

Statement of Performance Expectations

Statement of Performance Expectations 2015/16

**Presented to the House of Representatives pursuant to
section 149 of the Crown Entities Act 2004**

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The Commission at a glance

- We are an **independent Crown entity** with about \$5 million funding per year and around 19 full-time equivalent staff members. Three part-time Commissioners lead and oversee our inquiry and research outputs, and also act as a governance board.
- Our work overall looks at whether the **laws, regulations, institutions and policies** that affect New Zealand's productivity can be improved.
- **Lifting productivity is about generating more value from resources**, such as from raw materials, skills and knowledge – and, as a result, creating more options for lifting the wellbeing of New Zealanders.
- Our main role is conducting **inquiries** on topics that are set for us by the Government. Once set, we **act independently** and **engage extensively** with people interested in the work.
- We have **two inquiries underway**: the first of these, due for completion in August 2015, is looking at **opportunities for improving how social services are provided to lift the wellbeing of New Zealanders**; while the other, due for completion in September 2015, is **considering issues related to increasing the supply of land for housing in New Zealand**.
- The **Government will confirm two new inquiry mandates** during the year, with start dates likely in September and October 2015.
- In addition to our inquiry work, we are also funded to **undertake research and promote public understanding of productivity issues**.
- As part of our research, we **convene a Productivity Hub** with other Government agencies to improve coordination of relevant research. We will be organising a productivity symposium at the start of December to further discuss productivity research.
- We also have a **strong focus on developing our organisational capability** and are continually assessing our performance to ensure we are at the forefront of policy development and research related to our areas of work.

Statement of responsibility

This document constitutes our Statement of Performance Expectations as required under the Crown Entities Act 2004. The descriptions of our purpose, role and functions are consistent with the New Zealand Productivity Commission Act 2010. The contents of the document are consistent with the Minister of Finance's Enduring Letter of Expectations. The document covers a one-year period between 1 July 2015 and 30 June 2016.



Murray Sherwin
Chair

24 June 2015



Graham Scott
Assurance Committee Chair

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Chair's message

This *Statement of Performance Expectations* details how we will demonstrate progress, during the 2015/16 year, toward our aim of providing insightful, well-informed, and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders. The Commission has now been operating for four years. In that time we have completed inquiries and research papers on a wide range of productivity-related topics. Feedback, both structured and formal, indicates that our findings and recommendations are being taken seriously.



Murray Sherwin

Placing New Zealand's productivity performance on a new trajectory requires a high level of ambition in the sorts of policy options that are considered by the Government and supported by the community. For the Commission, this means we need to undertake analysis that is grounded in evidence and well regarded by peers and critics. It also means we need to test ideas that are at the boundaries of what is currently known or considered to be possible. Integral to our success are processes of stakeholder and public engagement that provide for effective and deep community involvement in the development of our ideas, evidence gathering and analysis.

On an annual basis our work programme is focused toward achieving our wider goal within two broad output areas: **inquiries** (where we will make independent findings and recommendations to inform policy decision-making); and, **research and promoting understanding** (where we develop collaborative and coordinated research and analysis to support the development of advice and information and improve public understanding of productivity issues). This document provides detailed information on what we expect to achieve within these output areas during the year, how we propose to assess our performance within each output area, and the indicative costs of delivery on an annual basis for each output.

We currently have two inquiries underway: the More effective social services inquiry, due for completion in August 2015, which is looking at opportunities for improving how social services are provided to lift the wellbeing of New Zealanders; and, the Using land for housing inquiry, due for completion in September 2015, that is considering issues related to the supply of land for affordable housing in New Zealand. We will also receive Terms of Reference for a further two inquiries during the year (our ninth and tenth inquiries overall).

Our surveys and focus groups to date tell us that our inquiry model is fundamentally strong, but we also continue to look for ways to improve how we run inquiries. Our focus will remain on conducting evidence-based analysis, extensively engaging and consulting with the public, and effectively communicating our work. This includes playing to our points of difference as an organisation, such as our ability to find new insights from looking across broad systems of activity, and across the typical boundaries of public, private and community organisations.

In the research area we will continue to coordinate and support the Productivity Hub, a cross-agency initiative to better coordinate productivity-related research, as a critical part of our focus

on developing information that can better promote public understanding of productivity-related matters. As the Hub has developed its research agenda, pulled together what is known about New Zealand's productivity issues and identified gaps where work is required to extend our knowledge, key priorities for future productivity research have emerged to inform the Commission's work and that of other agencies.

We aspire to deliver work which is broad-based, driven forward by evidence, and includes extensive and constructive engagement with a wide range of parties. The influence of our recommendations may emerge over long timeframes and as such, identifying outcomes or trends that can be attributed directly to our work, as opposed to the myriad of other influences on productivity performance, can be challenging. In our first four years of existence, however, we have learnt much about what affects productivity in New Zealand and what key areas need to change in order to make a difference to lifting productivity and wellbeing. We will continue to assess the performance framework described later in this document to ensure that our reporting is as comprehensive as possible and, proportional to our size and funding, provides an appropriate basis for assessing our effectiveness.

We welcome feedback, so please feel free to get in touch to share your views.



Murray Sherwin
Chair
New Zealand Productivity Commission

24 June 2015

Our outputs

The Commission exists to provide recommendations on ways to improve productivity and to increase understanding of the issues affecting productivity. The overall goal of our work is to contribute to creating more options for lifting the wellbeing of New Zealanders. Our work programme is delivered across two output areas: Inquiries and Research. This work considers whether laws, policies, regulations and institutions that affect New Zealand's productivity can be improved.

Output: Inquiries into productivity

The Government chooses inquiry topics to ensure our work is relevant, and that our advice pertains to issues the Government has an interest in addressing.

Once topics are set, we are required to act independently as we go about our work. Inquiries are big pieces of analysis, generally taking 12 months (although not linked to the annual financial cycle).

The time allowed recognises the importance of engaging extensively with those who have an interest in the topics, to ensure we can hear all points of view, get the best available information, understand different perspectives and test ideas.

Research into and promotion of productivity

In addition to inquiries, we undertake research on, and promote understanding of, productivity-related matters on areas that we select.

As part of our collaboration, we work with other government agencies through the "Productivity Hub", which we convene and chair. The Hub is a coordination and collaboration vehicle which helps to inform the research choices of each participating agency, and advance collaborative research projects. The Hub also engages with a wider research community outside government.

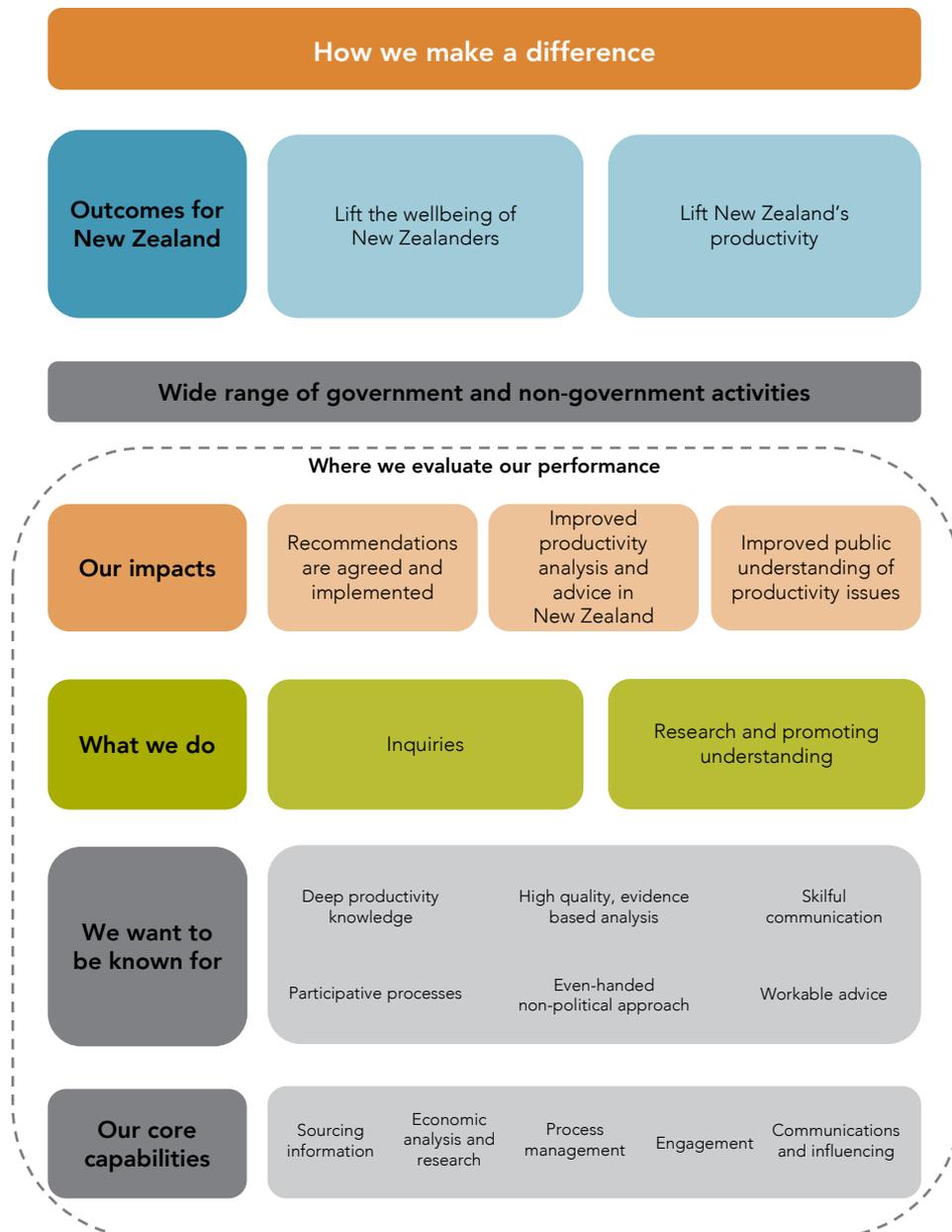
How we will measure our performance

Our outcomes framework

Ultimately we seek to influence two outcomes: **lift New Zealand’s productivity** and, as a result, **lift the wellbeing of New Zealanders**.

Due to the complex nature of productivity issues, the influence of our work will only emerge over long timeframes. It is difficult at this early stage of the Commission’s history to identify changes to productivity performance or wellbeing that can be directly linked to our work, as opposed to many other factors that influence productivity performance.

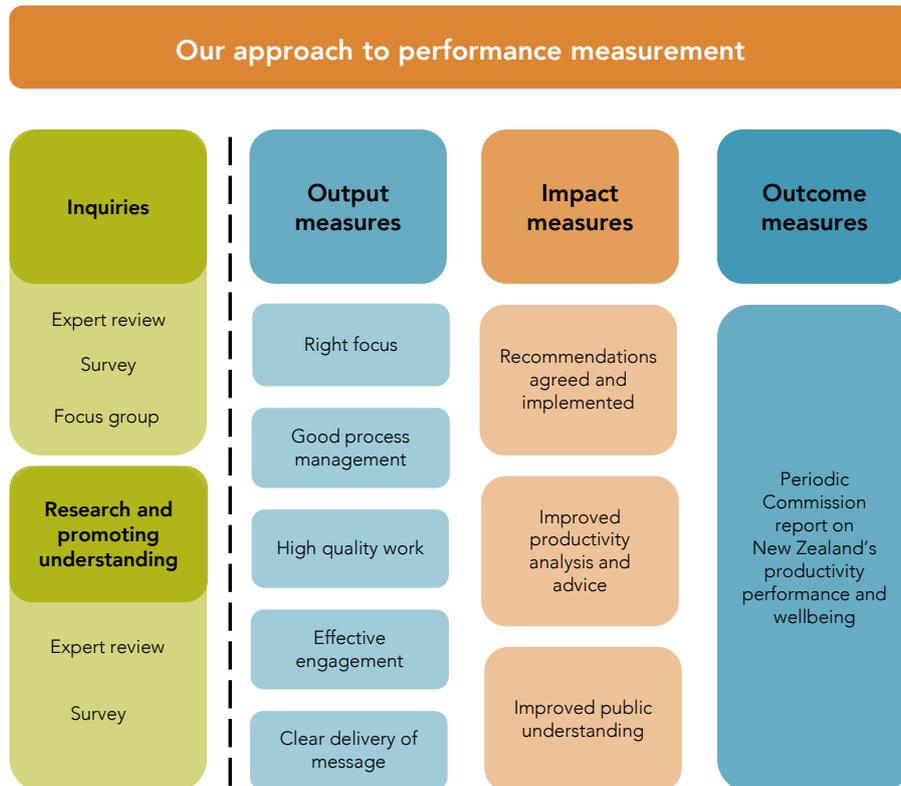
However, robust recommendations, good policy advice, and better public understanding on productivity issues can all contribute to improving these outcomes. The diagram below illustrates how we expect to make a difference in these areas, along with the core capabilities and the reputation we wish to develop.



How we will measure progress against the framework

Strong focus on evaluation, not targets

As identifying and attributing impact from our work is challenging, our performance measures focus on whether our work is reaching a high standard and the impact we are having via reactions to our work from inquiry participants and stakeholders, and in the Government responses to our work.



Three types of measurement and evaluation:

- *Independent expert review* by someone with significant policy and/or productivity research experience, who is sufficiently familiar with our role and functions
- *Survey of external participants* in our work with a broad set of questions covering multiple aspects of the work, such as the quality of our analysis and the clarity of our communication. These surveys provide both quantitative data and narrative feedback
- *Stakeholder focus group* of about 6-10 attendees from different backgrounds, independently facilitated without Commission attendance

To ensure complementarity, the three areas consider our performance using the same dimensions (while ensuring flexibility for other feedback to be provided):

- **Having intended impacts** (i.e. what happens as a result of our work)
- **Right focus** (i.e. the relevance and materiality of our inquiry and research reports)
- **Good process management** (i.e. the timeliness and quality of our inquiry process)
- **High-quality work** (i.e. the quality of our analysis and recommendations)
- **Effective engagement** (i.e. how well we have engaged with interested parties)
- **Clear delivery of message** (i.e. how well our work is communicated and presented)

- **Overall quality** (i.e. the overall quality of the work taking into account all factors)

There are some differences in approach between inquiries and research: The independent expert review takes place for each inquiry once complete. For our research function, a review will take place once a year and evaluate work from across that year. Focus groups are not as well-suited to our research work, but the expert reviewer will talk to some key stakeholders in forming their views.

Reporting on outcomes: highlighting the lessons learned

As noted above, identifying changes in New Zealand’s productivity performance that can be directly attributed to our work is challenging. The influence of our recommendations may emerge over long timeframes. In our first four years in operation, however, we have learnt much about why productivity matters, what affects productivity in New Zealand, and what policy options could improve productivity performance. To highlight what we have learnt we will continue to publish periodic reports that comment substantively on the underlying drivers of New Zealand’s productivity challenge and its implications for wellbeing. These reports will play a role in highlighting key linkages, trends, and themes across our work. Over time, we hope they will also allow us to further refine our outcomes framework with new measures demonstrating the impact of our work on New Zealand’s productivity performance.

Impact-level measures

To lift New Zealand’s productivity and the wellbeing of New Zealanders, we measure the impact of our work in three key areas that we believe will make a significant difference to our outcomes:

- As a result of our recommendations being agreed and implemented (typically through inquiry work), better policy decisions will be made and lead to improved productivity.
- Through improved productivity analysis and advice, scarce resources for productivity work will be better coordinated and lead to more influential and effective research outcomes.
- As public understanding of productivity issues improves, our stakeholders as well as the general public will gain a better understanding of what productivity is and why it is important, increasing the likelihood that productivity improvements are made.

Impact	Measure	Survey Result	Expert review	Focus group
The Commission’s recommendations are agreed and implemented	Inquiry: <ul style="list-style-type: none"> ▪ recommendations agreed ▪ recommendations implemented (From review of Cabinet minutes and follow-up with implementing agencies)	X% X%	<i>[Indicates where summary comment will be inserted]</i>	[]
Improved productivity analysis and advice in New Zealand	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> ▪ The inquiry helped set or lift the standard in New Zealand for high-quality analysis and advice on productivity issues ▪ As a result of the inquiry, future work on [the topic] will be better focused and use resources more effectively 	X% X%	[]	[]

	<p>The extent to which the research work reviewed:</p> <ul style="list-style-type: none"> Helped to set or lift the standard in New Zealand for high-quality analysis and advice on productivity issues Contributes to future work on [the topic area] being better focused and use resources more effectively 	NA	[]	NA
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Impact	Measure	Survey Result	Expert review	Focus group
Promotion of public understanding of productivity-related matters	<p>Inquiry participants surveyed who considered that the inquiry had increased their understanding of the following at least a little:</p> <ul style="list-style-type: none"> The inquiry increased their understanding of [the topic] The inquiry increased their understanding of the importance of productivity more generally 	X%	[]	[]
	<p>The extent to which the research work reviewed:</p> <ul style="list-style-type: none"> Contributes to increased understanding of [the topic area] Increases understanding of the importance of productivity more generally 	NA	[]	NA

Note: The research work to be independently evaluated will include a selection of research/working papers, Productivity Hub activity, and key presentations/speeches. The research survey would target the Productivity Hub’s research community with the intent of using this community to assess perceptions of the Commission’s research performance, not an evaluation of the Productivity Hub itself.

Output-level measures

Below are the specific measures that we will use to assess our performance at an output level. As with the impact level above, the table shows how results will be reported and sets out all the measures that will be applied to the relevant work areas, including summary comments from the expert review and focus group processes.

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - Right focus:				
Relevance and materiality of final inquiry reports	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> The Commission sourced all relevant research and information The Commission engaged with the right people The final report/research paper(s) focused on the issues most significant to [the topic] The final report went into sufficient depth on the issues it covered. 	X%	[Indicates where summary comment will be inserted]	[]
Relevance and materiality of paper(s) within the research work reviewed	The extent to which: <ul style="list-style-type: none"> The Commission sourced all relevant research and information The Commission engaged with the right people The paper(s) focused on the issues most significant to [the topic] The paper(s) went into sufficient depth on the issues it covered 	NA	[]	NA

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - Good process management:				
The extent to which inquiry issues papers, draft reports and final reports and paper(s) within the research work reviewed were delivered to schedule	All external milestones communicated in the Commission's process planning are achieved:			
	<ul style="list-style-type: none"> Inquiry processes 	X%	[]	[]
	<ul style="list-style-type: none"> Research processes 	NA	[]	NA
Participant satisfaction with the inquiry process	Inquiry participants surveyed who agreed or strongly agreed that overall, they were satisfied with the Commission's inquiry processes	X%	[]	[]
Satisfaction with the Commission's management of research processes	Productivity Hub participants surveyed, and reviewer commentary, who agreed or strongly agreed that overall, they were satisfied with the Commission's research management processes	X%	[]	NA

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - High-quality work:				
Participant confidence in the Commission's inquiry findings and recommendations	Inquiry participants surveyed who considered the following aspects to be of good or excellent quality: <ul style="list-style-type: none"> The inquiry's analysis of information The findings and recommendations 	X% X%	[Indicates where summary comment will be inserted]	[]
	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> The Commission's recommendations followed logically from the inquiry analysis and findings The Commission's recommendations struck the right balance between suggesting change and avoiding making change for change's sake 	X% X%		
The degree of reviewer confidence in research findings and conclusions	Reviewer commentary indicates the following aspects to be of good or excellent quality: <ul style="list-style-type: none"> Information analysis of research papers Findings of research papers 	NA	[]	NA
	Reviewer agreed or strongly agreed that: <ul style="list-style-type: none"> Conclusions followed from analysis and findings 	NA	[]	NA

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - Effective engagement:				
Participant perception of the quality of engagement by the Commission	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> There was ample opportunity to participate in the inquiry The Commission was approachable The Commission communicated its views clearly The Commission understood their views 	X% X% X% X%	[]	[]
	Productivity Hub participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> The Commission's facilitation of the Hub was a positive contribution toward improved levels of coordination and collaboration in productivity research 	X%	[]	NA
Engagement meetings held	Number of parties the Commission engaged with during the inquiry , as noted in the final report appendix	#	[]	[]
Submissions received	Number of parties who made a submission during the inquiry , as noted in the final report appendix	#	[]	[]

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - Clear delivery of message:				
Participant perception of the effectiveness of the Commission’s presentation of inquiry findings and recommendations and presentation of research	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> ▪ The findings and recommendations were clear ▪ The style of writing and language used in the report was clear ▪ The summary material provided was useful 	X%	[Indicates where summary comment will be inserted]	[]
	Reviewer commentary on research papers indicates that: <ul style="list-style-type: none"> ▪ The conclusions were clear ▪ The style of writing and language used was clear ▪ Paper(s) provided clarity about steps leading on from the research 	NA		NA

Dimension	Measure	Survey Result	Expert review	Focus group
OUTPUT MEASURES - Overall performance:				
Independent expert evaluation of the overall performance of the inquiry	A report evaluating the overall performance of the inquiry from the final inquiry report (taking into account the focus of the report, process, analysis, engagement and delivery of message) with recommendations for future improvements	NA	[]	[]
Independent expert evaluation of research work	A report evaluating the overall performance of the package of research work (taking into account the focus of the research work, process, analysis, engagement and delivery of message) with recommendations for future improvements	NA	[]	NA
Focus group evaluation of inquiry	Report from a focus group representative of inquiry participants, facilitated by an independent person with significant experience in inquiry-type work with feedback on the inquiry and recommendations for future improvements (taking into account the focus of the report, process, analysis, engagement and delivery of message)	NA	[]	[]
Participant evaluation of inquiry	Percentage of inquiry participants surveyed who rated the overall quality of the inquiry as good or excellent (taking into account the focus of the report, process, analysis, engagement and delivery of message) <i>Note: participants who rated the overall quality of the inquiry positively, as acceptable, good or excellent (a less demanding standard than the performance measure)</i>	X%	NA	NA

Summary of output funding and costs

We are funded to deliver work in two broad areas: inquiries, and research and promoting understanding. Dividing funding in this way allows the Government to determine, at a high-level, the mix of our work. The table below sets out our forecast output funding and costs.

Output (years ending 30 June)	Updated forecast	Forecast
	2014/15 \$000	2015/16 \$000
Inquiries		
Revenue	4,443	4,435
Expenses	(4,341)	(4,435)
Net surplus (deficit)	102	0
Research and promoting understanding		
Revenue	635	634
Expenses	(620)	(634)
Net surplus (deficit)	15	0
Total outputs		
Revenue	5,078	5,069
Expenses	(4,961)	(5,069)
Net surplus (deficit)	117	0

We note the following assumptions related to our forecasts:

- our forecasting is based on an assumption of two full inquiries running at any point in time (noting that there may be overlap of additional inquiries in practice); and
- the costs of both outputs includes an allocation of common corporate costs.

2015/16 forecast financial statements

Our forecast financial statements are provided below. All figures included in the below statements are GST exclusive.

These forecast financial statements are the first financial statements presented in accordance with the new Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). This is a change from actual and budget figures as at 30 June 2014 which were prepared in accordance with NZ IFRS (PBE) as appropriate for public benefit entities. There are no material adjustments arising on transition to the new PBE Accounting Standards.

There are no other significant assumptions underlying the forecast financial statements that the Commission considers need to be disclosed.

Forecast statement of comprehensive revenue and expense

for the year ended 30 June

	Updated forecast 2014/15 \$000	Forecast 2015/16 \$000
Revenue		
Revenue from Crown	5,030	5,030
Interest revenue	48	39
Other revenue	-	-
<i>Total revenue</i>	<i>5,078</i>	<i>5,069</i>
Expenditure		
Personnel costs	2,708	2,824
Depreciation	142	132
Other expenses	2,111	2,113
<i>Total expenditure</i>	<i>4,961</i>	<i>5,069</i>
Net surplus/(deficit)	117	-
Other comprehensive revenue and expense	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	117	-

Forecast statement of changes in equity

for the year ended 30 June

	Updated forecast 2014/15 \$000	Forecast 2015/16 \$000
Balance at 1 July	766	883
Comprehensive revenue and expense for the year		
Surplus/(deficit)	117	-
Owner transactions		
Repayment of surplus	-	-
BALANCE AT 30 JUNE	883	883

Forecast statement of financial position

as at 30 June

	Updated forecast 2014/15 \$000	Forecast 2015/16 \$000
ASSETS		
Current assets		
Cash and cash equivalents	1,219	1,220
Debtors and other receivables	39	-
<i>Total current assets</i>	<i>1,258</i>	<i>1,220</i>
Non-current assets		
Property, plant and equipment	216	102
Intangible assets	40	12
<i>Total non-current assets</i>	<i>255</i>	<i>114</i>
TOTAL ASSETS	1,513	1,334
LIABILITIES		
Current liabilities		
Creditors and other payables	282	261
Employee entitlements	271	190
Provisions	77	-
Surplus payable to the Crown	-	-
<i>Total current liabilities</i>	<i>630</i>	<i>451</i>
Non-current liabilities		
Lease incentive	-	-
Provisions	-	-
<i>Total non-current liabilities</i>	<i>-</i>	<i>-</i>
TOTAL LIABILITIES	630	451
NET ASSETS	883	883
EQUITY		
Contributed capital	500	500
Accumulated surplus/(deficit)	383	383
Returned of surplus to the Crown 2014/15	-	-
TOTAL EQUITY	883	883

Forecast statement of cash flows

for the year ended 30 June

	Updated forecast 2014/15 \$000	Forecast 2015/16 \$000
Cash flows from operating activities		
Receipts from Crown	5,030	5,030
Interest received	48	39
Receipts from other revenue	1	39
Payments to suppliers	(2,140)	(2,202)
Payments to employees	(2,630)	(2,905)
Goods and services tax (net)	(20)	-
<i>Net cash flow from operating activities</i>	<i>289</i>	<i>1</i>
Cash flows from investing activities		
Purchase of property, plant and equipment	(51)	-
Purchase of intangibles	-	-
<i>Net cash flow from investing activities</i>	<i>(51)</i>	<i>-</i>
Cash flows from financing activities		
Capital distribution	-	-
<i>Net cash flow from financing activities</i>	<i>-</i>	<i>-</i>
Net increase/(decrease) in cash and cash equivalents	238	1
Cash and cash equivalents at the beginning of the year	981	1,219
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,219	1,220

Governance and management

Board



Murray Sherwin, CNZM
Chair



Professor Sally Davenport
Commissioner



Dr Graham Scott, CB
Commissioner

Leadership team



Daiman Smith
General Manager



Steven Bailey
Inquiry Director



Geoff Lewis
Inquiry Director



Paul Conway
Director Economics & Research

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa

