

**Outputs and Performance Measures**

**A Case Study of**

**Two New Zealand Public Sector**

**Organisations**

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## Abstract

Measuring performance is a necessary management practice if action is to result in desired outcomes. An important objective of the New Zealand public sector reforms that started in the late 1980s, was to focus the attention of public servants on clear specified results rather than bureaucratic procedures. Based on an implicit assumption that all public sector organisations are of a production nature, the reforms promised greater efficiency within the public sector by holding managers accountable for results while providing them with greater freedom to allocate resources. Consequently, outputs became key performance measures to enhance the accountability structure and to improve efficiency of the public organizations. The development of performance measurements to date appears inadequate in that the most important component of results – outcomes is overlooked from the measurement.

Currently government departments in New Zealand are implementing the early stage of the *Management for Outcomes* initiative, with an aim of ensuring all public service departments adopt a more strategic and outcome-focused approach to management and reporting. This thesis studied the latest developments in using outputs as performance measures in two public organisations. The findings demonstrates that outputs do not indicate performance for a procedural or a coping organisation as output information may not be relevant, meaningful or useful. However the most significant risk is that just as in the past, reliance on outputs will continue to lead to the fragmentation of public services and the ineffective delivery of services that the *Management for Outcomes* initiative aims to overcome.

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## Chapter 1: Introduction

New Zealand public sector reforms received international attention for their consistency, scope, speed and theoretical coherence, and in particular the implementation of a world-leading New Public Financial Management (NPFM) system (Hood, 1991). This NPFM system has provided an important framework for the reforms, although the decision to use that system as a model has been questioned (Schick, 1996; 1998; 2001; Pallot, 1998a; Scott, 2001). For example:

In the five years since *The Spirit of Reform* was published, I have become more critical and less ambivalent, more admiring of the remarkable managerial edifice erected in this country, but less convinced that it is the right way to go (Schick 2001, p.1).

While there has been no systematic review of the New Zealand reforms, many observers have agreed that the new systems succeeded in improving output productivity and production efficiency (Martin, 1995; Shick, 1996; Boston *et al.*, 1996; James 1998). Simultaneously concerns have been raised about the tension between output-based operational management and the ministers' imperatives for strategic policy development (Schick 1996; 2001). Schick (1998) further points out:

The New Zealand model emphasizes matters that can be specified in contracts, such as the purchase of outputs, but gives inadequate attentions to outcomes and the government's ownership interest because they do not fit easily into the contracting framework (p.126).

A major 2002 review, *Review of the Centre*, concluded that the New Zealand public management system did not require any fundamental change, but more emphasis should be placed on the achievement of outcomes.

Subsequently *Managing for Outcomes* initiative was developed with the aim of putting more emphasis on the alignment of outputs with outcomes. Currently government departments are in the process of implementing that initiative.

However whether the *Managing for Outcomes* initiative can focus the attention of public sector management on outcomes without a change to the existing output-orientated system is not certain. This latest move to focus on outcomes does not propose changes to the contractual arrangement of public sector organisations in their delivery of outputs, nor to shift the emphasis from outputs to outcomes in the appropriation process. Gregory (1994, 1995a, 1995b) believes

New Zealand public sector management has assumed all tasks carried out by public sector organisations are of 'production' and homogenous nature. Therefore the *Managing for Outcomes* initiative is insufficient to shift the paradigm from a focus on outputs to outcomes. So how well can a 'production' type management fit into other type environment still remains an outstanding question.

With this question in mind, this thesis examines the roles of outputs of two public sector organisations with four specific research questions:

1. How were outputs applied as performance measures?
2. What were these outputs and how did they link with the intended outcomes?
3. What was the effect of using outputs as key performance measures and why?
4. How useful have outputs been as performance measures?

This thesis will apply Wilson's (1989) typology of public organisations and the principles of well-defined output and measures under *Technical Practice Aids 9 Service Performance Reporting* issued by the Institute of Chartered Accountants of New Zealand in answering these questions.

Chapter 2 reviews the historical and current development of using outputs as key performance measures in public sector. It includes an introduction of the concepts, principles and key legislation behind the New Public Management and New Public Financial Management reforms. After illustrating the importance of outputs in the public sector management system the chapter reviews the literature on the evaluation of the results achieved by the reform so far. Findings and recommendations of a key review - *Review of the Centre* and the current *Managing for Outcomes* initiative are outlined, and the chapter concludes by questioning whether *Managing for Outcomes* can help to solve the problem of insufficient attention to outcomes experienced in the last two decades of public sector reform.

Chapter 3 reviews performance management and measurement, and their application in the public sector. All organisations, including private, public and not-for-profit organisations, desire to improve their performance. Though the concept of performance management and measurement appears reasonably straight forward, it is an intricate task to design a good performance measurement system. The two important considerations of setting up a performance measurement system - efficiency versus effectiveness, and financial and non-financial measures are introduced. The uniqueness and differences of public sector organisations and the challenges

in adapting private sector practice in performance measurement is also illustrated. The last section of the chapter details the requirements under the New Zealand accounting standards for the reporting of non-financial performance of public organisations.

Chapter 4 details the research method used. The research objectives, which are descriptive and explanatory, are identified. Describing and explaining contemporary issues where the investigator has no control over the actual behavioural events justifies the appropriateness of the case study method (Ryan et al, 1992). Interviews were carried out with management and personnel in two case organisations. In addition a wide range of documentary sources have been used in this research. Limitations of this research method are also identified.

Chapter 5 provides the background information on the first case organisation – the Collections Unit within Ministry of Justice. The emphasis is on the collection and enforcement of monetary penalties which represents about 75% of Collections Unit work. Fines collection and the enforcement process, different types of monetary penalties and their implication are explained. In addition historical and current developments are also examined.

Chapter 6 provides the background information of the second case organisation – Department of Child, Youth and Family Services (CYF). The emphasis is on care and protection services and the related social work process. Since its inception CYF has been extensively reviewed twice by external parties twice - Judge Brown's review in 2000 and *The First Principles Baseline Review* (Baseline Review) in 2003.

Chapters 7 and 8 describe and explain the outputs and output measures of the two organisations and how well they fit into the framework provided by Technical Practice Aids - 9 *Service Performance Reporting* (TPA-9).

The main points are discussed in chapter 9. A comparison is made of which type of public organisations each case organisation belong to according to Wilson's typology. Similarities and differences on the ratings under the criteria of TPA-9 are discussed. The limitations of outputs and the impact on using outputs as performance measures are elaborated.

Conclusions are explained in chapter 10 which highlights the findings that outputs may not accurately indicate performance for some public organisations and the problems expected due to the continuing use of outputs in the public management system.

## Chapter 2: Development in New Zealand Public Sector

### New Public Management (NPM) and New Public Financial Management (NPFM)

Beginning in 1984 New Zealand has undertaken a number of significant reforms that have attracted international interest due to their radicalism, boldness, coherence and innovative methods (Boston *et al.*, 1996). They started with widespread economic reforms such as the removal of foreign exchange, wage, price and interest controls; the introduction of Goods and Services Tax; and public sector reforms that impact sectors from health, education, local government to Maori authorities (Pallot, 1998b).

These reforms are referred to as the New Public Management (NPM) reforms and have been implemented in varying degree by many industrialised countries around the world. Olson *et al.* (1998) points out that that the NPM reform movement was based on the belief that the public sector was “too large and cumbersome, organised on the wrong principles and in need of re-invention and institutional renewal” (Olson *et al.*, 1998, p.17). Consequently the results pursued have been “policies of restraint on public spending, the selling of public assets, the adoption of market models and the promotion of performance measurement, auditing of and business accounting systems for a wide range of public sector organisations” (Olson *et al.*, 1998, p.17).

Boston *et al.* (1996, p. 26) provides a list of key characteristics of NPM that impact the public sector management in New Zealand:

- The reform was shaped by public choice theory, institutional economics - especially agency theory and transaction-cost economics - and managerialism;
- A belief that public sector organisations can be managed the same way as private sector organisations;
- A shift from focusing on process accountability to accountability for results;
- An emphasis on management rather than policy;
- The devolution of management control with improved reporting, monitoring and accountability mechanisms;

- A shift from long-term and generally poorly specified contracts to shorter-term and more tight specified contracts;
- The mirroring of private sector management practices including the use of short-term labour contracts, the development of strategic plans, performance agreements and new management information system;
- A focus on cost-cutting, efficiency and cut back management.

The five key mutually reinforcing principles introduced to the New Zealand public sector management system are documented in *Government Management* (Treasury 1987, pp7-8): clarity of objectives, freedom to manage, accountability, effective assessment of performance and adequate information flows (see Figure 2.1).

The application of these principles has resulted in significant changes in the public sector management system. The most important has been a change in the focus of parliamentary scrutiny from inputs to outputs. This involved fundamental changes in the financial management and human resources systems and the development of the performance management system to hold chief executives and departments responsible for specified results.

- *Clarity of objectives* – The initial element of a management process must be as clear a specification as possible of the objectives which managers are responsible for achieving. This implies both a clear identification of individual objectives – objective performance targets in areas where that is possible, for example – and the avoidance of multiple, conflicting objectives.
- *Freedom to manage* – Once objectives are clearly stated, managers must be given the power to make their achievement possible. Managers should, for example, have freedom to make resource allocation decisions on a basis which enables the most efficient attainment of objectives. Controls over inputs are in general likely to prevent such a process.
- *Accountability* – Freedom to manage is not itself a sufficient precondition for good management. Incentives and sanctions must be in place to modify the behaviour of managers to ensure that they do act to meet established objectives rather than pursuing independent goals of their own. For this to be achieved, managers must be accountable for the decisions they make, and those on whose behalf they act must have the means to make that accountability “stick”.
- *Effective assessment of performance* – If managers are to be accountable for their performance, those to whom they are accountable must have the means to establish the quality of that performance. How well have managers met stated objectives? Are any deficiencies the result of poor management or of external factors over which the managers concerned had no control?
- *Adequate Information Flows* – If emphasis is to be placed on performance assessment, a sufficient quantity and quality of information concerning performance will be required. If managers are to be given a goal of efficient resource use, for example, accounting systems must provide the information to enable an adequate assessment of the quality of resource decisions.

**Figure 2.1: Principles underpinning New Zealand public sector system**  
**Source: The Treasury, 1987, p.62**

## **Key Legislation**

The use of outputs as key performance measures in New Zealand public sector reform was enabled by the Public Finance Act 1989 and the State Sector Act 1988. Though the earlier State-Owned Enterprise Act 1986 did not directly impact on the core government departments, its principles did influence the enactment of the Public Finance Act. In addition the Financial Reporting Act 1993 and Fiscal Responsibility Act 1994 also played an important part in the defining and reporting of outputs. The remainder of this section explains the importance of these legislations, including the State-Owned Enterprise Act 1986 which influenced the later enacted key legislation, in relation to performance management of public sector organisations.

### **State-Owned Enterprise Act 1986**

New Zealand public sector reforms started with the passage of the State-Owned Enterprise (SOE) Act 1986 that provided the means to corporatise and eventually to privatise the market activities of the government. These market activities included banking, air and rail transport, forestry, telecommunication, postal services, electricity generation and supply. In the past public enterprises had taken a number of organisational forms with no consistent framework, but the SOE Act now imposed a uniform structure. All SOEs are incorporated into companies and need to comply with the Companies Act and other associate legislation (SOE Act, s. 30). The principal objective of each SOE is "to operate as a successful business" (SOE Act, s.14). The government as an owner seeks the highest possible return on investment, but can make specific payments to a SOE if it wishes the SOE to undertake some social activities. Key components of this new model include a clear identification and separation of the roles of ministers, boards and managers, a reporting of actual performance against planned objectives.

### **State Sector Act 1988 and Public Finance Act 1989<sup>1</sup>**

After dealing with the market activities of public sector, the focus of the public sector reform then turned to central government departments with the introduction of two key pieces of mutually reinforcing legislation - the State Sector Act 1988 and Public Finance Act 1989.

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<sup>1</sup> PFA 1989 was amended substantially in January 2005. This chapter refers to the previous provisions before the January 2005 amendments when historical events were discussed.

The State Sector Act significantly changed the process of appointing departmental chief executives and enabled devolved human resources management. Chief executives were placed on renewable performance-based fixed term contracts instead of permanent employment. The Act also devolved responsibility to chief executives for running their departments and provided them with unprecedented flexibility in their powers to manage human resources such as to hire and fire staff, and set remuneration.

The Public Finance Act (PFA) 1989, embedded with the key principles of the SOE Act, redefined the appropriation process from a focus on inputs to outputs, and established departmental and whole of government reporting requirements (Pallot, 1996). The Act gives departments more control of day-to-day administration, allows departments to manage their own bank accounts and makes chief executives responsible for departmental financial management (Pallot, 1998b). It requires appropriation on full accrual basis and subjects public sector organisations to the Financial Reporting Act 1993 and generally accepted accounting principles.

Both the PFA and the State Sector Act were intended to install a system of performance management in public sector organisations. There were two underpinning key ideas under PFA- a distinction between inputs, outputs and outcomes and the notion of contractual relationships between the departments and the government (Treasury, 1996).

*Putting It Together* (Treasury, 1996) provides an explanation of inputs, outputs and outcomes. Inputs are the resources (such as capital, personnel and equipment) used to produce goods and services. Outputs are the goods and services produced by the departments. They may include provision of prison management, policy advice or enforcement of speed limit. Outcomes are described as the impacts on the community of an output or class of outputs. Examples of outcomes (see Appendix 1) include “maintain trust in government and provide strong social services”, “improve New Zealanders’ skills” and “reduce inequalities in health, education, employment and housing”.

In making chief executives of departments accountable for performance, the reformers of New Zealand NPM believe that accountability can only operate effectively if the chief executives have sufficient control over their results (Scott *et al.*, 1997). However evaluating chief executive's performance based on outcomes could dilute the accountability framework as many contributory causes are often outside the control of the departments (Scott *et al.*, 1997). Hence outputs form the basis of performance measurement.

The second set of ideas is the notion of contractual relationships between the departments and the government which was influenced by agency and transaction cost theories (Pallot, 1998a). The government has two different interests in the activities of public sector organisations. The first is as a purchaser of outputs from public sector organisations and requires a specific purchase contract detailing quantity, quality, time, place of delivery and price of outputs (Treasury, 1996). The second is as the owner of the resources held by government departments, seeking to ensure capital assets are utilised efficiently and capacity is maintained to enable future provision of services (Treasury, 1996).

In addition accounting and reporting requirements form a key part of the PFA. The PFA requires all public organisations to comply with generally accepted accounting practice (PFA 1989 s. 3AA<sup>2</sup>) which means:

- Compliance with approved financial reporting standards according to Financial Reporting Act 1993; and
- In relation to matters outside the approved financial reporting standards and not subject to any applicable law, accounting policies that are appropriate in relation to the relevant entity and have authoritative support within the accounting profession in New Zealand.

### **Financial Reporting Act (FRA) 1993**

This legislation installs mechanisms for a statutory accounting standard setting process to apply in New Zealand. FRA deems financial reports to consist of both financial and non-financial statements and requires Statement of Service Performance (SSP) as part of the financial reports for public sector organisations. In alignment with the requirement of PFA, Financial Reporting Standard Number 2 *Presentation of Financial Reports* requires SSP to disclose and describe the outputs of an entity, and each output should include information on quantity, quality, time, location and cost where they are relevant and appropriate to the users of the entity's financial reports. Chapter 3 provides further explanation on the reporting requirement on outputs.

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<sup>2</sup> Current provision PFA 1989 s. 2

## **Fiscal Responsibility Act 1994<sup>3</sup>**

This Act establishes the principles for formulating fiscal policy in New Zealand (Treasury, 1996, p.11). It committed the government to the observation of specified principles of fiscal responsibility, limiting government expenditure and bringing some predictability to the level and stability of future tax rates (Fiscal Responsibility Act 1994, s. a<sup>4</sup>). The Act required regular reports on the government's fiscal policy, including both short and long term policy, and the consistency of that policy with the principles. A budget policy statement must be published stating the government's long term fiscal policy in relation to the Crown's operating revenues, operating expenses, operating balance, Crown total debt and net worth by 31 March each year (s.5A<sup>5</sup>). The targets for these variables must be compared with the principles of fiscal responsibility. A half yearly economic and fiscal update and a pre-election update must also be published (s.12, s.13<sup>6</sup>).

## **Output-Oriented Appropriation Process**

The major type of appropriation to departments is for purchases of classes of outputs. The PFA requires the Estimates of Appropriations to contain information on the link between the classes of outputs to be purchased by the Crown and the government's desired outcomes and assumes outputs should achieve desired community effect (outcome). Outputs should be developed or refined during the strategic planning phase, when a department assesses how the goods and services (outputs) they provide best achieve the government stated objectives. Each output should include information on cost, quantity and quality, and the actual performance of output should be measured against target. A range of homogenous outputs is grouped into an output class, and the output classes of a department then form the output plan that is also the performance contract between a department's chief executive and its responsible minister. The chief executive and his/her department are accountable for the delivery of these outputs. Output classes, together with their full costing on accrual basis, appear as inputs to the overall government budget process. After approval by the Cabinet each class of outputs becomes a

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<sup>3</sup> Fiscal Responsibility Act 1994 was replaced by Part 2 of PFA 1989 since January 2005.

<sup>4</sup> Equivalent provision PFA 1989 s. 26G.

<sup>5</sup> Equivalent provision PFA 1989 s. 26M

<sup>6</sup> Equivalent provision PFA 1989 s. 26S

legally binding appropriation. Once appropriated, output classes and their respective costs become the basis for internal and external monitoring of departmental performance.

The financial performance of government departments is assessed at two different levels: per department and per appropriation. Appropriation may be per output class (s.7(3)(a)(i))<sup>7</sup> or for multi-class (s.7(3)(b)). Multi-class output expense appropriations is a single appropriation that covers more than one output class (s.7(3)(b)). Such appropriations must be approved by the Minister of Finance and when presented to Parliament for approval must be accompanied by an explanation as to why the output classes have been grouped. At either level, the PFA requires departments to spend within appropriation (s.12<sup>8</sup>). Surplus or deficit is calculated as the difference between departmental revenue and expenses at year end. Surplus is repayable to the Crown, unless there is an agreement between the Finance Minister and the responsible Minister (s.22). However the Act is silent on responsibility for a department's deficit, and generally it requires departments to absorb the deficit and cut back its cash spending. While attempting to spend within total departmental appropriation may require significant effort, trying to allocate costs so each output class is not overspent at year-end is a particularly arduous task.

## **Measuring ‘Results’ in Government Departments**

The shift in emphasis of parliamentary scrutiny and control of government from the traditional focus on inputs towards a focus on outputs and assessment of results has received both praise and criticism within New Zealand and internationally. Scott *et al.* (1997) acknowledged the focus of holding chief executives of government departments responsible for outputs rather than outcomes had “received much comment within New Zealand and around the world” (p.363). The focus on output was justified on the basis that virtually all significant outcomes of government will be influenced by a variety of government agencies; to enforce accountability of chief executives in outcome terms would be impractical due to problems of measurability, causality, control, and time frames.

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<sup>7</sup> s.7(3)(a)(i), s.7(3)(b) and s. 22 referred to in this page are new provisions introduced in January 2005.

<sup>8</sup> Current provision s. 8

## **Output versus Outcome**

An understanding of the distinction between outcome and output is crucial in studying the role of performance measures in New Zealand public sector reforms. The PFA defined outcomes as the impacts on, or a consequence for, the community of the outputs or activities of the government<sup>9</sup>. Outcomes, or government objectives or strategic result areas are decided by the government. Departments, via their chief executives, are responsible for the delivery of outputs while the government ministers choose which outputs should be produced and should therefore have to answer directly themselves for the outcomes. The production of outputs of a department is assumed to help to achieve the government outcomes that the department should contribute to. However to prove a direct relationship between output and outcome has proven to be a difficult task.

An important aspect of public sector reforms is its claim of focusing on results rather than bureaucratic procedures. This raises the question of what is meant by ‘result’. A common sense approach suggests achieving a good result in public sector context means the effective and efficient achievement of the desired governmental outcome. However using outputs as performance measures dilutes the importance of outcomes. Is producing sufficient level of goods and services by government departments in itself sufficient to discharge government responsibility to their citizens?

## **Difficulties in Aligning Outputs and Outcomes**

The PFA requires Ministers to identify in the Estimates the link between the classes of outputs to be purchased by the Crown and the government’s desired outcomes must be reported as part of the appropriation process (s. 9(2)(i)<sup>10</sup>). However, the Act does not require that outcomes be measured nor the strategic priority identified. In addition there are a relatively high number of Ministerial portfolios and departments and few key goals are the responsibility of a single Minister or department. Thus it tends not to be possible to hold individual Ministers or agencies responsible for achieving outcome goals. This has caused difficulties due to the lack of

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<sup>9</sup> The January 2005 amendment defines outcome as a state or condition of society, the economy, or the environment; and includes a change in that state or condition.

<sup>10</sup> Current provision s.15

information required to demonstrate the alignment of output and outcome, and the strategic coherence of that relationship (Office of the Controller and Auditor-General, 1999).

In addition the PFA 1989 requires the government, in the Budget Policy Statement, to specify the broad strategic priorities by which the government will be guided in preparing the Budget for that financial year.

To address this requirement and to overcome some of these difficulties in the alignment of output and outcome, successive governments have developed formal strategic management processes such as the development of the Strategic Result Areas, Strategic Priorities and Overarching Goals, and currently, Key Government Goals to Guide Public Sector Policy and Performance (Appendix 1). Generally speaking these are statements of broad direction that attempt to define outcomes. They are not tightly specified, and no targets or quantifiable measures have been developed to measure progress against them (Ussher & Kibblewhite, 2005). Despite some progress, production efficiency is still favoured at the expense of strategic direction-setting, and the resulting ancillary statements are not regulated and are also generally not measurable (Office of the Controller and Auditor-General, 1999).

A number of reviews and books were published on different aspects of the Public Sector Management System between 1991 and 2001. They include the *Logan Report* (1991)<sup>11</sup>, three reviews by the State Service Commission (one in 1993 and two in 1998), the *Schick Review* (1996), *Third Report for 1999* by Office of the Controller and Auditor-General and the *Review of the Centre* (2001), Boston *et al.* (1996), Scott (2001) and Norman (2003). These reviewers and commentators generally agreed that the efficient delivery of services was a positive change since the early 1990's, despite the absence of evaluation data to substantiate such claim. Other positive aspects include devolution of resource management, clearer accountability for roles and responsibilities, greater transparency and improved information on government activities and outputs. On the negative side, the reviewers and commentators tend to agree that there is a need for a greater focus on the effective delivery of services and maintaining and developing the capability of the public sector. The next section explains the most recent review - the *Review of*

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<sup>11</sup> Review of State Sector Reforms, Logan B (Convenor), State Services Commission, 1991 – known as the “Logan Report”.

*the Centre* and the resultant *Managing for Outcome* initiative together with some of the common weaknesses identified in previous reviews and commentaries.

## **Review of the Centre and Managing for Outcomes**

In 2001, a review of the public management system responsiveness to the needs and expectations of Ministers and of citizens was conducted. The review acknowledged the public management reform of the late 1980s had hard-wired an output-based management system in place (State Services Commission, 2001). However the major finding concludes that the public management system “provides a reasonable platform to work from, but some significant shifts in emphasis are needed to better respond to the needs of the future” (State Services Commission, 2001, p.6).

The review sees three main areas that need attention (State Services Commission, 2001, p.3):

- The achievement of better integrated, citizen focused, service delivery, particularly where complex social problems are dealt with by multiple agencies, making sure the system is focused on the results that citizens and governments want in terms of outcomes and services;
- To address fragmentation / Improving Alignment particularly through: improving emphasis on outcomes; developing more effective, higher trust means of working together; harnessing technology; re-examining the large number of agencies and votes, and the tendency to emphasise vertical accountabilities rather than whole of government interests; and
- To enhance the people and culture of the State sector, particularly building a strong and unifying sense of values, staff and management development, and meaningful opportunities for collective engagement in organisational decisions.

This review places emphasis on the effective delivery of services. In particular an intention to make changes to the accountability and reporting system to put more emphasis on the achievement of outcomes, and the capability of government agencies, as well as outputs, by (State Services Commission, 2001, p.4):

- Providing Ministers with a stronger mechanism for shaping departmental priorities through better engagement with departments around a statement of intent;
- Replacing purchase agreements with output plans;
- Enhanced monitoring of organisational performance.

The review does not propose to move away from specification of, or accountability for, the delivery of goods and services (outputs). The review committee believes that by clearly linking the right mix of services to intended results, they will have a significant impact on outcomes for New Zealanders.

Following the review in December 2001, Cabinet introduced the *Managing for Outcomes* (MfO) initiative that requires “all public service departments to adopt a more strategic and outcomes-focused approach to management and reporting (State Services Commission, 2003a, p.2). MfO “encompasses the management cycle of setting direction, planning, implementing and delivering, and reviewing the results, which then feeds back into the cycle to inform future planning, enabling a cycle of ongoing improvement (State Services Commission, 2003a, p.2)”.

As a result of MfO, from 2003/2004 onwards every public service department is required to prepare and present a Statement of Intent (SOI) to parliament annually as part of the appropriation process. The SOI is a “high level document that provides transparent information to parliament and the New Zealand public about how the department intends to manage for outcomes over the medium term, including information about outcomes and capability, as well as outputs”( State Services Commission, 2003b, p.3).

Additionally output plans which outline expected outputs and their associated performance measures will replace purchase agreements for all departments from the 2003 Budget. In responding to departments’ proposals, output plans enable ministers to make trade-off between quantity, quality, timeliness, location and cost of outputs and suppliers within a given budget.

MfO encourages government departments to utilise intervention logic to provide explicit connection between outputs and outcomes. *Pathfinder: Guidance on Outcome Focused Management (Pathfinder)* provides guidance to the government department on the identification of outcomes, outcome indicators, intervention logic, assessment of impact and maximisation of outcomes from interventions.

*Pathfinder* encourages the development of the vital few outcomes that covering whole of government, inter-agency, agency and business unit outcomes. These outcomes should align with the agency's mission or purpose; demonstrate linkage to inputs and outputs; collectively measure major outcomes from or across all dominant output classes; measure the benefits

experienced by clients or entities the agency manages; support critical business decisions and be measured reliably and economically.

Managing for Outcomes Steering Group (State Services Commission, 2002) explains the implication of the new reporting requirements as follows:

Previous departmental planning and reporting has largely focused on financial performance and outputs within a one-year timeframe. Managing for 'outcomes' requires departments to adopt a longer term, outcome-focused approach to management, planning and reporting and can be particularly challenging for departments that have an indirect influence on the outcomes.

As chief executive, you will still be held accountable for delivering outputs and for altering your mix of outputs as circumstances dictate. While you will not be held accountable for achieving outcomes, you will be held accountable for 'managing for outcomes'. This includes providing a clear account in your SOI of what you're doing (and what you plan to do) to pursue your outcomes (p. 1).

This new reporting requirement adds a layer of accountability for chief executives on top of the accountability for the delivery of outputs. However chief executives are not responsible of the achievement of outcomes, but to ensure the departments are taking effective interventions to achieve them. Hence Managing “*for*”, not “*of*” Outcomes.

Can MfO initiatives focus the attention of public sector management on outcomes without a change of the existing output-orientated system? This latest move to focus on outcomes does not propose to change the contractual arrangement of public sector organisations for their delivery of outputs, or to shift the emphasis from outputs to outcomes in the appropriation process. Gregory (1994, 1995a, 1995b) believes current public sector management has assumed all tasks carried out by public sector organisations are of ‘production’ and homogenous nature, and that new MfO initiatives are insufficient to shift the paradigm from a focus on outputs to outcomes. So how well can a ‘production’ type management fit into another type of environment still remains unanswered.

## Summary

A number of problems remain unresolved after more than two decades of public sector reforms. Two of these are the lack of alignment of outputs and outcomes and the fragmentation of public agencies. Both have contributed to ineffective delivery of public services to the citizens.

Consequently the *Managing for Outcomes* initiative has been implemented to ensure public services are effectively delivered by putting more emphasis on outcomes.

## **Chapter 3: Performance Management and Measurement in Public Sector**

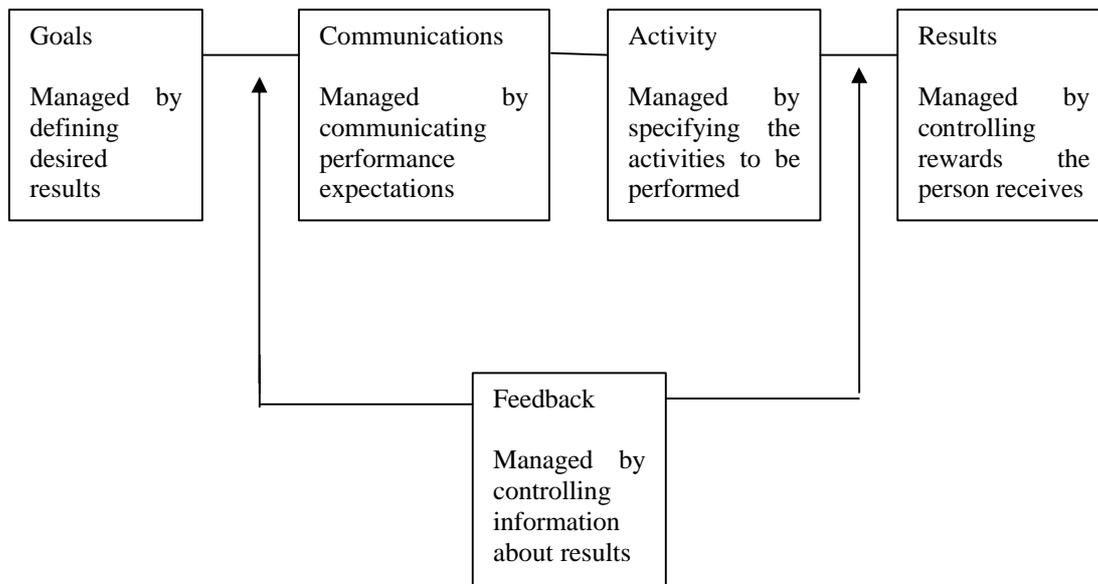
### **Performance Management and Measurement**

It can be safely assumed that most organisations, including private, public and non-profit, want to find ways to improve their performance. Finding the appropriate performance management practice to improve performance has become a topic of huge interest internationally among academics and practitioners in the last few decades. Many theories, methods and computer programs have been developed and many consultants become available to assist organisations in improving performance.

#### **Origin and Concept**

The concept of performance management originated in the management of private sector organisations. It can be traced to Taylor's scientific management that focused on controlling production tasks and outputs in a manufacturing environment. Taylor's time and motion study of tasks evolved into the setting of standards and performance measures to monitor progress on production and ensure desired objectives are achieved. Performance management is the process of assessing management performance. Management is commonly referred to as the process of ensuring activities is completed efficiently and effectively, with and through other people. In general management performance is about completing an activity successfully by utilising knowledge; as distinguished from merely processing information.

The importance of managing the whole performance process is illustrated by Baird (1986) using a conventional model. Baird believes performance can be managed by defining the desired results, communicating performance expectations, specifying and managing the activities to be performed, controlling the rewards a person receives and controlling information about results (see Figure 3.1). Performance measures are defined under the communications process. The feedback loop ensures the process is an evolving one with possible constant fine-tuning in both communications and activity areas.



**Figure 3.1: Managing the performance process.**  
**Source: Baird, 1986, p.7**

However setting up an effective performance management and measurement system is not an easy task. What should be measured and how to measure require careful consideration. Inappropriate or an inappropriate mix of measures may encourage dysfunctional behaviours that lead to negative results. To ensure a positive performance outcome some people may modify their behaviour in pursuing inappropriate courses of action (Hopwood, 1984; Neely *et al.*, 1997; Neely *et al.*, 2003). Therefore performance measurement systems must not be static and should constantly evolve based on feedback provided by the performance result (Courty & Marschke, 2003; Nanni *et al.*, 1990). The next two sections discuss the two important factors when deciding on a performance measurement system - effectiveness and efficiency, and financial and non-financial measures.

### **Effectiveness versus Efficiency**

The first and perhaps the most important step in developing a performance measurement process is to establish well-defined performance measures and targets. They are essential elements of any performance management process as they are the indicators of the effectiveness and efficiency of policies and operational programs and processes. Efficiency is an ability to perform well or achieve a result without wasted resources, effort, time or money. Greater efficiency is achieved where a similar amount and standard of services are produced for a lower cost; if a more useful activity is substituted for a less useful one at the same cost or if needless activities are eliminated.

Effectiveness is a measure of the ability of a program, project or work task to produce a specific desired effect or result that can be qualitatively measured; performing the right tasks correctly, consistent with organizational mission, vision, values and in support of the organization's goals and objectives.

Efficiency and effectiveness are two distinct measures. Being efficient means you spend less time, money or effort on something and can be easily quantifiable by analysing the ratio of output over input. Being effective means doing one's job right to achieve the desired result. Thus measures on effectiveness are often qualitative in nature.

### **Financial and Non-Financial Measures**

Performance measures can be expressed in financial and non-financial terms. Common financial measures include profit margins, returns on investment, turnover of stock and debt to equity ratio. Non-financial measures can include information on turnover of employees, number of customers' complaints and number of products launched.

There has been a general acceptance in practice that a mixture of financial and non-financial measures in performance measurement system is beneficial for both profit and not-for-profit organisations (Sinclair and Zairi, 2001; Ballou *et al* 2003). The inclusion of non-financial measures is typically to overcome the limitations of traditional financial measures such as short-term focus, emphasis on small groups of stakeholders and limited guidance on future actions (Langfield-Smith *et al.*, 2003). However the design of non-financial performance measures has yet to be perfected (McNamara and Mong, 2005).

McNamara and Mong (2005) believe that no one single performance management system fits all organisations and each organisation should customise its own appropriate system and measures. McNamara and Mong (2005) point out that a successful performance measurement system should contain information on organisational culture and risk assessment. Organisations can adopt or adapt a range of systems such as Balanced Scorecard change and activity based management. McNamara and Mong (2005) warn that performance measurement systems can only be perfected with time and experience, particularly in terms of the right number of measures, what to measure, how to measure and how to weight measures.

The next section examines the uniqueness of public sector organisations in relation to performance management and measurement.

## **Applying Performance Management and Measurement to Public Sector**

According to Perry and Kraemer (1983), public management is “a merger of normative orientation of traditional public administration and the instrumental orientation of general management” (p. x). Management is commonly described as getting things done as efficiently and effectively as possible, and generally through other people. It implies flexibility, performance measurement and accountability on managers to achieve result. Public administration is also concerned with accountability and effectiveness but must also focus on core public sector values such as democracy, equity and probity. Therefore public management can be seen as a merger between generic management which is drawn on private sector practice and the traditional focus of public administration.

### **Uniqueness of Public Sector Organisations**

One underlying assumption in applying private sector management practices to public organisations is that there is sufficient similarity between the management of public and private sectors. It can be argued that in general all organisations are made up of people who are unified by a shared or common mission and place a high value in delivering goods and services that satisfies their customers or consumers. In addition all organisations want efficient allocation of resources to achieve their objectives.

In providing a differing view, Boston *et al.* (1996, pp. 38-39) cites a number of unique attributes of public organisations:

- The State has a monopoly over the legitimate use of coercive power within society and undertakes various functions that are neither duplicated in the private sector nor subject to competition.
- There is an absence of a market assessment of the quality of management. Instead governments are held accountable via the election, legislature and constitutional conventions, and agents often serve multiple principals.
- There is a significant difference in the context within which public officials and their private sector equivalent work. The conduct of Public officials’ is governed by important constitutional principles; they are bound to different loyalties and obligations, they

constantly work amid high levels of political controversy and often face an uncertain and rapidly changing political environment.

- Public organisations are often faced with multiple and sometimes conflicting objectives, some of which cannot be measured when implementing programs. For example most governmental outcomes are of a social or economic nature and many factors influencing their successful achievement are outside the control of government.
- To install an incentive scheme based on profit sharing is not feasible as the non-commercial public sector organisations do not generate a profit and the use of rewards and sanctions for public officials is difficult, particularly given a higher degree of public scrutiny.
- Most government agencies have a complex and functionally interdependent relationship with each other to enable them to deliver their services effectively.

Similarly Hughes (2003) sums up four fundamental differences that affect the way public sector can be managed. Firstly, public sector decisions may be coercive. Secondly, the public sector is accountable to political leadership, parliament, the public, and the judicial system. The third difference is that public sector management must respond to an 'outside' agenda set by the current political leadership. Fourthly, the public sector has inherent difficulties in measuring output or efficiency in production. Finally the public sector's sheer size and diversity make any control or coordination difficult.

There are therefore a number of obstacles which must be recognized before applying private-sector type performance measurement in public organisations. Firstly, the government outcomes that public organisations should contribute to are often social or economic in nature and involve many variables that are outside the control of individual public organisations. Thus in many instances these government outcomes cannot be easily linked with a set of goods and services the organisations have produced. Secondly, many of these public organisations are professional organisations providing public services and must adhere to different values. For example, a court must process as many cases as possible but its judgment must be well-considered, how ever long a case may take. Thirdly, many public organisations cooperate with third parties to provide their services. For example, a child welfare agency works closely with education, health and justice sectors and the community to ensure a child's well-being is restored. Fourthly, public organisations are answerable to numerous stakeholders including politicians and taxpayers; and they may not have a consistent agenda. For example most government ministers prefer bad news of their departments not being disclosed in the public arena particularly during election time.

However taxpayers, in general, wish to know both the good and bad news about public organisations so they can choose to take action. The fifth obstacle is that there is no equivalent to profitability to measure results and to provide an effective incentive scheme. The requirement for government departments in New Zealand to return surplus to the Crown causes these public organisations to tend to spend as close to budget as possible. Lastly there is often a lack of market that allows clients to choose between competitors and therefore setting prices, and comparison of performance is not always possible.

Despite the fundamental differences between the two sectors, private sector practices have been applied to performance measurement in the public sector. To simulate a controlled environment to enable a performance measurement system to work, and to hold departments accountable for results, New Zealand has introduced a process where controllable and measurable elements such as goods and services produced by government departments have become key performance measures. To reinforce sanctions and rewards available to the ministers, chief executives are given renewable fixed term employment contracts that are subject to satisfactory performance, including the delivery of a set of goods and services specified in the output plans.

### **Different Types of Public Organizations**

Despite common characteristics public organisations are not uniform and can be grouped into different types. Wilson (1989) provides a useful illustration of different types of public organisations in his major work on America public bureaucracy where he differentiates among public organisations according to the observability of an agency's outputs and outcomes. Gregory (1995a) further develops a four-way matrix to depict this differentiation.

Workers of 'production' organisations can be assessed on their achievement of observable outputs and outcome. In 'procedural' organisations workers' compliance with rules and procedures are assessed given that the outcome cannot be observed. In 'craft' organisations compliance with outcome will be assessed rather than the processes or outputs. 'Coping' organisations face the biggest challenge, as neither outputs nor outcome can be observed.

		Outcomes	
		Observable	Unobservable
Outputs	Observable	Production	Procedural
	Unobservable	Craft	Coping

**Figure 3.2: Wilson's four-way matrix of public organisations**  
**Source: Gregory, 1995a, p.58**

In Wilson's opinion, different mixes of incentives are required to encourage operators to comply with agency rules. Therefore each type of organisation is characterized by a different type of management culture. Production organisations are agencies in which both outputs and outcomes can be observed. Given clearly defined outcomes and outputs, it is possible to design and report on systems that measure progress towards these outcomes. Procedural organisations are agencies in which outputs but not outcomes can be observed. Therefore how the job is done (process) is more important than if doing the job produces the required outcomes. Craft organisations are agencies in which outcomes but not outputs can be observed. Managers can evaluate and reward operators on the basis of the result (outcomes) they achieve. Capability (employee skills) and shared commitment towards outcomes are likely to be important in a craft organisation. Coping organisations are agencies in which neither outputs nor outcomes can be observed – there may be few or no objective, readily observable measures appropriate for the agency. Effective management of coping organisations can be difficult if not almost impossible.

Many public entities will have characteristics of more than one of these classes, as each such public organisation has multiple job functions. For example, the payroll and account payable sections of all public organisations are of production nature but the front line operation of these organisations may be of a different type.

New Zealand public sector management system assumes all public organisations, including government departments, belong to the production type (Gregory 1994, 1995a, 1995b). The use of outputs as key performance measures and the reliance of contractual arrangements to achieve accountability for results have caused a number of difficulties for some public organisations.

## Requirements under the New Zealand Accounting Standards

This section explains the requirement under the New Zealand accounting standards in relation to the reporting of outputs.

### Financial and Service (Non-Financial) Performance Reporting

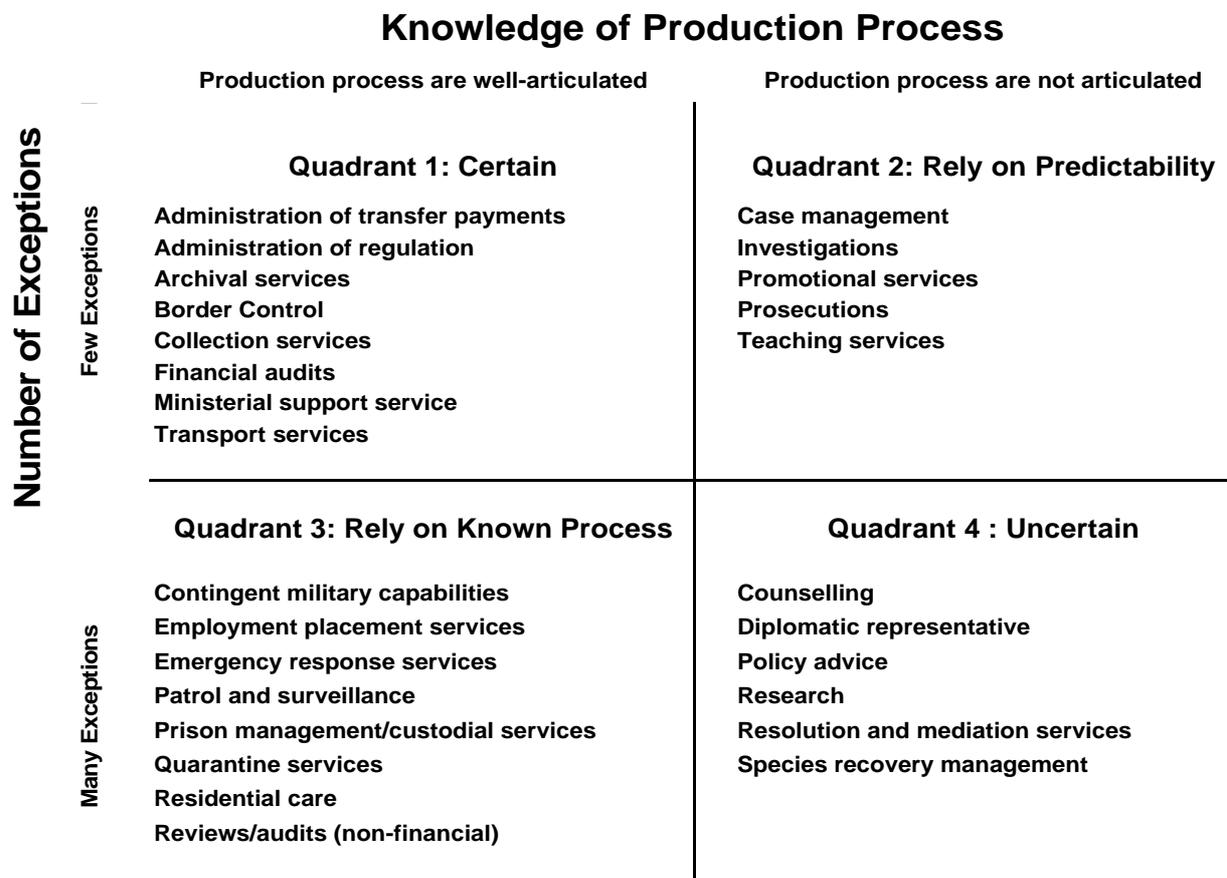
All departments are required to provide a forecast of financial statements and produce half-yearly and annual financial statements. The annual financial statements are subject to audit and included in the department's annual report. *Financial Reporting Standard 2 Presentation of Financial Reports* (FRS 2) requires financial reports to include:

- A statement of financial performance;
- A statement of movements in equity;
- A statement of financial position;
- A statement of cash flows (where not exempted);
- A statement of service performance (where not exempted); and
- Such accounting policies and explanatory notes as a reader may need to understand the entity's financial and non-financial performance, financial position and cash flows.

The reporting of non-financial aspects of performance is mandatory as part of the financial reports for government departments. In forecast financial statements a department is required to include a statement of forecast service performance (PFA s. 42(1)(e)(ii)) which specifies the department's forecast non-financial performance for each class of outputs. These outputs are required to link to the government's desired outcomes in the Estimates (PFA s. 15(1)(a)). In the annual financial statements a department is required to include a Statement of Service Performance (SSP) which shows for each class of outputs performance achieved compared to performance forecast in the statement of objectives (PFA s. 15(1)(b)). SSPs are included in the annual report of the department and are subject to audit.

In 2002 the Institute of Chartered Accountants of New Zealand (ICANZ) issued *Technical Practice Aids 9 Service Performance Reporting* (TPA-9) to provide guidance to the specification, measurement and reporting of service performance. Consistent with the intent of the PFA, it sees outputs as the basis for accountability. It acknowledges that not-for-profit organisations face different degrees of difficulty in defining outputs and has suggested the use of

*OECD Output Manual* to classify outputs into four quadrants of a matrix. This matrix (Figure 3.3) is based on the relationship between knowledge of the production process and the number of exception<sup>12</sup> of the specification and measurement of outputs.



**Figure 3.3: Examples of different types of outputs**  
Source: ICANZ, 2005, p.27

Quadrant 1 is similar to Wilson's production type of public organisations. Outputs are relatively certain/observable and tend to be standardized, high-volume and repetitive in their nature. Thus outputs should be relatively easy to specify and measure.

Quadrants 2 and 3 resemble a mixture of craft and procedural type in Wilson's typology. In quadrant 2 the production process may be difficult to articulate in advance and the delivery of outputs relies on the technical skills and/or the professional judgment of staff. Measurement of actual performance relies on assessment by internal peer reviewers and external reviews.

<sup>12</sup> According to TPA-9, few exceptions mean outputs tend to be standardised in nature; and many exceptions mean outputs tend to be relatively non-standard.

Quadrant 3 outputs tend to be non-standard with high levels of routine activities. A mixed of measurement similar to quadrant 1 and 2 is required.

Similar to the coping organisation in Wilson's typology, quadrant 4 outputs are the most difficult to be specified and measured as they are non-standard, highly tailored with a significant degree of variation in the production processes. It recommends a self-assessment and peer review for measurement of performance, reinforced by external reviews.

In addition TPA-9 identified five principles and tests (see Table 3.1) in assessing whether an output specification and its related measures are regarded as well-defined. These principles are external focus, controllable, comprehensive, measurable and informative.

<b>Principle</b>	<b>Test</b>
External focus	The output describes a distinct product or service. The output is a final product or service that is delivered externally. It does not relate to inputs, processes, management systems, outcome and/or internal outputs. The outputs reflect the purchaser's interests and priorities.
Controllable	Output specifications appropriately reflect the extent of control over the delivery of each output.
Comprehensive	The outputs reported in the Statement of Service Performance (SPP) incorporate all of the outputs that were delivered by the entity. This includes outputs where delivery has been subcontracted to another party. It also includes all outputs funded by parties other than ratepayers or taxpayers - for example, outputs funded through user charges.  While comprehensive coverage is important, the aggregation of similar outputs is expected in most cases. This is a similar concept to the aggregation of financial elements. Aggregation should be at a level that conveys a meaningful understanding of outputs purchased without obscuring what is being purchased and/or burying the reader in detail. Outputs should be aggregated according to the nature of the activity, not the recipient, the delivery location or the funding mechanism.
Measurable	Output specifications provide clear descriptions and standards against which actual performance can be judged.
Informative	Output descriptions are sufficient to meet the information needs of a relatively new or unfamiliar user of the information.

**Table 3.1: Principles and tests for well-defined output and output measures**  
Source: ICANZ, 2005, pp.28-29

These principles and tests of well-defined outputs will be checked against specific current outputs of the Collections Unit and CYF.

## **Summary**

Improved performance is a common pursuit among organisations. The concept of performance management and measurement has been introduced to public sector organisations from the private sector. However public sector organisations operate in a unique and different environment from their private sector counterparts. Despite their uniqueness, public sector organisations can be classified into four different types according to the observability of their outputs and outcomes. Each type requires its own style of management and measurement.

## Chapter 4: Research Method

### Research Objective and Questions

The objective of this thesis is to describe, explain and explore the development of outputs as performance measures in New Zealand public organisations under the current MfO initiative.

Four specific research questions were identified.

- 1) How were outputs applied as performance measures?
- 2) What were these outputs and how did they link with the intended outcomes?
- 3) What was the effect of using outputs as key performance measures and why?
- 4) How useful have outputs been as performance measures?

### Research Method

As this thesis seeks to describe and explain the development of the use of outputs as performance measures in public sector organisations, a qualitative research approach was used. A case study method is adopted in this thesis. Yin (2003) defines case study as an empirical inquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p.13). The requirement to develop effective performance measures particularly under the current *Managing for Outcomes* environment, has become a common phenomenon in New Zealand public organisations. This phenomenon cannot be isolated from the context of the evolving public management system and the resulting responses of individual public organisations.

This thesis satisfies Yin's (2003) three conditions on whether case study method as appropriate strategy. Firstly, it seeks to understand the process (how) and the reasons (why) for the development of performance measures. Secondly, the investigator has no control over the actual behavioural events. Thirdly, while the focus of this thesis is on contemporary events, its historical context was also examined.

Multiple information sources are important for triangulation and enriched analysis (Yin, 2003). The sources used in this research include a comprehensive literature review, interviews and document analysis.

Chapter 3 reviews the literature describing the New Zealand public sector performance management system. Chapter 3 discusses current literature review on performance measures.

## **Interviews**

Eleven interviews involving 15 participants were conducted on a semi-structured nature. Notes were taken during all interviews and these interviews were recorded on voice recorder. Transcriptions and summaries of the interviews were prepared.

Two sets of questions were used as a guide for the interviews. The first set of questions, which required more detailed information, was used to interview participants who worked at the third and fourth tier level of the organisation. The second set of questions which required an organizational perspective, was used to interview participants who worked at the first and second tier of the organisations. In all interviews the conversation flowed relatively unrestricted and areas of interest were explored as they emerged.

Participants were chosen principally according to their association with the performance measures, such as being the developers of performance measures or different levels of managers and staff who need to manage and report performance measures.

To encourage an open and frank discussion from interviewees, they were assured of anonymity. In addition, all interviewees were asked to elect the time and place for the meetings. This was to ensure the interviewees were comfortable in their environment, to facilitate the discussion of potentially sensitive issues and preparedness to express a personal view.

The interviews took place in Wellington and Christchurch between July and November 2005. All interviews proceeded smoothly and all the participants were very cooperative. Follow up information was collected through e-mails and post.

The interviewees provided important insight into the development of performance measures at different organisational levels within the two case organisations. The interviewees shared their understanding and opinion of the use of outputs and performance measures in relation to their work. Whilst some voiced opposing opinions from that of the central agencies, they provided valuable suggestions on how the performance measures can be improved.

## **Documentary Source Materials**

A number of documentary sources have been used in this research. They include publications by the case study organisations, publications about the case study organisations, and other publications on public sector management.

Publications by the case study organisations including public reports such as Annual Reports, Statement of Intents, Briefings to Ministers, and various internal documents supplied by the staff of these organisations.

Publications about the case study organisations including two case studies on Collections Unit by Victoria Link Limited, Judge Brown's review on the Department of Child, Youth and Family Services (CYF) and *The First Principles Baseline Review* on CYF.

Other publications on public sector management and public sector reform from a number of sources on topics related to Managing for Outcomes, general public management, performance management in public sector, performance measures and service performance were reviewed. This includes public reports published by State Service Commission, The Treasury, Office of the Auditor General and Institute of Chartered Accountants of New Zealand. Other sources include articles and books by New Zealand and overseas commentators.

## **Gaining Approval to Undertake the Research**

The two case organisations are high profile government agencies. To conduct research in any government agency requires specific permission from them. Approvals for this research were received from Ms. Jenny Norton, the General Manager of the Collections Unit, and Mr. Chris Ross, Chairperson, Research Access Committee of CYF. Their approval was subject to receipt of a draft copy prior to finalisation of the thesis. This is to provide an opportunity for them to correct any factual information. Both letters are attached in the appendixes 4 and 5.

While the Collections Unit approval process went smoothly, it was more difficult to obtain access to CYF initially. CYF was undertaking major restructuring and experienced a high turnover in their National Office in early 2005. My research access request was misplaced due to the resignation of an administrator, which caused significant delays in the approval of this

research. Fortunately with the help of CYF staff approval was granted in July. In addition with the perseverance of individuals within and outside of the organisation an important contact person was found within CYF. Without this support access to CYF staff would have been extremely difficult.

## **Motivation for Research**

I worked as a public servant between 1992 and 2001 - as Finance Manager for Collections Unit between 1998 and 2001; and in a number of finance positions for Income Support, a business unit of Department of Social Welfare, between 1992 and 1998. As a result I have experience of the operational and strategic challenges faced by public organisations and have become interested in public management issues.

## **Research Design**

With the objective of this thesis in mind - to investigate the performance measure developments in public organisations, the study propositions were:

1. Outputs are used as key performance measures externally and internally.
2. Outputs should have characteristics of causality, controllability and measurability as they are key performance measurement tools to hold public managers to account for results.
3. Public organisations are not homogenous and cover all four parts of Wilson's (1989) typology. However the public management system treats all public organisations as if they belong to a simple production sector in terms of performance management.
4. Applying outputs as performance measures may work well for a production type public organisation but there may be complications due to the peculiar tasks of these organisations.

The main unit of analysis is the development of outputs as performance measures in New Zealand public organisations. The sub units of analysis are the two case organisations. These organisations were chosen because on the surface they represent two different types (production and coping) of public organisations according to Wilson's typology. In investigating the development of performance measures in these two organisations will provide evidence to confirm or deny the above stated study propositions.

## **Limitations of Research Method**

Using Mckinnon's (1988) identification, the threats to validity and reliability of this research are data access limitations and the complexities and limitations of human minds.

Data access limitations may occur as the researcher was not present to observe the historical background of the phenomenon that may be important to the current setting. In addition it is possible to miss crucial documents. Data access may be restricted by the research hosts to certain documents, people or events.

The complexities and limitations of the human mind mean that the statements made by the people interviewed cannot be taken at face value. The subjects may intentionally seek to mislead the researcher; or the statements made by the subjects may be affected by natural human tendencies and fallibilities, such as forgetfulness, selective memory and bias.

Strategies and tactics to cope with these potential problems were employing multiple sources of evidence that allowed the researcher to address a broader range of historical, attitudinal, and behaviour issues (Yin, 2003). Multiple data sources (data triangulation); assess different perspective on the same data set (theory triangulation); and different methods (methodological triangulation) were utilized to minimize the above mentioned possible threats.

## **Ethical and Regulatory Approvals**

As this case study research is of two organisations and does not involve gathering personal information of a sensitive nature about or from, section 3f of the Human Ethics Committee's (HEC) guidelines state that this type of research does not require the approval from HEC. However much effort was taken to adhere to the HEC principles and guidelines when conducting this research, with appropriate regard for ethical principles and cultural values which include justice, safety, truthfulness, confidentiality and respect. Principles of the Treaty of Waitangi were observed in this research. The responsibility for this research and conformation to the HEC Principles and Guidelines rested with the researcher and the Head of Department/School.

## **Chapter 5: Collections Unit**

### **Background**

Collections Unit was formally established as a distinct business unit of the Department for Courts (DFC) in January 1996. Its key responsibility was to boost the effectiveness of fines administration and enforcement, and therefore enhance the credibility of the criminal justice and civil debt repayments system (DFC, 1996a).

Currently Collections Unit is a business unit within the Ministry of Justice (MOJ) following the merger of DFC and the previous Ministry of Justice in October 2003. Other than the Collections Unit, other operational units of MOJ include District Courts, Higher Courts and Special Jurisdictions.

Other than fines operation, Collections Unit is also responsible for the enforcement of civil court orders and collection of civil debt. Civil activities, which represent approximately 25% of Collections Unit workload, are excluded from this research due to the limited timeframe and resources available to the researcher.

### **Fines Compliance Process<sup>13</sup>**

The Collections Unit's primary business relates to the collection and enforcement of fines. These include fines imposed by the Court for major criminal offences, minor criminal offences often referred to as Court-imposed fines (CIF); fines that are a result of unpaid infringements (e.g. traffic and parking tickets) and which have been lodged with the Court for enforcement; Court-ordered payments to victims (reparation, restitution, part-payment of fine) which are grouped with CIF for the purpose of this thesis. Similarly associated infringement filing fees, court costs and enforcement fees will be included in either CIF or infringements and not be disclosed separately.

The enforcement of the fines process starts with Collections Unit sending formal notices to people who have been fined advising them of the fine and its due date, which is 28 days after imposition (Collections Unit website). The notices also explain any rights of appeal or applications they can make. They are requested to voluntarily pay or make payment arrangements by the due date. If no arrangement was made by the due date, an enforcement fee of \$100 may be added to the fine and action can be taken to recover the money. Collections Unit begins enforcement when a fine becomes overdue. This occurs if after 28 days, it has not been paid, is not under a time payment arrangement, and is not subject to an appeal or deferral action. Fines are also considered overdue if a payment arrangement has been breached. This enforcement action can include warrants to arrest, wheel clamping a vehicle, seizing assets, or making compulsory deductions from income or a bank account. In cases where people clearly cannot pay a fine and enforcement action is not viable, they may be brought back in front of a Judge to have their fine replaced by an alternative sentence.

Despite the growth in staff number from around 350 in 2002 to 750 in 2005, Collections Unit remains a smaller unit of the MOJ, as it did in the past with DFC. In output expenditure terms, Collections Unit represents 18.31% in MOJ for the 2003/04 fiscal year.

## **History - Pre-Establishment Reviews 1982 and 1994**

Collections Unit has a relatively short history compared to most other business units within public sector organisations and there were a number of reviews that led to its establishment as a distinct business unit within DFC.

Fines collection has been historically recognised as a small but significant process of the operation of the Courts and several reviews of courts functions identified the importance of improving rates of collections of fines. The review of the Department of Justice in 1982 (Cossar *et al.*, 1982) stated that Courts Division saw one of its roles as to enforce orders of the courts of law, and court orders related to the imposition and enforcement of fines. Therefore its effectiveness must be measured in terms of productivity and efficiency in such areas as rate of collections of fines or rate of success in carrying out or enforcing other orders of the court.

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<sup>13</sup> Refer to Fines On-Line website: <http://www.fines.govt.nz/flowchart.html> for more detail.

Similarly the 1991 November *Scoping Study: Police and Justice* prepared by State Service Commission to the Expenditure Reduction Committee stated: "...for fines to retain its credibility it is essential that there be an effective system in place to ensure that a high proportion of those imposed are paid. Any alternative, should fines fail to be credible, is likely to be considerably more expensive"(p.32).

However there were also opinions expressed that fines and fines related work should be contracted out from courts operation. The 1991 review questioned the appropriateness of Courts enforcing fines for local authorities and considered the contracting out of fines (p. 33). A similar view was also expressed in the *1994 Report of the Courts Services Review Committee* that the collection of infringements initiated by either local authorities or the Police was considered a non core business and should be discontinued or attributed to a more suitable agency. The 1994 review considered fines administration as essentially debt collection and the collection of court-imposed fines was also regarded a non core business. In addition the executive/service of Writs, Warrants and Orders undertaken by bailiffs should be privatised.

The 1994 review acknowledged several reasons to continue fines collection activities within the courts system. The first is that fines collection needs to maintain a close operational connection with local courts, particularly at the "front end" when sentencing occurs, to ensure either that payment was made on the spot or that satisfactory arrangements for subsequent payments were made. The second reason involved a concern for public interest, particularly for balancing the potentially serious consequences for dependants of the individuals fined with how forcefully debt collection and asset seizure were to be exercised. In addition bailiffs who exercised coercive powers to enforce orders of the courts also needed to be carefully managed and monitored. The review therefore concluded that an effective fines collection and enforcement needed to occur to make fines a credible sanction, to improve fines revenue, and to limit the substitution of more costly alternative sentences.

Consequently the 1994 review decided that an internal structure that recognised fines administration as a distinct operation was needed. The committee recommended that a separate Department for Courts be set up on 1 July 1995 with a new emphasis on enforcing monetary penalties. In January 1996 Collections Unit was formally established as a distinct business unit of DFC

## **1996 - 2000**

This period was a time of transformation. The establishment of Collections Unit as a distinct business unit involved major restructuring of its culture, strategies, processes, people and system.

### **Establishment in Jan 1996 – New Emphasis on Enforcing Monetary Penalties**

Collections Unit recognised at its inception that poor performance of the collections process could largely be measured by an increasing level of imposition that if left uncollected, led to an ever-growing ‘lake’ of overdue fines. The increasing level of overdue fines reduces the effectiveness of the use of monetary penalties as a credible sentence (Norman & Smith, 1998).

### **Nature of Fines**

Collections Unit also recognised that inadequate or out of date information was a key challenge to effective collection, particularly evident in the collection of infringements (Smith, 2000). Infringements are more difficult to collect than CIF for several reasons. Firstly, in setting a CIF, the Court is required to consider the finances and responsibilities of the offender. This can mean that CIFs are set according to an individual’s ability to pay. On the other hand infringement fines, which are usually a fixed amount, are imposed without the assessment on ability to pay. Secondly, Collections Unit has more control over the quality of information it gathers on people who are fined in court. Thirdly, Collections staff can arrange payment with people who have incurred CIF before the offenders leave the courthouse. However Collections Unit does not have the same control over infringement information and relies on information provided by prosecuting authorities. This information is often insufficient or out of date and as a result infringement offenders are more difficult to trace and consequently the fine is more costly to collect. Fourthly, Collections Unit is pursuing infringements that are already harder to collect as presumably people who wished to comply with the infringement notice would have paid within the stipulated time. Most infringement offenders have 56 days to pay before the infringement is lodged in court.

### **Change to ‘More Money Sooner’ Culture**

A benchmarking project in 1996 showed that the single most important factor in collecting fines was speed – the sooner a fine was followed up, the more likely it was to be collected (Norman & Smith, 1998). The longer it was left, the less likely it was that the correct contact details would

be available. For court-imposed fines, "court walkers" would escort people from the court to a deal room to arrange a payment immediately after they have had a fine imposed in court. For infringements, proactive phone contact would be made by Collections Unit staff once the infringement is lodged in court and before it is overdue. The key driver, therefore, was to shift the unit's focus from enforcement – the more difficult and expensive part of the process – to collecting fines up front. 'Collecting more money sooner' became the catch cry.

To accompany the new attention to collect more money sooner, Collections Unit planned for a new delivery structure, new collection processes, new information technology system, more empowering legislation and more importantly a new culture (Norman & Smith, 1998). The focus to shift the unit's culture from enforcement to one of delivering a customer service was a critical transformation for the Collections Unit in 1996 (Norman & Smith, 1998). Treating fine debtors as 'customers' was an unusual concept in public sector. In practice, improvements in the delivery of customer service transpired to widening payment methods, such as the introduction of credit card, EFTPOS and internet payment facilities, together with more user friendly opening hours for collections offices (DFC, 1996a). However if 'customers' chose not to pay, Collections Unit will track them down to deal firmly with them.

### **1996 Business Case**

In 1996, the government approved the business case put up by Collections Unit to fund its new structure, process and information system. Cost and benefit analysis showed that the DFC and the Crown would benefit by a net \$90 million, with a net present value of \$37 million, from the project within 10 years, (Norman & Smith, 1998). With a total investment of \$98 million, the project was expected to break even within three years (Norman & Smith, 1998). Collections Unit's challenging cash collection targets were set by this business case, with some adjustments later due to the delay in implementing the new information technology project.

### **1996 – 2000 Strategic Plan and Implementation**

In the same year, Collections Unit embarked on a four-year strategic planning period to achieve a vision of "greatly improved performance and continuous business improvement" (DFC, 1996b, p.12). Between November 1996 and April 1997 Collections Unit implemented a major restructuring which involved establishing 23 district offices, redefining roles for staff, implementing new processes and practices, introducing new technology and setting up a technology-driven call centre (Norman & Smith, 1998). A successful television advertisement

campaign was delivered in 1996. Legislation was enhanced in 1996 including equipping bailiffs with 100 wheel clamps to immobilise the vehicles of people with overdue fines and the publication of names of fines defaulters in newspapers (Norman & Smith, 1998). Later in 1998, legislation allowed collection officers' to extract money from fines defaulters' wages and bank accounts, and extension on information matching with the Department of Work and Income and the Inland Revenue Department (refer to Summary Proceedings Amendment Act (No. 2) 1998). However the planned technology was delayed from the planned date of mid 1998 to 2002; and the information matching with Department of Work and Income began in 1999 and with IRD in 2002.

The successful cultural, structural, legislative, process and technology change from an enforcement orientated culture to a collection one between 1996 and 2000 had enabled Collections Unit to improve its performance as illustrated by the foreword in *Collections Unit Strategic Plan 2000-2005 and Business Plan 2000-2001*:

*In the year to 30 June 2000 we collected \$133 million, which represents an increase of 87% compared to 5 years ago when we collected \$71 million. We have \$115 million of fines under payment arrangements compared with 5 years ago ...we have achieved these results with very little extra resource so that productivity has increased dramatically from \$384,000 collected per person to \$614,000 in 2000 (DFC, 2000 p.2).*

### **Emerging Issues**

Despite these achievements, Collections Unit remained concerned about several issues. Firstly, the 'lake' of unpaid fines had continued to grow, mainly driven by the substantial increase in infringement fines. Of these new impositions approximately 75% of them came from Police. The level of infringement lodged in courts has increased from \$71m in 1996 to \$139m in 2000 and resulted in overdue fines increasing from \$123m to \$186m. Secondly, Collections Unit had started to notice a number of people were repeat offenders and as a result some were on permanently reduced income. The repeat offending has compounded the hardship for families of this group of offenders. Thirdly, there were constant reoccurrence of unintended consequences as a result of the pressure to achieve cash collected and other output measures. The unintended consequences were most commonly demonstrated in 'deal poaching' and month-end transfer of 'unwanted customers' list. 'Deal poaching' occurred typically where court Y imposed a huge fine on client A whom should be dealt by the domiciled collection district unit Y. District unit X transferred customer A's file to X site through the computer system and proceeded to collect direct from customer A. As a result district unit X improved its collection result at the expense of

office Y's. This 'poaching' was not restricted to the district level and on numerous occasions call centre staff were caught 'stealing deals' from district units too. Month-end transfer problems occurred in a number of districts where 'unwanted customers' were transferred out of their lists in the computer system to other districts to improve rating in their timeliness targets and 'transferred back' a day later. This practice occurred so frequently that most district managers wasted valuable hours scrutinising their computer records on the last day of the month to ensure corrective action could take place if such transfer occurred.

Some of these concerns led to the broader focus in the next phrase of the strategic plan. While cash collection was still retained as a key component; the correction of the dysfunctional behaviour was mainly rectified by the system design of the new information technology.

## **2000 - 2005**

This period was characterised by a number of significant changes. It began with the departure of its long serving General Manager, Murray Short, who was replaced by the current General Manager, Jenni Norton. The long awaited information technology was implemented progressively from October 2001 and has provided much improved management information to enabled process improvement. Two successful business cases in 2002 and 2003 allowed much needed additional capacity to keep pace with the increase in new fines.

### **2000-2005 Strategic Plans**

In 2000 a new five-year strategic plan for the DFC was developed with a vision to "help make New Zealand a more just and safer place through the promotion of law-abiding behaviour by ensuring compliance with monetary orders" (DFC, 2000, p. 4). The goal for 2005 was "to be a model of best practice, actioning 100% of fines and civil documents in a fair manner and in accordance with the law" (DFC, 2000, p.8).

The continuous growth in the 'lake' of unpaid fines that mainly caused by the high imposition of infringement had resulted in Collections Unit seeking additional resources to combat the problem.

## **2002 and 2003 Business Cases**

A business case to increase Collections Unit capacity to keep pace with the growing rate of infringement imposition was approved by the government in 2002. The additional funding of \$36 million over the next four years was to expand and upgrade its Collections Unit call centre capacity in a phased programme from 1 September 2002 to 30 June 2006 (DFC, 2002). This phased programme included new call centre premises and enhanced technology to support the flow of call centre work more efficiently. This would allow the collection units to focus on physical enforcement activities while call centre focus on making contacts with people who incurred fines. The expanded call centre capacity was expected to enable Collections Unit to collect an additional \$90 million over four years including \$22 million reparation payments for victims of crime (DFC, 2002).

Again in 2003 the steady increase in infringement fines imposition faced by Collections Unit led to a review of its structure and capacity. In addition there was a requirement to comply with health and safety legislation. These led to an increase in funding of approximately \$31 million and an increased cash collection target of approximately \$67 million over the next four years (MOJ, 2004a). This funding enabled 63 new staff to be appointed to the call centres and the establishment of a centralised processing unit. 30 additional field staff was also employed to ensure compliance with the new health and safety legislation when dealing with cases where there was risk of violence, and to support staff in the National Office.

The new information technology system COLLECT was fully operational from 2002 onwards and has provided Collections Unit with much needed management information. Collections Unit is able to access the fines database directly and has utilised the information to produce timely, regular and ad hoc management information. The database has also enabled profiling of fines debtors so different collection strategies can be used to target different types of fines debtors such as the confiscated car club campaign in 2004.

However the transition from the previous Law Enforcement System to COLLECT has caused some disruption to collection activities and has impacted on fines collection during 2002 fiscal year (DFC, 2002). As a result, the target for cash collected was altered for 2002.

Other initiatives were implemented during this period that were aimed at improving information on fine defaulters. Data matching with IRD which commenced in May 2002 provided Collections Unit with a new source of information on fine defaulters (DFC, 2002).

Developmental work was expected to commence in 2005 on initiatives to catch fine defaulters at the airports when they leave or enter the country, approved by the government in 2003 (MOJ, 2004b). Publication of fines defaulters' names in newspapers was approved by the government in Oct 2004 and has been utilised by Collections Unit in a national campaign in late 2004 and early 2005 with much success (MOJ, 2004b).

Other work programmes to improve the quality of fines debtors information took place include working with prosecuting authorities to assist with developing processes to improve their own collections rates and to only file infringements that contained accurate information in courts (MOJ, 2004b). In addition changes were sought in legislation to introduce mandatory electronic filing of infringement notices by prosecuting authorities (MOJ, 2004b).

## **Summary**

Since its inception in 1996, Collections Unit has been subjected to a number of significant changes. It has adjusted its organisational structure and work processes constantly, updated its information technology and continued to influence legislation to achieve its goals.

## **Chapter 6: Department of Child, Youth and Family Services**

### **Establishment of CYF**

The Department of Child, Youth and Family Services was established on 1 October 1999 following the integration of two Department of Social Welfare business units: the Children, Young Persons and Their Families Service and the New Zealand Community Funding Agency.

CYF has a variety of roles in dealing with children and young persons. It has a statutory responsibility to intervene, protect and help children who are being abused or neglected or who have problem behaviour. Under the youth justice system CYF works with the police and the courts in dealing with young offenders. CYF provides residential and care services for children in need of care and protection and for young offenders. CYF also approves and contracts with community organisations for social services for children, young people and their families. CYF also assesses people who wish to adopt children and provides report to the Family Court on adoption application. In addition CYF provides information to adopted people, birth parents and people who wish to adopt children when required.

Due to time and resource restriction, this thesis evaluates only the performance measures utilised in care and protection area only. Care and protection work is made up of about 75% of CYF total work.

### **Care and Protection Process<sup>14</sup>**

The Children, Young Persons and their Families Act 1989 (CYPF Act) is the key legislation governing New Zealand child care and protection system. Under this Act statutory power is vested in the Chief Executive of CYF and in social workers and Care and Protection coordinators

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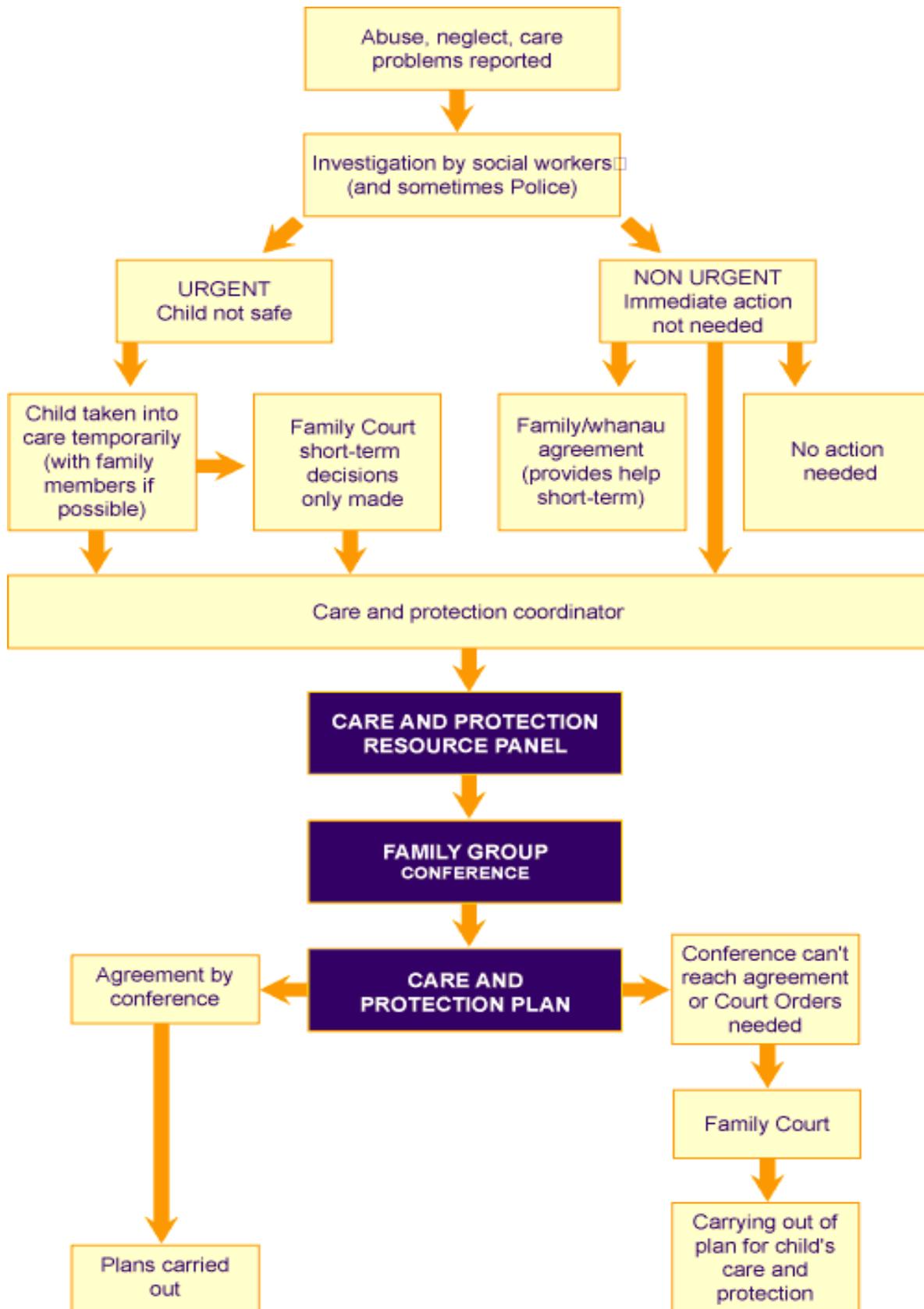
<sup>14</sup> Refer to CYF website: <http://www.cyf.govt.nz/1258.htm> for more detail.

appointed by the Chief Executive. There are two important duties required of the Chief Executive under the Act. The first duty is to:

Promote, by education and publicity, among members of the public (including children and young persons) and members of professional and occupational groups, awareness of child abuse, the unacceptability of child abuse, the ways in which child abuse may be prevented, the need to report cases of child abuse, and the ways in which child abuse may be reported (s. 7(ba)(i), CYPF Act 1989).

The second duty is to:

Develop and implement protocols for agencies (both governmental and non-governmental) and professional and occupational groups in relation to the reporting of child abuse and monitor the effectiveness of such protocols (s. 7(ba)(ii), CYPF Act 1989).



**Figure 6.1: The care and protection process**  
 Source: CYF website

A large part of the work of CYF is to ensure children have the care and protection they need to keep them safe from experiencing harm, ill-treatment, abuse, neglect and deprivation (CYF Website). A child is believed to be 'at risk' if they are suffering from, or likely to suffer from physical or sexual abuse, violence or conflict between their caregivers, emotional or physical neglect, behaviour which is beyond their or their caregivers' control, or lack of stable or adequate care (CYPF Act Amendment 1994, s2,1). CYF's official website provides a detailed description of the care and protection process (see Figure 6.1). This process is summarised in the rest of this section.

When a report of a child or a young person may be 'at risk' is made, it is assessed by a social worker to determine whether or not a family or whanau will need CYF services. This intake process makes a preliminary assessment of the level of risk to the child or young person and to plan an appropriate investigation or intervention. This process aims at ensuring the child or young person's immediate safety. A risk estimation assessment must be completed for every case where a social worker reasonably believes that child abuse or neglect has occurred.

In determining an appropriate response, the social worker taking the initial information will consult with their supervisor on whether to initiate:

- Immediate service. The social worker provides a service there and then and takes no further action. This is appropriate if immediate advice or information was wanted.
- Onward referral. The caller is referred on to a more appropriate agency that specialises in the type of service needed.
- Further Child, Youth and Family involvement. If this is the case, the degree of urgency is determined.

In more serious cases when a child or young person is believed to be in need of care and/or protection, the care and protection resource panel is consulted and a family group conference is called.

When problems are found to be serious, a social worker must, as soon as is practical, undertake or arrange an investigation into the report of abuse and, once that has begun, must consult with a care and protection resource panel about the investigation.

The welfare and interests of the child or young person should be the first and paramount consideration. Intervention under the CYPF Act must ensure that the child or young person is

protected from harm, but every effort should be made to limit the damage and disruption to the child's relationship with their family or whanau.

In less serious situations there are a range of options including setting up family/whanau agreements that can help with a range of family problems and issues. CYF should always work with families and whanau to strengthen their ability to care for their children and young people.

As a last resort a child or young person may be taken away from home, away from their parents or their usual caregivers, during the care and protection process. This will occur if the social workers or the Police have good reason to believe that the child has been harmed, and there is no other way of keeping the child safe. CYF provides care services to children in the custody or guardianship of the Chief Executive, including residential services when these are required.

### **Family/Whanau Agreements (FWA)**

These agreements, drawn up between a family, whanau, social worker and a service provider (where appropriate), enable family/whanau to get services to help them resolve problems and continue looking after their children. This is an informal process that applies to cases that are assessed as non-urgent. Services can include therapy, counselling, home help, parenting skills and budget advice.

A family/whanau agreement spells out what services will be provided to the family. It describes what the social worker will do and what the family or whanau will do. It sets out the goals the family or whanau want to achieve and describes how progress on them will be measured.

After three months, every agreement should be reviewed by the family or whanau, social worker and any other organisation involved to see if the goals have been achieved or partially met.

A decision has to be made as to whether the agreement is ended, extended for a month, renegotiated for a further three months, or the family/whanau be referred for a family group conference.

## **Family Group Conference (FGC)**

Section 18(1) of CYPF Act requires a family group conference (FGC) to be held in any circumstances where a social worker or member of Police forms a belief that any child or young person is in need of care and protection. A family group conference is a formal meeting for members of the family group/whanau/hapu/iwi to discuss, often with social workers, how to keep a child safely and well cared for within the family group.

CYPF Act recognises that families have the main responsibility for caring for their children and young persons, and protecting them from harm. The FGC is a means of balancing children's need and right to be safe, with their need and right to be in a family. The FGC ensures that families and whanau are supported to develop their own solutions to their problems and work with social workers to reach agreement.

Typically FGC starts with a care and protection coordinator from CYF making arrangements after consulting the family on who should attend the FGC. As many family members as possible will be invited to attend. Other attendees may include a social worker from CYF or another agency, a care and protection coordinator, counsel-for-the-child or member of Police. Other people with special information may attend to such as a public health nurse; teacher; support group; psychiatrist; doctor; or lawyer who are there to provide information and give advice, not to make decisions.

If the conference agreed on a plan, it has to specify who is going to be responsible for the care of the child or young person and where they will live, what services or organisations are needed as support for the child and family, what payments are needed to support the child, and when the plan is to be reviewed.

If agreement cannot be reached, the case may go to the Family Court for a solution to be worked out.

## **History**

The history of CYF can be traced to 1972 when the Department of Social Welfare (DSW) was established through the amalgamation of the Social Security Department and the Child Welfare Division of the Department of Education (Ministry of Social Development website).

From its inception DSW focused its attention and resources on the social security or benefits which situation was aggravated by the growth in the domestic purpose benefit and unemployment benefit in the 1970's and 1980's (Brown, 2000). Consequently minimal effort and attention was applied to develop the social services practice or to the associated professional training (Brown, 2000).

In 1991, as a result of fiscal pressures, DSW flattened its structure across the benefits and pensions and social work divisions, closed student units and consequently lost many experienced staff. The biggest loss to social work support at this time were positions known as Executive Senior Social Workers, who led the Social Work Supervisor group on site and were responsible for the maintenance of professional standards (Brown, 2000).

In 1992, DSW was restructured into separate internal business groups, including the New Zealand Children and Young Persons Service (NZCYPS), the New Zealand Community Funding Agency, Income Support and Social Policy Unit. This review also separated benefits and pensions, social work, and community services at the local level and the break up of an administration services network which had serviced these service streams (DSW, 1993).

A review of the agency in 1994 occurred as a result of NZCYPS failing to meet its budget requirement by about \$1.2 million for the year ended 30 June 1993. The Director General of DSW established an external review team led by Andrew Weeks. The Weeks Report noted that there were poor information system, budgeting and information gaps and problems in the interface with health and education (Weeks, 1994). The report of this review was accepted and resulted in a major restructuring in 1994 to decentralise the structure of NZCYPS (DSW, 1995).

NZCYPS was renamed Children, Young Persons and their Families Services (CYPFS) in 1995. In 1998 it amalgamated with Community Funding Agency and formed Children, Young Persons and their Families Agency. Then in 1999 CYF became a stand-alone government department.

## **2000 Mick Brown's review**

Partly as a result of several high profile child abuse cases such as James Whakaruru and Sade Trembath and the fact that the new incoming Labour government had sufficient concerns about the capabilities and operation of CYF, a Ministerial Review was undertaken. In March 2000, former Principal Youth Court Judge Mick Brown was appointed by the government to undertake

two independent reviews into the procedures of Child, Youth and Family for care and protection referral and notification, and for the placement of children and young persons outside their immediate family or care-giving arrangement.

### **Predicament of CYF revealed in Brown's report**

In the submissions that Brown received in his review of CYF's operation, there were a number of shared complaints that commonly concerned:

- A perception of a service seriously under resourced.
- A demoralised workforce
- Varied skill levels
- Disproportionately inexperienced
- Inadequately supervised and supported
- Serious difficulties with both recruitment and retention of Social Workers
- Incapable in many regions of handling the workloads in a truly professional manner and resorting to reactive crisis driven social work.
- Confronting significant growth of new notifications or renotifications but of greater concern children and young person presenting with multiple and complex problems, some intergenerational.
- A diminishing number of placement alternatives, both inter family and so called 'stranger-care' (a curiously inappropriate and value-laden term given that may equally apply to wide family placements, linked only by obscure ties of consanguinity!)
- With a frontline staff which may at times be exposed to the elements of 'professional dangerousness'. The question then arises, given the current perceived staff profile and lack of supervisory support, do those frontline staff have the maturity or worldliness to identify and cope with those elements?
- By the nature of their calling Social Workers are required at all times to exercise sensitivity in its various forms. At times this may appear to be in conflict with the unwavering injunction as to the paramountcy of the child. Over sensitivity can lead to paralysis of decision making. Once again, maturity and supported decision making is essential.
- An issue raised and elaborated upon in the submission received from the Department of Child, Youth and Family was that 'many staff leaving Child, Youth and Family attribute their decision, in part, to the cumulative caustic effects of negative media portrayal and poor public perception (Brown, 2000, pp7-8).

Brown (2000) believes all these above factors provide a fertile environment for a 'blame' culture characterized by an unwillingness to take risks or accept responsibility for mistakes because of a fear of criticism or prosecution.

CYF was a government department to which had been abdicated to a large extent the ills and casualties of our contemporary society. CYF's submission to Brown's review provided an insight of the difficulties CYF experienced:

We are the state agency with responsibility for statutory social services.

Our work is challenging and stressful:

- working with the most disadvantaged
- exercising coercive powers in a 'helping' relationship
- managing complex inter-agency relationships
- facing public and media scrutiny

Together with work volumes and resourcing issues these factors damage staff morale. Our changing community will make the work more difficult (Brown, 2000, p.17).

Each of those points was developed in the body of the submission exemplified by the following:

Working at the 'hard end'

Statutory social workers deal with the most extreme situations affecting the wellbeing of children, young people and their families. They make judgements that no other agency or professional is called upon to make, within a system that requires them to constantly reassess priorities and risks. They are in the business of predicting human behaviour, when it is beyond the ability of any social work system to accurately and consistently anticipate how people will act.

The issues confronting our staff are among the most difficult that any social workers deal with. The work is complex and there are few absolutes. Staff members deal with ambiguous information, operate in grey areas and find solutions among options that are often less than ideal. The work is high risk. Mistakes are dangerous and costly, in both human and financial terms. Results are difficult to observe; it is difficult to measure the effectiveness of interventions or to link outcomes for clients to the services provided. There are few valid and reliable measures of either the negative impact or the positive outcomes of social work interventions.

Despite these difficulties, we manage in excess of 26,000 notifications and 20,000 plans orders every year. Collectively, social workers make more than 15,000 placement decisions in any single year (Brown, 2000, p.17).

Brown made 57 recommendations to improve the service, and emphasised that most of the problems were due to factors beyond the agency's control. Overall the recommendations suggest two interconnected approaches for bringing about needed change - increased resources from the government and changes to the culture and operation of the Department.

CYF introduced a New Directions programme in response, with key strategies and a host of projects including service improvement, capability assessment and designing medium and long term operational strategies. The core of the plan is that CYF needs to focus more on improving the long-term outcomes for at-risk children and their families, rather than simply providing immediate solutions to immediate problems. CYF's baseline funding was increased by 50% from the end of 1999 onwards.

But in late 2002, little more than a year after the Brown's review, CYF again requested additional funding as it had a cash crisis and was struggling to meet many of its objectives.

## **2003 First Principles Baseline Review**

This request led to an in-depth review carried out by the Treasury, the Ministry of Social Development, and Child, Youth and Family in 2002 and 2003. It covered the Department's role and services, and how these services are delivered. It also considered the appropriate level of resources the Department needs to operate effectively.

In September 2003, *The First Principles Baseline Review* on CYF was released. The review identified 'deep and systemic' problems within CYF that were about 'much more than just levels of resourcing'. It recommended clarifying its role and expectations, addressing demand for services, improving the Department's interface with other agencies, a new approach to service delivery, and building corporate and business systems, information and workforce capability. As a result of the review the government agreed to inject more than \$120 million into the department.

The review acknowledged some good gains were made as a result of 'New Direction' programmes. There were improvement in the timeliness in attending the most urgent social work cases, staff turnover was reduced, induction training was made mandatory, relationships with community stakeholders had improved, access to services for children, young people and their families was improved via the roll out of national call centre.

However the review found that at the end of 2002 many of the problems identified in the previous eight years still existed. In particular CYF's performance and capability did not improved in a sustainable way despite the increases in funding. The various initiatives CYF were working on lacked overall integration. The inadequacy of the systems and processes compromised CYF's ability to prioritise its resources for investigation and intervention. Consequently emphasis was primarily placed on managing an increased throughput at the expense of the quality of service.

The review therefore concluded that a sustainable lift in performance was required and it would not be achieved by some adjustments around existing business operation, better information system, or additional resources on their own effect. Instead the review team proposed a staged approach: a number of immediate steps, a package of initiatives over the next 2-3 years, followed by a reassessment of the baseline by December 2005 for the 2006/07 Budget. These proposals were focus on:

- Stabilising the department's position so it is better able to provide services to children and young people who need them;
- Supporting CYF to become a learning organisation;
- Improving service quality and reducing the recurrence of harm, neglect, insecurity of care and re-offending (Hughes *et al.*, 2003, p.2).

In November 2003 CYF Chief Executive Jackie Pivac who had served CYF since 1999 resigned. Pivac found it personally painful to cope with the damning Baseline Review that opened the lid on a department in crisis facing "deep and systemic" problems (Haines, 2003). More importantly she felt the department faced an intensive three to five years of change which should be managed by one person the whole way through (Berry, 2003)

Pivac's successor also did not last long in the position. In August 2004, Paula Tyler, previously the head of Alberta's Children's Services Department in Canada, took up the position of the new Chief Executive of CYF. Little more than a year later in October 2005, Tyler resigned citing personal reason.

## **Summary**

CYF provides care and protection service for children. CYF aims to change behaviour to be successful in its work.

This work is complicated, and CYF has been subject to two major reviews in its short history since becoming an independent government department. Both reviews were critical of CYF's operations, and the later review has also resulted in the departure of its first chief executive.

## Chapter 7: Findings Collections Unit Output – Collection and Enforcement of Court-imposed Monetary Penalties and Infringement Fines

### The Nature of Outputs

This section explains each of the output measures under output 5.1 the collection and enforcement of fines. They can be grouped into three types of measure: quantity, quality and timeliness (refer to Table 7.1).

<b>Output measures of output 5.1: Collection and enforcement of court-imposed monetary penalties and infringement fines</b>	<b>2006 Projection</b>
<b>Quantity</b>	
Amount collected:	\$210-\$227.5m
Number of legal challenges to fines or collection procedures resulting in costs being awarded against the Department	0
<b>Quality</b>	
Percentage of fines actioned	57-62%
<b>Timeliness</b>	
Percentage of court imposed fines collected or placed under arrangement within 28 days.	60-65%
Percentage of court imposed fines collected or placed under arrangement within 4 months	80-85% %
Percentage of infringement fines collected or placed under arrangement within 28 days.	28-331%
Percentage of infringement fines collected or placed under arrangement within 4 months	65-70%

**Table 7.1 Collections Unit's fines collection and enforcement output and related measures**  
Source: MOJ (2005)

### Quantity Measures

Quantity-type output measures include the amount collected and number of legal challenges that result in costs being awarded against MOJ.

## Amount Collected

...amount collected very much pushes down the route of obtaining money from the fines irrespective of whether this is the right outcome. It arises out of the behaviour of chasing those people who can pay, rather than holding people to account for the fact that they have not paid the penalty for their crime. (Interviewee A)

While there have been a number of changes in output measures, amount collected has remained the most consistent output measure for Collections Unit since its inception. Its importance originates as a result of a number of factors. The change of culture to 'more cash sooner' in its early history required Collection Unit to have a strong focus on money collected. In addition the threat of privatised fines collection activity in the late 1980s and early 1990s highlighted the importance for the Collections Unit to demonstrate its effectiveness in dollars collected. Another early output 'average cost per dollar collected', used from 1996 to 1998 was also targeted at demonstrating that Collections Unit was competitive in comparison to private collection agencies.

Amount collected (\$m)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Actual	70.8	79.6	98.2	112.0	132.8	135.7	115.0	149.7	191.6	203.4

**Table 7.2: Actual fines collected: 1996 - 2005 in \$ million**  
**Source: DFC Annual Reports 1996-2003 and MOJ Annual Reports 2004-2005**

With an unchanged staff level, Collections Unit has achieved a tremendous improvement in the amount collected, with the fines collected increasing from \$79.6m in 1997 to \$135.7m in 2001 (see Table 7.2). With an injection of funds as a result of the approval of business cases in 2002 and 2004, the amount collected continued to increase to a new record of \$203.4m in 2005. This success can be credited to its management of processes, staff and technology (Office of the Controller and Auditor-General, 2005). However cash collection targets have been achieved only since 2001 with the exception of 2003, when work was disrupted by the transition to a new information technology system.

Collections Unit was successful in securing additional funding primarily on the basis of expected increase in amount collected. The business case promised good returns on investment, in exchange for much required funding to expand its capacity and capability to cope with astronomical increases in infringement fines imposed by the courts.

Amount collected is expressed in dollars and includes voluntary and enforcement collection of all types of fines such as courts imposed fines, reparation and infringement; court imposed costs such as court costs and enforcement fees. The bulk of the funds collected are disbursed to other parties. Collection of court imposed fines and infringements issued by other government agencies is disbursed to the Crown. Reparation collected is disbursed to relevant victims. Infringement and related filing costs such as court costs recovered on behalf of local authorities, are disbursed to the relevant filing local authorities. Court costs, apart from those related to local authorities which are paid in advance when the infringement notice is filed, and enforcement fees recovered, are credited to MOJ's other revenue account.

The collection of court costs and enforcement fees have a significant impact on MOJ's operating budget. In general, the Crown funds MOJ on the difference between the budgeted operating cost and budgeted other revenue. Other revenue is primarily made up of infringement filing fees and enforcement fees and represents approximate 10% of total departmental budgeted revenue.

The speed of collection is inversely related to the amount available for collection. In one situation where a Treasury official suggested leaving all fines untouched until after the enforcement period, so a \$100 enforcement fee per fine could be imposed<sup>15</sup>. This incident occurred after the last budgeting round for the 2000 fiscal year when the forecasted enforcement fees failed to materialise. This suggestion was resisted on the proven practice of 'more money sooner' and the Treasury official was persuaded to accept the natural consequence of events.

A number of other dysfunctional incidents were observed as a result of the focus on amount collected described in chapter five, such as poaching deals between the units and the call centre. Although most of these historical problems that have caused friction within Collections Units are rectified by the domiciled rules in COLLECT, a number of issues remain. For example a number of staff tended to pay greater attention to a small number of high-value fines rather than higher volumes of low-value fines. Also the tendency of some staff was to put offenders on long term time payment arrangement without adequate consideration of their ability to pay.

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<sup>15</sup> This request from the Treasury officer was made verbally to a number of senior staff of Collections Unit, including the researcher who was the Finance Manager for Collections Unit at that time.

## **Number of Legal Challenges that Resulting in Costs Being Awarded Against MOJ**

This second quantitative type output measure is not regarded as a challenging one to achieve but one that can help in improving internal management of public relation as commented by interviewee A:

This will always be zero as the reality is that if the Ministry thinks that they will lose the case they will negotiate out of court. A case will only go through if the Ministry believes it has a sound legal argument and the Judge decided that it didn't.

Having the number of legal challenges as a measure strengthens the complaint management of the whole organisation. It encourages appropriate responses to complaints.

The expected standard of this measure has been set at zero. Apart from 1999 when there was one legal challenge that resulted in costs being awarded against DFC, the standard has been achieved.

## **Quality Measures**

The only quality type output measure is the percentage of fines actioned.

### **Percentage of Fines Actioned**

According to MOJ Annual Report 2005, actioned fines means "paid and disbursed, remitted, placed in a pending pool if the defendant has been unable to be traced, under appeal or subject to a time payment arrangement that is being honoured or within the period allowed for voluntary compliance."

This is probably our best measure but also the most complicated for people to understand. It tries to take into account a lot of factors to make it fair [to Collections Unit]. Simplistically it says how much have we done over the year with what is available... It captures things that you have done and things that could have been worked on. (Interviewee A)

This output measure attempts to quantify Collections Unit's efficiency in dealing with fines but there are a number of deficiencies in this measure. Firstly, gaming behaviour had occurred in putting fines into the pending pool prematurely to improve the actioned rate (Interviewees A, B and C). The pending pool should only capture fines that had completed the whole tracing process but the defendants could not be found. But there have been inappropriate actions such as gone-no-address status been put on fines that are still going through the tracing process. The second deficiency relates to the calculation of actioned rate that assumes the capability of Collections

Unit is always aligned with the level of fines imposition. Thus increased fines imposition without the equivalent increased in capability would reduce the actioned rate, particularly between 2002 and 2005 when fines imposition was increased by 44% and funding by only 23%.

This measure emerged in the second strategic planning phase of Collections Unit and was designed to “include broader concerns with promoting law-abiding behaviour and better compliance with monetary penalties” (Collections Unit, 2000, p.2). The original target, to action 100% of fines by June 2005, was set before the necessary management information was available from the new information system and proved to be too challenging. In addition the continuous high increase in infringement fines had affected the achievement of the original target. Later the actioned rate target for 2005 was revised to 57-62% and the actual result achieved was 61.4% (see Table 7.3).

<b>Percentage of fines actioned</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Actual	49.2%	55.2%	57.0%	61.4%

**Table 7.3: Actioned rate achieved 2002 – 2005**

**Source: DFC Annual Reports 2002-2003 and MOJ Annual Reports 2004-2005**

It was unclear how much this measure has helped to move towards a resolution focus as this measure does not assess the result of the fines collection and enforcement process. Moreover apart from the deficiencies mentioned above, the calculation of actioned rate is primarily based on value, not volume of fines. Most interviewees see a stronger emphasis on resolving volume of fines, rather than value, is needed in future output measures.

## **Timeliness Measures**

There are four outputs measures that are of timeliness type. They are percentage of court imposed fines collected or placed under arrangement within 28 days, and 4 months; and percentage of infringement fines collected or placed under arrangement within 28 days, and 4 months.

	2002	2003	2004	2005
Percentage of court imposed fines collected or placed under arrangement within 28 days.	23.7%	61.1%	58%	60.2%
Percentage of court imposed fines collected or placed under arrangement within 4 months	61.1%	78.8%	79.5%	79.9%
Percentage of infringement fines collected or placed under arrangement within 28 days.	8%	26%	29.9%	32.1%
Percentage of infringement fines collected or placed under arrangement within 4 months	33.1%	60.2%	66.7%	69.3%

**Table 7.4: Actual timeliness result 2002 – 2005**

**Source: DFC Annual Reports 2002-2003 and MOJ Annual Reports 2004-2005**

All timeliness measures improved between 2002 and 2005 (see Table 7.4). In particular the percentage of infringement fines collected or placed under arrangement within 28 days has increased from 8% in 2002 to 31.2% in 2005. The low achievement in 2002 was due to an extensive disruption to operations resulting from the implementation of a new computer system.

These timeliness outputs first appeared in 1996 and the calculation at that time included only the amount collected. These earlier outputs encouraged 'more cash sooner' and were designed to encourage early full recovery action to be taken. The inclusion of time payment arrangements in these outputs in 2002 coincided with the extension of maximum time payment arrangement from the previous 18 months to five years. As a result fines under arrangement grew from \$117.8m in June 2002 to \$277.0m in June 2005.

Concerns were expressed by the majority of interviewees about the inappropriate use of time payment arrangement. Statements included:

There are things that push the arrangement culture that are not necessarily contributing to public confidence in the fairer justice system; people put fines under arrangement without checking whether this is the right solution for this profile. If you've are an 18 year old who owes \$50k; we can set up an arrangement for him to pay over 5 years. This person may not have any ability or capacity to comply with this arrangement. (Interviewee A)

There were situations where staff were doing deals where there is warrant to seize...staff are dealing with fines without a good consideration as to whether putting debtors under arrangement is the right way to go. (Interviewee D)

...may have to do with instead of grinding that person to pay up front with cash, its easier for an arrangement to be set up. (Interviewee C)

Interviewee D in particular described the inappropriate use of time payment arrangement as trapping the fines in "a great washing machine that goes round and round". This situation occurs

when a new payment arrangement for an offender is installed despite the offender breaching previous arrangements. While COLLECT automatically puts defaulted fines into enforcement phase, the system still allows staff to make another time payment arrangement for a new infringement incurred by the same offender. This 'churning' allowed some offenders to temporarily get away from complying with the penalties imposed and contribute to duplication of work among staff (Interviewees A & D).

To combat this problem interviewees A, B, C, D and E suggested that a strong focus on resolution of fines, supported by implementation of new procedures, is needed in future outputs.

For 06/07 we will have revamped outputs that are more reflective on where we are now. By the time we put the Infringement Review outcome in place there will be a need to have work done on a whole lot of different performance measures. (Interviewee A)

These new outputs are expected to reflect the fines resolution focus and place more emphasis on volume of fines resolved.

### **Timeframe - 28 days, 4 months or 6 months**

Information on voluntary compliance is important to Collections Unit and readers of SSP as it measures the speed of collection before the fines incur enforcement fees. Voluntary compliance means either payment in full or agreement on time payment arrangement within 28 days of the issuance of first fines notice from Collections Unit. After that time an enforcement fee of \$100 is added to the fines.

However the usefulness of using the timing of 4 months is less certain. Interviewee A suggested that the 4 month term was continued from previous outputs and suggested that:

A 6 month term measure will be more appropriate as this is the time when fines have gone through the entire tracing process and is a good time to assess whether effective action has happened.

## **Outputs as Internal Performance Measures**

From Interviewee F:

Lots of things are outside our control as we are at the end of a value chain. We use all outputs as performance indicators ... we collect data on them, evaluate, discuss and monitor

their performance. Other indicators for whether we have done a good job include balance of debts under control versus not under control... outstanding balance, amount under arrangement, amount of fines that were breached, breached rate which is an indicator that we may touch the same work too many times. We monitor top 50 fines defaulters to ensure they are properly case managed.

Output measures serve as an important set of internal management performance indicators. They are reported and monitored monthly on a local, regional and national basis. These measures are also translated into individual staff performance expectations in their performance agreements, particularly at the area managers' and contact centre managers' level. For example the amount collected target is divided among the three areas and each area further divides the target to a local unit level. The assessment of individual staff performance includes other factors such as the competency achieved rather than simply a focus on hard targets.

However, output measures are only a subset of wider indicators used internally within Collections Unit for performance management purpose. Key information that is not part of the outputs but is critical to understanding Collections' performance include amount and trends of new fines imposed, balance of unpaid fines (total and overdue) and balance of fines under payment arrangement. This information is disclosed in annual reports at the MOJ's discretion.

## **Applying Criteria of Well-Defined Outputs and Performance Measures**

This section examines whether the current output measures of the Collections Unit satisfy the five criteria of well-defined outputs and performance measures (see Table 3.1). These criteria according to TPA-9 are external focus, controllable, comprehensive, measurable and informative.

### **Criteria 1: External Focus**

All current measures of the output 5.1 - collection and enforcement of monetary penalties, are externally focused to some degree. They meet the test of being distinct and are considered final product or services that are delivered externally. For example cash collected represents one type of fine resolution and action rate and timeliness measures indicate how soon an arrangement or other resolution has been made since the imposition of a fine. The assessment of the purchaser's interest and priorities is not within the scope of this research and therefore will not be included in this discussion.

## **Criteria 2: Controllable**

Whilst the number of legal challenges that resulted in costs being awarded against MOJ is to some extent within the control of Collections Unit, it has a lower level, and sometimes very limited control, over other output measures. This is due to a number of factors.

Firstly, Collections Unit cannot control the level of fines imposition and the new infringement fines filed in courts have increased dramatically in the last few years. Among the 100 different prosecuting authorities that include 14 central agencies and 86 local authorities that lodge infringement fines with Courts (MOJ & The Law Commission 2004), Police infringements made up 80% of all new infringement imposed. A change in Police's policy in road safety such as a lowering of tolerance of breaching the speed limit, an increase in number of roadside speed cameras and additional high way patrols, can have a significant impact on Collections Unit's work. Collections Unit does not have an influence on Police's policy but must deal with the increased number of infringements lodged in courts when Police are unable to collect them within 45 days.

In an effort to rectify the problems associated with the high level of infringement fines, Collections Unit has initiated a review of the infringement system through MOJ and with other sector agencies and local authorities. This review assesses the infringement system's policy, legislative and administrative framework to ensure it is 'fit for purpose' (MOJ, 2005b). The review aims to maintain public confidence in the integrity of the infringement system with a purpose to reduce the number of infringements needing enforcement, and to make the system more efficient, fairer and more consistent.

Secondly, the fines information, particularly for infringement fines, may be of poor quality and cannot be used to identify the offender. The Collections Unit has made significant efforts to encourage prosecuting authorities to file only good-quality infringement fines. A number of local authorities have responded positively and the pre-filing information has improved greatly. However the success of attempts by Collections Unit to improve the information quality of Police infringement notices, particularly the hand-written infringements, has proved to be variable from region to region. Police may see the issuance as opposed to collection of an infringement notice, as the end result of its road safety outputs. In addition there is no financial incentive for the Police to ensure infringements filed with Courts are collectable. Police are not

required to pay the court cost of \$30 per infringement notice; and will not be reimbursed upon collection as Police infringements are Crown revenue that is paid directly to the Crown upon collection. In comparison local authorities need to pay \$30 court costs in advance and these costs are only recoverable to them if the collection effort is successful. Local authorities are also reimbursed the amount of infringement fines. Consequently local authorities have been very receptive to Collections Unit's initiatives to improve quality of infringement data. Interviewee C quoted Manukau City Council as an example of how the council has corrected its processes to improve from a 92% lodgement with no date of birth information, which is essential in tracking offenders, to a 92% lodgement now with date of birth information.

The third factor is related to the offender's ability to pay coupled with a high recidivist rate. Research undertaken for the DFC found that a significant number of people, especially those on lower incomes, have difficulty paying infringement penalties. Those who received tickets for not having a car registration or warrant of fitness found that by paying the infringement fee, they could no longer afford to have their car registered or warranted and fell into a cycle of re-offending (ACNielsen (NZ) Limited, 2000). It is also easy for recidivist offenders to accumulate a large number of infringement fees that they are unable to pay. According to Interviewees A and F, 60 to 80% of new infringements imposed are incurred by recidivist offenders. This high rate of recidivist offending would have affected the amount collected and is likely to also affect the actioned rate and timeliness measures if offenders can no longer afford to pay, even on maximum time payment arrangement.

Fourthly, there are a number of legal processes, such as appeals and concurrent sentences, including imprisonments, which take fines out of the collection and enforcement process. Interviewee D pointed out that there were a number of large fines under appeal that had affected the amount collected and the timeliness measures. For example if the appeal process take more than four months then all the timeliness measures against the fine will be negatively affected. Similarly if a judge imposed both a fine and imprisonment the fine may not be collectable until the offender was released from prison.

Fifthly, there are a number of fines that cannot be enforced as the offender no longer lives in New Zealand and Collections Unit has no legal power to enforce fines in other countries. Interviewee B believes:

We are facing an increasingly mobile population moving around the world. We are increasingly getting overseas addresses where we don't have reciprocal arrangements. There has been a large growth in the number of students coming into New Zealand and fines left unpaid after they return to their countries. Potentially this leaves a large amount of unpaid fines in our database and we spent a lot of time trying to track them down.

In addition the introduction of instant fines at the airports and ports for minor bio-security offences have worsen this situation due to the high percentage of offenders residing overseas.

### **Criteria 3: Comprehensive**

The current measures under Output 5.1 of Collections Unit do not meet the test of comprehensiveness. This is mainly due to an inappropriate emphasis on amount collected and placing debt under arrangement for most measures. Apart from the number of legal challenges that resulted in costs awarded against MOJ, all other measures required the achievement of amount collected and/or placing debt under arrangement. There is no focus on resolution of fines.

Collections Unit wants the new outputs and measures to reflect what it believes to be its main priority: resolution of fines. Interviewee D sees most measures including amount collected as a by-product of resolution of fines and this focus should be clearly reflected in the output measures.

However difficulties are expected in changing the focus of these measures. Resolution of fines would not be easy to quantify and the formula would need to place a higher priority on resolving high volume rather than high value of fines. In addition the formula needs to give significant priority to compliance with the agreed collection and enforcement procedure, if timely actions such as escalation of enforcement action are to be encouraged. It is likely that the new measures, if they are approved, will consist of a number of quantitative, qualitative and timeliness type measures to reflect the resolution focus.

The greatest difficulty however may be changing Collections Unit culture, so all staff embrace the resolution focus. While there may be teething issues in implementing a resolution focus procedure in the local offices the implementation of such procedures will be significantly more challenging in call centres. In comparison to staff working at the local offices, call centre agents are generally sales/collection orientated and their performance is managed more effectively if their main performance objectives are quantified into cash collection or number of deals made.

The increase in the number of call centre agents from 40 to 160 between 2002 and 2005 intensified the challenge.

#### **Criteria 4: Measurable**

Most measures are described clearly in formal reports. These reports provide further explanation of fines actioned and the timeliness measures. For example the *MOJ 2005 Annual Report* inserted a footnote to explain 'actioned' in relation to fines (see above). It also stated all "timeliness measures are rolling 12-month calculations"(p.82).

All standards of output measures are set out clearly and can be judged against the actual performance. The standards of all output measures are disclosed in the Statement of Intent before the beginning of each fiscal year. These standards are then compared against actual performance in the Annual Report that is usually available after September.

With the exception of the number of legal challenges which is obtained from the legal section of MOJ, all quantitative information on other output measures is generated from the computer system COLLECT. No interviewee has indicated any issue with the information from COLLECT. Therefore the test of measurability is met satisfactorily.

#### **Criteria 5: Informative**

Most of Collections Unit's output measures do not provide sufficient information to the users on their own. For example it would be difficult to assess Collections Unit's performance in collecting fines without knowing information such as amount of imposition, opening and closing fines balances, Collections Unit's available capacity and information quality of new fines. Although some of this information has been disclosed in other part of the annual reports, the disclosure is discretionary and not part of SSP.

In particular the information on the unpaid fines has attracted interest from the media and opposition party.

Fines debt grows - The level of outstanding and overdue court fines is spiralling out of control ... in the 2004-2005 year there was \$637 million in outstanding and overdue fines, compared with \$310 million six years ago (*The Press*, 2005 Nov 22, p.A3.).

The growth in overdue fines has a direct relationship with the level of infringements filed in courts, which grew from \$72.8m in 1996 to \$246.3 in 2005, or 238%. Despite the increase in capacity as a result of the 2002 and 2004 business cases, total unpaid overdue fines has increased from \$123.3m in 1996 to \$341.2m in 2004, or 177%.

Some wordings and concepts used in the output measures are difficult for readers and even Collections Unit staff to comprehend easily. Apart from fines actioned that was discussed earlier in this chapter, all timeliness measures can cause conceptual problems for staff. Interviewee A explains:

The formula on the percentage of fines collected or under arrangement within 28 days is probably the most complex. The problem is it doesn't form part of the measure until it got past 28 days. So for the purpose of 1 July 2004 through to 30 June 2005 the fines it relate to effectively go from the 2 June 2004 through to 2 June 2005. When you look at number of impositions they are not the ones that staff are dealing for the year, but a mixture between two years. It's hard for them to reconcile this to other views of the business.

## **Summary**

Collections Unit has good reasons in wanting to change its current output measures to place more emphasis on resolving fines fairly and justly. Despite its achievement of the expected performance standards of its current output measures, dysfunctional behaviour of some staff caused largely by a focus on collecting cash and making deals need correcting. In addition resolution focus has always been important to Collections Unit but it has always been omitted in output measures so far.

The evaluation of the output measures against the criteria of well-defined outputs and measures under TPA-9 shows interesting result. While most of its output measures met the criteria of external focus and measurability, they do not meet the criteria of controllable, comprehensive and informative.

## **Chapter 8: Findings CYF output - Care and Protection Service**

### **Care and Protection Outputs**

According to *CYF Output Plan 2005/2006* the current outputs under Care and Protection Service are intake, investigation and assessment, case management, resolution services and care services.

Intake, investigation and assessment is about receiving notifications of abuse, neglect and insecurity of care at the call centre and seeking to establish the risk of harm to the child or young person concerned. It also involves undertaking assessments and investigations to establish the appropriate measures required to keep the child safe and support the family.

Case management relates to convening and holding family group conferences or making family/whānau agreements to maximize appropriate decision making, once the need for care and/or protection has been established. It involves bringing together family members with a range of agencies to help identify and explore ways to meet critical needs to protect the child as well as other family members.

Resolution services provide or purchase services to implement Family Group Conference plans and Court Orders. It also involves establishing effective relationships with children, young people and their families to identify their needs and possible support services to help resolve immediate and ongoing issues.

Care services create case plans that identify issues to be resolved and which highlight opportunities for achieving permanency for the child or young person concerned. It involves identifying the needs to be addressed and services that should be provided to support the resolution of ongoing issues. Undertaking emergency action to ensure the safety of children and young people is also included within this output.

Each output contains up to four types of measurement: activity indicator reflects demand; quantity indicates the number of actions which occurred, timeliness captures expected timeframe of certain actions, and quality measures desired result of certain processes.

Due to the difficulties of examining all 33 performance measures in the output class of care and protection services (see Appendix 2) within the limited time and resources to complete, this research examines in detail only a selected number of process and activities. The measures examined relate to intake notification, response rate to notification, investigation, FGCs and the care services. They were chosen as they appear to be a significant part of the current focus of many CYF work programmes and were measures that the interviewees tended to emphasis in their interviews.

## Intake Notification

There are three activity monitors under the intake process - number of intake assessments, number of intake notifications that require further action and number of distinct clients at intake requiring further action. The first two indicators have been reported in CYF annual reports since 1999 and their trends revealed a significant and unprecedented increase in demand for CYF services.

Activity indicators	1999	2000	2001	2002	2003	2004	2005
Number of intake notifications received by CYF	27,017	26,588	26,707	27,507	31,781	43,314	53,097
Number of intake notifications that require further action (FARs)	21,707	21,983	22,868	23,805	27,394	36,066	43,460

**Table 8.1: Intake activity indicators 1999 – 2005**  
**Source: CYF Annual Reports 1999 - 2005**

The significant increase in intake notification first occurred in 2003, with an increase of 4,274 notifications. For each of 2004 and 2005 an approximately additional 10,000 notifications were made. While the level of 2006 intake notification is forecast to be between 51,400 and 59,700 according to *CYF Statement of Intent 2005/2006*, a number of interviewees reported that they expected the rate of increase to have continued and intake notifications will actually be closer to 63,000 in 2006.

This increase in demand mirrors trends in a number of other countries. For example in the USA, child abuse reports have increased from approximately 9,500 to 3 million between 1967 and

2002. Between 1995 and 2003 Australia saw an increase of reported suspected child abuse and neglect cases from 91,734 to 198,355 (CYF, 2005a, p15).

In its *Statement of Intent 2005/06* CYF identifies the drivers of the increased in demand:

- An increased public awareness of child abuse;
- The problems faced by children and their families with care and protection issues are becoming more complex;
- The mass media and public have increased their focus on child safety rather than broader child welfare.

Interviewee R put the raise in demand of CYF service in a wider political perspective:

One driver of increased demand is that other government agencies moved their risks to CYF. The Police deal with domestic violence, youth offending, and some of their regions move risks to CYF. Government agencies have changed in last 7 to 8 years where public service has become a political product. The culture of the public service is about minimising the risk for the agencies. We've seen nearly 35% of notifications attributable to Police. We try to manage by building relationship with Police and get memorandum of understanding from them...The liaison with Police is marginal, good at national level but variable at regional level.

*CYF Statement of Intent 2005/06* identified Police as the largest notifier of potential cases to CYF, contributing approximately 34% of total notifications.

To a large extent CYF is an ambulance at the bottom of the cliff, the only government agency that can't turn people away. Health may say there is mental health issue but we haven't got funding and CYF has to pick that up. (Interviewee S)

As demand for CYF's services is largely not controllable but CYF is expected to manage the workload, activity indicators of current and expected demand are critical information in assessing CYF's performance.

The terms used in these indicators of demand required further and often extensive explanation. In *CYF output plan 05/06* intake notification is explained as

Intake notifications are also known as 'client notifications'. A client notification is created for every client identified as being at risk of child abuse, neglect or insecurity of care in families where a concern is expressed to Child, Youth and Family. This total will be greater than either the number of children and young people notified to Child, Youth and Family or the number of concerns expressed to Child, Youth and Family (p.24).

To further assist in reaching a common understanding on the terms and outputs used in the reporting a booklet *Proposed Sub Output Definition* was written to assist staff of CYF.

Interviewee Y explained the possible confusion and complication in some of the terms used:

There are different ways notification is interpreted throughout CYF. For reporting purpose this is the definition but is not necessary a unique one for the whole organisation. Notification is trying to capture the concerns (expressed on the safety of a child or children). Request for service (RFS) is a distinct call, so if a teacher and a doctor report on one child on different concerns, there are two notifications. A RFS which relates to more than one child, if the first child is at risk will make two notifications. If two people ring for the same child with the same concern they are likely to be grouped into one notification...Two notifications that related to two siblings will create one case for the social worker who is dealing with it.

Therefore the intake assessment for the year ended 30 June 2005 includes 53,087 notifications of which 43,460 required further action. These notifications involved 5,071 children and young people.

## Response to Notification

The most consistent timeliness measure for care and protection services since the inception of CYF has been the response rates to notification. There are four categories of notification based on the assessment of the safety of the child: critical, very urgent, urgent and low urgent. The critical and very urgent cases require immediate actions and the expected response time is within 24 hours and 48 hours respectively. The expected performance standards are 95% to 100% for critical cases and 90 to 95% for very urgent cases. For the urgent and low urgent cases, the response time is within 7 days and 28 days respectively. Their associated expected performance standards are both 50 - 85%.

	2000	2001	2002	2003	2004	2005
Critical	98.0%	85.0%	93.0%	93.4%	96.0%	97.8%
Very urgent	92.0%	77.0%	89.8%	93.4%	93.7%	95.9%
Urgent	73.0%	40.0%	39.5%	37.9%	38.1%	51.0%
Low urgent	78.0%	47.0%	48.2%	48.4%	45.7%	62.4%

**Table 8.2: Actual performance of response rates to notification**  
**Source: CYF Annual Reports 2000 - 2005**

When comparing these results with the increase in intake notification since 2002, the results achieved by CYF appear very positive (see Table 8.2), especially during the year ended 30 June 2005 when for the first time all the expected measures in the response rates were achieved.

Timeliness measures come under pressure when you can't recruit social workers and demand increases. We were able to meet timeliness measures because of the productivity improvements through different ways of working ...establishing some processes, guidelines and systems that operated across the country... Consistent social work practice around intake and assessment - one set process to follow. Before that there were 59 different ways. The same methodology will be used in reviewing other part of the care and protection process. (Interviewee S)

The productivity gain resulted from the re-engineering of the front line intake assessment process that enabled CYF to improve its response rate. This occurred even though CYF's funding not been correspondingly increased to reflect the level of demand.

## **Investigation**

The measure of the investigation process first appeared in the *CYF Statement of Intent 2004/2005* as 'investigations will be completed in a timely manner' with a performance standard of 70% in 90 days. In the *2005/06 Output Plan* there are two variable standards: 70% in 90 days if FAR received is less than 48,050, and 70% in 120 days if FAR is 48,050 or more.

Interviewee X sees this measure as an improvement on the previous one:

...better measure of what the real intake is ...The two standards reflect the finite resource with variable demand to show we have enough resources to do this if that is the volume. There are lots of comments from central agencies. They are not keen on it.

There are two new measures related to investigation - 'number of investigations completed' and 'clients waiting for investigation services will be monitored and reprioritised regularly in order to minimise client risk'.

The addition of investigation related measures reflect the concerns within CYF on how investigations have been managed and recorded in the field and this measure is intended to clarify this part of the process.

Investigation has been in the radar for a while. We are concerned about the length of time it takes to complete investigation ... most social workers would have completed, done the intervention but not ticked the box. We need to educate and make the connection between social work and reporting. (Interviewee R)

Ninety days deem to be the reasonable timeframe. Reason for not closed - the way we do things and our practice sees this as a low priority ...For example Brown case can have an open investigation by the computer system and an intervention at the same time. We have

already worked with the clients for 6 months but someone has forgotten to close it down...Most of ours are like this... only need to complete the three page report in the system to close them. (Interviewee U)

## **Family Group Conference (FGC) and FGC plans**

Output 4.2 case management includes family/whanau agreements (FWAs), and holding care and protection FGCs for children and their families. The existing measures include the number of (FWAs), number of Care and Protection FGCs and percentages of FWAs and care and protection FGC plans reviewed on time respectively. In addition there are two new measures in relation to FGCs: percentage of FGCs where a plan is created and percentage of children and young people whose FGC plans were completed and the objectives were assessed as being met.

These FGC related measures are aimed at providing better information on the result achieved. FGC occur if the child is considered to be in need of care and/or protection at the end of an investigation. Compared to FWAs that are agreements of informal processes to resolve less urgent needs of children and their families, FGCs are statutory processes for those children who are deemed to be at risk. FGC plans are the expected products of these FGCs.

FGCs are critical processes in the CYPF Act 1989 that reinforce the need for family, rather than professional solutions to family problems. Based on traditional Maori decision-making practices, FGC provide the primary opportunity and forum for family, and the extended family to hear concerns and participate in the decision-making process with respect to the child (Connelly, 2001). Family members are given the first opportunity to resolve the problems by planning for safe outcomes for their children, with professionals supporting them with information. The participation of non-family members is invited during the agreement phase to discuss decisions and plans with an emphasis on strengthening the family so that it can continue to care for the child when possible. If no agreement can be reached, the social worker can choose to exercise statutory power to bring the case to family court for resolution.

These plans can be wide-ranging; from a change of placement of the child, to providing assistance to the family to enable the child to live at home. They are not, and cannot be standardised, vary depending on the children and their family circumstances and the available support network. Therefore without knowing the specific contents in these plans and agreements, measures such as percentage of plans/agreements reviewed on time, communicate little information to people who are not directly involved in the process.

## Care Services

Output 4.3 includes measures relate to the provision and management of care services provided by CYF. It includes family/whanau care, CYF caregivers, placement in CYF family homes, CYF residences and other CYF approved providers.

There are four measures listed under care services:

1. number of children and young people in care and protection care and protection care placements at any time during the year,
2. re-entry into care placements,
3. percentage of children and young people who are care and protection clients in family, whanau, hapu and iwi care and
4. the average length of time until care permanency is established.

In addition there are three specific activity monitors:

1. number of children and young people in the custody of the chief executive at any time during the year,
2. number of care nights used
3. number of distinct clients in receipt of the Youth Service Strategy programmes that involve specialist family home placements or one-to-one placements.

A number of interviewees raised concerns about the attitude of Treasury on cost control in care area:

Treasury came across quite heavy saying that they want us to focus on these areas: only to do investigations when we have to, this is when we start incurring costs... and prevent the children drifting into care. (Interviewee V)

Treasury is concerned about the number of kids in care. What is the right number? If the kids need care they'll get care. They are only concerned because of the money attached to it. (Interviewee S)

It is however not difficult to understand Treasury's concern in the area of care services. The number of children in care has risen constantly from 1999 and the cost of care is high.

	1999	2000	2001	2002	2003	2004	2005
Number of children in care	3,265	3,670	4,196	4,480	4,682	4,909	5,071

**Table 8.3: Number of children in care 1999 - 2005**  
**Source: CYF Annual Reports 1999 - 2005**

...we have limited capacity in the secured care...a 28-person capacity residential unit in the Bay of Plenty will cost \$29 million as all the furniture, walls etc cannot look like prison. It will take 3 years to build a unit like that... Demand would be hard to forecast and there is a time lag factor. (Interviewee V)

Despite the constant increase between 2002 and 2005 in the number of children in care, the rate of increase was just 13% compared to the 93% increase in the number of intake notifications over the same period. According to the *CYF 2005 Annual Report* "this is the result of an increase in emphasis on achieving permanency in care placements and more consideration of alternatives to care when considering how to address needs in families" (p.14).

There are conflicting views on the measure of percentage of children and young people who are care and protection clients in family, whanau, hapu and iwi care. While Interviewee R sees the number of placement in kin care as an indicator of success, Interviewee X disagreed:

...the re-entry into care is a reasonable one, but the percentage placed into family, whanau, hapu and iwi care is a response to a certain cultural value. We shouldn't measure a culture thing, as you won't place a child with the family if the child is put at risk again. Placement choice should be looking at the best choice for the child, not the family...The real quality here is the timing and permanency of the care etcetera that we are not reporting on. The measure is wrong but we don't have a better one yet.

Despite the large number of current measures under care and protection services, it is expected the number will increase and some measures will be amended particularly after the implementation of Differential Response System that will significantly alter the intake assessment process.

## **Outputs as Internal Performance Measures**

Like Collections Unit, CYF utilises output measures as important management indicators. Reporting is captured in *Output Plan Monthly Monitoring Reports* commonly referred to within CYF as the Traffic Light report. The term traffic light originated from the use of three colours to indicate good or achieved (green), average (blue) and poor or not achieve (red) on its summary page.

These Traffic Light reports, which are key internal management reports for performance monitoring and management, include information other than output measures. For example it includes a section on capability, showing the number of social workers and how many of them are qualified.

Capability is a serious issue for CYF:

...a workforce capability strategy is underway to provide CYF with skilled professionals who can meet ever-changing demand... we are currently one hundred staff down. We have been successful in attracting graduates but it takes at least eighteen months before they are productive. They are a drain on the resources when you are mentoring them. (Interviewee S).

Only two out of fourteen social workers (at one site) have more than five years experience... This increasingly high turnover is common around the country... the experience base has eroded and we see a cautious approach such as keeping cases open longer. (Interviewee U)

Another key measure disclosed in the Traffic Light report is the unallocated cases. The measures include the number of unallocated, age of oldest unallocated cases and the number of unallocated cases over 4 months old.

Unallocated cases have attracted more attention from the media and the politicians than any other output measure. Though the disclosure of this information has not been compulsory it has been reported in CYF annual reports since CYF's inception.

Internally CYF produced Unallocated Cases Strategy - monthly report.

The report was put together by a project manager and some of the information came from CYRAS (computer system). It provides more detailed information for management purpose. Unallocated case is a wrong driver for external parties such as the media. It means clients are waiting for services and what do we do to address this issue. What's important is what drives the number and what sits underneath it (Interview S).

This emphasis in reducing the number of unallocated cases may have caused dysfunctional behaviour in some sites. "One site told me that it was found that cases were allocated to managers and support staff." (Interviewee W)

Interviewee V reported a similar observation:

There is evidence of gaming in allocating cases at month end. The number looks good at the end of the month but not at other times. The system allows allocation to occur without checks and balances.

In addition to the output plan, CYF is in the process of developing interim service management indicators that will support CYF to manage effectively and efficiently, and will help inform the Minister of its performance. CYF believes these service indicators measure client milestone

based activities that contribute to the attainment of outcome and will be included in the formal monthly reporting.

## **Applying Criteria of Well-Defined Outputs**

This section examines whether the current outputs of care and protection services satisfy the criteria of well-defined outputs and performance measures according to TPA-9.

### **External Focus**

It is difficult to conclude that any of the outputs and their measures under care and protection services has an external focus. These outputs describe discrete social work processes and activities and are unlikely to be considered a 'final product or service that is delivered externally'. The measures under these outputs indicate the demand and result of social work process.

Ultimately we know the success or failure of an outcome is whether the child has reached a permanency, how long does it take, and whether the child comes back to CYF for problems that should be known by CYF. (Interviewee W)

It would be useful to have an output that measures the success of CYF intervention, such as the number of children 'rescued', how many achieved 'well-being' or at a minimum the number or percentage of permanency achieved for their clients. CYF has developed a permanency policy and an implementation plan that promises to improve permanency for children in care (CYF, 2005c, p.14). In addition there is one current measure which assesses the average length of time until care permanency is established. Therefore it is likely that a measure such as the number of permanency achieved will eventuate.

However there will be difficulties in finding an output that represents the final product or service that is delivered externally from the care and protection service. A key problem is to do with the low level of controllability of CYF in the care and protection process. This will be discussed in the following section.

### **Controllable**

CYF has a low level of control over the delivery of their outputs. Care and protection work is demand driven and CYF must cope with whatever volume of work presenting to them.

Historically the quality, including timeliness, of work will decrease, when the volume increases unless there is a corresponding increase in capacity and capability. This reduction in quality had often resulted in more demands for CYF services in the future. As an example, the social workers may only have resources to respond to critical and very urgent cases. The delay in responding to urgent and low-urgent cases, such as lack of food in the house, may escalate to critical or very urgent category in a short period of time and may require more CYF resources for resolution. The recent focus on the intake process has produced productivity gains that enabled CYF to cope with the recent increase in demand without sacrificing its quality and timeliness measures. However whether further increases in notifications can be offset by this type of productivity gain remains unknown.

Likewise, the result CYF desired for their clients is not completely within CYF control. The expectation of the Children, Young Persons, and Their Families Act 1989 is that identifying family, rather than professional solutions to family problems will be the first priority. Therefore families need to be strengthened and maintained so they are able to look after their children, but many activities that are aimed at achieving this are delivered by other agencies. To achieve a desired outcome for a child required efforts from CYF, other agencies, and most importantly the family. As stated in *Output Plan 1 July 2005 - 30 June 2006*:

...achieving positive youth justice and care and protection outcomes for children, young people and their families is not a role that CYF can perform alone. Families, communities and community service providers play a vital role in helping keep children and young people safe, providing the care that they need and establishing stable situations of security and permanency for children. Often the children and young people who come into contact with the Department have complex needs, requiring the specialist skills and services of other government organisations. These needs include mental health services, specialist education services and disability services, as well as services for refugee and migrants. The inter-connectedness of client needs means that government agencies must work closely together to deliver the best available services available to this vulnerable group of young New Zealanders (p.6).

## **Comprehensive**

The large number (33) of measures under the five outputs of care and protection service appear to qualify them for comprehensiveness. CYF has a further 44 measures under its four other outputs. The number of measures is expected to increase over the next few years. As indicated in *Output Plan - 1 July 2005 to 30 June 2005*:

...a wider improved set of performance measures and performance standards will be progressively developed and implemented by the Department over the next few years, to address findings from the Baseline (p.9).

CYF has made an immense effort to incorporate care and protection processes into the measures of output class 4. It has reviewed comparable international performance standards in identifying potential new performance measures. During 2005/06, CYF will continue its programme of developing and testing enhanced performance measures which are more focused on outcomes and measuring service quality (CYF, 2000b, p.9).

However the outputs under care and protection services do not comprehensively represent the effort of CYF primarily as these outputs are not the final result of CYF's interventions.

## **Measurable**

Most care and protection outputs are clearly set out in formal reports. However further explanation and definition was provided to ensure readers understood the terms used. In particular, the definition of intake notification has caused some confusion internally and as a result a booklet *Proposed Sub Output Definition* was published to ensure CYF has a common understanding of certain measures and sub-outputs, for reporting purposes.

All standards of outputs are set clearly and can be judged against the actual performance. The standards of all outputs are disclosed in its Statement of Intent before the beginning of the fiscal year. These standards are then compared against actual performance in its Annual Report that is usually available after September.

The reporting of outputs and their measures is primarily generated from the computer system CYRAS. A number of interviewees reported problems about CYRAS.

CYRAS was a case work management system and little thought was given to the need to account for activities that CYF has undertaken. It is deficient in providing management information. Finding way around CYRAS is difficult. (Interviewee R)

CYRAS promised to deliver lots of things such as volume of work, but these were not delivered. As an example it can't find information like the number children over sixteen years old in care. We need to tweak data in CYRAS for it to report properly...Court review area is very complex and most social workers can't work it to get out what needs to be done ...CYRAS was supposed to be the tool to aid us but it became the tool to dictate. (Interviewee T)

There is a further serious deficiency within CYRAS that may cause significant errors in reporting. CYRAS does not have a monthly close-off facility and therefore information can be entered into the system retrospectively at any time. For example data labelled June 2003 may actually have been entered in May 2005. This lack of close-off has caused high levels of frustration among staff particularly for those who need accurate information for costing, planning and reporting purposes.

CYRAS is more challenging to the PC illiterate social workers...Social workers view data as a notebook - part of the process is to write it up and input it when they get the time. Whereas we see that as an inherent data control process and view data they have as of no value if they are not up to date... You can input data months after the event. If we run a report on the number of FGCs to convene for the month of May at the end of May, it will say 50. Then run it again at the end of June it will say 307. (Interviewee W)

There are enormous data quality issues. CYF is recognising this and the need to have a cut-off but there are a lot of education (hence challenges) to go with it. I suspect some numbers will go up and some gaming at month end will disappear if there is a hard cut off. (Interviewee V)

The Baseline Review found that as a high priority CYF needed to produce improved management information that allows linkage across inputs, outputs and outcomes. A programme of initiatives designed to enable the strengthening of management capability is currently underway (CYF, 2005a). Whether the lack of close-off problem will be rectified as part of this initiative is unclear.

## **Informative**

The outputs and measures under care and protection services have not met the test of informative. The lack of external focus, exclusion of intervention outcome, inadequate comprehensiveness and inaccurate reporting have all contributed to this failure of the informative test.

Moreover there are three additional factors that compounded this situation. Firstly, the joint responsibility across family, government agencies, community providers and CYF is not reflected in these outputs. This joint responsibility is crucial in ensuring those children whom have been notified to CYF achieve safe and well permanency. However the silo nature of outputs does not allow joint responsibility, rather requiring individual responsibility from each government agency.

Interviewee S believes joint responsibility is about resourcing:

Our staff were sitting in meetings with staff from Health and Education and there was an absolute want to do the best and there were agreements and plans. But when it came down to how to resource it, it died. They didn't have delegated authority, or knew that their managers won't give them the budget. Shared outcomes are at such a high level you can say anything really. I want the shared outcome to come down to a level that the Health, Education and CYF professionals can implement decisions on how to make things better for the kids.

Secondly, information on risk and capacity is not reflected in these outputs and measures. Despite the reporting on the increased and the expected increase in notifications there is inadequate information on how this will impact CYF's capability and its management of the increased workload. As interviewee R recalled the past:

The resources we had, to do what was expected was unreasonable. We were unreasonably demanding of our staff so they took measures that managed the costs and provided minimal services to kids, tried to meet the budget that the organisation has set. From a social work perspective that is ethically immoral. From a public servant/ bureaucrat perspective it was trying to keep the government safe. The lack of resources stem from the split into business units in 1992... CYF was trying to do more with less and attempted to do a good job on volume rather than quality. As a result we have the baseline review really.

There is a real risk that the history may repeat itself if the volume keeps on increasing without the corresponding increase of resources and capability. This risk is not helped by the unprecedented workload experienced by CYF complicate the current costing of the baseline. The required increase and change in workforce, infrastructure and systems will take time whereas the demand of CYF service is immediate and difficult to predict. In particular the recent increase in demand for social workers by other agencies and the overall short supply of social workers has aggravated the retention and recruitment problems at CYF. In addition it is expected that rolling out of Differential Response System will further increase the demand for social workers among community providers, while at the same time the tighter standards for registering social workers is expected to further reduce the available pool.

In addition there is another immediate risk associated with increased demand highlighted by interviewee W:

Nobody expected the notifications to increase from 32 to 43 to 53 thousand... We absorbed some of it. The real worry is the flow on effect. Let's say 90 days to do an investigation, another 30 days for a FGC etc. What we build up is that a lot of work may not occur in the year that notification occurs. The real cost may occur in the subsequent year. I think this year we are going to face difficult problem... We are still trying to understand the impact.

Thirdly, the outputs and measures of care and protection services do not reflect the fact that social work is a professional service that deals with people and requires judgement and discretion in attempting the best outcome for the clients. In some situations interventions are not welcomed by the families and these situations can turn hostile towards the social workers.

Social work is about making individual call on individual case at that particular time... Social workers can only make a belief driven call based on the facts available at that time...If the decision is made later after other facts are available then it may be a different decision. (Interviewee S)

The parents may hide after notification and social workers will be looking for them. The interaction with social worker, particularly at the investigation stage has become more and more violent and abusive. (Interviewee R)

Doolan, the ex Chief Social Worker for CYF stated in *A Life Too Short*:

Statutory child care and protection social work is risky business. It is carried out in the most intimate and sensitive parts of family life. It is fraught with anxiety, uncertainty, misleading, or incomplete information and secrecy. It challenges adult behaviour and adult concepts of child ownership, and evinces strong reactions and negative stances towards workers (Doolan, 2004, p.130).

## Summary

CYF is in the process of defining its outputs to ensure they represent comprehensively the related social work processes. There are currently 74 output measures and the number is expected to increase in the near future. Care and protection services output and output measures are grouped according to five distinct processes. Under each process output measures are divided into activity monitor, quantity, quality and timeliness types.

Despite all this effort the evaluation of the output measures against the criteria of well-defined outputs and measures under TPA-9 shows a poor result. The best score attained was a medium in measurability test and low in the tests of external focus, controllable, comprehensive and informative.

## Chapter 9: Discussion

### Fitness into Wilson's Matrix

As outlined in chapter 3, Wilson (1989) classifies public organisations into four types (see Figure 9.1) according to the observability of outputs and outcomes.

		Outcomes	
		Observable	Unobservable
Outputs	Observable	Production	Procedural
	Unobservable	Craft	Coping

**Figure 9.1: Wilson's four-way matrix of public organisations**  
Source: Gregory, 1995a, p. 58

### Collections Unit

Initially Collections Unit gave an impression that its fines activities are of a production type. This was partly due to both its outputs and outcomes appearing to be observable. It can quantify its output measures, and the success of the organisation in achieving these measures appears to confirm that it is ensuring monetary penalty is a credible sanction.

However a closer examination of fines activities shows that they fit more appropriately in the procedural type. Its final goods and services are observable and measurable, even if it moves to a resolution focus. However, an assessment of its effectiveness in achieving outcomes is more problematic.

### **Collections Unit's Outcomes**

To focus the justice sector's contribution to the key government goals, early in 2003 MOJ, the leading ministry in the justice sector, and other core agencies agreed on two outcomes for the sector. They were 'safer communities' and 'a fairer, more creditable and more effective justice system' (see Appendix 3).

Whilst its indicators are yet to be established, the specific intermediate outcome to which Collections Unit contributes, is 'improved public confidence in the Police, the Judiciary and other justice institutions'. Ensuring that monetary penalties are a credible sanction, is an outcome statement Collections Unit has consistently made since its inception, despite a number of changes in other outcome statements.

There are a number of groups whose views need to be considered in assessing whether Collections Unit has been successful in achieving its outcome. Interviewee E asserts that taking enforcement action and engaging publicity campaigns including advertising fines defaulters names in newspapers, are effective ways to demonstrate to the general public that this outcome is achieved. The impact of these enforcement and publicity activities can be verified by a public opinion survey. From a taxpayer's view, an analysis of available statistic such as the growth of unpaid fines (overdue and not-overdue), levels of imposition, cash collection and the resources consumed may also provide meaningful information to the achievement of outcome.

However care must be taken in interpreting performance statistics. While the amount collected increased from \$59.3m in 1995 to \$203.4m in 2005, and the percentage of unpaid overdue fines reduced from 67% to 54%, total unpaid grew from \$156.1m to \$637.7m between 30 June 1995 and 30 June 2005. Despite good performance in other areas, the Office of the Controller and Auditor-General (2005) stressed that the increase in the number and amount of unpaid fines continues to be the key issue for Collections Unit.

Also from the justice perspective, where there is an expectation that re-offending rates should decrease, the result may not be entirely positive. The recidivist rate is high at 60-80% and the ever increasing level of unpaid fines of which 43% were under payment agreements as at 30 June 2005, gives an impression that offenders are either allowed to escape or escaping with a lesser penalty by taking advantage of long term payment arrangements.

### **Collections Unit – a Procedural Type Organisation**

The unobservable outcome criteria classified Collections Unit as a procedural-type organisation because of a lack of consensus on how and what to measure. While it is possible to observe how much money is collected and how many fines are resolved, exactly how these activities contribute to outcome is unobservable.

The management of a procedural type organisation becomes means orientated, and “how the operators go about their jobs is more important than whether doing those jobs produces the desired outcomes” (Wilson, 1989, p. 164). Collections Unit recognises that its fines collection and enforcement work requires compliance with procedures that aim to resolve fines in a just and equitable manner. This is not suggesting that Collections Unit management should ignore the quantum result of its fines compliance actions or incidents of dysfunctional behaviour, but that all information should form an input to enhance the procedures used by staff.

### **CYF**

CYF, as a social service government agency fits into a coping type organisation (Wilson, 1989; Gregory, 1995b), for its care and protection activities. Its final goods and services and outcomes are not observable or measurable. Despite the large number of outputs and output measures quantified in the CYF output plan, they do not represent the final results of its care and protection work.

### **CYF’s Outcomes**

The new narrow outcomes defined by the Baseline Review and the requirement under MfO are expected to help CYF in demonstrating positive outcome indicators. In complying with the requirement of MfO, new outcomes are identified in care and protection along with a number of proposed associated outcome indicators (see Figure 9.2).

OUTCOMES	PROPOSED OUTCOME INDICATORS	TIMEFRAME FOR STANDARDISED REPORTING <sup>14</sup>
To prevent the reoccurrence of child abuse, neglect and insecurity of care	Re-substantiation of abuse, neglect or insecurity of care	1-2 years
That the effects of harm are addressed	FGC plans/FWAs/Court Orders completed and objectives met	1 year*
To restore or improve wellbeing (including achieving permanency and stability)	Improvement in developmental milestones (including for children in care) along educational attainment, behavior and health dimensions	4+ years
	Proportion of children in care placed with their family/whānau	1 year
	Proportion of cases in which the objectives of permanency plans are met	1 year
To prevent the first occurrence of abuse, neglect or insecurity of care	Percentage of cases that are referred to a third party organisation (prior to investigation) that are not re-notified	1-2 years

**Figure 9.2: Care and protection proposed outcome indicators**  
**Source: CYF, 2005a, p.27**

### Narrowness of the new outcome statements

The proposed outcome indicators (see Figure 9.2) that CYF is currently developing reflect the new outcomes defined by the Baseline Review. The review significantly narrowed the outcomes to which CYF was to contribute as it found the previous objectives to be too broad. The focus is now on the safety and security of children and young people, rather than general well-being. As a priority, the outcome should be on preventing the recurrence of harm and child and youth re-offending. The review stated that CYF should not be expected to be a broadly focused family support service or to lead community development.

There are different views within CYF on this narrow-focus:

Baseline Review identified that we were trying to be all things to all people and carry the sole responsibility for the protection of children rather than CYF only being part of it (the solution). This clarification is beneficial to us on our way forward but is still tied to the unpredictability of the work. We have to respond. We don't have a choice. (Interviewee T)

Baseline Review stated CYF should only be responsible for the children that come through the door. This view is very narrow - only on immediate safety and no contextual thinking around that the child lives with family/community...it sees the definition of CYF role as to prevent the re-occurrence and first occurrence. It focuses on an individual child in isolation, rather than the child's family. It negates the necessity of family involvement in the child's well-being outcome. This perspective goes against the intent of the legislation...The focus of the review is also very narrow in terms of preventative perspective... we can manage demand if we look at preventative work in that you engage families/communities to be responsible for their children. (Interviewee R)

While these new outcome statements may help CYF identify measurable indicators, the question remains as to whether this is the right way forward. A number of interviewees saw the benefit of a narrower outcome as it helped them to prioritise CYF activities better. In contrast some interviewees strongly disagreed with the new focus, seeing it as a risk to CYF's effectiveness in their protection and care of children required under the legislation; and reducing CYF's ability to cope with increased demand by taking proactive actions.

### Some views on assessing the outcome of care and protection services

A number of interviewees offered their opinions as to an objective assessment of the outcome of care and protection work.

Need to track all the kids. Have they become productive adults or ended in prison? Then we need to interview prison inmates to ask what CYF could have done. (Interviewee V)

Some outcomes can't be seen for twenty years. They are in the eyes of receivers whether the interventions are of quality. (Interviewee R)

Ultimately you know the success or failure of an outcome is whether the child has reached a permanency. How long does it take and whether the child came back to CYF for problems that should have been known by CYF... In terms of measuring effectiveness in the short term it's almost impossible. (Interviewee W)

Clients' outcomes should be evaluated so we know that we are doing the right things. Maybe we should take feedback from 5% of children who had received CYF interventions five years ago, instead of checking 5% of cases on internal process. (Interviewee Z)

As the interviewees suggested, effectiveness should be assessed on the client outcomes. Such measures include how many children have been protected from harm and how many progressed to achieving wellbeing. Only those children and young people and their families who have received CYF interventions can provide credible feedback on whether CYF was successful in helping them and just as importantly, how the interventions could improve.

Conducting such evaluation work has a number of complications. Firstly, such an exercise will be costly as it would involve obtaining qualitative information from a large number of people. Secondly, the possible time lag may reduce the usefulness of such evaluative information. Social work practice constantly evolves and feedback about interventions ten years ago may be irrelevant. Thirdly, confirming a causal relationship between a CYF intervention and the outcome for the children affected is expected to be difficult.

However recognising the importance of evaluative information, CYF plans to implement the research and evaluation strategy that focuses on the effectiveness of interventions at different parts of the care and protection process (CYF, 2005a). In addition an encouraging proposal to evaluate child welfare was advanced recently by the Children's Commissioner. This proposal requests the government to test every New Zealand child four times during childhood as part of a radical plan to keep tabs on child welfare (Thomas, 2006). If this proposal is accepted, then CYF may have another opportunity to include its evaluation criteria as part of the test.

### **CYF – a Coping Type Organisation**

As a coping type organisation CYF understands very well that the most appropriate strategy is to invest in its staff. This strategy is similar to Wilson's description on how coping organisations can try recruiting the best people and to create an atmosphere that is conducive to good work to deal with the difficult situations facing them. As the departing Chief Executive Paula Tyler stated:

At Child, Youth and Family we understand that investing in our people is one of the best things we can do for New Zealand's children, youth and families. The success of our organisation is directly reliant upon its staff – the people at the heart of our organisation who work so tirelessly everyday on behalf of children, youth and families. We believe that concentrating on building their skills will result in lasting success. (CYF, 2005d, p.1)

## **Fitness of Outputs under the Criteria of Well-Defined Outputs and Measures**

This section compares the fitness of outputs under the principles and criteria set out under TPA 9. A rating of high, medium and low is used to indicate the degree of the criteria met based on the analysis by the researcher in chapters 7 and 8 (see Table 9.1).

	<b>Collections Unit</b>	<b>CYF</b>
External focus	High	Low
Controllable	Low	Low
Comprehensive	Low	Low
Measurable	High	Medium
Informative	Low	Low

**Table 9.1: Assessment of output and output measures specification**

There are a number of similarities and differences between the two case organisations in terms of the degree of their outputs and measures that satisfied criteria for a well-defined output. While both scored poorly in controllable, comprehensive and informative tests, Collections Unit rated high for external focus tests and measurable tests. However the highest score CYF rated is a medium in measurable test.

## **Similarities**

### **Controllable, Comprehensive and Informative**

Their common low scores in controllable, comprehensive and informative tests suggest the uniqueness of the environment in which Collections Unit and CYF operate and the complexity of the tasks they undertake.

Firstly, Collections Unit and CYF have little control over demand of their services. Neither of them has the luxury of refusing work when the level of demand exceeds its capability to cope. Often the demand is generated as a result of other agencies' actions and both organisations identified Police as the main source of increased demand. Collections Unit must manage the consequences of Police road safety outputs such as an increase in the number of speed cameras or lower tolerance of speeding. CYF, on the other hand, faced an increased intake notification as Police escalated the priority it gives to domestic violence.

Secondly, Collections Unit and CYF have limited control of case resolution. Collections Unit is unlikely to resolve a fine if the available information is of low quality, the offender resides overseas or has no financial means to pay. Though CYF is the lead agency, the very nature of care and protection work requires cooperation across different agencies, communities and families. The success of care and protection work depends on how well all parties work together.

Thirdly, neither of them has a flexible funding mechanism to increase or decrease resources in line with demand. Collections Unit has been partially successful in negotiating additional funding in return for higher amounts collected. CYF however, could only secure additional funding through external reviews of its operation, which in turn resulted in massive restructuring of its management, staff, processes and structure.

Fourthly, both organisations perform complex tasks. Care and protection work involves professional and personal judgements based on at times ambiguous evidence and where the outcome of decisions will affect the lives of many people. Fines collection and enforcement work also requires judgements such as when to escalate enforcement action despite the offender's claim of his/her ability to afford a payment arrangement; or what is the best means to resolve a particular fine given the offender's personal circumstances.

Compared to CYF, Collections Unit has greater opportunity to improve its scores in comprehensive and informative tests in the future. Despite efforts to provide more information on different parts of care and protection process, CYF outputs are expected to continue to resemble internal assessments designed for internal management purposes. On the other hand Collections Unit is clear about wanting to change the output measures to reflect a resolution focus. The challenge is to define what is meant by resolution and how to measure it; and how to balance these resolution focused output measures against the current measures.

## **Differences**

### **External Focus**

The contrasting scores of external focus between the two outputs illustrate a significant difference between Collections Unit and CYF. This distinction is on what Alford (1993) refers to as their “productive capabilities”. As a procedural type organisation Collections Unit is operating on “self-production” and relies less on other entities to complete its fines collections and enforcement work. Whereas CYF as a coping type organisation relies on what Alford calls “co-production” to complete its care and protection work:

Accomplishing the objectives of a government program can often call for some of the work to be done by people or organisations other than the producing unit, such as the target group being regulated, or the program's clients, or other public sector agencies, or citizens generally (Alford, 1993, p.140).

### **Measurability**

Although the current scores on measurability are different between the two organisations, CYF is expected to improve its measurability rating. The primary reason for the medium score was due to the lack of cut-off facility in the CYF's computer system which may lead to data quality problem. CYF plans to rectify this problem in the coming year.

## Impact on Using Outputs as Performance Measures

Outputs primarily suit only production type organisations and the claim that New Zealand public sector reforms treating all public agencies as if they are, or could be, production organisations is well documented by Gregory (1994, 1995a, 1995b).

TPA-9 also assumes that all public organisations are of a production type. Despite the acknowledgement that one size does not fit all and the likely difficulties of some public organisations in specifying outputs and output measures, it requires output and output measure specification to meet the tests of external focus, controllable, comprehensive, measurable and informative.

There are a number of limitations in using outputs as performance measures in public organisations. Output requires a direct causal link and may ignore the actual result of certain tasks. This lack of recognition of the need to co-produce services prevents CYF from claiming the true result of its care and protection work. CYF can only be successful in providing an effective care and protection service, if all agencies and individuals cooperate – the children, their families, community service providers, schools, health professionals, other government and non-government agencies. CYF has resorted to identifying internal processes as outputs and as a result has received criticism such as that CYF's "current performance measures focus on throughput and timeliness rather than on other quality measures and the achievement of outcomes" (Hughes *et al.*, 2003, p.11).

The second limitation is related to assumptions as to the degree of controllability public organisations have over their work. Unlike the production type organisations, such as New Zealand Post which can adjust the demand and capability for its service, other public organisations such as Collections Unit and CYF operate on a fixed funding and need to cope with whatever level of demand they face. New Zealand Post may decide to employ more staff and hire more transport to take advantage of the increased Christmas mail and hence anticipated additional revenue. In contrast CYF risks deterioration in its service quality when the level of demand exceeds its capability to resolve cases properly. CYF is expected to receive close to 63,000 notifications in the 2006 fiscal year, an increase of 10,000 from the previous year. Without a corresponding increase in capability the result may be deterioration in quality of care

and protection services. Similarly Collections Unit cannot control the level of fines imposition and can only hope the impending Infringement Review will provide some solutions.

The third limitation relates to the poor informative value. The informative value of outputs is inherently low as outputs should reflect the purchaser's rather than the owner's interest. Important information for readers, whether they be clients, stakeholders, community partners or taxpayers, on such issues as risk profiles is not reflected in the outputs. For example, readers should be informed through a formal mechanism such as SSP that CYF is facing a significant risk of becoming dysfunctional due to an ever increasing workload unless there is a corresponding and timely increase in capacity. Currently this degree of analysis is absent in public reports.

While Collections Unit is not expected to face a similar risk, the inadequate information in its output measures may also lead readers to reach an incorrect conclusion on performance. The focus on cash collection and fines under arrangement in output measures may give readers the impression that Collections Unit's primary function is the same as a debt collection agency. Whilst fines collection is one of a number activities conducted by Collections Unit, its primary function is to ensure fine offenders comply with monetary penalties imposed by courts. If non-compliance occurs, Collection Officers can exercise their statutory power in taking enforcement actions. Unlike a private debt collection agency, Collections Unit does not write off fines simply because the debt becomes too costly or too difficult to recover. Fines remain in the Collections Unit's system until they are resolved – collected, or remitted. Fines can only be remitted by a Judge or by a Registrar under limited circumstances, such as offender having no financial means to pay and the remission is usually only given in exchange for an alternative sentence such as community work or even imprisonment. In the past extreme enforcement actions have been taken to recover reparations for victims who suffered horrific crime. For example a Hamilton family home was seized and sold to recover reparation for victims (McGehan, 2000).

These limitations lead to a question as to how useful outputs are as performance measures. In acknowledging the weaknesses of outputs, Scott, a key reformer of New Zealand reforms, asserts: "...if we are not careful to specify performance correctly, then we do get distortion...A loosely specified performance requirement ...may be superior to a badly designed performance agreement" (Scott, 2001, p.73). The question is if outputs, particularly for the coping type public organisations, are considered loose or bad performance measures.

More importantly, the failure to recognise the co-production nature of certain public sector activities has contributed to the fragmentation of the public service and ineffective delivery of services that MfO is trying to solve. Departments are accountable for the delivery of their own set of outputs and their funding is tied with these outputs. There is little incentive for government departments to put their limited resources into cross-agency initiatives to achieve some distant outcomes for which they are not accountable.

## **Summary**

This chapter has found that the limitations of outputs and the impact of using them as performance measures needs to be carefully considered by promoters of MfO. Despite the claim of increased emphasis on the effectiveness in outputs, MfO does not propose to change the characteristics of outputs nor their importance in the appropriations and performance management process. As long as output continued its dominant role in public management, the achievement of outcomes will remain questionable particularly for coping type public organisations.

## Chapter 10: Conclusion

Outputs serve as key performance measures in the management of the New Zealand public sector. The nature of output supports the basic principles of the New Zealand public sector reforms of clarity of objective, accountability and effective management of performance. In addition the State Service Act 1986 and the PFA 1989 formalised outputs as key performance measures for public sector organisations, and importantly, tied outputs with funding.

However the continued use of outputs as key performance measures in the current MfO environment is expected to be problematic. Expectations that MfO would overcome issues such as fragmentation of the public service and ineffective delivery of service are unlikely to be met as long as outputs continue to dominate the performance measurement system. The nature of outputs does not encourage inter-agency cooperation. As government departments are appropriated primarily according to their individual outputs, when they faced with increased demand and fixed funding, they are unlikely to spend resources in areas that they are not formally accountable for.

Outputs measures should possess the characteristics set out by TPA-9. However this thesis shows that not all the outputs measures examined possessed the required characteristics. Fines compliance output measures met the tests of external focus and measurability satisfactorily but not the tests of controllability, comprehensiveness and informative. Their comprehensiveness and informative ratings may be improved, provided Collections Unit was able to reflect the fines resolution focus in their new output measures. On the other hand the only rating CYF is expected to improve is the measurability of its care and protection output measures and is unlikely to meet the tests for external focus, controllability, comprehensiveness and informative.

A number of limitations of outputs were identified. These assumptions limit their use as effective performance measures for some public organisations. Firstly, outputs assume all public organisations are of production type and fail to recognise the co-production nature of craft and coping organisations. Secondly, outputs assume a high level of controllability in terms of managing demand, service delivery such as case resolution and acquiring capability. This assumption does not apply to most non-commercial public organisations. Thirdly, outputs must accurately represent the final goods and services produced by the organisation. As this thesis has shown, justice and social services organisations perform complex tasks and output measures may

misrepresent critical functions of the organisations. Fourthly, outputs for all public organisations are assumed to be observable and measurable. This is not true for coping and craft organisations.

Outputs and outcomes of public organisations may or may not be observable. According to Wilson's (1989) typology, Collections Unit is a procedural organisation as while its fines compliance output is observable, its outcome is not. Specific end results of fines compliance processes, particularly quantifiable measures such as amount collected and the amount placed under time payment arrangement, are used as output measures, but the linkage of these output measures and the intended outcomes is not easily established. In contrast, as a coping organisation CYF cannot observe its care and protection outputs or outcomes. Instead measures of discrete parts of care and protection processes are used as output measures. The linkage of these output measures to the intended outcomes is weak.

The observability of fines compliance output, places Collections Unit in an advantageous position despite the unobservability of its outcome. Collections Unit can point to the achievement of all output measures and a suite of other statistics to demonstrate that they have been performing well. Despite criticism about the increasing level of unpaid fines, Collections Unit can justify its performance by the reduction in the overdue unpaid portion.

Conversely, CYF has very limited opportunity to prove its performance using care and protection outputs or outcomes information. While CYF is expected to expand its output measures, they are still unlikely to represent its contribution to its outcomes. CYF is expected to continue to endeavour to satisfy reporting requirements, and criticism and scepticism from central agencies on its performance is unlikely to disappear, as demonstrated in the recent (24 Feb 2006) news article:

The Government has released details of a far-reaching review of state spending and performance... Its first targets will be agencies and programmes that have received sharply increased funding, but may not be delivering value for money... Among the top priorities for review are business assistance programmes, Child Youth and Family's foster care policies and the performance of CYF... Funding at CYF has grown 50 per cent since a major review in 2003. The paper notes: "Although CYF has improved capability since the baseline review, it remains unclear to what extent this has led to improved outcomes." (Small, 2006)

This thesis demonstrates that outputs are inadequate performance measures for a procedural and a coping organisation as output information may not be relevant, meaningful or useful. However

the most significant risk is that just as in the past, reliance on the outputs will continue to lead to the fragmentation of public services and ineffective delivery of service.

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## **Appendix 1: Key Government Goals**

### **Key Government Goals**

The New Zealand government's outcomes are of a social, economic, environmental or cultural nature. The six key government goals (Department of the Prime Minister and Cabinet, 2002) are to:

- strengthen national identity and uphold the principles of the Treaty of Waitangi
- grow an inclusive, innovative economy for the benefit of all
- maintain trust in government and provide strong social services
- improve New Zealanders' skills
- reduce inequalities in health, education, employment and housing
- protect and enhance the environment.

## Appendix 2: Summary Output Plan – Care and Protection Services

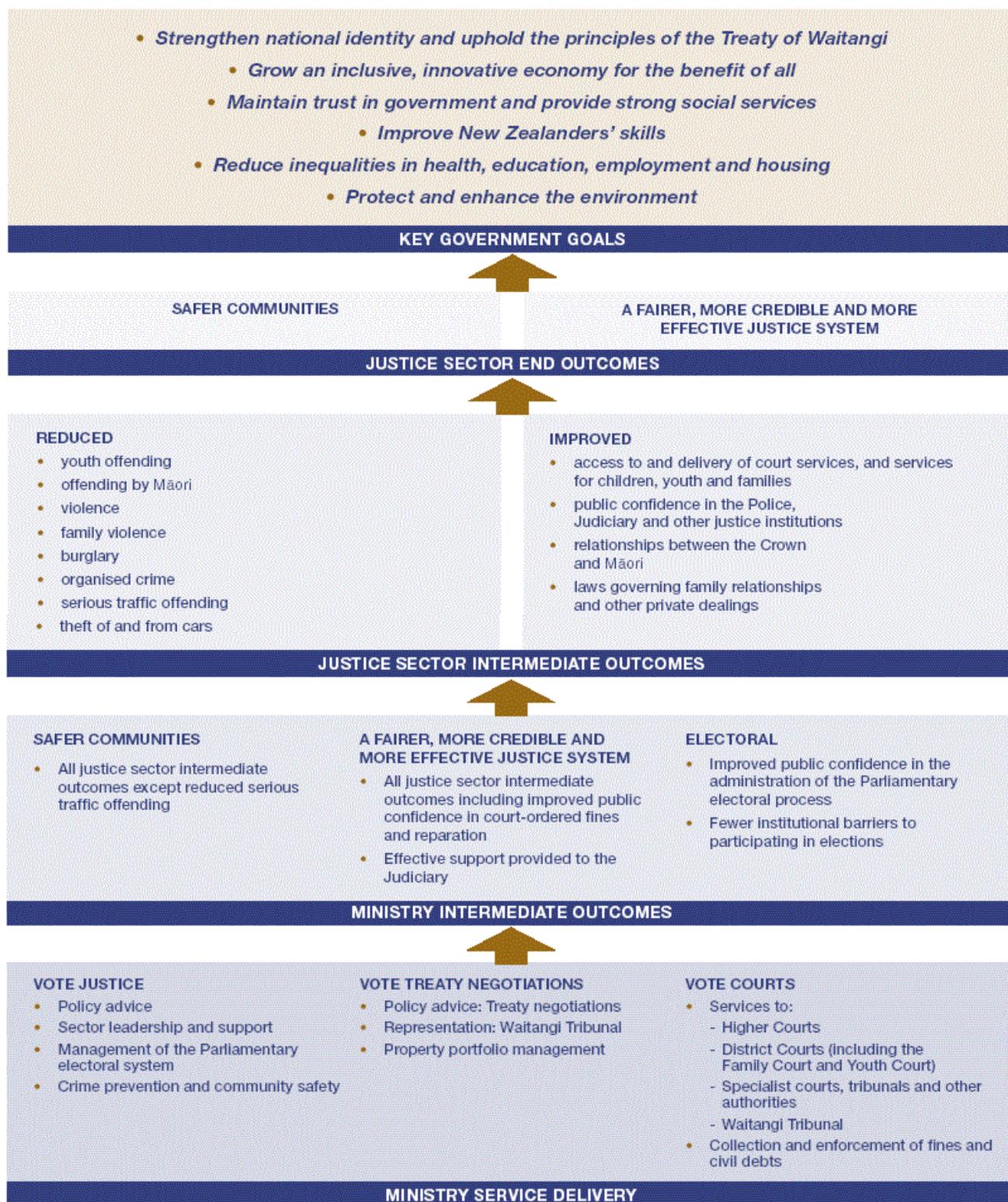
	2005/06 Estimated Demand and Performance Standards	2004/05 Actual
<b>4.1 Intake, Investigation and Assessment</b>		
<b>Activity Monitor</b>		
Number of intake notifications received by Child, Youth and Family	51,500 – 59,700	41,500 – 45,500
Number of intake notifications that require further action (FARs)	42,900 – 49,850	35,000 – 39,000
* Number of distinct clients at intake requiring further action	34,900 – 40,550	New for 05/06
<b>Quantity</b> * Number of investigations completed	36,950 – 42,950	New for 05/06
<b>Quality</b> * The earliest notified cases will be given attention to ensure prompt allocation	All cases will be allocated within six months of notification	All cases will be allocated within six months of notification
* Clients waiting for investigation services will be monitored and reprioritised regularly in order to minimise client risk	80% of monitoring actions due are undertaken	80% of monitoring actions due are undertaken
<b>Timeliness</b> Response to Notifications: Notifications allocated to a social worker for investigation within timeframes: Critical - within 24 hours Very Urgent - within 48 hours Action taken at sites by a social worker to establish the immediate safety of the child or young person, and to confirm the response time and further action required, within timeframes: Urgent – within 7 days Low Urgent – within 28 days	95% – 100% 90% – 95% 50% – 85% 50% – 85%	95% – 100% 90% – 95% 50% – 85% 50% – 85%

	2005/06 Estimated Demand and Performance Standards	2004/05 Actual
* Investigations and assessments will be completed in a timely manner	70% in 90 days if FAR received is less than 48,050  70% in 120 days if FAR is 48,050 or more	70% in 90 days
<b>Cost</b> Excluding GST	\$ 53.056 m	\$47.796 m
<b>4.2 Case Management</b>		
<b>Quantity</b>		
Number of Family/Whanau Agreements	3,100 – 3,600	2,250 – 2,750
Number of Care and Protection FGCs:	(total 5,150 – 6,000)	4,800 – 5,300
Held	3,910 – 4,450	
Reconvened	750 – 880	
Reviewed	490 – 570	
<b>Quality</b>		
* Percentage of FGC's where a plan is created	80 – 90%	–
* Percentage of children and young people whose FGC plans were completed and the objectives were assessed as being met	80%	–
<b>Timeliness</b>		
Percentage of Family/Whanau Agreements reviewed on time	90%	90%
Percentage of Care and Protection FGC plans reviewed on time	90%	90%
<b>Cost</b> Excluding GST	\$90.881 m	\$81.872 m
<b>4.3 Care Services</b>		
<b>Activity Monitor</b>		
* Number of children and young people in the custody of the Chief Executive at any time during the year (as measured at the end of each month)	Report Quarterly	–
* Number of care nights used (a care night is defined as an overnight stay by a CYF client in a placement which is provided by CYF such as in a residence, CYF caregivers, family/whanau/iwi caregivers, iwi social service caregivers or any other care provider)	1,770,700 – 2,057,900	–
Number of distinct clients in receipt of the Youth Services Strategy programmes that involve Specialist Family Home placements or one-to-one placements	45 – 65	45 – 65

	2005/06 Estimated Demand and Performance Standards	2004/05 Actual
<b>Quantity</b> Number of children and young people in Care and Protection care placements at any time during the year (as measured at the end of each month)	4,500 – 5,000	4,400 – 4,900
<b>Quality</b> * Re-entry into care placements: Number of children in care placements experiencing a subsequent care placement after a break of at least 90 days.	Report Trends Quarterly	Report Trends Quarterly
* Percentage of children and young people who are care and protection clients in family, whanau, hapu and iwi care	Report Trends Quarterly	Report Trends Quarterly
<b>Timeliness</b> * Average length of time until care permanency is established	Report Trends Quarterly	Report Trends Quarterly
<b>Cost</b> Excluding GST	\$102.470 m	\$92.312 m
<b>4.4 Resolution Services</b>		
<b>Timeliness</b> Percentage of Family Court plans reviewed on time	90%	90%
<b>Activity Monitor</b> Number of children and young people in receipt of a Care and Protection social work intervention	13,750 – 16,000	12,400 – 13,700
Number of children and young people whose Care and Protection social work intervention from the Department has been completed	6,400 – 7,450	6,000 – 7,000
<b>Cost</b> Excluding GST	\$19.785 m	\$17.824 m
<b>4.5 Court Ordered Assessments and Reports under other Enactments</b>		
<b>Quantity</b> Number of assessments and reports provided to Courts	1,000	1,000
<b>Quality and Timeliness</b> Assessments and reports provided to Courts are delivered on time	90%	90%
<b>Cost</b> Excluding GST	\$7.094 m	\$6.391 m

**Source: Summarized from pp. 24-29 CYF Output Plan: 1 July 2005 – 30 June 2006**

## Appendix 3: Linkages Between Key Government Goals and Justice Sector and Ministry Outcomes



Source: MOJ, 2004a, p. 19

## Appendix 4: Letter of Approval – Collections Unit



26 May 2005

Meaw-Fong Phang  
95 Birdwood Avenue  
Beckenham  
**CHRISTCHURCH**

Dear Meaw-Fong

Thank you for your letter dated 8 April 2005 requesting under the Official Information Act 1992, access to information about performance measures for the Collections Unit, for use in preparation of your Masters Thesis. You also request my approval to conduct interviews with staff in the Collections Unit for this purpose.

You outline the protections that you will follow to ensure the maintenance of confidentiality of management records you may access. You will follow the principles and ethics outlined in the Human Ethics Committee's Principles and guidelines document.

You also state that you will:

- (a) treat the information provided to you as confidential; and
- (b) submit to the Collections Unit anything written for publication for OIA clearance that includes confidential information.

You also agree to submit a draft of the thesis to the Collections Unit for checking so that the Unit can ensure the thesis is factually accurate and the confidentiality has been maintained.

Subject to the conditions outlined above, you have my approval to access management information, and to conduct interviews with relevant staff members, about the development, implementation and measurement of performance measures.

You will need to co-ordinate any proposed research or interviews with people in the Collections Unit, and any arrangements will need to be made in conjunction with their other work priorities.

To that end, please contact Sally Bray, my executive assistant, to assist you to identify the people you need to talk to and to make any other arrangements necessary. Sally can be contacted on (04) 978-7022, fax (04) 978-7063 or email: [sally.bray@justice.govt.nz](mailto:sally.bray@justice.govt.nz).

Good luck with the research and I look forward to seeing the output.

Yours sincerely



Jenni Norton  
**General Manager**  
**Collections**

## Appendix 5: Letter of Approval – CYF

11 July 2005



Meaw-Fong Phang  
95 Birdwood Avenue  
Beckenham  
CHRISTCHURCH

Dear Meaw-Fong

**Care and Protection particularly the measures identified on the 2004/05 Statement of Intent**

Thank you for submitting an application to the Research Access Committee (RAC) for access to CYF personnel and information. Your application was discussed at the RAC meeting on 29 June 2005.

The Committee approved your access to departmental staff for research purposes in principle on condition that they give explicit permission. Child Youth and Family are currently in the midst of a major re-structuring which is involving a lot of personnel changes. In particular, the Department has recently lost much of its institutional knowledge about performance measurement and its historic involvement in the Managing for Outcomes (MFO) initiative. As a result the existing staff are very busy and may not be able to provide as much insight as you need and I recommend that you reconsider your intention to focus on Child Youth and Family.

You may like to contact the Treasury or State Services Commission who are leading the MFO initiative, both about the concepts underlying the approach and which departments are best placed to act as good case studies.

I apologise on the Department's behalf for the delay in responding to your application, and not being able to be more helpful. I reiterate that you are welcome to meet staff if you wish to proceed.

Yours sincerely

Chris Ross  
Chairperson  
Research Access Committee  
Child, Youth and Family

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