

---

## PERFORMANCE IMPROVEMENT FRAMEWORK

# **Formal Review of Ministry for Primary Industries (the Ministry)**

**MARCH 2013**

---

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

## **Lead Reviewers' Acknowledgement**

We would like to thank all those who participated in the many interviews and focus groups that underpinned this review. We valued the positive partnership throughout with the Director-General and his senior leadership team as well as the support we received from all Ministry staff. The agency was well prepared and highly engaged in the review process. We have drawn on the Ministry's self-review throughout this report and also on a set of preliminary interviews with external stakeholders undertaken on our behalf by David Moore, from Sapere Research Group. We felt privileged to have the opportunity to use this review process to partner with the Ministry to build the story on the way forward for this important agency.

**Performance Improvement Framework  
Formal Review: Ministry for Primary Industries**

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

**Published March 2013  
ISBN 978-0-478-40948-2  
Web address: [www.ssc.govt.nz/pif](http://www.ssc.govt.nz/pif)**

**Crown copyright 2013**

**Copyright/terms of use**



This work is licensed under the Creative Commons Attribution-Non commercial-No Derivative Works 3.0 New Zealand licence. [In essence, you are free to copy and distribute the work (including in other media and formats) for non-commercial purposes, as long as you attribute the work to the Crown, do not adapt the work and abide by the other licence terms.] To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-nd/3.0/nz/>. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

# TABLE OF CONTENTS

|  |    |
|--|----|
| Agency’s Response                              | 2  |
| Lead Reviewers’ View                           | 7  |
| Future State: The Four-year Excellence Horizon | 15 |
| Central Agencies’ Overview                     | 19 |
| Summary of Ratings                             | 20 |
| Agency Context                                 | 22 |
| Results Section                                | 23 |
| Part One: Delivery of Government Priorities    | 23 |
| Part Two: Delivery of Core Business            | 33 |
| Organisational Management Section              | 47 |
| Part One: Leadership, Direction and Delivery   | 47 |
| Part Two: External Relationships               | 55 |
| Part Three: People Development                 | 64 |
| Part Four: Financial and Resource Management   | 69 |
| Appendix A                                     | 78 |
| Overview of the Model                          | 78 |
| Lead Questions                                 | 79 |
| Appendix B                                     | 80 |
| List of Interviews                             | 80 |

# AGENCY'S RESPONSE

## Introduction

MPI values the work undertaken by the Lead reviewers and I would like to thank all the staff and stakeholders who contributed their time and expertise to the Performance Improvement Framework (PIF) Review. The Review has been a valuable exercise for the Ministry.

The Review has provided us with a clear picture of what we are doing well and should keep doing, and where we need to focus additional effort in order to deliver on our export double goal. The Lead reviewers have expressed confidence in the ability of MPI to deliver ambitious results for the benefit of all New Zealanders. Whilst signalling that MPI is heading in the right direction, the Lead reviewers have identified a number of constructive ways for MPI to lift its performance and create a stronger platform to meet the Government's Business Growth Agenda (BGA).

Addressing the challenges we have set for ourselves will require MPI to apply greater focus on a number of critical areas.

Building on both MPI's Self-review and the comments of the Lead reviewers, this response outlines how we will work towards our 'Future State' within the four-year 'excellence horizon' set out by the reviewers.

Moving to our Future State will require:

- An accelerated focus on developing our people capability to build the behaviours and capabilities required along with the necessary culture change, to deliver for success.
- Further developing strong strategic leadership within MPI to deliver on the 'Export Double' challenge (the light on the hill that our people want to reach).
- Being clear on and seizing our leadership role; within Government, with the public and with the primary sector.
- MPI becoming a stronger systems manager – one that ensures that the right set of interventions are used to ensure that the Biosecurity, Food and Primary Production Systems deliver a sustainable uplift in export performance.

These four areas of focus are mutually dependent and are fundamental to achieving the Future State. Many of the outcomes we are seeking to achieve require concerted action across each area of focus. Work on a number of the goals and outcomes below is already underway through existing programmes.

As the Lead reviewers note, the BGA goal is to increase exports from 30 to 40 percent of Gross Domestic Product by 2025. This requires a doubling of primary industry export earnings over this period. While this goal is challenging, New Zealand has achieved this level of export growth before. Strong international demand for quality primary products also plays to our strengths. Leading the organisation to deliver on Our Strategy 2030 is the focus for me and for the Senior Leadership Team at MPI.

## Areas of Focus

### Managing and developing our people

As the Lead reviewers acknowledge, MPI's people share a strong sense of purpose and a passionate desire to make a positive difference to the economy and primary industries in New Zealand. The Review has signalled that we need to maximise the value of this huge reservoir of talent and commitment.

MPI will provide the platform for our people to succeed, both now and in the future. We will provide greater clarity about their roles and the organisation's expectations of them, and the resources to do their job. We will identify MPI's future capability requirements and the development pathways available to all staff. The Senior Leadership of MPI (SLT) remains focused on communicating our vision, strategy, and values in ways that truly inspire staff.

To this end, MPI will better support our managers to empower our people, who will be deployable across the public sector and into industry. In particular, we will ensure:

- Staff can align to the wider organisational vision of 'growing and protecting' and our 'Export Double' goal. Everyone knows where they fit and how their role contributes to our vision and goal.
- MPI will build evaluative capability and focus to support innovation.
- MPI is known for a culture which emphasises rapid organisational learning, the ability to 'fast fail' to 'fast learn', and which champions evaluation and review and a dynamic approach to risk. Aligned to this, MPI's people are known for stimulating ideas both within the Ministry and amongst its partners and for being able to identify those interventions that will work.
- Training, talent, career and succession management are a strong focus and all managers have the metrics and skills to effectively manage the people dimension of their role.
- MPI is known for decisions that demonstrate consistency with Our Values. MPI will develop a disciplined approach to setting clear and results-based performance expectations, understood by all staff that supports greater delegation and autonomy as well as addressing poor performance.
- MPI consistently attracts, utilises and develops talent; fosters a reputation as a great place to work and as an agency that is great to work with.
- MPI attracts people who are creative, decisive, determined and effective in advancing the interests of New Zealand and of the primary sector.

### Delivering on 'Export Double'

Delivering on the goal expressed in the BGA, to double the value of New Zealand's primary industry exports by 2025, will continue to be the 'light on the hill' for our people. This is articulated through the Export Double, which is now part of Our Strategy 2030. The Export Double is an important part of our vision of 'Growing and Protecting New Zealand'. This is our chance to make a fundamental difference, and create a more certain future for our children. It will help provide the sort of economy we need to deliver the health and social services we want. It will continue to be important to how we organise our activities and priorities at MPI.

The goal is for all parts of MPI. It touches each and every part of what we do. To this end, MPI will continue to partner with New Zealand's exporting primary industries, including Māori, to help them to identify how the sector can grow its volumes and value add, and how we can best enable them to achieve export growth. As part of this we will:

- Align our capability and producer capabilities with the needs, wants and desires of overseas consumers.
- Develop 'value' regulation; MPI will look at ways to use our regulatory and non-regulatory interventions to add greater value.
- Partner with New Zealand's primary industries, local government, other government agencies and the public to continue to protect the primary sector from pests and diseases.
- Foster and enable innovation in the sector. This will require informed risk taking and new ways of seeing, doing and delivering MPI's services.
- Leverage all our relationships to inform our thinking, to build support for Export Double and to co-create solutions.

Growth and protection are entwined – we can't have one without the other. Doubling exports requires that we are able to protect the primary industries from biological risk and the harm pests and diseases may cause should they become established. To this end, MPI will continue to focus on raising awareness across our partners, key stakeholders and the general public of the importance of biosecurity and the role they are required to play.

MPI has a range of initiatives already underway that will optimise the delivery of biosecurity. MPI will:

- Continue to ensure that MPI has sufficient capacity to deliver biosecurity requirements at the border.
- Remain focused on improving the way risks are identified, prioritised and ensuring the most efficient/effective intervention mix is selected.
- Implement *Future Direction for the Border Sector* – aimed at improving border protection and making trade and travel easier through better coordination of border services across MPI, Customs and Immigration NZ.
- Continue to develop the *Joint Border Management System* – an information system that will provide a set of modern, integrated information technology products will give MPI, Customs and industry better information and risk assessment tools.
- Continue to progress *Government Industry Agreements* – which provide a key mechanism to better prepare for and respond to biosecurity threats in New Zealand.
- Undertake a review of the *National Biosecurity Capability Network* with the aim of enhancing capability in the network.

## **Leadership role within Government, the public, and the Primary Industries**

The Ministry's leadership role in achieving the sort of economy we need to deliver the health and social services we want is critical; MPI will need to be clear on the role that government can play – and its own place in that – as the sector works to meet our export double goal.

MPI will champion the primary industries within the wider machinery of government and with the public. Critical to championing the primary industries will be continuing the transformation of MPI into an organisation that views itself as an economic development agency focused on the sustainable use of our natural resources.

MPI will successfully leverage its relationships with other agencies – notably the Ministry of Business, Innovation and Employment (MBIE) – to address broader economic, fiscal and public sector performance policy issues that may constrain the primary sector.

MPI will lead a debate to forge sufficient support to enable us to simultaneously meet our export double goal and protect those values and interests that industry and the wider public see as legitimate. The public legitimacy of MPI's decisions will be bolstered by engaging industry and the wider community in ways that promote shared understandings of the relevant risks and opportunities, allowing for the best solutions to emerge for New Zealand.

MPI will be clear about where and how the Government adds value. MPI will know how to use its regulatory and non-regulatory interventions to help achieve our goal.

MPI will prioritise innovation and strengthen our capability with an expectation that our responses to issues will be innovative and entrepreneurial. This will be based on a clear framework for assessing what works and where government can add the most value.

## **Using a 'systems management' approach to maximising value**

MPI's core business is the management of three major systems—the biosecurity, food safety, and primary production systems. MPI is still developing its management of these systems following our mergers. MPI is moving away from managing initiatives and programmes in isolation towards better understanding which of its interventions in these systems are the most appropriate means of lifting their performance and export earnings, while protecting those things communities value. To this end:

- MPI will need to be just as focused on the primary industry's customers and consumers as it is on producers, and will need to focus effort on its regulatory role in terms of the value regulation adds rather than the activity it prevents.
- MPI will develop and then utilise principles and/or prioritisation tools that help determine the best interventions throughout the Biosecurity, Food and Primary Production Systems.
- We will develop our capability as a major systems manager to ensure that the right set of interventions are used so that the primary sector, including Māori, is able to deliver the sustainable uplift in exports our goal demands.
- We will ensure that our planning and reporting instruments support the systems management challenge. Risk management, business intelligence, performance evaluation and better coordination will continue to be crucial in service delivery excellence and identifying the right mix of interventions.

- Building on this systems approach, MPI will need to understand and mitigate not only its organisational risk, but also the risks the sector faces.
- MPI will continue to develop its current governance arrangements, business planning, and strategy setting in a way that supports management of each of the three systems MPI manages.
- SLT, as a governance group, will continue being forward focused, reaching out and across each of the three systems MPI manages.
- We will ensure our mental models and the language we use support our approach to managing the three systems.

## **Demonstrating our success**

The Future State recognises that, in meeting the challenge set out in the PIF, the Ministry will:

- Identify the specific actions we will adopt in order to achieve the above mentioned goals, and identify, collect, collate, analyse, report on and monitor associated metrics.
- Review our progress towards the Future State alongside the range of other quarterly reports MPI undertakes. This will be the mechanism through which we will monitor our actions and our progress on these.
- Look to incorporate questions in our staff engagement and stakeholder surveys to measure progress in embedding the key 'change' behaviours.
- Invite the Lead reviewers to review progress on an annual basis, to ensure an independent perspective on progress and identify any necessary course corrections.

Achieving the goals set out above requires MPI to maintain its focus on continually increasing value for money. We will build on current initiatives by:

- Rigorous priority setting
- Making explicit decisions about what we should not be doing, supported by feasible exit strategies
- Collecting better management information to measure and drive improved cost effectiveness.

**Wayne McNee**

Director-General, Ministry for Primary Industries

## LEAD REVIEWERS' VIEW

*In undertaking this review the Lead reviewers considered: "What is the contribution that New Zealand needs from the Ministry for Primary Industries (the Ministry) and, therefore, what is the performance challenge?"*

### Executive Summary

It is a big stretch for the primary industries to deliver the export earnings growth required to meet the Government's Business Growth Agenda goals for 2025.

While export earnings are generated by businesses, government's influence in the biosecurity, food safety and primary production systems is pervasive. The challenge facing the Ministry is to use the instruments available to government to ensure these systems can double export earnings from primary industry over the period to 2025 in a sustainable way. Current policy settings and programmes are insufficient. Success requires that the Ministry address longstanding issues that have been a drag on productivity and have constrained New Zealand's ability to add value to commodity products, as well as discovering how we can use land, water and sea resources more intensively and more sustainably.

Meeting this challenge will require real innovation from the Ministry. Improving system performance requires far more than the successful execution of existing programmes and policy approaches. It requires an understanding of how the biosecurity, food safety and primary production systems need to be configured to deliver more value to those offshore consumers prepared to pay the most for what we can provide, and then producing and capturing more of that value for New Zealand. We need to add export value, as well as volume. The Ministry needs much greater clarity about where and how government can add value to ensure those systems can deliver this outcome. That includes helping ensure that the economic and employment opportunities are pursued in a way that protects other community values and that Ministers are well placed to tell this story.

The new Ministry has made a good start in many of the areas critical to success. It has a clear purpose of "growing and protecting" New Zealand and is heading in the right direction. With a successful merger now behind it, the Ministry is starting to transform itself into an economic development agency that can help deliver the required lift in systems performance and export earnings, while protecting those other things the community values. A key element of that transformation is the quality of external relationships the Ministry is building with those public agencies and private organisations that it will have to partner with to be successful.

There are also areas that need attention. There needs to be more focus on the 'and' in 'growing and protecting' and the export goal now needs to be widely communicated and made more relevant to what people in the Ministry are actually doing. Management of the Ministry's people needs to be markedly improved and the new culture reflected in the way decisions are made. The governance structures and business processes required to integrate functional business lines need strengthening. Better use of information and intelligence and more emphasis on evaluation and review will make a material contribution to improving efficiency and effectiveness as well as helping develop a capability for learning and adaptation that will be needed as the Ministry explores new ways of delivering results.

Most challenging of all, however, is the need to develop real thought leadership that can rethink the role that government should play to improve system performance in support of the export target.

This will not only place more emphasis on the capacity for learning and adaptation, but also require the Ministry to develop new capability and forge new relationships; especially those required to ensure these systems are more consumer-centric. Precursor agencies demonstrated thought leadership in some areas over some periods. Success requires that this leadership now become common and enduring.

## **The Performance Challenge**

### **The Ministry exists to ‘grow and protect’ New Zealand**

The Ministry exists to ‘grow and protect’ New Zealand by helping deliver a substantial increase in primary sector productivity and export earnings, that is based on environmentally sustainable resource use and is protected from biological risk. Given our reliance on primary industry, this is absolutely fundamental to New Zealand’s continued prosperity and our ability to meet the social aspirations of New Zealanders as our population ages.

### **The Government’s export earnings growth goal is achievable**

The Government’s Business Growth Agenda goal is to increase exports from 30% to 40% of GDP by 2025. The Ministry suggests that this will require a doubling of export earnings over this period. This is a big stretch. However, New Zealand has achieved this sort of export growth before. Strong international demand for quality primary product also plays to our strengths. While the goal is ambitious, it should be achievable.

### **However, delivering that goal will be difficult**

The current course and speed is insufficient to deliver the uplift in primary export performance necessary to deliver this goal. While there is significant potential outside of biological primary exports (eg, in petroleum and minerals), the dominance of food, fibre and beverage means that these sectors will still need to deliver most of the additional export earnings. Indeed, primary sector export earnings need to grow about twice as fast as they have over the last decade to play their part in meeting this goal.

That will require getting a lot of things right in a relatively short order.

Improving productivity of primary industry will be heavily dependent on our ability to discover better ways of doing things and on ensuring rapid and more widespread adoption of best practice, including lifting the productivity of Māori land. It will require more intensive resource use of land and fresh water to support, for example, more irrigation and dairy production, as well as of sea space to support aquaculture development. Increasing education and training - including the supply of graduates with relevant skills - will also make an important contribution.

However, increasing export volumes is not sufficient. We will also need to add more value to what we produce and successfully manage the risks associated with biological systems. Reaching the goal will, therefore, also require far greater attention to finding the right 30 million global consumers that we can supply with our primary exports, understanding what they value and then producing and capturing that value. Doubling exports also requires that we are able to protect these industries from biological risk and the harm pests and diseases may cause should they become established.

Finally, increasing exports from 30% to 40% of GDP requires a significant and sustained improvement in the position of the tradable sector of the economy relative to the non-tradable sector, with resources shifting to the former from the latter. This is hard to imagine without some moderation in domestic cost pressure on tradable margins. This has implications for the conduct of broader

economic and fiscal policy and, therefore, the extent to which the Ministry's success will depend on other agencies with responsibility for economic development, fiscal and public sector performance - notably the Ministry of Business, Innovation and Employment (MBIE) and the central agencies.

### **And poses significant challenges for government and the Ministry**

Progress in each area mentioned above poses significant challenges for government, in many cases challenges of long standing. We will not succeed by just doing a little better at what we have always done. The Ministry is starting to rethink how it adds value.

While the private sector will ultimately produce the exports needed to meet the Government's goal, government will have a major influence on the outcome, for good or ill:

- Central and local government play major roles regulating natural resource use: from land use planning and consenting; the allocation of fresh water and sea space; regulating to control pollution and emissions; through to regulating the fish quota management system. The Ministry works with other government agencies in the Natural Resources Sector, led by the Ministry for the Environment, to ensure environmentally sustainable resource use - most immediately in the reform of fresh water management and in supporting the development of irrigation infrastructure. The Ministry also has responsibility for fisheries management, the development of aquaculture and advising on the development of, and managing the emissions trading scheme for, forestry and agriculture.
- Governments negotiate market access scope and terms with each other and cooperate in the interpretation and enforcement of trading rules and border protection. The Ministry currently chairs the cluster of border agencies whose aim is to increase desirable two-way trade and travel, reduce undesirable flows and reduce the cost, including of delay and inconvenience, in crossing the border. The Ministry leads the biosecurity system and has specific responsibility for preventing harmful pests and diseases from entering New Zealand and the harm caused by those who do enter. Reduced biological risk supports investment and protects export revenues. The Ministry also works closely with the Ministry of Foreign Affairs and Trade (MFAT) to help negotiate improved market access, negotiate free trade agreements, and provide assurances that keep trade pathways open.
- Government is also heavily involved in funding and regulating a number of activities that aim at improving primary sector productivity (from science and innovation through education and training through to grant schemes administered by the Ministry, especially the Primary Growth Partnership and Sustainable Farming Fund). Regulation can make it easier for industries to act collectively at either the producer level (eg, the Commodity Levies Act) or across the supply chain (horticulture and dairy). The Ministry manages the Crown's forestry assets, regulates the sector and works with it to improve forestry productivity. The Ministry also partners with Māori to enable an increase in the productivity of their primary sector assets.
- The Ministry leads the food safety system and sets and enforces standards to ensure the safety of food imported or consumed here as well as food produced here and exported.
- The Ministry is responsible for the overall animal welfare system and enforces standards for animal welfare which are set by the Minister.
- Government's management of the economy and the budget inevitably ends up having a disproportionate impact on the exposed sectors of the economy, like primary industry exports. The Ministry is also one of main agencies in the economic development cluster.

The Ministry is starting to focus on how this suite of interventions impacts on the operation of the biosecurity, food safety and primary production systems, as well as on individual firms and industries.

### **Three factors will be critical to success**

The primary industries will not achieve the contribution required to meet the Government's challenging export target unless they, and the officials who advise on the sector and administer the regulation and funding 'levers' identified above, can deliver three critical results.

#### *a. Greater clarity about where and how the government adds value*

The Ministry is rethinking how government can really add value and what sorts of interventions are likely to be most effective (or establish efficient processes that will discover and evolve this "business model" in a timely and low cost way).

Some of this will need to be an extension of well understood principles to, for example, provide greater policy certainty (eg, around foreign direct investment); improve the quality of regulation; better targeting and timing of border interventions; and to encourage greater voluntary compliance with standards.

Some of it will require developing agreed approaches to the role of government in areas where that role is controversial (like supporting innovation and internationalisation; changing the pattern of skills development; better aligning firms' incentives with the wider industry to encourage greater firm investment in innovation, training or brand development that generates industry-wide benefits; and identifying mechanisms that allow better allocation of resources).

However, some of it will require new thinking in new areas. We will not reach the export goal by simply producing more volume or by reducing cost - we will need to add value to what we already produce. This will require giving far more weight to identifying the right consumers, producing what they value and capturing more of that value. The Ministry will need to think a lot harder about how it uses its regulatory and other interventions to help achieve this goal.

For example, the Ministry's regulatory and enforcement roles means it is well placed to provide the assurance to consumers that products are what they claim to be, either directly or through others (eg, around claims about the safety or health benefits of food, or the impact of production on environment, animal welfare, wildlife or whatever else consumers value). The recent illicit export of infant formula to China demonstrates how powerful a value adding factor food regulation can be when it is believed to have high integrity in assuring product quality and safety, as well as highlighting how poor we have been in extracting that value.

This requires a very different way of thinking about the potential value added from regulation, one that is far bigger in scope than simply the efficient setting and policing of minimum standards agreed to protect community interests or comply with international conventions. The standards consumers value need to be given far more weight and the Ministry needs to rethink how it works with industry - and with New Zealand trade and Enterprise (NZTE) and MFAT - to help identify the right consumers and the right consumer values.

More thought also needs to be given to the impact government intervention has on the likelihood that New Zealand captures more of that value. That implies a better understanding, for example, of where competition can help and where collaboration is needed to capture value and build collective brand attributes. It is also likely to require more attention on the impact of the government's substantial investment in science, innovation, education and skills development.

### *b. Protection from pests and diseases and the harm that they cause*

Biologically-based primary industry needs to be protected from pests and diseases and the harm they cause. That relies heavily on the effective use of government's regulatory and enforcement powers, especially at the border. A significant biological incursion could put the export goal beyond reach. Reducing biological risk encourages investment in our biologically based primary industries. Keeping New Zealand free of some pests and diseases makes us a more attractive exporter, with better access to markets as a result of our disease free status. Reducing risks creates a virtuous circle, with less need to rely on costly pest and disease controls that can impact negatively on the environment and perceptions of food quality both domestically and offshore.

### *c. Creating sufficient community agreement to progress*

We need to be able to forge sufficient agreement to enable us to simultaneously meet our export goal and protect those values and interests that industry and the wider community see as legitimate. Moreover, there needs to be enough longer-term stability in this broad agreement to encourage the investment we are going to require individuals and firms to make in developing human, physical and brand capital.

Officials have to help government engage with industry and the community in a way that promotes an accurate and shared understanding of the relevant risks and opportunities, allows the best solutions to emerge for New Zealand and avoids the sort of polarisation that stifles progress. These will be solutions that, for example, advance 'growing' and 'protecting' simultaneously (including protection of environmental, food safety and animal welfare standards); that promote both utilisation and retention of Māori land (especially retention of local community and its link to the land); that allow us to participate in the benefits of scientific discovery in areas like animal and plant genetics while being comfortable that the attendant risks are well managed; and that allow the development of better mechanisms for allocating resources like land, fresh water and sea space to their best use, as we have been able to do in the past so successfully with fish stocks.

The three-year Land and Water Forum process has helped provide high level policy direction, including on a limits-based approach. While this direction needs to be developed and the degree of consensus achieved by the Forum will inevitably face tests, it provides a useful example of how industry and the community can be engaged and make progress on a difficult set of issues.

## **The Ministry is heading in the right direction and needs to keep transforming itself to meet the challenge**

Success requires the Ministry to move quickly from a focus on integrating its three predecessor agencies. It needs to complete the task of transforming itself into an economic development agency focused on the sustainable development of our natural resources in a way that delivers most value to consumers and helps industries and firms capture far more of that value for New Zealand. Too many people are looking back to the organisations they came from at the very time they should be looking forward and taking opportunities.

The organisation is no longer having to respond to a 'burning platform', rather the export goal and all it represents for New Zealand has to become the light on the hill people want to reach. To do that, the Ministry needs to see itself less as the collection of different regulatory and funding functions in the primary sector and more as a system manager - one that ensures that the right set of interventions are used to ensure that the biosecurity, food safety and primary production systems are able to deliver the sustainable uplift in export performance that Government is seeking (ie, is focused on delivering results). This will require some innovative thinking about its role and about the role of government.

The Ministry is well placed for this transition in a number of respects. It is clear about its purpose of 'growing and protecting' and is heading in the right direction. It also knows it cannot succeed on its own and is already well on the way to developing the scope and quality of external relationships it will need to succeed. For example, it is already at the nexus of a number of government agency clusters that are developing in strength and sophistication: especially the natural resources sector and border sector. The Ministry is also developing more engaging and strategic relationships with many of the key industry players that will provide the platform for real partnerships in the future (eg, to enable co-creation of solutions through to more effective voluntary compliance with standards). These now need to be extended to tier two and three stakeholders, with more disciplined relationship management to support that extension. Relationships with Ministers are strong.

'Growing and protecting' is well known throughout the agency and the goal of doubling export earnings from the sector by 2025 sends a clear signal of the magnitude of both the prize and the ask. The goal is discriminating enough to help drive priorities and focus attention on those areas that are needed to make a material difference. However, senior management recognises that a number of areas need attention to strengthen the unifying and motivating power of the Ministry's purpose, vision and strategy:

- The 'and' in 'growing and protecting' needs to be brought to life for all of the community and consumer values the Ministry seeks to protect to counter the view in some quarters that 'growing' suggests a weakened commitment to 'protecting', both at the border and with regard to these wider values.
- While the Business Growth Agenda goal has existed for some time, the Ministry has only recently adopted the goal of doubling primary-based exports by 2025 and this had not been communicated widely either inside or outside the Ministry at the time the PIF interviews were conducted. This communication needs to be undertaken in a way that is motivating to the Ministry's people and its partners. Internally, people need to believe that the Ministry is focused on growing value for New Zealand, not just reducing cost.
- The implications of the goal also needs to be reflected in the Ministry's strategic and business planning, with operating models that will deliver the goal within the likely budget allocation. It needs to be clearer about how government can add the most value to achieving the goal. The Ministry then needs to reflect that understanding in the expectations and targets that are set for different parts of the Ministry, so that the Ministry's people know where they fit and what results they need to achieve. This is a critical time to build confidence that the goal can be achieved. If it is to gain any traction, the export goal needs to be a real target, not merely 'aspirational'.

This 'purpose, vision and strategy' aspect of organisational management is so fundamental to success that these emerging issues require urgent attention. People who work for the Ministry need to be motivated by the story and know how they are making a difference.

The Ministry recognises that many of the challenges faced are of long standing and that new approaches are required to double the sector's export earnings. Most people interviewed for this review thought some combination of increased sector productivity, more intensive resource use and greater value added to commodities was needed. However, while there were plenty of sound ideas for marginal and operational improvements, it was rare to find people inside or outside the Ministry who could point to the things the Ministry might do that would have a big positive impact on these areas that would also add value from a wider economic perspective.

That suggests that the Ministry's thought leadership role will be critical. It needs to rethink the role that government can play, and its own place in that, if the sector is going to meet the Government's earnings target. That will require policy innovation and entrepreneurship based on a clear framework for assessing what works and where government can add the most value, net of the cost of intervention. That needs to be supported by a willingness to try things and an enhanced ability to quickly assess what is working and to abandon what isn't. That puts a premium on inspiring policy leadership, on attracting and retaining talent, on stimulating ideas inside the Ministry and amongst its partners and on being able to identify those interventions that will work and use what is unique about government to crowd in private activity, rather than crowd it out. It will also require a change in attitude so that the Ministry is as focused on consumers as it is on producers, and is able to see its regulatory role in terms of the value regulation can add rather than just about the activity it prevents. These will be the most difficult of all of the things the Ministry will need to get right.

Any structuring of roles and responsibilities creates boundaries that inevitably create problems. The Ministry's current structure breaks down inherited agency silos, promotes functional expertise and eases movement of people within functions to meet changing demands, albeit all at the risk of higher transaction costs and more diffuse accountabilities. While SLT is an effective integrating governance mechanism it can only do so much, and other integrating mechanisms in terms of governance, process requirements and cultural values are still evolving and remain largely untested. These integrating mechanisms need to be strengthened.

The new organisational values have been well developed, are widely recognised and accepted as legitimate expressions of those values necessary to make the Ministry an effective and satisfying place to work. While the Ministry is well advanced in 'building partnerships', stronger people management is required to ensure the other three values are reflected in people's behaviour. Valuing people and their work, giving and taking responsibility and acting with purpose to deliver results will require a more disciplined approach to setting clear and results-based performance expectations, and addressing poor performance, in order to support greater delegation and autonomy (ie, 'tight-loose-tight' management will support the values). Management needs to demonstrate in a very practical way how the values guide its behaviour and decisions before it can expect them to guide everyone else's. People are likely to take particular note of the way managers handle people whose behaviour is more or less consistent with the values.

Senior management recognise that people leadership and management needs improving and have invested heavily in a number of leadership and management programmes. This investment needs to be supported with clear expectations around performance management, with good management recognised and poor management addressed throughout the hierarchy. More managers need to set clear performance expectations at the start of the year with their people and have meaningful performance conversations throughout the year, all with a greater focus on "achieving results". They should also be required to address poor performance, either through stronger development, better job matching or exit. Training, talent, career and succession management all need much greater focus, and management needs the metrics to effectively manage the people dimension of its role. The staff survey highlighted some of these long-standing management weaknesses in at least some of the predecessor organisations. Management can reinforce that it truly 'values people and our work' by 'acting with purpose' in responding to the very clear messages coming out of the survey. It is a mistake to see the poor survey results as simply the by-product of the merger.

While the new management has been able to extract significant efficiencies as a result of the merger, there are two important areas where efficiency and effectiveness could be significantly improved:

- By much better use of information and analysis to support risk-based operational decisions eg, to better target both the timing and location of surveillance, investigation and enforcement functions on areas of highest risk where intervention will have the greatest effect.
- Through more emphasis on evaluation and review of the Ministry's programmes and services. A new evaluation programme is being established and a number of reviews have been undertaken (eg, Psa-V). However even very large programmes that have broken new ground for the Ministry, such as the Primary Growth Partnership programme, were not set up with clear review criteria or process in mind. This speaks to the agency's capacity to learn, innovate and continuously improve. It will need to be a lot stronger to support some of the 'new thinking in new areas' that is going to be required to deliver on the Government's ambitious export goal.

Finally, management and the corporate support areas need to work together to identify, provide and utilise the information and analysis needed to improve Ministry effectiveness, efficiency and risk management. While the merger has demanded a lot of attention to align systems and approaches, areas like finance, risk and information management recognise they can make a much bigger contribution to the Ministry and have a good idea about what they need to do to make that a reality (eg, the ISSP has identified an ambitious information and ICT systems development programme). Some corporate resource reallocation is planned to enable investment in supporting stronger internal management and decision making.

# FUTURE STATE: THE FOUR-YEAR EXCELLENCE HORIZON

## Operating Environment

Despite the weak world cyclical position following the financial crisis, structural factors in the global economy are likely to underpin strong demand for primary products for the foreseeable future; especially food, fibre, beverage, energy and minerals. The world is becoming more urbanised and many of its wealthier citizens are increasingly concerned about both food safety and quality, and environmental impact and sustainability. In this environment, New Zealand's reputation for integrity and the underlying quality of our production systems, food quality and environmental standards should become more valuable.

At the same time, the increase in trade and travel that underpins New Zealand's prosperity increases the risk of importing pests and diseases that could undermine the biological systems on which we depend.

These global trends will create valuable market segments for our primary exports at the same time as they increase the risks we face. Capitalising on this opportunity will require us to identify the most profitable segments, produce what is most valued by these consumers, ensure they can trust our assurances that our products are what they claim to be, and then capture more of that value for New Zealand. Some of that value will come from extra volume. However to double export earnings over the decade we will have to add and capture more value from what we produce. Managing the attendant risks will require continued vigilance to maintain our reputation for integrity along with much better use of intelligence to target risk mitigation where it matters most.

The domestic environment reflects global trends: with more pressure on the physical environment; more concern over farming, fishing and forestry practices; more focus on food quality; and more concern over the potential depletion and degradation of natural resources at the same time as there is more contention over who benefits from the way these resources are allocated. Increased pressure on public finances means that the Ministry needs to continue to find more efficient and effective ways of operating within a more constrained expenditure track.

## Business Strategy

The Ministry's *Our Strategy 2030* has a vision of 'growing and protecting New Zealand'. It recognises that export growth will derive in large part from consumer confidence in our biosecurity, food safety and environmental protection systems.

The strategy has four key focus areas that are needed to help deliver a doubling of export earnings from primary industry: maximise export opportunities; improve sector productivity; increase sustainable resource use; and protect from biological risk.

Through the strategy and its related outcome framework, the idea is to target the Ministry's efforts through effective prioritisation. The Ministry will work with those primary sectors with the best potential for sustainable growth, and on increasing market access for the highest value markets.

The strategy is also strongly focused on aligning regulatory and compliance tools more closely to risk, based on more effective use of business intelligence.

Success requires effective collaboration with a wide variety of other agencies, especially those that are part of clusters that are starting to work much closer together to deliver cross-agency outcomes: especially the natural resources sector, border protection and, increasingly, economic development.

While the goals and broad focus areas of the strategy are reasonably clear, it is far less clear how the government can add the most value in these areas or what sorts of interventions are likely to be most effective, net of the costs inevitably associated with these interventions. Many of the challenges we face are long standing. It is difficult to find people inside or outside the Ministry who could point to interventions the Ministry might take that would be sensible from a wider economic perspective and have a big positive and enduring impact on primary export growth. New thinking will be required to come up with a new business model that is based on sound intervention logic.

Internally, delivering on the strategy will require some changes to the capabilities within the Ministry and changes to internal culture, including, in addition to the need for stronger 'thought leadership' capability referred to above:

- aligning the individual missions of staff to the 'growing and protecting New Zealand' purpose of the Ministry
- developing a better understanding of the market drivers of value - the best consumers, what they value most and how to capture more of that for New Zealand
- an even greater focus on stakeholder relationships, in a strategic rather than transactional sense
- moving from information collection to information analysis and intelligence-led decision making and risk management
- more dynamic and rapid organisational learning, through faster experimentation, evaluation and review loops and a more dynamic approach to risk.

However, the most important change will be to develop a stronger and enduring capability for thought leadership, and translate that into a clearer role for government, and the Ministry, that will help generate a substantial and sustained lift in primary product export growth.

## Operating Model

The Ministry needs to shift its attention from what has been a successful merger to building an economic development agency with a clearer business model and the operating models necessary to support it.

The strategy remains at a high level and is long term in nature. It does not provide a clear guide to the prioritisation decisions required if the Ministry is to lead the primary production sector in lifting export earnings growth. Considerable interpretation is left to staff and stakeholders to see where they fit and how they make a difference. This can lead to unproductive internal debate (eg, 'growing' versus 'protecting'), tentativeness, and lack of urgency.

The strategy now needs to be cascaded into shorter-term action plans and the results required from business units and individuals need to be identified more clearly. This will be challenging, given the functional structure of the organisation. No one branch owns an entire value chain and thus there is a critical internal reliance on the integrative mechanisms that connect across the functional elements of the business.

While the merger has inevitably required a focus on structure, the Ministry has created a number of integrating mechanisms to hold the structural matrix together. These mechanisms – especially the governance coordinating committees, core values and cross organisational processes – now need to be developed and strengthened.

The Ministry also has to shift its focus from managing initiatives and programmes to a greater focus on managing the biosecurity, food safety and primary production systems (ie, understanding how the various interventions it makes work together to improve system performance to produce the desired system-level results).

Finally, the benefits of the functional structure need to be fully exploited. This structure makes it difficult to recreate silo behaviour around the old agencies or old MAF businesses, and places a real incentive on managers working effectively together to achieve results. The functional structure also promotes functional expertise and increases functional flexibility to meet changing demands. Capitalising on these benefits requires multi-skilling staff to support a wider functional operating brief.

## **Change Capability**

The Ministry has demonstrated strong change management capability in delivering the benefits of a complex merger and restructuring without major disruption. It has a strategy and set of supporting values in place that have the wide support of staff. The Chief Executive and his management team have deepened and improved many key industry relationships.

This change management capability will be tested in new ways as the Ministry moves to building an effective economic development capability. This will require more distributed leadership and management - including stronger thought leadership along with better people management, especially closer to the front line. The Ministry's goals need to be translated into clear expectations for staff along with a stronger focus on delivering results that significantly improve system performance in the desired timeframe. Success will also require translating the good external relationships the Ministry has developed into new ideas and improved results in areas that have proved difficult to advance in the past.

These require very different change management skills than those required for a successful merger. These changes are harder to drive from the top and are much less obviously immediate and urgent. There is less of a burning platform and a greater need to paint a motivating vision of the desired future state.

The current senior management team has demonstrated change capability across many of these dimensions, albeit in smaller organisations. What will be quite new is the need to build, manage and lead a strong thought leadership capacity that can develop new solutions for long-standing problems.

## **What will success look like?**

In four years time, the Ministry will be defined by its proactive thought leadership and its system management, rather than by its component parts and individual initiatives and programmes.

That leadership will have identified clear and convincing roles for government in improving the performance of the biosecurity, food safety and primary production systems to generate a substantial and sustained lift in export earnings. Officials would share an agreed framework that would guide their advice to Ministers on the sort of government intervention that would be most appropriate.

The legislative and regulatory framework for the biosecurity, food safety and primary production systems would be widely seen as amongst the best in the world. Government interventions would be targeted on improving the performance of these systems to meet system-level goals.

Consumers, the public and industry would have a consistently high level of confidence in the effectiveness of our biosecurity system and in the Ministry's assurances around the safety and quality of food produced and consumed in New Zealand. There would be assurances that our primary products are what they claim to be and have been produced in conformity with standards that consumers and the public value. New Zealand will capture more of that value.

The Ministry will consistently attract, utilise and develop talent and will have a reputation as both a great place to grow and to work and as an agency that is great to work with. It will be seen as creative, decisive, determined and effective in advancing the interests of New Zealand and aligning the interests of primary industry with this wider interest.

The goal of doubling the value of primary exports by 2025 will be seen as clearly within reach.

**Debbie Francis**  
Lead Reviewer

**Dr Murray Horn**  
Lead Reviewer

## CENTRAL AGENCIES' OVERVIEW

The Government's clear priority is to deliver better public services to New Zealanders, within the tight budget the Government is operating under. Government agencies are expected to review and change how they operate to focus on the most effective and efficient use of resources and to deliver better public services to New Zealanders.

The Performance Improvement Framework is used by a small group of respected Lead reviewers to review agencies to provide insights into how well the agency is positioned for the future. Chief executives value the opportunity to engage with Lead reviewers to discuss those insights, as do we.

We, as central agency chief executives, also benefit from Lead reviewers' insights about the State Services and the opportunities that exist to improve its operation. Ministers, the public and agency stakeholders are entitled to information about agency and sector performance and to know what is being done to lift that performance.

Given New Zealand's reliance on the primary industries, the Ministry's role to 'grow and protect' New Zealand is absolutely fundamental to our continued prosperity and the ability to meet the social aspirations of New Zealanders. The Government's Business Growth Agenda goal is to increase exports from 30% to 40% of GDP by 2025, which suggests a doubling of export earnings from the primary industries over this period. This is achievable but will require huge effort and real innovation from the Ministry.

The Ministry is moving on from the necessary focus on integrating the three predecessor agencies. It has made a good start in many of the areas critical to success. The review confirms the direction being taken while highlighting the size and scope of the goals.

The Ministry's response to the review identifies four areas of focus to address the challenge set by the Lead reviewers. These areas of focus build on and extend the existing strategy and initiatives. They are clear and ambitious statements of direction for audiences including staff, stakeholders and Ministers.

The central agencies fully recognise the size of the challenge in shifting exports from 30% to 40% of GDP and doubling exports from the primary sector is a critical part of this. While the Ministry is the lead agency for doubling exports from the primary sector there will need to be significant support and contributions from other agencies, including the central agencies. We are committed to working with the Ministry to enable it to be successful.

**Iain Rennie**  
State Services Commissioner

**Gabriel Makhlof**  
Secretary to the Treasury

**Andrew Kibblewhite**  
Chief Executive, Department of  
the Prime Minister and Cabinet

# SUMMARY OF RATINGS

## Results

| GOVERNMENT PRIORITIES             | RATING  |
|-----------------------------------|---|
| Maximise export opportunities     |  |
| Improve sector productivity       |  |
| Increase sustainable resource use |  |
| Protect from biological risk      |  |

| CORE BUSINESS                          | RATING (EFFECTIVENESS)  | RATING (EFFICIENCY)   |
|--|---|---|
| Managing the Food Safety System        |  |  |
| Managing the Biosecurity System        |  |  |
| Managing the Primary Production System |  |  |
|  | RATING  |   |
| Regulatory Impact                      |  |   |

## Rating System

|  |   |   |   |  |
|--|---|---|---|--|
|  Strong |  Well placed |  Needing development |  Weak |  Unable to rate/not rated |
|--|---|---|---|--|

## Organisational Management

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

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

| PEOPLE DEVELOPMENT                   | RATING  |
|--------------------------------------|---|
| Leadership and Workforce Development |  |
| Management of People Performance     |  |
| Engagement with Staff                |  |

| FINANCIAL AND RESOURCE MANAGEMENT      | RATING  |
|--|---|
| Asset Management                       |    |
| Information Management                 |    |
| Improving Efficiency and Effectiveness |    |
| Financial Management                   |   |
| Risk Management                        |  |

## Rating System

|  |   |   |   |  |
|--|---|---|---|--|
|  Strong |  Well placed |  Needing development |  Weak |  Unable to rate/not rated |
|--|---|---|---|--|

## AGENCY CONTEXT

The agriculture, food, forestry and fishing industries are major drivers of New Zealand's employment and economy, accounting for 12.6% of gross domestic product (GDP) in the year to 31 March 2012. In the same year these industries generated 71% of New Zealand's merchandise export earnings, accounting for \$32.3 billion.

The Ministry of Agriculture and Forestry merged with the New Zealand Food Safety Authority in 2010, and the combined entity merged with the Ministry of Fisheries in 2011 to form the Ministry for Primary Industries (the Ministry). The Ministry's work spans the agriculture, horticulture, aquaculture, fisheries, forestry, and food industries, animal welfare, and the protection of New Zealand's primary industries from biological risk.

The Ministry's vision is "growing and protecting New Zealand". It does this by improving the productivity and environmental performance of the primary industries, increasing sustainable resource use; enhancing access to international markets, managing risk to New Zealand's biological foundations, and providing assurances about the integrity of food and other products. The Ministry is the principal advisor to Government across all aspects of the primary industries, food production and related trade issues, and is New Zealand's largest regulator.

The Ministry's key functions include:

- providing policy advice and programmes that support the sustainable development of New Zealand's primary industries
- being the Government's principal adviser and regulator on fisheries and aquaculture management
- providing 'whole of system' leadership of New Zealand's biosecurity system
- managing forestry assets for the Crown
- providing or purchasing services to maintain the effective management of New Zealand's fisheries
- protecting consumers of New Zealand food, whether here or overseas
- providing effective food regulation for food produced or consumed in New Zealand, including imported and exported food products
- developing policies and influencing behaviours that promote the safety of our food.

The Ministry's work is funded under Vote Primary Industries and Vote Food Safety. For the 2012/13 financial year, three of the Ministry's previous four Votes (Biosecurity, Fisheries, and Agriculture and Forestry) have been combined under a single Vote Primary Industries.

In these portfolio areas, the Ministry administers more than 50 public and private Acts of Parliament including: Animal Welfare Act 1999; Biosecurity Act 1993; Dairy Industry Restructuring Act 2001; Food Act 1981; Forests Act 1949 and Fisheries Act 1996.

The Ministry is currently led by the Chief Executive (called the Director-General) Wayne McNee, and eight Deputy Director-Generals: Policy, Standards, Verification and Systems, Compliance and Response, Resource Management and Programmes, Māori Primary Sector Partnerships, Office of the Director-General and Corporate Services.

As at 30 June 2012, the Ministry had 1,962 full-time equivalent staff with almost half (49%) based in Wellington. In June 2011 the antecedent agencies had 2,028 full-time equivalent staff.

## RESULTS SECTION

### Part One: Delivery of Government Priorities

This section reviews the agency’s ability to deliver on its strategic priorities agreed with the Government. The Government’s priorities have been grouped under each of the four long-term outcomes identified in the Ministry’s *Our Strategy 2030*.

While the questions guide Lead reviewers to retrospective and current performance, the final judgements and ratings are based on the priorities defined by Government, not the extent to which the medium-term outcomes are likely to be achieved. While the Ministry is generally ‘well placed’ in delivering specific Government priorities – and each priority is important – the sum of this performance is not sufficient to deliver the medium-term outcomes given the scope and scale of the performance challenge. If this were the test, then the ratings for Government Priorities and Core Business would need to be considered together.

| Government priority 1: Maximise export opportunities   |   |
|--|---|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Well placed</b></p> <p>This priority is focused on delivering two medium-term outcomes (with the relevant Government Priorities in brackets):</p> <ul style="list-style-type: none"> <li>• Ensuring the integrity of our products and increasing awareness and value of our country brand so that consumers feel good about buying New Zealand products (passage of the Food Bill [discussed in Priority 4 below], biosecurity and Ministry restructuring)</li> <li>• Maintaining market access and improving access to fast growing and high value markets (maintaining and enhancing market access, enhancing the Australia-NZ food regulation relationship).</li> </ul> <p>This section of the report is concerned with the Ministry’s delivery of these Government Priorities within the context of the medium-term outcomes to which they contribute.</p> <p>The Ministry is well placed with respect to ensuring the integrity of our products. It is still very early days in the journey to increase awareness and value of our country brand and this area needs a lot of work to bring more consumer-centricity and a better understanding of how government can add most value (see discussion of ‘performance challenge’ above). The Government’s <b>biosecurity</b> priorities are progressing well, including implementation of the National Animal Identification and Tracing (NAIT) scheme and the Standards</p> <p style="text-align: right;">Contd...</p> |

|  |   |
|--|---|
|  | <p>Integration project (aimed at reducing variability in interpretation of biosecurity and food safety standards). <b>Ministry restructuring</b> has been largely successful, although it is still very early days in terms of both developing a ‘NZ story/brand’ and new kinds of assurances that add value to export products and help access new markets (ie, those ‘restructuring’ elements relevant to this priority). This is the weakest area of this set of priorities and needs development.</p> <p>The Ministry is generally well placed in terms of the Government’s priorities to <b>maintain and improve market access</b>. The Ministry works well with MFAT and others in developing the wider trade and market access agenda. This year has seen the Ministry directly involved in six rounds across the Trans-Pacific Partnership Agreement, Customs Union of Russia, Belarus, and Kazakhstan, Indian and Taiwan negotiations. Market access strategies have been set for the meat, dairy, seafood, and horticulture sectors. Each of these is on track to be agreed at each sector’s next joint council meeting with the Ministry.</p> <p>Formal Sanitary &amp; Phytosanitary (SPS) Committee meetings, covering the full scope of the competent authority-to-competent authority relationships, have taken place this year under the European Union Sanitary Agreement, the Thai Closer Economic Partnership, and the ASEAN Australia New Zealand Free Trade Agreement. This is in addition to a wide range of other more commodity-specific bilateral market access or relationship-promoting interactions more broadly undertaken under the guise of the SPS Chapters of the Agreements. Formal authority-to-competent-authority market access arrangements have been agreed with the:</p> <ul style="list-style-type: none"> <li>• United States Food Safety Inspection Service on Electronic Certification</li> <li>• Indonesian religious authorities (in principle) on a comprehensive arrangement on Halal for New Zealand meat exports.</li> </ul> <p>The Ministry is also progressing well on a number of other draft cooperative agreements (including the food safety system comparability arrangement with the United States Food and Drug Administration).</p> <p>The priority for <b>enhancing the Australia-NZ food regulation relationship</b> continues to be on improving the joint food standards system and maintaining the comprehensive trading relationship under the Trans-Tasman Mutual Recognition Arrangement. New Zealand continues to promote improved regulatory practices through the joint food regulation system, to reduce the cost of compliance for industry and enhance the environment for the development of new products for consumers. The Ministry works to remove food-related regulatory barriers with Australia, exploring opportunities to simplify trade arrangements between the two countries by reducing the need for certification and inspection for products traded through the alignment of our systems and processes, including cooperation between regulators on imported food risk assessment and management.</p> |
|--|---|

| Government priority 2: Improve sector productivity   |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Well placed</b></p> <p>This priority is focused on delivering two medium-term outcomes (with the relevant Government Priorities in brackets):</p> <ul style="list-style-type: none"> <li>• Improved generation of new ideas and their widespread adoption (technology transfer, improving the food safety regulatory regime); and</li> <li>• Greater access to capital and the skills needed to grow and innovate (Māori agribusiness, dairy industry regulatory changes).</li> </ul> <p>Maximising the use and productivity of natural resources within environmentally sustainable limits is also a relevant medium-term outcome with its own set of Government priorities, although these will be addressed in Government Priority 3 below. This section of the Report is concerned with the Ministry’s delivery of the four bracketed Government Priorities within the context of the medium-term outcomes to which they contribute.</p> <p>Improving the generation and widespread adoption of new ideas requires the Ministry to consider the full range of government interventions in the science and innovation eco-system that influence primary sector productivity, including innovations that enable more productive resource use in the face of limits on depletion and pollution. It also requires helping to reduce the variation in on-farm productivity by lifting the current average closer to that of the better performing group.</p> <p>The Ministry’s <b>technology transfer</b> activities span a number of initiatives, such as the Sustainable Farming Fund and Greenhouse Gas Research Centre, the Lincoln University rebuild, the Sustainable Land Management and Climate Change plan and work with the New Zealand Institute of Primary Industry Management. However the main focus of the priority is on the management of the Primary Growth Partnership (PGP), leveraging Landcorp to demonstrate new technology and helping improve the productivity of Māori land.</p> <p>The PGP aims to co-fund development of new technologies in farming, fishery and forestry to increase the private investment in innovation that is more market-driven, rather than the more traditional focus on science-led or on-farm research and innovation. Proposals have to demonstrate additionality and spill-over benefits and about 80% of proposals have been declined on these or other criteria. As of July 2012 there were \$567 million of funded projects under way. PGP is relatively new and has not yet been subject to evaluation, or established with a sufficiently well developed evaluation framework, so it is difficult to comment on its contribution to the broader goal. There is no consistent methodology for assessing the cumulative expected additional return on this public investment (although one independent assessment of the major contracted PGP programmes suggests an expected GDP increase of about \$8 billion by 2025). However, if this assessment is correct</p> <p style="text-align: right;">Contd...</p> |

|  |  |
|--|--|
|  | <p>and the return is this good, then much more thought needs to be given to how PGP and other interventions might be used to proactively address the fundamental problems that inhibit private investment in such profitable research and development.</p> <p>The Ministry has signed a Memorandum of Understanding with Landcorp to enhance mutual cooperation in the area of technology transfer and extension. It is too early to assess the likely impact of this on raising average on-farm productivity. Given the current wide variation in on-farm productivity, however, it is likely that Landcorp will only make a marginal contribution to the existing range of practical experience of what works.</p> <p>The Government’s <b>improving food safety regulation</b> priority looks to enhance the ability of this regime to strengthen New Zealand’s reputation as a producer of safe, quality food and support the development of higher value food, including foods that improve health. This has the potential to add significant value to our exports and represents an important development of the regulatory framework. The Ministry has made real progress in progressing ‘food for health’ standards through the trans-Tasman joint food standards system. While this is an important and necessary step to realising the export value from the potential health benefits of food, much more needs to be done before this potential can be realised, including by government and the Ministry.</p> <p>The Ministry aims to <b>improve the productivity of Māori agribusiness</b> by helping to improve governance and capability and through application of existing programmes. The Ministry is partnering with training providers to improve the accessibility and suitability of programmes for Māori farmers and making its existing programmes more accessible and relevant to Māori agribusinesses (eg, a dedicated \$1 million Sustainable Farming Fund round for Māori agribusiness opened in August 2012). It is also facilitating engagement within the Māori agribusiness sector to enable greater collaboration. This will enable Māori agribusinesses to better connect with the wider primary sector and government (including greater influence on the development of policy and legislation that impacts on it). The approach recognises the need for local leadership amongst owners, which is well demonstrated by a number of Māori agribusinesses that already demonstrate excellence in farming and business management. However, progress will be slow and patchy unless approached in a systematic way that ensures the speedy and widespread adoption of successful approaches (see section in Core Business 3).</p> <p>The Ministry has met the Government priority to amend the Dairy Industry Restructuring Act to enable Fonterra to proceed with its Trading Among Farmers scheme. This should release some capital otherwise required to cover redemption risk. The degree of new investor interest in the Units will provide an indication of the extent to which the regulatory framework -</p> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |   |
|--|---|
|  | <p>especially around setting the milk price – provides them sufficient comfort that returns to effectively investing in the value added businesses (eg, via investment in product, market and brand development) will not be eroded by changes in milk price settings that shift more of that value back to land-owners.</p> <p>In summary, while the Ministry is well along the path to delivering on most of the Government’s priorities in this group, it is far less clear that this progress will be sufficient to deliver the medium-term outcomes described above.</p> |
|--|---|

**Government priority 3: Increase sustainable resource use**

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Well placed</b></p> <p>The Ministry identifies increasing sustainable resource use as a primary focus area in its organisational strategy and defines it as one of four long-term outcomes in its Statement of Intent. This priority is also supported by a medium-term outcome - namely, that the primary sector, including Māori, maximises the use and productivity of natural resources within environmentally sustainable limits and is resilient to adverse climatic and biosecurity events. Three ministerial priorities – rural water management, fisheries management, and climate change and forestry – contribute to this medium-term outcome.</p> <p><b>Rural water management</b></p> <p>The Ministry is undertaking a package of initiatives to increase the volume of water available for sustainable production purposes. The Ministry continues to support water infrastructure development, approving funding support for a number of regional irrigation scheme proposals. The Fresh Start for Fresh Water programme was introduced to design and implement an improved freshwater governance and management regime. The National Policy Statement for Freshwater Management (2011), requiring councils to set and manage to explicit water quantity and quality limits, has been implemented. The recent Land and Water Forum (LAWF) report provided advice to Ministers who will make decisions that officials across agencies will implement collaboratively with iwi and local government.</p> <p>The Government’s export goal is likely to require further intensification of farming, with effects on water quality and sustainability that will require careful management over the long term. Water management policy is a complex and politically fraught area on which the Ministry is working in conjunction with the Ministry for the Environment and other agencies. This joint working presents the opportunity and conditions for the innovative and ‘out of the box’ policy solutions that are likely to be required. However, progress has been slow and the overarching analytical frameworks to support this work do not appear to be well developed as yet. Increasing pace, moving to creative solutions and positioning this carefully with the range of</p> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |   |
|--|---|
|  | <p>stakeholders involved will require an injection of leadership and energy from both the Ministry and its partner agencies.</p> <p>The Ministry initiated and leads the administration of the Irrigation Acceleration Fund (IAF), providing \$35 million over five years to support the development of more effective and efficient water infrastructure, such as storage and distribution lines. So far, \$7.7 million has been approved for six irrigation projects. Two further applications for funding totalling \$5.9 million are currently being assessed. An in-principle decision has been made to provide up to \$400 million for irrigation infrastructure.</p> <p>In 2011, the Office of the Auditor-General (OAG) reviewed four regional councils in managing freshwater quality. The OAG concluded there is still some way to go to halt or reverse declining water quality. The Ministry will need to lead strong collaboration across the central government, regional government, Māori and dairy sectors.</p> <p><b>Fisheries management</b></p> <p>The Ministry supports the sustainable development of aquaculture, which has been identified as the fastest growing segment of the seafood industry. Aquaculture is currently worth in excess of \$380 million per annum to the New Zealand economy, and the industry’s long-term goal is for it to become a sustainable, billion-dollar business by 2025. New aquaculture legislation was passed in August 2011 to establish the legal framework needed to support sustainable growth, and achieve this goal.</p> <p>In spite of the new legislation providing a strong platform for growth, thus far progress in implementing the aquaculture industry strategy has been slower than initially envisaged because of the economic situation of some parts of the industry, the attitudes of some regional councils to aquaculture and the impact of the Board of Inquiry process for New Zealand King Salmon. The Ministry has recently established an Aquaculture Forum for central and regional government, and industry. It will need to utilise its stakeholder relationships and available intervention levers adeptly if it is to remove these blockages to growth while managing sustainable use.</p> <p>Implementation of government decisions on foreign charter vessels (FCV) is progressing. Ensuring safe and responsible workforce practices on vessels is likely in future to be an important element in the integrity of New Zealand’s export branding. Planning to amend the Fisheries Act 1996 is complete, with the intention being to introduce the Amendment Bill into Parliament by December 2012. Observer services have been increased to ensure one observer is onboard each FCV and two onboard high-risk vessels. An inter-agency steering group has been set up to coordinate the evaluation of information relating to the operations of FCVs before agency decision-making. The decisions introduce some asymmetrical impacts on industry and the Ministry will need to proactively support industry players to make the required changes.</p> <p style="text-align: right;">Contd...</p> |
|--|---|

|  |  |
|--|--|
|  | <p><b>Climate change and forestry</b></p> <p>The Ministry leads agriculture and forestry policy on climate change, and has a regulatory role for agriculture and forestry under the Emissions Trading Scheme (ETS), which is New Zealand’s primary tool to reduce its greenhouse gas emissions. Agriculture based food production contributes 47% of New Zealand’s total emissions, with ruminant agriculture as the highest emitting sector. Forestry was the first sector to enter the ETS because of its potential to remove and store carbons from other sectors. The Ministry is now working jointly with the Ministry for the Environment to draft legislation and develop regulations in this space. An independent panel reviewed ETS in 2011 and government has recently introduced a Climate Change Response Amendment Bill. The Ministry has also invested in the New Zealand Agriculture Green House Gas Research Centre through the PGP programme.</p> <p>While New Zealand is quietly leading the world on many respects, the current weakness in the carbon price highlights some of the fundamental problems with the approach and makes real progress challenging.</p> <p>The Ministry’s field measurement approach is an important initiative to assess carbon sequestration levels at the individual forest level.</p> <p>New Zealand recently handed over the Chairmanship of the Global Research Alliance on Agricultural Greenhouse Gases (the Alliance) to Canada. Retaining the Secretariat, New Zealand continues to have considerable influence on the direction and success of the Alliance. The total Alliance fund of \$45 million is administered by the Ministry. New Zealand’s role in the Alliance has strengthened bilateral relationships with other Alliance countries and increased its influence in multilateral policy discussions.</p> |
|--|--|

**Government priority 4: Protect from biological risk**

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Well placed</b></p> <p>The Ministry identifies protecting from biological risk as a primary focus area in its organisational strategy and has identified this area as one of four long-term outcomes in its Statement of Intent. Four ministerial priorities – border sector restructuring, biosecurity, reducing food-borne illness and passage of the Food Bill – contribute to this medium-term outcome.</p> <p><b>Border Sector restructuring</b></p> <p>The Ministry chairs the Border Sector Governance Group and is collaborating closely with the New Zealand Customs Service and Immigration New Zealand (part of the Ministry of Business, Innovation, and Employment) to develop packages of measures to improve efficiency at the border, to manage any potential risks arising from such measures and to improve targeting of resources to risk.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |  |
|--|--|
|  | <p>The Future Directions programme is a joint project between the Ministry, Customs, and Immigration New Zealand to streamline services and work more effectively and efficiently at the border. Proposals being considered include improvements to passenger and cargo clearance, aligning and streamlining core processes, trusted trader programmes, developing a cross-agency approach to risk targeting, and technology improvements.</p> <p>The Ministry and the Customs are jointly developing the Joint Border Management System (JBMS). JBMS will support both agencies' activities in clearing goods, craft, and people at the New Zealand border, and will enable a significantly more cohesive portfolio of border services to be shared between the two border agencies. Scheduled to start in the first quarter of 2013, Trade Single Window will provide a single point of entry for importers and exporters to submit information electronically via one portal. Preparation of the Tranche 2 Business Case has been deferred until Budget 2014.</p> <p><b>Biosecurity</b></p> <p>The National Biosecurity Capability Network is a joint initiative between the Ministry and AsureQuality to build and manage a network of resources that can be deployed in response to any biosecurity outbreak. The network includes resources drawn from the Ministry and other central and local government agencies, specialist biosecurity service providers – such as pest-control companies, and veterinarians. It also draws on other general service providers, including waste disposal and equipment suppliers.</p> <p>In partnership with NAIT Limited, the Ministry has developed and begun implementing the NAIT scheme from early 2012, which strengthens responsiveness during biosecurity events. Currently the scheme is mandatory for cattle and will cover deer from 2013. The Ministry has trained 110 officers, accredited 20 organisations as data providers and NAIT Limited has registered 30,000 people in charge of animals since the commencement of the scheme.</p> <p>A Government Industry Agreement (GIA) programme is also being established to provide an opportunity for industry groups to identify the biosecurity risks of greatest concern to them, and to partner with government to invest in preparedness and response activities. This will ensure greater connectedness with industry and that appropriate funding is allocated to the risks of greatest concern. Collaboration should also ensure responses to biosecurity incursions are run more efficiently. Fifteen industry organisations, dealing with most of the major primary production sectors, have signed a GIA Memorandum of Understanding (MOU) with the Ministry. Other industry organisations are negotiating to sign an MOU.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

It will be important to move from MOU phase to actual agreements as rapidly as the passage of the relevant legislation permits, and to incorporate the learnings from the recent outbreak of kiwifruit vine disease, Psa-V, and the assessment of the Exercise Taurus all-of-government preparedness exercise on foot and mouth incursion response.

**Reducing food-borne illness, including passage of the Food Bill**

The Ministry’s management of New Zealand’s food safety system provides confidence to both New Zealanders and our international trading partners that products are safe and suitable (including those foods imported into New Zealand that are consumed here or become part of the export food chain). It helps protect New Zealanders from biological risk generated from food and can be an important factor in added value for food exports.

The Food Bill will reform the regulatory regime for food and will reduce costs for food businesses by ensuring they are responsible for deciding how to manage food safety risks. Passage of the Bill has been complicated by claims that it is over-inclusive, adds unnecessary compliance costs on small business and confers excessive enforcement powers. The first reading was in July 2010 and the Bill is awaiting consideration of the Select Committee report and second reading. While currently at the bottom of the Order Paper, we understand the intention is that the Bill be passed in 2012. However, given the Bill’s objectives, the passage might have been easier if it was drafted and promoted more clearly, and better addressed predictable concerns.

Given the period of time since it was first drafted, the Ministry has undertaken a review of the Bill to ensure it still meets its policy objectives, is workable, and addresses particular matters of importance – notably the key definitions of ‘food’ and ‘sale’, the use of sector descriptions and their relationship to exemption mechanisms, and the framework for Territorial Authorities to set fees and charges. A working group has identified areas where improvements can be made to the current drafting in the Bill and is working through developing solutions to these issues.

Food-borne illness has a cost to the New Zealand economy and is also an indicator of the New Zealand food regulatory system’s effectiveness from a trading partner’s perspective. In 2010/11 the Ministry initiated ten work programmes (against a target of four) to deal with foods categorised as high risk. However, the Ministry also in this period fell some way short of its target to complete 90% of applications for approvals, registration and appointments under the Food Safety Authority’s legislation.

The Ministry has risk reduction strategies for the three most important food-borne pathogens that make New Zealanders sick - campylobacter, salmonella and listeria.

Contd...

## Delivery of Government Priorities

|  |   |
|--|---|
|  | <p>This is primarily attributed to the joint efforts of the Ministry and the poultry industry in implementing the strategy. However, New Zealand's overall campylobacteriosis notification rate remains higher than that of comparable countries.</p> <p>The Listeria strategy seeks to achieve no increase in the reported incidence of food-borne listeriosis over a five-year period and has currently adjudged a 10% reduction against the 2007 baseline. The Salmonella strategy has an ambitious five-year goal of reducing the annual incidence of food-borne salmonellosis by 30%. Currently a 12.8% reduction has been achieved.</p> |
|--|---|

## RESULTS SECTION

### Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. While the questions guide Lead reviewers to retrospective and current performance, the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

| <b>Core business 1: Managing the food safety system</b>   |   |
|---|---|
| <p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p>  | <p>Performance Rating (Effectiveness): <b>Well placed</b></p> <p>Performance Rating (Efficiency): <b>Needing development</b></p> <p>New Zealand’s food safety system and assurances are vital to building a more competitive and productive economy. We have earned a strong international reputation as a credible and trusted supplier of safe and suitable food – to both the domestic and international markets. Our reputation has been tested, for example over the Chinese infant formula issue, and has been demonstrated to be robust. It is important for our export food trade, and the confidence of New Zealanders, that this reputation is protected.</p> <p>While the food safety system is operating tidily at present, there is significant risk over the four-year horizon that the system becomes sclerotic unless evaluative loops and integrative mechanisms (particularly those between the Standards branch and the front line) are actively driven by the Food Operational Coordination Group (FOCG). There also needs to be a lift in urgency and commerciality with respect to the work on new assurances on food as a catalyst for increasing the value of food exports.</p> <p>A sound domestic regulatory regime is critical for protecting consumers and building the credibility needed to assist New Zealand’s market access activities, including increasing collaboration with Australia to develop common standards.</p> <p>Passing the Food Bill and reviewing the food regulatory regime to support business growth, particularly exports, are priorities for Government over the next three years.</p> <p>Another key focus will be ensuring that the food regime – regulatory and non-regulatory – supports growth and innovation of higher value processed foods and food-derived products, including foods that improve health. This focus on higher value food and food derived products will assist New Zealand to realise its economic growth ambitions.</p> <p style="text-align: right;">Contd...</p> |

|  |  |
|--|--|
|  | <p>The Ministry manages New Zealand’s food safety system, through activities in five main areas:</p> <ul style="list-style-type: none"> <li>• Policy advice, which involves analysis and provision of advice concerning food safety, food suitability, enforcement, inputs related to food production, and ministerial services;</li> <li>• Standards, which sets technically-based requirements for inputs into food production, imports, exports and the domestic market;</li> <li>• Assurance, which involves the auditing, approval, registering and/or monitoring of food production and transportation processes for domestically consumed and exported food;</li> <li>• Dissemination of information that informs stakeholders about food safety and suitability, enabling consumers to make informed food choices;</li> <li>• Response, which involves the investigation of, and preparedness for, food safety-related incidents, emergencies, and complaints.</li> </ul> <p>Broadly, performance to date in this area appears effective on a business as usual basis. Over the last two years, there were no market access closures due to the failure of assurance systems, no cases brought against New Zealand for breaching international trade rules, and 99% of export certificates met importing country requirements.</p> <p>New Zealand’s food safety system is typically audited 60 to 70 times annually by delegations of specialists from other countries and elements requiring attention are very seldom identified.</p> <p>The annual Imported Food Monitoring Programme supports the Ministry’s imported food regime and complements other monitoring programmes, such as the Food Residue Surveillance Programme. The results of these programmes are communicated to relevant stakeholders regularly.</p> <p>The Ministry has also worked with key stakeholders on foreshadowing the self-regulation mechanisms that will be required under the new Food Act by using the existing Food Act 1981 to enable business to transition to some of the key Food Safety Management Practices that will be required. The Voluntary Implementation Programme enables businesses to develop their own food safety monitoring plans.</p> <p>In addition, the Ministry has risk reduction strategies for the three most important food-borne pathogens causing illness in New Zealanders (Campylobacter, Listeria and Salmonella) and reports on these annually. The Ministry is on track to achieve its five-year goals for food-borne illness reduction.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

Internally to the Ministry however, there appear to be opportunities to lift performance in this area of core business. As no single branch is now responsible for food safety, the integrative mechanisms of the FOCG and, for strategic thinking, the relevant Strategy Advisory Group (SAG), are critical. However, the FOCG is yet to outline a clear work programme that ensures visibility and debate on food safety issues and opportunities across the internal Ministry value chain.

This is all the more vital given that, while the Ministry has a wide range of interventions and treatments in the food safety system, these do not appear to be well articulated in any explicit sense other than through implicit knowledge held in pockets of the Ministry. Setting out the relationship between inputs, outputs and outcomes will allow better measurement of performance, decision-making on resource allocation and clearer assessment of effectiveness and efficiency.

There also appear to be opportunities, via the internal Standards Integration project, to better ensure that food standards are developed in a way that they can be readily understood by both internal and external stakeholders, and easily subject to the 'assist, direct and enforce' aspects of the Ministry's VADE (Voluntary, Assisted, Directed, Enforced) system. We did not get a sense that insights from the frontline verifiers (around risks, intelligence and the practicalities of compliance) were influencing standard setting in any systematic learning and review loop. It will be very important that the standards area does not stifle innovation to drive export performance.

More broadly, the Ministry has an opportunity to drive more value from food regulation by leveraging government's unique position in verifying claims or enforcing standards that are valued by consumers, particularly those if those standards are seen as an important part of a New Zealand brand, which can have elements of common property. For example, a significant opportunity for the food safety system to contribute to the Government's export goal lies in the development of new assurances of food that add value to our exports.

The Ministry is currently developing a Health Claim verification system and exploring opportunities for other 'new assurances' that will permit food producers to include the health benefits of particular foods on labels and potentially earn higher premiums from their products. Realising the most from this potential will require well coordinated action across a very broad range of government activity that is not used to working as a system (from education to science and innovation to clinical validation to market access and supporting internationalisation). The creation of the Ministry and MBIE should make this coordination easier. It is, however, a big task to identify where government can add most value in each part of the system and have agencies work together to improve system performance.

Contd...

|  |   |
|--|---|
|  | <p>With regard to efficiency, the Ministry uses the fact of cost recovery as something of a proxy for efficiency in that it creates an incentive for regular review and assessment of regulatory tools. However, we did not find evidence that specific programmes are marginally or fully costed, nor tested against a cost benefit framework. Staff time inputs are not recorded, for example with regard to time spent on policy advice or standards development. Internally service performance measures may be set too low to demonstrate really excellent service performance.</p> <p>To move to a ‘strong’ performance rating in this area, the Ministry will need to:</p> <ul style="list-style-type: none"> <li>• develop and make more explicit a stronger system-level intervention logic for the food safety system</li> <li>• ensure that the coordinating and blue skies thinking mechanisms of the FOCG and the SAG have active and challenging work programmes and that the latter has a strong focus on transformative thinking in respect of the contribution food safety can make to the Export Double challenge</li> <li>• develop faster and more dynamic learning and evaluation loops for ongoing performance improvement</li> <li>• continue to proactively simplify, streamline and integrate food standards to ensure ease of use and interpretation by stakeholders</li> <li>• deepen understanding on the food safety concerns and value perceptions of in-market end consumers and influencers (NGOs, retailers) with regard to our food export products</li> <li>• work with urgency and energy to coordinate cross-government and cross-sector activity on value creation by means of new assurances.</li> </ul> |
|--|---|

**Core business 2: Managing the biosecurity system**

|   |   |
|---|---|
| <p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p>  | <p>Performance Rating (Effectiveness): <b>Needing development</b></p> <p>Performance Rating (Efficiency): <b>Needing development</b></p> <p>The Ministry manages New Zealand’s biosecurity system in order to protect and enhance the integrity and reputation of our primary products. Biosecurity incursions risk undermining the comparative advantage New Zealand gains from its relatively pest-free status, and could have significant impacts on the economy. The system is based on excluding, eradicating, or effectively managing biosecurity risks at three different points:</p> <ul style="list-style-type: none"> <li>• Pre-border – including activities such as influencing and participating in international biosecurity decision-making bodies, scanning for emerging risks internationally, and the development of Import Health Standards (IHS)</li> <li>• At border – including activities such as ensuring imported goods meet IHS requirements and identifying risk organisms through the use of x-rays and detector dogs</li> </ul> <p style="text-align: right;">Contd...</p> |
|---|---|

- Post-border – including activities such as pest surveillance (often targeted at points of entry), incursion response, and pest management.

As with the Food Safety System, post merger there is now no single branch of the Ministry responsible for biosecurity and all branches work together to manage the system and ensure outcomes are met. The Biosecurity Operational Coordination Group (BOCG) is now a key integrative mechanism across the Ministry and contains representatives from each branch. A Strategy Advisory Group has also been established for this area. The BOCG appears active and alert to opportunities to manage and mitigate operational biosecurity risks.

The Ministry’s biosecurity activities are generally effective and the system is seen internationally as disciplined and trustworthy. However, there also appears to be opportunities to improve the robustness of the system and further mitigate the profound risks to our economy that derive from biosecurity incursion. In particular, there is a need to bed down respective industry and government responsibilities for incursions. The process of looking at these issues has been unfrozen but there is a need for much governance in the biosecurity area, and faster progress.

The Future Directions for the Border Sector Programme has significant potential to further streamline and lift the efficiency of border scanning and inspection activities. Initiatives already in progress such as JBMS, x-ray image transfer and work on aligning and streamlining border assurance programmes, particularly for air cargo, are examples of the Ministry using new technology and profiling to inform resource allocation decisions and improve the movement of goods and people through New Zealand’s borders.

One of the Ministry’s key roles is to deliver the right intervention in the right place at the right time ie, that resource is focused on the highest risk areas where intervention is most likely to have a positive impact. The Ministry is currently addressing soft spots within the system through initiatives that aim to enhance its ability to identify and analyse emerging risks, collect richer data at the border, and partner more closely with industry and other government agencies.

The data available to assess risk and determine effectiveness is currently uneven across the pathways monitored by the Ministry. There is a relatively good level of data collected on the passenger pathway (including the Ministry inspection measurements), however the same depth of information is not available for the cargo or craft pathways. The Ministry is currently assessing potential improvements to its processes and systems so resource allocation decisions can be informed by consistent sets of information across all pathways (including potential joint work with Australia).

Contd...

|  |  |
|--|--|
|  | <p>Sea vessel cargo compliance is an area of high risk and respondents reported high levels of concern with respect to the frequency and comprehensiveness of on-wharf inspections, inspections of transition facilities and the perhaps patchy use of intelligence to target inspections to risk. Effectiveness here is critically dependent on good relationships with port authorities and other border agencies. These seem to be variable from port to port.</p> <p>A survey undertaken in mid 2012 showed that, while 99% of passengers were not carrying medium or high-risk goods, the overall compliance rate for all risk goods was 95%, which was well short of the Ministry’s target. It may well be that this is the wrong target and that the Ministry would be better to focus on cargo and be less worried about relatively low-risk passengers. Direct Exit lanes at international airports for New Zealand and Australian passport holders have, for example, improved the passenger experience and ensured resources can be targeted at higher-risk groups.</p> <p>The Integrated Targeting and Operations Centre (ITOC) which is a multi agency venture including Ministry staff, is in a relatively early stage of development with respect to improving the use of intelligence to support the targeting of operational response tools to manage biosecurity risks. Until the new JBMS is operating, many systems remain manual and administrative in nature. Data held in legacy Ministry systems is not readily amenable to intelligence analysis for trends and patterns over time. We are also not sure that Ministry staff and managers yet grasp the magnitude of the business as usual or operational response changes entailed in becoming an information-led organisation to support interventions and treatments better targeted to risk.</p> <p>Incursion analysis shows that of the thousands of possible incursions notified annually to the Ministry, some 78 - 80 are potentially significant and around a dozen each year require active management and response. During 2011/12, there were 11 incursions of notifiable organisms and they were all eradicated, meaning no notifiable organisms were established within New Zealand. The Ministry’s surveillance and response capabilities were demonstrated in May 2012 when a single male Queensland fruit fly was found in one of the Ministry’s monitoring stations in Auckland. This find triggered the mobilisation of significant resources from across the agency and partner organisations.</p> <p>Exercise Taurus in March 2012 tested preparedness for an outbreak of Foot and Mouth Disease (FMD). The exercise involved an all-of-government response utilising the Domestic and External Security Coordination system, as well as the Ministry’s response management and planning and intelligence functions, communications, and interdepartmental liaison. Seven themes for improvement were identified which now constitute the short, medium and long-term priorities for the readiness and response work programme, with progress assessed quarterly and reported to SLT. It is disappointing to note that a number of these same recommendations were also made some years ago, in the aftermath of the last FMD readiness exercise.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |  |
|--|--|
|  | <p>The investigation into the illegal importation of strawberry seeds also showed shortfalls in the Ministry’s processes, although in this case it related to complex and unclear import standards material that appear to have confused the exporter, importer and the Ministry risk profiler who checked the consignment.</p> <p>A recent review also identified significant shortcomings in New Zealand’s biosecurity system following an outbreak of the kiwifruit vine disease Psa-V in 2010/11. The review found shortcomings in the way the Ministry’s systems and processes were applied to the importation of kiwifruit, pollen, nursery stock, seeds and horticultural equipment. The report highlighted that the Ministry’s assessment and management of emerging risks was overly decentralised and under-resourced. Critically, although knowledge about this virulent strain of the virus was held in pockets within the science system, in the Ministry and by industry, the Ministry did not act as the ‘organising brain’ to pull information together and rethink the risk profile for this damaging disease.</p> <p>The findings of the independent review of the Psa-V kiwifruit incursion reinforce the significance of the work the Ministry is now doing with primary industries to develop Government Industry Agreements (GIAs) by highlighting the need for the primary industries and the Ministry to work together to identify and mitigate biosecurity risks. These are in early stage development also, with Memorandums of Understanding being signed in some industries, foreshadowing full agreements. Once the relevant legislation is in place to make GIAs binding, the Ministry understands that it will be critical to progress them with urgency, given the magnitude of the risks they are intended to help mitigate.</p> <p>While great progress has been made in using information and analysis to improve the risk-based targeting of passengers, much more needs to be done to apply this approach to cargo and, to a lesser degree, craft. We do not think the staff capability shift entailed in becoming an information organisation has yet been recognised, given that a great deal of management energy is still required to clean up cumbersome processes at the front line, establish clear operating procedures and restore staff morale.</p> <p>We are also concerned that while considerable effort is being invested in review and operational effectiveness improvement, big picture strategic risks do not appear to be given sufficient attention, even by the Risk and Audit Committee. Blue skies risks, such as the emergence of a new disease affecting our mono-cultural forestry industry for example, appear not to be regularly scanned for. Our production economy is dependent on relatively few genomes, and we would expect the Ministry to take a leadership role in environmental scanning and scenario planning over and above that related to known incursion risks.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |  |
|--|--|
|  | <p>A significant failure of the biosecurity system is perhaps the single greatest risk to New Zealand’s economy and to reaching our export goal, both in terms of direct economic impact and loss of brand value. On the positive side, the BOCG has a strong commitment to a joined up approach and has planned a busy and proactive work programme. Staff in biosecurity workgroups are passionate about keeping bad bugs and diseases out and making the system work. While recommendations for improvement have not always been followed up in the past, the Ministry now has a process for regular assessments to SLT which should ensure that lessons are learnt and recommendations auctioned.</p> <p>With respect to efficiency, the Ministry does not set, monitor, or report on biosecurity related efficiency indicators in its accountability documents. The relevance and quality of existing measures on cost, quality and quantity of delivered services and interventions are weaker than might be expected from a partially cost recovered service.</p> <p>To improve performance in this area, we would expect to see the Ministry:</p> <ul style="list-style-type: none"> <li>• continue to move rapidly to manage and mitigate risks in the cargo pathway and to enhance consistency of approach at ports and transition facilities</li> <li>• learn and apply the lessons from the recent Psa-V incursion, strawberry seed incursion and Exercise Taurus</li> <li>• use the internal audit function, Risk and Audit Committee and the SAGs to explore more blue skies and scenario thinking, particularly around worst case scenarios, or those affecting our dominant primary production genomes</li> <li>• continue to improve processes and practices at the front line</li> <li>• improve the intelligence and analysis that supports a targeted approach to risks, including at the ITOC.</li> </ul> |
|--|--|

**Core business 3: Managing the primary production system**

|   |  |
|---|--|
| <p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p>  | <p>Performance Rating (Effectiveness): <b>Needing development</b></p> <p>Performance Rating (Efficiency): <b>Needing development</b></p> <p>The primary production system determines the process by which natural resources are used to produce biologically-based products that generate domestic and export revenues. The aim of the system is to use resources in a politically and environmentally sustainable way to produce those products that will generate the most value for New Zealand net of cost. Compared to the food and biosecurity systems, the primary production system is larger and more complex, with more of the relevant government interventions delivered by other agencies.</p> <p style="text-align: right;">Contd...</p> |
|---|--|

The Ministry has identified nine areas where it makes a contribution - natural resource use, animal welfare, forestry, market access, innovation, improving productivity of Māori-owned resources, sector structure, fisheries management and aquaculture. While the Ministry manages government's role in many of these areas well, it does not yet manage them as part of a system or, indeed, government intervention at a system level. While the Ministry recognises the need to do this, it has a long way to go.

Central government is responsible for:

- defining the ownership of resources or allocating the rights to use resources
- regulating resource use (especially of depletion and degradation), biological risk and aspects of industry structure
- providing services eg, negotiating market access, setting standards, verifying and providing assurance (such as issuing export certificates), assuring compliance (such as inspecting and investigating), responding to breaches and providing policy advice
- subsidising a range of activity eg, science and innovation, information, infrastructure (especially irrigation), and market development.

Not all of these activities are delivered or funded by the Ministry and some of the allocation and regulation of resource use has been delegated to territorial local authorities. However, the role of the Ministry as a 'system manager' should be to ensure that government's many interventions are managed in a way that is most likely to deliver the system goal described above.

This is a big ask. While the long-term outcomes and success measures described in the Ministry's Outcomes Framework are typically system-level outcomes and measures, by the time these are translated into shorter-term performance indicators they have little system-level relevance (indeed, they are largely focused on activity rather than results). And while the Primary Production Operational Coordination Group has been tasked with the system-level job, it is struggling to define its role and to find its feet.

This might be fine if we were confident that the sum of individual activities in various elements of the primary production system were sufficient to deliver the Government's goals. The Ministry recognises this is not the case and is working on identifying the new initiatives that will be required. However, the key point is that managing the 'system' requires attention to those factors that make the system work better, rather than just adding new initiatives that encourage the system to do more. Looking at these system-level issues provides a useful lens and suggests real scope for improving system performance:

- the system appears less consumer-centric than it needs to be (eg, with insufficient focus on finding the consumers we want to export to, reflecting their values in the standards we set and then verifying that we have met those standards – unless those standards are coincident with what our own community wants or the international obligations we have entered into)

Contd...

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• there are under-developed mechanisms to encourage the right investment in the right places (eg, reflected in concerns about weak incentives for private investment in innovation or brand development, some of which goes back to issues about industry structure)</li> <li>• more effective producers – or more valuable resource use – drive out less effective or valuable ones (eg, this is reflected in the large variation in productivity amongst producers – including the systematic under-performance of Māori-owned land – and administrative allocation of largely non-tradable water use rights that create few incentives for the best or most efficient use of fresh water)</li> <li>• there is little active oversight of the very considerable powers delegated to territorial local authorities (eg, this is reflected in widespread concerns over the way the Resource Management Act 1991 is administered)</li> <li>• there is a relatively heavy concentration of financial and biological risk (especially radiata pine, pasture plants and Friesian dairy cows), with plenty of risk management but with system-level oversight still in its infancy (eg, system-level prioritising of risk types and risk-based targeting of actions to mitigate risk)</li> <li>• the processes for establishing priorities across the system is still in its infancy (eg, more international benchmarking would tell us where we are relatively weak and where less focus is required because we are already in good shape).</li> </ul> <p>There is also some way to go before being confident that there are well coordinated responses to new opportunities, like those likely to be associated with enhancing the value of food by demonstrating health, as well as nutrient, benefits (see discussion of the Food Safety system above).</p> <p>While the Ministry recognises the importance of many of the specific issues identified above and has work under way to help address them, there are gaps even at this early level. Moreover, many of the approaches under consideration are likely to be partial and slow in addressing the system-level problems identified. The Ministry needs clearer system-level governance at two levels, for example, with:</p> <ul style="list-style-type: none"> <li>• SLT charged with prioritising initiatives and forming a judgement about the extent to which the initiatives under way will actually deliver the desired system-level productivity and export earnings results in the required timeframe</li> <li>• the Primary Production Operational Coordination Group monitoring delivery of results against agreed timelines and suggesting what needs to be done to ensure the system stays on track to deliver the desired results or get back on track if progress falls short.</li> </ul> <p style="text-align: right;">Contd...</p> |
|--|---|

That will require a much better developed set of targets for intermediate results – and a more active performance management against those targets - than is currently the case.

Looking at the effectiveness of individual initiatives currently within this area of core business:

- **Natural Resource Use:** The biggest contribution this area is likely to make over the next few years is to resolve conflicts around the potential uses of fresh water in a way that encourages the efficient and environmentally sustainable use of water to support more intensive land-based production. While there have been some very useful initiatives – like the Land and Water Forum and the recent pooling capability across government into a single water group – these are necessary rather than sufficient. Recent claims over water rights by various Māori groups, for example, suggest that sufficient community agreement about the distribution of benefits is still some way off.
- **Animal Welfare:** This involves the National Animal Welfare Advisory Council developing animal welfare standards, the Minister deciding on these and the Ministry enforcing those standards that help protect the sectors ‘right to operate’ (ie, satisfy the community’s desire to see animals treated well without government having to impose overly costly regulation). The Ministry needs to put in place both better outcome measures and clearer consequences for those breaching standards and is in the middle of a legislative reform process aimed at providing this clarity. The Ministry also needs to keep refining its risk-based interventions so that it can focus attention on those issues where New Zealand is not meeting international benchmarks, especially in areas most valued by consumers, with less attention on areas where we already do well or where interventions are not particularly effective.
- **Forestry:** The Ministry, and MAF before it, does an excellent job of managing the Crown’s forest assets. This is effective and efficient, with steady progress in the execution of government’s goals. The Ministry also manages the Emissions Trading Scheme for Forestry and regulates private forestry operations (including indigenous forestry).
- **Market Access:** The Ministry works well with MFAT and is effective in the inevitably slow process of advancing and safeguarding the opportunities for international trade.

Contd...

- **Innovation:** The Ministry needs to take a more active role in ensuring that government’s investment in science, education and innovation is properly configured to support the generation of innovations that improve productivity and enable the sector to better meet the needs of consumers. More thought needs to be given to how to ensure uptake of these innovations is more widespread and is complemented with more private investment in innovation and the market and brand development that helps secure the benefit of that innovation. The evaluation of the Primary Growth Partnership (PGP) scheme needs to be completed and the evaluation capability of the Ministry strengthened. More fundamentally, consideration needs to be given to the sort of changes PGP and other interventions might encourage that will strengthen incentives for greater private funding of innovation without the on-going need for matching public funds.
- **Improving the productivity of Māori land:** While some changes have been initiated that will have a system-wide impact - like a review of the Māori Land Act – success will ultimately be driven by the owners and their local leadership. Progress will be slow and patchy unless a way can be found to discover successful approaches and replicate that success in a timely way. This will involve identifying the preconditions for success; targeting the most likely candidates for the assistance the Ministry and other partners can offer; helping local leadership identify opportunities to promote both utilisation and retention of the land, and doing that in a way that makes it easier for other Māori land-owning groups to do the same (eg, by encouraging the successful to engage others in replicating that success). This sort of more systematic approach is being piloted and is still to be fully worked through.
- **Sector structure:** The Ministry needs to make more progress in this very difficult area to ensure that legislation and regulation supports the right balance between cooperation and competition and amongst the various sector interests. New solutions need to be found to encourage greater industry investment in innovation and in adding value to commodity products through, for example, market and branding development. In some cases, more cooperation is required within the industry or sector to enable the benefits of these investments to be captured and shared (rather than eroded by attempts to gain offshore market share or move commodity product). In dairy, the Ministry needs to be confident that the current regulatory regime provides sufficient confidence to outside investors whose participation is required to develop value-added activity, including the regulatory regime for Fonterra (eg, around setting the milk price which determines the way returns will be distributed between investment in value adding activity and in on-farm activity).
- **Fisheries Management:** While improvements are contemplated, this area is well developed and effective, sector structure issues apart (with “co-competition” issues needing to be addressed in order to add value to the allowable catch).

Contd...

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• <b>Aquaculture:</b> In spite of the new legislation providing a strong platform for growth, thus far, progress in implementing the aquaculture industry strategy has been difficult (see Government Priority 3 above).</li> </ul> <p>Overall, while there are some areas of very effective performance, there are a number of areas that will be central to improved system performance that require a lot of work before they could be considered really effective (eg, fresh water, innovation and sector structure).</p> <p>In terms of efficiency, while Ministry activities that are cost recovered come under close scrutiny with industry pressure to improve efficiency, the Ministry does not set, monitor or report on efficiency measures for this area of core business. Nor does it use international or internal benchmarks in the management of the primary production system. The Ministry’s PIF Self-review notes this is an area that needs development.</p> |
|--|---|

**Regulatory impact**

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p>The Ministry is the largest regulatory agency in New Zealand. Its regulatory function is central to its role in the biosecurity, food safety and primary production systems and our assessments of the contribution this regulatory function makes to the management of those systems is discussed above.</p> <p>The limited formal assessment of the Ministry’s Regulatory Impact Statements suggest some room for improvement. The Castalia report assessed three Regulatory Impact Statements and concluded that two met the quality criteria and one only partially met the criteria. While the legacy agencies (particularly Fisheries and Food Safety) made some significant progress on simplifying and streamlining regulation, good practice on regulatory impact for the Ministry needs to go beyond simply revoking regulations and repealing legislation that is out of date or ineffective. As part of the merger, the Ministry established a Policy Capability and Regulatory Systems Team to lead the development of systems and processes to improve organisational regulatory capability and quality.</p> <p>Regulatory objectives need to be clear and the intervention logic that supports these must be carefully developed and well communicated. The challenge here is to do so at a systems level, across the complex food safety, biosecurity and primary production systems and focus on where regulation can add value by:</p> <ul style="list-style-type: none"> <li>• providing the assurances the community needs to support primary industries ‘licence to operate’</li> </ul> <p style="text-align: right;">Contd...</p> |
|--|--|

|  |  |
|--|--|
|  | <ul style="list-style-type: none"><li>• providing investors and the industries with confidence that regulation will be developed in line with some well understood and transparent criteria (ie, a legislative framework that creates a more stable and predictable regulatory environment and reduces the regulatory risk that inhibits investment, as has been done with monetary and, to a lesser extent, fiscal policy)</li><li>• protecting those ‘NZ brand’ attributes that consumers value and that everyone who exports under that brand should be required to meet</li><li>• reducing the cost of compliance, for example, by greater voluntary compliance and improved targeting of risk-based enforcement.</li></ul> <p>The Ministry will need to rethink how government can use its regulatory role to really add value and improve system performance.</p> <p>Getting to ‘well placed’ would require greater clarity around both what is required to create a more stable and predictable regulatory environment, and the positive role that regulation should play in protecting common brand values. It would also require better and more consistent regulatory quality. This would be demonstrated via the assessments of the Ministry’s Regulatory Impact Statements and reflected in a stronger assessment of the regulatory elements in the core business sections above (eg, better targeting of bio-security regulatory interventions and reduced compliance costs via greater voluntary compliance with standards).</p> |
|--|--|

## ORGANISATIONAL MANAGEMENT SECTION

This section reviews the agency’s organisational management. The questions guide Lead reviewers to current and future performance. Final judgements and ratings are informed by the scope and scale of the performance challenge.

### Recent Organisational Developments and Context

The Ministry of Agriculture and Forestry (MAF) and the New Zealand Food Safety Authority merged in 2010. This ‘new MAF’ merged with the Ministry of Fisheries in 2011, and the combined organisation was re-named the Ministry for Primary Industries in April 2012. The merger took place at a time of increased focus on public sector costs and government sector-wide initiatives to improve efficiency, especially in respect of support services. Each of the constituent agencies that made up the new Ministry had its own strategies, policies, and systems. During 2011, an organisational strategy for the Ministry (*Our Strategy 2030*) was developed to guide the new organisation in its role of supporting the primary sector.

Changes to organisational structure to support both the organisational strategy and the drive for efficiency were initiated in the second-half of 2011. The staff transfer process to implement these changes was completed early in 2012. The Ministry is partway through a significant change programme to create a number of new, uniform processes and systems, and to align Ministry activity at all levels, to support the vision set out in *Our Strategy 2030*. A single Human Resources Information System (HRIS) and Financial Management Information System (FMIS) are now in place and many core process policies have been harmonised. In many cases, programmes and activities have either been planned and are still to commence, or are in the initial stages of post-planning implementation. Some programmes have high visibility; others are less well known beyond those staff members immediately engaged.

### Part One: Leadership, Direction and Delivery

#### Purpose, Vision and Strategy

How well has the agency defined and articulated its purpose, vision and strategy to its staff and stakeholders?

How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?

**PERFORMANCE RATING**



Performance Rating: **Well placed**

The Ministry’s purpose and overall direction are sound. Its strategy (*Our Strategy 2030*) has been endorsed by Cabinet and was developed after a comprehensive engagement with the primary sector, other agencies and some staff. The vision is ‘growing and protecting New Zealand’, with a focus on four long term outcomes - maximise export opportunities, improve sector productivity, increase sustainable resource use, and protect from biological risk. It also sets out the partnering and enabling approach the Ministry will use and identifies the high-level attributes of organisational behaviour and culture required to support the strategy.

Contd...

The strategy has been widely communicated, both within the Ministry and across the primary sector. ‘Growing and protecting New Zealand’ is well known inside the Ministry. The Business Growth Agenda goal of increasing the share of exports to 40% of GDP has been translated into doubling export earnings from the primary sector by 2025. That clarifies the size of both the ask and the prize. The goal is discriminating enough to help drive priorities and focus attention on those areas that are needed to make a material difference.

However, there are a number of areas that are recognised by senior management as needing attention to strengthen the unifying and motivating power of the purpose, vision and strategy and which would be required to lift the rating to ‘strong’:

- It is essential that the logic of the ‘and’ in ‘growing and protecting New Zealand’ be better articulated and articulated for the wider meanings of ‘protecting’. The ‘and’ needs to be brought to life. The unifying and motivating power of the purpose and strategy is being undermined by the perceived tension between the two objectives in some quarters: specifically, that ‘growing’ suggests a weakened commitment to ‘protect’ not only at the border but also in terms of the wider values the predecessor agencies or their staffs sought to protect. Addressing this is essential, not only for the organisation but also for the Ministry’s ability to clearly reflect a strong sense of the ‘and’ to its partners and the wider community.
- While the Business Growth Agenda goals have existed for some time, the Ministry has only recently adopted the goal of doubling primary-based exports by 2025 and this had not been communicated widely either inside or outside the Ministry at the time the PIF interviews were conducted. This communication needs to be undertaken in a way that is motivating to the Ministry’s people and its partners. Internally, people need to believe that the Ministry is focused on growing value for New Zealand, not just reducing cost.
- The strategy also needs to be developed into a plan that will deliver that goal. The Ministry needs to be clearer about what more the government can do to ‘grow and protect’ in a way that adds the greatest value to New Zealand. It also needs to give more thought to its role in helping deliver that value most efficiently and effectively. That understanding needs to be better reflected in the Ministry’s business planning and monitoring processes. In particular, in the way the goals are translated into expectations and targets for different parts of the Ministry so their people know where they fit and what results they need to achieve to make a real difference.

This ‘purpose, vision and strategy’ aspect of organisational management is so fundamental to success that these three issues require urgent attention. Addressing these issues will also ensure the Ministry is better positioned to develop its strategy and refine its role over time.

Contd...

|  |   |
|--|---|
|  | <p>To build from this sound platform and move to a ‘strong’ rating, the Ministry could:</p> <ul style="list-style-type: none"> <li>• move the change management approach from one of ‘burning platform’ (merger, savings, etc) to a more aspirational approach based on the compelling story of growing and protecting New Zealand</li> <li>• ensure that all managers (including front line supervisors) are well equipped to ‘tell the story ‘ of the strategy in practical terms</li> <li>• cascade <i>Our Strategy 2030</i> into shorter term action plans by business unit</li> <li>• simplify the current set of KPIs and consider developing a balanced scorecard or dashboard showing progress against the export goal</li> <li>• continue to push down strategy-related KPIs into the performance agreements of all staff</li> <li>• continue to use a range of communications mechanisms to keep staff well engaged with the strategy and its implications for their action.</li> </ul> |
|--|---|

**Leadership and Governance**  
 How well does the senior team provide collective leadership and direction to the agency?

|  |   |
|--|---|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Well placed</b></p> <p>The Ministry has a strong and well performing senior team. Its members are strongly focused on strategy and they regularly engage in robust trade off and reprioritisation discussions. The SLT has sent the organisation clear and consistent messaging that the Ministry’s <i>Our Strategy 2030</i> is the driving force for action. The team has a record of stopping projects identified as no longer of strategic significance. They have regular ‘rub point’ sessions to identify and resolve areas of misalignment with strategy.</p> <p>SLT has a special session every quarter working on strategy implementation, which is often focused on some aspect of discontinuous thinking and challenge. A recent session centred on developing a reinvestment fund to support strategy implementation. These sessions also take an ‘outside in’ view of the business, with stakeholder involvement at these and regular SLT sessions providing a proxy test of customer satisfaction with the team’s progress.</p> <p>The Ministry’s functional organisational model requires effective distributed leadership, and SLT members take responsibility for cross-Ministry issues that are outside their respective branch responsibilities. They are working in collegial fashion, with a focus on a Ministry rather than a branch-by-branch approach. They each have responsibility for key stakeholder relationships and the related account management strategy.</p> <p style="text-align: right;">Contd...</p> |
|--|---|

|  |   |
|--|---|
|  | <p>SLT dedicates regular sessions to assessing and improving its collective performance, and holding each other to account. It does this with the assistance of a facilitator (a psychologist experienced in working with leadership teams, particularly in the public sector). SLT members have also invited each other, and staff members, to pick them up on actions that are inconsistent with the new Ministry values.</p> <p>SLT has devoted, and staff appreciate, significant effort to engage with staff in innovative ways that assist their efforts to live the values, such as blogs, podcasts, coffee sessions, and team challenges. SLT is making a real effort to ‘tell the story’ of the Ministry strategy. SLT members are visible around the country and are viewed by staff as highly approachable. Operational management tensions and issues are increasingly being resolved in practical and pragmatic ways.</p> <p>The biggest challenges now facing SLT are to:</p> <ul style="list-style-type: none"> <li>• maintain the momentum it has achieved in the merger process into transforming the Ministry into an economic development agency. While the team has demonstrated strong change management capability across many dimensions, this transformation will require something quite new, in particular to build, manage and lead a strong thought leadership capacity that can develop new solutions for long-standing problems</li> <li>• ensure that the governance mechanisms it has established drive effective integration across the Ministry’s functional branch structure. While SLT is an effective integrating governance mechanism it can only do so much, and other integrating mechanisms for governance, process requirements and cultural values are still evolving and remain largely untested. The result is a high degree of reliance on the energy of SLT members and the strength of SLT relationships to drive change and secure the required results. This risks being unsustainable. A number of the integrating mechanisms are not yet operating with sufficient focus on system management and a shared understanding of the system-level results that must be delivered</li> <li>• complete the transition to system management. The Ministry needs to see itself less as the collection of different regulatory and funding functions in the primary sector and more as a system manager - one that ensures that the right set of interventions are used to ensure that the biosecurity, food safety and primary production systems are able to deliver the sustainable uplift in export performance that Government is seeking (ie, is focused on delivering results).</li> </ul> <p>This will require some sophisticated leadership from SLT and continuing effective communication to staff about the big picture context within which their particular branch or business unit is operating.</p> |
|--|---|

**Values, Behaviour and Culture**

How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?

**PERFORMANCE RATING**



Performance Rating: **Well placed**

The constituent parts of the Ministry had brought with them differing organisational cultures and values. Ministry people have worked to identify the values that are widely recognised and accepted as legitimate expressions of those values necessary to make the Ministry an effective and satisfying place to work: ‘Value People – Value our Work’; ‘Work Together – Build Partnerships’; ‘Give Responsibility – Take Responsibility’; and ‘Act with Purpose – Achieve Results’. While all managers will have a Key Result Area (KRA) around managing values and staff will be expected to have at least one values-related KRA, a more systematic approach is needed to align behaviour to all of these values.

The Ministry is already developing a widely recognised and appreciated focus on ‘building partnerships’ and we are confident that effective partnering will become both more widespread and better supported by systems and practices. The new structure has broken down inherited silos and managers recognise the imperative of ‘working together’ to get things done. Collaborative behaviour is well modelled by senior management and a number of horizontal governance and management forums have been established to facilitate this collaboration and to focus it where it is likely to be most needed to achieve the organisation’s goals.

Embedding the other three values in organisational behaviour will be more difficult and will require more distributed leadership and stronger line management, especially performance management. Our interviews, along with some key messages from the staff engagement survey, underscored the importance of much stronger people management in bringing the other three values to life (see subsequent sections on Management of People Performance and Engagement with Staff). Changing behaviour requires a more disciplined approach to setting performance expectations at the beginning of the year, rather than during the year. Acting with purpose to deliver results requires that those expectations be clear and focused on achieving results, rather than activity. Giving honest feedback and performance assessment, and addressing poor performance, are key elements in valuing people and the work that they do. Moreover, tightly defined expectations and assessments facilitate greater autonomy ie, a more consistent ‘tight-loose-tight’ approach to management would better support the giving and taking of responsibility.

While people want to see these values guide behaviour, there is some scepticism about the degree to which they will be reflected in the way the Ministry is managed. Improving this rating requires management at all levels to demonstrate a commitment to these values and the skill to bring them to life in everyday decisions and behaviours. Close attention will inevitably be given to the way managers handle other managers and staff whose behaviour is more or less consistent with the values.

|   |   |
|---|---|
| <p><b>Structure, Roles and Responsibilities</b></p> <p>How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?</p> <p>How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?</p> |   |
| <p><b>PERFORMANCE RATING</b></p>   | <p>Performance Rating: <b>Needing development</b></p> <p>Any structuring of roles and responsibilities creates boundaries that inevitably cause issues. The Ministry’s current structure breaks down the inherited agency silos, promotes functional expertise and eases movement of people within functions to meet changing demands, albeit all at the risk of higher transaction costs and more diffuse accountabilities. While SLT is an effective integrating mechanism, other integrating mechanisms in terms of governance, business process requirements and cultural values need to be strengthened. These mechanisms are at present variable, nascent and not informed by any real view of the overall system-level intervention logic within which they are operating. This means that those involved in some of the integrative vehicles have little view of what success will look like.</p> <p>These integrative mechanisms that hold the structural matrix together, such as the governance coordinating committees, core values and cross organisational processes, now need to be developed in more detail. The Ministry also has to shift its focus from managing initiatives and programmes to a greater focus on managing the biosecurity, food and primary production systems (ie, understanding how the various interventions it makes work together to improve system performance to produce the desired system-level results). The new functional groupings also promote functional expertise and increase flexibility to meet changing demands. Capitalising on these benefits requires multi-skilling staff to support a wider functional operating brief.</p> <p>The principal means of operational coordination is through the Operational Coordination Groups (OCGs). These groups are expected to adopt a collective approach to achieve the strategy and Government objectives and to work collectively to achieve results. OCG performance has been variable in respect of their understanding of their roles and accountabilities, their energy and effectiveness in addressing rub points and their efforts to redesign strong and efficient core processes. All OCGs are at this stage still testing the exact nature of the links between branch-based authority and the shared accountability implicit in achieving coordination.</p> <p>Strategy Advisory Groups (SAGs) have been established to provide advice to SLT on strategy. They are at an early stage but will play a critical role on forward thinking thought leadership as they develop. It is in the SAGs that the transformative thinking needed to progress the Export Double goal should be visible.</p> <p style="text-align: right;">Contd...</p> |

|  |   |
|--|---|
|  | <p>While there are some examples of process mapping and redesign under lean principles, such as the Standards Integration project, the Ministry would benefit from a stronger focus on the assessment and redesign of core ‘horizontal’ processes and decision rights across the functional branches, with a view to eliminating pain points and making handoffs clear. As discussed below, this will require some improvements in core IT and IM systems to support lean and effective processes.</p> <p>The Ministry now has an opportunity to increase its effectiveness and efficiency by continuing to develop its co-ordination across the food safety, biosecurity and primary production systems, including how it sets targets, plans, monitors, and reports on the management of these systems. The Ministry needs to decide on the best way to take this forward, including the future role of its OCGs.</p> |
|--|---|

|  |  |
|--|--|
| <p><b>Review</b></p> <p>How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?</p> |  |
|--|--|

|  |   |
|--|---|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p>The Ministry recognises that many of the challenges New Zealand faces are long standing and that new approaches are required if the sector’s export earnings are to double by 2025. While there are obvious areas that need to be explored, it is not obvious what action government should take to achieve this goal. Solutions will require policy innovation and entrepreneurship based on a clear framework for assessing what works and where government can add the most value, net of the cost of intervention. That needs to be supported by a willingness to try things and an enhanced ability to quickly assess what is working and to abandon what isn’t. This requires much more than a well developed audit function. Rather, it speaks to the Ministry’s risk appetite, its ability to innovate and to discover, and to learn quickly from experience.</p> <p>This requires a high standard of review with a well developed capacity to monitor, measure and review its policies, programmes and services to make sure it is delivering its intended results.</p> <p>This is one of the biggest challenges facing the Ministry in terms of scope and seriousness, and will be fundamental to the thought leadership role the Ministry needs to develop. Review and evaluation criteria need to be established early and the review and evaluation process used to support a ‘fast fail, fast learn, fast fix’ approach, especially in those areas where policy innovation will be most critical.</p> <p style="text-align: right;">Contd...</p> |
|--|---|

|  |   |
|--|---|
|  | <p>None of the elements of measurement and review are well enough developed or embedded in the way the Ministry operates to provide the platform required for policy innovation and entrepreneurship:</p> <ul style="list-style-type: none"> <li>• High-level performance measures are insufficient to provide strong guidance and need to be translated into a clear framework for assessing what works. Reporting instruments, and the metrics-gathering processes to support them, do not yet exist in a systematic and widespread way. This inhibits the Ministry’s ability to monitor branch activities, co-ordination by the OCGs, and the Ministry’s effort to pursue the four focus areas of the strategy.</li> <li>• Monitoring and assessing Ministry performance is largely driven by public sector requirements, rather than to support learning and continuous improvement. Improvements are required in the scale and frequency of collection of business management information, and data about effectiveness of regulatory and other policy interventions.</li> <li>• Review and evaluation were not well developed in the agencies which were merged to create the Ministry. A small resource in the Assurance and Evaluation directorate has been established to strengthen capacity and an evaluation plan is being developed. However these are relatively early and small steps given the challenge. While reviews are undertaken when concerns are identified eg, in response to Psa-V and strawberry seeds incursions, there is as yet no proactive and systematic evaluation framework in place. Moreover, efforts to review existing regulations and programmes ex post will be hampered by the lack of review and evaluation criteria being established ex ante.</li> </ul> <p>These weaknesses need to be addressed and the management of innovation more deeply embedded to shift this rating to ‘well placed’. While there are examples of good practice, more extensive capture and systematic use of relevant information is needed to consistently achieve performance improvement.</p> |
|--|---|

## ORGANISATIONAL MANAGEMENT SECTION

### Part Two: External Relationships

| <b>Engagement with the Minister(s)</b>   |   |
|--|---|
| How well does the agency provide advice and services to its Minister(s).   |   |
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Strong</b></p> <p>The Ministry has three Ministers – the Minister for Primary Industries, the Minister for Food Safety, and the Associate Minister for Primary Industries. These relationships are constructive, with the Ministry senior leaders taking a proactive approach to briefings on emerging issues and progress on government priorities, as well as on medium-term stewardship issues.</p> <p>These relationships are built on strong foundations. Ministers are confident that the Ministry understands the concerns of stakeholders and are able to work constructively with them to improve sector performance. Ministers' confidence in the Ministry's ability to implement change has also been enhanced by the way the merger process has been managed. For its part, the Ministry can feel confident it is managing toward Business Growth Agenda goals – and with a strategy for the Ministry that has been agreed by Cabinet.</p> <p>While Ministers have concerns about the ever present threat of biosecurity incursion, there is overall confidence in the system and a feeling that important lessons have recently been learned from the Psa-V and Taurus events.</p> <p>There is also good engagement at the strategic level. The Minister for Primary Industries and the Director-General recently attended, with key industry stakeholders, a boot camp at Stanford University focused on growing our export markets. Sector players have formed a strong intellectual coalition within which to jointly explore the challenging issues entailed in lifting the value of exports and in co-creating the required interventions. This is a ground breaking approach to cross-sector and public/private policy development and implementation. It helps create a common understanding of the risks and opportunities and a common language for considering options.</p> <p>The policy issues confronting the Ministry are almost unprecedentedly complex and politically challenging. Issues such as water, land intensification, GMOs, climate change and others will require sophisticated positioning with Ministers and communities so that the public discourse on these matters is well informed and balanced. Ministers are confident that the Ministry is providing the proactive and forward looking advice that will assist the debate.</p> <p style="text-align: right;">Contd...</p> |

|  |  |
|--|--|
|  | <p><b>Provision of advice</b></p> <p>The policy challenge is further complicated by the functional organisational structure that requires Ministry staff to work across branches to provide joined-up advice to Ministers on topics that may touch many parts of the organisation. It will be important that the OCGs work to ensure this outcome. Key expert capabilities to support policy and regulatory advice sit within each branch alongside those who utilise the information they supply. Examples of this are the Information and Analysis group within the Policy Branch and fisheries science capability within the Resource Management and Programmes branch. In view of the functional structure these staff must also work across the whole organisation.</p> <p>The Strategy, Systems and Science Directorate of the Policy Branch provides cross-organisational support to improve the quality of advice provided to Ministers. The Directorate is responsible for developing a multi-year policy and regulatory work programme which, when embedded, will also support planning for future Ministry skill needs.</p> <p>The Policy Strategy Team provides a fungible intellectual resource focused on future policy issues and providing flexible support to other policy areas.</p> <p><b>Quality of advice</b></p> <p>Feedback from Ministers and their offices suggests a need to improve consistency in achieving high standards of responsiveness, advice quality, and timeliness. Internal and external reviews suggest advice is usually of adequate quality, but can be further improved.</p> <p>In 2010/11, the Cabinet Office found that 95% of biosecurity, agriculture, horticulture, and forestry papers submitted to Cabinet or Cabinet Committees met the reporting deadlines. Within the 2011/12 reporting year, NZIER evaluated a selection of Ministry policy papers (from the Policy branch, and thus a subset of all papers) and scored them as adequate (with a rating of 7.4 which was a material increase from a rating of 7.0 in 2010/11). This increase, at the time the Ministry was experiencing considerable change, is a promising sign. The Castalia Report assessed three Ministry internally assessed Regulatory Impact Statements as part of a wider Treasury review, with two meeting the criteria and one partially meeting the criteria.</p> |
|--|--|

| <b>Sector Contribution</b>   |  |
|--|--|
| How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?     |  |
| <b>PERFORMANCE RATING</b><br><br> | <p>Performance Rating: <b>Well placed</b></p> <p>The Ministry needs to operate effectively with a number of other public sector agencies to deliver its objectives. It is an active collaborator with other government agencies through the Border Sector Governance Group and Natural Resources Sector, and is increasingly working in closer collaboration with other agencies focused on economic and industry development. The Ministry is a key contributor and is on the governance group of Result 9 of the Better Public Services programme <i>New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their business.</i></p> <p><b>Involvement with the Natural Resources Sector (NRS)</b></p> <p>The formal NRS cluster was established in 2008 to provide consistent and high-quality policy advice on natural resources. The Ministry is jointly leading various work areas focusing on growing the benefits that can be derived from the better use of natural resources, such as water and marine life. The Deputy Director, Resource Management and Programmes jointly leads the NRS work on the marine environment, along with the Department of Conservation. This is a challenging area that involves balancing competing uses and interests and will need to be progressed with urgency and skill by both the Ministry and other sector players.</p> <p>Governance structures to support collaboration within the NRS cluster are mature and there is an evolution occurring from individual agencies with their own views consulting with each other, to proactive and strategic collaboration in the pursuit of collective outcomes. Collaboration around some issues, like freshwater management, is particularly well advanced.</p> <p>In some cases, such as the innovative Land and Water Forum (LAWF), collaboration extends beyond government to NGOs, iwi, industry and other stakeholders. LAWF is a collaborative group that provides advice on water issues direct to Ministers.</p> <p>The Water Directorate within the Ministry for the Environment supports the LAWF and is a good example of agency collaboration. In this case, the Ministry and other agencies pool resources, settling on a common fact base, and use a common language and analytical framework for assessing alternatives. This sort of joint working needs to be extended and normalised to support the policy entrepreneurship that will be required to gain traction on the complex and controversial issues entailed in water ownership and use. Other areas seem less well advanced (eg, conservation issues are sometimes less well integrated into the settled sector view).</p> <p style="text-align: right;">Contd...</p> |

|  |   |
|--|---|
|  | <p><b>The Border Sector</b></p> <p>The Director-General of the Ministry is the chair of the Border Sector Governance Group, which was formalised in 2008 with the publication of the <i>Border Sector Strategy 2008 – 2013 A framework for Collaboration for Border Sector Agencies</i>. The Strategy sets out opportunities for collaboration and an initial work programme. The Group consists of the Ministry, Customs, the Ministry for Business, Innovation and Employment (MBIE), the Department of Internal Affairs and the Ministry of Transport.</p> <p>The Future Directions programme, under the remit of Better Public Services, aims to reduce duplication and deliver a seamless border experience for customers. The initiative is assessing opportunities for future increased collaboration among border agencies under six priority areas.</p> <p>The Ministry and Customs frontline staff share offices and the Ministry, along with other border and security agencies, has staff located at the Integrated Targeting and Operations Centre (ITOC).</p> <p>Collaboration in the Border sector has improved as the Ministry has taken a more active leadership role. While the Ministry took longer than ideal to become fully engaged in the JBMS programme, there has been a significant increase in the focus within the Ministry over the last year. Joint initiatives like JBMS and the ITOC have a long way to go before benefits are fully realised and it will require changes in the Ministry’s operating model to realise these benefits. In making these changes, the Ministry should draw on the experience of others, such as Customs and the Inland Revenue Department, in using information and intelligence to improve the targeting of its interventions.</p> <p><b>Collaboration with agencies on economic development</b></p> <p>Collaboration with the economic agencies is progressing but is less well advanced, with the notable exception of the long-standing collaboration between the Ministry (and the predecessor MAF) and MFAT on trade and market access issues.</p> <p>This set of relationships is going to be more critical to the Ministry as it places more weight on its economic development role. Securing a significant and sustained improvement in the position of the tradable sector of the economy relative to the non-tradable sector has implications for the conduct of broader economic and fiscal policy. The Ministry’s success will, therefore, depend in part on its ability to influence other agencies with responsibility for economic development, fiscal and public sector performance.</p> <p>The relationship with NZTE is likely to become even more critical as the Ministry puts more emphasis on customer insights and developing and protecting country brand value.</p> <p style="text-align: right;">Contd...</p> |
|--|---|

|  |   |
|--|---|
|  | <p>The relationship with MBIE is also likely to become more central, especially in regard to Better Public Services Result 9 and in leveraging the Government’s considerable commitment to science, innovation, education and training to better support the contribution that primary industry can make to economic development in general and to export growth in particular.</p> <p>The five key chief executives were initially bought together by the Ministry and now meet regularly under the chairmanship of MBIE. While these relationships are developing well, there is still a lot of opportunity to be realised, especially in the internationalisation, innovation and education areas.</p> <p><b>Collaboration with local government</b></p> <p>The area least well developed is the Ministry’s relationship with regional councils and territorial local authorities and yet these local public organisations have a huge influence on the way potentially conflicting interests and values are mediated, particularly in the resource use consenting process.</p> <p>Further improving the Sector Contribution rating will require a lift in the engagement with the local government, economic development and, to a lesser extent, Border sectors.</p> |
|--|---|

**Collaboration and Partnerships with Stakeholders**  
 How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?

|  |   |
|--|---|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Strong</b></p> <p>Positive momentum established by the Ministry’s predecessor organisations is being carried through to the new Ministry. This is building on work initiated by the New Zealand Food Safety Authority, and by the current Director-General through his work with stakeholders in the seafood industry.</p> <p>The current Director-General’s approach to stakeholder management is appreciated by primary industry stakeholders. This leadership underpins the change of culture throughout the Ministry aimed at ‘working together and building partnerships’. It now needs to extend to tier two and three stakeholders, with more disciplined relationship management to support that extension. The growing strategic, as opposed to transactional, aspect of these relationships need to be reinforced, which will help engage industry in the process of co-creating imaginative solutions to the difficult and often long-standing issues the primary production system in particular needs to address.</p> <p style="text-align: right;">Contd...</p> |
|--|---|

|  |  |
|--|--|
|  | <p>The stakeholders interviewed for this review tend to engage heavily with the Ministry on a wide range of issues, including day-to-day biosecurity, market access, food safety and animal welfare issues, as well as broader strategic and policy issues such as water. The Government Industry Agreements (GIA), and to a lesser extent the Primary Growth Partnership (PGP), are front of mind for most sectors we engaged with.</p> <p>There are several ‘before and after’ examples of where industry and the Ministry or its predecessors are working together well to address serious issues. Good examples are Halal regulations (with the Food Safety Authority and MAF) and modernisation of the framework for animal welfare (with MAF and now the Ministry).</p> <p>The Ministry’s working relationship with industry is regarded as far more supportive and collaborative than in the past. Staff are seen as engaging more with industry, evidenced by participation in a number of joint committees and working groups. The Ministry is perceived as being more receptive and open to engagement, and SLT in particular as less defensive than previously.</p> <p>There is a clear and consistent impression that the Ministry’s purpose is ‘growing and protecting’ New Zealand’s primary industries. Stakeholders are generally pleased with the focus on economic growth, and the recognition of the importance of the primary sector to lifting growth.</p> <p>The change in name from the ‘Ministry of’ to the ‘Ministry for’ is regarded as an important symbolic change in perspective – from a focus of providing advice to Ministers, to working actively to support primary industries. There was a general view that the Ministry is now more ‘customer-focused’ and that staff are seeking to partner more with industry.</p> <p>Several stakeholders commented that, though they may not always see eye to eye with the Ministry, or agree with its position, the basis for the Ministry’s decisions is well explained. Having ‘full and frank’ explanations enables industry to understand the Ministry’s views, and accept them (if not agree with them). The Ministry is not shying away from public debate on difficult issues, but is willing to tackle them and be more forthright about the trade-offs and implications. This was raised generally in relation to GIA.</p> <p>Stakeholders are appreciative of the early heads up on emerging issues and on Cabinet decisions, sometimes coming directly from the Director-General. Some commented that they would also like to have more strategic engagement: to know what’s in the pipeline; what the Ministry has got on its plate; and therefore what’s likely to emerge in the future. Others felt well engaged at the strategic level. We note that the Stanford ‘boot camp’ attended by the Minister, Director-General and a number of senior primary industry chief executives was seen as a very positive initiative.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

While there is general understanding of the Ministry's 'growing and protecting New Zealand' purpose, there is confusion amongst stakeholders over the scope of the Ministry's role (particularly in relation to MBIE) and on how best to give effect to it. Some wish to see the Ministry taking a strategic lead. Others want to see the Ministry working in an appropriate partnership. Some would like to see the Ministry working for industry in the manner it might have in the 1970s (as an industry advocate, and investing in 'picking winners').

### Experiences of the Public

How well does the agency meet the public's expectations of service quality and trust?

#### PERFORMANCE RATING



Performance Rating: **Needing development**

There is a need for the Ministry to consider who 'the public' is in the context of its strategy. It could be argued that, in addition to the domestic audience, international visitors and international end consumers or primary products also constitute the Ministry's public audiences. In-market consumers and those who influence their purchasing decisions (eg, NGOs, retailers) are a vital and insufficiently understood public given the Export Double goal. The agency should give careful thought to its stakeholder segmentation, analysis and strategies in this context.

The diversity of the Ministry's functions is reflected in the range of relationships it has with the New Zealand public. Kiwis Count is a comprehensive survey that measures New Zealanders' satisfaction with 42 frequently used public services, including a number provided by the Ministry. Kiwis Count tracks improvements in the quality of service delivered to New Zealanders and identifies areas where the public sector needs to provide better service. The latest survey shows increases across all the drivers of satisfaction. The factor with the largest rating increase since the first Kiwis Count survey was 'It's an example of good value for tax dollars spent'. One of the largest increases in service quality came from the services 'Importing goods into New Zealand or customs duties' which the Ministry directly intersects with.

The most common way in which the public comes into contact with the Ministry is in its role as a regulatory agency seeking compliance from the travelling and New Zealand public. For example, approximately 4.6 million people are assessed for biosecurity risks as they enter New Zealand each year, which not only affects our economy and environment but also our tourism sector. Fisheries officers also have substantial and sustained engagement with the public.

Contd...

|  |  |
|--|--|
|  | <p>The Ministry’s approach to achieving public compliance is structured around the VADE model: voluntary, assisted, directed and enforced compliance. Each step on the VADE progression is associated with different types of compliance interventions. Effective provision of information to the public and (in some cases) social marketing, reinforced by penalties for non-compliance, are core to achieving voluntary compliance.</p> <p>Increasingly, the information collected by the Ministry on the public’s perceptions and behaviours is being focused on informing assessment of the effectiveness of the different compliance interventions and their improvement, including the effectiveness of risk profiling. For instance:</p> <ul style="list-style-type: none"> <li>• a recent survey of air passengers entering New Zealand confirmed the current approach to risk screening for direct exit is effective in identifying those unlikely to pose a biosecurity risk</li> <li>• the Ministry records information on people not complying with fisheries regulations following an initial warning (assisted compliance), which informs fisheries compliance interventions</li> <li>• some limited monitoring of the impact of regulatory requirements on the public is undertaken, for instance time taken to clear biosecurity and customs processes at Auckland International Airport.</li> </ul> <p>Both legacy MAF and the Ministry of Fisheries commissioned surveys to understand public perceptions of the agencies. The Ministry of Fisheries sought to monitor trust and confidence in fisheries management and a version of this measure, adapted for fisheries activity that is part of the Ministry, continues to be used and reported on. MAF undertook an annual survey called the Reputation Monitor (previously the End User survey). The last Reputation Monitor was in July 2011. Findings from the survey suggested declining public trust and confidence in MAF.</p> <p>Given the importance of the new, enlarged Ministry and its range of functions, there is now a significant opportunity, indeed a strategic imperative to tell the New Zealand public a more compelling, joined up story about the role of the Ministry and the opportunities now before it in ‘growing and protecting New Zealand’. While the Ministry will always be seen by citizens in its regulatory and compliance role, its thought leadership role means it must now lead a much more strategic public discourse on the big issues facing New Zealand as we seek to grow the value of exports. Not only must New Zealanders trust the safety and quality of their food and trust the biosecurity system to protect them from pests and other incursions; they must also understand how the Ministry can develop the complementarity between grow ‘and’ protect, rather than see their interests in environmental, animal welfare, wildlife or other values as being inevitably traded-off against economic growth objectives.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

The Ministry will need to lead the way in forging sufficient community agreement to enable New Zealand to simultaneously meet its export goal and protect those values and interests that industry and the wider community see as legitimate. Moreover, there needs to be enough longer-term stability in this broad public agreement to encourage the investment individuals and firms need to make in developing human, physical and brand capital.

The Ministry needs to help government engage with industry and the community in a way that promotes an accurate and shared understanding of the relevant risks and opportunities, which allows the best solutions to emerge for New Zealand and avoids the sort of polarisation that stifles progress. These will be solutions that, for example, not only advance 'grow' and 'protect' simultaneously (including protection of environmental, food safety and animal welfare standards) but will also promote both utilisation and retention of Māori land (especially retention of local community and its link to the land); allow us to participate in the benefits of scientific discovery in areas like animal and plant genetics while being comfortable that the attendant risks are well managed; and allow the development of better mechanisms for allocating resources like land, fresh water and sea space to their best use, as we have been able to do in the past so successfully with fish stocks.

The Ministry has a strong communications function and has built a strong platform for public discourse by strengthening its stakeholder relationships. It now needs to tell the New Zealand public a big story about the future and must confidently and positively enrol communities in debating the complex and controversial issues entailed in reaching the export growth target.

## ORGANISATIONAL MANAGEMENT SECTION

### Part Three: People Development

|  |   |
|--|---|
| <p><b>Leadership and Workforce Development</b></p> <p>How well does the agency develop its workforce (including its leadership)?</p> <p>How well does the agency anticipate and respond to future capability requirements?</p> |   |
| <p><b>PERFORMANCE RATING</b></p>    | <p>Performance Rating: <b>Needing development</b></p> <p>The Ministry recognises that it has challenges in this area. It is taking action, but the work required is very significant. Training, talent, career and succession management all need much greater focus and managers need the metrics to effectively manage the people dimension of their roles. The staff survey highlighted some of these long-standing management weaknesses in at least some of the predecessor organisations.</p> <p>As a consequence, the Ministry has recently developed an overarching People Capability Strategy, which outlines how it intends to build the capacity to deliver on its <i>Our Strategy 2030</i>. The Ministry recognises that the recently developed people management tools and strategies will not provide an instant fix, given historical lack of attention to this area. This is an area in which real urgency and additional investment is now required in the integrated organisation.</p> <p>Until recently the Ministry invested \$1,500 per manager annually into a centralised leadership fund, as compared to other Natural Resources Sector agencies spending \$2,400 to \$3,000 per manager per year. The Ministry has now increased this amount to \$2,340 for the 2012/13 year. The Ministry has invested in several new development programmes, including Management Fundamentals (a four-month programme for new managers and managers new to the Ministry) and Inside Out: Leading the Way (a nine-month programme for level 4 and 5 managers). It is too early to assess the success of these programmes.</p> <p>These programmes and other efforts targeting front line supervisors are not yet tied into an overall talent management framework and there are not yet systematic mechanisms for identifying talent and targeting interventions to individuals.</p> <p>Instead of a joined-up approach to talent management, workforce development is largely focused on newly introduced Personal Development Agreements, which are developed online by each staff member in collaboration with their manager. Each staff member will have a development plan, which includes technical training where required. At the time of writing, a significant number of Ministry staff had not completed their Personal Development Agreement for this year.</p> <p style="text-align: right;">Contd...</p> |

|  |  |
|--|--|
|  | <p>Future capacity requirements are largely identified in the directorate or group business plans and Four-year budget plan rather than being worked on by SLT at a more strategic level. Operational workforce future capacity planning has been highlighted as a key gap although there are pockets of useful tactical experimentation. In the compliance area for example, there are plans to broaden the existing skills of staff to enable them to take up compliance activities across a range of sectors in the future, rather than focusing on one particular sector. This will provide greater flexibility in deploying compliance staff and potentially, a better career structure for staff. Work is also under way in the Verification and Systems branch on training to enable staff to cross-warrant for inspections and audits, including facilities.</p> <p>Succession planning is a major area of risk and one that is only now receiving some attention post restructure, with some initial work on a pilot programme.</p> |
|--|--|

**Management of People Performance**  
 How well does the agency encourage high performance and continuous improvement among its workforce?  
 How well does the agency deal with poor or inadequate performance?

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p>This area was identified as a key one for further development in 2009 in the MAF pilot PIF review. While some progress has been made, considerably more work remains to be done if Ministry staff are to achieve the required results because of the organisational support they receive, rather than, as is sometimes the case at present, achieving results in spite of the organisation.</p> <p>The Ministry's people are united by a strong sense of mission and an often passionate desire to make a positive difference to the economy, environment and primary production industries in New Zealand. This reservoir of talent and passionate commitment has a huge opportunity value. It needs to be fully utilised and developed.</p> <p>The Human Resources function at the Ministry is changing from a transactional one to a more strategic approach. A new People Capability Strategy was recently signed off by SLT. While the way forward is clear, pace has been hampered by poor legacy systems and HRIS, clunky processes and distraction in the form of the need to provide support to large scale restructuring and systems integration. Although some good leadership is in place, efforts in the last year or two have necessarily been focused on harmonising legacy agreements and systems and on ameliorating immediate problems, rather than on more strategic and value adding activities.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

Overall workforce strategy is nascent rather than mature and there is a very unsystematic approach to the identification and management of talent. Ministry staff are generally very strong performers and there are significant opportunities for their development and career pathway management to be viewed in the context of the broader economic development, border and natural resources sectors, rather than simply on an agency basis. The Ministry and government more generally, will need very talented and creative thinkers and regulators if the system-level interventions required to execute the business growth and Ministry strategies, are to be designed and effectively implemented. The need, explicit in the Ministry strategy, to have a more agile and fungible workforce also means that a much stronger talent management system is an essential priority.

The 2010/11 Better Administrative and Support Services (BASS) results showed MAF to have one of the lowest cost HR function per employee in the cohort. In that year, the agency invested 0.6% of overall operating expenditure in staff development. As discussed above, investment in staff and manager training and development is now being made, but is hampered by the lack of an overall talent development framework that would enable such development initiatives to be planned in the context of an individual's overall development.

Succession planning is also weak though the Ministry recognises the need for a more formal system here. Some critical roles are vulnerable. The Ministry is currently piloting a succession planning project in an attempt to mitigate and manage these risks.

The performance management system is heavily competency based, and, while it now reflects the new Ministry values, it is not yet viewed as a mechanism for cascading strategy into individual accountabilities. We suspect an overly elaborate focus on competencies and key results may be militating against staff focusing on a small number of priority results.

While there were clearly some managers who are doing more to address poor performance, and the merger has helped this process, the feedback we received reinforced some of the more formal feedback from people that performance management was not nearly common enough or well executed. When leaders are strongly focused on building an enduring institution that will attract and retain talent, their tolerance of weaker performers will be low because of the risks to brand and retention of talent. There is then a much stronger premium on ensuring weaker performers are developed, shifted into more suitable roles, or managed out.

We wonder if the current weakness here is because too many middle managers and frontline team leaders view performance management as 'not nice' and as punishing staff, rather than seeing it as something that helps individuals to develop and move forward in their careers. They also need to see that performance management motivates other staff who no longer feel the organisation makes them carry poor performers (because it will not hold managers to account for managing poor performance).

Contd...

|  |  |
|--|--|
|  | <p>Relations with the unions are sound at an operational level, though there is more scope for strategic partnering to resolve joint challenges and support staff through ongoing changes. We would like to see regular engagement and joint working between the unions and Ministry leadership to constructively address the issues and opportunities outlined in this section.</p> <p>To improve the rating in this area, the Ministry’s leadership will need to ensure that the Human Resources group and all line managers are well supported to implement the people capability strategy with urgency and confidence.</p> |
|--|--|

**Engagement with Staff**  
 How well does the agency manage its employee relations?  
 How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

|   |  |
|---|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Weak</b></p> <p>Overall, staff engagement is weak, with the March 2012 Employee Engagement Survey revealing that three people are ‘disengaged’ from the organisation for every person that is ‘engaged’. The Ministry performs poorly relative to the State Sector benchmark; with 9.9% ‘engaged’ versus the sector benchmark of 23% and 31.9% ‘disengaged’ versus the sector benchmark of 17.7%.</p> <p>People are typically dedicated to what they see as the purpose of the organisation and to their work and team, indeed the latter is comparable with other State sector agencies. However, while people are engaged with their work, their team and the person they report to, there is a low level of personal connectedness with the organisation ie, believing in the direction of the organisation and feeling that their contribution makes a difference and gives them a sense of achievement. Some of this is because of differing views of what the Ministry should be doing, hence the critical importance of shifting from a ‘cost’ to a ‘value’ focus and of stressing the ‘and’ in ‘grow and protect’ (see section on Purpose, Vision and Strategy above). The Survey also indicated a relatively low level of confidence in management communication, that management values their contribution, or cares about their well being – all of which undermines a sense of belonging. People also scored the Ministry poorly on ‘quality and performance focus’, and staff interviews reinforced the importance of addressing under-performance and having ‘difficult conversations’.</p> <p>These are all serious issues for an organisation that needs to retain and attract talent and to ensure that its purpose and goals inspire enthusiasm, innovation and thought leadership.</p> <p style="text-align: right;">Contd...</p> |
|---|--|

|  |   |
|--|---|
|  | <p>Some of this disengagement may be a reflection of the merger and, indeed, the timing of the survey would not have helped the result. However, it would be a mistake to over-rate this factor. The major problems are deep-seated and have been inherited from at least some of the merged organisations (eg, the Ministry has a disproportionate number of ‘disengaged’ people with long tenures). Addressing the issues raised by the Survey will require an investment in better management and much clearer engagement of line management in the Ministry’s purpose and vision (eg, engagement drops off sharply down the management hierarchy and is too low at the critical team leader level). Performance management is underdeveloped and much more effort needs to be given to setting clear expectations for management, building basic management capability closer to the front line and rewarding good management. Managers should be required to set clear performance expectations at the start of the year with their people, have meaningful performance conversations throughout the year, all with a greater focus on ‘achieving results’. They should also be required to address poor performance. Training, talent, career and succession management all need much greater focus, and management needs the metrics to effectively manage the people dimension of their role.</p> <p>This requires a sustained effort across a range of initiatives. While the current focus on values and on improved communications from senior management is positive and necessary and should help improve engagement, it is not sufficient (and the values are yet to be embedded in behaviour change – see section above on Values, Behaviour and Culture). More needs to be done to ensure that action plans are available that clearly address the issues raised in the Survey and managers are held to account for addressing the critical issues raised by the staff. People need to be pleasantly surprised by the seriousness with which management responds to the messages they have sent ie, that they have been taken seriously and that the response is enough to encourage their future engagement.</p> <p>The relationship between the Ministry’s predecessor agencies and unions has been characterised as one of tension and misaligned objectives. Ongoing interactions between agency and union representatives tended to occur at lower management levels, relying on <i>ad hoc</i> communication between parties. The new Ministry has sought to establish closer and more regular working relations with unions. While still in their early stages, these changes are clearly seen as an improvement and, if developed and engagement is regularised at senior levels, will set the groundwork for a much more productive relationship, as discussed above.</p> |
|--|---|

## ORGANISATIONAL MANAGEMENT SECTION

### Part Four: Financial and Resource Management

\*Please note on 1 August 2012 three of the five elements in this critical area of the Performance Improvement Framework were significantly upgraded. The three elements are *Asset Management*, *Improving Efficiency and Effectiveness*, and *Financial Management*. The upgrade affects comparability with previous reports. For more information on the revisions see: <http://ssc.govt.nz/pif-reports-announcements>.

#### Asset Management\*

How does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?

#### PERFORMANCE RATING



Performance Rating: **Well placed**

As at 30 June 2012 the Ministry had a total net book value for fixed assets of \$65 million. The major item is software, at \$26 million, followed by land and property (\$15 million) and vehicles (\$8 million).

The Ministry's new asset management plan has recently been approved and the Ministry recognises the need to comprehensively understand the condition of its existing asset base. It has a number of reviews scheduled over the next 12 - 18 months. These include:

- a review of IT hardware and software in accordance with the ISSP
- motor vehicles and vessels review programmes
- the development of a national property strategy.

The focus of the Ministry's capital programme over the next few years will be on delivering the business critical IT and IM changes discussed below. These include NAIT, JBMS and rationalising IT infrastructure and the associated maintenance costs.

From 2013/14, multi-year planning is being introduced, which will include capital and assets. The process for capital bids for 2012/13 began with Branch Business Plans, with each area identifying and prioritising the projects to be undertaken, capturing both the operating and capital requirements. These were then pooled and submitted to SLT for approval. The approval by SLT is of the overall budget, with individual projects still required to go through the business case process. SLT also receives monthly financial reporting on assets.

The Four-year budget plan identifies two major capital proposals. The first is the replacement or refurbishment of the Wallaceville physical containment level 3 laboratory, a critical resource as this is New Zealand's only facility of this sort. This is estimated to cost between \$20 and \$60 million, and the

Contd...

|  |   |
|--|---|
|  | <p>Ministry is currently reviewing baselines to determine how much can be funded within its balance sheet.</p> <p>Second, JBMS Tranche 2 which is a joint initiative undertaken with Customs, has now been deferred. This will require the Ministry to carefully consider the enhancements to border facing systems required to support the more intelligence led approach to risk on which its current strategies are premised.</p> <p>There is a considerable risk in a such a large and complex agency facing such demanding goals, that continued careful attention to this area may be difficult to maintain. It will be important, given the recent gains made, to ensure ongoing focus on effective asset management.</p> <p>To improve the rating in this area, the Ministry needs to build on the progress made to date, continuing the move from a transactional to a strategic approach to asset management and ensuring that all major assets are underpinned by high quality business cases, including benefits cases, with a whole-of-life focus.</p> |
|--|---|

**Information Management**  
 How well does the agency utilise information & communications technologies to improve service delivery?

|  |   |
|--|---|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p><b>ICT strategy</b></p> <p>The Ministry has over 600 business applications of which around 25 are core applications (JBMS, eCert, NAIT and so on). Of these 600 applications, only some 30% are currently fit for purpose. Many are on legacy technology platforms for which the Ministry does not currently have a regular maintenance cycle. Given the merger, there is a lack of critical common systems, such as single document management system.</p> <p>The Ministry recognises that it cannot deliver on its strategy without investing in much more standard technology services that do not, as the current somewhat bespoke systems do, expose the agency to single points of failure. There are currently a number of legacy systems deemed as low fit-for-purpose, with a high cost of ownership, which require urgent attention to minimise exposure to operational risks.</p> <p>The new ISSP is a comprehensive document, which identifies the key themes for future development as:</p> <ul style="list-style-type: none"> <li>• Trusted partnerships</li> <li>• Intelligent use of data</li> <li>• Fit-for-purpose integrated systems</li> <li>• Connectedness</li> </ul> <p style="text-align: right;">Contd...</p> |
|--|---|

- Enhanced productivity
- Future-fit business systems.

Each of these themes has an associated work programme. Priority information systems for further development are mission critical; they include the HRIS, the FMIS, electronic data and record management systems and time recording.

The Business Technology and Information Services (BTiS) Directorate needs to rapidly change its culture from an emphasis on technology and bespoke development to partnering with the business to simplify systems, enhance the quality of management information and develop new channels for communications with stakeholders. Recent surveys of users’ experiences of IT indicate that improvements can be made. Overall quality is rated as positive by over 40% of staff users and as average by an additional 40%. Customer satisfaction from the outsourced services provided through Unisys is consistently just under the target of 4.0 out of 5.0. The Ministry will need to work closely with vendors to improve the service experience for internal users, and with users to ensure an informed internal customer.

There are early steps in this direction. IT partners from BTiS now engage with other branches to understand their needs and identify how they can be met. This model will be critical to the successful execution of the ISSP.

Much of the current technology is provided through aggregated outsourced services. The Ministry is soon to change the provider of these services. This is part of the all-of-government syndicated procurement (which the Ministry led), and a useful opportunity to improve performance. The new contract has stronger performance measures, with higher levels of service (such as longer service desk hours) and as well as having performance improvement elements built in. The greater flexibility of cost structure will give the Ministry an opportunity to change requirements as the environment dictates.

**Data integrity**

The Ministry protects its data through controls over who can access or update particular information, particularly in the server space. If changes need to be made to data, a service request needs to be made, that is assessed on a case-by-case basis through the IT Applications team. Currently, data protection is consistent across all data, and there is an opportunity to specify which data is more crucial, allowing for more focus in these priority areas and more agility in the approvals process.

The quality of data is difficult to ensure, as this is user-driven. The business owners of applications determine the quality parameters, and have a role in its validation. A recent project created a new Information Security Framework and Security Advisory Board. The work programme here will include a new, refreshed information security manual, improved HR processes for staff entry and exit to the Ministry, a review of the Certification and Accreditation processes, and the implementation of a Security Awareness Programme.

Contd...

|  |  |
|--|--|
|  | <p><b>From data to intelligence</b></p> <p>In the past the Ministry and legacy agencies have collected data in some areas quite passively, and have not used data analytics to support decision-making and risk based targeting of interventions. An exception is the fisheries management area, where analysis of stock levels and fishing practices is well developed in support of existing regulatory and legislative powers.</p> <p>There is a need now to move quickly to intelligence led decision-making in the border and food safety areas. In the biosecurity area in particular, this will require a significant shift in ways of working, the extent of which may currently be underestimated by some managers. This shift cannot be fully effected prior to the introduction of Tranche 2 of JBMS.</p> <p><b>Digital service strategies</b></p> <p>The recent introduction of Yammer (a closed social network programme) and the i-Devices policy can be considered advanced for a government agency, and reflect the need to support the Ministry staff who require these technologies to support fieldwork.</p> <p>While an overall channel strategy appears not to have been developed, the Ministry is currently developing its new web presence, which will be a rationalisation of existing websites and web platforms, alignment with all-of-government initiatives, development of plain-English content, improved access to data and increased transactional capability. The Ministry’s overall communications strategy is being invested in and developed on the basis of an increasingly deep understanding of stakeholder interests and preferred channels.</p> <p>With regard to external facing services, there is also work under way to improve how the Ministry responds to phone and email enquiries and to consider new service channels for interactions with stakeholders and the public. We would like to see this being approached creatively and, in accordance with Better Public Services Result 9 and 10, with high levels of ambition around service quality and responsiveness.</p> <p>The Ministry has an excellent platform in the quality of its stakeholder relationships and has an opportunity to lead work to engage in real time policy debate and co-creation by means of innovative digital channels.</p> |
|--|--|

**Improving Efficiency and Effectiveness\***

How robust are the processes in place to identify and make efficiency improvements?  
 How well does the agency evaluate service delivery options?

**PERFORMANCE RATING**



Performance Rating: **Needing development**

In the 2010/11 Better Administrative and Support Services (BASS) report, both legacy ministries were middling in terms of where they sat on the key efficiency metrics. Since then, the Ministry has been through a number of changes likely to have increased efficiency, particularly in back office functions. A requirement of the merger was for the Ministry to generate significant savings. The target from the merger was \$10 million, and additional savings expectations were also set. The Ministry achieved savings of over \$19 million for the Crown, with a further \$2.5 million to \$3 million savings in third party costs. This was achieved, in part, through the reduction and removal of duplication among the Ministry’s predecessor agencies, without reducing the level of frontline service provision.

While the new management has been able to extract significant efficiencies as a result of the merger, there are two important areas where efficiency and effectiveness could be significantly improved:

- better use of information and intelligence to better target both the timing and location of surveillance, investigation and enforcement functions
- more emphasis on evaluation and review of the Ministry’s programmes and services. A new evaluation programme is being established and a number of reviews have been undertaken (eg, Psa-V). However even very large programmes that have broken new ground for the Ministry, like the Partnership for Growth programme, were not set up with clear review criteria or benefits realisation in mind.

On a day to day level, prioritisation of effort and resources within the Ministry is being increasingly carefully managed by SLT, with an agency wide ‘must do’ list that prioritises work aligned to government priorities, core operational services and strategy implementation.

There are also pockets of activity within the Ministry specifically related to further improving efficiency. The Standards Branch has a ‘Lean’ programme focused on reducing waste and increasing productivity. Finance has undertaken a benchmarking exercise (Finance Quick Start Initiative) which has identified areas that can be made more efficient. In the procurement space, considerable cost-savings and efficiencies have been achieved in the 2011/12 year, many of which relate to joining in, or capitalising on, all-of-government agreements. In the past year, the Ministry implemented two such agreements: Air Travel and External Legal Services. Three further agreements are in a planning and transition stage: Travel Management Services, Energy Management Services, and Electricity.

Contd...

|  |   |
|--|---|
|  | <p>Given the new organisation is still developing, including the combining of a range of legacy business units, the obvious and important next step for each branch is to understand the core processes it has in place, identify the inefficiencies inherent in them and the cost pressures the branch is facing, and then address them. Across branches, SLT needs to consider identifying core processes for lean redesign, not only to improve efficiency, but to maximise the effectiveness of the functional structure and ensure integration.</p> <p>Staff have the opportunity to suggest new and more effective ways of working through Eureka, an intranet-based idea capture tool. The current ideas are largely pain points that affect individual users or groups of users, such as IT-related areas, and are not yet at a level that can realise efficiencies at an organisational level. However the tool is now in place to encourage innovation by staff. The tool needs to be used to capture big ideas in core process areas (such as border processing or standards redesign). The need to develop this programme also highlights a lack of a central coordination point for such initiatives.</p> <p>The SLT is currently working on a reinvestment fund, funded from within existing baselines that can be used to invest in making change go faster. The merger work and this exercise have begun to build a healthy culture on continuous change and constant challenge to develop more efficient and effective ways of working. While some staff find this difficult, it will force regular debate and creative responses to ongoing fiscal pressures.</p> |
|--|---|

|  |
|--|
| <p><b>Financial Management*</b></p> <p>How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?</p> |
|--|

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p>The Ministry inherited a very mixed bag of finance functions. While Fisheries performed well on comparative BASS data, MAF was amongst the weakest. In particular, while costs were within median ranges, in 2011 MAF’s management practice BASS indicators were near the bottom of the State Services agencies and were not improving. While Fisheries scored 70% on these indicators, MAF only scored 20% because, amongst other things: expectations for the finance function (and for budget holders) were not well established; there was no systematic benchmarking or review of agency costs across major service areas; financial processes were not streamlined; and little was spent on staff development.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

During the merger the finance team has had to focus on maintaining operational integrity, merging systems and processes to deliver better business intelligence and delivering a budget process during a period of significant structural change. While the team does have good capability, capacity has been overly focused on transactional issues and there is a considerable way to go before it is providing the information and analysis to add the value needed to support superior business decisions. Realising that potential will require investment in improving the finance team's efficiency. Benchmarking completed by KPMG suggests significant gains are possible (eg, with greater automation and leaner workflow). It will also require more financial training for managers, which is getting under way following a successful pilot.

The 2011/12 Four-year budget plan was assessed by the Treasury as acceptable. More effort will be required to update this plan, particularly in relation to the assessment of the risks associated with savings and cost pressures and to ensure financial planning is supported by non-financial planning. As highlighted by the Treasury however, the Ministry has been through two successive mergers and was in a state of change that made it difficult to identify cost-pressures and undertake significant prioritisation within and across the Votes. It is acknowledged that the next Four-year plan will have a much greater focus on the future to enable more trade-off decisions to be made. That will require that the multi-year branch business planning integrates with the new four-year planning process.

While management has been able to extract significant efficiency gains from the merger, the next set of significant gains will require better prioritisation and process redesign to improve the Ministry's operating model. These will, in turn, require a significant development in the quality of information and analysis coming from the finance team. The Ministry will need to better understand risk and target its interventions at those higher risk areas where it can have the greatest impact. That will require much better information about the costs of undertaking different activities and providing different services to different levels of quality: especially outside the \$130 million of services currently provided to industry and cost recovered. That will also help managers better understand the implications of managing the demand for its services across different channels (eg, the impact of introducing direct exit for low-risk passengers at airports). Finance needs to inform prioritisation decisions with analysis of how changing volumes will be translated into changing costs (eg, by identifying which costs are variable and over what timeframe). The Chief Financial Officer needs to be able to draw on insights from the data to propose changes to the Ministry's operating model that will lift efficiency and effectiveness.

Contd...

|  |   |
|--|---|
|  | <p>Forecasting and within-year budget management will also need to improve. There were three areas of overspend in the annual report, although overall there was an under-spend. Indeed, there has been a history of under-spends and that has continued into the first two months of the current year. However, within-year budget management is improving and SLT is now engaged early in looking at how emerging under-spends can be reallocated to the highest priority uses.</p> <p>The internal control environment is good. External reports highlight some non-compliance with controls and some areas have strengthened controls. While some control recommendations are rated as ‘moderate/substantial improvement’ these are generally related to improving documentation and record keeping. The 2012 Departmental Internal Control Environment (DICE) rating was ‘good’. The overall fraud risk assessment is given as a ‘medium’ risk in a recent assessment (April 2012), with reported incidents of fraud or theft across the legacy ministries being very low.</p> |
|--|---|

|  |
|--|
| <p><b>Risk Management</b></p> <p>How well does the agency manage its risks and risks to the Crown?</p> |
|--|

|  |  |
|--|--|
| <p><b>PERFORMANCE RATING</b></p>  | <p>Performance Rating: <b>Needing development</b></p> <p>Risks are identified at a branch level through champions on a quarterly basis. The strategic and organisational risks are fed through branch leadership teams to SLT on a quarterly basis. SLT then reviews the risks and confirm that the management of the risks is acceptable.</p> <p>This bottom-up process needs to be complemented with a top-down view that is inherently longer term in nature and is driven by the Ministry’s strategy, with a more coherent focus on system-wide and emerging risks. To meet the Government’s ambitious export goal will require the Ministry to try new things and take more risk, which underscores the importance of a better developed top down, strategically led approach to risk management.</p> <p>That requires identifying the principal risks to the strategic plan; a better process for identifying system-level risks (eg, to the biosecurity, food safety and primary production systems); as well as scanning for emerging risks. This is likely to lead to the identification of a different set of risks. For example, at a system level there might be more focus on our heavy reliance on a few species, like radiata pine and the extent to which forest owners face the right incentives to manage catastrophic risk; on gaps in the initiatives to double export earnings growth from the sector; on the Ministry’s ability to shift from regulator to enabler and to maintain public consumer confidence in the integrity of our food safety, biosecurity and primary production systems, and so on.</p> <p style="text-align: right;">Contd...</p> |
|--|--|

It also requires a more coherent framework for prioritising risk. In the biosecurity area, for example, this may well be by finalising the development of criteria for ranking organisms according to the risk they pose. However, if this is the approach, some way must be found to integrate new and emerging risks and environmental changes (that are non-organism specific) such as changing traffic routes, trade volumes and cargo composition.

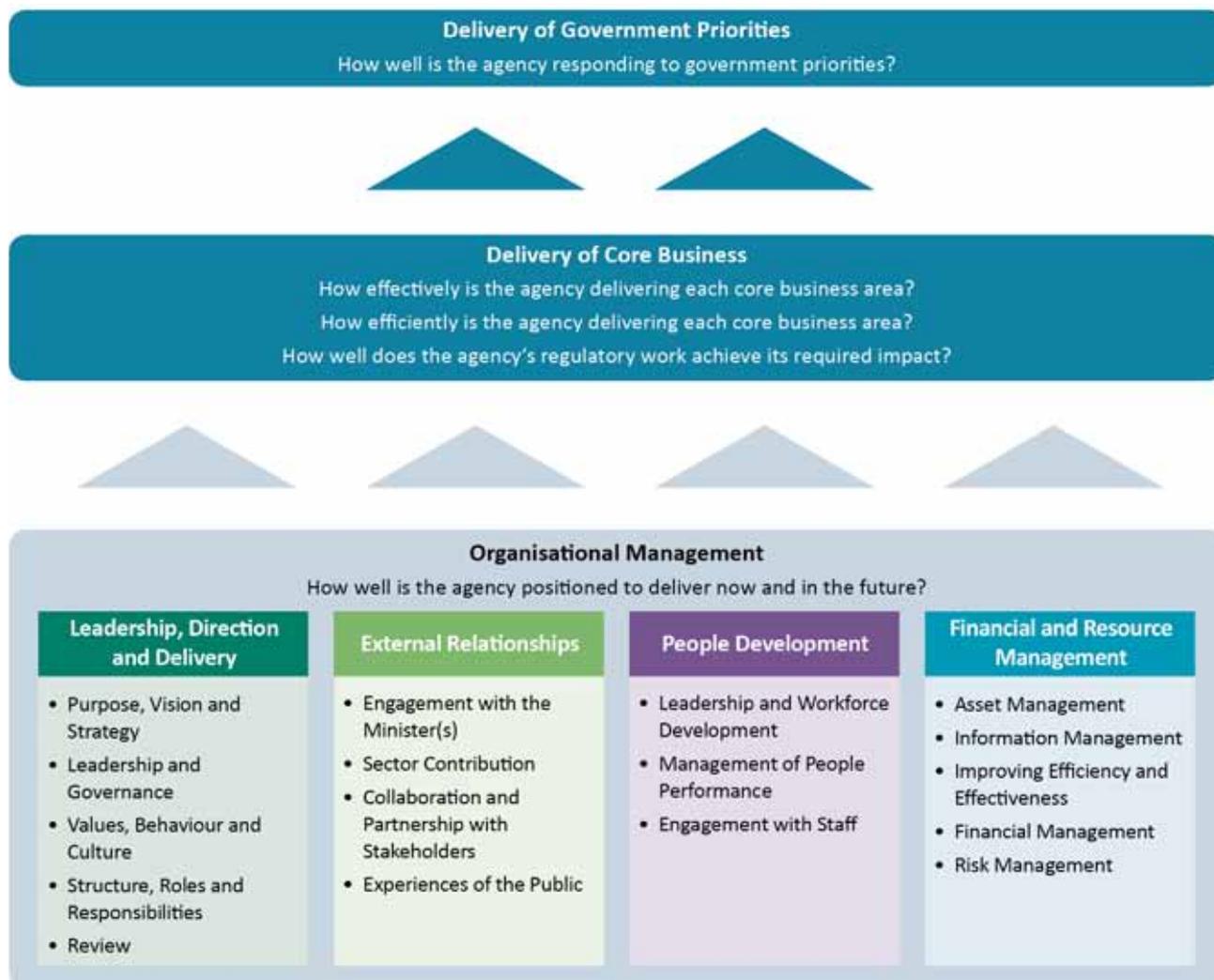
The process could also be enhanced by more formally incorporating a wider range of views and engaging a wider set of players in risk mitigation. The Government Industry Agreements provide an excellent basis to engage industry in this process. Ministers also have a critical role to play, especially in maintaining public confidence in the integrity of the key systems. Engaging agencies like NZTE and MFAT might help bring insights about the risks and opportunities that changing consumer, market and off-shore regulatory trends can create.

There have been instances where potential lessons have not been taken on board and implemented as fully as they could, for example the findings of the Foot and Mouth hoax incident on Waiheke Island not being addressed prior to Exercise Taurus. Better tracking of the implementation of agreed or recommended responses should ensure that previous findings from audits and reviews are implemented in a timely way.

There is a strong commitment from the Director-General to increase the risk maturity of the Ministry. The organisation has signalled this commitment publicly within the SOI, and this is taking form through the revision of the current framework, policy and guidelines. The organisation is aligning the current range of risk approaches to the Australia/New Zealand Standard AS/NZS ISO 31000:2009. This framework will help set the overall direction of risk management and help ensure the organisation is aligned to the standard.

# APPENDIX A

## Overview of the Model



## Lead Questions

### Results

| Critical Area         | Lead Questions   |
|-----------------------|--|
| Government Priorities | 1. How well is the agency responding to government priorities?             |
| Core Business         | 2. How effectively is the agency delivering each core business area?       |
|                       | 3. How efficiently is the agency delivering each core business area?       |
|                       | 4. How well does the agency's regulatory work achieve its required impact? |

### Organisational Management

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

## APPENDIX B

### List of Interviews

This review was informed by input provided by a number of Ministry staff, relevant Ministers, and by representatives from the following businesses, organisations and agencies.

| Agency/Organisation                                       |
|---|
| AgResearch Limited  |
| Auckland International Airport Limited                    |
| Beef and Lamb New Zealand Limited                         |
| Biosecurity Ministerial Advisory Committee                |
| BusinessNZ  |
| Custom Brokers and Freight Forwarders Association         |
| Deepwater Group Limited                                   |
| Environment Canterbury                                    |
| Federation of Māori Authorities                           |
| Fish and Game New Zealand                                 |
| Fonterra  |
| Independent Fisheries Limited                             |
| Institute of Environmental Science and Research Limited   |
| Irrigation New Zealand                                    |
| Kenexa New Zealand  |
| Lyttleton Port Company Limited                            |
| Māori Trustee   |
| Ministry for the Environment                              |
| Ministry of Business, Innovation and Employment           |
| New Zealand Airports Association                          |
| New Zealand Customs Service                               |
| New Zealand Food and Grocery Council                      |
| New Zealand Institute for Plant and Food Research Limited |
| New Zealand Manufacturers and Exporters Association       |
| New Zealand Merino Company Limited                        |
| New Zealand Seafood Industry Council                      |
| New Zealand Trade and Enterprise                          |
| New Zealand Winegrowers                                   |
| Ports of Auckland Limited                                 |
| Public Service Association                                |
| Royal Forest and Bird Protection Society of New Zealand   |

| Agency/Organisation   |
|---|
| Sapere Research Group Limited (representing interviews conducted with 11 major Ministry stakeholders) |
| Synlait Milk Limited  |
| Te Ohu Kaimoana   |
| Te Rūnanga o Ngai Tahu  |
| Westland Milk Products  |

