STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

State Services Commission Annual Report 2005

For the year ended 30 June 2005

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Annual Report of the State Services Commission 2005

Including the Annual Report of the State Services Commissioner

For the year ended 30 June 2005

Presented to the House of Representatives pursuant to the Public Finance Act 1989

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Minister of State Services

I present to you the report of the State Services Commission for the year ended 30 June 2005. It comprises three parts.

Part One is the Annual Report of the State Services Commissioner on the operations of the Commissioner and other matters affecting the State Services, provided under the State Sector Act 1988.

Part Two is the Annual Report of the Chief Executive on the operations of the State Services Commission and its audited financial statements, provided under the Public Finance Act 1989.

Part Three provides the disclosure of remuneration of Public Service and State sector senior personnel.

Mark Prebble
State Services Commissioner

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STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Part One: Annual Report of the State Services Commissioner

Provided under the State Sector Act 1988

For the year ended 30 June 2005

Part One: Annual Report of the State Services Commissioner

The State Services Commissioner is central to New Zealand's politically neutral, professional and permanent Public Service.

The Commissioner has two separate roles:

- As the holder of a statutory office the Commissioner acts independently in a range of matters to do with the operation of the Public Service and the State sector.
- As Chief Executive of the State Services Commission (SSC), the department that supports the Commissioner in the performance of this role, the Commissioner is responsible to the Minister of State Services for the SSC's capability and performance.

Part One of this Annual Report relates to the first role. Under the State Sector Act 1988 the Commissioner is required to provide the Minister of State Services with an annual report on the operations of the Commissioner and other matters affecting the State Services.

The State Services Commissioner's Annual Report on the State Services

Over the period covered by this Annual Report, the major initiative by the SSC was the formation and launch of the Development Goals for the State Services. The following section explains the thinking behind the goals and outlines their possible future implications for the SSC and other agencies. Secondly, this report looks at the 2005 election, conduct of the State Services, and new challenges to political neutrality.

The wider mandate

One of my first tasks as the new State Services Commissioner was to consider how the SSC could best fulfil the wider State Services leadership role required by legislative changes arising from the enactment of the Public Finance (State Sector Management) Bill. The legislation was a major prompt for change for the SSC, to enhance the effectiveness with which we carry out our current work and to deliver on our expanded role in the State Services.

The legislation followed the recommendation in the 2001 Review of the Centre that the three central agencies (SSC, the Treasury, and the Department of the Prime Minister and Cabinet) exercise more leadership, particularly on all-of-government matters. Working together, and separately, the central agencies have an opportunity to look over New Zealand's State Services as a whole, consider the environment within which government agencies operate, and analyse the sector as a system of services delivered to New Zealanders. In essence, this is an opportunity to consider how the operation of the whole can be greater than the sum of its parts.

Internationally, government sectors at the forefront of State Services development are increasingly focused on people's experience of government services. This can be referred to as the adoption of an "outside-in" perspective, in contrast with the internally focused perspective characteristic of many large government organisations. This approach offers new insights and opportunities for improving the quality of agencies in the State Services.

A well-performing State Services can make a huge difference – to our success as a country and to the people who make up our communities. It is not surprising therefore that successive governments have pushed for a better-performing and more flexible State sector.

A platform for change

Over the last couple of decades this has resulted in a series of reforms of the State Services. The positive aspects of these reforms are known – including increased transparency, accountability, efficiency and better service in many areas. More recent reforms have placed greater emphasis on results and the way in which government agencies work together, with a particular emphasis on cross-agency collaboration and interaction.

The recent passage of new State sector legislation is the most recent major change in direction for the State Services. This legislation put in place a framework that encourages coherence and leadership in the State Services. This direction is focused on improving the overall performance of the State Services to ensure the system can meet the needs of New Zealanders, while serving the government of the day. For example, amendments made to the State Sector Act extend my mandate, as the State Services Commissioner, wider than the core Public Service and into the State Services. This is designed to help strengthen integration, build capability and provide stronger leadership on values and standards in the sector.

The foundations for a change were in place already. To respond to this change the SSC management team decided, after a strategic review process, that the SSC needed to concentrate more on the quality of New Zealanders' experience of State Services. To do this, the SSC needed to evolve from its current focus on the Public Service to a "true" SSC exercising leadership in the State Services.

The focus for this future work will be determined by a new set of Development Goals for the State Services, which were agreed by the Government and launched to the State Services in March 2005. These ambitious goals reinforce the need for the SSC to have an external focus that takes into consideration New Zealanders' experience of State Services.

The ideas behind these goals are not new, but by making them clear and visible, and by setting timelines for progress, a clear agenda has been set for the State Services.

The overall goal for the State Services is:

A system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders

For New Zealanders to lead healthy and satisfying lives, they need quality services delivered by highly professional government agencies. For government agencies to be world class, they need the best possible systems and the best possible staff, operating with high levels of integrity.

This overarching goal is supported by a set of six Development Goals with specific targets for the years 2007 and 2010. The goals set out the next steps on from the Review of the Centre, and give us an opportunity to focus on performance and quality.

These goals do not outline what the State Services will achieve, such as delivery of health services, as that is a matter for government policy. Rather, the goals are aspirations for how the State Services will be arranged and perform. Some of the goals impact more on some parts of the State Services, e.g. Public Service departments, than other areas, e.g. Crown entities.

The essential shift in these goals is that the agencies in the State Services are now explicitly expected to work together, and have tangible targets to achieve together.

Goal 1: Employer of choice

Government agencies include many of the largest employers in the country. Taken as a whole, the government is by far the largest employer. Though the government ought not to be an over generous employer (since it is funded through taxes) the government must be a good employer – both in perception and reality. Promotion of the State Services as an "employer of choice" will make it easier for any State servant to see how they could work in a variety of agencies and help all government agencies to attract new staff.

Goal 2: Excellent State servants

The amendments to the State Sector Act allow the State Services Commissioner to take an interest in the development of potential leaders across the State Services. The first steps of this are in place with the establishment of the Leadership Development Centre to provide senior leadership and management development, and the continued work of the Public Sector Training Organisation to coordinate a range of learning opportunities. There is now an opportunity to renew and reinvigorate training and development across all parts of the government.

Goal 3: Networked State Services

A succession of governments have been concerned that the public sector has become fragmented – making it hard to deal with government as a whole. E-government enables a more networked style of government, where agencies act more coherently, making government as a whole easier to deal with. The e-government goals focus on the way in which the State Services interact with New Zealanders. They promote developing shared State Services data resources; building an infrastructure of shared software and hardware; and finding innovative ways of conducting business between agencies, and with New Zealanders.

Goal 4: Coordinated State agencies

The work programme associated with this goal reflects a continuation of recent developments in State sector management. Managing for Outcomes has seen the development of a stronger link between the use of resources and the achievement of results, and the Public Finance Act amendments introduced greater flexibility in Vote structures and clarified accountability requirements for Crown entities. The aim of this goal is to ensure that the accountability for results is broadened beyond individual agency contributions, so that agencies can plan together and work better together.

Goal 5: Accessible State Services

The location and delivery of government services have generally been treated on a case-by-case basis, with individual agencies making separate decisions on the delivery of services. This Development Goal is not intended to change the fundamental responsibility and accountability in present arrangements. It is, however, intended that agencies will work together far more closely to ensure that services are delivered to meet New Zealanders' needs in an integrated way.

Goal 6: Trusted State Services

The promotion of the highest standards of behaviour in a politically neutral Public Service is a defining function for the State Services Commissioner. With the extension of the State Services Commissioner's mandate the Government has signalled a focus on trust in the wider State Services. This recognises that constitutional status is of little meaning for most New Zealanders; their concern is simply that government agencies should be trustworthy.

If this task is to be achieved, it will require extensive partnership with agencies throughout the State Services. A consultation process is currently under way with agencies in the wider State Services in order to find out the best approach to setting minimum standards of behaviour. This may include issuing a code, or codes, of conduct for the State Services.

Why trust is important

The six individual Development Goals work together to support each other and collectively contribute towards strengthening the degree of trust New Zealanders have in the State Services.

Improving trust is therefore the ultimate desirable outcome as well as being the sixth goal. So should we care about whether or not government agencies are considered trustworthy? And doesn't "trust" have many meanings anyway?

I agree that "trust" has many different meanings. In this context, the two that I consider most important are trust in terms of "reliability" or consistency, and trust in terms of "integrity" or honesty.

In terms of reliability, if you're a government agency providing a benefit of a certain sort at a certain time then people need to depend on it being paid.

But it's also trust in the sense of integrity – you know that you can trust the State servant you are working with to deal with you evenly, fairly and honestly.

The strength of any government system lies in the extent to which it earns and holds the respect of its citizens. That respect comes from the confidence that people have in the integrity of government and the services it provides. Everyone employed in the State Services has a part to play in earning public respect for government and maintaining confidence in the institutions of government.

The State Services has extensive influence over people's lives. It is responsible for a large part of the work of government. Mismanagement or abuse can have serious and far-reaching effects. As State servants, we work for the Government. New Zealanders are entitled to have high expectations of staff in government agencies. They expect that we are honest, fair and loyal. These are absolute standards. We must meet those expectations. There is no middle course.

New Zealanders expect departments to comply with both the letter and the spirit of the law. They expect official decisions to be made fairly and impartially. They expect that public money will be spent wisely and public assets will be used and cared for responsibly. They expect that State servants will always behave ethically, and be conscientious and competent in their work. Generations of State servants have strived to meet these expectations.

Where expectations are not met, public criticism quickly follows. Where people lose trust in government, they don't seek the help they are entitled to; they don't provide information necessary for delivering effective services; they resist paying tax and become increasingly resentful of State Services activities.

Any abuse of trust, abuse of resources, abuse of information, or personal opportunism corrodes the entitlement of all New Zealanders. Standards of integrity and conduct underpin the way we go about our business. The way individual State servants go about their responsibilities, and the way in which the State Services as a whole goes about its functions, reflect on us all. It is not only what we do, but how people perceive what we are doing. We must always be seen to be acting with integrity.

There has been a lot of national and international research done into trust in government. The consensus of this research is that public trust in government is declining despite consistent improvements in individual government agency performance.

That is why I believe strengthening New Zealanders' trust in the State Services is integral to the Development Goals agenda.

Implementing the agenda

The Development Goals are designed to provide a unity of purpose within the State Services, over and above the diversity of individual departments and agencies. Ideally, they will be used as a resource for agency planning and will reinforce the sense of common purpose among State Services employees.

The SSC has the responsibility for driving the Development Goals programme. However, the programme is far broader than could be completed by the SSC working alone.

In many cases, the work programmes associated with the Development Goals link directly to work already going on in agencies. The essential shift in these goals is that agencies are now explicitly expected to work together, and to have tangible targets to achieve together.

The Development Goals are not intended to give a complete picture of the work that the SSC will be involved in for the next five years. Much of our day-to-day work will be business as usual. There will be the ongoing requirement to appoint and monitor chief executives, conduct investigations, and provide guidance and advice etc.

The point of the Development Goals agenda is to demonstrate where change, development and improvement are required. It is also a framework for use to encourage participation and support from various public sector agencies.

SSC staff will help develop the work programmes designed to achieve the Development Goals. The programmes themselves, being management initiatives within and between government agencies, will principally be administered and delivered by the agencies themselves. In addition, the performance management process for Public Service chief executives will take full account of contributions and success in respect of the State Services Development Goals.

The SSC has been organised into six branches, structured around different functional areas and aligned to different Development Goals.

A high-level advisory committee, primarily comprising chief executives, will provide momentum and support for the development programme. The advisory committee will meet quarterly, and be chaired by the State Services Commissioner. Regular reports on progress will be made to Ministers. A means of monitoring progress towards the goals is being developed to ensure results are achieved.

It is expected that the overall goal will not change, but there could be changes made to the six Development Goals as targets are achieved or redefined.

The Development Goals are a long-term plan. They are not intended to immediately change the day-to-day accountabilities of agencies. However, agencies are being asked to factor the goals into their future planning and thinking about their operations. In many cases the work that agencies are already doing will be linked into the ongoing work programme.

There are nearly 200,000 people in the State Services. They are the people meeting the needs of New Zealanders while serving the government of the day. They are the people who should be united in their day-to-day work by the desire to provide world-class professional State Services.

Modern technologies bring new challenges

The rapid rise of modern information and communication technologies and associated applications brings new challenges for the State Services and political neutrality.

The State Services needs to be technology-literate and have the capability to make the most of a helpful resource. This needs to be balanced with the need to use resources wisely and maintain the public's trust. Any State agency's policies and procedures must support these dual objectives.

For example, in April 2005 the Commissioner of Police, Rob Robinson, announced that internal checks had identified inappropriate use of Internet and email systems by a number of Police staff. I support and applaud the actions taken by the Commissioner of Police both to undertake an audit of Police systems and to respond strongly and appropriately to the results of that audit.

Inappropriate use of the Internet and email has been the subject of guidance from the SSC in previous years and is likely to be an "integrity and trust" issue for years to come. To minimise risk and to protect the reputation of the State Services, it is good practice to regularly audit Internet and email systems.

A more recent online development is the rising number of weblogs (or "blogs"). Blogs range in scope from individual diaries to being part of political campaigns or a company's business.[1] They range in scale from the writings of one occasional author to the collaboration of numbers of writers. Many weblogs allow visitors to leave public comments.

I am concerned about the potential risks blogs can pose. The existing principles of the Public Service Code of Conduct still apply in this very modern medium and State servants should still be very careful that they do not bring the Public Service into disrepute through their private activities.

In some online forums, there have been various allegations, or personal slurs, made against senior public servants. As for other media, just because an allegation has been made it should not be assumed that it has a solid foundation. It would be regrettable if this new medium gave unjustified currency to baseless accusations. On occasion the entries in some weblogs have amounted to political personal attacks on public servants. It has long been accepted that such attacks ought not to occur in Parliament, or in other forums, because public servants adopt a self-restraining convention of avoiding public response and cannot defend themselves. The web is no different.

The public, and State servants, can be assured that, as State Services Commissioner, I will have a role in investigating any potential online breaches of the Public Service Code of Conduct that are brought to my attention.

The 2005 general election

Lastly, as I write this Annual Report, the country has just concluded the 2005 general election. In last year's report I took the opportunity to outline some thoughts and guidance for State servants on the principles of political neutrality. This was partly due to the extended functions in the new State sector legislation, by which the State Services Commissioner can provide advice and guidance to employees within the State Services (except Crown Research Institutes) on integrity and conduct matters.

In previous elections, political neutrality guidance had only been made available to the Public Service. In this year's election, guidance and fact sheets were developed that received wider distribution and resulted in a high level of sensitivity to political neutrality obligations. A consequence was that there were very few reported incidents of improper conduct.

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1 From Wikipedia (www.wikipedia.org).

Often, the way State servants conduct themselves during an election has to come down to judgement. Being part of the politically neutral State Services can be a complicated matter. The following range of political neutrality issues that did occur during the 2005 campaign illustrates some of this complexity.

Contractor endorsement at workshop

In early August, a Ministry of Education contractor allegedly encouraged teachers participating in a Wellington early childhood workshop to vote for a particular political party because of its policies. The contractor running the workshop was not a State servant. However, the Ministry of Education had funded the workshop and departmental funds should never be used to advocate one particular political party over another.

Once aware of the issue, the Ministry of Education took immediate action to contact the person concerned to stress the importance to the Ministry of political neutrality and took steps to ensure such a situation could not arise again. I supported the Ministry's comments and action. The State Services must serve the government of the day without bias towards one political party or another.

Children's Commissioner's public comments

In August, the Children's Commissioner made some public comments about the inadvisability of smacking children in response to an Auckland Christian school's distribution of a pamphlet on the issue to its parents. I received a complaint on the issue alleging that the Children's Commissioner had directly intervened in a "party political issue".

In looking at the issues, I determined that it was neither surprising nor a breach of convention for the Children's Commissioner to have a view on this topic. It is the Children's Commissioner's job, as set out in legislation, to advocate on behalf of children and to form her views independently. I did not agree that she had become involved in a party political issue as her comments were made in direct response to a specific and relevant event.

Public Service Association (PSA) leaflet distribution

Another incident brought to the attention of the SSC was an allegation that an employee at a reception desk at Whakatane Hospital was handing PSA brochures to members of the public. The brochure itself was not party political in that it did not promote the policy of a named party, but it is inappropriate for a State servant on the job to distribute election-related material of this nature to the public.

The offending material was immediately removed from the public area once the District Health Board management received a complaint. The employee was reminded of the requirement to keep their job out of politics and politics out of their job.

New Zealand Qualifications Authority (NZQA) and Ministry of Education information mailout

In early September the Ministry of Education and the NZQA jointly sent a brochure to parents of children participating in the secondary school exam system. The respective chief executive and acting chief executive signed the accompanying letter. Hon Bill English MP subsequently made a complaint about the political neutrality of this information.

In the run-up to an election, agencies need to consider whether communication campaigns could be seen as "party political", even if they might be unexceptionable at other times. This does not mean that government communication campaigns which are needed to inform people of their rights and obligations should stop.

In looking at this issue, I had to determine what the information was being sent for, why it was being sent at that time, and whether the content was appropriate. In this case, several reports on the implementation of the qualification system had recommended that more information be provided for parents. The Ministry and the NZQA believed the

information needed to be sent during the election campaign as the close-off for National Certificate in Educational Achievement (NCEA) enrolments was in late September 2005.

After studying the material sent, and the reasons for mailing it out at that time, I concluded that the letter and brochure were appropriate. It would have been helpful if the reason for the timing of the mailing had been made clear in the accompanying letter. This was an oversight of the communication which meant that the motivation for the mailout could be misinterpreted. With hindsight, the two agencies agree with this conclusion and will aim to avoid such confusion in the future.

Eviction notices

The last issue I wish to raise is the unintended and complex consequences for State servants of actions taken during political campaigns. In this election period, the Labour Party sent fake "eviction notices" to several thousand individual State house tenants as part of a housing policy promotion. This action had two consequences for the State Services. Firstly, it raised trust issues as tenants were suspicious that a government agency had given their private information to a political party, and, secondly, Housing New Zealand staff had to manage calls from worried and scared tenants.

Housing New Zealand confirms that it did not release its tenants' mailing list. Labour Party president Mike Williams stated the party "constructed its own list" from publicly available information (New Zealand Herald, 10 September 2005). However, the outcome of this communication meant that Housing New Zealand call centre staff were placed in the potentially difficult predicament of managing calls from concerned tenants. Call centre staff were given guidance that they must remain neutral and not get into the position where they are discussing the pros and cons of various party policies on housing with tenants.

Political involvement

As a general rule, as private citizens, State servants are free to belong to any lawful organisation including a political party. This is qualified by the need for State servants to be, and be seen to be, politically neutral. For example, senior State servants, and State servants who have a close working relationship with Ministers, should avoid any affiliation with a particular political party.

As shown in this election campaign most State servants have taken the political neutrality advice seriously, so much so that I am concerned that some people in less sensitive jobs are almost being too cautious in their approach. For most State servants, in most jobs, membership of a political party is acceptable, as is purchasing a raffle ticket or assisting with a leaflet drop, or other forms of low-key support for a party. As always it is a matter of judgement. When taking a role within a political party a State servant must be careful to avoid bringing their politics into the job, or their job into politics.

Mark Prebble
State Services Commissioner

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Part Two: Annual Report of the State Services Commission

Provided under the Public Finance Act 1989

For the year ended 30 June 2005

Part Two: Annual Report of the State Services Commission

Introduction

The State Services Commission (SSC) is a department of the Public Service whose main function is to support the State Services Commissioner in the discharge of his statutory responsibilities.

Part Two of the Annual Report for 2005 is the report of the SSC for the year ended 30 June 2005, provided under the Public Finance Act 1989.

This part of the report comprises three sections:

- Section 1 provides an overview of the year by the Chief Executive, including his report on the achievement of outcomes set out in the Statement of Intent 2004 and on the capability of the SSC, and a report on the SSC's Equal Employment Opportunities Programme.
- Section 2 includes the statement of service performance and financial statements for the year as required by the Public Finance Act 1989.
- Section 3 provides other information, and includes legal responsibilities, a glossary of terms and a directory.

Section 1: Chief Executive's Overview

Introduction

This overview sets out the highlights for the year and updates on progress towards achieving the outcomes in the *Statement of Intent 2004*. The detail of what we have delivered, in terms of the SSC's work programme, is set out in the Statement of Service Performance, Statement of Objectives and the Statement of Financial Performance.

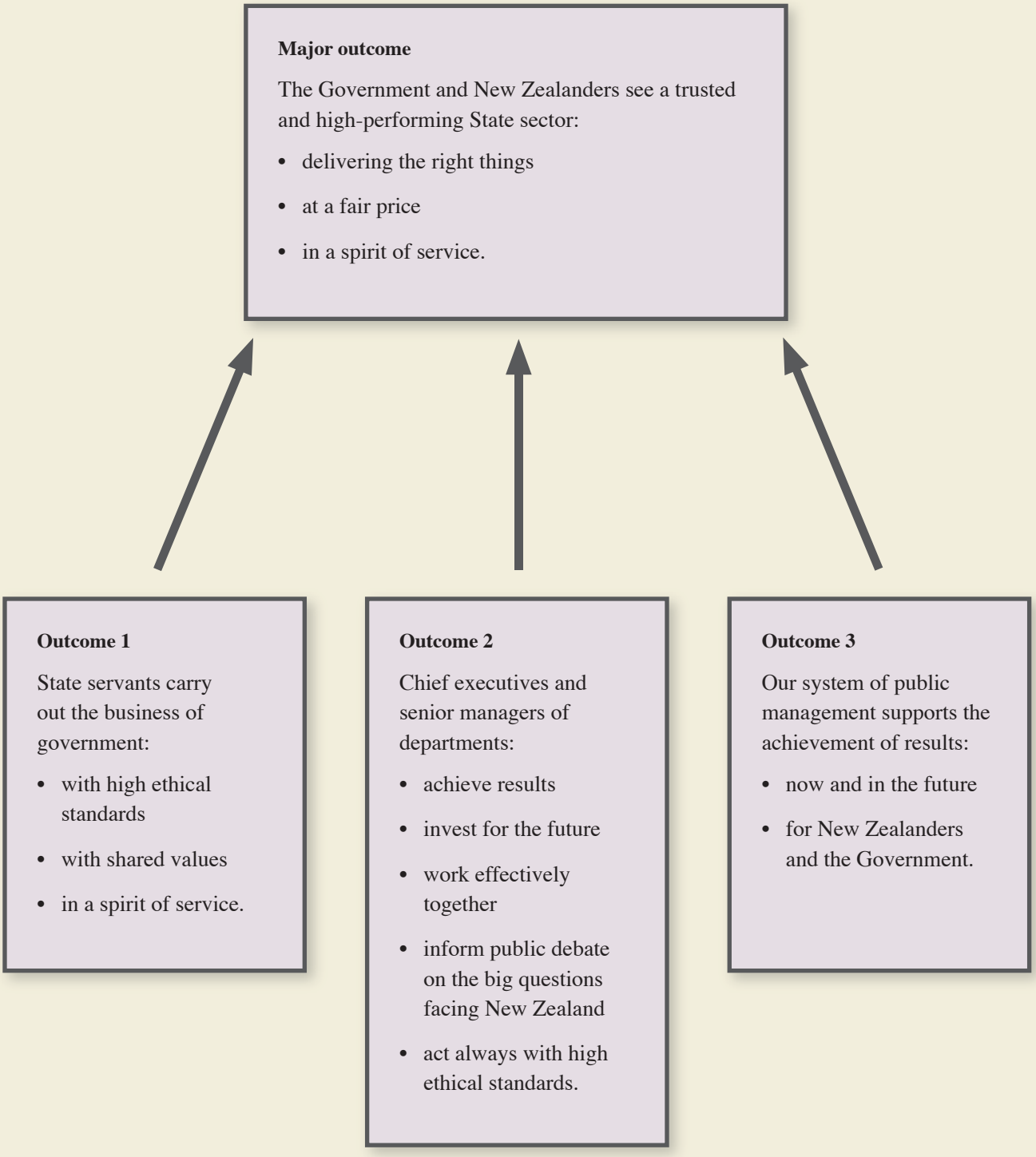
Outcomes

The *Statement of Intent 2004* for the SSC sets out a major outcome and three intermediate outcomes, which, if achieved, would make a substantial contribution to the major outcome. These are set out in the diagram on the following page.

Our influence on the major outcome is largely indirect. Our impact is more direct with our three intermediate outcomes. The first is concerned with the behaviours of public servants, the second with the performance of departments, and the third with the effectiveness of the public management system.

It should be noted that during the year the Government approved the Development Goals for the State Services. The outcomes set out in the *Statement of Intent 2004* have been incorporated into, and enhanced by, the Development Goals for the State Services.

State Services Commission outcomes for 2004/05



Highlights for the year

The highlights for the year can be summarised as:

- enactment of the Public Finance (State Sector Management) Bill as the Crown Entities Act and amendments to the Public Finance Act and State Sector Act, and the consequent extension of the State Services Commissioner's mandate
- launch of the Development Goals for the State Services
- completion of the review of targeted policies and programmes
- completion of four reviews and inquiries
- development and launch of *Getting Better at Managing for Outcomes* and the roll-out of the capability toolkit
- production of election guidance and *Setting Standards for Crown Entities*, and the first wave of engagement with Crown entities on integrity and conduct
- completion of the evaluation of the Senior Leadership and Management Development Strategy
- launch of the Work/Life Balance resource for the State Services
- launch of the new government internship programme piloted with Victoria University
- progress on the Tertiary Alliance
- completion of the Human Resource Capability survey
- publication of *EEO Progress in the Public Service 2000-2004*
- development of the Partnership for Quality
- exceeding the target for participation in the Mainstream Programme
- production of Treaty of Waitangi booklets, commissioning of a Treaty Touring Exhibition and launch of the second phase of the website
- a successful first year for the State Sector Retirement Savings Scheme
- completion of the Digital Strategy
- launch of a new version of the government web portal
- launch of the Public Sector Intranet
- significant progress on the all-of-government Authentication of Identity.

Identifying these highlights in no way detracts from the ongoing business of the SSC, such as chief executive appointments and reappointments, and advice to, and support for, Ministers and departments and other State sector organisations on a range of matters.

Achievement of results – Intermediate outcome 1

The first intermediate outcome was that State servants carry out the business of government with high ethical standards and shared values and in a spirit of service. Some of the highlights of work carried out to contribute to the achievement of this outcome are described here.

Integrity and conduct

The promotion and reinforcement of standards of integrity and conduct is a highly important and developing area of the SSC's work programme. Its importance is growing with the extension of my mandate as the State Services Commissioner into the State Services. The significant programme of activities included:

- A discussion document on integrity and conduct *Setting Standards for Crown Entities* was published and distributed. The "first wave" of the programme to engage with Crown entities regarding minimum standards was completed, with 38 entities engaged in the period to 30 June 2005. Engagement with the entities in the "second wave" was started.
- Guidance material was published and distributed to State servants on the general election, negotiations to form a government and political neutrality. These were supported by seminars and workshops and the SSC's advice service on integrity and conduct.
- Significant work was completed on the values and standards that should apply to non-government organisations (NGOs) that are contracted for the delivery of government services, and on a risk-based approach to standards of integrity that could be applied to departments contracting with NGOs.
- Research was carried out into email and Internet use by departments, and support was provided to agencies seeking guidance on issues arising from the expectation circular issued by the State Services Commissioner on managing email and Internet use.

Reviews and inquiries

It is important, in order to maintain public confidence in the State Services, that there can be independent inquiries into allegations of ethical breaches, misconduct or management failure that fall short of criminal behaviour.

Three reviews were completed during the year:

- An inquiry to identify risks of future problems and to provide assurance of appropriate response by the Department of Corrections following its response to allegations of impropriety at the Canterbury Emergency Response Unit.
- A review of the machinery of government and governance arrangements of the Ministry of Education, the Tertiary Education Commission and the New Zealand Qualifications Authority.
- A review of the Ministry of Health's processes for responding to Parliamentary Questions. Work was also carried out on a review of contracting processes and systems at the Ministry of Health, concurrently with a separate, but related, investigation by the Office of the Controller and Auditor-General.

One inquiry was started during the year. This was an inquiry into the performance of the New Zealand Qualifications Authority in the delivery of secondary school qualifications. This inquiry was completed by 31 July 2005.

Achievement of results – Intermediate outcome 2

The second intermediate outcome was that the chief executives and senior managers of departments achieve results, invest for the future, work effectively together, inform public debate on the big questions facing New Zealand and act always with high ethical standards. Some of the highlights of work carried out to contribute to the achievement of this outcome are described here.

Chief executive appointments, support and performance management

Appointing good chief executives is a major area of work for the SSC. It is a significant contributor to overall department performance. During the year the SSC carried out four appointments and three reappointments. It also assisted with the reappointment of the Commissioner of Police.

Supporting chief executives once they are in place is a large part of the work of the Deputy Commissioners and their teams. The Deputy Commissioners work at three different levels of the Public Service:

- Firstly, with chief executives, enhancing the quality of management decision-making within their departments and assisting them to contribute to the wider State sector.
- Secondly, with departments, supporting the management effort of the chief executives and senior managers, assessing departments' strategic thinking and their capability to deliver, and whether these translate into excellent delivery of services.
- Thirdly, within the public management system as a whole, attempting to remove barriers to good performance and encouraging relevant parts of the State sector to work together to achieve outcomes.

The Deputy Commissioners and their teams seek to both assist and assess, bringing their external perspective to bear upon the strategy, capability and delivery of Public Service departments. The teams support the State Services Commissioner in the review process for chief executives and their departments.

Managing for outcomes

The Managing for Outcomes initiative requires departments to adopt a strategic and outcome-focused approach to planning, managing and reporting, while focusing on the delivery of outputs. The approach has been developing for five years. To maintain the momentum of the approach, and to maximise its benefits, especially with respect to departmental Statements of Intent (SOI), a number of activities were carried out during the year:

- Following completion of a pilot, the *Getting Better at Managing for Outcomes* assessment tool was launched.
- A capability toolkit was rolled out to assist central agency staff in supporting good capability practice in New Zealand government.
- A review of the quality of departmental SOIs was completed by an independent researcher, and the results provided to departments. Guidelines for the development of SOIs were updated for consistency with new legislation, and issued.
- The central agencies (the Treasury, the Department of the Prime Minister and Cabinet, and the SSC) agreed a series of work streams that would assist with the development of a shared outcome. These include work on Crown entity performance, early warning signs of performance failure, environmental scanning, and integrated induction and shared training for staff.

Developing future leaders

An independent evaluation of the success and impact of the Senior Leadership and Management Development Strategy was completed in May 2005. The evaluation established that the strategy is beginning to strengthen the senior leadership pool, and that the programmes are perceived by participants to be valuable. Participants consider that the programmes are likely to increase their leadership capabilities, their ability to take on more senior roles and their career potential within the Public Service.

Achievement of results – Intermediate outcome 3

The third intermediate outcome was that our system of public management supports the achievement of results now and in the future, for New Zealanders and the Government. Outcome 3 was about maintaining a public management system that is "fit for purpose". It is rarely possible to attribute improvements in system performance or capability directly to the SSC's actions. It is possible to show that the choice of actions is logical, and that they have been implemented successfully. Some of the highlights of work carried out to contribute to the achievement of this outcome are described here.

Legislative changes

The Public Finance (State Sector Management) Bill was enacted in December 2004 as the Crown Entities Act 2004 and amendments to the State Sector Act 1988 and the Public Finance Act 1989. These legislative changes have altered the role of the SSC. The State Sector Amendment Act (No. 2) 2004 extends the State Services Commissioner's mandate so that he/she is no longer responsible only for the Public Service but also for setting standards of integrity and conduct within the State Services generally. The Crown Entities Act 2004 complements this by introducing to the Crown entity sector a system of outcomes-focused planning similar to that which exists in the Public Service. Together these provide the statutory base for an SSC whose leadership role is no longer limited to the Public Service but will now extend to encompass the role of a true "State Services Commission".

Review of targeted programmes and policies

The Ministerial Review Unit was established in the SSC in 2004 and tasked by the Government with planning, monitoring and coordinating reviews of targeted policies and programmes within the Public Service to ensure they were based on need, not race. The Unit was staffed mainly by people seconded from other departments.

Departmental chief executives were generally responsible for managing the reviews of policies and programmes selected, and tendering advice to their Responsible Minister and the Coordinating Minister, Race Relations on any action to be taken, following consultation with the Ministerial Review Unit.

The review process was carried out to schedule and successfully completed. The Unit was disestablished on 30 June 2005.

Human resources in the State Services

Following the launch of the Human Resources Framework in June 2004, work was carried out to further develop and promote its products. Of particular note was the completion of the Work Life Balance resource and its launch by Hon Trevor Mallard, the Minister of State Services. Follow-up promotion was accompanied by collaboration with the Department of Labour on wider workplace pilots. Guidance was issued on flexible leave arrangements, redeployment of staff affected by restructuring, and policies and practices for remuneration systems. The first government internship programme was successfully piloted with seven departments and Victoria University, paving the way for a significant expansion of the programme in 2005/06.

Progress on equal employment opportunities (EEO) in the Public Service in the period 2000 to 2004 was set out in a report completed in June 2005 and subsequently published by the SSC. The Public Service works to deliver services to all New Zealanders. It is therefore important that the Public Service, and the wider State Services, reflect the diversity of New Zealand. It is pleasing that several positive trends have emerged from the analysis. These include increased representation of Pacific peoples and Asians in the Public Service, increased representation of all the EEO groups in the managerial occupation group and improved representation of women in senior management roles. However, the report also indicated areas of concern that will require further analysis and work. These include pay gaps and low representation in senior management for several of the EEO groups. This work will encompass looking beyond the Public Service into the wider State Services.

The Government's recent amendments to the State Sector Act enable me to take an interest in EEO issues across the State Services, and in the development of potential leaders across the State Services. The first steps of this work are already under way, with the Leadership Development Centre providing senior leadership and management development initiatives and the continuing implementation of the Pay and Employment Equity plan of action.

Progress towards e-government

The SSC provides leadership and coordination of the e-government programme. E-government enables government agencies to improve, separately and collectively, their performance and to deliver better results through using information and communications technology in a collaborative way.

The Government approved the revised E-government Strategy in June 2003. It committed the E-government Unit to the mission that "by June 2004 the Internet will be the dominant means of enabling ready access to government". The 2004 goal was assessed in the report *Achieving e-government 2004*. The report found that New Zealand overall is making good progress towards the goals outlined in the E-government Strategy.

With the introduction of a number of e-government initiatives over the past two years, such as standardised guidelines for web access and interoperability frameworks, shared workspaces, and secure electronic environments, the foundations are largely in place for government services to be more integrated, more customer-focused and more efficient.

Looking forward, the main focus is on supporting electronic delivery of government services, which covers the ways that services are governed and managed, as well as how they are packaged and presented when they are delivered electronically. There will be continuing work on standards and architectures, governance and management, and on leveraging infrastructure to provide common technology components for use across government.

State Sector Retirement Savings Scheme

The State Sector Retirement Savings Scheme (SSRSS) is a voluntary retirement savings plan specially designed for the State sector. There is an employer subsidy contribution matching employee contributions, for those eligible. A choice of three SSRSS schemes is provided by AMP Financial Services, ASB Group Investments Limited and AXA New Zealand. The SSC has entered into specification agreements with the trustees of the SSRSS schemes.

The SSRSS was established in accordance with the Partnership for Quality agreement between the Government and the Public Service Association, and participating employers include Public Service and non-Public Service agencies and State and State-integrated schools.

It was a very successful first year for the SSRSS: membership in the schemes increased, with total membership of 28,527 at 30 June 2005. The maximum employer subsidy rate moved to 3% of gross base salary from 1 July 2005, following a campaign encouraging members to increase their contributions in order to receive a matching increase in the employer subsidy. Nine entities from the wider State sector were admitted as participating employers during the year on the basis that they self-fund the employer subsidy.

A Superannuation Advisory Board was appointed in August 2004 to consider reports from the three scheme providers, to monitor their performance, and to support the State Services Commissioner's obligations under the specification agreements. A Superannuation Subsidy Working Party was formed, which reported in June 2005 to the Ministers of Finance and State Services. It made recommendations in relation to options for increasing the maximum employer subsidy rate of 3%.

Public Sector Training Organisation (PSTO)

PSTO, the recognised industry training organisation for the public sector, successfully negotiated a charter and profile with the Tertiary Education Commission. These were necessary prerequisites to obtaining funding to continue the support and development of the structured workplace learning and modern apprenticeship programmes that are run through PSTO. PSTO has been successful in attracting significant growth in funding in the past year (28% during 2004/05), and that growth is anticipated to continue through to at least 2007. An increased focus on people capability development across the sector is making good use of this extra resource.

PSTO is seen as having a key role in working towards the achievement of the Development Goal "Excellent State Servants". This is reflected in the new structure of the SSC that sees PSTO as an integral part of the People Capability branch. In my role as chair of the PSTO Board, I am supporting PSTO in taking a more proactive leadership role in learning and development in the State sector, and PSTO's new strategic business plan reflects this change.

Other work of the State Services Commission

The Mainstream Programme

The SSC provides employment opportunities for a significantly disadvantaged group of people with disabilities through its Mainstream Programme.

Mainstream provides the funding to create positions in a range of State sector organisations, including the education sector. Placement specialists from a range of disability sector agencies help Mainstream match the right person to the job and also assist with follow-up support.

The Programme enjoyed another year of success. The estimated number of participants was substantially exceeded, with 245 taking part in the Programme by the end of June 2005.

Increasing public knowledge of the Treaty of Waitangi

The Treaty of Waitangi Information Unit was a responsibility given to the SSC by the Government in 2003. The Unit is working to increase the range, distribution, accessibility and provision of factual information relating to the Treaty over a three-year programme.

Highlights of the second year of the programme included:

- From its launch in April 2004 to the end of June 2005, the Treaty information website (www.treatyofwaitangi.govt.nz) attracted 108,884 visitors, 249,555 visits and 1.06 million website hits. Phase 2 of the website was launched in May 2005 and the Te Reo Māori version was launched in January 2005.
- A set containing three booklets about the Treaty of Waitangi was published and over 70,000 copies were distributed on request.
- Following a review of the extent to which the Sponsorship Scheme was aligned with new objectives set by the Government in 2004, six initiatives were funded from the Scheme. The Human Rights Commission used its grant to run 15 symposia and 78 community workshops and to distribute information.

- The proposal for a Treaty Touring Exhibition, developed by the Museum of New Zealand Te Papa Tongarewa, the National Library of New Zealand and Archives New Zealand, was approved for launch in 2006.

The State Services Commission Equal Employment Opportunities Programme

The Public Service has been committed to the implementation of EEO in the workplace for over a decade. The *EEO Policy to 2010*, adopted in 1997, confirms this commitment to EEO as a long-term strategic response to addressing discrimination in the workplace and building Public Service capability and performance. It provides clear direction for progress in the next decade and is the SSC EEO policy. The policy is available on the SSC's website (www.ssc.govt.nz).

The SSC continues to address priority areas outlined in its three-year EEO Plan (EEO Plan 2003 to 2006). The EEO Plan includes policy goals and actions in the following areas:

- management leadership of EEO
- building a positive working environment
- work/life balance
- managing an older workforce
- recruitment
- Māori
- Pacific and Asian peoples
- people with disabilities
- EEO reporting.

During 2004/05 much of the SSC's internal focus on EEO matters was on ensuring that EEO principles remained embedded in the SSC's day-to-day work and existing processes. No significant or large-scale new initiatives were introduced. Instead, the SSC focused on building on the achievements of the previous year and responding to the changing requirements of staff. As part of the consultation on the SSC's internal reorganisation process, members of staff were encouraged to participate in focus groups. This provided useful information for future work to continue to build a positive working environment.

Specific areas of focus for 2004/05 are set out on the following page.

Focus	Achievement and comments
Continuing to build a positive work environment within the SSC.	Staff views were sought via focus group sessions as part of the SSC's reorganisation process. Staff views were incorporated into design of the revised organisational structure and the ongoing culture development process.
Ensuring that staff are provided with appropriate information on work/life balance issues.	Completed documenting work/life balance practices and information – made available to staff via SSC's Intranet. Managers and staff have continued to work together to develop tailored solutions to specific issues that meet the needs of the staff member concerned. Given the number of staff who have agreements in place with their managers that they are able to work from home on a regular basis, it has been identified that a key priority area for 2005/06 is to develop a "working from home" policy.
Analysis of pay decisions (pay increases, performance incentive payments) by gender and job family.	Completed analysis of the 2004 remuneration reviews. Further in-depth analysis to be completed as part of the Pay and Employment Equity Review, which will be undertaken during 2005/06.
Ensuring staff have access to appropriate information to enable them to plan for their retirement.	In response to feedback from participants, changed the focus of planning for retirement seminars to financial planning – this enabled interested staff to focus on the financial considerations in order to better plan for their retirement.

While the SSC has an excellent track record of ensuring that EEO exist for all staff, it is committed to ensuring that this will continue. A full review of the EEO Plan 2003 to 2006 is planned for the 2005/06 year to ensure that future initiatives are aligned with agreed and relevant target groups.

The State Services Commission – concluding comments

The SSC has a clear view of its role in leadership of the State Services; its specialist role is as a leader on issues of State Services development.

The SSC underwent an internal reorganisation process in 2004/05. The new branch and management structure, in place from 1 July 2005, represents a focus on being an agenda-driven organisation with strong functional leadership. This will enable the SSC to provide the leadership and management to achieve the Development Goals for the State Services. The internal structure of the SSC is aligned to the Development Goals, and a major programme to develop the SSC's capability has been started.

During the process of change some staff took the opportunity to work elsewhere. This is an understandable result of change. I appreciate the contribution those staff had made in their service with the SSC.

The SSC has set itself, and the State Services, a major challenge. I look forward to leading the staff of the SSC in taking up that challenge.

Mark Prebble
State Services Commissioner

Section 2: Performance

Introduction

This section of the Annual Report of the State Services Commission (SSC) sets out the financial and non-financial performance through a series of statements, as required by the Public Finance Act 1989.

The first statement is the statement of responsibility signed by the State Services Commissioner as chief executive and countersigned by the Chief Financial Officer.

The second series of statements encompasses the statement of service performance, levels of service achieved, and financial information on the costs of the activities undertaken. They are grouped under the five classes of outputs that the SSC produces.

The third series of financial statements sets out the accounting policies, financial position, movements in taxpayers' equity, financial performance and cash flows.

This section of the report has been audited by Audit New Zealand on behalf of the Controller and Auditor-General. The audit report can be found on page 23.

Statement of responsibility

In terms of the Public Finance Act 1989 I am responsible, as Chief Executive of the SSC, for the preparation of the SSC's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and the operations of the SSC for the year ended 30 June 2005.

Mark Prebble
State Services Commissioner
28 September 2005

Shareez Farouk
Chief Financial Officer
28 September 2005

Audit New Zealand

AUDIT REPORT

TO THE READERS OF THE STATE SERVICES COMMISSION'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of the State Services Commission (the Commission). The Auditor General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Commission, on his behalf, for the year ended 30 June 2005.

Unqualified opinion

In our opinion the financial statements of the Commission on pages 25 to 94:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Commission's financial position as at 30 June 2005;
  - the results of its operations and cash flows for the year ended on that date;
  - its service performance achievements measured against the performance targets adopted for the year ended on that date; and
  - the assets, liabilities, revenues, expenses, contingencies, commitments managed by the Commission on behalf of the Crown for the year ended 30 June 2005.

The audit was completed on 28 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the State Services Commissioner and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the auditor

The State Services Commissioner is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Commission as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year

ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments managed by the Commission on behalf of the Crown for the year ended 30 June 2005. State Services Commissioner's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the areas of:

- quality assurance of the All-of-government Authentication Programme's procurement processes and
- quality assurance of the early stages of the All-of-government Authentication Programme

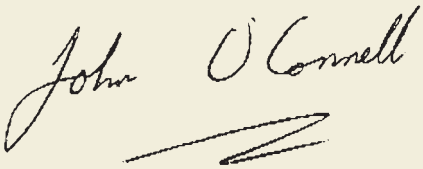
These assignments are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Commission.

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the State Services Commission for the year ended 30 June 2005 included on the State Services Commission's website. The State Services Commissioner is responsible for the maintenance and integrity of the State Services Commission's website. We have not been engaged to report on the integrity of the State Services Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 September 2005 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of objectives and service performance for the year ended 30 June 2005

The State Services Commission (SSC) has adopted an outcomes-based approach to management, with the major outcome being:

> The Government and New Zealanders see a trusted and high-performing State sector:
>
> - delivering the right things
> - at a fair price
> - in a spirit of service.

Given the major outcome to be achieved, and recognising the constraints of the State Services Commissioner's role in the State sector at that time, other than in 34 Public Service departments, the SSC set itself three intermediate outcomes in 2004/05 for the medium term. These three intermediate outcomes are reported on in the Chief Executive's overview (section 1 of this report).

The interventions undertaken to achieve the three intermediate outcomes were delivered through the outputs described in the *Output Plan 2004/05* under five departmental output classes. The three intermediate outcomes are not mutually exclusive. The following table provides a mapping of where the greatest contributions are made between the three intermediate outcomes and the departmental output classes.

Intermediate outcome	**Output classes**
Outcome 1: Values and standards	• Output class 2: State sector performance management
Outcome 2: Chief executive and senior managers of departments	• Output class 1: Public Service chief executive management • Output class 2: State sector performance management
Outcome 3: Our system of public management	• Output class 3: Public management policy advice • Output class 5: E-government development and operations

In addition, the SSC undertakes other business on behalf of the Government. These activities are largely grouped in Output class 4: Management Services. They do not contribute directly to the intermediate outcomes.

This statement of service performance records the performance for each class of outputs detailed in the *Statement of Intent 2004*, and the *Output Plan 2004/05* between the Minister of State Services and the Chief Executive of the SSC, as required by the Public Finance Act 1989.

Service performance measures

The following measures applied to all output classes unless otherwise specified.

Performance measure for quantity and coverage

The quantity and nature of advice and operational services for individual outputs will be supplied on the basis agreed between the Minister of State Services and the State Services Commissioner as set out in the *Output Plan 2004/05*, or as subsequently amended during the financial year.

The advice and operational services will include the capacity to react quickly, to support the Minister in Cabinet committees and select committees, to provide relevant briefings on significant issues, and regular evaluation of the impacts of policy on Government's desired outcomes.

Reporting against that Plan will allow the Minister to assess actual performance in output delivery against those expectations.

Performance measure for quality

All reports will comply with the SSC's quality standards for analysis and advice outlined as follows.

Quality assurance procedures

The SSC will operate internal processes to ensure the quality of its policy advice. These include peer review, and consultation within the organisation and with relevant external agencies. All policy advice will be peer reviewed before it is sent to a Minister.

Quality of policy advice

Several of the outputs that the SSC delivers include the provision of policy advice to the Minister of State Services. The standard for policy advice is set by the following criteria:

Criterion	Description
Purpose	The purpose of the paper has been clearly stated and all questions raised by the requester addressed.
Logic	All assumptions behind the advice given have been stated and the reasoning and debate within the paper is logical and supported by facts.
Accuracy	All known material facts relevant to the advice have been included and accurately presented.
Options	An adequate range of options has been presented and assessed for benefits, costs and likely consequences to the Government, and the community, of implementation.
Consultation	There is evidence of adequate consultation with interested parties, and the viewpoints and possible objections to proposals have been clearly identified.
Practicality	The problems of implementation, technical feasibility, timing and consistency with other policies have been considered and are stated.
Presentation	Material presented is effectively summarised, clear, concise, written in plain English and free of spelling and grammatical errors.

Specific quality measures

- In addition to the service performance measures for Output class 1, the State Services Commissioner will ensure that Public Service chief executives are treated in accordance with the provisions of the State Sector Act 1988.
- In addition to the service performance measures for Output class 2, the State Services Commissioner will ensure that the advisory services on fees and allowances for Crown entity boards and other statutory bodies in which the Crown has an interest are provided in accordance with the Cabinet Fees Framework and the provisions of the Fees and Travelling Allowances Act 1951.

Ministerial feedback

The Minister will be formally requested on a regular basis to indicate his or her level of satisfaction with the overall quality of the outputs produced.

Performance measure for timeliness

Time frames will be agreed between the Minister of State Services and the State Services Commissioner for the financial year:

- Advice will be delivered within the agreed and/or statutory time frames so that the Minister has sufficient time to consider the issues and take appropriate action. Where agreed timelines will not be met, extensions are to be formally requested.
- Ministerial correspondence, parliamentary questions and Official Information Act requests will be responded to within agreed and/or statutory time frames.
- The SSC will respond appropriately to requests for attendance at Parliament during debates and at Cabinet and select committee meetings.

Output class 1: Public Service chief executive management

Description

This output class gives effect to the State Services Commissioner's statutory responsibilities as set out in Part 3 of the State Sector Act 1988. It includes management of the recruitment, retention and development of departmental chief executives, including contract management, chief executive succession management and the supporting strategies and operational policies.

Statement of cost of services (GST exclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Revenue – Crown	1,840	1,737	1,502	2,275
Revenue – other	95	99	43	85
Total revenue	1,935	1,836	1,545	2,360
Expenses	1,935	1,836	1,522	2,129
Net surplus/(deficit)	–	–	23	231

This output class was provided at a cost of $1.522 million (GST exclusive), which is $0.314 million less than the Supplementary Estimates. This is mainly due to the level of activity for chief executive appointments and reappointments being lower than forecast.

Other expenses incurred by the Crown (GST inclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Payment and remuneration of chief executives	11,280	11,280	11,045	9,613

This appropriation primarily makes provision for increases to chief executive remuneration and a number of related appointment and contractual obligations. Variation in expenditure against the appropriation in any year may be caused by:

- the conservative application of the policy for increases to chief executive remuneration in relation to market indicators
- the number of acting chief executives paid for by departments
- any disestablishment of chief executive positions
- severance due to structural change
- the number of chief executives eligible for performance incentive payments and the amount of those payments
- the level of investment in chief executive development
- relocation expenses on appointment
- end of contract payments.

Current revenue (non-tax)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Reimbursement of chief executive remuneration	8,248	9,404	9,422	8,355

Statement of quantity, quality and timeliness of services

The work programme was delivered to the specifications in the *Output Plan 2004/05*, as set out in the tables below. All timelines were met within this output class.

The quality dimension of service in this output class relies on well-articulated production processes with a considerable degree of variability across each appointment process. All statutory requirements were met.

Output 1.1: Chief executive appointments and reappointments

Required results	Service delivery
Appointments Appointment of an estimated number of eight Public Service chief executives.	Four chief executive appointments were completed. These were for the Department of Building and Housing, the New Zealand Customs Service, the Ministry of Fisheries and the Department of Corrections.
Reappointments Reappointment of an estimated number of two Public Service chief executives.	Three chief executive reappointments were completed under section 36 of the State Sector Act. These were for the Department of Conservation, the Ministry of Health and the Ministry of Pacific Island Affairs. The Government Statistician was reappointed under section 37 of the State Sector Act.
Other appointments Assist with, or undertake, recruitment and selection of any other appointments as requested. At least one statutory appointment.	The SSC assisted with the appointment of the Commissioner of Police for a further term.

Output 1.2: Chief executive human resource services

Required results	Service delivery
Good employer services Provision of good employer services to Public Service chief executives as follows: • Job evaluations – estimated number: 10 • Remuneration reviews • Employment agreements • Payroll and leave management • Individual development plans.	Six job evaluations were completed. The annual remuneration reviews for the 32 chief executives were completed. The SSC set up employment agreements for chief executives and acting chief executives following appointment, reappointment or remuneration reviews. Administrative services and advice were provided in a timely manner. The development budget was managed according to the guidelines to support chief executive training and development activities.
Remuneration survey Annual survey and report produced that meets professional standards.	The survey was completed and data collected and analysed. The SSC and respondents reports were completed on time.

Output class 2: State sector performance management

Description

This output class provides for the State Services Commissioner and the Deputy Commissioners to make informed judgements about strategy, capability and performance of departments (ownership and advice). They will assess how well chief executives and departments are:

- achieving results
- investing for the future
- working collaboratively with other departments
- managing effective relationships with Crown entities
- acting with integrity.

To arrive at well-informed assessments, the Deputy Commissioners work alongside chief executives and their senior management teams. The assessments form the basis of performance review reports to Ministers under section 43 of the State Sector Act.

Statement of cost of services (GST exclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Revenue – Crown	14,611	13,988	13,033	12,123
Revenue – other	292	732	890	455
Total revenue	14,903	14,720	13,923	12,578
Expenses	14,903	14,720	13,449	12,397
Net surplus	–	–	474	181

This output class was provided at a cost of $13.449 million (GST exclusive), which is $1.271 million less than the Supplementary Estimates. The underspend is primarily due to reorganisation costs being lower than forecast, lower personnel costs due to unfilled vacancies and lower operating costs than expected for some human resource-related activities.

Statement of quantity, quality and timeliness of services

The work programme was delivered to the specifications in the *Output Plan 2004/05*, as set out in the tables below. All timelines were met within this output class, unless otherwise stated.

The outputs within this output class are non-standard and highly tailored, with a significant degree of variation in the processes used to complete them. The quality dimension of service relies on professional judgement and the exercise of discretion, using competencies of analysis and judgement, and a strong dependence on professional knowledge and experience. All quality measures were met.

Output 2.1: Departmental strategy, capability and performance

Required results	Service delivery
Strategic organisational analysis of departments Completion of strategic analyses for all departments prior to the appointment process for a new chief executive.	Reviews of strategic issues facing the following departments were completed: • Department of Corrections • NZ Customs Service • Ministry of Fisheries • Ministry of Health • Department of Statistics • New Zealand Police. The reviews were used to inform the State Services Commissioner in the deliberation on, and appointment of, the new chief executives. A revised position description was completed for the chief executive of the Department of Conservation (DoC), with priorities identified to take DoC forward over the next three years.

Required results	Service delivery
Capability reviews Completion of an estimated number of 10 to 12 reviews that provide information about progress toward interdepartmental/ shared outcomes and/or whether departments/sectors are configured well to achieve results.	The SSC led, or participated in, the following capability reviews: • Department of Child, Youth and Family Services – Ministerial Advisory Group and participation in wider Baseline Review Programme Management Advisory Committee • New Zealand Defence Force – Defence Capability and Resourcing Review • Ministry of Justice – review of the medium-term funding needs for the Ministry of Justice, and location and investigative powers of the Proceeds of Crime Unit • Review of Executive Government Support (Department of Internal Affairs) – review of systems and processes to support executive government • Ministry of Civil Defence and Emergency Management – review of capability to meet legislative obligations and options for reducing capability risks • Review of emergency response to Manawatu floods • Ministry of Youth Development – review of the effectiveness of the Ministry after the merger with the Ministry of Social Development • Department of Building and Housing – implementation of transition plan and management of residual liabilities • Department of Labour – strategic baseline review • Joint Therapeutic Products Agency – issues related to accountability and governance • Ministry of Women's Affairs – review of capability improvement since commencement of new chief executive • Community Probation Service – a review of progress on capability since 2003 was started • Parliamentary Counsel Office – baseline review • Guidelines for regulatory regimes – Chief Executive Reference Group.

Required results	Service delivery
Engaging with responsible Ministers	
Engagement with responsible Ministers on the results of reviews and future needs of chief executives and departments.	Discussions and briefings were held with Ministers on the progress and results of reviews.
Real-time feedback to chief executives	
All chief executives and acting chief executives will receive, as a minimum, informal performance feedback.	Regular relationship meetings were held with chief executives and senior managers.
Managing for Outcomes Programme Office	
Lead the Managing for Outcomes Programme Office including: • Evaluating progress of the uptake of Managing for Outcomes. • Evaluating the quality of Statements of Intent as the main accountability document. • Prepare guidance and support departments in developing shared outcomes within the Public Service and the wider State sector. • Identifying and developing initiatives to support departmental progress in managing for outcomes. • Roll out the capability toolkit to central agencies to assist in assessing departmental capability. • Roll out evaluative activity initiatives. Oversee at least six projects related to Managing for Outcomes. Guidance to be provided no later than the end of September 2004. All other projects to be completed before 30 June 2005. Projects will be subject to evaluation in 2006.	A review of the quality of Statements of Intent (SOIs) was completed by an independent researcher, and the results were provided to departments. The relationship between Parts 1 and 2 of SOIs were reviewed. Guidelines for the development of SOIs were updated for consistency with new legislation and issued. Advice was prepared about responding to Pay and Employment Equity in SOIs. The *Getting Better at Shared Outcomes* guidance document and a resource document were launched and rolled out to agencies. Following completion of a pilot, the *Getting Better at Managing for Outcomes* assessment tool was launched. A capability toolkit (work in progress) was rolled out to central agencies. The Treasury, the Department of the Prime Minister and Cabinet, and the SSC agreed a series of work streams towards the development of a shared outcome. These include work on Crown entity performance, early warning signs of performance failure, environmental scanning, and integrated induction and shared training for staff.

Required results	Service delivery
Performance reviews Tailored and formal performance reviews will be provided to Responsible Ministers for chief executives and their departments.	Performance reviews for 24 chief executives were completed.
Strategy and advice on capability and performance Support and advice to chief executives and their departments on strategy, capability and performance, by providing leadership to enhance: • ethics, values and standards across the Public Service • the quality and clarity of thinking about Managing for Outcomes • an all-of-government, sectoral perspective to discussions • the quality of strategy, capability and results, especially for Māori • good practice information • connections between relevant agencies to improve results • the measurement of progress toward achievement of the departmental Statement of Intent, particularly the achievement of sector and all-of-government objectives • management of risk and opportunity.	Ongoing engagement by Deputy Commissioners and team members with 35 chief executives and their departments on strategy, capability and performance.
Development of future leaders Support for Public Service chief executives to develop staff with leadership potential.	Regular discussions were held in relationship meetings with chief executives on the development needs of senior managers and other potential leaders in their departments.

Required results	Service delivery
Information technology project monitoring Providing the Minister of State Services, the Minister for Information Technology and the Associate Minister for Information Technology with a monthly report on major, significant or high-risk information technology projects.	The Ministers were provided with monthly reports on major public sector information technology projects. During the year the following information technology projects were monitored in accordance with Cabinet Office Circular CO (01) 4: • Archives New Zealand – Government Locator Archival Document and Information System (GLADIS) • Department of Internal Affairs – Gaming Electronic Monitoring System • Inland Revenue Department – purchase of mainframe computer hardware and software • Ministry of Civil Defence and Emergency Management – National Crisis Management Information System • Ministry of Defence – Joint Command and Control System • Ministry of Education – e-Admin Programme (group of projects) • Ministry of Health – development of framework and implementation approach for health sector information • Ministry of Justice – Clean Slate System • Ministry of Social Development – Client Management Initiative and Strategy to replace main business systems • Ministry of Social Development – Internet-Platform Call Centre, Social Sector Infrastructure • Ministry of Transport – Electronic Road User Charges (ERUC) • National Library of New Zealand – National Digital Heritage Archive • National Library of New Zealand – Trusted Digital Repository • New Zealand Police – Land Mobile Radio Network • New Zealand Police – Replacements of the Law Enforcement System (LES) • Parliamentary Counsel Office – Access Project: Phase Two • State Services Commission – All-of-Government Authentication Programme.

Output 2.2: Ad hoc reviews

Required results	Service delivery
Ad hoc reviews Reporting on investigations, inquiries and reviews as requested by the Prime Minister, the Minister of State Services, the Cabinet or the State Services Commissioner in response to performance failures of particular agencies or the identified risk thereof, or in response to specific Ministerial directives.	Three reviews were completed during the year: • An inquiry to identify risks of future problems and provide assurance of appropriate response by the Department of Corrections following its response to allegations of impropriety at the Canterbury Emergency Response Unit. • A review of the machinery of government and governance arrangements of the Ministry of Education, the Tertiary Education Commission and the New Zealand Qualifications Authority. • A review of the Ministry of Health's processes for responding to Parliamentary Questions. Work was also carried out on a review of contracting processes and systems at the Ministry of Health, concurrently with a separate, but related, investigation by the Office of the Controller and Auditor-General. One inquiry was started during the year: • An inquiry into the performance of the New Zealand Qualifications Authority in the delivery of secondary school qualifications.

Output 2.3: Ethics, values and standards

Required results	Service delivery
Programme designed and implemented	
Analysis of the impact on the Public Service of international and national trends, including measurement of ethics, values and standards. Provide reports to the Minister of State Services in December 2004 and June 2005. Recognise and affirm high standards of integrity through the State Services Commissioner's Annual Awards. Run one awards programme.	The Minister of State Services was provided with two reports (December 2004 and June 2005) on international and national trends and issues in integrity and ethics and an analysis of the likely impact on the New Zealand public sector. The awards programme was delayed as a result of work on assessing the future role of the SSC following changes to the State Sector Act.
Advice on non-government organisations	
Implement a programme on the Public Service values and standards applying to non-government organisations delivering government-funded services. Report on results of engagement with departments and non-government organisations to Minister of State Services by November 2004. Depending on decisions taken: Implementation plan to Minister of State Services by March 2005.	The Minister of State Services was provided with a report in July 2004 on *Contracting for Delivery of Government Services: What Values and Standards should apply to Non-Government Organisations*, and a further report in June 2005 on a risk-based approach to standards of integrity that could be applied to departments contracting with non-government organisations for the delivery of government-funded services.
Support and advice to chief executives and senior managers	
Provide advice to chief executives and senior managers on request on their leadership of ethics, values and standards of departments.	Responded to all requests for advice on integrity and conduct matters from departments and Crown entities. Distributed a questionnaire on email and Internet use in departments. Results reported to the Minister of State Services and Cabinet. Support provided to agencies seeking guidance on issues arising from the State Services Commissioner's expectation circular about managing Internet and email use.

Required results	Service delivery
Preparation for general election 2005	
Implement a programme to ensure that the Public Service and the State sector is aware of, and understands, the ethical requirements during preparation for the general election in 2005. Prepare guidance material by February 2005.	Reviewed, revised and reissued *State Servants, Political Parties and Elections: Guidance for the Election Period 2005*.
	Developed and published resource material on political neutrality, including a fact sheet for staff who interact with the public. Distributed to Public Service departments and Crown entities.
Respond to requests from the State Sector during election year (pre-and-post election).	Provided seminars and workshops on political neutrality during the election period, and responded to questions on political neutrality from departments and Crown entities.
	An updated version of the State Service Commissioner's guidelines on State sector support for negotiations to form a government was prepared for publication.
State Services Commissioner's mandate in the State sector	
Set minimum standards of conduct and integrity for Crown entities through the development of and consultation on the State Services Commissioner's new Code of Conduct.	A discussion document on integrity and conduct *Setting Standards for Crown Entities* was published and distributed.
Provide a progress report to the Minister of State Services after the select committee report back scheduled for August 2005.	The "first wave" of the programme to engage with Crown entities regarding minimum standards was completed, with 38 entities engaged in the period to 30 June 2005. A report was provided to the Minister of State Services on the preliminary findings. Engagement with the entities in the "second wave" was started.
Report to the Minister on the result of consultation on a draft Code of Conduct with Crown entities by February 2005.	
Code issued when the legislation has taken effect.	Organised and hosted an international expert on ethics from the United States of America, for 10 seminars on integrity and conduct. A total of 350 senior managers attended the seminars.
Support for and advice to State sector chairs and chief executives on their leadership of ethics values and standards.	

Output 2.4: Advice to boards of Crown entities and statutory bodies

Required results	Service delivery
Chief executive employment conditions	
Provide advice to boards as they consult with, or seek the approval of, the State Services Commissioner when setting or amending the terms and conditions of employment of State sector chief executives.	
Advice will be provided to 145 boards during their annual remuneration review and to approximately 40 boards as they undertake an appointment or reappointment process.	Provided advice on 130 remuneration reviews, and 44 appointment or reappointment processes.
90% of advice is provided within 10 working days of receipt of all relevant information; this advice takes account of government policy, good employment practice, and the circumstances of the organisation.	Achieved and mostly exceeded.
90% of clients rate the service as good or better.	96% of boards rated performance as "met expectations or better".
Advice on policy matters	
Provide advice to Ministers on policy matters and on individual cases where problems occur or exceptions to policy are sought.	Ministers were advised on terms and conditions where exceptions to the government guidelines were proposed by chairs of State sector bodies.
Ministers are satisfied with advice on policy matters and on individual cases.	
Risks are managed, there are "no surprises" and government policy is complied with.	
Fees for statutory and other bodies	
Provision of advice to departments and Ministers' offices on the application of the Cabinet Fees Framework.	Advice was provided to 80 departments on the application of the Cabinet Fees Framework.
Departments will be supported in understanding and applying the Cabinet Fees Framework.	
Advice is consistent with the letter and spirit of the Framework and recognises the circumstances of the particular case.	
Clients are satisfied with quality and timeliness of advisory service provided.	
Provision of advice to the Minister of State Services on proposed exceptional fees.	Advice was provided to the Minister of State Services on 35 proposals for exceptional fees.
The Minister is satisfied with quality and timeliness of advice for all proposed exceptional fees.	

Output 2.5: Senior leadership and management development

Required results	Service delivery
Implementation of Senior Leadership and Management Development (SLMD) Strategy	
Monitor and review the implementation of the Senior Leadership and Management Development Strategy.	An evaluation of the success and impact of the SLMD was completed in May 2005 and a report presented to the Cabinet Committee on Expenditure and Administration in June 2005.
Report by June 2005 on the two-year impact of the SLMD Strategy; including Leadership Development Centre's (LDC) delivery of the development programmes and support services to chief executives, pool participants in the Executive Leadership Programme and aspiring leaders.	The evaluation established that the strategy is beginning to strengthen the senior leadership pool, and that the programmes are perceived by participants to be valuable. Participants consider that the offerings are likely to increase their leadership capabilities, their ability to take on more senior roles and their career potential within the Public Service.
Estimated number of participants over five years: 200. Estimated number of participants in 2004/05: as negotiated with the LDC.	Numbers of people in the Executive Leadership Programme are lower than expected, with 41 people in the Programme in June 2005. However, numbers are expected to increase and targets should be reached as a result of expanding the target group and entry criteria to include potential participants earlier in their careers.
Promulgate the standard	
Promulgation of the standard for leadership capability, through the Leadership Capability Profile (LCP), ensuring it reinforces Public Service ethics, values and standards. Monitor and advise on the integration of the standard with Public Service human resource practice, including Leadership Programme activities, and to increase diversity among senior managers.	The LCP appears to be reasonably well understood among human resource managers and chief executives, who consider that it reflects very well the characteristics required to be a senior leader in the New Zealand Public Service. Uses include recruitment, performance appraisal and selection for roles and development programmes.
Report on use of the LCP as a guide for leadership development across the Public Service as part of the June 2005 evaluation.	The LCP is recognised by some departments as having broadly the right content, although some consider it too unwieldy to be used easily. Other departments are using it as a guideline for their own competency frameworks. Explicit and systematic departmental uses include recruitment, performance appraisal and selection for roles and development programmes.

Required results	Service delivery
Report on how ethics, values and standards have been put into effect with the 2004/05 cohorts entering the executive development pool by June 2005.	Integrity and conduct (ethics, values and standards) are part of the LCP and therefore a non-negotiable part of the standard against which current and future leaders are assessed and selected.
Review and align selection competencies for chief executives with the standard.	Phase one of this review has been completed. Phase one compared the content and application of the chief executive competencies with other models and they way they are being used. No changes were made to the chief executive competencies as a result. Phase two of the project will focus on updating the language of the chief executive competencies.
Evaluation of the SLMD Strategy	
An impact evaluation of the SLMD Strategy is carried out by an independent evaluator(s) and a report prepared. Full evaluation of the SLMD Strategy is completed by end of April 2005.	See above.
Tertiary liaison	
Participate in the governance of the Australia New Zealand School of Government (ANZSoG), and in the tertiary alliance with Victoria University of Wellington, to ensure responsiveness to needs of the New Zealand Public Service in curriculum development and delivery. Assist in fulfilling the undertaking to provide sufficient New Zealand participants of the required standard. Report on quality of ANZSoG delivery through participant and stakeholder survey. Report by June 2005 on the ANZSoG programme, including the Executive Masters of Public Administration and the Executive Fellows Programme, which includes recommendations on continuing financial support for the Case Study Unit.	The Tertiary Alliance continues to expand the range of public management offerings that are available for public servants. A range of short courses, forums and workshops were delivered for Public Service departments. Workshops and forums were held for audiences that included both public servants and academics. The ANZSoG programmes are well regarded by participants and awareness of the School is growing. The New Zealand Government's support for the ANZSoG core programmes, Executive Workshops (short courses) and the Case Study Unit will be continued for a further period. Papers were provided to the Ministers of Finance and State Services in December 2004 and January 2005. These resulted in the Government agreeing to extend its commitment to ANZSoG for the next three years.
Public Service Senior Managers' (PSSM) conference	
Organise a PSSM conference that will expose senior managers to new ideas and developments. One conference will be organised for October 2004 for at least 250 senior managers.	The annual conference was held in October 2004 in Wellington and Auckland. It was attended by 426 senior public servants in Wellington, and by 120 senior public servants in Auckland. Preparations were started for the 2005 conference.

Output 2.6: People capability

Required results	Service delivery
Lead strategic human resource management across the Public Service	
Define and develop the wider scope for, and future operation of, strategic human resource management in the Public Service. Develop and complete the current set of Human Resource (HR) Framework projects: • Internships, scholarships and graduate development • Recruitment, development and retention of Māori • Career Learning and Development Service • Work/Life Balance • Remuneration systems, principles and practices • New leave arrangements • Redeployment options. Provide reports to the Minister of State Services on the further development of the HR Framework (policy processes, evaluation framework and change management) by November 2004 and April 2005. Report on the completion of the remaining projects by December 2004 (except where they are subject to new funding bids), for implementation during 2005.	Briefings on the HR Framework programme were provided to the Minister in August 2004 (focusing on graduate promotion and recruitment, including the pilot internship programme), December 2004 and April 2005. In April 2005 a briefing was provided to the Minister and Associate Minister of State Services on Māori in the State Services. The Work/Life Balance resource was launched by the Minister of State Services in April 2005, with follow-up promotion to agencies and collaboration with the Department of Labour on wider workplace pilots. A survey of remuneration systems in departments was completed and the report published on the SSC's website. Guidance on new leave arrangements and redeployment options was completed and published on the SSC's website. Promotion of existing HR Framework products continued throughout the 2004/05 year. A funding proposal was developed for a Career and Learning Development Service, but was not progressed subject to further work on the Excellent State Servants Strategy to be undertaken during the 2005/06 year.

Required results	Service delivery
Human Resource Capability (HRC) information Collect, analyse and report data to better position the Public Service to recruit and retain staff. Provide draft Cabinet paper reporting HRC Survey findings to the Minister of State Services by October 2004. Human resource data analysis and advice provided in response to requests from Ministers, departments and others, in line with HRC Survey protocols. Review disability data by March 2005, with implementation of findings under way by June 2005. Other data analysis and advice provided as required.	The annual HRC Survey was completed and the results reported to the Minister and Cabinet in October 2004. The results were released to departments and a seminar held on Public Service trends. Information from the survey was provided on request to Ministers, departments and the public. A review of the collection of disability data was completed and a draft proposal has been distributed to departments for consultation.
Good employer/equal employment opportunities (EEO) Promote, develop and monitor EEO across the Public Service including: Provide EEO progress report to Minister of State Services by June 2005.	A report was provided to the Minister of State Services on a review of the use of EEO targets for Māori and Pacific people in the New Zealand Public Service. A report on *EEO Progress in the Public Service 2000-2004*: The Data Stories was provided to the Minister of State Services in June 2005, and subsequently published on the SSC's website.
Provide guidance and information on EEO Provide advice on EEO to departments through events such as seminars, networking and brokerage, including supporting the EEO Commissioner on guidance for departments on EEO in Crown entities. One event per quarter. Ad hoc advice as required to the satisfaction of stakeholders, measured by participant feedback.	Advice on EEO was provided to departments through regular presentations at human resource forums, attendance at EEO practitioner meetings, and responses to ad hoc requests (approximately 10 per month). Feedback from departments on the communications and advice has been positive. Liaised with the EEO Commissioner on initial communications to Crown entities and monitoring departments on EEO. Information was provided on the Crown entity sector.

Required results	Service delivery
Career Progression and Development Survey	
Development of a second survey to monitor public servants' perceptions of their career progression opportunities and experience.	A scoping update was provided to the Minister of State Services for the 2005 Career Progression and Development Survey.
Complete fieldwork by June 2005 (in preparation for Public Service report of findings by December 2005).	The fieldwork for the survey was undertaken in March and April 2005, and data processing completed by June 2005. The results will be analysed for the Public Service report due in December 2005.
Employment relations	
Advice on employment relations and human resources activity.	Weekly reports and other briefings as required were provided to the Minister of State Services on employment relations in the State sector.
Weekly report and other briefings to the Minister of State Services.	A stocktake of PfQ uptake by departments was completed and reported on in December 2004.
Lead the adoption of positive workplace relationships through promotion of Partnership for Quality (PfQ) and partnership concepts generally.	A PfQ resource kit for human resource practitioners was developed with the PSA and departmental representatives and published and distributed in May 2005.
Joint report (with the Department of Labour) seeking decision on the establishment of a Partnership Resource Centre provided by August 2004.	A joint report seeking decision on the establishment of the Partnership Resource Centre was provided in August 2004.
Advice on the accountability mechanisms for implementation of Pay and Employment Equity.	Reference to Pay and Employment Equity was included in guidance for departments on developing their Statements of Intent.
Provide draft Cabinet paper to the Department of Labour by August 2004.	A contribution was made to the Department of Labour paper on pilot programmes for Pay and Employment Equity audits. A number of briefing notes were prepared for the Minister of State Services.
	Consultation with departments was carried out to develop a Pay and Employment Equity audit programme. An indicative list of departments to carry out audits was included in a paper to the Ministerial Reference Group in April 2005.
Advice, jointly with the Public Service Association (PSA), on the broadening and deepening of PfQ to the Minister for the October Tripartite Forum meeting.	A joint PSA/SSC work plan to promote broadening and deepening of PfQ was provided to the Tripartite Forum in October 2004.

Required results	Service delivery
Support the Tripartite Forum	
Provide administrative support for the Tripartite Forum.	Administrative support was provided for five meetings of the Tripartite Forum between the Minister of State Services, the PSA and Public Service chief executives.
Oversee the bargaining parameters	
Periodically review and amend bargaining parameters.	The bargaining parameters were updated in consultation with Public Service departments and the PSA. Updated parameters were approved by the Cabinet and distributed to departments and the unions in May 2005.

Output 2.7: International relationships

Required results	Service delivery
Briefing to overseas delegations	
Organisation and provision of presentations and briefings for overseas delegations that meet the SSC's criteria. Estimated number of briefings: 30.	Briefings were given to delegations from Argentina, Australia, Botswana, Brazil, China, Cook Islands, Denmark, Fiji, France, Japan, Korea, Nigeria, Papua New Guinea, Singapore, South Africa, Taiwan and Wales.
Maintain overseas relationships	
Contributions to, and participation in, overseas public management forums, including the biennial Organisation for Economic Cooperation and Development (OECD) Public Management Committee meetings (PUMA) and the Commonwealth Association for Public Administration and Management (CAPAM).	Responses were prepared for the CAPAM institutional members' survey and the service delivery workshop (part of the biennial conference). Recommended, and provided financial support for, New Zealand entries to the CAPAM International Innovation Awards. Attended CAPAM biennial and tenth anniversary conference in Singapore. Support provided to CAPAM's Honorary Treasurer during the strategic review of role and recruitment of new Executive Director. Attended the Public Governance Committee meetings and an OECD working party on Ethics Measurement, and participated in the bureau.

Output 2.8: Ministerial reviews of policies and programmes

Required results	Service delivery
Plan reviews of policies and programmes to check they are targeted on the basis of need not on the basis of race	
Define criteria to assist in the selection of policies and programmes for review.	Selection criteria, a review method and review guidelines were developed and provided to, and agreed with, departments.
Define a method to guide departments about how to undertake reviews.	Terms of reference were agreed with departments for each review.
Monitor departments during the course of reviews.	Regular contact was made with departments and updates provided to the Coordinating Minister, Race Relations as required.
Report regularly to the Minister on progress of the reviews.	In the event, only two tranches were required to report on the approximately 50 reviews. Tranche one was completed by 30 August 2004 and the second tranche was completed by 30 June 2005.
Three tranches of reviews expected.	
Terms of reference agreed on a case-by-case basis.	
Weekly update to the Minister's office about progress.	
First tranche of reviews completed by 30 August 2004.	
Departmental reviews	
Advise on the quality of advice from departments following their completion of reviews.	The Ministerial Review Unit was disestablished on 30 June 2005 on completion of its work.
Provide Ministers with an assessment of the quality of each departmental review along with any recommendations for change.	
Ministers are assured that policy and programmes are effectively targeted on the basis on need.	
Reviews to be completed no later than August 2005.	

Output class 3: Public management policy advice

Description

This output class covers the provision of policy advice to the Government about the public management system, the machinery of government and human resources required to deliver on the Government's key goals over time. This includes:

- establishment of appropriate values and standards of behaviour for the State sector
- advice from an all-of-government perspective
- advice on structure, governance and accountability in the State sector
- advice on developing the people capability of the Public Service and State sector
- provision of advice to the Minister of State Services and the Minister for Information Technology in relation to electronic government
- provision of support to the Minister of State Services for correspondence, parliamentary questions and, as required, responses to select committees.

Statement of cost of services (GST exclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Revenue – Crown	1,501	919	1,237	1,760
Revenue – other	245	316	68	117
Total revenue	1,746	1,235	1,305	1,877
Expenses	1,746	1,235	1,196	1,869
Net surplus	-	-	109	8

This output class was provided within the revised (GST exclusive) appropriated cost of $1.235 million. The final output class cost of $1.196 million represents expenditure of 96.8% against Supplementary Estimates.

Statement of quantity, quality and timeliness of services

The work programme was delivered to the specifications in the *Output Plan 2004/05*, as set out in the tables below. All timelines were met within this output class, unless otherwise stated.

Policy advice delivered under this output class met the performance dimensions set out in the *Output Plan 2004/05*. Other outputs are non-standard and highly tailored, with a significant degree of variation in the processes used to complete them. The quality dimension of service relies on professional judgement and the exercise of discretion, using competencies of analysis and judgement, and a strong dependence on professional knowledge and experience.

Output 3.1: Structure, governance and accountability

Required results	Service delivery
Public Finance (State Sector Management) Bill	
Support for the passage and implementation of the Public Finance (State Sector Management) Bill.	The Public Finance (State Sector Management) Bill was enacted in December 2004 as the Crown Entities Act 2004 and amendments to the State Sector Act 1988 and the Public Finance Act 1989.
Letter of expectations provided to the Minister of State Services to coincide with the select committee report back.	Ministers of Finance and State Services signed out a letter of expectations to statutory Crown entity boards in December 2004.
Updated Board Appointment and Induction Guidelines available when the legislation takes effect.	An updated version of the Board Appointment and Induction Guidelines was drafted and comments received back from targeted reviewers.
Strategic advice	
Research and strategic advice on improving State sector performance.	Shared work on improving Crown entity performance was scoped with the Treasury and the Department of the Prime Minister and Cabinet.
A report scoping methods for measuring existing information and New Zealanders' direct experience of public services by 30 November 2004.	A sample of individual departmental customer satisfaction surveys was collated and analysed in late 2004. Differences in the approach to measurement and target audiences made aggregation of results and generation of conclusions difficult. The development of a new approach to the measurement of New Zealanders' experience started.

Output 3.2: Ministerial services

Required results	Service delivery
Ministerial support, including drafting replies to:	
• Ministerial correspondence, estimated number: 150-250 (including requests for official information).	Draft replies were provided to 62 ministerial letters. Two replies (3%) were delivered outside the required time frame. Responses were provided to 96 requests for official information. Eleven responses (11%) were provided outside the statutory time frame.
• Parliamentary questions, estimated number: 100-150.	Draft answers were provided to 162 parliamentary questions.
• Select committee questionnaires, estimated number: two.	Two select committee questionnaires and two sets of supplementary questions were completed within the required time frame.

Output class 4: Management services

Description

This output class covers a range of residual and other services arising out of Public Service restructuring, required by statute or Cabinet minute, or those that are fully funded by third-party revenue.

Statement of cost of services (GST exclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Revenue – Crown	2,835	4,040	3,544	2,719
Revenue – other	2,707	3,361	3,221	2,315
Total revenue	5,542	7,401	6,765	5,034
Expenses	5,542	7,401	6,266	4,632
Net surplus	-	-	499	402

This output class was provided within the revised (GST exclusive) appropriated cost of $7.401 million. The final output class cost of $6.266 million represents expenditure of 84.6% against Supplementary Estimates. The underspend is mainly attributable to lower actual costs for the Superannuation Subsidy Working Party, delays in the implementation of two promotional activities for the State Sector Retirement Savings Scheme, and an underspend in the Treaty Information Programme. Joint Ministers have approved, in principle, expense transfers relating to the promotional activities for the State Sector Retirement Savings Scheme and the Treaty Information Programme.

Statement of quantity, quality and timeliness of services

The work programme was delivered to the specifications in the *Output Plan 2004/05*, as set out the tables below. All timelines were met unless otherwise stated.

The quality dimension of service for this output class relies on well-articulated production processes and/or meeting professional standards. The quality was maintained throughout the year.

Benefits and other unrequited expenses (GST inclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Mainstream Supported Employment Programme	4,558	4,008	3,734	2,959

The Main Estimates forecast provided for an estimated increase in the number of Mainstream participants as a result of the Programme being extended to the school sector in the 2003/04 financial year. However, the uptake has been lower than expected and the Supplementary Estimates forecast was scaled back to better reflect the trends that have emerged since 2003.

Other expenses incurred by the Crown (GST inclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Settlement of legal liabilities	220	220	15	35
State Sector Employment-Based Superannuation	35,700	48,600	46,286	7,656

The underspend in the appropriation for the State Sector Retirement Savings Scheme is below 5% and is not material compared to the budget.

Output 4.1: Management of legal liabilities

Required results	Service delivery
Legal liabilities Management of the outstanding legal liabilities of the pre-1988 State Services Commission and the former Ministry of Works and Development. For all liabilities: • legal services are demand driven • legal services will be provided to professional standards • legal liabilities are managed so as to minimise the potential cost to the Crown.	The SSC continued to manage the outstanding legal liabilities of the former Ministry of Works and Development in accordance with current recognised professional practices.

Output 4.2: Management of residual records

Required results	Service delivery
Residual records Managing the records of disestablished government departments in accordance with the Archives Act 1957, ISO 15489 and other relevant legislation and standards.	The storage, retrieval, appraisal, retention and disposal of records were carried out in accordance with relevant legislation and standards.

Output 4.3: Mainstream Programme

Required results	Service delivery
Job placement	
Facilitate placement of people with significant disabilities into created positions within the State sector, under the aegis of the Mainstream Programme.	During the year 132 new placements were made, bringing the total on the Programme to 245 by the end of June 2004.
Estimated number of participants taking part in the programme: 210.	
Crown funding for the programme is administered in accordance with the Treasury standards.	
Conduct evaluations of new placements at their commencement, after three months and at six-monthly intervals thereafter.	Placement reviews as at December 2004 showed 99% satisfactory or better.
Management of the Programme is rated as satisfactory or better in at least 80% of the six-monthly progress reviews completed by employing agencies and Mainstream participants.	
Training and induction	
Provide one-day induction workshops for participants, supervisors and placement agencies.	34 workshops for participants, supervisors, placement specialists and placement agencies were provided during the year. The workshops included the provision of information and advice on how to access funding for training, and the intended planned learning opportunities for participants in the Mainstream Programme, supervisors and placement agencies.
Six workshops held for each group.	
Provide all people who attend workshops with Mainstream Programme information and advice about how to access funding for training.	
Programme participants learn about the ethics, values and standards expected of State servants and begin to create their own Employment Dream Action Plans.	
Employers learn how to manage performance and disability issues in the workplace.	
Placement specialists learn how to utilise Mainstream Programme funding to assist their clients into employment.	
Provide individual support for placement pairs (participants and supervisors).	Placement progress reviews were sent out six months from the participant's start date.
Provide formal monitoring of each placement at its commencement, after the first three months and at six-monthly intervals.	
Provide casework support at the request of the participant, supervisor or placement specialist.	

Required results	Service delivery
Training fund allocation Provide assessment of and funding for additional externally provided training. Support on-the-job training for Mainstream participants. In the six-monthly progress reviews at least 60% of programme participants have undertaken either internal, on-the-job or externally provided training.	By the end of the year 72% of participants had undertaken internal training, and 63% had undertaken external training.
Information provision Provide newsletters to all participants and agencies. Newsletters provided quarterly.	Four newsletters were published (July, October and December 2004, and May 2005).

Output 4.4: Public Sector Training Organisation services

Required results	Service delivery
Competency standards registration Registration of unit standards and qualifications that meet the needs of State sector employers and employees, including Māori stakeholders. All unit standards and qualifications due for review will be reviewed: • Estimated number of unit standards: 161. • Estimated number of qualifications: 6. New standards and qualifications identified by the sector will be developed and registered: • Estimated number of new unit standards: 29. • Estimated number of new qualifications: 13. All standards and qualifications will meet New Zealand Qualifications Authority standards. All standards will be fit for purpose, including the needs of Māori stakeholders. All standards and qualifications reviewed within agreed time frames.	The reviews of two qualifications and 22 unit standards were completed and re-registered on the national qualifications framework. A further 160 unit standards and three qualifications were in the review process at 30 June 2005. Eight new qualifications and 20 new unit standards were registered during the year.

Required results	Service delivery
Industry training and Modern Apprenticeship coordination services	
Coordination of industry training and the Modern Apprenticeship Scheme. Contracted targets with the Tertiary Education Commission (TEC) will be achieved within contracted timelines. Reporting requirements and performance requirements, as set out in the contract, will be met.	Industry training targets for the year were exceeded. The Modern Apprenticeship Scheme contract targets were not achieved over the whole year. All contract reporting requirements with the TEC have been met for both contracts.
Public Sector Training Organisation's (PSTO) charter and profile	
Development of a charter and profile for PSTO for 2005-2007. Profile will be negotiated and agreed with the TEC by 30 September 2004.	The PSTO charter and profile for 2005 were both approved by the TEC.
Training brokerage	
Develop new approaches to the brokerage of training across the State sector in association with other parts of the SSC and Leadership Development Centre. Preferred provider accreditation process developed and implemented. Two programmes brokered that involve cross-agency training delivery, that lead to national qualifications, and that meet the needs of the public sector agencies involved. One programme brokered that utilises e-learning technology, that leads to the award of national qualifications, and that meets the needs of the public sector agencies involved. One programme brokered that supports State sector leadership development, and that aligns with Leadership Capability Profile competencies.	Preferred provider and preferred training resources and assessment supplier accreditation process developed and pilot completed. National Diploma in Procurement workshops coordinated in association with the SSC. National Certificate and National Diploma of Intelligence Analysis delivered through the New Zealand Customs Service to a range of State sector agencies. National Certificate in First Line Management coordinated and pilot delivered using blended workplace-based e-learning across a range of State sector agencies.

Output 4.5: Accounting services for government departments

Required results	Service delivery
Provision of accounting services to:	
Serious Fraud Office and the Ministry for Culture and Heritage.	Accounting services provided in accordance with the agreements with the Serious Fraud Office and the Ministry for Culture and Heritage. All of the Treasury's requirements and professional standards were complied with. All deadlines were met and positive feedback was received from clients. Both departments have asked that the services continue in 2005/06.

Output 4.6: Monitoring of the Leadership Development Centre

Required results	Service delivery
Monitoring of the Leadership Development Centre	
Provision of advice to the Minister of State Services on the performance of the Leadership Development Centre.	Advice was provided to the Minister of State Services in the triannual Progress Monitoring Reports on the *Output Plan 2004/05*.

Output 4.7: Treaty information

Required results	Service delivery
Printed information resources	
Production and promotion of printed information material, information kits, research on Treaty stories, a catalogue of Treaty resources and newspaper/ magazine articles, and a review (and possible reprint) of existing information resources. Material is produced on an ongoing basis to high standards set by reputable peer review, disseminated through a wide range of channels, and the impact assessed through various metrics (e.g. website hits, media coverage, feedback).	A set containing three booklets about the Treaty of Waitangi was produced and disseminated. In response to public demand following a national advertising campaign more than 70,000 sets of booklets were distributed on request. A catalogue of Treaty resources was developed in liaison with the National Library of New Zealand. This was uploaded onto the website, and will be updated throughout the life of the programme. Articles were prepared and inserted into newspapers and magazines, including *Migrants Handbook* and *Starters and Strategies* (teachers' magazine resource).

Required results	Service delivery
Electronic resources	
Further development of the existing website, including extension of sections to cover later periods, a Māori website, and a possible "Kid's Corner" or CD Rom/DVD alternative, and a suitable promotion strategy for the above. Extension of material of high standard set by reputable peer review produced for completion of existing website and Māori website by 30 December 2004, and the children's options reviewed, decided on and, if agreed, produced and disseminated to schools. The impact of this material will be assessed through various metrics (e.g. website hits, media coverage, public and stakeholders' feedback).	From the initial launch of the site in April 2004 to the end of June 2005, there were 108,884 unique visitors, 249,555 visits and 10.6 million website hits. The English version of Phase 2 of the website was completed and launched on 18 May 2005. Phase 1 of the Te Reo Māori version of the website was completed and uploaded to the website in January 2005. A tender process was completed for the development of the "Kids Corner"/CD Rom/DVD resource.
Community activities	
Sponsorship of community and other initiatives that promote public knowledge of the Treaty through seminars, workshops (including for media) and hui, an outreach programme to promote the objectives of the Information Programme, and a contribution to an exhibition on the Treaty. A communication strategy will be undertaken to both promote and encourage wide community support for these activities. By the end of the year, 30-50 community Treaty seminars, workshops and hui approved, funded and evaluated, a media workshop held, and three regional visits and 10 speaking engagements undertaken for outreach. Contribution to exhibition evaluated, decided and, if agreed, implemented.	The Sponsorship Scheme was reviewed to assess the degree to which it aligned with the new objectives set by the Government in late 2004 for the programme. By 30 June 2005, six initiatives were funded from the Sponsorship Scheme, including one media workshop. Fliers promoting the Sponsorship Scheme were included with each set of Treaty information booklets throughout June and July 2005, and advertisements were placed in community newspapers in targeted areas. The Human Rights Commission reported that activities supported by the grant throughout 2004/05 include the distribution of information, as well as 15 symposia and 78 community workshops. Planning for the series of community discussions to be held January to April 2006 was undertaken, and providers were engaged to facilitate discussions. A feasibility study for a Treaty Touring Exhibition, developed by Museum of New Zealand Te Papa Tongarewa, National Library of New Zealand and Archives New Zealand, was commissioned. The proposal for a Treaty Touring Exhibition, to be launched in January 2006, was approved in May 2005.

Required results	Service delivery
Advertising and promotion of the Information Programme	
Implement an advertising campaign for the promotion of the Treaty of Waitangi Information Programme activities and resources.	Following approval from the Minister of State Services to undertake an advertising campaign promoting the activities of the Treaty Information Programme, a month-long advertising campaign was launched on 1 June 2005 (after the launch of Phase 2 of the website) to encourage the public to access the website and booklet resources. An 0800 number and service were also established to enable members of the public to order the sets of booklets via telephone.

Output 4.8: State Sector Retirement Savings Scheme

Required results	Service delivery
Advice and reporting	
Advice to the Minister of State Services on policy and implementation issues arising from the review of the scheme launch.	An issues report was provided to the Ministers of Finance and State Services in December 2004. The delay allowed the inclusion of accurate membership statistics and analysis, plus the findings from research conducted into responses to the State Sector Retirement Savings Scheme (SSRSS) from joiners and non-joiners in the Public Service.
Advice on year three and beyond funding.	Briefing notes were provided to the Minister of State Services for the Council of Trade Unions meeting on SSRSS.
Provide issues report (jointly with the Treasury) by October 2004.	A Cabinet paper was provided to the Ministers of State Services and Finance for joint signature, and approved by Cabinet on 1 November 2004. It recommended the establishment of two working parties to look at, respectively, possible extension of the 3% subsidy and extension of the SSRSS to the wider State sector.
Provide Cabinet paper to joint Ministers by December 2004.	The Superannuation Subsidy Working Party reported on progress in April 2005, and met with the Ministers of Finance and State Services to receive guidance on relevant issues prior to consultation with interested parties.
	The Working Party's final report was delivered on 30 June 2005 to the Ministers of Finance and State Services. It made recommendations in relation to options to increase the employer subsidy. A draft Cabinet paper was prepared, for consideration by the Ministers of Finance and State Services.

Required results	Service delivery
Oversight of the Scheme Monitoring Scheme provider performance, discharging the Commissioner's obligations under the specification agreement, provision of ongoing Scheme promotional material to the State sector. Progress reports in December 2004 and June 2005.	The Superannuation Advisory Board was appointed in August 2004. The Board met in September and November 2004 and February and May 2005 to consider quarterly reports from the three providers, to monitor their performance, and to support the State Services Commissioner's obligations under the specification agreements. The Scheme brochure and website and the employer guide were updated in September 2004. A further brochure update was made in June 2005 to maintain currency of the content. An induction leaflet and an Education Service checklist were designed as a result of feedback from agencies. Findings from research on responses to SSRSS in the Public Service were published in January 2005. Similar research for the Education Service was initiated in April 2005. Nine entities in the wider State sector were admitted during the year as participating employers on the basis that they self-fund the employer subsidy. The campaign to encourage members to take up the 3% subsidy was completed in the June quarter 2005. Progress reports were provided to the Minister in December 2004 and June 2005.
Administration of the Scheme Making quarterly reimbursements to eligible State sector agencies of their employer contributions. Approximately 160 reimbursements per financial year. 90% of reimbursements will be made within 10 working days of receipt of invoices from agencies.	The contribution reimbursement process was implemented and refined with input from agencies. The process was on target for reimbursements to agencies that provide valid invoices (including required supporting documentation).

Output class 5: E-government development and operations

Description

This output class covers the development, implementation, coordination and evaluation of e-government initiatives in the State sector as set out in the Government's E-government Strategy.

Statement of cost of services (GST exclusive)

	Main Estimates ($000)	Supp. Estimates ($000)	Actual ($000)	2003/04 Actual ($000)
Revenue – Crown	17,037	17,710	15,442	13,707
Revenue – other	188	244	386	139
Total revenue	17,225	17,954	15,828	13,846
Expenses	17,225	17,954	14,620	13,753
Net surplus	-	-	1,208	93

This output class was provided at a cost of $14.620 million (GST exclusive), which was $3.334 million less than the appropriated cost of $17.954 million. The final output class cost represents expenditure of 81.4% against Supplementary Estimates. The underspend is primarily attributable to direct operating costs relating to the Authentication Project, E-government Operations, and E-government Strategy and Development. Joint Ministers have agreed, in principle, to an expense transfer up to a maximum of $2.197 million for the delivery of the Authentication Project in 2005/06.

Statement of quantity, quality and timeliness of services

The work programme was delivered to the specifications in the *Output Plan 2004/05*, as set out in the tables below.[2] All timelines were met unless otherwise stated.

The quality dimension of service relies on a governance model using an advisory board, project management principles and quality assurance methods. All quality measures were met.

2 Working papers for several of the projects are available on www.e-government.govt.nz.

Output 5.1: E-government Strategy and policy development

Required results	Service delivery
E-government Strategy	
Review *E-government Strategy and Programme*, including an assessment of the fit of the *E-government Strategy* with: • Other government "e" goals (Digital Strategy; Connecting Communities; broadband; Growth and Innovation Framework; education information and communication technologies (ICT); health ICT). • Other government public management goals (Managing for Outcomes etc). • Consideration of the social and cultural implications of e-government, including tikanga Māori and privacy concerns. • Implications for legislation and other legal issues. • Benchmarking against e-government programmes of other OECD countries. Report to the Minister by June 2005 with interim findings to underpin completion of Strategy review by December 2005.	Completion of the review of the *E-government Strategy* was postponed in order to ensure that it took into account the completion of the Digital Strategy and the reorganisation of the SSC around the State Services Development Goals. It is now planned that the work will be undertaken in 2006.
E-government research and evaluation programme, including: • Assess alignment of agency and sectoral strategies with the E-government Strategy. • Assess progress towards achievement of e-government goals. Complete assessment of achievement of 2004 goals and extent of agency alignment with e-government strategy, by October 2004.	The alignment of agency activities was carried out in the context of the assessment of progress towards the 2004 e-government goal and published in the *Ready Access* report.
• A further round of the e-awareness survey. Complete e-awareness round by February 2005.	The e-awareness survey was completed in the fourth quarter of 2004/05.
• Research into the demand for e-government. Complete demand side research, and report on results, by March 2005.	Demand research programme, including large-scale survey of public use of e-government, was published in the *Channel Surfing* report.

Required results	Service delivery
E-government policy	
Contribute to delivering the elements of the Digital Strategy for which the SSC is responsible, including:	
• Develop a "transforming government" awareness programme to address public concerns about an ICT-enabled government: - Develop and implement an awareness programme over the period 2004/05 to 2005/06. - Prepare a report on key issues by June 2005.	The final version of the Digital Strategy did not include provision for an awareness programme. However, work was undertaken on a pilot to promote awareness and uptake of the Government Portal that will assist in the planning of awareness activities in 2005/06.
• Provide advice on key issues of interagency collaboration and local government engagement: - Report on approaches to assessing fiscal, economic and social benefits, and measuring and apportioning fiscal benefits of e-government activities, by June 2005.	Engagement continued with local government on Digital Strategy initiatives.
Provide advice on governance and funding models for e-government activities.	Work was carried out on developing the guidelines for preparing a business case for e-government activities.
Scope and develop advice around the challenges identified in the E-government Strategy. By June 2005, scope issues relating to e-government for business. As required, carry out actions arising from scoping work in 2003/04.	Scoping work was completed, or continued, on a channel strategy, participation, e-government for business, trust and security, and building agency capability.
Complete the feasibility study into opportunities for consolidation and rationalisation of Government ICT infrastructures, and implement the outcome. Complete report to Minister of State Services by August 2004. Further work in this area depends on direction from the Minister following completion of the feasibility study.	The feasibility study was completed and, as a result of its recommendations, the Government Shared Network Project was started.
Provide ad hoc advice on issues affecting e-government, including linkages with other areas of the work of the SSC.	Advice was provided as required.

Output 5.2: E-government infrastructure management and operations

Required results	Service delivery
Internet portal	
Operate, maintain and enhance the government internet portal (www.govt.nz).	The government internet portal (www.govt.nz) was operated according to the charter and the service level agreements.
The Portal Strategy will be revised by June 2005.	The Portal Strategy work was subsumed into the Web Access Strategy project.
The portal will be operated and enhanced in accordance with the performance measures in its service level agreement and the revised Portal Strategy.	
Develop, maintain, and support components developed to support portal and service delivery architecture.	A new version of www.govt.nz was released in December 2004 (Portal 2.1) – functional improvements included ability to link through to all services "owned" by an individual agency; enabling live links from a service record to www.legislation.govt.nz; a much improved layout of the news area; and the ability to limit search results to one organisation. A revised look and feel for www.govt.nz was released in May 2005.
Demonstrate reuse of components by measurement of level of uptake by public sector agencies, with benefits identified (demand driven ongoing activity).	The metadata creation application Metalogue (version 4.0) was re-released in August 2004. The new architectures of both applications also enable more effective portal usage measurement.

Required results	Service delivery
E-government frameworks Operate requirements for operational e-government policies and frameworks including:	
• New Zealand Government Locator Service (NZGLS) and the New Zealand Government Service and Functions thesauri (SONZ and FONZ). NZGLS, SONZ and FONZ will be maintained in accordance with their service level agreements.	NZGLS, SONZ and FONZ were managed according to their service level agreements. In March 2005, version 1.4 of SONZ was released on the e-government website (www.e.govt.nz).
• E-government Interoperability Framework (e-GIF). e-GIF will be managed and maintained in accordance with the performance measures in its governance documentation.	Operational procedures and processes were put in place to develop, maintain and govern interoperability standards. An exemptions process was also put into place. The focus on developing closer relationships with agencies and building people capability, both internally and with agencies, was strengthened. A review of the performance of the e-GIF Management Committee was completed.
• Web guidelines. The web guidelines will be maintained and updated as significant issues arise.	Preparations were made to set up a working group tasked with clarifying what compliance with the web guidelines means. Ongoing technical interpretation was provided to agencies as they prepare to meet the 1 January 2006 deadline for all websites to comply with the Web Guidelines version 2.1. Plans were put into place to conduct a thorough review of the Web Guidelines early in 2006 to determine ongoing support needs.
Service delivery architecture Facilitate service delivery integration within the scope of the service delivery architecture. Identify and prototype common technology components to assist agencies to implement integrated electronic services (ongoing activity). The service delivery architecture will have been developed to include descriptions of the business and infrastructure (technical component) layers and the data layer.	The Public Sector Directory prototype went live and was made available via the Public Sector Intranet. Mail merge functionality was provided for Directory data. Direct access data downloads are now available on request. The processes to maintain Directory data were agreed and are in place across SSC, Archives New Zealand and Ministry of Justice. The Directory of Official Information (DOI) and Directory Interface prototype were trialled and are ready to roll out to agencies. The purpose of the prototype is to make the DOI information collection process more efficient.

Required results	Service delivery
Internet Namespace moderation Moderate the ".govt.nz" Internet namespace. Moderation carried out in accordance with the moderation policy on an ongoing basis.	Ongoing moderation of the "govt.nz" domain names was carried out as required.
Secure Electronic Environment (SEE) Manage, maintain and develop the Secure Electronic Environment (SEE). A secure Intranet for public servants is developed and implemented by 30 June 2005. The shared electronic workspace and secure email are managed and maintained in accordance with the performance measures in its governance documentation.	SEEMail was successfully managed and maintained and a robust and scalable infrastructure built. The goal of excluding dangerous email and ensuring business continuity for member agencies was achieved. Fifty agencies were members of SEEMail Version 2 by June 2005. The SEEMail Version 3 and Securemail Version 1 definition phase was under way throughout the period. The pilot Public Sector Intranet went live in June 2005, with six agencies contributing to it and its promotion well under way across the Public Service and Crown entities. Agencies were supportive and can see the benefit of one place to access key content like the Public Sector Directory, current awareness service from the Parliamentary Library, and information from the Cabinet Office and the SSC. The shared electronic workspace and secure email were managed and maintained in accordance with the performance measures in their governance documentation. Thirty workspaces and six discussion lists were provided in the past year, and currently support information sharing and collaboration for over 3,000 users in 126 government agencies (excluding local authorities). New features are planned for the coming year including the support of sensitive and classified workspaces.

Output 5.3: Syndicated procurement

Required results	Service delivery
Syndicated procurement Promote and coordinate opportunities for syndicated procurement across government. Quarterly report on achievement of critical success factors, including: • opportunities identified • agencies committed • benefits identified.	A training and education programme on best practice for procurement was implemented for procurement practitioners across the State Services. This included a series of seven seminars linked to the Public Sector Diploma in Procurement, workshops on various categories, and networking sessions on procurement-related issues. The training sessions will be extended to Auckland later in 2005, and will continue to be run by the SSC until June 2006. Training sessions were held on best practice procurement for ICT Managers and small or medium sized enterprises (SME) during May and June 2005. Participation in the SME workshops run by New Zealand Trade and Enterprise will continue through to the end of August 2005. Agency feedback from the training and education sessions throughout 2004/05 was very positive. Participation by agencies in syndicated contracts and the numbers of contracts promoted were to target. There are now 50 agencies participating in one or more of the 23 contracts, giving a total of 101 individual contracts from the syndicated procurement programme. In addition, there are a further 24 agencies who are evaluating one or more contracts. The successful budget bid in the 2005 Budget for one more year of funding for the syndicated procurement activity resulted in a need to refocus the efforts into developing a self-sustaining and self-funding procurement community of practice (COP) throughout 2005/06. COP workshops on framework, funding and shared workspace options were held in May and June 2005 to enable early planning for the work programme for 2005/06.

Output 5.4: Authentication of identity

Required results	Service delivery
Component one – accredited standards	
Develop process, data and technology standards for Keys and Credentials – ensuring that alignment with e-GIF and synergies with other work, such as xNAL and the work of the Biometrics forum, is leveraged.	The accredited standards project started in November 2004, and the project scope and development process was defined by February 2005.
Establish and operate appropriate standards research and development function utilising relevant government agencies and external expert forums (ongoing activity).	The project scope includes the development of seven standards, using the e GIF standards development process to adapt existing national and international standards. Work was carried out to enable six standards to be published by April 2006 and to finalise the remaining standard during 2006. After publication the standards will be incorporated into the e-GIF. Resources to undertake research and development were put in place by March 2005. This included recruitment of specialist technical staff and the formation of working groups. The working groups comprise representatives from relevant government and non-government stakeholder groups. Where appropriate, emergent trends and developments, such as the work of the New Zealand Inter-Agency Forum on Biometric Technologies, have been taken into consideration.
Develop and implement an ongoing accreditation process to facilitate agency compliance with the standards. Create accreditation assessment routines and monitoring process. In consultation with key agencies, utilise e-GIF management processes to develop and promote compliance regime by May 2005.	Design of an accreditation process is scheduled for completion by November 2005, with implementation of processes to be undertaken after the publication of the standards in April 2006.

Required results	Service delivery
Component two – Evidence of Identity (EoI) and credential investigation Investigate and report on the potential to combine the EoI processes for authentication with Identity Service's (Department of Internal Affairs) other EoI processes. Provide specific advice to Cabinet on available options; recommend future developments – by March 2005. Research and analyse evolving international and IT industry trends relating to EoI and provide advice to the public sector on these developments. Maintain established relationships with relevant international and IT industry bodies; incorporate significant concept changes into a standards and keys trial as needed.	The March 2005 report back to Cabinet on the opportunities to leverage the Department of Internal Affairs Identity Service's EoI processes was completed as scheduled. The report confirmed that there was potential to leverage existing Identity Service processes to deliver an identity verification service (IVS) for all-of-government. A conceptual design for the IVS and its integration with the Government Logon Service (GLS) has been completed. Development of a business case for the implementation of the IVS is in progress. International research including IT trends relating to EoI has been completed and has been used to inform the IVS design. Relationships with internal and IT industry bodies have been maintained where relevant.
Component three – authentication Advance the resolution of policy issues, in particular legal and liability questions, tikanga, and investigation of synergies between G2P (government to people) and G2B (government to business) all-of-government authentication. Advise Cabinet by March 2005; publish as appropriate.	Ongoing policy support to the programme was provided as required.

Required results	Service delivery
Component four – review bodies and privacy impact assessment Ongoing investigation of the policy and privacy implications of the implementation from the perspective of review bodies. Obtain formal participation agreement of the Privacy Commissioner by August 2004. Maintain liaison with other review bodies, e.g. Office of the Ombudsmen (ongoing activity). Manage independent privacy impact assessment process as needed; advise Cabinet on results; publish as appropriate (ongoing activity).	A privacy impact assessment for the GLS has been completed. A privacy impact assessment of the high level design of the proposed IVS is in progress. The programme has an ongoing relationship with the Office of the Privacy Commissioner and has met with staff from the Office of the Ombudsmen. A staff member of the Office of the Privacy Commissioner was an observer on the Evidence of Identity Standards Working Group.
Component five – shared keys Design, develop, pilot and operationalise shared keys for two to three agencies. Prepare Cabinet business case (October 2004), identifying agency/client benefits and participating agencies. Agree design (June 2005).	A fully functional GLS is being developed. The functionality is being developed in four increments, with the first two stages being delivered in the fourth quarter calendar year 2005 and the remaining two increments due in the first two quarters in 2006. The programme is working with three agencies to adopt the GLS in the initial implementation stage. The programme is developing a business case for the potential roll-out of the service across all-of-government. A draft operational model, including a financial model, has been developed to support the work in identifying suitable agencies.

Statement of accounting policies for the year ended 30 June 2005

Reporting entity

The State Services Commission (SSC) is a government department as defined by the Public Finance Act 1989.

The SSC's financial statements have been prepared in accordance with the Public Finance Act 1989.

In addition, the SSC has reported the Crown activities that it administers.

Measurement system

These financial statements have been prepared on the basis of historical cost.

Accounting policies

The following particular accounting policies that materially affect the measurement of financial results and financial position have been applied.

Budget figures

The budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989.

Revenue

The SSC derives revenue through the provision of outputs to the Crown, and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cost allocation

The SSC has derived the costs of outputs shown in these statements using a cost allocation system that is outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for direct and indirect costs

"Direct Costs" are those costs directly attributed to an output. "Indirect Costs" are those costs that cannot be identified in an economically feasible manner, with a specific output.

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Personnel costs are charged by actual time incurred based on a time recording system.

For the year ended 30 June 2005, direct costs accounted for 76% of the SSC's costs (2004: 78%).

Basis for assigning indirect and corporate costs to outputs

Indirect costs are allocated to outputs in proportion to the number of full–time equivalents involved in the production of each output.

For the year ended 30 June 2005, indirect costs accounted for 24% of the SSC's costs (2004: 22%).

Receivables

Receivables are recorded at estimated realisable value after providing for doubtful and uncollectable debts.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these are expensed in the period in which they are incurred.

Fixed assets

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

Fixed assets, or groups of assets forming part of a network or which are material in aggregate, costing more than $1,000 are capitalised and recorded at historical cost.

Depreciation

Depreciation of fixed assets is provided on a straight–line basis so as to allocate the cost of assets, less any estimated residual value, over their useful lives.

The useful lives and associated depreciation rates for major classes of assets are estimated as follows:

Asset	Depreciation rate	
Furniture, fixtures and fittings	5 years	(20%)
Office equipment	5 years	(20%)
Plant	5 years	(20%)
Motor vehicles	5 years	(20%)
Computer equipment and software	3-5 years	($33^{1}/_{3}$%-20%)

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

Capital work in progress is not depreciated. Depreciation commences when the work is completed and ready for use, at which time it is transferred to the appropriate fixed asset category.

Employee entitlements

Provision is made in respect of the SSC's liability for annual, long service and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay, while the other provisions have been calculated on an actuarial basis based on the present value of expected future entitlements.

Statement of cash flows

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the SSC and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non–current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction.

Financial instruments

The SSC is party to financial instruments arrangements as part of its normal operations. These financial instruments include instruments such as bank balances, accounts receivable and accounts payable. All financial instruments are recognised in the Statement of Financial Position, and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are shown at their estimated fair value.

Goods and Services Tax (GST)

Statements of Departmental and Non–Departmental Expenditure and Appropriations are inclusive of GST. The Statement of Financial Position is exclusive of GST, except for Creditors and Payables and Debtors and Receivables that are GST inclusive. All other statements are GST exclusive.

The net amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is included in Creditors and Payables and Debtors and Receivables (as appropriate).

Taxation

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Taxpayers' funds

This is the Crown's net investment in the SSC.

Changes in accounting policies

There have been no changes in accounting policies, including cost allocation accounting policies, since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.

Statement of financial performance

For the year ended 30 June 2005

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
	Revenue				
32,584	Crown		34,758	37,824	38,394
3,119	Other	1	4,621	3,527	4,752
35,703	**Total operating revenue**		39,379	41,351	43,146
	Expenditure				
13,667	Personnel costs		16,033	13,952	13,725
16,435	Operating costs	2	17,164	23,258	25,158
3,859	Depreciation	3	3,123	3,398	3,400
819	Capital charge	4	733	743	863
2,000	Other expenses		–	–	–
36,780	**Total expenses**		37,053	41,351	43,146
(1,077)	**Net surplus/(deficit)**		2,326	–	–

Statement of movement in taxpayers' funds

For the year ended 30 June 2005

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
10,597	Taxpayers' funds as at 1 July		9,090	9,290	9,090
(1,077)	Net surplus/(deficit)		2,326	–	–
(1,077)	Total recognised revenues and expenses for the year		2,326	–	–
493	Capital contribution		1,512	390	3,387
(923)	Provision for repayment of surplus to the Crown	6	(2,326)	–	–
9,090	**Taxpayers' funds as at 30 June**		10,602	9,680	12,477

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Statement of financial position

For the year ended 30 June 2005

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
9,090	**Taxpayers' funds**		10,602	9,680	12,477
	Represented by:				
	Current assets				
9,305	Cash and bank balances		14,331	6,796	12,400
154	Prepayments		86	55	154
736	Receivables		868	355	755
10,195	***Total current assets***		15,285	7,206	13,309
	Non–current assets				
5,745	Fixed assets	5	4,932	5,752	5,078
5,745	***Total non–current assets***		4,932	5,752	5,078
15,940	**Total assets**		20,217	12,958	18,387
	Current liabilities				
4,503	Creditors and payables		5,497	2,290	4,500
–	Provisions	12	526	–	–
923	Provision for repayment of surplus to the Crown	6	2,326	–	–
665	Provision for employee entitlements	7	619	645	660
102	Revenue received in advance	8	98	35	100
6,193	***Total current liabilities***		9,066	2,970	5,260
	Non–current liabilities				
657	Provision for employee entitlements	7	549	308	650
657	***Total non–current liabilities***		549	308	650
6,850	**Total liabilities**		9,615	3,278	5,910
9,090	**Net assets**		10,602	9,680	12,477

Mark Prebble
State Services Commissioner
28 September 2005

Shareez Farouk
Chief Financial Officer
28 September 2005

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Statement of cash flows

For the year ended 30 June 2005

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
	Cash flow – operating activities				
	Cash was provided from:				
	Supply of outputs to				
32,436	– Crown		34,758	37,824	38,394
496	– Departments		1,122	816	1,177
–	– Net GST receivable		88	2,712	3,554
2,462	– Other		3,388	–	–
35,394			39,356	41,352	43,125
	Cash was applied to:				
	Produce outputs				
13,591	– Personnel		16,187	13,957	13,675
15,337	– Operating		15,593	23,772	25,223
356	– Net GST paid		–	–	–
819	– Capital charge		733	743	863
30,103			32,513	38,472	39,761
5,291	**Net cash inflow from operating activities**	10	6,843	2,880	3,364
	Cash flows – investing activities				
	Cash provided from:				
8	Sale of fixed assets	9	13	14	14
	Cash disbursed for:				
(531)	Advance – e-government initiative		–	–	–
(1,526)	Purchase of fixed assets		(2,419)	(2,552)	(2,747)
(2,049)	**Net cash outflow from investing activities**		(2,406)	(2,538)	(2,733)
	Cash flows – financing activities				
	Cash provided from:				
493	Capital contribution		1,512	390	3,387
	Cash disbursed for:				
(7)	Repayment of surplus to Crown		(923)	–	(923)
486	**Net cash inflow from financing activities**		589	390	2,464
3,728	Net increase/(decrease) in cash held		5,026	732	3,095
5,577	Add opening total cash balance		9,305	6,064	9,305
9,305	**Closing cash balance**		14,331	6,796	12,400

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Statement of commitments

For the year ended 30 June 2005

The SSC has operating lease commitments in respect of accommodation and photocopiers at Auckland and Wellington. The amounts disclosed below as future commitments are based on the current rental rates.

Included below are non–cancellable contracts for computer maintenance, building and computer services totalling $9.820 million at as 30 June 2005 (2004: $1.580 million).

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
	Operating lease commitments	
1,645	Less than one year	331
1,176	One to two years	66
114	Two to five years	–
–	More than five years	–
2,935	**Total operating lease commitments**	397
	Non–cancellable contracts	
1,303	Less than one year	1,500
230	One to two years	1,500
47	Two to five years	4,350
–	More than five years	2,470
1,580	**Total non-cancellable contracts**	9,820
64	**Capital commitments**	1,668
4,579	**Total commitments**	11,885

Statement of contingent liabilities

As at 30 June 2005

There are no contingent liabilities as at 30 June 2005 (30 June 2004: Nil).

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Statement of unappropriated departmental expenditure and appropriations

For the year ended 30 June 2005

There was no unappropriated expenditure in relation to the activities of the SSC for the year ended 30 June 2005 (30 June 2004: Nil).

Statement of departmental expenditure and appropriations

For the year ended 30 June 2005

(Figures are GST inclusive where applicable)

	30/6/2005 Expenditure Actual ($000)	Transfer+ ($000)	30/6/2005 Appropriation Voted* ($000)
Vote: State Services			
Classes of outputs to be supplied by the department (Mode B Gross)			
Public Service chief executive management	1,715	–	2,066
State sector performance management	15,190	(69)	16,560
Public management policy advice	1,359	69	1,389
Management services	7,111	–	8,326
E–government development and operations	16,599	–	20,198
Subtotal	41,974	–	48,539
Appropriation for capital contribution			
Capital investment	1,512	–	3,387
Subtotal	1,512	–	3,387
Total	43,486	–	51,926

* This includes adjustments made in the Supplementary Estimates and transfers under the Public Finance Act 1989.

+ Transfer approved under the Public Finance Act

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Statement of trust monies

For the year ended 30 June 2005

Account	Contribution ($000)	Balance as at 30/6/2005 ($000)
Unlimited Potential Programme Trust	386	386

This trust was established in 2005 to implement the Unlimited Potential Programme in New Zealand. The Programme focuses on improving lifelong learning for underserved young people and adults by providing technology skills through community–based technology. The SSC has been the caretaker lead agency for the training programme pending transfer of the responsibility for the Connecting Communities initiatives from the Department of Labour to the Department of Internal Affairs.

The accompanying policies and notes form part of these financial statements. For information on major variances against budget refer to Note 11 (page 86).

Notes to the financial statements

Note 1: Other revenue

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
450	Sublease rental recoveries		420	435	440
2,150	PSTO services		3,025	2,519	3,150
165	Conference fees		228	190	237
8	Net gain on sale of fixed assets	9	13	–	–
346	Other (reviews, accounting services, etc)		935	383	925
3,119	**Total other and departmental revenue**		4,621	3,527	4,752

Note 2: Operating costs

30/6/2004 Actual $000		30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
6,858	Consultancy	7,865	7,238	7,901
69	Audit fees to auditors for audit of the financial statements	67	58	69
–	Fees to auditors for other services	19	–	–
1,521	Rental and operating leasing costs	1,704	1,538	1,546
7,987	Other operating costs	7,509	14,424	15,642
16,435	**Total operating costs**	17,164	23,258	25,158

Note 3: Depreciation

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
3,239	Computer hardware	2,480	–	2,653
–	Computer software	–	–	48
108	Plant and equipment	85	2,904	84
506	Furniture and fittings	552	488	611
6	Motor vehicle	6	6	4
3,859	**Total depreciation charge**	3,123	3,398	3,400

Note 4: Capital charge

The SSC pays a capital charge to the Crown based on taxpayers' funds at 30 June and 31 December each year. The capital charge rate for the 2004/05 financial year was 8.0% (2004: 8.5%).

Note 5: Fixed assets

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
	Computer equipment and software	
8,991	At cost	9,214
57	Work in progress	1,471
(5,076)	Accumulated depreciation	(7,165)
3,972	**Net book value**	3,520
	Plant and equipment	
739	At cost	772
(527)	Accumulated depreciation	(613)
212	**Net book value**	159
	Furniture and fittings	
2,904	At cost	3,056
(1,349)	Accumulated depreciation	(1,827)
1,555	**Net book value**	1,229
	Motor vehicles	
30	At cost	26
(24)	Accumulated depreciation	(2)
6	**Net book value**	24
	Total fixed assets	
12,664	At cost	13,068
57	Work in progress	1,471
(6,976)	Accumulated depreciation	(9,607)
5,745	**Total carrying amount of fixed assets**	4,932

Note 6: Provision for repayment of surplus to the Crown

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
(1,077)	Net surplus/(deficit)	2,326
2,000	Add: Other expenses (not for production of outputs)	–
923	Net surplus from delivery of outputs	2,326
923	**Total provision for repayment of surplus**	2,326

Note 7: Provision for employee entitlements

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
	Non–current liabilities	
657	Retirement and long service leave	549
657	***Total non–current portion***	549
	Current liabilities	
114	Retirement and long service leave	28
551	Annual leave	591
665	***Total current portion***	619
1,322	**Total provision for employee entitlements**	1,168

Note 8: Revenue in advance

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
70	Salary recoveries	67
32	Sub–rentals	31
102	**Total revenue in advance**	98

Note 9: Net gain/(loss) on sale of fixed assets

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
–	Motor vehicles	7	–	–
8	Furniture and fittings	6	–	–
8	**Net gain/(loss) on sale of fixed assets**	13	–	–

Note 10: Reconciliation of net surplus to net cash flows from operating activities

30/6/2004 Actual ($000)		Note	30/6/2005 Actual ($000)	30/6/2005 Main Estimates ($000)	30/6/2005 Supp. Estimates ($000)
(1,077)	**Net surplus/(deficit)**		2,326	–	–
	Add non–cash items				
3,859	Depreciation		3,123	3,398	3,400
2,000	Asset write–off		–	–	–
21	Increase/(decrease) in non–current employee entitlements		(108)	(2)	–
5,880	**Total non–cash items**		3,015	3,396	3,400
	Add/(less) movements in working capital items				
24	(Increase)/decrease in prepayments		68	–	–
(148)	Increase/(decrease) in creditor Crown		–	–	–
(208)	(Increase)/decrease in receivables		(132)	1	(19)
718	Increase/(decrease) in payables and provisions		1,629	(514)	(5)
55	Increase/(decrease) in revenue in advance		(4)	–	–
55	Increase/(decrease) in current employee entitlements		(46)	(3)	(12)
496	**Working capital movements**		1,515	(516)	(36)
	Add investing activities				
–	Increase/(decrease) in receivables		–	–	–
(8)	Net loss/(gain) on sale of fixed assets	9	(13)	–	–
(8)	**Total investing activity items**		(13)	–	–
5,291	**Net cash flow from operating activities**		6,843	2,880	3,364

Note 11: Major budget variances

Major variances from the Budget Estimates are:

Statement of financial performance

Revenue Crown

Revenue Crown was less than Supplementary Estimates primarily due to underexpenditure in projects as explained under the variance for operating costs.

Personnel costs

When the new initiative funding was received some personnel-related costs were inadvertently included in direct operating costs in the Mains and Supplementary Estimates budget in the Crown Financial Information System resulting in this variance. However, the SSC's Financial Management System accurately reflected the allocation of these costs between personnel and operating. Work is currently under way to align the two systems.

Operating costs

The underspend in operating costs is partially due to the inadvertent allocation of operating and personnel costs as noted above. In addition, the underspends relate to the Authentication Project ($2.197 million), E–government Strategy and Operations ($0.235 million), Treaty Information Programme ($0.363 million), Public Sector Training Organisation ($0.508 million) and corporate support costs ($1.005 million). Joint Ministers have approved, in principle, expense transfers up to a maximum of $3.816 million against the underspend for projects to be completed in 2005/06.

Depreciation

Depreciation is less than Supplementary Estimates due to capital expenditure on information technology projects being lower than forecast.

Statement of movement in taxpayers' funds

Capital contribution

An increased capital injection was approved at Supplementary Estimates for funding of the Online Authentication Project. However, the total capital contribution was not drawn down due to the finalisation of the contract for the delivery of technology infrastructure taking longer than expected. Joint Ministers have approved, in principle, an expense transfer of $1.875 million to the 2005/06 year.

Statement of financial position

Cash and bank balances

The cash and bank balances are higher than Supplementary Estimates primarily due to there being a surplus for the year that will be repaid to the Crown.

Note 12: Provision for restructuring costs

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
–	Provision made during the year	526
–	**Closing balance**	526

Note 13: Financial instruments

The SSC is party to financial instrument arrangements as part of its everyday operations. These financial instruments include instruments such as bank balances, investments, accounts receivable and accounts payable.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the SSC, causing the SSC to incur a loss. In the normal course of its business the SSC incurs credit risk from trade debtors, and transactions with the New Zealand Debt Management Office (NZDMO).

The SSC does not require any collateral or security to support financial instruments with the NZDMO, as this entity has a high credit rating.

Fair value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. The SSC has no significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. The SSC has no significant exposure to interest rate risk on its financial instruments.

Under the Public Finance Act, the SSC cannot raise a loan without Ministerial approval, and no such loans have been raised.

Note 14: Related party transactions

The SSC is wholly owned by the Crown. The Government significantly influences the roles of the SSC as well as being its major source of revenue.

The SSC enters into many transactions with other government departments and Crown entities. These transactions are carried out on an arm's length basis.

Apart from these transactions the SSC has not entered into any related party transactions.

Note 15: Post Balance Date Events

Ministers approved the transfer of the Unlimited Potential Programme Trust to the Department of Internal Affairs on 19 September 2005, with effect from 3 October 2005.

Crown financial statements

Statements and schedules: non–departmental

For the year ended 30 June 2005

The following non–departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the SSC manages on behalf of the Crown. The SSC administered $61.186 million of non–departmental payments, $9.422 million of non–departmental revenue and receipts, $8.000 million of assets and $15.519 million of liabilities on behalf of the Crown for the year ended 30 June 2005. Further details of the SSC's management of these Crown assets and liabilities are provided in the output performance sections of this report.

These non–departmental balances are consolidated into the Crown Financial Statements, and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2004/05.

Statement of accounting policies

For the year ended 30 June 2005

Measurement and recognition rules applied in the preparation of these non–departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

These non–departmental balances are consolidated into the Crown Financial Statements, and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2004/05.

Statement of non–departmental expenditure and appropriations

For the year ended 30 June 2005

(Figures are GST inclusive where applicable)

30/6/2004 Expenditure Actual ($000)		30/6/2005 Expenditure Actual ($000)	30/6/2005 Appropriation Voted* ($000)
	Appropriation for outputs supplied by parties other than the department		
0	Authentication Project	106	106
0	***Subtotal***	106	106
	Appropriation for benefits and other unrequited expenses		
2,959	Mainstream Supported Employment Programme	3,734	4,008
2,959	***Subtotal***	3,734	4,008
	Appropriation for other expenses to be incurred by the Crown		
9,636	Payment and remuneration of chief executives	11,045	11,280
35	Settlement of legal liabilities	15	220
7,656	State sector employment–based superannuation	46,286	48,600
17,327	***Subtotal***	57,346	60,100
20,286	**Total**	61,186	64,214

* This includes adjustments made in the Supplementary Estimates.

Statement of unappropriated expenditure

For the year ended 30 June 2005

There was no unappropriated expenditure in relation to the Crown activities for the year ended 30 June 2005 (30 June 2004: Nil).

The accompanying accounting policies form an integral part of these financial statements and schedules. For a full understanding of the Crown's financial position and the results of its operations for the period, refer to the consolidated audited Crown Financial Statements for the year ended 30 June 2005.

Schedule of revenues and receipts

For the year ended 30 June 2005

(Figures are GST inclusive)

The schedule of revenues and receipts summarises non–departmental revenues that the SSC administers on behalf of the Crown.

30/06/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Supp. Estimates ($000)
	Vote State Services		
	Non–tax revenue:		
8,355	Reimbursement of chief executives' remuneration	9,422	9,404
8,355	**Total Crown revenue and receipts: Vote State Services**	9,422	9,404

The accompanying accounting policies form an integral part of these financial statements and schedules. For a full understanding of the Crown's financial position and the results of its operations for the period, refer to the consolidated audited Crown Financial Statements for the year ended 30 June 2005.

Schedule of expenses

For the year ended 30 June 2005

(Figures are GST inclusive)

The schedule of expenses summarises non–departmental expenses that the SSC administers on behalf of the Crown.

30/06/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Supp. Estimates ($000)
	Vote State Services		
	Outputs supplied by parties other than the department		
0	Authentication Project	106	106
0	***Subtotal***	106	106
	Benefits and other unrequited expenses:		
2,959	Mainstream Supported Employment Programme	3,734	4,008
2,959	***Subtotal***	3,734	4,008
	Other expenses to be incurred by the Crown:		
9,636	Payment and remuneration of chief executives	11,045	11,280
35	Settlement of legal liabilities	15	220
7,656	State sector employment–based superannuation	46,286	48,600
17,327	***Subtotal***	57,346	60,100
20,286	**Total non–departmental expenses: Vote State Services**	61,186	64,214

Schedule of assets

As at 30 June 2005

(Figures are GST inclusive)

The schedule of assets summarises the assets that the SSC administers on behalf of the Crown.

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Supp. Estimates ($000)
	Vote State Services		
	Assets		
	Current assets		
3,551	Cash	8,000	1,667
3,551	**Total non–departmental assets**	8,000	1,667

The accompanying accounting policies form an integral part of these financial statements and schedules. For a full understanding of the Crown's financial position and the results of its operations for the period, refer to the consolidated audited Crown Financial Statements for the year ended 30 June 2005.

Schedule of liabilities

As at 30 June 2005

(Figures are GST inclusive)

The schedule of liabilities summarises the liabilities that the SSC administers on behalf of the Crown.

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)	30/6/2005 Supp. Estimates ($000)
	Vote State Services		
	Liabilities		
9,221	Payables	14,456	35,787
1,108	Provision for employee entitlements	1,063	952
10,329	**Total non–departmental liabilities**	15,519	36,739

Statement of commitments

As at 30 June 2005

There are no commitments as at 30 June 2005 (30 June 2004: Nil).

Statement of contingent liabilities

As at 30 June 2005

30/6/2004 Actual ($000)		30/6/2005 Actual ($000)
10	Legal proceedings	10
10	**Total contingent liabilities**	10

This claim relates to inadequate effluent disposal at Inangahua Junction.

The accompanying accounting policies form an integral part of these financial statements and schedules. For a full understanding of the Crown's financial position and the results of its operations for the period, refer to the consolidated audited Crown Financial Statements for the year ended 30 June 2005.

Statement of objectives – financial performance indicators

Performance indicators for 2004/05

	Unit	2004/05 Forecast (SOI)	Actual
Operating results			
Revenue: other	$000	3,527	4,621
Output expenses	$000	41,351	37,053
Operating surplus/(deficit) before capital charge	$000	743	3,059
Net surplus/(deficit) before other expenses	$000	–	2,326
Resource utilisation			
Physical assets:			
Total physical assets at year end	$000	5,752	4,932
Additions	$000	2,552	2,419
Additions as % of physical assets	%	44	49
Accommodation cost per employee	$000	9	8
Forecast net cash flows			
Surplus/(deficit) on operating activities	$000	2,880	6,843
Surplus/(deficit) on investing activities	$000	(2,538)	(2,406)
Surplus/(deficit) on financing activities	$000	390	589
Net increase/(decrease) in cash held	$000	732	5,026
Human resources			
Staff turnover	%	15	22
Total permanent staff (full-time equivalents – FTE)	No.	167	162
Training as % of hours worked	%	1.8	1.6
Balance sheet ratios			
Current ratio (current assets: current liabilities)		2.4	1.7
Total assets / FTE staff	$000	78	125
Fixed assets / FTE staff	$000	34	31
Taxpayers' funds / FTE staff	$000	58	66

Section 3: Further information

This section of the Annual Report provides further information on the State Services Commission (SSC), and covers the legal responsibilities of the SSC, a glossary of terms and a directory for the SSC.

Legal responsibilities

The SSC administers the following acts and regulations:

- Crown Entities Act 2004 (with the Treasury).
- Fees and Travelling Allowances Act 1951.
- Fees and Travelling Allowances Regulations 1952.
- Government Service Equal Pay Act 1960.
- Ministry of Works and Development Abolition Act 1988.
- Protected Disclosures Act 2000.
- State Sector Act 1988.
- Terralink NZ Limited (Transfer of Employees) Act 1996.

Glossary of terms

The following terms are used throughout this report:

Agencies	A general term for organisations, used most often to refer to organisations in the State sector.
Central agencies	The collective term for three departments: the Department of the Prime Minister and Cabinet, the Treasury and the State Services Commission.
Crown entities	A generic term for a diverse range of entities within one of the five categories referred to in section 7(1) of the Crown Entities Act 2004, namely: statutory entities, Crown entity companies, Crown entity subsidiaries, school boards of trustees and tertiary education institutions. Crown entities are legally separate from the Crown and operate at arm's length from the Responsible or shareholding Minister(s); they are included in the annual financial statements of the Government.
Departments	The generic term for the departments of the Public Service, as listed in the First Schedule to the State Sector Act 1988 (whether their names may be "Ministry", "Department", "Office" or other specific name).
Public sector	The State sector and all local authorities.
Public Service	The 35 departments listed in the First Schedule to the State Sector Act 1988.
State sector	All organisations in the annual financial statements of the Crown (e.g. departments, New Zealand Police, New Zealand Defence Force, Offices of Parliament, State-owned enterprises, Crown entities, and the Reserve Bank).
State Services	State Services are defined in the State Sector Act 1988 as meaning: all instruments of the Crown, whether departments, corporations, agencies or other instruments; and including the education service and the health service; but not including: • the Governor-General • any member of the Executive Council • any Minister of the Crown • any member of Parliament • any corporation listed in the First Schedule to the State-Owned Enterprises Act 1986 (i.e. any SOE) • any university, polytechnic or college of education.

Other definitions can be found on the State Services Commission's website, at www.ssc.govt.nz/Glossary/.

Directory

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Website: www.ssc.govt.nz

E-government website: www.e-government.govt.nz
All-of-government portal website: www.govt.nz
Treaty of Waitangi information website: www.treatyofwaitangi.govt.nz
Government Jobs Online: www.jobs.govt.nz

Public Sector Training Organisation

Level 1, Computerland House
154 Featherston Street
PO Box 10243, Wellington
Phone: +64 (04) 495 1410
Fax: +64 (04) 495 1419
Email address: info@psto.govt.nz
PSTO website: www.psto.govt.nz

Regional Assistant Commissioner, Auckland and Public Sector Training Organisation

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STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Part Three: Remuneration of Public Service and State Sector Senior Personnel

For the year ended 30 June 2005

Part Three: Remuneration of Public Service and State sector senior personnel

This part of the Annual Report is the State Services Commissioner's report on the remuneration of senior personnel in the Public Service and State sector. It is intended to make clear both the extent and the limits of the State Services Commissioner's authority over setting chief executive remuneration in the Public Service and the State sector.

Section 1: Public Service and State sector chief executive remuneration

The State Services Commissioner has a role in setting and reviewing the remuneration of 32[3] Public Service chief executives. For the State sector I also have a role in advising on or approving the proposals of Crown entity boards on the terms and conditions of employment of their chief executives. The State Services Commissioner therefore has a role, direct or indirect, in the remuneration levels of around 152 chief executive positions in the State sector.

The Public Service remuneration policy is designed to provide an environment in which well-qualified leaders and managers are attracted to top roles in the Public Service and to encourage them to perform to meet the objectives of the government of the day.

This policy forms the basis of my advice on chief executive remuneration in the State sector.

The main features of the policy are to:

- link Public Service chief executive remuneration to chief executive remuneration practice in the public sector[4]
- provide flexibility and discretion for the Commissioner to set remuneration within broad boundaries determined by the Government
- link chief executives' remuneration to their performance.

To support the remuneration policy the State Services Commission (SSC) gathers data on the remuneration of chief executives in the public sector through an annual survey. I commented in my last Annual Report on my increasing approval role with Crown entity boards on the remuneration of their chief executives and the impact this had on the data collected for the annual survey. My concern was that I needed to ensure that groups on which I had direct impact were removed from the benchmark market, and that these were balanced with the introduction of some additional public sector chief executive positions on whose remuneration I have limited impact. This change has now been implemented and I am confident that the public sector market is a credible benchmark for setting remuneration policy.

While this group is the most relevant for benchmarking chief executive remuneration, other markets are regularly monitored to see how the public sector fits into the wider picture.

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3 There were 35 departments as at 30 June 2005. However, the State Services Commissioner does not set remuneration for the chief executives of three departments: the State Services Commission, the Crown Law Office and the Government Communications Security Bureau.

4 The State sector plus the organisations of local government in New Zealand collectively make up the "public sector".

Setting annual pay policy parameters – the Public Service

The State Services Commissioner is responsible for the remuneration of Public Service chief executives of those departments listed under the State Sector Act 1988 (excluding those noted in footnote 3). I must manage their remuneration within a budget that has been capped since 2000. I must also exercise judgement about public acceptability of the level of pay received by Public Service chief executives.

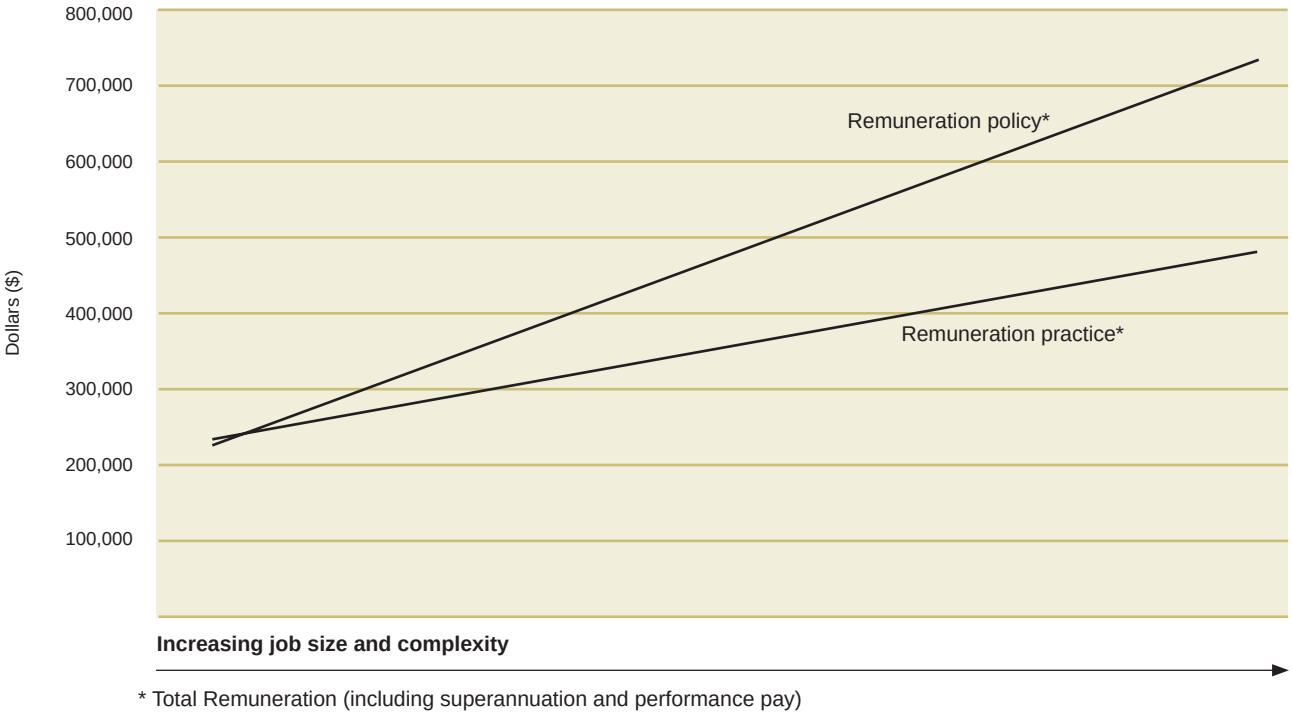
In my previous Annual Report I said that, despite increases in remuneration for most Public Service chief executives from 2002/03 to 2003/04, the increases had not been enough to combat a growing disparity between what is considered reasonable pay for the job in the public sector and that for Public Service positions. Between 2003/04 and 2004/05 I have made further increases. The impact of these increases is shown in the tables following this report. The tables report the remuneration of all Public Service Chief Executives.

Even after these increases Public Service chief executives' remuneration continues to be below pay for equivalent size roles in other parts of the public sector.

The gap is illustrated in Figure 1.

Practice versus policy

Figure 1 - Practice (30/6/05) related to 2005/2006 policy



* Total Remuneration (including superannuation and performance pay)

Figure 1 shows the amount paid to Public Service chief executives against the remuneration policy midpoint line for 2005/06. The "remuneration policy" line is the middle of the remuneration policy range for 2005/06. The "practice line" is the line of best fit through Public Service chief executives' actual total remuneration[5] at 30 June 2005.

5 "Total remuneration" includes actual performance incentives and superannuation.

Those who follow my remuneration reporting will see that Figure 1 has this year been drawn using total remuneration data rather than, as in previous years, remuneration package data which excluded superannuation and performance payments. This is a technical adjustment, within policy, to bring my practice in the Public Service into line with that used in the State sector.

In my last Annual Report I said that I was meeting the policy for those chief executives in smaller positions, but that the remaining two thirds were consistently below the policy line, and the largest jobs between $60,000 and $100,000 below the line.

This year I have been able to meet the policy only in the very smallest Public Service chief executive roles. This is despite my intention to steadily adjust the top salary levels. I am now at a point where I need to give serious consideration to a step change in the levels of remuneration offered to Public Service chief executives. Without this change I believe I will be unable to attract and retain highly competent Public Service chief executives.

Setting annual pay policy parameters – the State sector

Under legislation (primarily the State Sector Act 1988, the New Zealand Public Health and Disability Act 2000, and the Crown Entities Act 2004), about 120 State sector organisations are required to consult with me on the terms and conditions of employment for their chief executives. In the case of tertiary institution and district health board chief executives my approval is also required. Such consultation and approval are required at the time of the appointment or reappointment of the chief executive, along with any variation of the original terms and conditions of employment, including new remuneration proposed following annual remuneration reviews.

The Crown Entities Act 2004 removed the requirement for certain categories of organisation to consult with me on the terms and conditions of employment for their chief executives or managers. These included Crown Research Institutes, Fish and Game Councils and a small number of other organisations. The same Act does, however, "bring in" for consultation Crown entity subsidiaries.

Notwithstanding my statutory role in relation to terms and conditions, quite obviously the Crown entity board or council remains the employer of the chief executive. The board or council has responsibility for recruiting and appointing the chief executive, and for submitting for my consideration the proposed terms and conditions of employment. To assist boards and councils, my staff give advice on the applicable remuneration range for the size of each chief executive position, and any other specific points in question, and generally ensure that government policy is adhered to. A model employment agreement[6] is available for boards and councils to consider before finalising an agreement to meet their particular requirements. Job evaluation is also an integral aspect of the process. It is important that the job size is up to date and accurately reflects the full scope of the chief executive position.

In my report last year, I commented on the difficulty I and my staff often had in reaching judgements on chief executive remuneration in some instances where we may only have peripheral knowledge of the internal workings and business needs of the organisation. While I consider each remuneration proposal on its merits, I must balance the stated needs of the organisation with the requirement to adopt a conservative approach to remuneration setting. Other pertinent factors in the remuneration equation are affordability, fairness, consistency in terms of relativity with other positions in the sector in question, and general appropriateness in the particular circumstances. A major consideration is the government policy requirement that remuneration increase proposals be modest. Clearly, I must consider all of these points, along with my broad overview of the State sector chief executive employment market, as I make my judgements about each individual case.

6 Available from www.ssc.govt.nz.

Each board and council is responsible to appropriately manage the employment relationship, and to monitor and assess the chief executive's performance. While in most cases, at chief executive level, the employment relationship is well maintained, occasionally – and despite best intentions – this can break down. There have been examples in the last year, and I believe it is opportune for me to broadly outline a fundamental expectation of what is appropriate in such cases.

When the employer/employee relationship has reached the stage of irretrievable breakdown there is often a desire by the parties to seek a quick solution to the situation by means of which the chief executive promptly departs the organisation. This has in the past entailed an exit settlement involving non-contractual monetary payment and confidentiality of the same. The board or council when faced with such an employment scenario needs to act prudently, and to be very mindful of their primary responsibility to properly, and transparently, manage and account for public funds.

In May 2002 the Controller and Auditor-General issued a report entitled *Severance Payments in the Public Sector*.[7] The principles and guidelines articulated in that report are still very pertinent, and I would strongly urge any board or council when in such an employment situation to refer to these and to adhere to them.

I am aware that performance payments to chief executives are an issue for some boards and councils. Almost all State sector chief executives have a performance component as part of their remuneration packages, with the only exceptions being a very small number with historical employment agreements.

The performance component is not a "bonus" or an undefined end-of-year windfall for automatic payment to the chief executive. Rather, it is a discretionary component (usually between 10% of base salary and 15% of total remuneration) that is available to the board or council to award in part, or total, upon the chief executive achieving the targets set by the board or council at the commencement of the review period. I consider a discretionary performance component to be a standard and very important factor in chief executive remuneration packages in the wider State sector. It is a good governance measure that focuses boards and councils on the ongoing management of chief executive performance – a fundamental task and responsibility. It assists boards and councils in the expectation and delivery of good performance by, and the requirement for public accountability of, State sector chief executives.

If the governing board or council assesses the performance of the chief executive in a robust, transparent and consultative manner, the process of determining the quantum of the performance component to be paid need not be difficult – for either party. In my experience it is when the process is not managed in such a manner that this aspect can sometimes become fraught. The model employment agreements each contain provisions relating to performance to enable a board or council to set performance expectations, manage performance and deal with problematic performance.

Conclusion

The complexity and responsibility of Public Service chief executive positions should not be underestimated. The jobs are difficult and demanding in ways that are not always apparent to observers in the community. These are big jobs.

I require the most talented leaders to fill these positions. To continue to attract and retain the very best I must be able to offer appropriate and fair remuneration for the size and responsibility of the role. The gap between actual rates of pay for Public Service chief executives and the public sector benchmark policy line continues to widen. I believe this poses a risk to my ability to continue to fill some of the biggest chief executive positions. I will be advising the Government of the risks in allowing this situation to continue.

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7 Available from www.oag.govt.nz.

While it may appear that some of my comments in relation to setting remuneration in the State sector have a cautionary flavour to them, I believe that boards, councils and chief executives work together extremely well and with openness and integrity, and will continue to do so. They rightly have the collective aim of delivering the best possible services to New Zealanders.

Mark Prebble

State Services Commissioner

Remuneration Disclosure Tables

Public Service chief executive remuneration has both fixed and variable components. These are set out below.

Fixed Remuneration

(A) Salary

(B) Motor vehicle (cost deducted from salary)

(C) Superannuation

either: (a) employer contribution to the Government Superannuation Fund

or (b) 10% of (A) above

Variable Remuneration

(D) Performance-related payment of up to 15% of the dollar value of (A) + (B)

The disclosure of Public Service chief executive remuneration is intended to strike a balance between public interest in the remuneration of public officials on the one hand and the privacy of individuals on the other. The remuneration they receive is a matter of public interest. However, the assessment of their performance is a private employment matter. The first two tables in this section of the report attempt to meet these objectives.

Table 1 is the closest approximation to the current "rate for each job". It is made up of the fixed remuneration ((A) to (C) in the box above) at the rate applying during 2004/05, plus any performance payment made in that year ((D) in the box above). It may not be the amount actually received by the chief executive if he or she was not in the job for the full year. But, by annualising the fixed remuneration, it gives a useful picture of the effective pay package for each chief executive.

Table 2 shows the amount actually paid to a chief executive, or acting chief executive, while they held the position during the course of the year. The sums are made up of (A) to (D) in the box above. If the chief executive left during the course of the year, the sum also includes the payment of end-of-contract entitlements. These typically include annual leave not taken at the time of departure and in some cases retiring leave, a Public Service entitlement that pre-dates 1988 and which has been grand-parented in the terms and conditions of some chief executives.

The combination of these two tables gives the public a fair picture of the rates of pay for Public Service chief executives, as well as confidence that any one-off payments, typically around the end of contract, are disclosed.

Table 1: Annual remuneration packages for Public Service chief executive positions as at 30 June 2005, where appointment is made by the State Services Commissioner

Department	30 June 2005
Archives New Zealand	$210,000 to $219,999
Ministry of Women's Affairs	$220,000 to $229,999
Department of Building and Housing	$240,000 to $249,999
Ministry for Culture and Heritage	$240,000 to $249,999
Ministry of Fisheries	$240,000 to $249,999
National Library of New Zealand	$240,000 to $249,999
Ministry of Pacific Island Affairs	$240,000 to $249,999
New Zealand Customs Service	$270,000 to $279,999
Land Information New Zealand	$270,000 to $279,999
Ministry of Research, Science and Technology	$270,000 to $279,999
Education Review Office	$280,000 to $289,999
Serious Fraud Office	$280,000 to $289,999
Ministry of Transport	$290,000 to $299,999
Department of Corrections	$300,000 to $309,999
Ministry for the Environment	$320,000 to $329,999
Department of Internal Affairs	$320,000 to $329,999
Department of Child, Youth and Family Services	$330,000 to $339,999
Ministry of Maori Development	$330,000 to $339,999
Ministry of Defence	$340,000 to $349,999
Department of the Prime Minister and Cabinet	$340,000 to $349,999
Statistics New Zealand	$340,000 to $349,999
Department of Conservation	$340,000 to $349,999
Ministry of Agriculture and Forestry	$360,000 to $369,999
Department of Labour	$360,000 to $369,999
Ministry of Health	$390,000 to $399,999
Ministry of Justice	$390,000 to $399,999
Ministry of Economic Development	$400,000 to $409,999
Ministry of Social Development	$400,000 to $409,999
Ministry of Education	$410,000 to $419,999
Ministry of Foreign Affairs and Trade	$420,000 to $429,999
Inland Revenue Department	$420,000 to $429,999
The Treasury	$420,000 to $429,999

Table 2: Total remuneration received by Public Service chief executives and acting Public Service chief executives appointed by the State Services Commissioner, for the period 1 July 2004 to 30 June 2005

Department	Remuneration band	Effective date[8]
Agriculture and Forestry, Ministry of	$360,000 to $369,999	
Archives New Zealand	$210,000 to $219,999	
Building and Housing, Department of[9]	$160,000 to $169,999	From 1/11/04
Child, Youth and Family Services,	Under $100,000	To 1/8/04 acting
Department of	$300,000 to $309,999	From 2/8/04
Conservation, Department of	$340,000 to $349,999	
Corrections, Department of	$420,000 to $429,999[10]	To 11/2/05
	$110,000 to $119,999	From 12/2/05
Culture and Heritage, Ministry for	$240,000 to $249,999	
Defence, Ministry of	$340,000 to $349,999	
Economic Development, Ministry of	$400,000 to $409,999	
Education, Ministry of	$410,000 to $419,999	
Education Review Office	$270,000 to $279,999[11]	To 12/6/05
Environment, Ministry for the	$320,000 to $329,999	
Fisheries, Ministry of	$230,000 to $239,999[10]	To 19/11/04
	Under $100,000	To 12/12/04 acting
	$130,000 to $139,999	From 13/12/04
Foreign Affairs and Trade, Ministry of	$420,000 to $429,999	
Health, Ministry of	$390,000 to $399,999	
Housing, Ministry of[12]	Under $100,000	To 31/10/04
Inland Revenue Department	$420,000 to $429,999	
Internal Affairs, Department of	$320,000 to $329,999	
Justice, Ministry of	$390,000 to $399,999	
Labour, Department of	$360,000 to $369,999	
Land Information New Zealand	$270,000 to $279,999	
Maori Development, Ministry of	$320,000 to $329,999	
National Library of New Zealand	$240,000 to $249,999	
New Zealand Customs Service	Under $100,000	To 19/9/04 acting
	$210,000 to 219,999	From 20/9/04

8 The "effective date" is the date from which, or up to which, the chief executive / acting chief executive served in the role. Where no effective date is shown the chief executive served the full financial year.

9 The Department of Building and Housing, established on 1/11/04, is the former Ministry of Housing with the addition of other related functions.

10 Includes payment of contractual entitlements at last day of duty. These may include payments of annual leave entitlements due at the last day of duty, and retiring and long service leave provisions grand-parented from previous Public Service terms and conditions. The amount of retiring leave payable at the last day of duty is based on length of service in the Public Service and only applies where an existing entitlement to retiring leave was included in the individual's terms and conditions immediately prior to appointment as chief executive.

11 The Chief Executive of the Education Review Office was on leave without pay from 13/6/05. The State Services Commissioner did not appoint the acting chief executive of the Education Review Office.

12 The Ministry of Housing was renamed the Department of Building and Housing on 1/11/04.

Department	Remuneration band	Effective date[8]
Pacific Island Affairs, Ministry of	$240,000 to $249,999	
Prime Minister and Cabinet, Department of the	$340,000 to $349,999	
Research, Science and Technology, Ministry of	$270,000 to $279,999	
Serious Fraud Office	$280,000 to $289,999	
Social Development, Ministry of	$400,000 to $409,999	
Statistics New Zealand	$340,000 to $349,999	
Transport, Ministry of	$290,000 to $299,999	
Treasury, The	$420,000 to $429,999	
Women's Affairs, Ministry of	$220,000 to $229,999	

8 The "effective date" is the date from which, or up to which, the chief executive / acting chief executive served in the role. Where no effective date is shown the chief executive served the full financial year.

Table 3: Public Service chief executive appointments, reappointments and departures

During 2004/05 four chief executives were appointed under section 35 of the State Sector Act 1988:

Ms Katrina Bach[13]	Department of Building and Housing
Mr Martyn Dunne	New Zealand Customs Service
Dr John Glaister	Ministry of Fisheries
Mr Barry Matthews	Department of Corrections

During 2004/05 three chief executives were reappointed under section 36 of the State Sector Act 1988:

Mr Hugh Logan	Department of Conservation
Dr Karen Poutasi	Ministry of Health
Fuimaono Les McCarthy	Ministry of Pacific Island Affairs

One chief executive was reappointed under section 37 of the State Sector Act 1988 during 2004/05:

Mr Brian Pink	Statistics New Zealand

Three chief executives left their positions during 2004/05:

Ms Katrina Bach	Ministry of Housing	Position disestablished[14]
Mr Mark Byers	Department of Corrections	Retired
Mr Warwick Tuck	Ministry of Fisheries	Retired

13 Previously Chief Executive of the former Ministry of Housing.

14 Appointed to another Public Service chief executive position.

Section 2: Public Service and related organisations

The following two tables provide remuneration information on Public Service and related organisations.

Table 4: Total remuneration received by chief executives and other senior staff under the jurisdiction of the Remuneration Authority

The table below presents the total remuneration received by chief executives or their equivalents under the jurisdiction of the Remuneration Authority. The Cabinet has requested that the remuneration for chief executives of organisations, under the jurisdiction of the Remuneration Authority, that are not listed here is included in the annual reports of those organisations. Remuneration is reported for the financial year 1 July 2004 to 30 June 2005, in $10,000 bands.

Remuneration band[15]	**Organisation**
Under $100,000	–
$100,000 to $109,999	–
$110,000 to $119,999	–
$120,000 to $129,999	–
$130,000 to $139,999	–
$140,000 to $149,999	–
$150,000 to $159,999	–
$160,000 to $169,999	–
$170,000 to $179,999	–
$180,000 to $189,999	–
$190,000 to $199,999	–
$200,000 to $209,999	–
$210,000 to $219,999	Parliamentary Commissioner for the Environment
$220,000 to $229,999	–
$230,000 to $239,999	–
$240,000 to $249,999	Clerk of the House of Representatives
$250,000 to $259,999	Director of the Government Communications Security Bureau
	General Manager of the Parliamentary Service
$260,000 to $269,999	Chief Ombudsman
$270,000 to $279,999	Director of the New Zealand Security Intelligence Service
$280,000 to $289,999	–
$290,000 to $299,999	–
$300,000 to $309,999	Chief Parliamentary Counsel
	Deputy State Services Commissioner[16]
$310,000 to $319,999	–

(Table continued over)

15 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004/2005.

16 The Deputy State Services Commissioner is not a chief executive, but is appointed under section 12 of the State Sector Act 1988.

Remuneration band[15]	Organisation
$320,000 to $329,999	–
$330,000 to $339,999	–
$340,000 to $349,999	Chief of the New Zealand Defence Force
$350,000 to $359,999	–
$360,000 to $369,999	–
$370,000 to $379,999	Controller and Auditor-General
$380,000 to $389,999	–
$390,000 to $399,999	Solicitor-General
	State Services Commissioner
$400,000 to $409,999	–
$410,000 to $419,999	–
$420,000 to $429,999	–
$430,000 to $439,999	Commissioner of Police

15 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004/2005.

Table 5: Number of staff in the Public Service and related organisations who received total remuneration of $100,000 or more in the year from 1 July 2004 to 30 June 2005, excluding chief executives

The information in the following table relates to all those organisations whose chief executives are shown in Table 1, and all those in Table 4, except the New Zealand Police and the New Zealand Defence Force. The relevant information for these two organisations appears in their own annual reports. Some of the organisations had no staff receiving total remuneration of $100,000 or more.

Remuneration band[17]	**Number of staff**
$100,000 to $109,999	528
$110,000 to $119,999	362
$120,000 to $129,999	256
$130,000 to $139,999	206
$140,000 to $149,999	153
$150,000 to $159,999	119
$160,000 to $169,999	92
$170,000 to $179,999	46
$180,000 to $189,999	49
$190,000 to $199,999	25
$200,000 to $209,999	26
$210,000 to $219,999	24
$220,000 to $229,999	11
$230,000 to $239,999	18
$240,000 to $249,999	5
$250,000 to $259,999	5
$260,000 to $269,999	8
$270,000 to $279,999	4
$280,000 to $289,999	2
$290,000 to $299,999	4
$300,000 to $309,999	1
$310,000 to $319,999	1

17 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004/05.

Section 3: Tertiary education sector

The following two tables present similar information to that in Section 2, above, for the tertiary education sector.

Table 6: Total remuneration received by chief executives in the tertiary education sector

The table below presents the total remuneration received by chief executives in the tertiary education sector for the financial year 1 January 2004 to 31 December 2004.

Remuneration Band[18]	**Organisation**	**Effective Date**[19]
Under $100,000	Christchurch College of Education	From 4/10/04
	Eastern Institute of Technology	From 13/9/04
$100,000 to $109,999	–	
$110,000 to $119,999	Manukau Institute of Technology[20]	To 16/5/04
	University of Otago	From 1/8/04
$120,000 to $129,999	Auckland University of Technology[20]	To 4/4/04
$130,000 to $139,999	Te Wānanga o Raukawa	
$140,000 to $149,999	Christchurch College of Education[20]	To 7/7/04
$150,000 to $159,999	Auckland College of Education[21]	To 31/8/04
	Manukau Institute of Technology	From 17/5/04
	Tairawhiti Polytechnic	
	Telford Rural Polytechnic	
$160,000 to $169,999	Aoraki Polytechnic	
	Te Whare Wānanga o Awanuiarangi	
$170,000 to $179,999	Waiariki Institute of Technology	
	Wellington College of Education	
$180,000 to $189,999	Tai Poutini Polytechnic	
$190,000 to $199,999	Bay of Plenty Polytechnic	
	Dunedin College of Education	
	Eastern Institute of Technology[20]	To 10/9/04
	Nelson Marlborough Institute of Technology	
	Otago Polytechnic	From 14/6/04
	Southern Institute of Technology	
	Western Institute of Technology Taranaki	
$200,000 to $209,999	Northland Polytechnic	
$210,000 to $219,999	Whitireia Community Polytechnic	

18 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004.

19 Several chief executives were appointed or left during the year. The "effective date" is the date from which, or up to which, the chief executive served in the role. There are two entries for some organisations that had two chief executives during 2004.

20 Includes payment of contractual entitlements at last day of duty.

21 Auckland College of Education became part of the University of Auckland from 1/9/04.

Remuneration Band[18]	Organisation	Effective Date[19]
$220,000 to $229,999	Auckland University of Technology	From 5/4/04
	Wellington Institute of Technology	
$230,000 to $239,999	Te Wānanga o Aotearoa	
	The Open Polytechnic of New Zealand	
	Universal College of Learning	
$240,000 to $249,999	Waikato Institute of Technology	
$250,000 to $259,999	Lincoln University	
	Unitec Institute of Technology	
$260,000 to $269,999	–	
$270,000 to $279,999	Christchurch Polytechnic Institute of Technology	
$280,000 to $289,999	–	
$290,000 to $299,999	Victoria University of Wellington	
$300,000 to $309,999	University of Auckland[20]	To 30/6/04
	University of Otago[20]	To 31/7/04
	University of Waikato[20]	To 31/12/04
$310,000 to $319,999	University of Canterbury	
$320,000 to $329,999	–	
$330,000 to $339,999	–	
$340,000 to $349,999	–	
$350,000 to $359,999	–	
$360,000 to $369,999	Massey University	

18 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004.

19 Several chief executives were appointed or left during the year. The "effective date" is the date from which, or up to which, the chief executive served in the role. There are two entries for some organisations that had two chief executives during 2004.

20 Includes payment of contractual entitlements at last day of duty.

Table 7: Number of staff in the tertiary education sector who received total remuneration of $100,000 or more in the financial year from 1 January 2004 to 31 December 2004, excluding chief executives

The information in the following table covers all those organisations whose chief executives are shown in Table 6. Some of the organisations had no staff receiving total remuneration of $100,000 or more.

Remuneration Band[22]	Number of Staff
$100,000 to $109,999	402
$110,000 to $119,999	308
$120,000 to $129,999	190
$130,000 to $139,999	87
$140,000 to $149,999	92
$150,000 to $159,999	63
$160,000 to $169,999	34
$170,000 to $179,999	22
$180,000 to $189,999	18
$190,000 to $199,999	10
$200,000 to $209,999	15
$210,000 to $219,999	8
$220,000 to $229,999	2
$230,000 to $239,999	2
$240,000 to $249,999	1
$250,000 to $259,999	1
$260,000 to $269,999	–
$270,000 to $279,999	2
$280,000 to $289,999	–
$290,000 to $299,999	2
$300,000 to $309,999	–
$310,000 to $319,999	–
$320,000 to $329,999	1
$330,000 to $339,999	–
$340,000 to $349,999	–
$350,000 to $359,999	–
$360,000 to $369,999	–
$370,000 to $379,999	–
$380,000 to $389,999	1

22 The sums reported in the table are largely consistent with the requirements of section 211 of the Companies Act 1993. The sums reflect the total remuneration received by the employee in 2004.

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