However, it is encouraging that the engagement survey shows a high level of understanding of the vision and this has risen sharply between the last two surveys. The top and middle managers understand the strategy in most respects and most are engaged in some of the 50 plus projects under way to progress Statistics 2020. Tier 4 managers are generally also well aware of the strategy but ‘buy-in’ by frontline staff is patchy, although increasing according to the surveys.</p> <p>Since the Budget decisions on Statistics 2020, managers are in a better position to work through the implications of the strategy with their teams and individual employees. A substantial effort by managers is still needed to work through these implications, which will not be positive for all staff, as Statistics 2020 implies significant changes in the skills and competence of staff and in production processes through the organisation. The volume of change in prospect is likely to be disruptive and needs to be understood and managed carefully and there is significant work to be done in this area. The vision and strategy have been well communicated to others involved in the OSS through comprehensive consultations. The CE group is well briefed. As covered in relation to government priority 3 there is a lot of work needed to realise the potential of the OSS role looking forwards.</p>

Leadership & Governance How well does the leadership team provide collective leadership and direction to the agency?	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Statistics NZ leadership is exercised through a senior leadership team called the Board. In spite of the name, it is underpinned by the conventional governance relations consistent with the State Sector Act in which the authorities of subordinate managers are delegated by the CE. It operates in a collegial style that is appreciated by its members who all carry the title of Deputy Government Statistician (DGS). Whether this style raises risks of avoidance of hard issues and dilutes accountability was considered but it was concluded that there was no evidence of this. See also ‘Structures, Roles and Responsibilities’.</p> <p>The CE Geoff Bascand is appreciated and respected throughout Statistics NZ to an outstanding degree. He takes hard decisions when he sees the need.</p> <p>From interviews with focus groups and from survey data it seems clear that the leadership team is well respected, with high levels of competence both individually and as a team and speak with one voice in regard to organisational leadership. This models expected behaviours elsewhere in the department. It was notable in the meeting with the team as a whole they take seriously the values they are committed to by way of acting collegially as a Board and jointly owning and implementing Board decisions. The interests of the organisation are put above the interests of the component parts.</p> <p>The Board undertakes reviews of its operations that are described as robust and constructive. It has responded to weaknesses identified in an internal audit report done in 2010. The Board receives comprehensive monthly reports.</p> <p>The governance of Statistics 2020 through the six portfolio committees is a well designed and promising structure, although it will require close attention to identifying and resolving the issues that arise where there are overlaps. These committees have specific delegated decision-making authorities and the whole tight-loose style is appropriate to address the complexity of Statistics 2020 and promote learning below the level of top management. As highlighted elsewhere in this Report, improving the governance of Statistics 2020 requires the leadership and governance function strengthening and tightening the cross-cutting levers needed to drive and support the transformation.</p> <p>For commentary on how the leadership provides direction see ‘Vision, Strategy and Purpose’ and see ‘Structure, Roles and Responsibilities’ for commentary about augmenting the Board with external insights for the Statistics 2020 transformation.</p>

<p>Culture & Values</p> <p>How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Statistics NZ has a strong set of professional values embedded in its DNA. The traditional professional values were clear in all contacts throughout the organisation. These are statistical excellence, integrity, confidentiality and data security. The recent decision to delay the release of a GDP statistic until staff were fully satisfied of the veracity of the number, illustrates the commitment to excellence, even when there are negative short-run consequences to external relationships. Lapses from these values are rare and those that were observed were not about commitment to the values but rather about difficulty in adhering to them because of weaknesses in the IT platforms for some series (e.g. questionable quality in some programme coding).</p> <p>The newer behavioural values (leading, connecting and communicating) are not as deeply embedded in the organisation’s vocabulary but are becoming increasingly known. They are well evidenced in the documents reviewed and in interviews of managers. The organisation is on track to embed these new value lenses, which will assist the organisation’s value-add. There is just not the track record of tough judgements like the GDP story above to prove how embedded these new values are. The GS’s leadership of the OSS is going well so far with a lot of potential still to be realised. However, it seems there is sometimes a lack of confidence about taking a leadership role below the top management.</p> <p>It is expected that the progress of Statistics 2020 will test the values of Statistics NZ at times and that the changes in culture it involves will not be easy for some. Statistics NZ does very well with its relationships with users and stakeholders but Statistics 2020 will take it beyond this to having to face hard questions, such as the future of the Census, which will challenge the way things are done and how the organisation behaves. Production processes will change dramatically over time and relationships with external parties will change as the OSS develops. This change in organisational culture will require the new behavioural values to become as deeply embedded as the professional values are. This will take time, patience and skilful leadership by managers at all levels.</p>

<p>Structure, Roles and Responsibilities</p> <p>How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of Government priorities and core business?</p> <p>How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>There is a DGS responsible for each of the main areas of statistics production (Macro-economic and Environment, Industry and Labour, Social and Population), for Standards and Methods and for Collections and Dissemination. This reflects the architecture of Statistics 2020. There are two DGSs responsible for Organisation Development and Organisation Direction. Broadly, the former is a standard corporate services function and the latter is focused on driving performance through reviews, communications, internal audit and leading innovation in OSS and Māori statistics. The GS and the Board look to Organisation Development rather than Organisation Direction for monitoring the implementation of Statistics 2020 although the responsibilities for keeping Statistics 2020 on track are spread throughout Statistics NZ.</p> <p>The layout of responsibilities looks logical and sensible. The Reviewers have concerns, however, over the governance of the HR and wider people dimensions of Statistics 2020 and the culture change programme it entails. Specifically, responsibilities for the transactional and strategic HR activities are spread between two Tier 3 managers, who both report to the DGS. This arrangement will require deep cooperation between the two Tier 3 managers and will call on the attention of the DGS, who will need to be on top of the HR technical and culture change issues. Expert consultants are being contracted to assist with both transactional and strategic HR (remuneration strategy at present). This is appropriate as these HR arrangements are expected to be stretched to meet the demands of the people strategy for Statistics 2020. There is some concern that the full costs and challenges of implementing it may not be fully appreciated at this time.</p> <p>It will be essential that the GS and the DGS Organisation Development monitor and review these arrangements during the development of HR strategy for Statistics 2020 over the next few months and adjust them if concerns turn out to be real.</p> <p>Six portfolio committees have been formed to make the running on clusters of Statistics 2020 activities and to address interdependencies. These are: Official Statistics, Access and Use, Social, Economic, Foundation and Capability. These replace an unsatisfactory previous arrangement and were formed to keep the Board from being overwhelmed in Statistics 2020 decision-making and unable to stand back to perform its oversight function effectively.</p> <p style="text-align: right;">contd...</p>

	<p>They are a sensible governance structure provided the cross-Statistics NZ forces required for Statistics 2020 are powerful enough to infuse all the committees with common purpose and commitment to the practical implementation of core Statistics 2020 principles. These cross-Statistics NZ forces concern finance, HR and culture change, standardisation, outward orientation system thinking across Statistics NZ and beyond for the OSS. These cross-cutting functions and principles are represented on the committees, so there is reason to expect the horizontal and vertical perspectives on reform will be balanced effectively.</p> <p>The Board has not been through an organisational transformation like Statistics 2020 before and so lacks seasoning. Its consensual management style and the complexity of the transformation raise risks that it drifts off track to its final vision. Hence it is recommended that the governance is augmented in a practical way, perhaps with an outside person or using the Audit and Risk Management Committee in an augmented role, to provide assurance to the Board that difficult issues are being progressed and the transformation is unfolding as planned. In whatever way this outside assurance is provided, it would need to be informed by full access to documents and people, be supported by the internal auditor and report to the GS and feed into the deliberations of the Board. The Audit and Risk Management Committee has strong capacity and potential to contribute more to Statistics NZ performance but its meetings are too irregular and it is too distant from the action in its present mode to provide the active monitoring of the transformation that is needed. If it is to take on this role, changes in its method of engagement will be needed. If the necessary assurance is provided in some other way, then the Audit and Risk Management Committee should still be engaged in monitoring strategic risk under its present modus operandi.</p> <p>The Review considered the risk to continuing production of statistics of the diversion of management capacity into Statistics 2020. While there was fragmentary evidence of staff concern about this, the structures and roles appear capable of ensuring continued sound operations in parallel with the transformation. The construct of subject matter project managers and production silos, matrixed with the cross-organisational governance and project work groups for Statistics 2020, should be capable to ensure delivery of statistics during the implementation of Statistics 2020.</p>
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<p>Review</p> <p>How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Strong</p> <p>Statistics NZ approaches its management in ways that align with its primary professional purpose and values. It analyses everything on the basis of data it collects. It thinks through its problems, considers options, makes choices by carefully balancing tensions between competing objectives and values, then allocates resources and sets accountabilities. Then it reviews the results to a degree that is unusual in the experience of the Reviewers. This whole approach has led some stakeholders to raise concern that it slows down the organisation making progress and implementing change. Upon investigation it is concluded that this is not a concern and in fact makes the organisation very focused and responsive. It has a clear record of implementing the recommendations of its reviews. The present leadership has chosen this style of management and sees it as a positive development that manages the risk of more top-down driven reform making strategic mistakes. This view is underpinned by reflections on the causes of past difficulties with business transformation.</p> <p>It was noted that Audit NZ has called for improvements in performance indicators and this Report comments elsewhere on the need to finish the process of driving these to the lower levels of the hierarchy. However, on the specific issue of how well Statistics NZ monitors, manages and reviews its policies, programmes and services, it has come to be adept at this emphasising this through its management methods and culture.</p>

ORGANISATIONAL MANAGEMENT SECTION

Part Two: External Relationships

Engagement with the Minister(s) How well does the agency provide advice and services to its Minister(s)?	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Statistics NZ has a respected two-way relationship with its Minister, who is satisfied with the service and advice provided by Statistics NZ. The Minister is also forceful in his advocacy and pressure for successful implementation and communications concerning Statistics 2020. This relationship is supported by regular briefings between the GS and the Responsible Minister. Good processes and disciplines are in place in regard to information provision and reporting.</p> <p>Both the Responsible Minister and the Minister of Finance were not pleased on discovering the rundown of the Statistics NZ asset base, which Statistics NZ raised as an issue from the 2008 briefing for the incoming Minister. Ministers will require ongoing assurance that the organisation has the focus and capability to deliver Statistics 2020, meet agreed milestones, can articulate a clear technologically supported vision for the organisation in the future and has in place processes and disciplines to enable the ongoing renewal and replacement of assets in the future.</p> <p>Ministers value the integrity, robustness and independence of the statistics provided by Statistics NZ and they recognise the importance of Statistics NZ maintaining its independence and credibility within the relevant international community.</p> <p>Ministers see opportunities for Statistics NZ to play a stronger OSS leadership role, and for the organisation to have a stronger outward-looking focus.</p> <p>Statistics NZ has produced seven Cabinet papers in the last three years including a number of comprehensive and complex decision papers in the six months prior to the PIF Review, (the Statistics 2020 business case, Tier 1 statistics and postponement of the 2011 Census). The passage of these papers through the recent Cabinet process has not been straight forward with ministers seeking further information in some cases and seeking better option/impact analysis in others. Central agencies see opportunity for performance improvement in this area. Statistics NZ must assimilate the feedback from these experiences and ensure it fully meets expectations with the three key strategic papers it will be presenting to Cabinet for approval over the next eight months.</p>

<p>Sector Contribution</p> <p>How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Statistics NZ is well respected by sector colleagues who find Statistics NZ an easy and helpful organisation to work with. High confidence exists for the statistics provided by Statistics NZ to key sector players. Statistical excellence and quality are the top two considerations for Statistics NZ in producing statistics and giving technical advice. This has resulted in high quality analytical outputs and successful collaborative projects with partners. Statistics NZ’s technical advice is further reinforced by written guidance, e.g. <i>Principles and Protocols</i>, and approved standards. IRD, Ministry of Education and Ministry of Social Development commented that data exchange between them and Statistics NZ is generally efficient. There also have been no known issues on confidentiality and data security. Overall, effective relationship management is happening at the functional level.</p> <p>Opportunities exist for Statistics NZ to better execute its responsibilities in the area of OSS leadership (see ‘Coordinate Official Statistics System’ and ‘Better Value Official Statistics System’) however, the CE Group established by Statistics NZ has been an effective mechanism to develop an across-government shared view of statistics required for effective government decision-making. Statistics NZ has established three advisory groups to support strategic decision-making and prioritisation in regard to its economic and social statistics. Members of these advisory groups report value-add and effectiveness. However, up until the time of the PIF Review, the Treasury was not a member of the CE Group, nor was there a formalised strategy in place to gain the Treasury’s input into this strategic work, despite the Treasury being a key player. At the CE Group meeting held during the PIF Review a decision was made to invite the Treasury onto the CE Group.</p> <p>The relationship management internal review conducted by System Strategy and Performance in February 2010 shows that Statistics NZ is not yet connected into cross-government policy development and decision-making at the level appropriate to its OSS leadership role. However, it is acknowledged there are challenges under the existing legislation around enhancing strategic policy capabilities, which include being actively involved in the government policy community. The Act contains policy advisory levers that have yet to be fully tested and/or explored. Statistics NZ supports the Ministerial Advisory Committee on Official Statistics (ACOS). The membership of ACOS has recently changed and the opportunity for this committee to provide greater value to Statistics NZ and the Minister was identified.</p>

Collaboration & Partnerships with Stakeholders	
How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?	
PERFORMANCE RATING 	<p>Performance Rating: Well placed</p> <p>Statistics NZ's focus and effort (supported by a formal Stakeholder Relationship Engagement Strategy) to reach out and engage with stakeholders has resulted in consistent strong positive working relationships at both senior and functional levels – nationally and internationally.</p> <p>This positive reputation could be further enhanced through the establishment of transparent and readily available guidelines covering eligibility, access, cost and dissemination of information for third party stakeholders wishing to engage with Statistics NZ. A request for flexibility around the release of statistics concerning micro-databases illustrates this. This is extremely sensitive as Statistics NZ cannot predict all the ways in which users could take cross-bearings through the microdata sets to identify information about a respondent. The concern being expressed about the release is more likely to be about consistency of treatment of users. A transparent policy, with possibly a review mechanism, is needed to assure users there is a consistent answer to a data request whoever the user is and whoever is approached in Statistics NZ. An issue raised from interviews with some external users is whether there is consistency of access to data between public and private sectors and between big users and occasional users. Section 37 of the Statistics Act provides access to microdata only to government users of statistics for their statistical and research purposes, subject to confidentiality provisions. However, access to data is crucial amongst researchers competing to get articles in journals etc so the legitimate interests of government agencies in having access to data to conduct their affairs should not be confused with the private interests of individuals. Legislative amendments currently being considered by the House allow the Government Statistician, at his discretion, to approve access to microdata for non-government researchers, under the same conditions as those of governmental researchers. Accordingly, it is recommended that Statistics NZ develop further its protocols for data access.</p> <p>In external interviews it was repeatedly heard that, while there is iron clad support for the principles of integrity and independence throughout Statistics NZ's stakeholders, the organisation should be more flexible in dealing with some issues of access to and release of information. This is a conundrum, as it is not obvious that Statistics NZ can be more flexible about some of the things people would like it to be more flexible about.</p> <p style="text-align: right;">contd...</p>

	<p>Early release of statistics to ministers is a long-standing example. The damage done to the credibility of statistics agencies of early release to ministers is well known in the statistics community internationally. An ad hoc approach to prior briefing would raise doubts about independence. The issue of pre-release access is not just an issue for ministers. It is also an issue for people trading on money and share markets, where very large amounts of money are at stake. Ten seconds advance access over others can make a huge difference on the release of GDP, consumers price index (CPI) and Labour force data, especially at economic turning points. The most common solution internationally is to use lock-ups similar to the processes used for Budget release, as is done by Statistics NZ.</p> <p>As required by legislation, Statistics NZ hosts the Official Statistic Forum at least every five years. Feedback from the March 2010 forum attended by a wide range of users and producers was positive, with 89% of respondents rating the forum ‘good’, ‘very good’ or ‘excellent’.</p> <p>Statistics NZ collaborates effectively with the CEs of key user organisations via the formal CE Group. Opportunity exists to strengthen the strategic relationship between Statistics NZ and the Treasury to ensure alignment and joint ownership of critical projects. Further work is also needed to clearly distinguish with key stakeholders Statistics NZ’s need for independence (in regard to upholding data, independence and integrity) from its strategic partnering relationships with these players. See also ‘Sector Contribution’, ‘Decision-Maker Trust and Confidence’, ‘Coordinate Official Statistics System’.</p>
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<p>Experiences of the Public</p> <p>How well does the agency meet the public’s expectations of service quality and trust?</p>
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<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>For Statistics NZ the public context is primarily survey respondents (collection) and users of statistics (dissemination). The outcome sought by the OSS is ‘an informed society using official statistics’. Users have been identified and prioritised under the Dissemination Strategy 2009-15 as (in order): government, media, business, researchers, local government, community, education and public. Statistics NZ undertakes regular surveys to gauge the level of awareness and trust in its statistics by the public. The survey results are positive.</p> <p>Major initiatives under way to improve customer experience include the:</p> <ul style="list-style-type: none"> • Market Intelligence Project • Microdata Access Project • Microsoft Customer Relationship Management Dynamics. <p style="text-align: right;">contd...</p>
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	<p>The Statistics NZ's website has undergone significant updating. A further refresh of Statistics NZ's homepage was under way at the time of the PIF Review in response to research into the way users interact with web pages.</p> <p>Statistics NZ has a pool of products and services available on the website, including <u>Infoshare</u>, <u>Table Builder</u>, <u>time series</u>, <u>Microdata</u>, <u>enquiry services and customised data</u>, <u>Interactive Boundary Maps</u>, <u>liaison and outreach</u>, and Business Toolbox.</p> <p>Statistics NZ has a range of innovative promotional tools, including use of social media, e.g. Facebook, YouTube and Twitter.</p> <p>Current measures of 'use' of Statistics NZ statistics are generally weak and do not tell the value provided from official statistics. Further work is needed to clarify Statistics NZ's positioning, role and scope in regard to provision of statistics to the public, given resource constraints in the future.</p> <p>A project is currently under way on this for consideration by the Board later in 2011. This must include Statistics NZ clearly defining the organisation's boundary in regard to 'story telling' and analysis of official statistics.</p>
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ORGANISATIONAL MANAGEMENT SECTION

Part Three: People Development

<p>Leadership & Workforce Development How well does the agency develop its workforce (including its leadership)? How well does the agency anticipate and respond to future capability requirements?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>The Board share the leadership accountability for the organisation with the CE. Significant investment in building the leadership capability of the Board has been made. The comprehensive July 2011 Board self-review provides positive feedback on performance to date and provides a roadmap for future focus.</p> <p>Over recent years Statistics NZ has invested strongly in leadership development of Tier 3 and 4 managers, attending a suite of development programmes followed up by one-on-one coaching. Statistics NZ has addressed capability gaps identified in a 2008/09 capability gaps analysis. The 2009 and 2010 staff engagement surveys identified ‘staff development opportunities’ as an area of weakness and it was one of the two areas for organisation-wide improvement activity. The 2011 staff engagement survey results showed that the learning and development was 5% higher than the state sector benchmark.</p> <p>The organisation has only a relatively recent approach to disciplined organisational development, with HR having been seen more as a support service rather than a strategic partner. Comprehensive organisational development is part of Statistics 2020 and will rest with the new Manager of Culture and Change. However, at the time of the PIF Review the pathway for this work was still to be developed.</p> <p>Statistics NZ has a comprehensive People Strategy (incorporating a Workforce Programme and a Culture and Change Programme) that aligns to Statistics 2020. The People Strategy critically explores current strengths and weaknesses and describes the changes and work programme required for Statistics 2020 success.</p> <p>In May 2011 an independent review of the People Strategy was undertaken at the request of Cabinet. The review identified the need for additional horse-power in strategic HR and the need to develop a robust transition plan to support the People Strategy. The findings of the BASS – 2010 review validated that in the past, Statistics NZ has been more transactional (versus strategic) in HR.</p> <p style="text-align: right;">contd...</p>

	<p>The HR change management workforce budget is not sufficiently developed and must be strategically linked to the remuneration strategy to ensure it supports the People Strategy. Statistics NZ is not 'seasoned' in its understanding of both the 'criticalness' and the 'power' of strategic HR in underpinning a significant organisational transformation.</p> <p>A second independent review of organisational workforce readiness is scheduled for November 2011 and there is still significant work to do to address the weaknesses identified in the May 2011 review.</p> <p>Organisational capacity in regard to leadership with Māori and Māori responsiveness is immature and limiting Statistics NZ's contribution to performance (economical and social) improvement for Māori, through focused statistical information.</p> <p>The strategic HR function in Statistics NZ is divided between two Tier 3 manager positions. Tight cohesion and alignment will be required between these roles to address the inadequacies in the management of people performance. See 'Structure, Roles and Responsibilities'.</p>
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Management of People Performance
 How well does the agency encourage high performance and continuous improvement among its workforce?
 How well does the agency deal with poor or inadequate performance?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>While the recently completed engagement survey showed improvement in the organisation's capacity to manage performance, there is a significant gap between the current capability and best practice in this area. Effective performance management depends on: strategic HR capability (linked to the organisation's direction and goal); a performance management process framework; training and development of managers to enable consistent implementation of the framework; and appropriate granulated measures of performance so individuals can identify where they are on the performance continuum (versus a binary achieve/not achieve assessment). Statistics NZ has an acceptable performance management system and framework in place but, while there are some good practices in evidence, its application and the use is generally unsophisticated and inconsistent across the organisation. This is particularly the case between Tier 3 and 4 managers with their teams, which represents the bulk of employees. Effective performance management will be essential to delivering the milestones and benefits of Statistics 2020.</p> <p style="text-align: right;">contd...</p>
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	<p>Statistics NZ has mechanical KPIs such as ‘mid and end-of-year completion are achieved’. The quality and detailed link to organisational plans is variable, including exemplary in some cases. Poor performance and exit is managed using appropriate processes and disciplines. Statistics NZ is aware of its performance management system inadequacies, with a new performance management system planned for implementation before June 2012 – this will include re-defining competencies etc to reflect the organisational needs and Statistics 2020. Reward and recognition linked to performance is an issue for Statistics NZ exacerbated by both the limited granularity of the current system and the ability of Statistics NZ to meet market relativity. Introducing the Statistical Analyst 3 position has been a positive performance differentiation tool for the organisation.</p> <p>The remuneration strategy is a critical lever to support the successful implementation of Statistics 2020. This strategy needs urgent finalisation so that it can positively contribute to Statistics 2020 through the 2011 remuneration review and Collective Employment Agreement contract re-negotiation outcomes.</p>
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Engagement with Staff
 How well does the agency manage its employee relations?
 How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Statistics NZ has a strong culture of ‘respect’ and ‘family’, with staff feeling like they ‘belong’ and Statistics NZ is a ‘nice place to work.’ The CE is well known to and liked by staff and is visible, open and accessible. This is achieved by a comprehensive programme of CE activities and communications with the organisation covering strategic, operational and social aspects. Channels for informal feedback from within the organisation to the CE are evident. Opportunity exists to further leverage the goodwill and capability of existing staff.</p> <p>The management of the impact of the 2010 and 2011 earthquakes on staff was excellent.</p> <p style="text-align: right;">contd...</p>
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The 2011 priority for the CE has been to gain strong organisation-wide understanding and ownership of the future vision and role Statistics 2020 plays in achieving this. The 2011 engagement survey and the May 2011 Board self-review process supports that significant progress has been made in this area. However, the engagement survey results (while showing improvement over 2010) are that only 18% of the organisation are being fully engaged (92% response rate). While this is not an unusual level for benchmark organisations, it is below levels in the best place to work and, most importantly, is not at levels that would provide full confidence about keeping staff at high levels of engagement through the coming transformation. This may be attributable to the disconnect between frontline managers and their staff in regard to staff understanding of what Statistics 2020 will mean for them as well as the variable quality of performance management capability at this interface.

Employment, safety, wellbeing and employee personnel management are fair and appropriate. Video and teleconferencing facilities and regular communications via the intranet and through managers, support staff working in different locations throughout New Zealand. A structured induction programme is in place albeit its implementation and effectiveness is variable and depends on the ability and motivation of the manager responsible.

Statistics NZ has a diverse staff with high numbers of women (55%) and ranges of ethnic groups (although representation of Māori and Pacifica peoples is significantly lower than the Public Service as a whole).

The 2010 engagement survey indicated staff agreed with the statement 'this is an EEO organisation' and the flexible working environment is seen as a strength. There are supporting policies on the intranet, for example, relating to working from home to look after dependants.

ORGANISATIONAL MANAGEMENT SECTION

Part Four: Financial and Resource Management

<p>Asset Management</p> <p>How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Statistics NZ manages assets, other than IT assets, to standards that are in line with general benchmarks in the ministries. But in relation to IT it is another example of a government agency whose balance sheet was run down to support current service delivery. It has learnt lessons from a previous IT system development project, the Business model Transformation Strategy. The objectives were too ambitious for the timeframe and funding, although the benefits from the work continue and the strategy's principles have been influential in its current change programme. So the legacy of asset management in relation to IT assets is not good. However, there are questions that this record raises about how the implementation of the Public Finance Act and advice given under its provisions may have contributed to this situation. This is beyond the scope of the PIF Review but is relevant to forming judgements about whether the legacy situation is entirely attributable to inadequate asset management within Statistics NZ. Nor is it in the scope to do a retrospective review of how this came about.</p> <p>Statistics 2020 is a collection of solutions integrated through various managerial and IT processes. It is less risky than having another grand plan (similar to the Business model Transformation Strategy) driven from the centre but it still contrasts with a strategy that would have dealt incrementally with the legacy asset problems over time and made big strategic shifts less necessary and less risky. Over the ten years of Statistics 2020, technology will have fundamentally changed again and so the ability to adapt incrementally will be essential even as Statistics 2020 is rolled out. Statistics NZ is very aware of the problems it has had in managing IT assets and its plans for upgrading its systems under Statistics 2020 are well thought through.</p> <p style="text-align: right;">contd...</p>

So far as asset management generally is concerned, Statistics NZ is checking on its compliance with accounting standards and recalibrating useful economic lives. It still has some work to do in applying the Treasury's capital asset management principles. There are technical issues to be resolved about accounting for technological obsolescence and the life expectancy of bespoke systems. The CFO is building an asset management plan to support Statistics 2020. Methodologies for assessing the cost-benefit calculations for IT investments are being developed. (It was noted that the calculation of the net benefits of the BESt system focused on IT cost savings but not costs and benefits elsewhere).

Statistics NZ developed its first long-term asset management plan in 2009, which is owned by the Board. It is built on objectives and principles to support the business strategy. There are asset registers for fixed assets and IT assets that record key information about each asset, including contribution to strategic priorities. Assets are owned by the owners of the businesses employing the assets and this includes the OSS assets and corporate systems. Business owners' responsibilities for asset management are spelt out. The capital budget is managed centrally and depreciation is allocated to the asset owner. A long-term asset investment plan has been developed to support the business case for Statistics 2020.

Audit New Zealand, as part of its annual 2010 audit has reviewed the organisation's long-term asset plan. While it has not finalised this audit, it reports no significant issues were identified in this area, although there are options to review supporting documentation in line with best practice.

Overall, Statistics NZ has had serious problems in managing IT assets in the past but performed reasonably elsewhere. A lot of progress has been made in installing and using asset management principles and systems and the CFO is competent and focused on further improvement. The 2009/10 audit report acknowledges this progress and also notes that the treatment of intangible assets is appropriate and consistent with accounting standards. This is significant, given that many of the assets are intangible. Also accounting standards are insufficient to capture some intangible assets and Statistics NZ's management information system is being developed to report on these.

<p>Information Management How well does the agency utilise information & communications technologies to improve service delivery?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>In essence, Statistics NZ was producing its outputs from IT systems that were becoming increasingly unreliable and beginning to present risks to the business that were thought likely to materialise in two years or so. A previous attempt at a major system upgrade was only partially successful in meeting its objectives, as it was too ambitious for the timeframe and funding. A lot was learned from the effort. It has developed and received government approval for a more diversified but still transformative IT plan and, while all major IT projects carry major risks, it has developed a strategy that has systematically and imaginatively sought to manage those risks. The <i>Horizon IT Risk Review</i> has confirmed the complexities of Statistics NZ’s IT environment and noted that the mitigation planning to date had been undertaken in a ‘<i>prudent well thought out manner</i>’.</p> <p>The Statistics NZ innovative BEST development and the LEED projects are complex and have succeeded because of:</p> <ul style="list-style-type: none"> • strong architecture • skilled staff chosen for the work • cross-functional co-located team • a business owner providing strong leadership • a clear and exciting vision. <p>Very good track records with these projects (above) give confidence that Statistics NZ can bring IT projects to successful conclusions. The Legacy Mitigation Roadmap for dealing with legacy systems that are not addressed within the main Statistics 2020 IT strategies is a very positive initiative. The 2011 IT progress update outlines that work on legacy mitigation is gaining traction and that results are being achieved across the range of priority technologies – Centura, SAS, MS-Access, VB, and Sybase. However, much more needs to be done.</p> <p style="text-align: right;">contd...</p>

Strong experience with IT change management programmes and design and implementation show that competence exists within the IT staff and its leadership. However, the scale of the Statistics 2020 transformation is new for most of them and the system integration and management challenges are larger than BESt. The IT Advisory Group (ITAG) report states, *“We cannot afford to slacken the pace, and will require significant resourcing over the next four years to meet the target”*. Statistics 2020 requires a ramping up of IT staff and the quality of their hires and consultancies will be critical, as will be the programme management employed to drive and monitor the performance of this large project.

The extended timeframe of Statistics 2020 means that assets being built today will be obsolete before the project is completed. Pricing and exchange rate risks must be managed and budgets adhered to over time, with many risks and uncertainties to contend with.

Future practice in assessing and managing IT risk and ensuring careful and transparent treatment within the accounting and capital planning processes must be conducted at a high standard. The ITAG has commented, *“It is encouraging that the Independent review has endorsed the Roadmap we have set out, but it will be critical that we continue on the path outlined and continue to regularly monitor the progress towards having no legacy issues and only current systems in place”*.

Overall, the detailed project planning and sequencing already completed, the multidisciplinary governance arrangements in place, combined with the demonstrated project management disciplines within Statistics NZ, gives confidence that the IT team can get on top of the challenges and manage the complex collection of parallel projects it is initiating. Some further capability development, sharp focus on risks and emerging opportunities, and the seasoning that comes from experience, should bring the IT capability to its full potential and ensure a successful outcome to this aspect of Statistics 2020.

<p>Efficiency</p> <p>How robust are the processes in place to test for efficiency and make efficiency improvements? How well does the agency balance cost and quality when considering service delivery options?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p>
	<p>Statistics NZ has produced several significant initiatives in seeking improvements in efficiency and cost-effectiveness going back to the report in 2008 on the subject, which made extensive recommendations across the business for improvements in efficiency. Over the last two years there is evidence that Statistics NZ has pursued its goal to “transform the organisation” in line with its <i>2008 Efficiency and Effectiveness strategy</i>. The effectiveness and efficiency programme recognised fundamental issues through a focus on:</p> <ul style="list-style-type: none"> • Continuous Improvement – enhancement of existing processes/systems using existing designs and tools • Standardisation – adoption of new standardised processes and/or integration, tools and design elements • Transformational Change – statistical collection/programme redesign using new processes, methods and tools. <p>Many of the recommendations are now woven into the fabric of Statistics 2020, such as rationalisation of IT platforms, greater use of administrative data and more efficient sampling methods. Other recommendations covering more effective management systems have been implemented.</p> <p>A review of initiatives to improve efficiency and effectiveness was done in May 2010 to show what had been achieved in the preceding four to five years. This produced a detailed list of one-off savings, ongoing savings and cost avoidance across the business totalling \$6.7 million. Some of this came from reduced output production following prioritisation of outputs, although it is recognised that this is not a sustainable strategy. Some of the improvements came from better coordination of production with other statistics-producing agencies.</p> <p>Subject matter managers have visibility of their direct costs. Statistics NZ has taken initial steps to put in place an activity costing system to:</p> <ul style="list-style-type: none"> • facilitate understanding of costs and cost drivers • enable cross-organisation benchmarking (and possibly benchmarking with other national and international statistical providers) • enable evaluation of value for money (and trade-offs between excellence and fitness for purpose). <p style="text-align: right;">contd...</p>

	<p>A business improvement board was established in 2010 to look for improvements while the BASS results are used to highlight issues and derive KPIs for future performance monitoring.</p> <p>On the negative side, Statistics NZ has to live for the time being with the inefficiencies created by the legacy systems. While its governance and management processes are geared well to realise efficiencies across the business silos, it will be some time before the success of this is in evidence across the organisation in, for example, standardising IT platforms and business rules. The initiative to install activity based costing is under way to address weaknesses in the ability to routinely monitor efficiency.</p> <p>There are numerous examples of successfully completed initiatives to lift efficiency as noted elsewhere in this Report (dropping the Annual Frame Update Survey sample size from 100,000 to 30,000, reducing the costs of running the Annual Enterprise Survey by 25% over five years, risk-based methods for editing data). Overall, Statistics NZ has made solid recent progress in lifting efficiency and effectiveness and building capability to do so routinely in the future, which needs to be consolidated and further developed. Many gains will have to await the benefits in efficiency from Statistics 2020 by way of standardisation, closing legacy systems, staff reductions etc.</p> <p>Across the department the KPI performance system and culture needs to be further embedded, as noted elsewhere.</p>
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<p>Financial Management How well does the agency manage its financial information and ensure financial probity across the business?</p>
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<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Well placed</p> <p>Audit NZ’s management report on Statistics NZ 2010 rates the management control environment as very good and the financial information, systems and controls as good. While it points to the need for improvements in performance information, this is about continuing the developments already in train for improving indicators of impacts and outcomes for the Statement of Intent.</p> <p>As noted elsewhere, asset management is recovering from an inadequate position and a long-term asset management plan has been produced. Activity based costing of outputs is being developed.</p> <p style="text-align: right;">contd...</p>
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	<p>There is a need for the CFO function to go beyond accounting compliance and reporting, financial assurance etc to becoming a fully fledged strategic financial function that uses analysis and models to integrate budgeting, forecasting, risk modelling and financial scenarios to evaluate development options and ensure financial sustainability. It should adopt the best practices starting to emerge in departments of integrating financial reporting within a framework of general performance reporting both internally and externally.</p> <p>Overall, Statistics NZ is doing well with the basic financial management functions, has made inroads into the strategic dimensions of financial management but further development is needed. Given the urgency of providing deep support to Statistics 2020, developing a full range of forward-looking financial analysis and risk management tools is essential to providing the advice needed to keep Statistics 2020 on a financially sustainable track. The Board sees this need and the CFO and his staff have the experience and capability to provide it. It is recommended that the GS and DGS Organisation Development set a development programme and agenda to lift the CFO function to full capacity to provide all the functions needed to ensure the financial sustainability of Statistics 2020 over the next six months.</p> <p>The rating reflects consistency with other PIF Reviews. Across PIF Reviews, the financial management expectations need to be revised. These need to reflect more than the basic functions of compliance, probity and accountability. Revised standards should reflect active timely support for operational and strategic decision-making and also the full extent of the requirements of the Public Finance Act legal requirements to manage organisational balance sheets, actual and contingent risks.</p>
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<p>Risk Management</p> <p>How well does the agency manage agency risks and risks to the Crown?</p>	
<p>PERFORMANCE RATING</p> 	<p>Performance Rating: Needing development</p> <p>Over the past two years Statistics NZ has progressively invested in the development of a systematic approach to risk management. Significant gains have been made in compliance and process assurance risk management with the establishment and resourcing of an internal audit position, introducing a three-year rolling internal audit programme, completion and implementation of recommendations for a significant number of well disciplined reviews, with oversight provided by the Audit and Risk Management Committee.</p> <p style="text-align: right;">contd...</p>

	<p>The organisation has been open and engaging with the internal audit function by the Board. Systematic strategic risk management is in the early stages of development, with strategic risks being identified by the Board and mapped onto a framework. The PIF Review identifies current critical strategic risks that Statistics NZ must manage as: Remuneration Strategy, the Cabinet process for the three critical decision papers in the next eight months, Statistics 2020 milestone achievement, strategic HR performance and culture change to support the transformation.</p> <p>The Audit and Risk Management Committee is primarily focused on operational and compliance assurance. The Committee meets three times a year and to date has been briefed, but not engaged, on Statistics 2020. A fuller briefing is scheduled for the August 2011 meeting. The GS needs to consider how he will give himself assurance (using some form of external review) that Statistics 2020 is on track to deliver the undertakings given to the Crown. Utilisation of the Audit and Risk Management Committee is one option to meet this objective, however, if this is pursued the modus operandi for the Committee would need to change to ensure it is sufficiently informed and has the capability to give this advice.</p> <p>Implementation success of Statistics 2020 will require 'real-time feedback' on what is happening at the 'coalface' in addition to the regular project and programme reporting through the formal governance channels and disciplines. The GS and DGS responsible for the Transformation Office recognise the need for this. At the time of the PIF Review the Transformation Office and new Manager Culture and Change were only just being established so performance in this area is unproven.</p> <p>Past performance with some elements of risk management, has been weak but Statistics NZ has put a lot in place to turn this around. Routine risk management is good but, as noted at various points through this Report, there is further development still needed to identify and contain risks around Statistics 2020.</p>
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SUMMARY OF PRIORITY AREAS FOR ACTION

The action points below are summarised from this Report and reflect what the Reviewers see as the main messages for Statistics NZ leadership and key stakeholders. As a group they provide advice that the Reviewers think would build on strengths and address weaknesses in the capability of Statistics NZ to both sustain its long record of quality and reliability in its core businesses of producing statistics and also perform well in rolling out Statistics 2020. The advice emphasises the latter objective as this is central to the Government’s priorities.

If the recommendations are adopted, the Reviewers would expect that the governance arrangements and the leadership would increase their effectiveness in: detailing its vision for the future; getting extensive ownership throughout the department; commissioning and implementing projects; monitoring and adapting workstreams in the light of experience and learning; meeting milestones; transforming culture; and managing resources and risks.

	Recommendations
1	Develop and get early agreement with central agencies to the milestones that they will monitor on behalf of the Government and with the Treasury to the triggers for the continued funding for Statistics 2020. Break the ten-year programme into thirds to sharpen early delivery of results, while retaining some flexibility in the details of out-year commitments.
2	Flesh out the vision for Statistics 2020 in detail that explains what the future will look like for the various stakeholders and when.
3	Strengthen HR functioning including: <ul style="list-style-type: none"> • embedding an effective HR management and leadership function • finalising a remuneration strategy to support the organisational transformation (including for the 2011 remuneration review and the contract round) • strengthening performance management application • introducing an enhanced remuneration banding structure.

4	<p>Strengthen change management capacity, including:</p> <ul style="list-style-type: none"> • change management budgeting; • further development of the strategic CFO function to: <ul style="list-style-type: none"> ◦ support Statistics 2020 ◦ contribute to a wider integrated performance reporting system ◦ build in to the management systems advanced and robust methods for managing assets, liabilities and multi-year budgets • internal and external key performance indicator finalisation backed by routine and prompt monitoring and reporting • internal understanding and ‘buy-in’ by staff through strengthened cascading of messages from the top through all levels of management in regard to what transformation means for them • implementation of external assurance to support the CE • enhanced organisational strategic risk management.
5	<p>Ensure robust management (internal and external) of the three strategic papers going to Cabinet before June 2012.</p>
6	<p>Extend the vision for OSS management responsibility and impact, including strengthening partnering with the Treasury; reviewing the Advisory Committee on Official Statistics value for money; and giving consideration to strengthening and better utilising the Statistics Act to better empower the OSS leadership role of the GS and Statistics NZ.</p>
7	<p>Strengthen Statistics NZ organisational management, specifically:</p> <ul style="list-style-type: none"> • continue to strengthen internal governance including: concluding planned effectiveness reviews and implementing enhancements; and finalising outstanding governance composition and/or modus operandi for existing governance structures • implement processes and disciplines that will future-proof (during and post Statistics 2020) ongoing IT asset repair and maintenance/replacement, upgrade and enhancement • further embed a key performance indicator-based active performance culture and capability throughout the organisation, including staff development to support this.

Other recommended actions

8	Finalise and transparently communicate guidelines for external access/eligibility/cost/dissemination/reach for data and statistical information.
9	Demonstrably lead and add value to the government wide statistics profession.
10	Finalise and communicate the organisational scope (internally and externally) in regard to the Statistics NZ story telling/analytical value-add role.
11	Give consideration to implementing sustainable 'blue sky' research and development processes to support ongoing organisational innovation, which will support fundamental business system changes.

APPENDIX A

Overview of the Model



Lead Questions

Results

Critical Area	Lead Questions
Government Priorities	1. How well has the agency identified and responded to current government priorities?
Core Business	2. How effectively is the agency delivering this core business area? 3. How efficiently is the agency delivering this core business area? 4. How well does the agency's regulatory work achieve its required impact?

Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Vision, Strategy & Purpose	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership & Governance	7. How well does the senior team provide collective leadership and direction to the agency? 8. How well does the board lead the Crown Entity? <i>(For Crown Entities only)</i>
	Culture & Values	9. How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?
	Structure, Roles & Responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?
External Relationships	Engagement with the Minister(s)	13. How well does the agency provide advice and services to its Minister(s)?
	Sector Contribution	14. How well does the agency provide leadership to, and / or support the leadership of other agencies in the sector?
	Collaboration & Partnerships with Stakeholders	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the Public	16. How well does the agency meet the public's expectations of service quality and trust?
People Development	Leadership & Workforce Development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	19. How well does the agency encourage high performance and continuous improvement among its workforce? 20. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?
	Information Management	24. How well does the agency utilise information & communications technologies to improve service delivery?
	Efficiency	25. How robust are the processes in place to test for efficiency and make efficiency improvements? 26. How well does the agency balance cost and quality when considering service delivery options?
	Financial Management	27. How well does the agency manage its financial information and ensure financial probity across the business?
	Risk Management	28. How well does the agency manage agency risks and risks to the Crown?

APPENDIX B

List of Interviews

This review was informed by input provided by a number of Statistics New Zealand staff, relevant ministers, and by representatives or individuals from the following businesses, organisations and agencies.

Agency/Organisation
Advisory Committee for Economic Statistics (ACES)
Advisory Committee on Official Statistics (ACOS)
Auckland City Council
Audit New Zealand
Australian Bureau of Statistics (ABS)
Brian Easton
Electricity Authority Establishment Board
Electoral Commission
Horizon Consulting
Leonard Cook (for international perspectives)
Local Government Commission
Ministry for the Environment
Ministry of Economic Development
Ministry of Education
Ministry of Social Development
Motu Economic and Public Policy Research
NZ Retailers Federation
New Zealand Institute of Economic Research (NZIER)
Organisation for Economic Co-operation & Development (OECD)
Programme of Official Statistics Advisory Group
Productivity Commission
Reserve Bank of New Zealand
Te Puni Kōkiri
The Treasury
United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
University of Waikato – The Populations Statistics Centre

