
PERFORMANCE IMPROVEMENT FRAMEWORK

Follow-up Review of Department of the Prime Minister and Cabinet (DPMC)

FEBRUARY 2015

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

Lead Reviewer's Acknowledgement

The assistance and cooperation extended by the Department of the Prime Minister and Cabinet's Chief Executive, Andrew Kibblewhite, all the Executive team and the staff in the Office of the Chief Executive, was very much appreciated. Dame Patsy Reddy, who worked with me on the first Performance Improvement Framework Review for this agency, contributed through peer review of the draft report. Valuable assistance was also provided by the team from within the State Services Commission.

Ministers, State Sector Chief Executives, stakeholders, and staff groups were generous with their time and provided thoughtful and valuable perceptions of the activities of DPMC.

A list of those who provided information and assistance is attached as an appendix to this report.

As Lead Reviewer I am very grateful for the assistance and advice provided. Thank you all.

**Performance Improvement Framework
Follow-up Review: Department of the Prime Minister and Cabinet**

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

Published: February 2015

ISBN: 978-0-478-43436-1

Web address: www.dpmc.govt.nz and also available at www.ssc.govt.nz/pif

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INTRODUCTION AND EXECUTIVE SUMMARY

Background

A Performance Improvement Framework (PIF) Review of the Department of the Prime Minister and Cabinet (DPMC) was conducted in 2013.

While the 2013 PIF Review commented very positively on the agency's ability to support the Prime Minister and executive government through the efforts of the Cabinet Office and the Policy Advisory Group, it recognised that DPMC had underinvested in core administrative and support activities (these were assessed as not adequate to task). In addition, DPMC faced immediate, budget-related challenges. DPMC's performance as lead of the Intelligence and Security sector and as chair of the Officials' Committee for Domestic and External Security Coordination (ODESC) was also an area the PIF Review indicated needed close attention. This conclusion was confirmed by a later PIF Review of the core agencies in the New Zealand Intelligence Community (NZIC).

Following discussions with DPMC's management group and with the leaders of the other central agencies, State Services Commission and the Treasury, an action plan was drawn up. This was to guide implementation of required remedial action within DPMC and provided for the implementation of the changes needed to address the performance challenge identified by the Lead Reviewers.

Scope of the PIF Follow-up Review

The overarching goal of this PIF Follow-up Review is to enable DPMC and the other central agencies to have assurance that:

- the agency's current direction of travel is right and that it has reacted positively to the earlier advice provided
- the agency has reacted appropriately to organisational and policy changes that have occurred since the 2013 PIF Review
- the agency is on track to fulfill its performance goals, i.e. its Four-year Excellence Horizon, as appropriately modified.

This Follow-up Review was undertaken between November and December 2014.

Key findings

In summary, this PIF Follow-up Review has found that:

1 In Overview

- DPMC has maintained its high level of core competencies in the support of executive government and in the provision of ongoing policy advice to the Prime Minister and the Cabinet. It has established an improved capability to undertake its leadership role in the national security and intelligence sector.
- The agency has strengthened its managerial team and reacted positively to the advice given in the 2013 PIF Review. It is now better prepared to handle the multifaceted challenges now facing the agency. It has created a good platform for change, but there is still room for consolidation of the changes already initiated and scope for further improvement.

2 Direction of travel

- DPMC's Executive team has sought to establish a coherent sense of strategic direction for the agency. A clear programme of the projects needed to implement this vision has been initiated and tasks allocated to individual members of the Executive team.
- While many of the problems and issues identified in the PIF Review have been addressed, a number of projects and reviews remain to be completed. The direction of travel is right but the journey is, expectedly, still incomplete in key areas.

3 Reaction to changes and challenges

- Organisational changes have been implemented well in DPMC for the leadership, governance, oversight and coordination of the national security and intelligence sector. These changes are widely regarded as positive – significantly improving DPMC's internal effectiveness and operational capabilities. The impact on activities of other agencies in the security and intelligence sector remains to be tested, but the direction of travel looks right.
- The activities of the Ministry of Civil Defence and Emergency Management (MCDEM) have been integrated effectively into DPMC. MCDEM has joined DPMC and is aligned with the national security and intelligence group. This will enable a focus on improving national resilience and recovery capability. The processes involved were well-handled and the emerging challenges are quite clear.
- Initial steps to bring the Canterbury Earthquake Recovery Authority (CERA) under DPMC's purview are underway. Over the next few years the task of managing the policy and operational changes involved will be significant and complex - made more complex given CERA's recent leadership changes and the level of expectation of the Canterbury community.
- DPMC's new policy leadership role for the State sector has been well-scoped and initial steps taken to implement change have been well-received. However the task involved is a substantial one, requiring considerable effort over time. This will be an ongoing challenge for the agency.
- Overall, DPMC is reacting positively to these changes in the scope of its role and is positioning itself positively. DPMC's ability to manage operational changes confronting it has improved, but will be tested by the magnitude of the tasks ahead.

4 Performance goals

- Many of the core business system issues, which the PIF Review identified as weak and requiring attention, have been addressed. Most necessary tasks are underway, but still require completion.
- Importantly, in making many of these changes DPMC has been well-supported by the actions of the Central Agency Shared Services (CASS) team. CASS has helped DPMC address many of key business system weaknesses by introducing systems established and proven in the other central agencies. CASS has worked well with DPMC to implement core business system improvements, helping DPMC's management to use these systems effectively to better control their activities.
- There is room for continued improvement in operating procedures and business systems, especially in the development and implementation of appropriate managerial reporting and oversight processes. DPMC's role in a number of significant policy and operational change projects, and its leadership role in the intelligence and security sector, require the agency to have robust governance processes in place to ensure it effectively manages and minimises the associated risks.
- Several change projects or studies have been initiated, but the changes required are incomplete or 'work-in-progress'. DPMC's Executive team must ensure it makes better use of the information provided and develops improved project management disciplines.
- The performance goals for the agency will require revision to reflect the recent changes in DPMC's role.

5 New challenges

- DPMC's roles at the centre of government remain necessary core activity for which DPMC must maintain excellent performance.
- However, DPMC also has a clear role in initiating a number of significant changes required to implement new or modified government policies relating to national security and emergency management and the next phase of government support for Canterbury. Cabinet Office is seeking to introduce the CabNet computer system and DPMC intends to introduce a range of relatively minor operational changes across the agency. Additionally, DPMC must develop and implement its policy leadership role across the State sector; this will be a new and challenging activity.
- DPMC's leadership faces the task of managing a programme of policy and operational changes of a greater magnitude than they have experienced to date. The challenge will be to manage this multifaceted change programme effectively, while the agency continues to maintain its core services. DPMC's leaders are skilled and competent policy advisors and specialists, but they will need to call on the wider operational experience of the Executive team and set up new systems to manage the change programme. They will need to develop and implement appropriate rigorous project control and oversight processes to implement the change programme successfully.
- The leadership and managerial challenges facing DPMC's Executive team will be different and more complex and demanding. The Executive team has the core competencies to rise to these challenges and ensure the necessary governance and processes are in place, but the task ahead is complex and will test their skills.

Garry Wilson
Lead Reviewer

AGENCY'S RESPONSE

The Department of the Prime Minister and Cabinet (DPMC) welcomes this PIF Follow-up Review and thanks the Lead Reviewer, Garry Wilson, for his thoughtful and constructive engagement throughout the review process.

Nearly 18 months on, we are proud to have made a substantial amount of progress toward addressing the issues raised in the 2013 PIF Review.

We have changed the way our security and intelligence group is made up, creating a new Deputy Chief Executive position and a structure that better supports DPMC to lead and coordinate New Zealand's national security and intelligence sector. We also welcomed MCDEM into the department, better enabling us to lead a national security system with an all-hazards approach.

After the PIF Review, DPMC set itself a series of ambitious challenges to lift its performance beyond 'business as usual'. Despite a period of unprecedented change in the national security sector and new projects, policy initiatives and responsibilities we have used these challenges to lift the quality of policy advice across the public sector, create an effective and growing public-private cyber security partnership and restart the CabNet project.

But the Follow-up Review usefully identifies a number of areas that we must keep working on to achieve our vision of 'advancing a confident, well-governed and secure New Zealand'.

While recognising the substantial progress the department has made since 2013, the review makes it clear that we must stay on top of the amount of change underway within DPMC. We are taking on new projects, responsibilities and functions, at the same time as we continue to lift our performance. And we need to build stronger systems to monitor our progress and risks to ensure we deliver on these.

DPMC is about to roll-out a new process to monitor organisational health and risk, the status of projects and progress toward its key challenges. These new processes will better enable us to focus attention and resources on the areas that matter most to the Department. We will also embed a number of workforce capability initiatives to build our talented people.

One of the largest projects DPMC will deliver over the coming year is CabNet, and we will continue to closely monitor the project's progress. We are confident that with the oversight arrangements in place the project is on track to deliver important benefits to agencies across government.

Responding to the reviewer's recommendations, DPMC will seek to accelerate and better resource its programme to provide leadership and coordination for the New Zealand Intelligence Community (NZIC). This year DPMC will lead the response to a statutory review of the intelligence agencies, and support NZIC to implement the results of an ongoing review of its resourcing and capability. This will set NZIC in good stead to meet an increasingly complex international security environment.

This PIF Follow-up Review gives us reassurance that, while the department has plenty of work left to lift its performance, we have made considerable progress and our journey of improvement remains on track.

Andrew Kibblewhite
Chief Executive

FOUR-YEAR EXCELLENCE HORIZON

Overview

The Department of the Prime Minister and Cabinet (DPMC) occupies a unique position in the machinery of government in New Zealand. It operates at the very heart of government. DPMC describes its overarching purpose as:

‘Advancing a confident, well governed and secure New Zealand’.

The role of DPMC is to facilitate implementation of the Government’s key strategic priorities, while helping to maintain the integrity of a professionally competent, politically neutral State sector in a resilient and respected democracy.

The clear objective is to ensure that executive government in New Zealand is well conducted and continues in accordance with the law, accepted conventions and practices. This role extends not just to support the Government of the day, but also to support of the Governor-General and his staff in carrying out their constitutional, community and international duties.

The Government needs to ensure that the policy advice it receives is realistic, sound and broadly-based, well-grounded in evidence and reflective of current data and societal trends. This requires DPMC to ensure it has access, connections and listens to a broad range of opinions from agencies in the private, local government, non-governmental and social sectors throughout New Zealand – not just within the Wellington beltway. The placement of the Chief Science Advisor within DPMC, the deliberate placement of one of the Policy Advisory Group (PAG) in Auckland and the agency’s established links with Maori communities and local government are indicative of its response to the Government’s desire to gain this broader perspective to its policy formation.

DPMC'S OPERATIONAL ENVIRONMENT

DPMC operates within a changing and evolving, but fiscally-constrained, operational environment. It will always exist in an environment of close scrutiny.

Although close to the Prime Minister and the Government's thinking, the DPMC team is aware of the differentiation between its role as professional public servants and the political roles of the elected representatives and their political advisors. The 2013 PIF Review commented: "... we have been pleased to see the well developed and clear appreciation of differences between the roles".

DPMC's arrangements and protocols to ensure political neutrality of the DPMC team have stood the test of time and remain effective.

As a consequence of its established and new roles DPMC has an extensive and complex set of change programmes to manage. Several of the changes required are time-limited and DPMC is aware that an increased 'tempo of change' will be needed. To be effective it is key that DPMC not just be 'busy being busy', but that it becomes an agency tightly-focused on delivering and effectively implementing the desired policy and operational changes. Management of the change programme will require a disciplined and systematic management approach and appropriately honed organisation and managerial skills. DPMC has recently demonstrated some real competencies as it has 'lifted and shifted' MCDEM's activities and introduced significantly improved arrangements within its national security and intelligence group. Change will be continuous for DPMC in the near future.

Key issues emerging from this Follow-up Review are:

- the organisational implications of DPMC's expanded policy advice and policy leadership roles
- the implications of the future development of DPMC's role as a member of the corporate centre team
- the governance infrastructure within DPMC and the introduction of improved operational control processes and systems
- the implications of DPMC's extended leadership role in the security, intelligence and emergency management sectors
- the magnitude of the change programme for DPMC (including the introduction of CabNet) and the management challenge this represents
- DPMC's ongoing communications tasks
- establishing and operationalising DPMC's strategic vision refresh and continuing the development of the senior leadership team, and
- ongoing support for executive government.

These issues are discussed fully in the Performance Challenge section.

BUSINESS STRATEGY

DPMC's core activities are changing. Traditionally DPMC focused on operating as:

- an expert policy advisory group at the core of the public sector, and
- a provider of support for executive government via the Cabinet Office.

Additionally, DPMC has a role in the national security and intelligence areas. These roles particularly service the needs of the Prime Minister and his senior ministers.

DPMC is rated extremely highly for the competence of its expert policy advisors and it has developed an exemplary ability and reputation for meeting the needs of Cabinet and executive government. The DPMC team is conscious of the need to maintain these core competencies and to extend the positive impact they can have on the State sector generally, especially in the policy field.

Successive Governments have expanded the role of DPMC in the security, intelligence and emergency management sectors. These are functions that, although central to the role of government and New Zealand's national security, have a much more operational focus. Also through its association with the Governor-General, DPMC has oversight of the activities at Government House - again functions with a substantial operational focus. DPMC's Management recognises that these obligations change the nature of its oversight roles and the managerial control processes required and have reacted accordingly.

DPMC is currently managing a number of quite significant change projects (there are at least five or six major projects under way). DPMC has traditionally operated frugally and the resourcing of the change programmes is tight and maybe even a little stretched. Many projects are at an early 'work in progress' stage and are either being managed by DPMC's own staff or by external consultants or staff seconded into DPMC for the purpose. DPMC will face a challenge to adequately resource the complex and more resource-intensive change implementation tasks as these projects proceed. Effective and efficient management of change will be a continuing issue for DPMC.

Additionally, DPMC faces a number of issues that will impact on its leadership role for the security, intelligence and emergency management sectors.

A recent PIF Review of the core agencies in NZIC indicated the need to undertake wide-ranging multi-agency performance improvement in this sector. The scope of the changes needed are significant as is the DPMC leadership role in ensuring the changes are implemented effectively and in a timely manner.

To date internal operational and organisational changes within DPMC's own security and intelligence group have been implemented deftly. It is clear that the competence and resources of the team have improved and there are early indications of improved performance in DPMC's activities in this sector.

However, DPMC needs to oversee the implementation of a number of significant and necessary system improvements across all the agencies of the wider intelligence and security sector. The agencies in the sector have their own roles, tasks and unique priorities. DPMC's role of coordinating and helping implement necessary long-term changes in the sector will be a challenge. A project leader to dimension the task of leading and managing this change programme has been appointed, but there was concern expressed that this necessary set of tasks is taking some time to initiate and resource.

DPMC'S OPERATING MODEL

The 2013 PIF Review indicated DPMC needed to implement some 'fundamental changes' to its operating model "so that it can become a robust and resilient agency providing outstanding stewardship".

While many of these fundamental changes been initiated it is obvious more needs to be done to fully achieve the objectives envisaged by the earlier PIF Review.

Positively, changes have been implemented in the following key areas:

- A new DPMC senior management structure has been developed and implemented. These internal organisational arrangements have been strengthened and an apparent good teamwork attitude is emerging.
- An integrated strategic direction for DPMC has been developed. The changes needed to implement the strategy have been partitioned into ten key challenges, each of which has been allocated to a senior executive. This strategic direction has been well-communicated, recognised and is supported by the DPMC staff, however it now needs to be refreshed to reflect recent changes, e.g. the implications of the transfer of CERA to DPMC as a departmental agency.
- Organisational oversight and management of the national security and intelligence sector has been reviewed and modified. This includes appointment to a new position of Deputy Chief Executive, as well as streamlining organisational arrangements surrounding the ODESC activities. A strong new Executive team has been appointed within this area of DPMC and its impact on the internal operation of DPMC is already evident.
- The transfer of MCDEM's functions from the Department of Internal Affairs to DPMC was successfully completed and provision made for their activities to be integrated into the ODESC structure. The necessary IT system upgrades and changes have been implemented with support for MCDEM's systems transferred to CASS.
- Initial planning for the transfer of CERA as a departmental agency under DPMC's oversight in 2015 is now underway. This will be a more complex longer-term process, but DPMC has initiated the process confidently, utilising the same advisor and the control processes used to successfully manage the MCDEM transfer.
- A DPMC advisor has been appointed for the Auckland community and is based in Auckland.
- DPMC's Executive team has taken action to ensure it is better engaged with the broader New Zealand community and with DPMC's stakeholders - especially in focused areas of special importance to the Government. Overall the DPMC team appears to have become far more aware of the needs of its customers and stakeholders and the need to meet those needs more effectively.
- Internal financial control and budgetary systems have been upgraded and oversight improved, as have the internal HR systems – both the result of the professionalism and the substantive efforts of the CASS team. However DPMC's managerial control reports require attention; a project to develop new appropriate controls and reports has been initiated.

- Staff climate and engagement scores have been monitored. The response rate was very high and the engagement scores show a significant improvement, indicating that positive change has been achieved. There remains substantial variation in the engagement scores between units within DPMC and particular managerial attention needs to be given to the lower scores of the more operational units.
- Long-standing staff vacancies have been addressed, e.g. the National Cyber Policy Office is now staffed as planned.
- The DPMC's budgetary shortfall issues have been addressed, at least in the short-term. A four-year planning process has been undertaken and capacity and 'pinch points' identified.
- Office system and IT processes have been upgraded (but more remains to be done to ensure full satisfaction by users).

However all is **not positive**.

Some areas remain where changes to ensure DPMC's success and to introduce an effective business model have not yet been finalised. Pivotal among these are:

- Most of the identified people development change priorities remain 'work in progress'. The changes needed to ensure a resilient DPMC, whose staff reflect the diversity of the New Zealand community, remain incomplete. Although the Executive team has been strengthened DPMC needs to build its 'fitness for change' capability. There is still some concern that the links between DPMC's performance goals and individual objectives, rewards and recognition processes are under developed.
- DPMC has responsibility for the management of a number of complex operational and policy change programmes and for leadership of the intelligence and security sector – all responsibilities involving significant elements of risk. Current management reporting and project control processes are inadequate, with some reports incomplete, poorly focused and confusing. DPMC's Executive team requires accurate and timely information and control systems appropriate to the level of risks associated with its project oversight and sector leadership responsibilities. A review of DPMC's management reporting and performance framework has recently started. The Executive team should actively oversee the development and implementation of the necessary control systems and process improvements, and keep DPMC's independent Risk and Assurance Committee advised of progress.
- DPMC's IT strategic plan has been reviewed. Not unexpectedly, staff express concern that while the IT and telephony systems have improved, compared with two years ago, the current systems fall short of the desired operational requirements of several units within DPMC. DPMC must establish a training programme for users to ensure effective use of existing systems and also determine its real IT and telephony system requirements. Given the specialist nature of some of DPMC's communication needs, the budget required to implement system improvements might be quite high, but provision of effective service to the Prime Minister, for example, is perceived to be currently hampered by system constraints.

- The CabNet project to computerise Cabinet paper support systems was deferred while a revised business case was prepared. CabNet has been rescoped. It is now funded more adequately and development of the system has now started. An early Gateway Review of CabNet indicated areas where the project needed to focus attention and it has done so. The project will need close and continual managerial oversight. Implementation of CabNet will have significant implications for how officials and Ministers work on and with Cabinet papers, affecting processes within the Cabinet Office, the rest of DPMC, Parliament Buildings and across the State sector within all agencies that interface with the Cabinet Office. It is important that the project manages this wider organisational change aspect well.
- While reportedly good progress has been made in advancing an overview of the capacity and resilience of NZIC, the change programme of necessary system improvements has not yet been fully dimensioned, prioritised or appropriately resourced. Given the elapsed time to obtain security clearances for consultants for work in NZIC this delay is unfortunate. Progress on achieving common training and employment conditions has also been slow.

THE PERFORMANCE CHALLENGE

Many elements identified as challenges in the 2013 PIF Review have been addressed; **this is very commendable.**

It was particularly pleasing to see the impact CASS has had in implementing good basic financial, IT and HR system improvements for DPMC. Although more improvement is needed, CASS has proven its value and perhaps even positioned itself to take on additional roles for DPMC, e.g. property management and purchasing. Despite these operational improvements, the impact of the changes should be reviewed. DPMC needs to ensure that the changes meet its real needs and that staff training has been adequate and complete. Further system improvements or tailoring may be required.

DPMC still faces a number of challenges, including new challenges arising from new activities and responsibilities. These challenges include:

1 Public Service policy leadership

Effectively implementing the role of DPMC as the **Public Service leader for policy advice** will be an ongoing challenge.

DPMC's priorities are inevitably directed by the current strategic policy priorities of the Prime Minister and the Cabinet. To be effective DPMC must continue to provide free and frank advice and be able to maintain its professional competence and credibility, clearly able to provide timely and independent policy advice, well-based in evidence.

DPMC is widely acknowledged for its excellence in policy advice services. Over many years it has been able to maintain high standards, absorbing changes in personnel, recruiting excellent advisors and maintaining the credibility of its advice to successive governments. Professional competence, analytical skill and political neutrality are pivotal. The challenge for DPMC is to maintain this deserved reputation over time as priorities, personnel, demands and needs change.

PAG is currently assessed as effective and clearly adds value to the public management system. There is, however, a need to invest in the development of policy analysts across the whole of the Public Service and to implement improved, more strongly evidence-based and data-rich policy advice. Quality policy advice underpins effective decision-making within government and the policy context is becoming more complex.

DPMC has been allocated the role of policy leadership across the Public Service and has initiated a work programme to address the perceived issues of:

- variable quality of policy advice between agencies
- a shortage of skilled senior policy advisors
- a lack of strong evidence-based policy
- inadequate feedback loops to inform decision-makers, e.g. did the policy work and what modifications might be necessary to optimise performance?
- short-term rather than long-term perspectives
- a lack of cross-government processes for collaboration, alignment and prioritisation
- whether there is reduced willingness to provide free and frank advice.

There is strong support for DPMC as it works with agencies across the system to implement improved policy processes, especially as it seeks to facilitate processes for policy analysts to draw, more confidently and directly, on user and citizen insights. This will supplement traditional skills of problem identification and rigorous analysis of options, costs, benefits and trade-offs. Establishing effective feedback processes will also be critical. All State sector chief executives have an obligation under the State Sector Act to ensure their agencies are able to offer free and frank advice to governments. They recognise the challenges in doing so.

There is no single solution to improve the quality and effectiveness of policy advice and DPMC recognises a package of changes is necessary to achieve 'policy excellence'. A project team has been established, with targeted work-streams to lift the quality of policy advice within government. These work-streams include: improved diagnostics, a capability maturity assessment model, working with Ministers to ensure they get the most out of the policy advisory services available to them, providing policy leadership and building the professionalism and competence of the policy workforce.

State sector chief executives are supporting the programme with an investment of more than \$700,000 from departmental budgets over the 2014/2015 year and \$260,000 over the following two years, plus a secondee from the Treasury for two years to build this competency.

DPMC's role extends not just to government agencies. It must also assist Ministers proactively to implement the Government's strategies and policies across New Zealand society while maintaining a **professional, politically neutral stance**. The 2013 PIF Review noted DPMC was well-aware of the protocols for operating in this environment and acting with integrity and professionalism. This understanding continues.

2 The Corporate Centre team

The 2013 PIF Review indicated the need to continue to build the performance of the **Corporate Centre** team.

The Government has clear goals for the State sector and the three central agencies – State Services Commission, the Treasury and DPMC - have a specific role in monitoring progress, promoting necessary change, taking a leadership role and, where appropriate, implementing appropriate action. Positively it was reported that the central agencies, especially as demonstrated by the cooperation of the three chief executives, are now adopting this leadership role and, regardless of the pressures of the day, are doing so to good effect.

The corporate centre agencies - the three central agencies and functional leaders as appropriate - must not only perform their own functional roles extremely competently but also work together in a strong, collaborative and coordinated manner. The goal is to ensure the State sector works as effectively as it can to achieve the Government's strategic objectives in a cost-effective manner within the resources allocated.

DPMC's unique contribution to the corporate centre is pivotal, maintaining effective communication of the Government's strategies and priorities and ensuring the Prime Minister and the Cabinet are well-informed and supported. DPMC must bring the advantages of its close association with the Prime Minister and the Cabinet to play, working effectively with the corporate centre agencies to coordinate whole-of-government responses to the Government's priorities.

A number of observers indicated that coordination is now more effective, even if the three central agencies are working in a different style and approach to that initially envisaged. These observers suggest the three central agency chief executives could spend more time meeting, without their advisors present, as they seek to agree their joint strategies and approaches. Expectations of

excellence from these three key leaders and their agencies are high (and possibly unrealistic) and the challenge will be to maintain the gains and achieve ongoing targeted improvements. The corporate centre leadership is now more clearly mandated to take action and their effectiveness reflects this.

3 Operational infrastructure

The 2013 PIF Review recognised: “DPMC operates effectively and is widely regarded by key stakeholders. However...the infrastructure and systems of DPMC are weak and have been underinvested in for some time”.

DPMC had, over the years, failed to invest in the maintenance of effective internal business and control systems such as financial, IT and HR systems. These weaknesses constrained DPMC’s ability to achieve core goals.

DPMC recognized business system changes were necessary. Key initiatives have been implemented and a programme of system changes has been initiated as budget, priorities and resources permit. Audit New Zealand reported improved ratings for DPMC’s controls in its 2013/2014 Review.

The changes were substantial and were well-supported by CASS, though DPMC’s internal business support systems and management reporting arrangements still require attention. DPMC staff report that the agency’s systems could be further improved and **made more user friendly**. Issues arise in providing secure intelligence material or policy advice to the Prime Minister. Until more user-friendly systems are introduced the necessary workarounds will limit DPMC’s ability to work effectively and to meet the needs of their customers. An audit of DPMC’s IT system from a pure user perspective would seem overdue. In the meantime, reviewing and improving staff training to ensure technical/system competence is in order.

4 Effectively manage major change programmes

During the 2013 PIF Review DPMC was managing few significant operational change programmes.

The most significant was the CabNet project. It became apparent as the project progressed that the original business case understated the scale, scope, complexity and cost of the project. As a consequence, the project was put on hold while a revised business case was prepared. The project has now been re-scoped and is more appropriately budgeted. Development of the system has now started. Project controls around the CabNet programme appear to be adequate but close oversight of the project should be maintained.

More recently, DPMC has been allocated oversight responsibility for the implementation of a number of complex change programmes, recognising its central agency roles and particularly its leadership role in the intelligence, security and emergency management sectors. Some programmes will call on DPMC’s strengths in policy analysis and implementation, but others are quite operational in their nature. The most significant change programmes include:

- policy reviews, in particular:
 - whether the role of MCDEM should be extended and how its activities should be integrated into the national security systems and oversight
 - the future of elements of CERA’s current operation and their transfer to new homes, and the timing of such transfers
 - the long-term learnings from CERA’s activities and their implications for MCDEM longer-term.

- implementing new computer systems, e.g. CabNet and potentially the MCDEM public alert programme
- oversight of implementation of extensive operational changes, e.g. changes in CERA's arrangements and changes within the security, intelligence and emergency management sectors
- internal DPMC managerial system improvements, e.g. improved managerial control processes, HR changes to improve DPMC's performance and to ensure consistent HR policies across all groups within DPMC.

DPMC's Executive team has a strong experience in policy roles; but more recently senior staff with a strong operational background have been appointed. This potentially provides a more balanced team. To ensure the change programme is well-managed rigorous project prioritisation, regular project management control reviews by the Executive team and a strong focus on implementing and completing effective change, will be necessary.

DPMC has a significant reliance on external consultants and experts co-opted into DPMC from other government agencies to augment the skills of its own team. There will be no substitute for close managerial oversight of these key projects. DPMC needs to maintain its ability to implement operational change programmes competently.

DPMC is a small agency with relatively little organisational substance or operational management experience and with only a limited capacity to absorb the impact of any crises. DPMC needs to develop, confirm and test protocols and agreements with potential support partners to ensure that, in times of crisis, it can call on their services and corporate strength.

5 Leadership in the Intelligence, Security and Emergency Management sectors

The 2013 PIF Review commented that DPMC's role "... is setting intelligence policy and coordinating the response to emerging security issues and threats".

The PIF Review noted this role was emerging and that there had been some early successes in facilitating more cooperation within the sector. It also commented that the intelligence area within DPMC "is under resourced".

DPMC has continued to develop and grow its own competencies and its leadership role in the security and intelligence sector. Because of events of the day and the complex environment this leadership role has been time-consuming and troublesome.

A new senior role within DPMC has been created to help lead the sector. A very experienced senior public servant (a former Police Commissioner) was appointed to this Deputy Chief Executive position. Organisational and governance arrangements within DPMC's own intelligence sector activities and across the broader sector, the ODESC structures, have been improved. Key policies were clarified and administrative processes upgraded. The sector is now more able to initiate strategic conversations and engage effectively with the Government. The organisational changes have been well-implemented and, although incomplete, appear sound and on the right path. Their effectiveness will be tested over time.

The Government has recently extended DPMC's responsibilities in this sector to increase its direct oversight of the emergency management and resilience activities. This means DPMC has also recently taken over responsibility for civil defence and emergency management functions, previously based within the Department of Internal Affairs. Additionally it is about to take on an oversight role for CERA.

The initial transfer of MCDEM activities to DPMC has been implemented smoothly and the transfer of CERA as a departmental agency hosted by DPMC is now in detailed planning mode.

As sector leader DPMC has focused, since the 2013 PIF Review, on refreshing the national security system. The business units within DPMC have been appropriately resourced and the new structure is now bedding in. These changes have been deftly managed and the governance arrangements and controls are widely reported to be much improved. However, DPMC needs to continue to:

- coordinate more effective policy development across the intelligence sector
- ensure appropriate coordination of the sector players, including those in the wider sector, e.g. New Zealand Police, New Zealand Customs Service, New Zealand Defence Force, MCDEM and CERA
- oversee implementation of the operational and organisational changes indicated in the recent NZIC PIF Review including any subsequent policy changes
- above all, demonstrate clear sector leadership.

The role of sector leader is not yet well-defined or accepted by all the parties involved. A project to better define the sector leadership and change programme has recently been initiated; its early completion would be desirable.

It is also important to recognise the national security and intelligence sector needs to be prepared to handle the planned external Review of Security Arrangements in 2015. This will be a major exercise requiring considerable sector input and a preparedness to deliver information and analyses. As a consequence of analytical work undertaken by NZIC the sector leadership is now much better able to initiate sensible strategic analysis and debate.

This sector remains an area requiring close attention and active leadership and oversight by DPMC. A number of observers commented that leadership of this sector is the biggest challenge facing DPMC and potentially the most fraught.

6 Strategic vision and communication

DPMC has sought to establish a strong sense of corporate identity across a quite disparate set of activities. To some degree this has succeeded, staff feel better informed and connected and DPMC's staff engagement scores have increased.

This is positive, but the strategy needs revision and freshening to reflect current priorities and new responsibilities and to establish a clear strategic vision understandable to all in the expanded DPMC. The Executive team needs to refresh its set of strategic challenges and implement improved business process controls and communication systems to ensure effective oversight of the strategic goals.

The 2013 PIF Review challenged DPMC to build capacity not only to respond to current issues but also to **keep ahead of the curve**, adopting a longer-term strategic approach and perspective. There are signs DPMC has risen to this challenge, especially in areas of strategic interest to the Government. Progress has been made in areas such as: the current review of the issues surrounding children and maternal deprivation; developments within NZIC and preparation of the revised National Security and Resilience Plan. Adopting a policy leadership role will help build system-wide competencies. As always the task of looking further into the future will be a complex one and agreed priority areas might be usefully developed with the Government.

The DPMC's **external communication** capabilities need attention. A recent review of the communications needs of NZIC has resulted in an agreed coordinated plan with the task of providing ...'high quality and timely advice to support Individual and collective NZIC work programmes". This communications programme has been initiated, with good initial impact.

Review of the wider communications needs of DPMC outside the security and intelligence area would be desirable. There would appear to be opportunities to coordinate communication activities. Use of social media has been successful for Government House and appropriate expansion to other responsibilities should be considered a priority. DPMC runs 9 websites and some coordination/simplification would be useful.

Internal communications for DPMC should be strengthened. Staff are spread over several sites and have a disparate set of responsibilities, interests and backgrounds. It is commendable that the Chief Executive has made himself more visible within the wider team and has initiated a weekly newsletter. However this is not sufficient. Staff want to feel part of the wider team and to have access to more information about what is going on in the various groups within DPMC, e.g. access to the issues on the Senior Executives' agenda, core details about progress on key projects, core performance data, etc. None of this information is difficult to provide on a staff intranet site and improved internal communication would help promote a better common appreciation of the strategies being developed for DPMC and progress on major projects. The review of DPMC's management monitoring systems should also consider publication of its proposed dashboard to the wider DPMC team.

7 Support for executive government

The 2013 PIF Review commented positively on the strength of the Cabinet Office in supporting executive government.

The Cabinet Office team continue to receive strong commendations. As one experienced advisor commented: "It would be difficult to envisage a stronger team. They are outstanding." This is commendable. DPMC, especially in its role supporting the Cabinet, is well-placed to:

- help Ministers and potential Ministers transition to their roles
- assist with background briefings as Ministers change portfolios
- assist Ministers to continue to develop their competencies and skills (and to help train their staff as necessary)
- work with Chief Executives and staff of government agencies as they develop their ability to work with Ministers to implement their agreed strategies.

As DPMC staff know well, the effective and efficient operation of Cabinet and Ministerial processes are essential to the efficient operation of executive government. The familiarisation and training programmes need to reflect the complex processes, protocols and roles. DPMC generally, and in particular the Cabinet Office team, are aware of these needs and have upgraded their assistance programmes to good effect. They should keep these needs under review especially as new technologies and systems are introduced.

Along with the State Services Commissioner, the Chief Executive of DPMC has a role supporting Public Service chief executives as they seek to build effective working relationships with Ministers. They are able to help chief executives with their professional training and skill development.

Additionally there is a role to ensure Public Service chief executives develop and maintain effective working relationships with their Ministers. The Chief Executive of DPMC is as close as anyone to

issues or concerns that might arise. He has an informal role that he has operated to good effect to assist his colleagues if and when needs arose.

8 Ancillary issues

Other matters noted during this PIF Follow-up Review: DPMC is often involved in discussions involving national commemorations and on projects designed to enhance New Zealanders' **sense of nationhood and identity**. To this end, DPMC will often bring together and facilitate discussions from a range of organisations and groups. This central role requires skill and a deft hand; this is demonstrated by the team. A new challenge is the support required for the New Zealand flag project, which will place pressure on this unit.

The **Executive team** has been renewed and strengthened over the past two years. Roles in DPMC are sought-after and the agency is able to attract and retain some of the nation's best public servants. Inevitably, given the talents of the individuals concerned, there is turnover as team members move on. Continued attention to proactive team development is desirable. Recently, some senior staff with stronger operational experience have been appointed and this has strengthened the capability of the team to implement change.

DPMC has a broad role, often being called upon to work outside the limits of the Public Service, including with private sector representatives, community and social groups, State Owned Enterprises, Universities, non-governmental organisations, etc. Importantly, DPMC needs to ensure it has a physical presence in both Auckland and Christchurch to support its emergency management capability and also to ensure DPMC is well-grounded in these communities. DPMC needs to be seen as an agile, modern organisation that attracts and retains people from a wide range of backgrounds able to work well with New Zealanders generally. DPMC staff should represent diversity in thought, experience and skills, as well as diversity of age, gender and ethnicity.

Staff **engagement scores** within DPMC have improved, but the scores of the operational parts of DPMC are lower than desirable and lower than those for the core activities, i.e., for PAG and the Cabinet Office. Differences are in part understandable given the physical separation of the teams and the very different nature of the work they undertake. The Executive team needs to address these disparities. Many other organisations have shown how these scores can be improved in operational groups and improvement should be targeted.

From time to time DPMC will experience the pressures of events and needs to have a **surge capacity**. It was suggested during the 2013 PIF Review that DPMC needs to build a group of experienced advisors, e.g. PAG alumni, it can call on in times of crisis or unusual pressure. Although responsive and deft, DPMC has limited resources in key areas and lacks resilience. DPMC needs to be aware it is developing a reputation for leaning on the abilities and operational capacities of others. While this is accepted as a reality, DPMC should be careful not to abuse its position at the centre of government.

DPMC has grown quite quickly and there is concern that it might need time to grow into its new shape and role and to re-establish its role within the State sector.

By its very nature DPMC employs a number of talented experts who often operate quite independently. Their roles can be lonely and as one advisor indicated: "don't dismiss the value of recognition and praise".

DPMC's Cyber Policy Office recently initiated a cyber-threat awareness programme under the **Connect Smart** tagline. DPMC, security and intelligence sector experts and private sector players were engaged as active participants in the provision of the programme. Feedback about the success of the initiative was overwhelmingly positive and indicated the value and strength of DPMC's joined-up abilities in this area.

APPENDIX A: INTERVIEWS

The Governor-General

Minister of Finance

Minister of Civil Defence

Chair of the DPMC Risk and Assurance Committee

Crown Law Office

Department of the Prime Minister and Cabinet

Ministry of Business, Innovation and Employment

Ministry of Culture and Heritage

Ministry of Foreign Affairs and Trade

Ministry of Social Development

New Zealand Police

New Zealand Security Intelligence Service

State Services Commission

The Treasury

APPENDIX B: ABBREVIATIONS USED

The following abbreviations and acronyms are used in this report:

CabNet	A project to computerise Cabinet paper support systems
CASS	Central Agencies Shared Services
CERA	Canterbury Earthquake Recovery Authority
DPMC	Department of the Prime Minister and Cabinet
MCDEM	Ministry of Civil Defence and Emergency Management
NZIC	New Zealand Intelligence Community
ODESC	Officials' Committee for Domestic and External Security Coordination
PAG	Policy Advisory Group within DPMC