



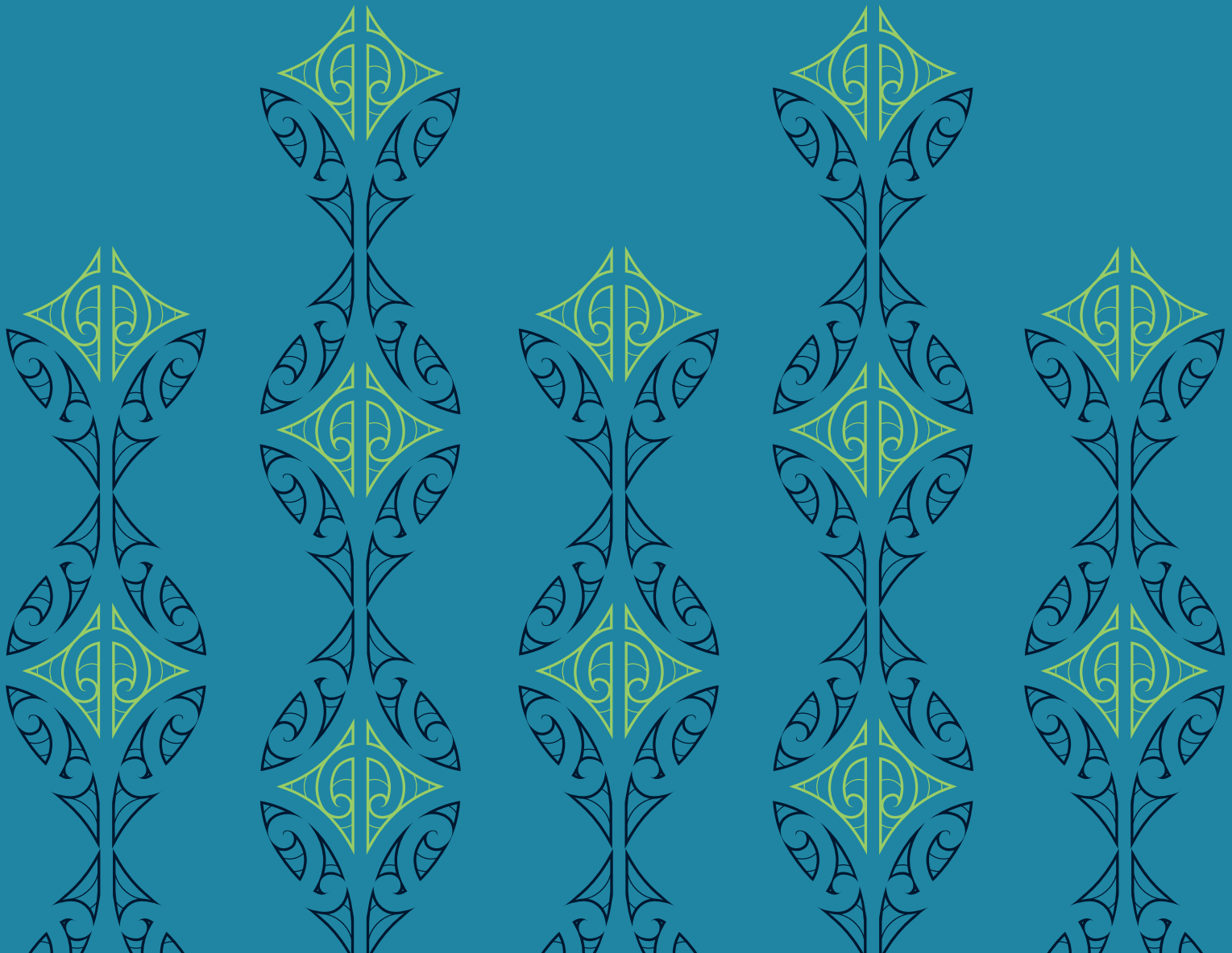
**Te Kawa Mataaho**  
Public Service Commission

# Capability Review Programme

## Guide to the Agency Capability Model

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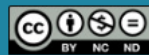
June 2023





<https://www.publicservice.govt.nz/system/system-architecture-and-design/capability-review-programme/>

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## Public Service Commissioner's Foreword

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New Zealand's Public Service is world leading. It enjoys high levels of public trust and confidence, which is a testament to its effectiveness and its reputation for integrity. But we cannot take this trust for granted.

The public's trust stems from the Public Service's ability to deliver on New Zealander's expectations. Every day, the Public Service directly delivers services that improve the lives of New Zealanders. These include helping people access housing or find employment, getting a driver's licence, or receiving a passport. It takes capable agencies and systems to ensure that services and functions remain effective and responsive in a constantly changing context.

Building and maintaining the medium and long-term capability of the Public Service is a key aspect of stewardship, as codified in the Public Service Act 2020. The 2022 State of the Public Service report highlights that we can be proud of the Public Service's achievements, and that there is more we can do to improve outcomes for New Zealanders. This is why we launched the Capability Review Programme as a platform to continuously improve the Public Service to meet the future needs of our communities.

The Capability Review Programme has two parts, one focusing on agency capability and the other on system capability to support agencies working better together. By lifting agency and system capability, the Programme will prepare the Public Service to meet future challenges.

The Agency Capability Model has as its heart the best parts of the Performance Improvement Framework (PIF), updated to reflect changes in public sector management. These changes include the Public Service Act 2020 and the future expectations of the Public Service, as well as lessons from capability programmes in other jurisdictions.



The challenges New Zealand faces now will most likely be different to those we experience in the next decade. Rapidly changing technology and demographics require constant adaptation. Expectations of our Public Service, and in how services are delivered, will continue to evolve, particularly to meet the needs of our changing population. Agency Capability Reviews help us look ahead to this changing future and support Public Service leaders with the insights they need to ready their agencies for the future.

New Zealand's Public Service has an international reputation as one of the best in the world. But we cannot rest on that reputation. We must continue to place the needs of individuals, families, and communities at the centre of what we do. By focusing on the future, the Capability Review Programme will ensure the Public Service continues to serve New Zealand and New Zealanders.

Ngā mihi

A handwritten signature in blue ink, appearing to be 'Peter Hughes'.

**Peter Hughes CNZM (he /him)**

Te Tumu Whakarae mō Te Kawa Mataaho  
Public Service Commissioner | Head of Service

# Purpose of this Guide

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## This guide provides information on the Agency Capability Model and Reviews

This guide describes the Agency Capability Model and its use. It introduces:

- **the context of what agency capability is and why it matters** including how it supports agencies to meet the changes introduced through the Public Service Act 2020 and other developments in the Public Service
- **the Agency Capability Model**, and how to apply all elements of the model in an agency context
- **Agency Capability Reviews** which use the Agency Capability Model to assess and help lift the capability of agencies.

It will be particularly useful for:

- Lead Reviewers (the external experts who lead Agency Capability Reviews)
- Agencies considering, or participating in a Review
- Agencies wanting to undertake an Agency Capability Self-Review
- Agencies seeking to identify insights to help refresh their strategic direction, organisational priorities, and to understand their organisational capability and readiness to deliver in the future.

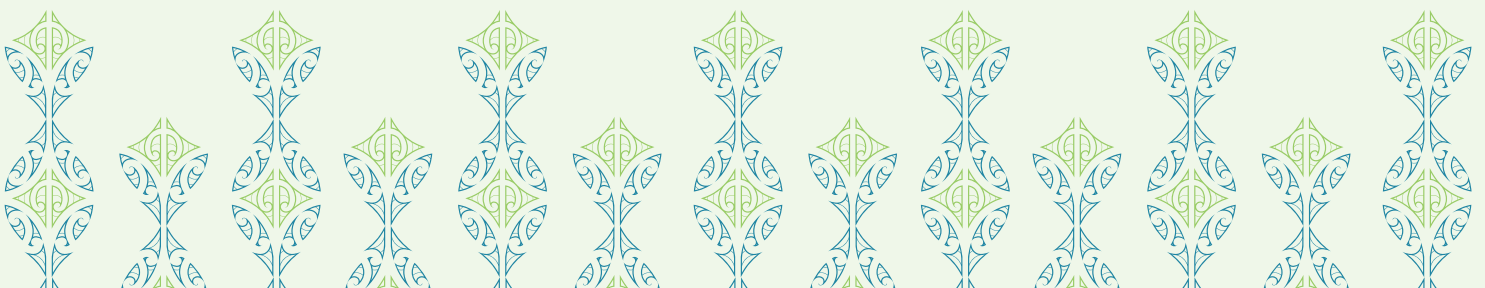
## Agency Capability Reviews are a key element of the Capability Review Programme

The Public Service Commission (the Commission) has developed the Capability Review Programme, with input from a range of agencies, including the Treasury and the Department of the Prime Minister and Cabinet. The Programme aims to lift the overall capability of the Public Service and is based on reviews that use either the:

- Agency Capability Model, or
- System Capability Model.

Agency Capability Reviews provide a framework for supporting an agency's ability to meet future objectives and challenges. System Capability Reviews provide a framework for looking at how different agencies, and collective leadership groups such as Interdepartmental Executive Boards, work together across boundaries to deliver shared outcomes.

For more information about System Capability Reviews, and the broader Capability Review Programme, please see [our website](#).





## Part One

# Agency Capability Context

This part of the guide introduces the context for Agency Capability Reviews. It highlights why agency capability matters for New Zealanders, and how the reviews support agency success. It also describes how the model was developed, and its relation to changes in the Public Service, including the introduction of the Public Service Act 2020.

## Agency capability enables positive outcomes for New Zealanders

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Effective delivery sits at the heart of the public's confidence in agencies and the wider Public Service. Delivery is determined by an agency's capability which is made up of several components, and how these components interact. Agency capability models commonly cover areas such as leadership, governance, people, values, technology, leadership, and financial management.

The Commission has developed the Agency Capability Model which sets out the components and interactions which drive agency capability and how capability enables the Public Service to deliver positive outcomes for New Zealanders.

## Agency Capability Reviews support chief executives to build capable agencies

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Agency Capability Reviews use the Agency Capability Model (Part Two of this Guide) to review an agency's capability. While anyone can use the Agency Capability Model, the primary focus of this Guide is on the Agency Capability Review which is led by two independent Lead Reviewers (see Part Three of this Guide).

This review provides a strong platform for an agency to consider future demands, and how it can shape its strategic direction, and build capabilities to meet these future demands.

Some of the ways Agency Capability Reviews support chief executives and senior leaders include:

- **Future focus:** The future focus of reviews steers attention towards future readiness rather than exploring and accounting for past performance (which is better handled by

other monitoring and performance systems). By highlighting actions that can be taken now, the reviews help chief executives and senior leaders build the agency capabilities required for future success.

- **Lead reviewers bring insight and expertise:** Lead Reviewers are selected for their insights and experience in organisational management and leadership in Public Service agencies. Chief executives and senior leaders have opportunities to test their thinking and develop responses to Lead Reviewer insights throughout the review process.
- **Provides a platform for next steps:** Review findings provide a shared understanding of the challenges, opportunities, and next steps an agency should take to prepare for the future. This understanding can support an agency's current direction or help introduce change.

## Reviews support system leadership roles

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While Agency Capability Reviews focus on single agencies, they can also provide system level insights. These insights help inform system leaders' work programmes, support capability shifts across the system, and help inform resourcing and prioritisation decisions at the chief executive and ministerial level.

Agency Capability Review findings are shared with ministers, stakeholders, and the public. This provides stakeholders with confidence and clarity on agencies' capability, their future aspirations and challenges, and the actions required to ensure they are well placed to deliver over the medium and long term.

## We have built on the success of the Performance Improvement Framework

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The Performance Improvement Framework (PIF) was developed to lift capability and support improved agency performance. The Agency Capability Review builds on the success of the PIF and continues the focus on lifting agency capability and readiness for the future. Changes from the PIF to the Agency Capability Review include:

- reflecting and embedding the Public Service Act 2020, including a focus on the Māori-Crown relationship, system leadership and diversity and inclusion
- supporting progress to transform and modernise the Public Service by supporting achievement of the seven areas for progress in *Te Kahu Tuatini State of the Public Service* (2022)
- reflecting international developments in similar programmes, including alignment with recently updated Australian Public Service capability models.

## Reflecting and embedding the Public Service Act 2020

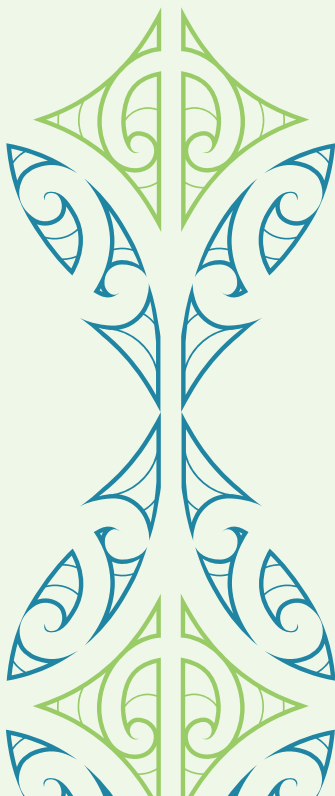
The Public Service Act 2020 sets out the framework for a modern, agile, leading-edge and unified Public Service. It builds on New Zealand's long-standing reputation for having a world-class Public Service, with the overall aim of delivering better outcomes and services for all New Zealanders.

The key shifts introduced by the Act focus on a unified public service, strengthening the Crown's relationships with Māori, employment and workforce, leadership and organisational flexibility.

Through Agency Capability Reviews, chief executives will gain insights in these areas to enhance organisational capability and deliver a high-performing and unified Public Service.

## Supporting progress to transform and modernise the Public Service

The Commission's report, *Te Kahu Tuatini State of the Public Service* (2022), describes seven areas for progress over a three-year timeframe that will help to transform and modernise the Public Service.<sup>1</sup> The Agency Capability Model aligns and references these seven progress areas to help agencies build the capability to give effect to these expectations.





The seven areas for progress are listed below (in bold) alongside how each area is reflected and supported in the Agency Capability Model:

- **Better outcomes and services** – the model supports this area by focusing agencies on engaging with communities to develop the services they want.
- **Trust, confidence and integrity** – the model supports this area by focusing agencies on developing a Spirit of Service ethos and on monitoring and acting on the feedback they receive on their services.
- **Open government and active citizenship** – the model supports this area by focusing agencies on increasing the use of co-design and engagement, ensuring greater clarity for those involved in those processes, and on more proactive releases of data in ways that are easy for people to use.
- **Māori-Crown relationship** – the model supports this area by focusing agencies on increasing their capability to engage with Māori, and seeking new approaches to Māori participation in agency policy, service design, and delivery to support improved Māori outcomes.
- **How we organise and work** – the model supports this area by focusing agencies on supporting system leads to deliver consistent, aligned and cost-effective functions across the Public Service.
- **Our people** – the model supports this area by focusing agencies on enabling a more agile, productive, diverse and inclusive workforce.
- **Diversity and inclusion** – the model supports this area by focusing agencies on achieving a diverse, equitable, positive, safe and inclusive workforce.

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<sup>1</sup> [State of the Public Service – Te Kawa Mataaho Public Service Commission](#)



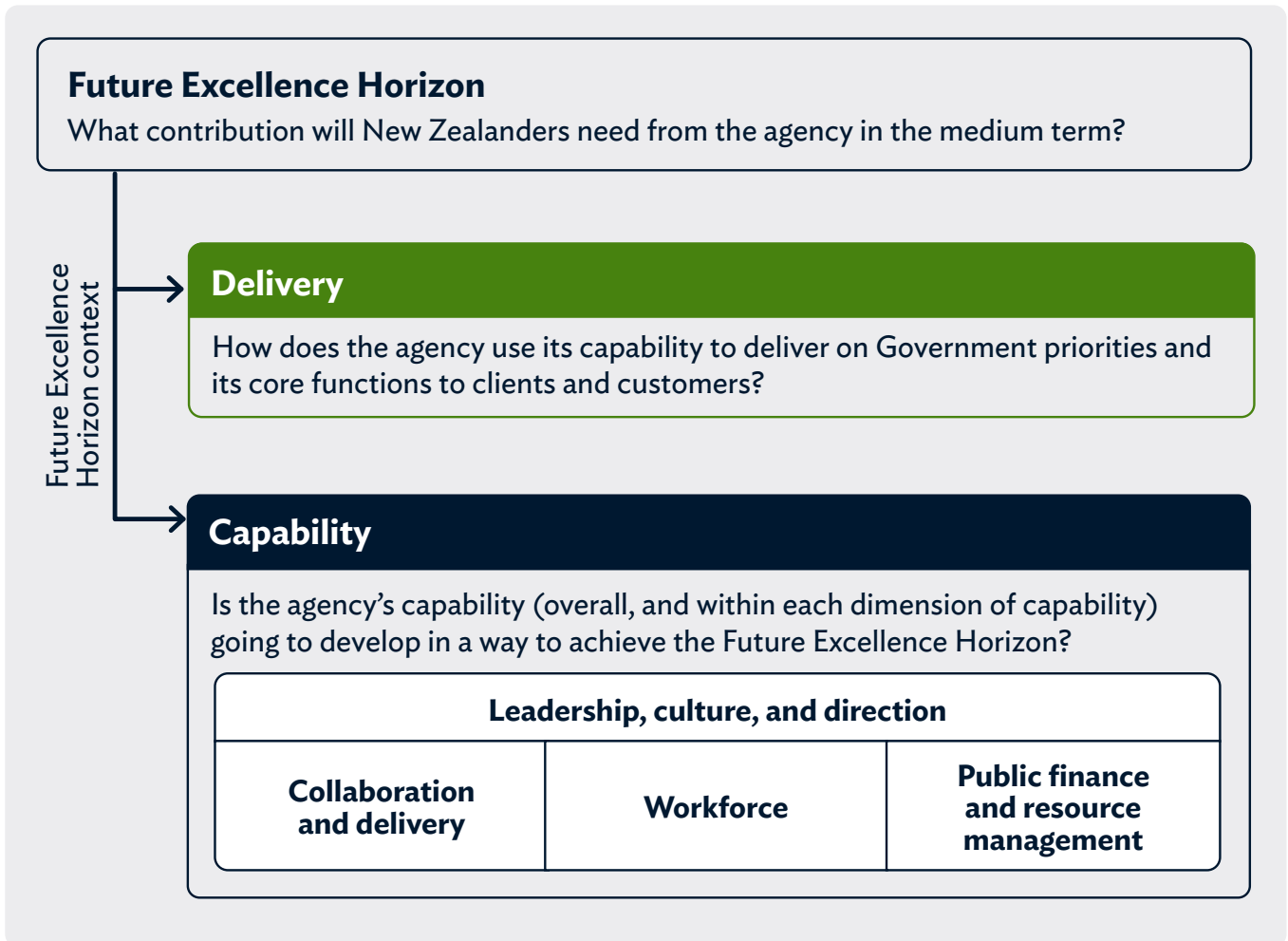
## Part Two

# Agency Capability Model

This part of the guide introduces the Agency Capability Model which is used in an Agency Capability Review. It provides an overview of the model, and a further detailed guide for reviewers.

## Overview of the Model

The Agency Capability Model provides a comprehensive tool to assess an agency’s capability to respond to future opportunities and challenges. The key elements of the model are summarised below.



## Agency Capability Model - Overview

### Future Excellence Horizon

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

### Delivery

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

### Capability

	Element	Lead question
Leadership, Culture, and Direction	Purpose, vision, and strategy	6 What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?
		7 What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and governance	8 What is the agency's capability to exercise relevant system and sector leadership roles?
		9 What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?
		10 What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?
	Values, behaviour and culture	11 What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for it to succeed?
	Continuous improvement	12 What is the agency's capability to encourage, use, and learn from evaluative activity?
		13 What is the agency's capability to report, monitor and use performance information?

Collaboration and delivery	Customers, clients, and citizens*	14	What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and use these to innovate and drive better experiences?
		15	What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
		16	What is the agency's capability to be open, transparent and accessible in actively engaging with stakeholders and citizens?
	Māori-Crown Relationship	17	What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?
	Operating model*	18	What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
		19	What is the agency's capability to evaluate service delivery options?
	Partnerships and engagement	20	What is the agency's capability to contribute to the success of its wider operating system(s), including collaborating with partners and providers?
		21	What is the agency's capability to manage its context with external stakeholders and the public?
Workforce	Workforce development	22	What is the agency's capability to develop its people (including its diversity and leadership)?
		23	What is the agency's capability to anticipate and respond to future capacity and capability requirements, and how are they organised to meet demand?
	Performance focus	24	What is the agency's capability to promote and develop a high performing workforce?
		25	What is the agency's capability to manage or improve performance that is not meeting expectations?
	Workforce engagement	26	What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?
		27	What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?
Public Finance and Resource Management	Investment and asset management	28	What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?
	Data and technology	29	What is the agency's capability to manage and use information as a strategic asset?
		30	What is the agency's capability to leverage data and technology to drive improvements in service delivery and outcomes?
	Public finance	31	What is the agency's capability to understand, plan, direct and control financial resources to deliver sustainable value-for-money?
	Risk and assurance	32	What is the agency's capability to identify and manage agency, Crown and system-wide risk?
		33	What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

\*See - Appendix One for definitions of 'Customers, Clients and Citizens' and 'Operating Model'

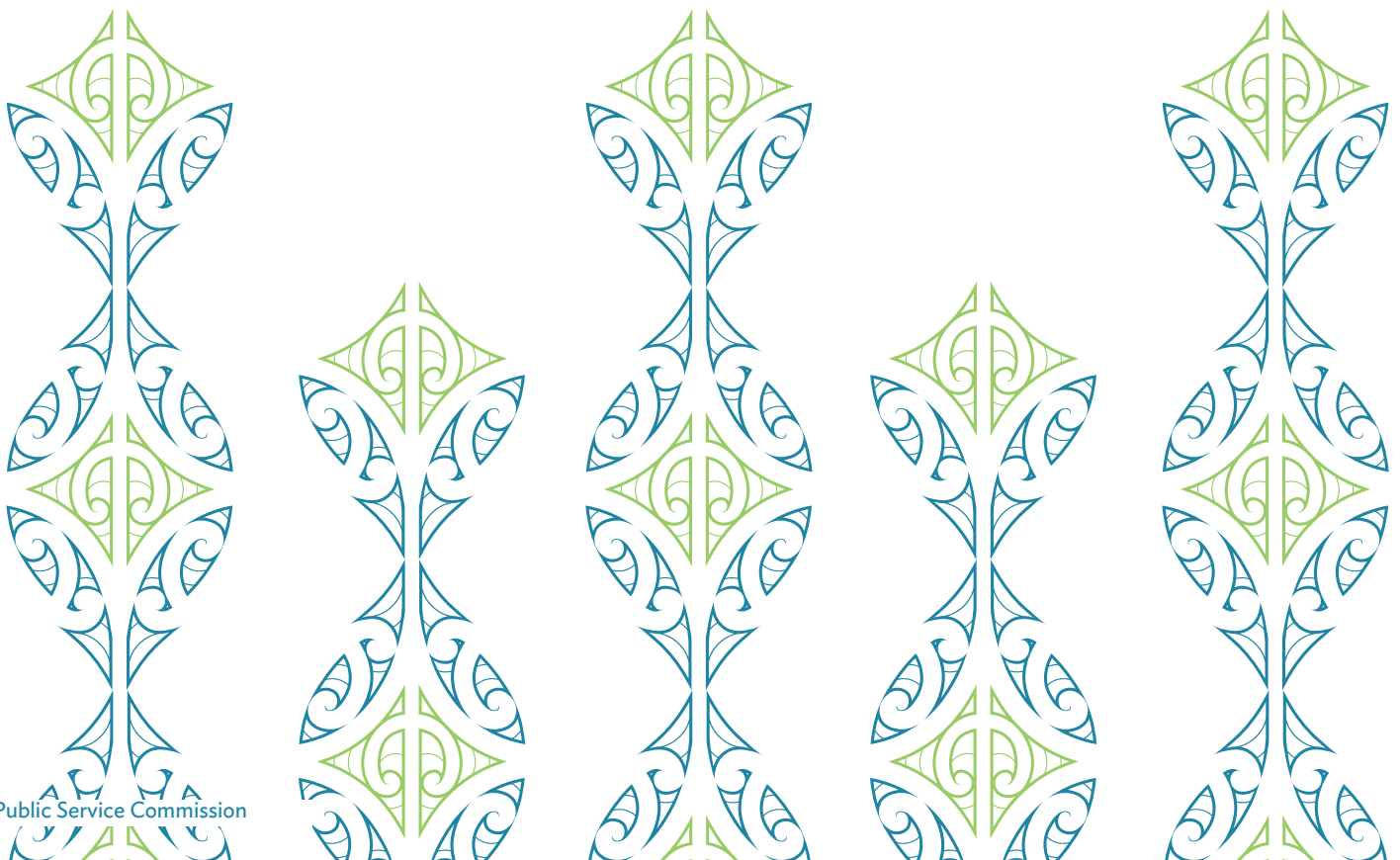
# How to use the Agency Capability Model

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The following section provides guidance on how the elements of the model can be used to review an agency. It provides detail on the three main parts of the model:

- **Future Excellence Horizon** – a forward looking section which sets the context for the rest of the review
- **Delivery** – this section considers how well-placed agency capabilities are to deliver results for New Zealanders
- **Capability** – this section considers the state of four key capabilities which contribute to an agency’s success.

The guidance that follows describes how to think through these three sections based on Lead Questions and Lines of Enquiry. Reviewers should not attempt to answer every line of enquiry; rather they should use these prompts to help shape their response to the Lead Question. Appendix One sets out a list of documents and evidence sources that can help inform the review.





## Section One: The Future Excellence Horizon

The Future Excellence Horizon confirms the future aims and expectations of the agency, describes how the agency's operating context might change and what it means for the agency to succeed within this changing context. The Future Excellence Horizon is the first part of the Model – and one of its most important elements – because it situates, and provides context for all other elements.

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

To answer this question, a reviewer needs to build a picture of how New Zealand might change over the medium term (which can be anywhere between 4 to 10 years depending on the agency), and given these changes, what kind of contribution the agency will need to deliver to succeed in this context.

A reviewer should start by defining the future outcomes reasonably expected by New Zealanders, which relate to the scope of the agency. For example, an outcome such as “significant improvement in New Zealand's productivity” is something that a single agency cannot deliver, but in so far as an agency contributes towards that outcome, it is suitable for inclusion in the Future Excellence Horizon. This future operating context should consider international trends, trends in government and public expectations of the agency, sector and system context, regulatory considerations, economic and fiscal environment, service delivery, and organisational management.

Once these future outcomes are defined, the reviewer should consider the contributions that the agency will need to make to help achieve

these outcomes. When developing these future contributions, the reviewer needs to consider how the agency's delivery context might change (for example is the broader system developing in a way that requires the agency to assume greater responsibility for a service).

Once the future outcomes, and the agency's expected future contributions are established, the reviewer should move on to the lead questions posed by the rest of the Model (as these future expectations contextualise these questions).

### What is the agency's performance challenge to deliver the contribution New Zealand expects in the medium-term?

The reviewer should return to the Future Excellence Horizon after all other questions are answered to consider whether the agency's current capability and delivery sets it up to meet its future expectations. The gap between the agency's expected capability under current conditions, and the capability required to deliver on its future contributions is the performance challenge.

Lead Reviewers will consider this performance challenge, and identify challenges and opportunities for the agency. This will inform a discussion between the Lead Reviewers and the agency's senior leadership team about the actions the agency can take to improve and meet this performance challenge.

## Framing questions to help develop the Future Excellence Horizon

- What are the outcomes New Zealanders will expect in the future (which are in scope of the agency's expected functions)?
- Given this future, what are the expected contributions the agency will need to deliver to meet these expected future outcomes?
- What are the medium-term environmental/contextual trends and their potential impacts for the agency and its resources, stakeholders and customers?
  - How does the agency respond to shifting patterns in the economy, demographics, mega trends?
  - How will customers, clients and citizens' needs, preferences and expectations change over time?
  - Who/what are the critical stakeholders/partners/relationships to deliver results – using a system lens and a citizen lens?
- What are the consequent challenges, risks and opportunities in terms of the:
  - agency's purpose
  - results it will need to achieve, and
  - sort of organisation it will need to be, including how it will need to operate and work and who it will need to work with?
- What capability shifts are required to meet the future state or respond to changes in context and delivery expectations?
- What change capability will it need, whether it will need to enhance current capability and how it will do so?
- What will success look like for the people the agency serves over the medium-term?





## Section Two: Delivery

### Government priorities

A highly capable agency will be able to demonstrate its flexibility and agility to deliver on future Government priorities. An agency's future priorities can differ significantly from its current priorities, so the focus is on understanding the agency's capabilities and systems rather than assessing progress against current priorities.



#### Lead Questions

#### Lines of Enquiry

1

How does the agency respond to Government priorities?

##### **Defining and identifying**

How does the agency identify the critical Government priorities the agency is responsible for delivering?

How does the agency define its critical priorities and ensure they are defined at an appropriate level?

##### **Funding and resourcing**

How does the agency understand the funding and resource implications in addressing changing priorities, including identifying trade-offs and any wider funding implications?

##### **Monitoring and tracking**

How does the agency develop robust indicators for tracking progress against its critical priorities?

How does it know critical priorities are being achieved or where changes will need to be made?

##### **Risk**

How does the agency identify significant delivery risks, and how does it have systems in place to mitigate these?

## Core functions

A highly capable agency will be able to demonstrate its ability to achieve the intended results in each of its core functions for customers, clients, and citizens.



Lead Questions	Lines of Enquiry
<p>2 For each core function, how does the agency deliver value and make a positive impact for New Zealanders?</p>	<p><b>Core functions</b> What are the core functions and operational services the agency is responsible for delivering?</p> <p><b>Outcomes, outputs, and indicators</b> What are the outcomes the agency is trying to achieve through each of its core functions? How clear is its intervention logic, how is it used to drive meaningful reporting and monitoring and how does it support prioritisation and decision making?</p> <p><b>Customers, Clients, and Citizens<sup>2</sup></b> For each core function, who are the agency’s key direct clients and customers, what are their interests, and how do these compare to broader citizens’ interests in the agency? How does the agency know what motivates its clients and customers and what they value, expect and/or need? How does it understand the barriers for clients, customers, and citizens accessing/using the services to which they are entitled? How does the agency consider how it can differentiate its services to meet different client and customer needs? How does the agency engage with its clients and customers (as well as wider groups of citizens), to ensure it works in a way that is consistent with their expectations, values, and motivations?</p> <p><b>Value and impact</b> Does the agency take a long-term approach to the impacts it is seeking (e.g., early intervention for long-term payoff where appropriate)?</p>
<p>3 For each core function, how does the agency demonstrate increased value over time?</p>	<p><b>Demonstrating value</b> How does the agency monitor both results and value-for-money over time? How does the agency improve management of its delivery over time? Are current expectations for delivery of its core functions appropriate or could they be improved in a sustainable way? Are the results being achieved in the core function in a way that balances costs, impact, and sustainable value-for-money?</p>

<sup>2</sup> Refer to Appendix One for more guidance on the concept of customers, clients, and citizens.

Lead Questions	Lines of Enquiry
	<p><b>Review and alternatives</b>            Does the agency use evaluation and feedback mechanisms to continuously learn from and improve its delivery performance?            How does the agency understand the changing needs and interests of those it provides services to, as well as the wider group of citizens and stakeholders?            Does the agency understand the changing environment for its services (e.g., technology developments) and the opportunities and risks this may create?            Does the agency consider alternative delivery/intervention options to achieve the intended impact?</p>
<p>4 How does the agency discharge its system stewardship responsibilities (including regulatory stewardship)?</p>	<p><b>Short and long-term system perspective</b>            How does the agency ensure there are:</p> <ul style="list-style-type: none"> <li>• clear descriptions of its purpose and scope within the systems it participates in</li> <li>• these descriptions are agreed with agencies in that system, and</li> <li>• these descriptions cover the immediate as well as the long-term</li> </ul> <p><b>Stewardship support</b>            How are internal expectations and responsibilities, including those for robust governance, made clear?            How does the agency assign resources to promote, support and coordinate its stewardship responsibilities?</p> <p><b>Stewardship culture</b>            How does the agency support and value system stewardship work?            Does the agency ensure staff feel safe to raise possible system issues, and are they rewarded for good stewardship work?</p> <p><b>Monitoring, review, reporting, and planning</b>            How does the agency understand the health of the system(s) it leads and how does it report on it?            How does the agency collaborate with its partner agencies to undertake strategic planning for the system(s) in which it participates?</p> <p><b>Meeting Government regulatory stewardship expectations<sup>3</sup></b>            How does the agency work with its partner agencies to meet the Government's expectations for stewardship on:</p> <ul style="list-style-type: none"> <li>• good practice,</li> <li>• monitoring, reviewing, and reporting, and</li> <li>• analysis and implementation for changes to systems?</li> </ul>

<sup>2</sup> [Government expectations for regulatory stewardship](#)

## Lead Questions

## Lines of Enquiry

### **System change analysis and implementation support**

How does the agency consider changes in the wider environment (e.g. technology or societal changes) and how they impact on its stewardship responsibilities?

How does the agency ensure the people, information, processes, and assets of the Public Service are appropriately developed and maintained with a long-term future focus?

5

How does the agency provide advice and services to Ministers?

### **Engagement**

How does the agency maintain a culture of 'no surprises' with Ministers, including managing the context of any possible issues?

How does the agency work with other agencies to facilitate alignment in advice?

### **Quality systems**

How does the agency ensure it offers good advice in a timely manner?

How well are the agency's stewardship obligations reflected in advice to Ministers?

How does the agency build the system and processes required to deliver quality policy advice (including those relating to commissioning, planning, research, quality assurance and evaluation)?

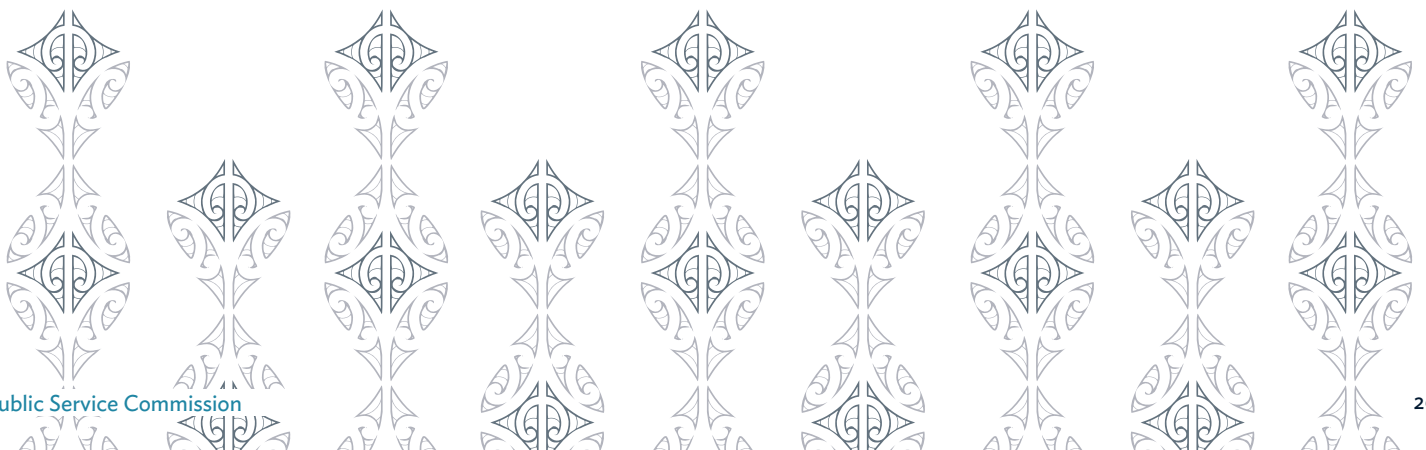
### **Implementation**

How does the agency ensure successful policy implementation, including engaging with relevant stakeholders and monitoring and reviewing progress?

### **Crown entity advice (for agencies with monitoring functions)**

How does the agency ensure it offers advice on Crown entity performance, in the context of sector and system performance?

How does the agency facilitate information flows between Ministers and Crown entity Boards?





## Section Three: Capability

### Leadership, Culture and Direction

How the agency is governed and led underpins its ability to meet the needs of New Zealanders now and in future and to ably serve the Government of the day. Strong capability in Leadership, Culture and Direction is a core determinant for successful delivery now and in the future.

Four elements form Leadership and Direction capability, covering:

- purpose, vision and strategy
- leadership and governance
- values, behaviour and culture
- monitoring and improvement.



### Element: Purpose, vision, and strategy

Those inside and outside the agency need to be clear about the agency's purpose, its role and strategy, and what it seeks to contribute to the delivery of public services for customers, clients, and citizens. In setting its strategy, the agency needs to be alert to possible changes in its operating environment and how its capabilities may need to change.

Lead Questions	Lines of Enquiry
<p>6 What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?</p>	<p><b>Alignment</b> How does the agency identify Government priorities and use them to help define its purpose, vision, and strategy? How does the agency identify and set short-term strategy in line with its strategic objectives, Government priorities and organisational strengths?</p> <p><b>Defining purpose, articulating vision, and setting strategy</b> How does the agency define its purpose, set its long-term direction and strategic objectives, and articulate its vision? How does the agency ensure its vision and strategy align to wider Government priorities and long-term objectives? How do staff and stakeholders contribute to this process? How much do staff identify with the purpose and vision? Are staff able to articulate how their work contributes to that purpose and vision?</p> <p><b>Impact and outcomes</b> How does the agency identify and articulate the impacts it seeks, as well as the interlinkages with other sector and agencies' strategies?</p>

Lead Questions		Lines of Enquiry
7	What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?	<p><b>Future focus</b> How does the agency consider its external environment and the implications for its role and function in the future?</p> <p><b>Readiness</b> How does the agency ensure it has agility in its organisational capabilities and competencies to respond to future change?</p> <p><b>Innovation and risk</b> How does the agency balance innovation, managing risk, and maintaining quality?</p>

### Element: Leadership and governance

Every agency needs cohesive, future-focused leadership and governance. This means leadership and governance agreeing the strategically important issues and required actions, leading by example and effecting change. This includes owning its own capability, performance, and improvement.

Lead Questions		Lines of Enquiry
8	What is the agency's capability to exercise relevant system and sector leadership roles?	<p><b>Strategic focus</b> How does the leadership team ensure it is effective in looking at strategically important issues and matters that affect the agency?</p> <p><b>Common purpose</b> To what extent do members of the leadership team share a common and coherent vision for the future of the agency and the critical issues it faces?</p> <p><b>Quality of interaction</b> To what extent does the leadership team engage in effective discussion and debate and agree actions on strategically important issues? How does the agency ensure it supports its leadership team to provide collective and effective governance (including the rhythm of meetings, meeting disciplines and documentation)?</p> <p><b>Mutual support</b> How does the leadership team support each other?</p> <p><b>Role modelling</b> How does the leadership team show it is 'walking the talk'? How does the leadership team provide collective leadership within and outside the agency? How does the leadership team assess its own performance?</p>

Lead Questions	Lines of Enquiry
	<p><b>Implementation and change</b>            How does the leadership team identify where and how the agency must change to meet current and future challenges, remain fit-for-purpose and deliver increased value over time?            How well is change communicated and led?</p>
<p>9 What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?</p>	<p><b>Clarity and purpose</b>            What are the governance arrangements across the agency and are their roles well defined?</p> <p><b>Decision making agility</b>            How does the agency ensure agility in decision making to drive performance?</p> <p><b>Internal alignment</b>            How does the agency ensure its governance arrangements support its vision, align to its priorities, and support improved delivery?</p> <p><b>For Crown Entity Boards, the following areas apply:</b></p> <p><b>Relationship</b>            How does the Chair effectively lead the Board?            How does the Board (through the Chair) maintain relevant and timely communication with the leadership team through the chief executive?</p> <p><b>Strategic management</b>            How does the Board undertake strategy setting and performance monitoring?</p> <p><b>Governance assurance</b>            How does the Board ensure quality in its governance and assurance of the agency?</p> <p><b>Self-review</b>            How does the Board periodically assess its own performance and that of individual members?</p>
<p>10 What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?</p>	<p><b>Clarity of roles and leadership</b>            What are the system and sector leadership roles the agency has (formally, informally, agency related, and person specific) and what is their mandate for those roles?            How does the agency ensure that others working in the system and sector have clarity on their role and contribution?            How does the agency support others who are system or sector leaders, for example sharing resources or providing support for critical work?</p>

Lead Questions	Lines of Enquiry
	<p><b>Leadership and purpose</b> How does the agency support the creation of clear vision for the system that is supported by other agencies and stakeholders?</p> <p><b>Relationships and resources</b> How does the agency ensure they lead in ways that bring others along with them, and that activities are well coordinated, and suitably resourced?</p> <p><b>Progress</b> How does the agency monitor the progress of the system(s) they lead and use that information for decision making and prioritisation?</p>

### Element: Values, behaviour, and culture

Values, behaviour, and culture should align with the purpose and role of the agency and what it aims to achieve. The desired values and behaviour should be integrated into the way the agency is managed and services delivered.

The Public Service Act 2020 sets out the principles and values for all public servants to follow, ensuring a unified Public Service that acts as a single team, with a spirit of service to the community.<sup>4</sup>

Lead Questions	Lines of Enquiry
<p>11 What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for the agency to succeed?</p>	<p><b>Public service values</b> How does the agency encourage and support a commitment to Public Service values, and a strong spirit of service ethos that is owned, communicated, and valued?</p> <p><b>Defining values and developing culture</b> How does the agency define and promote the specific values and culture needed to support policy advice, service delivery and regulation?</p> <p><b>Aligning behaviour</b> How does the agency ensure that behaviours are in line with its stated values and culture? Is the agency explicit about the behaviours it expects of its staff when they interact with its clients, customers and other stakeholders? How does the agency embed the behaviours it expects? How does the agency measure and monitor customer, client, and citizen experiences of staff behaviour?</p>

<sup>4</sup> [Principles and values - Te Kawa Mataaho Public Service Commission](#)



## Element: Continuous improvement

To achieve sustained performance and value, agencies need to use performance information and evaluation to understand what is/is not working and why, so that it can focus its improvement efforts on the aspects that will make a difference. Insights through performance reporting, monitoring and evaluation enable agencies to enhance the way they deliver services that better support the needs of customers, clients, and citizens.

Lead Questions	Lines of Enquiry
<p>12 What is the agency's capability to encourage, use, and learn from evaluative activity?</p>	<p><b>Use in decision making</b>            How does the agency ensure it uses evaluative activity to engage people to learn, innovate and continuously improve?            What processes does the agency use to encourage evaluative activity across the organisation?            How does the agency maintain what works, while seeking and evaluating new ways of delivering results?</p> <p><b>Evaluating and taking action on results</b>            How does the agency ensure it has the reviews and reports available to assess its achievements and help it understand whether it is providing value-for-money?            How does the agency ensure evaluations and reports are followed up with action plans that are agreed to by senior leadership and have progress tracked?</p> <p><b>Customer, client, and citizen experiences</b>            What processes does the agency use to review and evaluate outcomes and impacts in collaboration with those most affected and interested in its work and what it is achieving?            How does the agency share data, methods, and findings with others?</p> <p><b>Innovation</b>            How does the agency ensure evaluative activities support learning and encourage innovation?</p>
<p>13 What is the agency's capability to report, monitor and use performance information?</p>	<p><b>Intervention logic</b>            What are the outcomes or end-results the agency is trying to achieve and how do these connect to its operations and to its strategic priorities?            How does the agency use an intervention logic to drive meaningful monitoring and reporting, and how does it support prioritisation and decision making?</p> <p><b>Funding and performance</b>            How does the agency articulate and demonstrate the connection between the use of funding, delivery, and performance?</p>

## Collaboration and delivery

Collaboration and delivery capabilities are necessary for agencies to achieve the outcomes valued by customers, clients, and citizens. Agencies need to be able to use stakeholder input to help design interventions, understand their use of scarce public resources, and set themselves up to deliver on their purpose.

Four elements form the collaboration and delivery capability, covering:

- Customers, clients, and citizens
- Māori-Crown relationship
- Operating model
- Partnerships and external engagement.



### Element: Customers, clients, and citizens

A deep understanding of customers, clients, and citizens needs and expectations is critical to delivering better services and achieving better outcomes.

Lead Questions	Lines of Enquiry
<p>14 What is the agency's capability to understand customers, clients, and citizens' medium and long-term needs, and use these to innovate and drive better experiences?</p>	<p><b>Identification</b>            How does the agency identify and distinguish the needs of the people it serves (customers, clients, and citizens), including who they are and what they want to achieve now and in the future?            How does the agency engage and partner with communities to develop services they want and that work for them?</p> <p><b>Needs</b>            What does the agency know about its clients and customers and their motivations in engaging with its services?            How does the agency develop an understanding of client, customer and citizen aspirations, motivations and expectations (now and in the future)?            What does the agency do to anticipate their changing needs and behaviours and adjust its services accordingly?</p> <p><b>Groups</b>            Does the agency consider segmenting its services based on client, customer, and citizens' needs?</p>

Lead Questions		Lines of Enquiry
15	What is the agency's capability to employ service design, continuous improvement, and innovation in developing its services?	<p><b>Options</b> How does the agency investigate alternative ways of delivery that enhance value to its intended clients and customers? How does the agency seek information from customers, clients, and citizens about the design of its services?</p> <p><b>Relevance</b> How does the agency consider and align the delivery of value to citizens and stakeholders with its purpose?</p> <p><b>Emerging issues</b> How does the agency keep itself up to date with emerging policy issues for those most affected by and/ or interested in its work?</p> <p><b>Achieving innovation</b> How does the agency trial and test innovation so it can scale up on successes and make adjustments when things go less well?</p>
16	What is the agency's capability to be open, transparent, and accessible in actively engaging with stakeholders and citizens?	<p><b>Open government</b> How does the agency ensure it proactively releases information and data in ways that make it easy for people to access, navigate, and use? How does the agency ensure sustained performance with the purpose, principle, and spirit of open government?</p> <p><b>Active citizenship</b> How does the agency ensure increasing communication, co-design and engagement with the communities and citizens it serves? How does the agency ensure those they engage in co-design have clarity about why and when they are being involved?</p> <p><b>Proactive public engagement</b> How does the agency ensure that the public understand its role and operations and that issues are proactively managed?</p>



## Element: Māori-Crown relationship

Māori-Crown relations is about the Crown working together with Māori. The Public Service’s role is supporting the Crown in its relationships with Māori. This requires agencies lifting the capability of their staff to engage with Māori, developing new and innovative approaches for Māori participation and better recognising the skills Māori public servants bring. These are enablers for the Crown to fulfil its aspirations for relationships with Māori under the Treaty, to ensure the needs and aspirations of Māori citizens are understood, and to improve services and outcomes for Māori.

Lead Questions	Lines of Enquiry
<p>17 What is the agency’s capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?</p>	<p><b>Engagement capability</b>            How does the agency seek to improve its capability to engage with Māori and understand Māori perspectives?            What opportunities are available to agency’s staff to build their capability in Te Reo Māori, New Zealand history/Treaty of Waitangi literacy, engaging with Māori, and tikanga/kawa?</p> <p><b>Participation across activities and functions</b>            How does the agency seek new and different approaches to enable Māori participation in developing policy, service design, and delivery that provide better services and lead to improved outcomes for Māori?            How does the agency support identification of system barriers to good partnership and exploring how they can be addressed?</p> <p><b>Recognising Māori staff</b>            How does the agency ensure appropriate recognition of the knowledge, skills, and experience that Māori public servants bring to their work?</p> <p><b>For core Public Service departments:</b></p> <p><b>Measuring the impact of capability building</b>            How are the perceptions and attitudes of staff shifting over time?            To what extent are shifts in capability reflected in any feedback gathered following engagement with Māori?</p> <p><b>Barriers to improving capability</b>            What barriers exist to improving capability and how are you addressing these?</p>

## Element: Operating model

The agency needs to be clear about how it operates and how it implements strategy to achieve its strategic objectives. It also needs to be clear about what future changes may be required to its operating model and how it will implement those changes. Appendix One contains additional information to understand operating models.

Lead Questions	Lines of Enquiry
<p>18 What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?</p>	<p><b>Resources</b> How does the agency determine the resources it needs to acquire, develop or contract to deliver its services and to support that delivery? (These may include organisational assets and capabilities, such as talent, culture, physical assets, technology, intellectual property, infrastructure, and partnerships with other organisations).</p> <p><b>Planning</b> How does the agency ensure its strategic, business and action plans remain dynamic, serviceable, and appropriate to deliver value for customers and New Zealanders? Does the agency have internal multi-year business plans to show how it will improve and change its operating model over time?</p> <p><b>Accountability</b> What processes does the agency use to ensure governance policies and management accountabilities and responsibilities are appropriate, transparent, well understood (internally and externally), and applied consistently?</p> <p><b>Management and operational policies and practices</b> How well do the agency's policies, practices, systems, and processes support its service delivery?</p> <p><b>Structure</b> How does the agency's deployment of resources, systems, and contractual arrangements with third-party providers support effective service delivery and its strategy?</p>
<p>19 What is the agency's capability to evaluate service delivery options?</p>	<p><b>Customer, client, and citizen focus</b> How does the agency identify and assess service delivery options to achieve the results needed to deliver value for New Zealanders?</p> <p><b>Harnessing choice</b> Does consideration of current and future options include common, third-party, and digital delivery, where appropriate?</p>

Lead Questions	Lines of Enquiry
	<p><b>Trade-offs and financial risks</b></p> <p>When policy or intervention options are considered, how well are trade-offs (to maximise added value) identified?</p> <p>Does advice on options demonstrate a good understanding of the costs and benefits (internally and externally)?</p> <p>Does the agency understand the main organisational risks, and potential mitigation strategies (including cost)?</p>

## Element: Partnerships and external engagement

Effective partnerships and external engagement are at the heart of agencies' ability to make things happen. All agencies need the capability to develop and maintain partnerships and external engagement with other entities and stakeholders to achieve their purpose and deliver value to New Zealanders.

Lead Questions	Lines of Enquiry
<p>20 What is the agency's capability to contribute to the success of the agency's wider operating system(s), including collaborating with partners and providers?</p>	<p><b>Collective leadership and impact</b></p> <p>How does the agency distinguish what is managed by itself alone, and what should be managed across parts of the Public Service or the whole system?</p> <p>How does the agency identify and work with potential partners (internal or external to government) to provide services to shared customers?</p> <p>How well does the agency mobilise its own people and resources to ensure those leading complex system-wide issues are successful?</p> <p><b>Agency contribution</b></p> <p>How does the agency understand its unique contribution(s) to building public sector capability e.g., sector or functional leadership, centre of excellence, sharing government information assets, or developing talent?</p> <p>How does the agency build relationships to make its wider contribution, including bridging organisational boundaries?</p> <p>How open and sensitive is the agency to the views of others when leading on issues?</p> <p>How skilled is the agency at contributing to others' leadership?</p> <p><b>Incentives</b></p> <p>What ongoing active support and encouragement do senior leaders provide to the agency's staff to encourage collaborative endeavour, innovation, and resource sharing with other public sector agencies?</p>

Lead Questions	Lines of Enquiry
	<p><b>Working with partners (including Māori and iwi)</b> How does the agency collaborate with partners and providers when dealing with emerging policy issues, forming strategy, implementing policy, or delivering services?</p> <p><b>Evaluating impact</b> How does the agency measure and monitor the impact of its collaboration in terms of delivery to clients or customers?</p> <p><b>Improving value to New Zealanders</b> Does the agency consider which other agencies its customers deal with, or may need to deal with, and why? Does the agency consider how its services can be joined up with other agencies and the benefits from the perspective of the customer and the government as a whole?</p>
<p>21 What is the agency's capability to manage its context with external stakeholders and the public?</p>	<p><b>Understanding the interests of external stakeholders</b> How does the agency understand the interest areas for external stakeholders (including Ministers and the public), and track this over time?</p> <p><b>Identifying potential issues with its external context</b> How does the agency identify and track potential issues in its external environment?</p> <p><b>Proactive engagement</b> How does the agency ensure early engagement with key stakeholders on potential and emerging issues?</p> <p><b>Proactive ownership and management</b> How does the agency proactively manage issues as they arise, in a timely and open manner?</p>



## Workforce

People are at the heart of the Public Service and the organisations that form it. These are the people who are in the job to make a difference for their communities by providing trusted and responsive services. Agencies need to have the workforce capability that enables them to deliver high quality services effectively and efficiently.

Three elements form the Workforce Capability, covering:

- Workforce development
- Performance focus
- Workforce engagement.



### Element: Workforce development

An agency that is prepared for the medium-term will be able to articulate the skills it will need, its current skills gap, and how it is building the leadership and workforce needed in the future.

Lead Questions	Lines of Enquiry
<p>22 What is the capability of the agency to develop its people (including its diversity and leadership)?</p>	<p><b>Alignment with strategy</b> How does the agency align its people development strategy and practices with its organisational strategy?</p> <p><b>Building capability</b> To what extent does the agency actively manage investment in people capability, taking account of wider considerations, including any impacts on workforce growth and organisational costs?</p> <p><b>Leadership capability</b> What approaches does the agency take to build its overall management and leadership capability? How effective are these approaches?</p> <p><b>Targeting development</b> What approaches does the agency take to enhance the capability of its workforce and how effective are these approaches? How well does the agency prioritise and manage its people development investment?</p> <p><b>Diversity and inclusion</b> How does the agency ensure its workforce (including leadership) reflects the diversity of the communities they serve?</p>



Lead Questions		Lines of Enquiry
23	What is the agency's capability to anticipate and respond to future capacity and capability, and how are they organised to meet demand?	<p><b>Planning</b> How does the agency anticipate and plan for future capability requirements and workforce risks, in relation to both short-term events and long-term changes?</p> <p><b>Implementation</b> What approaches does the agency take to ensure that future capability requirements are implemented, and workforce risks are mitigated?</p> <p><b>Composition</b> How does the agency ensure an appropriate balance between using external resources where appropriate and building capacity and capability in the Public Service?</p>

### Element: Performance focus

Agency staff should know what is expected of them, how their role contributes to their team's (and the agency's) results, and what excellent performance looks like. They should appreciate the importance of improving their own performance and be confident that poor performance is addressed.

Lead Questions		Lines of Enquiry
24	What is the agency's capability to promote and develop a high performing workforce?	<p><b>Reinforcing a performance culture</b> How does the agency identify, articulate, and reinforce what it wants to recognise, celebrate, and reward?</p> <p><b>Supporting processes</b> How does the agency set expectations, track progress, and provide feedback to individual staff members? How does the agency ensure that its performance management processes are consistent, timely, fair, and relevant?</p> <p><b>Alignment</b> How does the agency ensure that individual objectives are aligned with team, business unit, and agency objectives and values?</p> <p><b>High performance</b> How does the agency encourage and support high performance and continuous improvement in both individuals and teams?</p>

Lead Questions		Lines of Enquiry
25	What is the agency's capability to manage or improve performance that is not meeting expectations?	<p><b>Identification</b> What systems does the agency have in place to identify performance that is not meeting expectations?</p> <p><b>Managerial capability</b> How capable and willing are managers to address performance issues within their teams? How does the agency support its managers to help them address performance issues within their teams?</p>

### Element: Workforce engagement

The agency's employee relations strategy should be willingly supported by staff, and clearly aligned to the overall business strategy. Constructive engagement with employee representative groups and individuals is essential to delivering effective services.

Lead Questions		Lines of Enquiry
26	What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?	<p><b>Strategic alignment</b> How does the employment relations strategy align with the agency's wider strategic direction and capability requirements?</p> <p><b>Relationships</b> How effectively does the agency engage with union(s), other employee representative groups, and individuals?</p> <p><b>Networks led by employees</b> How does the agency support staff participation in employee led networks to create a sense of belonging to a connected, inclusive, and diverse Public Service?</p> <p><b>System and sector</b> How does the agency ensure that its bargaining strategies and approaches to employment conditions reflect wider sector priorities, including consistency with wider sector employment relations expectations and Government Workforce Policy Statements?</p>

## Lead Questions

## Lines of Enquiry

27

What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?

### **Employee engagement**

What processes does the agency have in place to understand the views and monitor the commitment and engagement levels of its employees and their representatives?

What approach does the agency take to enhance the commitment and engagement levels of its workforce?

### **Safety**

How does the agency ensure that it creates and maintains a safe and healthy working environment for all staff?

How does the agency promote a 'culture of safety' among its staff?

### **Diversity**

How well does the agency encourage diverse ideas, cultures, and thinking throughout the organisation?

## Public finance and resource management

An agency that is well positioned for the future effectively and strategically manages all of its resources. This includes its finances, its assets and investment, its data and digital information as well as how it manages risk.

Four elements form the Public finance and resource management capability, covering:

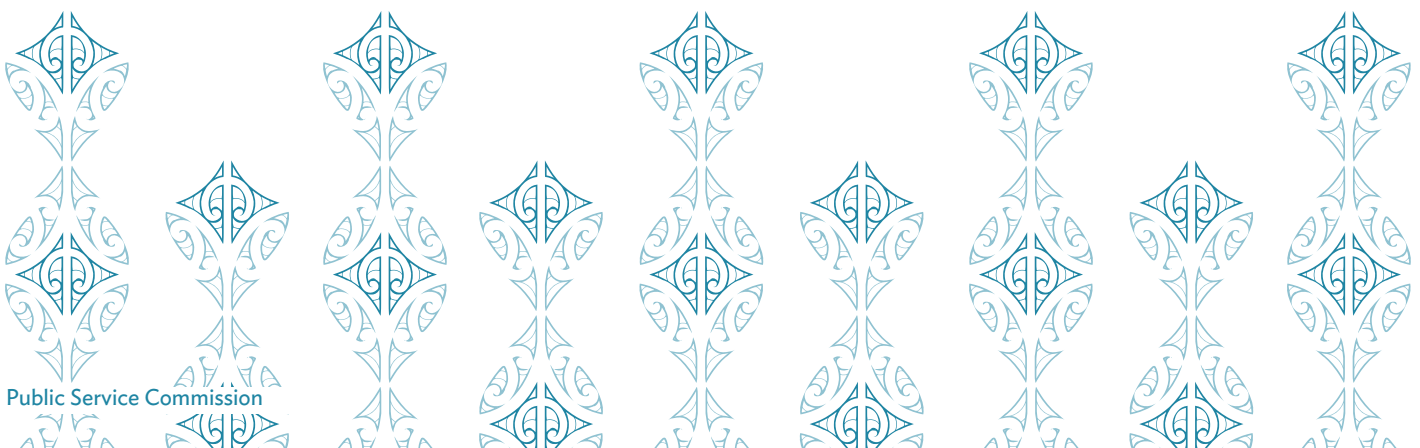
- Investment and asset management
- Data and technology
- Public finance management
- Risk and assurance.



### Element: Investment and asset management

An agency that is well positioned for the future will ensure effective use, protection, maintenance, and ‘right-sizing’ of the agency’s and the Crown’s assets and investments to meet future needs.

Lead Questions	Lines of Enquiry
<p>28 What is the agency’s capability to manage investment and assets to support service delivery and drive performance improvement?</p>	<p><b>Understand and define requirements</b> How well does the agency understand the current and future types and levels of service required, and the options (including non-asset based and common) for providing that service?</p> <p><b>Lifecycle decision-making</b> How does the agency ensure it has an effective lifecycle approach to managing its investment? Are assets sufficiently resilient for business continuity needs, both now and in the future?</p> <p><b>Asset management enablers</b> Does the agency have fit-for-purpose performance information, systems, and structures to support effective decision-making around strategic investment and the maintenance of assets?</p>



## Element: Data and technology

An agency that is well positioned for the future will be unlocking the value of the information it collects and ensuring non-personal government data and information is widely available, discoverable, and easy to use. Technology will help leverage information and insights to innovate and improve the way agencies deliver services to meet the changing needs of customers, clients, and citizens.

Lead Questions		Lines of Enquiry
29	What is the agency's capability to manage and use information as a strategic asset?	<p><b>Robust data for decision-making</b> How does the agency ensure that information that it holds, and uses is up to date and fit-for-purpose (e.g., accurate, complete, and based on valid assumptions)?</p> <p><b>System alignment</b> How does the agency demonstrate alignment of their investment in technology programmes with all-of-government strategies, roadmaps and expectations from system leads?</p> <p><b>Trust and confidence</b> How does the agency ensure personal information is kept confidential and is protected when it provides public services? How does the agency consider all the issues related to open data publication and reuse? How does the agency prevent and respond to unacceptable use of information and unauthorised disclosures?</p> <p><b>Security</b> How does the agency make itself aware of potential security risks? How does the agency protect classified information, particularly as it relates to processes, people, and places?</p> <p><b>Governance and capability</b> How does the agency understand the strategic value of the information it collects and uses, including any whole-of-system opportunities?</p>
30	What is the agency's capability to leverage data and technology to drive improvements in service delivery?	<p><b>Realising value</b> How does the agency use data, including integrating data from other agencies, to unlock insights into New Zealand's society and economy that improve the ways services are offered and delivered? How does the agency use technology to drive innovation in the way it offers services and how it manages its internal operations?</p>

## Element: Public finance management

Capable agencies are good stewards of public resources. They have robust systems, processes, and practices for managing finances and resources that deliver results for customers, clients and citizens. Capable agencies are transparent and prudent in the use of finances and resources, and actively demonstrate good value-for-money through what they deliver and achieve.

Lead Questions	Lines of Enquiry
<p>31 What is the agency's capability to understand, plan, direct and control financial resources to ensure sustainable value-for-money?</p>	<p><b>Delivering strategic priorities</b>            How does the agency align its investment and resourcing decisions with its organisational vision and priorities?            How do Government and Ministerial priorities inform resourcing decisions within the agency?            How does the agency adapt and shift resources to manage organisational demands and pressures?            How does the agency align its strategy development, business planning, and budgeting processes to support effective integration?</p> <p><b>Executing financial analysis and advice</b>            Is financial management information and advice used for operational and strategic purposes, including service delivery improvement?            Does this financial advice demonstrate a good understanding of the main organisational risks, their potential cost, and the strategies needed to avoid or mitigate them?            How does the agency ensure cost drivers and cost pressures are well understood by management?            How does the agency ensure trade-offs and choices are clear?</p> <p><b>Future focus</b>            How well does the agency consider its medium to long-term needs when making investment and financial decisions?</p> <p><b>Supporting good governance – management</b>            How does the agency manage its expenditure throughout the year as planned, including capital depreciation?            How does the agency deal with issues of probity?            How does the agency ensure its procurement systems are aligned to government priorities, deliver value-for-money and meet Public Service standards?</p> <p><b>Supporting good governance – reporting</b>            How does the agency ensure all its external reporting is consistent, timely and accurate, and complies with the reporting expectations set for Public Service agencies?            How does the agency's external reporting ensure transparency and accountability for the use of public funds?            Are internal controls appropriate, documented, understood, and adhered to?</p>

## Element: Risk and assurance

Capable agencies proactively use fit-for-purpose risk management and assurance processes and functions to improve their long-term performance. When done well, agencies are able to dynamically understand and manage risk, both within their organisation and wider operating environment. Insights through good enterprise risk and assurance also help senior leaders understand the performance of their agencies and help prioritise areas for improvement.

Lead Questions	Lines of Enquiry
<p>32 What is the agency's capability to identify and manage agency, Crown, and system-wide risk?</p>	<p><b>Risk landscape</b>            How does the agency understand its strategic and operating environment and establish its risk appetite?            How often is its risk appetite used to anticipate future opportunities for itself and the Crown?</p> <p><b>Aligned and embedded</b>            How are risk management processes aligned to business objectives and strategy, and used to create a collective responsibility for risk management that is integrated into decision-making?            How does the agency enable and support risk management to be an enabler for success?</p> <p><b>Tolerance</b>            How does the agency communicate its risk tolerance and risk appetite?            How well-aligned is that tolerance to Crown risks and opportunities?</p> <p><b>Crown risk</b>            How well does the agency understand, identify, and manage risk in relation to its agency and wider Crown interests, including legal and integrity risk?            Do the agency's legal, audit, and other integrity functions support the achievement of agency objectives, along with identification and management of agency and wider Crown risk?</p>

## Lead Questions

## Lines of Enquiry

33

What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

### Arrangements

How does the agency organise and use its risk and assurance capability to support senior leadership in proactively identifying and managing risks and opportunities for improvement across the organisation?

How does the agency ensure that assurance is fit-for-purpose?

### Alignment and value

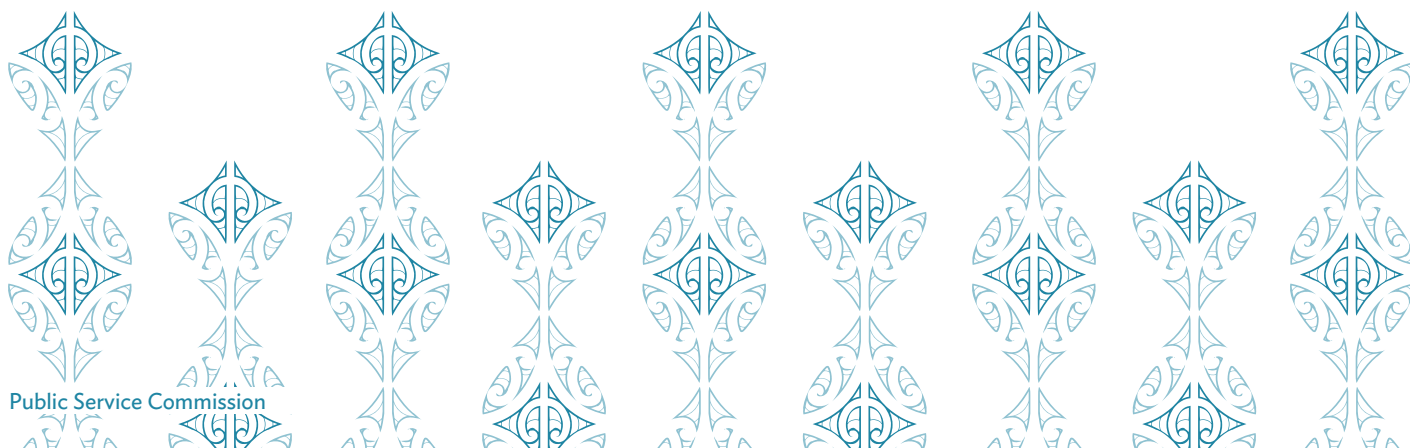
How does the agency ensure its assurance programme and activities align with the agency's context, risks, priorities, and operating environment?

How does the agency ensure that assurance is used to drive delivery and performance?

To what extent are assurance insights actively shared and discussed with agency leadership and governance bodies?

### Follow-up

How are assurance reports shared, appropriately followed up, and actions identified and implemented to remedy issues identified?

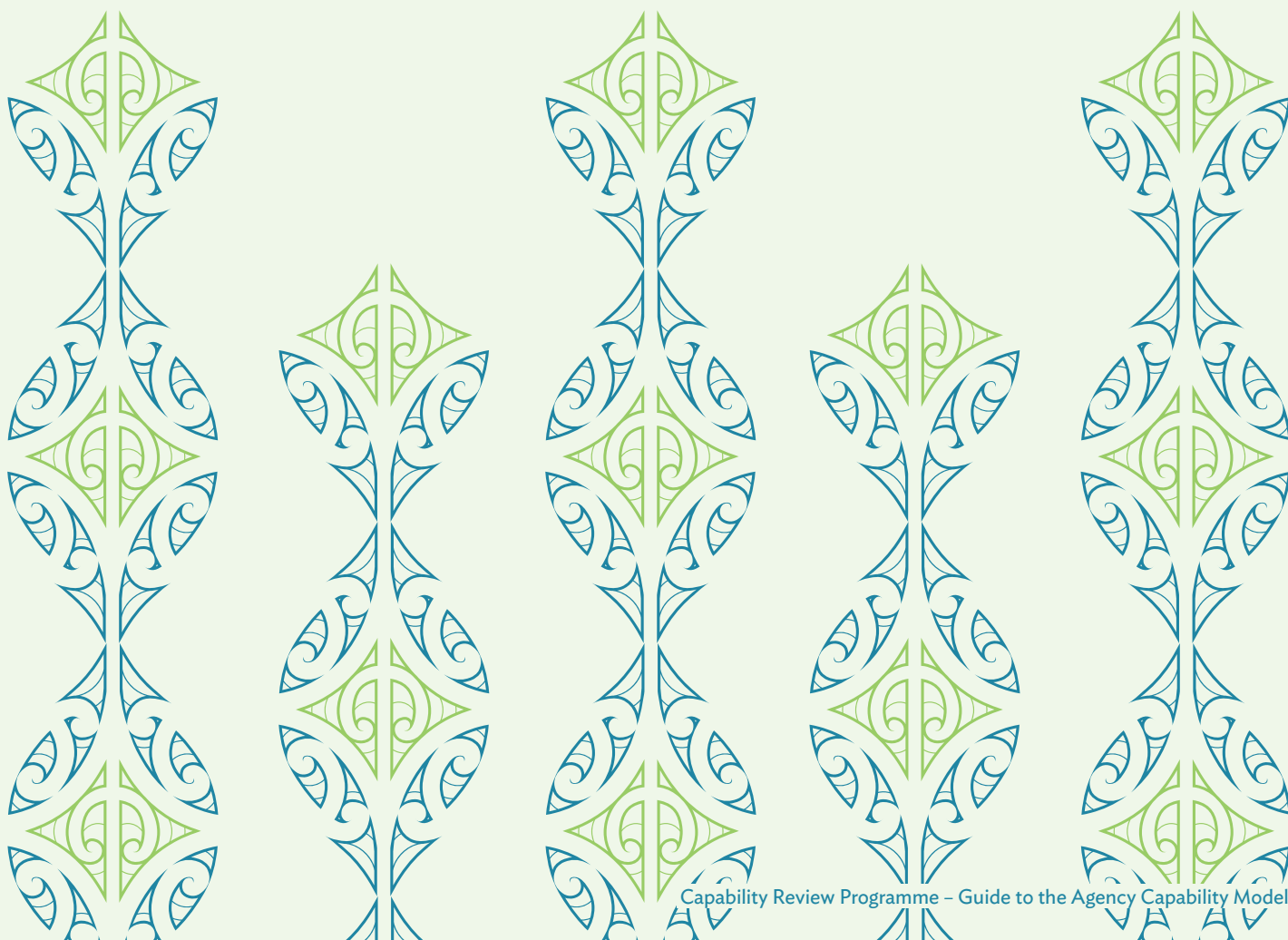




## Capability Ratings

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Ratings help to clarify what the agency's relative strengths are and highlight the priority areas on which to focus, given the challenges, risks, and opportunities in the medium term. Ratings are applied in terms of the future the agency is preparing for and are not an assessment of current or past performance.



Indicator/level	What it indicates
<div data-bbox="172 595 391 683" style="background-color: #4CAF50; color: white; padding: 5px; text-align: center; font-weight: bold;">Leading</div>	<ul style="list-style-type: none"> <li>• Excellent current level of capability to support sustained and high levels of delivery</li> <li>• Strategic and systematic approach to forecasting future capability challenges and responding accordingly</li> <li>• Systems in place to monitor and build capability to meet future demands</li> <li>• Organisational learning and external benchmarking used to continuously evaluate and improve</li> <li>• Strong change management capability to deliver against Future Excellence Horizon</li> </ul>
<div data-bbox="172 1003 391 1090" style="background-color: #8BC34A; color: white; padding: 5px; text-align: center; font-weight: bold;">Embedding</div>	<ul style="list-style-type: none"> <li>• Comprehensive and consistently good current capability and practices, with future capability gaps identified</li> <li>• Demonstrates plans and activities to change and improve in areas of current and future capability gaps, and is well placed to continue improving</li> <li>• Mostly aligned to Future Excellence Horizon</li> <li>• Comprehensive and consistently good organisational practices and systems in place to support effective management</li> </ul>
<div data-bbox="172 1326 391 1413" style="background-color: #C08040; color: white; padding: 5px; text-align: center; font-weight: bold;">Developing</div>	<ul style="list-style-type: none"> <li>• Weakness or gaps in current capability</li> <li>• Only partial or limited understanding of future state</li> <li>• Concerns in the agency's ability to have appropriate future capability and limited ability to execute change against the future state</li> <li>• Some current and future capability gaps not clearly identified and forecasting of future capability challenges needs to be improve</li> </ul>
<div data-bbox="172 1632 391 1720" style="background-color: #E91E63; color: white; padding: 5px; text-align: center; font-weight: bold;">Weak</div>	<ul style="list-style-type: none"> <li>• Significant area(s) of critical weakness or concern in terms of delivery and/or capability and the agency has limited or no awareness of them</li> <li>• Weakness or gaps in current capability</li> <li>• Very limited or no view of future opportunities and challenges for the agencies</li> <li>• Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact</li> </ul>
<div data-bbox="172 1865 391 1975" style="background-color: #333333; color: white; padding: 5px; text-align: center; font-weight: bold;">Unable to rate/ not rated</div>	<ul style="list-style-type: none"> <li>• No evidence available to make a credible judgement.</li> </ul>



## Part Three

# Agency Capability Reviews

This part of the guidance introduces the two ways the Agency Capability Model can be applied and summarises the key parts of an Agency Capability Review process.

## The Agency Capability Model can be used in two main ways

The Agency Capability Model can be used in two ways described below:

Use	Owner	Description
<b>Agency Capability Review</b>	<b>Public Service Commission</b>	<p>This is a comprehensive application of the Agency Capability Model to an agency. The review is led by two independent Lead Reviewers (selected in collaboration with the reviewed agency and the Commission).</p> <p>It takes approximately five months to complete, and at the end of the process a report is published on the Commission's website which summarises ratings and insights generated through the review process.</p> <p>Note that an Agency Capability Self-Review is required as part of an Agency Capability Review.</p>
<b>Agency Capability Self-Review</b>	<b>Agency</b>	<p>This is agency led and owned, using the Agency Capability Model as the basis. There would be no expectation for Lead Reviewer or Commission involvement, although the Capability Review Team may be able to provide advice and initial training, (and would be expected to do so when it is undertaken prior to an Agency Capability Review). The Commission does not publish the report, although the agency may wish to publish it through its own channels.</p>

If you want to explore how the Agency Capability Model can help your agency, get in touch with the Public Service Commission Capability Review team [CapabilityReview@publicservice.govt.nz](mailto:CapabilityReview@publicservice.govt.nz). We can help identify how the Agency Capability Model can best assist.

## Agency Capability Reviews progress in four stages

Agency Capability Reviews progress through four stages.<sup>5</sup> These stages are summarised in the graphic below.



### Initiation – Setting a strong foundation

In the initiation phase, the Commission and the agency will consider whether the agency is in the right place, and whether the timing is right for a review. If these are agreed, then discussions will move on to identify and agree key determinants of a successful review such as timing, cost, and the best combination of Lead Reviewers to undertake the review.

#### *Selecting the right Lead Reviewers helps drive a successful review*

All Agency Capability Reviews are led by two external Lead Reviewers. They are selected from a panel of individuals with great depth and

experience in organisational management and public sector leadership. Choosing the two Lead Reviewers who complement each other, bring the skills and experience that best respond to the agency's context, and who can work well with the agency's senior leadership is key to ensuring a useful and insightful review.

#### *An initiation letter kicks off the review*

The Commission will send an initiation letter to the agency chief executive, outlining the budget, timeline, Lead Reviewers, and any other details that have been discussed and agreed.

<sup>5</sup> There is no prescribed method for an Agency Capability Self-Review. However, when a self-review is part of an Agency Capability Review, an agency will have to follow the process laid out below.

## Scoping – Focusing the review on the critical elements

The scoping phase determines the areas the review should focus on based on information provided by both the agency and external stakeholders. Further planning and document collection (to support the review) also occurs.

*A self-review using the Agency Capability Model is a valuable opportunity for an agency to form an internal view on its upcoming challenges and opportunities*

The first substantive exercise of the Agency Capability Review is an Agency Capability Self-Review, where the agency forms its own view about its capability. This self-review will draw on a range of documents, interviews, and discussions (a separate guide is provided on undertaking a self-review). The product of the self-review is a self-review report. A template report format will be provided.

*‘What Matters Meetings’ help focus the Lead Reviewers attention for the later stages of the review*

After considering the self-review report, the Lead Reviewers will lead a range of ‘What Matters Meetings’ to help identify the focus areas for the review. The meetings will involve Ministers, central agency staff, external stakeholders, and the agency leadership team.

## Review – Generating insights to help agencies

The Review phase is the core phase, when Lead Reviewers form their view of the agency’s challenges and opportunities. They work with the senior leadership to socialise these views and share insights on how the agency can prepare itself for the future. Lead Reviewers are on-site at the agency for the first part of the phase.

*On-site interviews provide an opportunity for Lead Reviewers to form their own view of the agency*

The agency hosts the Lead Reviewers and the Commission’s Capability Review Manager on site for approximately two weeks in the Review phase while they interview agency senior leadership, staff, and key stakeholders.

Throughout the on-site period, the Lead Reviewers meet with the Chief Executive and senior leaders to share findings. During and at the end of the on-site period, the Lead Reviewers share their overall impressions and insights generated from the interviews. This provides the agency’s senior leadership with visibility around the themes that will be expanded in the final report.

*A report will be drafted by the Lead Reviewers which contains their insights, along with the agency’s and Public Service Commission’s responses to the review findings*

The Lead Reviewers will draft a report on the agency covering the elements of the Agency Capability Model. Throughout this process, Lead Reviewers may meet with the agency’s senior leaders to share their insights and help formulate next steps to ready the agency to meet future challenges and opportunities. The first draft of the report (without ratings) is sent to the agency for comment, and a second draft report (with ratings) is provided for further feedback. The final report includes response from both the agency and the Public Service Commission.

## Close out – the final stages of the review

The close out phase is where the review is finished, including the publication of the final report. Other steps include the Lead Reviewers debriefing Ministers and the Commission (if required) on their findings.



# Appendices

# Appendix One – Concepts in the Agency Capability Model

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This appendix describes two of the key concepts and terms in the Capability Review Model:

- Customers, clients and citizens
- Operating model.

## Customers, clients, and citizens

Customers, clients, and citizens is a key aspect in the Agency Capability Model. This term is more expansive than customer, which is the closest parallel in the private sector.

Government, through public sector agencies, develops and implements interventions to achieve some economic, social, cultural, or environmental benefit (or avoid some detriment). These interventions are aimed at influencing the behaviour of individuals, businesses, or groups by:

- providing information, analysis, and advice to inform choices or services to facilitate action
- creating financial incentives or disincentives
- creating legal institutions, rights, and obligations.

Clients, customers, and citizens are the people, groups, and businesses to whom the agency provides services and/or whose behaviour is to be influenced, and/or have a wider interest in the agency. There must always be clarity about those affected by policy decisions, whether those decisions result in regulation or in services to be delivered.

For an agency to be clear about, and deliver on, its purpose and improve its performance it needs to be clear about who is being served or directly affected by its interventions. Are the business strategy and value proposition and operating model of the agency designed from the customer, client, and citizen perspective? Each agency should be able to answer these questions in relation to each core function:

- In whose interests are we working? (segmented in greater detail than simply ‘the public’) i.e., who are our clients and customers?
- What are their main interests/needs and behaviours and what are we broadly trying to achieve for/with each of them in terms of outcomes?
- From where or from whom do we get our understanding of their changing needs and interests which drives the services we provide? Is this source close enough to the actual customer and complete enough to give customers confidence?

## Operating model

In broad terms, the operating model is how the organisation goes about its operations to achieve its strategic objectives, who it works with, how it works with them, how it deploys its resources, and delivers value. It is the way people, processes, and infrastructure combine to deliver the required organisational results or outputs. A clear understanding of an agency’s purpose, vision, and strategy (incorporating a clear understanding of its clients/customers and products/services) will inform its desired organisational results/outputs. An organisation may have more than one operating model to deliver different services/products to different groups.

Operating models are used to describe how an organisation currently operates. They can also be used to communicate how the organisation wants to transform how it operates in the future.

The Agency Capability Model expects that deliberate decisions have been made about how an agency operates and that the chosen operating model supports its efforts to effectively deliver results.



## Appendix Two – Sources of insight and evidence for an Agency Capability Review

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The following list sets out some of the key documents that would be useful in an Agency Capability Review, where they are relevant and available.

### General - Delivery

- Priorities – letters from Minister(s)
- Priorities – response from the Prime Minister
- Most recent Briefing to the Incoming Minister(s)
- Relevant legislation, in particular roles or functions
- Regulatory stewardship reporting e.g., strategy
- Statement of Intent/Strategic Intentions
- Annual Report
- Statement of Performance Expectations (Crown entities)
- Estimates appropriations information/data
- Reports and assessments of the quality of policy advice
- Strategies and plans relating to functional leadership roles (if relevant)
- Long-Term Insights Briefing

### General - Capability

- Reports/Benchmarking from Functional Leads/System Leads

### Leadership, culture and direction

- Long-Term Insights Briefing
- Senior leadership team and other leadership committees' terms of reference or charters
- Agenda and minutes from recent senior leadership team meetings
- Organisational chart – tier three level (with indicative size of Tier 2 business unit)
- Strategy and Accountability Documents (including Strategic Intentions, Annual Reports etc)
- Organisation strategy/key papers
- Business model/strategy description
- Agency level business plan, if relevant
- Values/culture/behaviour description and any reporting
- Recent Minister quarterly reports
- Recent Board reports (where relevant, including key advisory boards, Risk and Assurance Committee etc)
- Recent agency performance reports for senior leadership

## Collaboration and delivery

- Sector strategy / key papers
- Customer and stakeholder insights
- Stakeholder engagement strategy
- Terms of Reference for membership of external groups
- Research and evaluation programme/plans
- Papers from significant reviews on core business areas/role of agency
- Information on business and financial planning processes
- Treaty settlement-based and other relationship agreements with iwi and Māori
- Agency Communication and Engagement plan

## Workforce

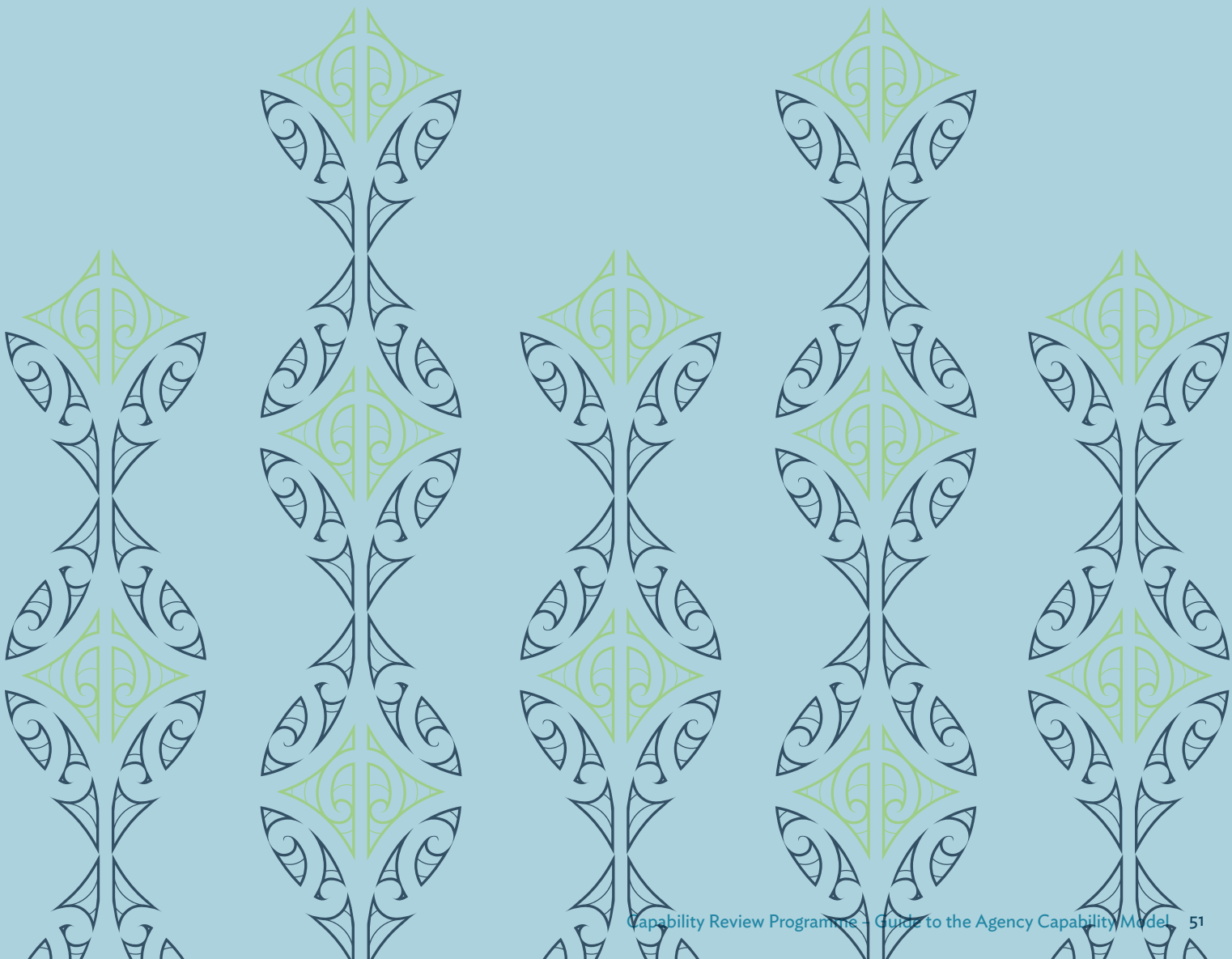
- Views of staff / staff engagement survey
- Four-year workforce strategy (and/or People Capability Strategy)
- Whāinga Amorangi plan
- Workforce reports and statistical information
- Public Service workforce comparative data
- Bargaining and remuneration strategy
- Union relationship agreement(s)
- Kia Toipoto/Diversity, Equity and Inclusion plans

## Public finance and resource management

- Output plan – if not published
- Four-year Plan – if not published
- Finance Strategy/reports
- Asset management strategy/plans/reports
- Investment Management strategy/plans/reporting
- Recent Gateway reviews or other independent quality reviews
- Information management strategy/plan
- Digital strategy/Information Systems Strategic Plan
- Privacy Maturity Assessment Framework report (if available)
- Audit management letter
- Internal audit and assurance programme, including list of internal audit and assurance reports for last two years
- Risk management strategy/policies
- Privacy Maturity Assessment Framework Self-assessment
- Protective Security Requirements Self-assessment
- Risk register or reports

## External reviews

- Investor Confidence Rating Report (capital intensive agencies only)
- Any recent reviews or evaluations
- Any recent Office of the Auditor-General performance audits





**Te Kawa Mataaho**  
Public Service Commission

