Te Kawa Mataaho
Public Service Commission

# Mā te tokotoru Anga Whakatutuki

# Statutory Crown Entities

## It Takes Three: Operating Expectations Framework

September 2023

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The Framework may be updated and reissued from time to time. To confirm your document is current, go to http://www.ssc.govt.nz/it-takes-three-operating-expectations-framework.

The It Takes Three: Operating Expectations Framework for Statutory Crown Entities was originally developed by the Ministry for Culture and Heritage for the needs of the cultural sector Crown entities. It has been updated by the Public Service Commission. Please send any feedback to CERC@publicservice.govt.nz

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This document is available on the Public Service Commission's internet site. The URL for this site is www.ssc.govt.nz/crown-entities.

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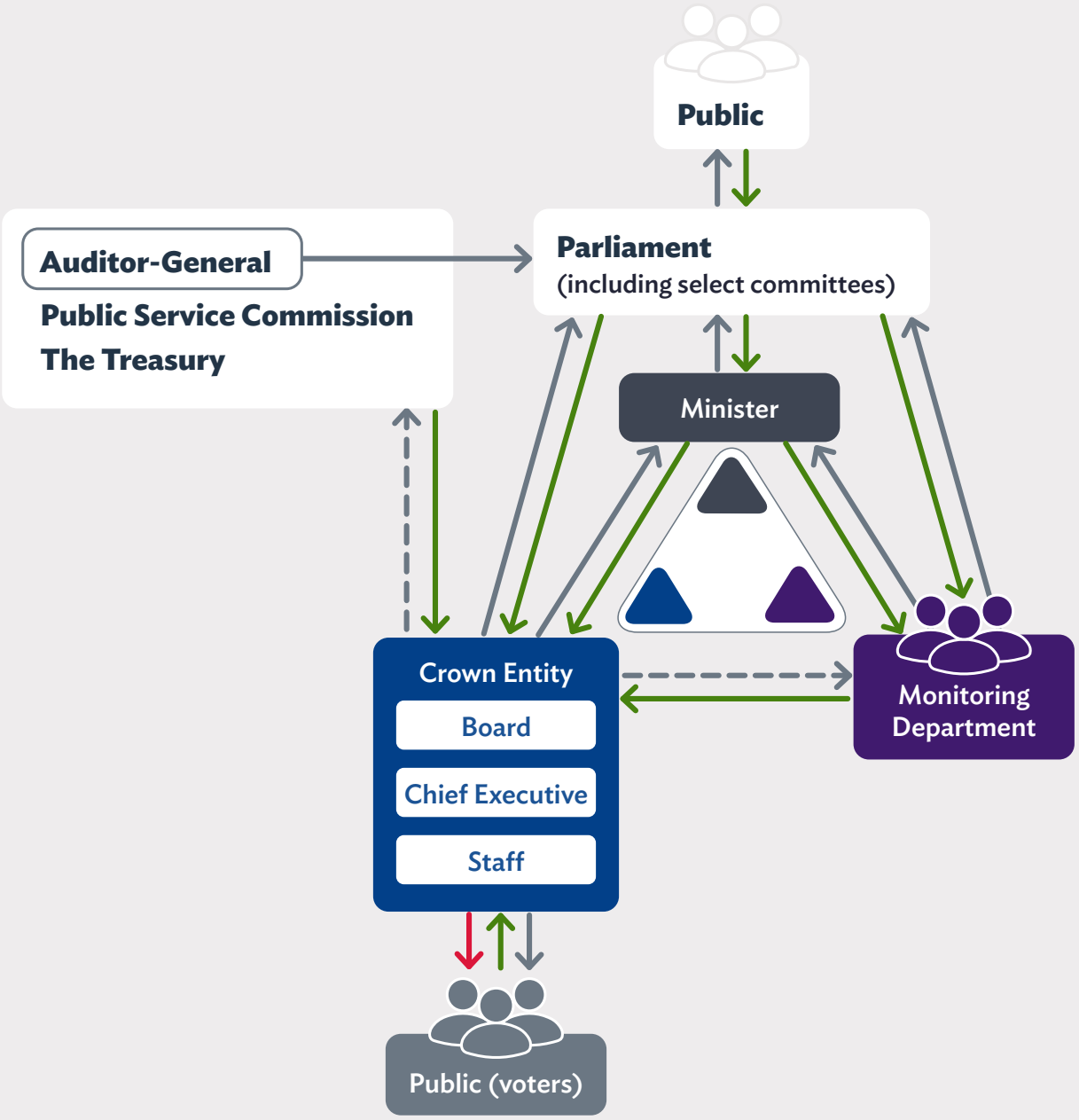
*Relationships between the main actors with responsibilities and interests relating to individual Crown entities*




**Key**

- Scrutiny of performance
- Accountability
- Answerable to
- Service provision

**Accountable** = owed to the person who assesses performance and has the authority to decide on rewards and sanctions

**Answerable** = owed to the persons/agencies in so far as they excercise a statutory or delegated authority to make a legitimate and lawful request for information

## What is the "It takes three: operating expectations framework"?

The Crown entity system relies on Ministers, entities and monitoring departments working well together. Effective engagement requires clarity about respective roles and responsibilities and a shared understanding of "how" legislative obligations are put into practice. In short, it takes all three parts of the government working together to effectively deliver the services that kiwis deserve.

This principle-based framework sets out in one place the roles, responsibilities and operating expectations for all three parties (Ministers, entities and monitoring departments). These expectations are aligned horizontally so that at each stage of the process, each party can see what is expected of the others. The Public Service Commission and the Treasury jointly administer the Crown Entities Act and provide a range of guidance to support responsible Ministers, Crown entity boards and monitors in carrying out their roles and responsibilities.

## Who will use the framework?

The framework tool aims to support three user groups:

- **Ministers and their offices.** Portfolio Private secretaries in Ministers' offices play an important role in supporting their Ministers and have access to a range of guidance. The It takes three framework can be used by Ministers' offices in consultation with monitoring departments to assist in the choice of levers Ministers can use to get desired performance and to establish the limits of Ministerial authority over the entity.
- **Crown entity boards and executive management.** For an entity to succeed, it needs to understand the nature of the tri-partite relationship between the responsible Minister, entity board and monitor. The framework can assist Boards with their accountabilities to Parliament and the Minister and executive management in its day-to-day management of engagement with the Minister and monitor
- **Monitoring departments**. Acting as the Minister's agent, the monitor has a critical role in supporting relationships between all the parties. The framework can be used to ensure monitors' advice to Ministers and entities balance good practice with what is required under legislation.

Te Kawa Mataaho Public Service Commission (the Commission) Guide for Ministers and Good Practice Guidelines for Crown Entity Monitoring expands on their roles and responsibilities. Additional guidance for entities is also available e.g. the Resource for Preparation of Governance Manuals.

## How does this operating expectations framework work?

Statutory Crown entities work to a range of expectations that influence the tripartite relationship, including:

- The *Enduring Letter of Expectations* from the Ministers of Finance and for the Public Service
- *Ministerial expectations*, which inform entities' strategic direction over at least the next four years (set out in their Statements of Intent) and priorities for the coming year (set out in their Statements of Performance Expectations), and
- *Operating expectations,* (a range of guidance from the Commisson and Treasury) which guide engagement between the statutory entity, its responsible Minister and the monitoring department. These are intended to help the parties achieve trusting and productive relationships
- *Government Policy Statements.*

Four guiding principles underpin this operating expectations framework:

Each guiding principle contains a set of working principles, for which specific expectations of each party are laid out. The operating expectations framework allows you to:

- check your own roles and responsibilities and the associated expectations
- cross-check them against the roles and responsibilities of the other parties, and
- access supporting resources (including legislation, guidance, expert advice and examples of good practice).

For each operating expectation, narrative and links to further information and resources are included. These links enable access to up-to-date user guides designed to meet the needs of:

- Ministers, and their staff
- Crown entity boards and staff
- monitoring departments.

| Principle | Charactertistics |
|---|---|
| **Principle One**<br>Clear roles and responsibilities | All parties fulfil their critical roles and responsibilities so that they:<br>• have a shared understanding of their roles and responsibilities between the parties, in line with relevant legislation<br>• meet all statutory accountabilities, and<br>• adhere to the "no surprises" convention. |
| **Principle Two**<br>Strategic alignment | Policies are strategically aligned so that:<br>• relevant agencies are driven by the same principles and contribute toward the same outcomes, and<br>• there is cross-government engagement with Crown entities and other parts of the relevant sector. |
| **Principle Three**<br>Efficient and effective monitoring | To enhance entity performance, a customised approach, proportional to the profile of each organisation, is taken to:<br>• performance monitoring<br>• data collection<br>• assessing and managing risk, and<br>• resource management. |
| **Principle Four**<br>Trusted engagement | • The parties commit to good practice to ensure their relationships are trusting and productive. |

## Why have an operating expectations framework?

This principles-based framework is to help Ministers, statutory entities and monitoring departments improve the way they work together to achieve better results for New Zealanders.

The work of Crown entities is immensely important for achieving results for New Zealanders. Crown entities supply many of the services provided to New Zealanders, and so delivering services better requires the government and Crown entities to work well together. To get the best results from government investment in Crown entities, a productive three-way relationship is needed between the responsible Minister, the statutory Crown entity and the monitoring department. All parties in the engagement process need to understand the system as a whole and where they fit within it. The operating expectations framework sets out in one place how the respective roles and responsibilities underpinning those relationships are aligned. It is a tool for Ministers, statutory Crown entity board members and staff, and monitoring departments to:

- understand the system and the organisation's place in it, and
- contribute to building productive relationships in the sector between responsible Ministers, the monitoring departments and Crown entities.

Statutory Crown entities are part of the wider public sector. The Crown Entities Act 2004:

- requires entities to collaborate where practicable
- allows for Statements of Intent to cover intentions for at least a three-year period, and
- enables directions to support an all of government approach to be applied in a more targeted way.

The Crown Entities Act 2004 provides clarity about the role of monitoring departments and streamlined reporting. The law alone, however, will not drive changes in behaviour necessary for productive relationships and better organisational performance. Improving the way the three parties work together will achieve the legislation's intent.

## How do the expectations relate to Crown entities' accountabilities?

Crown entities are part of the wider public sector. The Public Service Act provides that Crown agent boards ensure that the entities they govern uphold the Public Service purpose, principles and values, and spirit of service. The expectation is that the same ethos will pervade the whole public sector including autonomous and independent Crown entities.

The Crown Entities Act specifies the accountability regime applying to Crown entities. Entities are accountable to government through their Minister. Their performance is monitored, as is that of all other public sector entities. The operating expectations framework is designed to assist all three parties in a tripartite relationship, to understand their roles and responsibilities and deliver on their legal accountabilities.

Four critical elements are required for accountability to be effective:

| | |
|---|---|
| **Clarity of accountability** | Knowing what you are accountable for, and to whom you are accountable. These accountabilities must be documented and publicly available |
| **Sufficiency of control** | Having sufficient control over the things which you are held responsible for. |
| **Clarity of consequences** | Being aware of the likely consequences that will result from carrying out responsibilities at above or below defined levels (and consequences should be proportionate). |
| **Sufficiency of information** | Enough information must be available to judge whether responsibilities have been performed. |

Adapted from www.instituteforgovernment.org.uk/publications/accountability-top.

# Principle 1 – Clear roles and responsibilities:

All parties fulfil their critical roles and responsibilities so that they: have a shared understanding of their statutory roles and responsibilities; meet all statutory accountabilities; and adhere to the 'no surprises' convention.

*Crown entity system tripartite relationship*

**Responsible Minister**

- Sets direction, provides funding and clarifies priorities
- Appoints and maintains a strong board
- Oversees performance through the monitor

**Crown entity board**

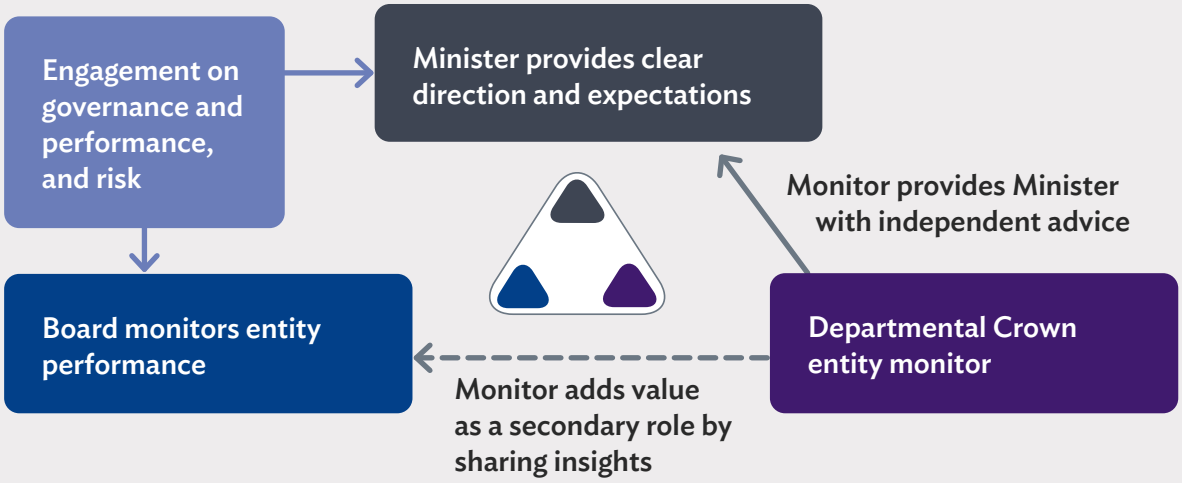
- Drives entity performance
- Primary monitor of performance
- Chair leads inclusive decision-making
- Accountable to Minister for performance
- Appoints and manages the chief executive

**Monitor**

- Acts as Minister's agent
- Supports Minister to appoint board including chair, and confirm fees
- Appropriation administrator
- Advises on entity performance

Performance includes ensuring the entity delivers services and its functions with due care, integrity and in the spirit of public service

*Roles of each party in the relationship*



| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Understand the Crown Entities Act 2004, Public Service Act 2020 and the 'arm's-length' regime** | | |
| • understands their responsibilities in relation to the Crown entity model and provisions of the Crown Entities Act<br>• understands the constraints on intervention in the entity's statutorily independent functions<br>• engages with the chair and board on Ministerial and wider Government expectations and priorities, and understands constraints on Ministerial intervention in the entity's operational decisions | • understands that despite being legally separate from the Crown, it is part of the the public sector and owned by the Crown<br>• understands its own responsibilities in relation to the Crown entity model and provisions of the Crown Entities Act and, where applicable, provisions of the Public Service Act<br>• board understands its role as governor of the entity and primary monitor of entity performance<br>• understands the Department's role in representing a wider set of sector and system interests (e.g. in the context of the priorities of the Government of the day), and in commenting on any matter in support of the Minister's role<br>• assesses and manages risks | • understands its own responsibilities in relation to the Crown entity model and provisions of the Crown Entities Act and, where applicable, provisions of the Public Service Act<br>• recognises the primacy of the board's role as monitor of entity performance<br>• works with the entity to communicate the wider set of interests it represents (e.g. in the context of the priorities of the Government of the day)<br>• understands the constraints on Ministerial and Department intervention in the entity's statutorily independent functions<br>• supports Ministerial engagement with the chair and board on priorities and understands its own role in commenting on any matter in support of the Minister's role<br>• customises its expectations framework in respect to the entity and develops resources to promote good practice in the relevant portfolio environment |
| **Produce meaningful public accountability documents** | | |
| • engages with the board to ensure statements of intent remain fit-for-purpose<br>• understands their statutory responsibility for tabling accountability documents in the House | • ensures the statement of intent drives performance<br>• delivers meaningful accountability documents in accordance with the legislative timetable and in line with the Minister's expectations | • engages with the entity on whether the statement of intent remains fit-for-purpose either in part or as a whole<br>• provides timely feedback to the entity on accountability documents and advises the Minister during the process |

[1] Department is used throughout for "monitoring department".

| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Focus on contributing to Government's goals for public services** | | |
| • stresses the importance of meeting the Government's goals for the Public Service and the wider public sector | • factors Government's goals for the Public Service and the wider public sector into its strategic and operational plans | • explains to the entity the Government's goals for the Public Service and the wider public sector<br>• works with the entity to review its responsiveness to those goals |
| **Understand the roles of other important parties** | | |
| • actively works to connect their portfolio work to that of Ministerial colleagues | understands:<br>• the power of the Minister for the Public Service to request information<br>• the role of the Minister of Finance and Minister for the Public Service in applying section 107 directions[2]<br>• the central agencies' role in coordinating the Public Service and providing it with clear focus and strong leadership<br>• the role of the Office of the Auditor-General as the performance and financial auditor<br>• how the Official Information Act applies to information held by the entity<br>• the role and powers of select committees | understands:<br>• the power of the Minister for the Public Service to request information<br>• the role of the Minister of Finance and Minister for the Public Service in applying section 107 directions<br>• the central agencies'[3] role coordinating the public sector and providing it with clear focus and strong leadership<br>• the role of the Office of the Auditor-General as the performance and financial auditor<br>• how the Official Information Act applies to information held by the Department about the entity<br>• the role and powers of select committees<br>• discusses with the entity Cabinet Office manual provisions and central agency expectations |

[2] Section 107 of the Crown Entities Act empowers the Minister for the Public Service and Minister of Finance to jointly direct Crown entities to support an all-of-government approach by complying with specified requirements. The Public Service Commission maintains a list of 'Directions to support a whole-of-government approach'.

[3] The three central agencies – Te Kawa Mataaho Public Service Commission, the Treasury, and the Department of the Prime Minister and Cabinet – work together as a "corporate centre" to lead a public sector that New Zealanders trust, and that delivers on Government priorities, including outstanding results and value for money.

| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Understands the need to uphold integrity and ethics standards, and all-of-government guidance** | | |
| • actively promotes the importance of integrity and conduct in the entity's delivery of services | • ensures the entity it governs acts with the highest levels of integrity and professional and personal standards<br>• upholds the Code of Conduct for Crown Entity Board members<br>• understands and applies the Commissioner's model standards for effective reporting and management of conflicts of interest<br>• upholds the Government Workforce Policy Statement | • ensures the entity receives timely updates on changes to all-of government policies and guidance applicable to Crown entities |
| **Respond to select committees** | | |
| • has a role in providing evidence to the select committee on the planned spending of appropriations<br>• ensures the entity and Department receive select committee questions on time | • appears before the select committee to be examined the previous year's performance and current operations<br>• consults the Department on responding to and appearing before select committees, where appropriate | • assists the entity to meet select committee questionnaire deadlines and prepare for select committee appearances, where appropriate |

| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Appoint and maintain effective boards** | | |
| • regularly addresses with the chair issues of board performance and the balance of the board's skills, experience, and (where relevant) representativeness and diversity<br>• considers the chair's views when making new appointments or reappointments to the board including the need for succession planning<br>• ensures that appointments are merit-based and considered in the context of the need for gender balance and diversity<br>• clearly instructs the Department on the support they seek in appointment rounds including the possibility of meeting with preferred or short-listed candidates<br>• seeks the Department's input on potential candidates for appointment and reappointment to the board and chair<br>• brings their knowledge of what the Government is trying to achieve to bear on selection of board candidates<br>• makes timely appointments to the board and chair | • chair raises with the Minister and Department issues of board performance and the balance of the board's skills, knowledge, experience, and (where relevant) representativeness<br>• chair engages with Department on board skills and diversity needs to assist a member recruitment programme<br>• chair provides input to the Minister's decisions on new appointments or reappointments, including advice on succession planning | • assists the Minister to develop the appointment plan for a given appointment including opportunities for succession planning<br>• assists the Minister to search for candidates for board membership and/or the chair<br>• ensures recruitment programmes take account of the need for gender balance and diversity. Sector engagement and<br>• ensures there is a range of candidates, in order to address issues of board performance and any gaps in the board's skills, knowledge experience, and (where relevant) representativeness<br>• ensures the chair's views are included in considering new appointments or re-appointments<br>• provides appropriate Cabinet papers on appointments and effectively manages other support, including letters of appointment and gazetting |
| **Induct the chair** | | |
| • briefs the incoming chair on Ministerial expectations | • ensures the chair's induction covers critical relationships and roles (including that with the monitor) meetings with relevant people | • ensures the chair is advised on the Minister's priority areas of interest, and assists the entity to induct the chair, as appropriate |

| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Induct board members** | | |
| • makes it known that they expects new members to attend a department-led Crown governance induction as early as possible in their term of appointment | • chair ensures all board members attend a Crown governance induction as early as possible in their term of appointment<br>• chair ensures new board members are well inducted into the work of the entity<br>• chair engages with the Public Service Commission and Public Service Commissioner to clarify the Commission's role with Crown entities | • offers to induct (or facilitates the induction of) new board members into the Crown governance environment<br>• considers information gaps and overlaps in the induction process and identifies which matters would be best covered by the Department, the entity itself, the Public Service Commission, the Treasury, or the Office of the Auditor-General |
| **Build and maintain board performance** | | |
| • sets expectations for the board and challenges the board's performance | • regularly assesses its understanding of governance in the public sector generally and the Crown entity environment specifically<br>• chair establishes clear performance expectations of the board and its members, and facilitates and active programme of professional development opportunities for those members<br>• assesses its capability needs on a regular basis and/or at times of material change to its operating environment | • provides the entity with ongoing, tailored support on governance in the Crown entity environment<br>• provides (or facilitates provision of) other support as requested by the chair or board members |
| **Assess board performance** | | |
| • makes it known that they expect the chair and board to run effective self-review and assessment processes<br>• makes their own assessment of the board's performance | • has a governance assessment programme, including a good-practice self-review and assessment of board performance led by the chair<br>• chair seeks independent advice on managing a self-review and assessment – including commissioning periodic independent board reviews<br>• advises the Minister of findings of self-review and assessment and the board's views on capability needs and proposed actions | • provides assistance, if requested, to support the board's self-review and assessment processes<br>• uses high level information from board self-review and assessment to develop its advice to the Minister on board performance, where appropriate<br>• ensures information from board self-review and assessment is treated confidentially at all times |

| The responsible Minister | The Crown entity | Monitoring department[1] |
|---|---|---|
| **Balance the board-management relationship** | | |
| • ensures systems are in place to update the board chair on outcomes from Minister's meetings with the chief executive | • ensures the board-management relationship is balanced and roles are clearly understood<br>• ensures management staff are well informed on the values, behaviour and culture that will enable the entity to deliver quality results consistently over time<br>• Crown agent chair ensures the entity upholds the purpose, principles, values and spirit of service set out in the Public Service Act<br>• autonomous and independent Crown entity chairs ensure the entities they govern uphold the ethos of the purpose, principles, values and spirit of service set out in the Public Service Act ethos<br>• aligns staff performance management systems to its strategy and purpose | • provides a link between the entity chief executive and the Minister when relevant issues arise |

# Principle 2 – Strategic alignment:

Policies are strategically aligned so that: relevant agencies are driven by the same principles and contribute toward the same outcomes; and there is cross-government engagement with Crown entities and other parts of the relevant sector

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Focus on contributing to the Government's wider policy priorities** | | |
| • ensures the entity and Department are well informed about the Government's wider policy priorities and their expected contribution to those priorities | • understands its expected contribution to wider Government priorities and factors it into planning<br>• supports current policy settings with external parties<br>• uses an evidence-based approach to identify and advise on the entity's contribution to achieving the Government's wider priorities | • uses an evidence-based approach to identify and advise on the entity's contribution to achieving the Government's wider priorities<br>• provides context and advice on how entity operations can or could contribute to Government's sectoral or system objectives<br>• informs the entity (in a timely manner) of all-of-government policy priorities |
| **Connect with work in other portfolios** | | |
| • actively engages with other Ministers on sector issues affected by work in other portfolios<br>• actively looks for opportunities to engage with other Ministers on issues affected by their own portfolio | • understands Government policies that affect its sector<br>• works with the Department to provide the Minister with timely advice on relevant cross-portfolio issues | • understands Government policies that affect the entity's sector<br>• works with the entity to provide the Minister with timely advice on relevant cross-portfolio issues<br>• looks across departmental boundaries to build partnerships with government agencies whose work affects the Minister's portfolio interests |
| **Coordinate work within the portfolio** | | |
| • ensures the entity's activities are well coordinated and coherent with others in the portfolio | • actively engages with other portfolio entities as required to ensure coordinated and coherent action | • leads action to ensure that entities within the portfolio are well coordinated and take coherent action |

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Engage on strategic aims and priorities** | | |
| • engages with the entity in a meaningful and timely manner on strategic aims and priorities and the overall use of the entity's resources to achieve these over the next four years<br>• confirms that the draft Statement of Intent (SOI) reflects their own expectations<br>• ensures ongoing review of the entity's multi-year strategic plans | • engages with the Minister in a meaningful and timely manner on the entity's strategic aims and priorities<br>• proposes interventions based on a plausible and transparent intervention logic or theory of change<br>• during the development of the SOI, engages with the Department on its structure and content<br>• advises the Minister on the overall use of its resources to achieve its strategic aims and priorities over the next four years, in its draft SOI<br>• advises the Minister on any identified capacity and capability risks to policy and/or service delivery<br>• ensures the draft SOI reflects the Minister's expectations<br>• puts systems in place to ensure ongoing review of its multi-year SOI and annual SPE<br>• understands that the Minister can ask for a new SOI at anytime | • ensures policy intentions are clear and based on evidence about the issue<br>• advises on whether proposed interventions are based on a plausible and transparent intervention logic and theory of change<br>• advises the Minister on the fit between the entity's strategic aims and priorities and overall use of resources, and the Minister's objectives<br>• advises the Minister in the event that the entity has concerns about its capacity or capability<br>• provides the entity with feedback on whether the draft SOI reflects the Minister's expectations and responds to feedback from the Office of the Auditor-General<br>• puts systems in place to ensure ongoing review of the entity's multi-year SOI and annual SPE |
| **Include the entity in relevant policy work** | | |
| • ensures the entity is involved in policy decisions affecting its areas of work | • contributes to policy discussions as an expert partner<br>• takes a 'big sectoral picture' approach to its policy work<br>• respects confidences when invited to provide input to policy development<br>• discusses any disagreement about current policy settings with the Minister in private, to preserve confidence in the entity as part of a politically neutral Public Service and wider public sector | • exercises good practice in policy design, development, analysis, implementation and evaluation<br>• advises the entity of its own priorities<br>• seeks expert input from the entity on policy design and implementation<br>• ensures the entity's research capacity is appropriately harnessed to inform portfolio policy development |

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Involve the sector in designing and implementing policies** | | |
| • recognises the importance of engaging the sector in designing and implementing policy goals and delivery programmes<br>• seeks feedback from the sector on the entity's performance | • actively engages with sector organisations and communities in designing and implementing policy goals and delivery programmes and achieves agreed approaches<br>• looks across entity/sectoral boundaries to build partnerships necessary to success | • has systems in place to manage productive engagement with sector stakeholders<br>• informs the entity of its sector engagement intentions |
| **Build wider relationships to support policy interests** | | |
| • builds critical relationships with the private sector to obtain better results for the entity and the sector | • works effectively with other government agencies, NGOs and the private sector to advance wider policy interests | • assists the Minister and/or the entity in engaging with other parties to advance wider policy interests |

# Principle 3 – Efficient and effective monitoring:

A customised approach, proportional to the profile of each organisation, is taken to performance monitoring, data collection, assessing and managing risk, and resource management in order to enhance entity performance. Te Kawa Mataaho Public Service Commission has published a good practice guide for Crown entity monitors that sets out the foundations for good monitoring practice with principles and guidelines for departments that monitor statutory Crown entities here.

*The wider departmental monitoring system*

**System monitoring** (part of the monitoring department's stewardship role)

Monitoring and evaluation of specific policies, regulations and other interventions

Environmental scanning e.g. academic research, international best practice, policy trends

**Crown entity monitoring** (CEA s.27)

**Vote monitoring and reporting** (PFA s.27)

**Investment monitoring** [CO (19) 6]

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Authorise the monitoring department** | | |
| • ensures a formal delegation is in place under s.27(4) or s.88(5) of the Crown Entities Act so it is clear that the monitoring department has the authority to request information | • recognises that the Government expects effective monitoring of 'arm's-length' agencies including of activities not directly funded by government<br>• understands the role of the Department under:<br>• s.27A of the Crown Entities Act<br>• s.35(b) of the Public Finance Act 1989 | • drafts the letter of delegation that confirms its status as monitoring department and any further Ministerial expectations<br>• ensures the entity understands the role of the Department under:<br>• s.27A of the Crown Entities Act<br>• s.35(b) of the Public Finance Act 1989 |

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Ensure effective and customised performance monitoring** | | |
| • provides timely advice to the entity and Department on the entity's output priorities for the next financial year<br>• clarifies the Department's monitoring priorities<br>• clarifies their reporting expectations to the entity and Department<br>• provides timely feedback to the entity and Department on performance reports<br>• ensures the entity and Department understand the consequences of under- or non-performance | • actively involves the Department in developing the framework for reporting on its annual and longer term performance | ensures its monitoring practice:<br>• seeks information that supports progress towards policy results<br>• confirms that performance reporting data is aligned with the entity's internal management data<br>• sets a reporting timetable with proportional compliance costs that ensures performance is clearly demonstrated<br>• supports the Minister's relationship with the entity<br>• ensures the Minister's information needs are met<br>• builds the Minister's trust in its own performance as the monitoring department |
| **Identify information critical to good performance assessment** | | |
| • approves the critical data set that informs the achievement of policy and operational goals | • before the beginning of each financial year, agrees with the Department on the critical data set[4] to ensure the entity is clear about data collection priorities and costs | • seeks only performance information that it needs and that informs reports to the Minister and the central agencies<br>• before the beginning of the financial year, agrees with the entity on the critical data set to ensure the entity is clear about data collection priorities and costs |
| **Manage cross-government information requests** | | |
| • remains aware of cross-government information[5]<br>• ensures requests for information directed to the entity and Department about entity issues allow sufficient time for a quality response, subject to urgent requests such as oral parliamentary questions | • provides timely and considered responses to cross-government information requests from the Minister and Department | • provides timely and considered responses to cross-government information requests from the Minister |

[4] This includes qualitative and quantitative data and the extent to which they interact.
[5] Cross-government information includes, but is not restricted to, information on responsiveness to iwi/Māori, Pacific peoples, ethnic communities and people with disabilities.

| The responsible Minister | The Crown entity | Monitoring department |
|---|---|---|
| **Manage additional information requests** | | |
| • ensures (when practicable) that requests for additional information directed to the entity and Department about entity issues are reasonable and allow sufficient time for a quality response | • recognises that additional requests for information may be made and complies with them in a timely manner | • ensures its requests for additional information from the entity are reasonable[6]<br>• ensures processes linked to requests for additional information are managed well and in a timely manner |
| **Assess performance-related information** | | |
| • considers reports provided on the achievement of short- and longer-term objectives<br>• regularly seeks independent advice on the entity's progress against strategic goals and performance expectations | • ensures the board reives high quality information on progress against goals in the annual Statement of Performance Expectations (SPE) and outcomes in the SOI and Government goals for public services<br>• assesses the cost effectiveness and cost benefit of its own activities<br>• provides the Minister and Department with appropriate performance reports to an agreed timetable<br>• clearly informs the Minister about ongoing progress against strategic goals and performance expectations and reflects it in the annual report | • works with the entity to ensure performance reports provide sufficient detail on progress against goals in the SPE, outcomes in the SOI, and Government goals for public services<br>• develops metrics to identify strengths and weaknesses in the entity's performance<br>• provides the Minister with timely and practical advice on the entity's progress against strategic goals and performance expectations<br>• gives feedback to the entity on how performance reporting data is used |
| **Ensure information is sound** | | |
| | • regularly reviews data quality to ensure that data is reliable and fit for purpose | • provides the entity with timely signals when it has concerns about performance information<br>• works with the entity annually to review targeted aspects of data integrity |

[6] The Department should set out its regular requirements for information from the entity. For example, the Ministry may seek information on collaboration with other agencies (typically twice yearly), activity to support te reo Māori (annually) and activity to support Pacific peoples (annually), and an annual review of business continuity plans (BCPs). Other ad hoc reports or feedback may be sought for, for example, the four-year budget plan, Briefings for Incoming Ministers, select committee questions for the Estimates examination, and draft versions of the Department's SOI.

| The responsible Minister | The Crown entity | Monitoring department |
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| **Inform the public about performance** | | |
| | • provides the public with information about its own performance and what was achieved, by providing up-to-date performance data on its website<br>• reports the chief executive's expenses prominently on its website at least annually | • ensures agreed performance data and the chief executive's expenses are made publicly available on the entity's website within an agreed timeframe |
| **Assess and manage risks** | | |
| • has a good understanding of the fiscal and reputational risks the entity faces<br>• informs the Minister of Finance and the chair of potential and material risks to the Crown's interests<br>• when potential risks to the entity's operations are identified, informs the entity as soon as is appropriate | • develops a risk assessment and management system appropriate to its business and constituency<br>• shares its register of material risks with the Department<br>• focuses on continually assessing and managing the most significant risks in order to achieve maximum benefit[7]<br>• identifies, quantifies, analyses, mitigates and reports project and operational risks<br>• identifies potential risks to the entity's and Crown's interests and informs the Minister of them | • advises the Minister of the contingent risks facing the entity and its sector, where applicable<br>• seeks information to identify risks to the entity, to facilitate risk monitoring and response<br>• scans for and acts on emerging risks that may require a response |

[7] Often referred to as the 80/20 rule or Pareto Principle: the organisation assesses and manages the largest 20 percent of all risks in order to achieve 80 percent of the total achievable benefit.

| The responsible Minister | The Crown entity | Monitoring department |
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| **Apply performance levers** | | |
| understands and makes use of levers[7] available to obtain desired performance, including but not restricted to:<br>• meetings with the board chair and/or chief executive<br>• letters of expectation to the board chair<br>• requests for information at any time<br>• directing the board chair to a particular action unless precluded by another Act<br>• lead a process to amend legislation tightening and/or reprioritising the monitoring regime<br>• commission a review of an entity's performance<br>• obtaining a court order<br>• appointing new board members<br>• not reappointing board members<br>• initiating the removal of board members | • chair understands the range of levers available to the Minister to obtain the performance the Minister wants<br>• practises risk assessment, including assessing the Minister's likely response to particular actions or results | • when appropriate, briefs the Minister on available levers to obtain desired performance<br>• under the 'no surprises' convention, ensures the entity is aware of its actions or aspect(s) of performance that may trigger the Minister's use of particular levers |
| **Manage operating resources responsibly** | | |
| • approves priorities for the year and clarifies their expectations with regard to improving the entity's efficiency and effectiveness | ensures it has data to show that its choices are based on assessment of:<br>• the evidence base and needs analysis<br>• cost effectiveness relationship of costs to benefits<br>• opportunity costs | • tracks the entity's finances over time and understands its cost drivers<br>• collects data that enables it to assess the entity's operational choices with regard to:<br>  • cost effectiveness<br>  • relationship of costs to benefits<br>  • opportunity costs |
| **Maintain accountability for sector funding** | | |
| • where relevant, ensures sector funders[8] understand the importance of effective accountability for such funding | • where relevant, acts as a sector funder and implements effective good-practice accountability arrangements for its sector funding | • seeks regular updates on the effectiveness of sector funding accountability arrangements, where relevant |

[7] See: https://www.publicservice.govt.nz/assets/SSC-Site-Assets/System-and-Agency-Performance/Statutory-crown-entities-performance-levers-for-ministers-A3.pdf.
[8] For example, the cultural sector funders are: Sport NZ, Creative New Zealand, Broadcasting Commission (NZOnAir) and the New Zealand Film Commission.

| The responsible Minister | The Crown entity | Monitoring department |
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| **Manage capital and reserves** | | |
| • where applicable, clarifies their expectations regarding the use of capital | • where applicable, manages its public equity as planned and informs the Minister as early as possible if equity levels are compromised | • where applicable, tracks the entity's use of capital and reserves over time |
| **Focus on controlling costs and ensure maximum resources hit the 'front line'** | | |
| • makes their expectations clear to the entity | • provides the Department with up-to-date data on operational costs[9]<br>• uses this data to ensure that resources are maintained for delivery of services | • tracks the entity's revenue and expenditure patterns over time<br>• assesses the entity's service performance against expenditure over time |

[9] Some Departments have developed tools for this purpose.

# Principle 4 – Trusted engagement:

The parties commit to good practice to ensure their relationships are trusting and productive

| The responsible Minister | The Crown entity | Monitoring department |
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| **Build and maintain relationships** | | |
| • invests time in building a productive working relationship with the entity's chair and senior management<br>• ensures the Department is aware of Ministerial communication with the entity<br>• ensures the entity is given advance notice of sector stakeholder meetings, and invites its advice | • offers to induct a new Minister into the work of the entity, including meeting the board<br>• recognises the Department's different roles as 'friendly critic' and 'supporter'<br>• communicates the focus of the Department's monitoring priorities to relevant entity managers<br>• fosters trusted working relationships with critical senior Department staff to facilitate the full, free and frank exchange of information on day-to-day and strategic activity<br>• actively invests time and effort to strengthen relationships with the Department<br>• briefs the Department in advance on major new initiatives or changes in priorities and seeks feedback | • ensures a new Minister receives an early, accurate and balanced briefing on the entity<br>• ensures Department staff understand and respect the 'arm's-length' principle, and when the Department should be acting as 'friendly critic' or 'supporter'<br>• builds its relationship-management capacity to ensure skilled, knowledgeable and credible staff manage and nurture relationships with the entity<br>• is open in its dealings with the entity<br>• with the entity, develops and adheres to joint communications protocols |
| **Ensure there are no surprises** | | |
| • understands and applies the 'no surprises' convention in advising the entity about information that could affect its operations | • understands and applies the 'no surprises' convention in dealing with the Minister and Department | • understands and applies the 'no surprises' convention in dealing with the entity and Minister |

| The responsible Minister | The Crown entity | Monitoring department |
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| **Ensure effective meetings** | | |
| • establishes and keeps to a realistic and achievable timetable of meetings with the entity and Department officials<br>• ensures the entity and Department are well informed about the Minister's views on agenda topics<br>• where practicable, ensures Department officials attend meetings with the entity and, if necessary, informs the chair of this protocol | • prepares well for meetings with the Minister, ensuring agendas are concise and focus on a few important (usually strategic) issues<br>• before meetings, provides the Minister with concise briefing papers on critical agenda items<br>• informs the Department of agenda items and the entity's position | • when required, provides the Minister's office with timely advice on agenda items<br>• confirms with the entity matters of fact or matters on which the Department may have a differing opinion (in accordance with the 'no surprises' convention)<br>• has a scheduled programme of meetings with the chair, chief executive, designated liaison staff and topic-specific staff, where appropriate |
| **Invest in relationship-management skills** | | |
| | • ensures staff in critical relationship-management positions have the appropriate skills to ensure productive relationships with the Department<br>• provides staff with professional development opportunities focused on relationship management generally and within the public sector specifically<br>• provides relevant career paths that demonstrate that it values staff with highly developed relationship-management skills | • ensures staff in critical relationship-management positions have the appropriate skills to ensure productive relationships with the entity<br>• provides staff with professional development opportunities focused on relationship management generally and within the public sector specifically<br>• provides relevant career paths that demonstrate that it values staff with highly developed relationship-management skills |
| **Induct entity and Department staff** | | |
| | • inducts new monitoring advisors in the Department into the entity's work and management practices | • offers induction to entity staff and managers on the Department's work and management practice |

| The responsible Minister | The Crown entity | Monitoring department |
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| **Manage escalation where different views exist** | | |
| • ensures critical issues are escalated to appropriate colleagues including sector Ministers, the Minister of Finance, the Minister for the Public Service, the Prime Minister and Cabinet | • agrees with the Department on 'first points of contact' and an escalation process in order to respond to differences of opinion in a timely and effective manner<br>• when critical issues arise, makes personal contact with relevant Department staff in a timely manner<br>• actively works to resolve differences of opinion with the Department<br>• follows the agreed escalation process if a dispute persists | • agrees with the entity, and internally, on 'first points of contact' and an escalation process to ensure the Minister's office is kept apprised of any difference of opinion<br>• when critical issues arise, makes personal contact with relevant entity staff in a timely manner<br>• actively works to resolve differences of opinion with the entity<br>• follows the agreed escalation process if a dispute persists |