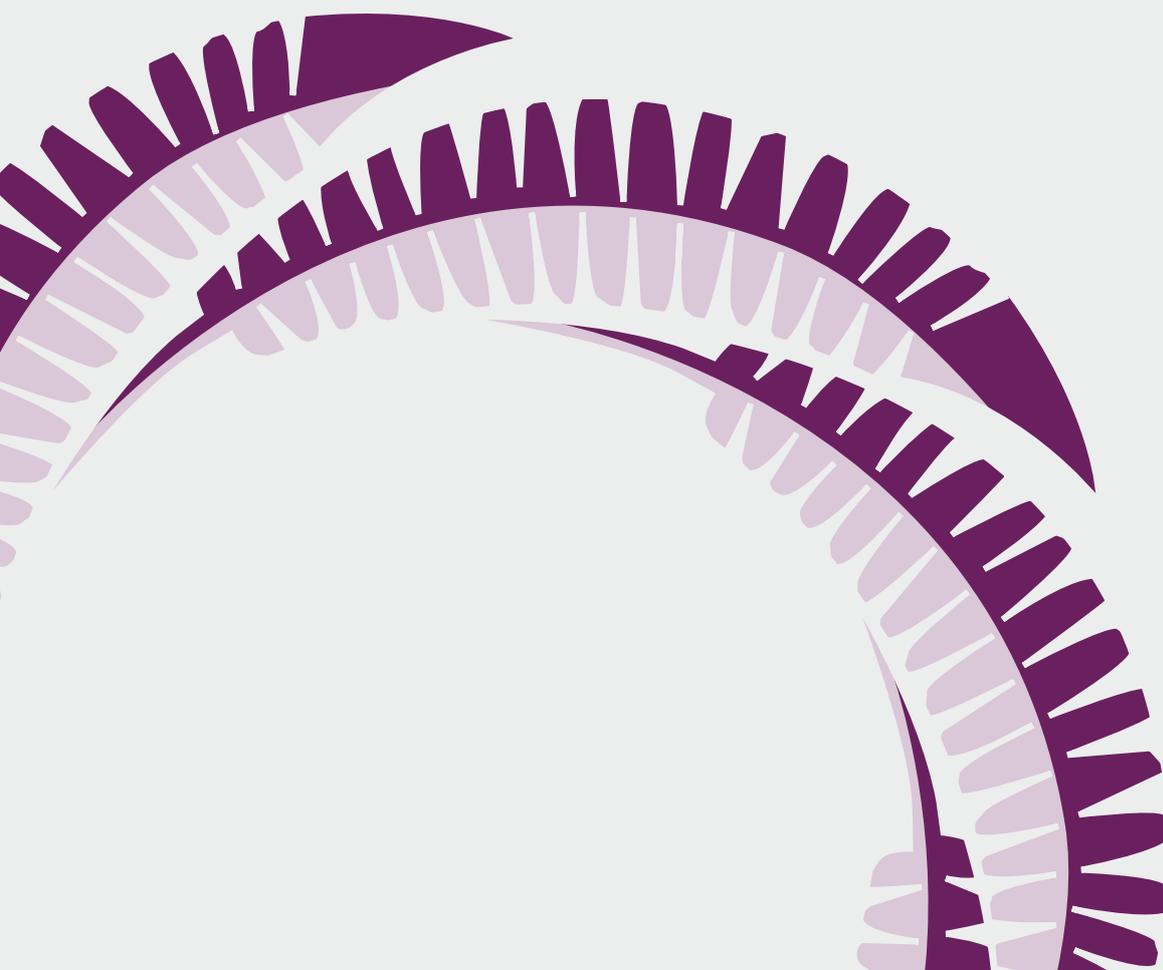




# State Services Commission Annual Report

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For the year ended 30 June 2008



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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 2008. It comprises three parts.

**Part 1** 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 2** 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 3** provides the disclosure of remuneration of Public Service and State sector senior personnel.



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Iain Rennie | State Services Commissioner

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# Part 1

## Annual Report of the State Services Commissioner

### **State Services Commissioner's Annual Report on the State Services**

Provided under the State Sector Act 1988  
For the year ended 30 June 2008

Since the introduction of the Development Goals for the State Services in 2005, the State Services Commission, together with the Department of the Prime Minister and Cabinet and the Treasury, has been working with agencies across the State Services to build a shared understanding of what it means to have 'a system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders'.

As the new State Services Commissioner, I want to stress my commitment to lifting the overall performance and delivery of the State Services through the Development Goals programme, with a particular focus on New Zealanders' experience of their interactions with government.

There are four areas I would like to highlight for attention in the coming year. If there is a common theme, it is improved measurement of our performance and sharing the results so that there is a collective benefit to State Services agencies.

#### **New Zealanders' experience**

In April 2008, the State Services Commission released the results of the first national survey of New Zealanders' experience of government services.

'Public Satisfaction with Service Quality 2007: The Kiwis Count Survey' asked 6,500 New Zealanders what they thought of government services. Sixty-eight percent of respondents reported that they were satisfied with their most recent experience of government services.

These results are very encouraging, and State servants should be proud of what they have achieved. However, this is only the first survey. The value for the State Services is in the improvements we make between this survey and the next in 2009.

The findings in this first survey will provide government agencies with information they need to focus on making the improvements that will have the greatest impact on New Zealanders' satisfaction with government service delivery.

I expect that agencies will use the Common Measurements Tool to continue to track their progress in between the surveys, and to share that information with other agencies to lift their overall performance and New Zealanders' experience of their State Services.

## Value for money

In a tightening fiscal environment, it is imperative that State Services agencies are even more scrupulous in the prudent and efficient use of taxpayer dollars. Increased expectations from Ministers and scrutiny by Parliamentarians and the media is a reminder that we are responsible for using taxpayers' money wisely.

Over the last few years the core Public Service has experienced a significant increase in resources and the Government is looking to see a return on that investment. State Services leaders will need to focus on improving value for money.

A significant opportunity to realize efficiencies across the State Services is through the use of online shared services. Rather than duplicate investment and effort in information and communication technologies, agencies are expected to use the systems like the Government Logon Service and the Identity Verification Service, together known as igovt, which have been developed to exacting standards suitable for New Zealand's security and policy environment.

The inclusion of Value-for-Money as a Development Goal signals this as an area of focus and agency progress will be measured against the milestones.

## Employer of choice

Research in the private sector has indicated a direct link between employee engagement and service excellence. Having more engaged staff within State Services agencies is likely to improve New Zealanders' experience of government services.

In addition to improved service delivery, more engaged employees will also have other benefits across the system. There will be a reduction in turnover and the costs associated with it, leading to improved efficiencies. Similarly, attracting talented individuals to roles in the State Services will be easier, reducing recruitment costs across government.

The State Services Commission will continue to promote employee engagement surveys for government agencies and I expect that more agencies will use the tool and share their results and lessons so that we can identify areas of best practice.

One of the other areas that I want to focus on in my time as State Services Commissioner is the development of leadership across the State Services. This will require the State Services to be more attractive to leaders currently working in the private sector, while ensuring that we develop the leadership talent of all of those currently working in the State sector.

I am committed to seeing the representation in management roles of women, Māori, Pacific, and Asian people increase towards their levels of representation among Public Service employees.

## Trusted State Services

New Zealand continues to enjoy a very high reputation as having a public administration system that is transparent and free from corruption. Transparency International placed us equal first this year in their global survey. The World Bank Governance report issued in late June was similarly complimentary.

Again, to return to a constant theme, we should be encouraged by these results – but we should also be committed in our resolve to continue to improve and to deliver State services that meet New Zealanders' high expectations.

These expectations need to be met as we move towards a general election later in 2008. There can be an increased sensitivity in the relationships, expectations and interactions amongst State servants, Ministers, Members of Parliament, and political parties.

In this election year, as in every year, State servants and State Services agencies must be conscious of the need to be politically neutral and to maintain the trust New Zealanders have in their professional, apolitical State Services.

State servants must be careful, however, to ensure that the ordinary business of government continues in an election year. A heightened awareness of the need to be seen to act with political neutrality does not mean that the day-to-day business of government ceases. I would remind State servants that they take additional care to ensure that their activities, including responding to Official Information Act requests, appointment processes, advertising and promotion campaigns, and the release of discussion documents are not seen, in any way, as anything other than the business of a professional, apolitical State Services.

The Kiwis Count survey found that overall 29 percent of New Zealanders agree that they trust public services, and just under half (49 percent) are neutral about their trust in public services.

Interestingly New Zealanders trust individual public servants and services more highly than public services overall with 67 percent indicating that in their last service experience the public service could be trusted to do what is right.

Less than 25 percent of respondents expressed distrust in public services – signalling a clear imperative for State Services to work on building New Zealanders' trust in their public services.

I expect that agencies will use the Common Measurements Tool to measure the drivers of trust in their agency's interactions with the public and to share those results so that we can make a significant improvement in levels of trust in the State Services.



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Iain Rennie | State Services Commissioner

# Part 2

## Annual Report of the State Services Commission

### Section 1: Chief Executive's overview

#### The role of the State Services Commission

The State Services Commission is the Government's lead advisor on New Zealand's public management system and works with government agencies to support the delivery of quality services to New Zealanders.

The State Services Commission's role is broad and varied. It works with Public Service departments, Crown entities and other State sector organisations to ensure the New Zealand government operates efficiently and effectively.

The State Services Commissioner's statutory roles are to appoint and manage Public Service chief executives, provide leadership across the State Services, investigate and report on matters relating to the performance of the Public Service departments, provide guidance on integrity and conduct to State servants, and promote, develop, and monitor equal employment opportunities policies and programmes for the Public Service. It also leads New Zealand's e-government programme, has a central role in developing State Services people capability and advises the Government on the structure of the State sector, including the allocation of functions between agencies.

#### Strategic context

**In March 2005, the Government agreed the vision for the State Services:**

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

The Government has a clear expectation that State Services agencies will work more closely together to deliver progress on its strategic themes and commitment to sustainability, to contribute to solving complex issues, and to better meet the needs and expectations of New Zealanders.

The Government's strategic themes – *economic transformation, families – young and old and national identity*, underpinned by a focus on *sustainability* – provide strategic direction to our approach.

It is the shared responsibility of the three central agencies – the Department of the Prime Minister and Cabinet (DPMC), the Treasury and the State Services Commission (SSC) – to provide leadership to State Services agencies in realising the Government’s vision. The central agencies have agreed the following shared outcome to guide us in prioritising our work together:

*A high performing, trusted and accessible State sector, delivering the right things in the right way at the right prices.*

The central agencies have a key role to play in lifting performance across the system, aligning the activities of the State Services with the Government’s priorities and making sure Ministers receive the best possible advice to make decisions.

The SSC’s particular contribution is to lead the State sector to world class performance through:

- overview and oversight of State Services delivery
- stewardship of State Services capability
- setting standards of behaviour
- providing guidance on systems and expectations
- appointing chief executives and managing chief executive performance in the Public Service
- advising Ministers
- administering policies
- enquiring and investigating
- service delivery.

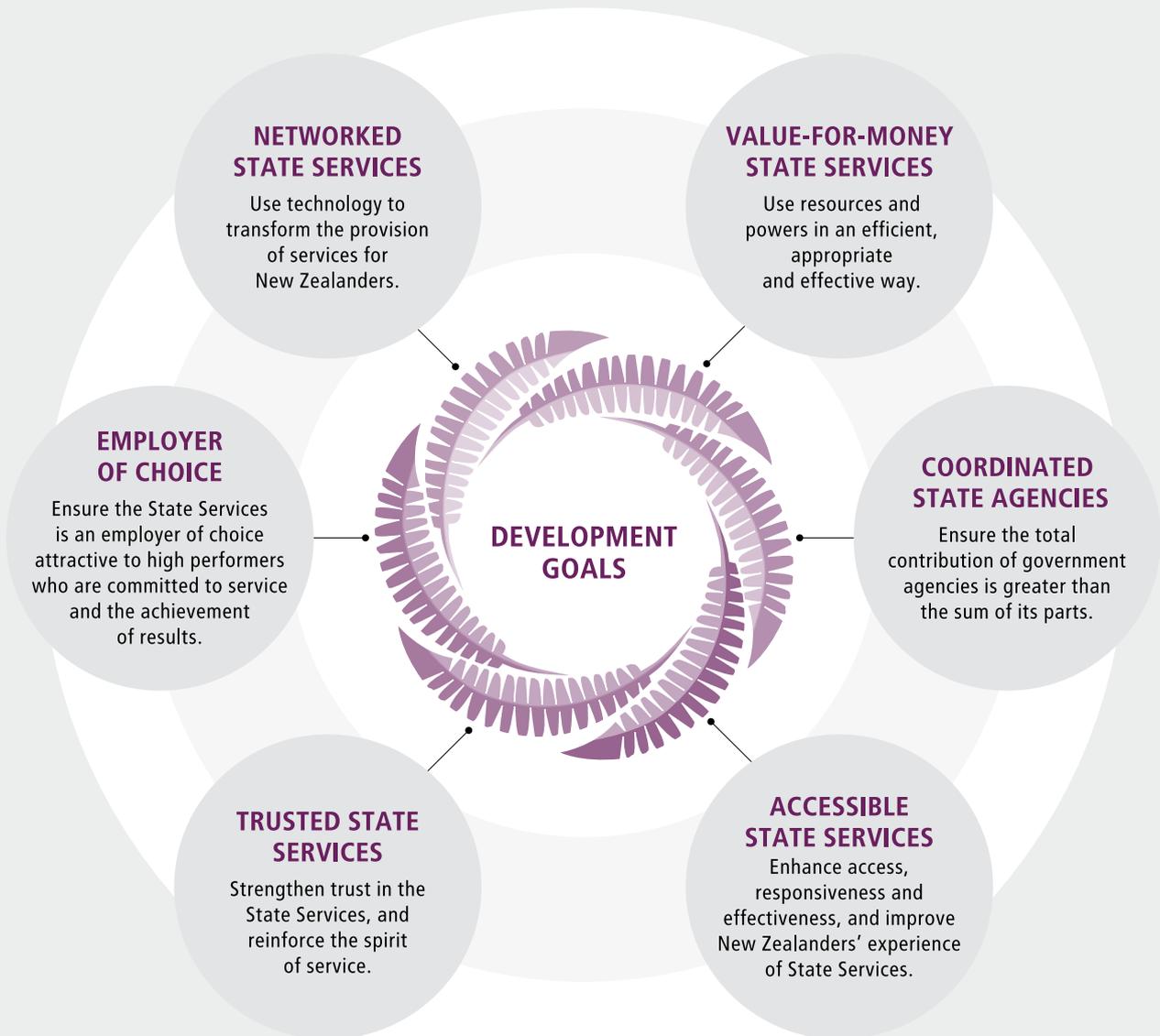
## **The Development Goals for the State Services**

The Development Goals for the State Services, developed by the SSC and launched in 2005 with the support of the Government, provide a framework for how the SSC, together with the Treasury and DPMC, leads and tracks performance improvement. They reflect judgements about the key things that need to change at a system-wide level if we are to advance the Government’s vision for the State Services and meet the needs of New Zealanders.

The second State of the Development Goals Report was published in November 2007. The report includes revised milestones for 2010 and new milestones for 2015 to give further impetus to achieving transformed State agencies. To provide a broader focus, a new goal – Value-for-Money State Services – has been added and the two ‘people’ goals have been merged into one Employer of Choice goal.

## The Development Goals framework

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



## Value for money

The new Value-for-Money goal reflects the Government's and the SSC's increased focus on ensuring that the State sector is effective and efficient in the way it operates and delivers services to New Zealanders. The SSC has undertaken a number of initiatives to improve value for money, including facilitating a consolidated approach to recruitment advertising across the State Services. This aims to decrease the costs associated with print advertising and promotes the use of web channels, in particular the jobs.govt.nz website.

The SSC has also initiated a project to advance the use of video conferencing by government agencies, with the intention of contributing to the Government's goal of reducing State sector travel by 15 percent by 2010. This reduction in travel will have the dual outcome of reducing the State sector's carbon footprint and decreasing the costs of departments working together.

The SSC will continue to focus on delivering value for money over 2008/09 in both its internal operations and through its leadership role in the State sector.

## New Zealanders' Experience Research Programme

This research programme, launched by the SSC in 2006, aims to explore New Zealanders' levels of satisfaction with State Services as well as identify what is important to New Zealanders when they use State Services. It is a multi-year programme run by the SSC, and includes several interrelated research projects such as the Kiwis Count survey and the Common Measurements Tool.

The results of the first national survey of New Zealanders' experience of government services 'Public Satisfaction with Service Quality 2007: The Kiwis Count Survey' were released in April 2008 and have been widely disseminated across agencies. The survey asked 6,500 New Zealanders what they thought of government services, with 68 percent of respondents reporting that they were satisfied with their most recent experience.

Kiwis Count is based on the Canadian government's Citizen's First survey – a programme that has been running since 1998.

The Common Measurements Tool is a key component of the research programme that enables agencies to compare and benchmark the results of their own customer satisfaction surveys with other State Services, both in New Zealand and internationally, with the Kiwis Count national survey. Agencies can also use this tool to measure their progress over time.

Both the Kiwis Count survey and the Common Measurements Tool track satisfaction against the factors, or 'drivers' that have the greatest impact on New Zealanders' satisfaction with services. The results will enable the SSC and agencies to understand client satisfaction with services and the way they are delivered, and will help agencies target resources to where they can have the greatest impact.

To date, several agencies have signed a Memorandum of Understanding to use the Common Measurements Tool including the Police, Customs and Statistics New Zealand. The SSC is encouraging other agencies to follow suit.

## Central agency leadership

*A high performing, trusted and accessible State sector, delivering the right things in the right way at the right prices.*

Central agencies (the State Services Commission, Department of the Prime Minister and Cabinet and the Treasury) share a mutual interest in a high performing, trusted and accessible State sector. Central agencies have a key leadership role to play in aligning the activities of the State Services with Government's priorities and ensuring Ministers receive the best possible advice before making decisions.

An independent in-depth review of the central agencies was completed in 2006. While the review pointed to successes, Ministers agreed they needed more from central agencies, both jointly and separately, if central agencies were going to lift State sector performance.

To improve State sector performance, central agencies must:

- provide effective leadership
- focus on the things that matter and
- work together more effectively.

In 2007/08 the central agencies worked together in a number of areas including:

- Cross-government policy issues – Central agencies provided leadership and support to progress complex issues where the Government expected significant shifts in outcomes. These issues often cross agency and sector boundaries. For example:
  - Schools Plus – Collectively working in support of the Ministry of Education to align government agencies around delivering the Government's Schools Plus programme.
  - Effective Interventions – Continuing to work with and in support of the justice sector agencies to improve outcomes from the criminal justice sector.
- State Services systems improvement – Central agencies worked together to improve systems that would significantly assist the Government to deliver on priorities. For example,
  - Implementation of the Crown Entity Work Programme. This was a joint initiative to assist monitoring departments to improve their advice to Ministers through networking, identifying best practice and introducing a new Crown entities report for Ministers.
  - Collaborative development and implementation of 'Election-year guidance for State servants'.
  - Shared central agency leadership of the State Services Development Goals. The Development Goals are a transformation agenda for the State Services.
- Central agency organisational improvements – Each central agency has better aligned their internal processes to more effectively carry out the shared central agency role. For example,
  - SSC and DPMC providing advice to the Treasury to inform their advice to the Minister of Finance on budget initiatives.

- Treasury and DPMC working with SSC on advice to the State Services Commissioner about the specific organisational requirements prior to appointment of new Public Service chief executives.
- Treasury and SSC working with DPMC to ensure the effort of government agencies is well aligned around the Government's policy priorities.
- all three agencies inducting new staff together, opening up information systems, sharing staff and developing more integrated systems.

### **Feedback**

Independent feedback was sought from stakeholders, in June–August 2008, to assess progress on the central agencies' joint leadership role. Interviews were held with central agency Ministers and 10 State sector chief executives and/or deputies.

### **Ministers**

Ministers reported a satisfactory level of engagement, in line with and appropriate to their roles. Ministers noted that there had been some good attempts at developing a shared view of priority issues for improving State sector performance and examples of coordination and cooperation. However, Ministers thought there was still room for improvement.

### **State sector leaders**

State sector leaders believed central agency leadership had improved over the last year. Historically, the central agencies did not have a shared view of performance, which meant other agencies received mixed messages. Respondents agreed that a lot of work had been done in this area and improvements have been made. This has led to an appetite for more collective alignment between the central agencies. Activities receiving positive comments include the State Services Development Goals, Lominger competency framework, public surveys, value for money and developing a shared view of performance.

Most respondents (chief executives) felt that the central agencies support their agency to achieve the government's objectives. They also felt the central agency link to senior Ministers is useful.

Respondents also felt there was still room for improvement. While there is some coordination, it doesn't always translate into a shared view, particularly around things like Statements of Intent and the Budget. State sector agencies are asking central agencies for more clarity on how the central agencies, collectively, will continue to add value to the wider State sector.

### **Leadership in the State Services**

The SSC is taking a more strategic approach to its business, focussing on chief executive performance management, the work of central agencies and the promotion of Development Goals for the State Services. This has led to structural changes within the SSC to ensure that efforts are focussed on the best way of delivering leadership to the State sector.

Based on a review undertaken in 2007, the SSC's ICT function has been separated into two functions: ICT Leadership, which concentrates on policy leadership, and Government Technology Services (GTS), which concentrates on service delivery. The expectation is that GTS will move to the Department of Internal Affairs on 1 July 2009, and the policy leadership team will remain at SSC as the Government Chief Information Office (GCIO).

This approach enables the effective establishment and uptake of all-of-government ICT and the effective delivery of the SSC's core business.

Based on a similar review, the Mainstream Supported Employment Programme was transferred to the Ministry of Social Development on 1 July 2008 to better align with the Ministry's delivery function and the SSC's role as leaders in the State Services. The programme facilitates employment opportunities within the State sector – Public Service departments and selected Crown entities, including large schools – for people significantly disadvantaged by disability. It provides subsidies to agencies and helps fund training, and installation of specialist equipment.

Because of Mainstream's largely operational focus, it was felt the programme would sit best within a department that works in a similar way and with similar stakeholders and provides more opportunities to expand the programme.

## Performance Management Strategy

Improving Public Service chief executive performance management is a priority area for the SSC, recognising that excellent chief executive performance is pivotal to agencies delivering world class services to New Zealanders. The SSC's multi-year Performance Management Strategy is a key lever in delivering better results in the State sector.

To lead the State Services more effectively, the SSC needs to clearly signal the expectations it has of the State Services and in particular of the Public Service chief executives. The SSC's Performance Management Strategy articulates the vision for performance management: *Managing and supporting chief executive and agency performance to deliver world class services to New Zealanders.*

The strategy sets out four ways in which the SSC can support chief executives:

- Set clear expectations for chief executives and agencies.
- Sustained support for agencies, sectors and the system to lift performance through assessment, technical expertise, promotion of products and tools and working with other central agencies.
- Strengthen the SSC's work with agencies and chief executives through managing relationships and regular engagement.
- Hold chief executives accountable for the Government's objectives and State Services Development Goals.

The SSC will meet these objectives by directing resources into leadership, culture, relationship management and workflow management, core and support processes and technologies.

## Organisational structure

The SSC's organisational structure is designed to ensure strong linkages between work programmes and the Development Goals related to coordination, accessibility and trust in the State Services.

### Performance Management Branch

#### Jenni Norton Deputy Commissioner Performance Management

The branch is responsible for providing leadership in relation to all aspects of chief executive appointment and performance management and for ensuring that the performance management system supports the achievement of all six Development Goals. The Performance Management Branch has overall responsibility for monitoring progress towards and ensuring the achievement of the Development Goals.

The branch is also responsible for developing and maintaining, in conjunction with the Department of the Prime Minister and Cabinet and the Treasury, a set of shared outcomes for the three central agencies.

### System Improvement Branch

#### Helene Quilter Deputy Commissioner System Improvement

The System Improvement Branch has responsibility for working towards the Accessible State Services, Trusted State Services and Coordinated State Agencies Development Goals and is responsible for reporting progress against all the Development Goals.

The branch also provides advice to the rest of the SSC and to State sector agencies on matters relating to public administration, including:

- leading the design and implementation of programmes and initiatives supporting the SSC's leadership role on integrity and conduct matters
- leading the development and application of the Cabinet Fees Framework
- providing advice to the State Services Commissioner and government agencies on machinery of government, accountability and public management.

### Information and Communication Technologies Branch

#### Laurence Millar Deputy Commissioner Information and Communication Technologies, and Government Chief Information Officer

The Information and Communication Technologies Branch has primary responsibility for working towards the Networked State Services Development Goal.

The branch is responsible for:

- providing advice and monitoring of government investments in ICT systems and associated knowledge management matters
- managing and maintaining the e-government strategy and supporting standards and policy programmes
- designing, developing and operating government-wide shared infrastructure and services through the Government Technology Services.

## **People Capability Branch**

### **Peter Brown Deputy Commissioner People Capability**

The People Capability Branch has primary responsibility for working towards the Employer of Choice Development Goal.

The branch is responsible for ensuring the State sector has world-class practices in matters related to the employment and development of public servants and State servants.

The branch is also responsible for the:

- Senior Leadership and Management Development Strategy
- Equality and Diversity policy development, promotion and monitoring
- Employment relations strategy and advice
- Superannuation for the State sector including the State Sector Retirement Savings Scheme and implementation of KiwiSaver in the State sector
- Mainstream Supported Employment Programme (transferred to the Ministry of Social Development from 1 July 2008)
- activities of Learning State – the Public Sector Training Organisation.

## **Corporate Services Branch**

### **John Ombler (Acting) Deputy State Services Commissioner and Deputy Commissioner Corporate Services**

The role of the Corporate Services Branch is to ensure that the SSC has the capability necessary to support and facilitate the achievement of the Development Goals. This includes ensuring that the SSC develops the right organisational culture, and has the necessary resources and appropriate systems and processes in place to deliver the right things at the right time, while meeting its statutory obligations as an employer and Public Service department.

The Corporate Services Branch employs people with specialist expertise in finance and planning, people and organisation development, knowledge and information services, facilities management and communications.

## **Commissioner's Office**

The Commissioner's Office supports the State Services Commissioner. The Legal Section is part of the Commissioner's Office and is responsible for ensuring the Commissioner has ready access to legal advice concerning the exercise of the State Services Commissioner's statutory powers.

## **Organisational capability**

### **Workforce**

The SSC employed a total of 244 employees at the end of June 2008, an increase of 24 from the previous year. At the end of June 2008, staff turnover was 19 percent (a reduction from 24 percent at 30 June last year).

## Employer of choice

The SSC is committed to becoming an employer of choice. Over the past three years the SSC has engaged with the Gallup Organisation to track the level of staff engagement within the SSC through an annual employee engagement survey.

The survey is based on best practice research that has identified the links between employee attitudes and key organisation performance outcomes (employee relations, customer satisfaction/engagement, productivity, safety and profitability). Employers are able to benchmark themselves against other organisations internationally and across sectors, for example the Public Service. The SSC is committed to using the results of the engagement survey to developing staff action plans to build staff engagement.

The overall SSC result for 2008 was 3.86, placing it in the 47th percentile of organisations. The SSC's goal is to be placed in the 75th percentile by 2011.

In addition to the staff engagement survey, the SSC has implemented the Lominger competency framework as part of its role in contributing to the achievement of the Employer of Choice Development Goal. The model has been rolled out to all permanent staff and Lominger competencies are expected to be a key component of staff professional development plans.

The Lominger competency framework will provide a platform for the SSC to recruit, develop and assess staff by effectively identifying the essential skills and behaviours that contribute to success in different areas and levels within the SSC. Lominger also has strong links to employee engagement, supporting the SSC's aim to provide a positive working environment and increase its focus on high performance and staff development.

## Equal employment opportunities/diversity

The revised Public Service Equality and Diversity policy: 'Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy' was launched by the SSC in April 2008. The policy asserts that equality and diversity in the Public Service workforce, as required by the State Sector Act 1988, will enable the best service to the government of the day and to New Zealanders. The SSC supports the implementation of the policy both within SSC and more broadly across the State Services.

## Sustainability

As an organisation that provides leadership across the State sector, the SSC recognises, and is committed to, the importance of having a visible and successful sustainability programme supported by engaged staff.

During 2007/08 the SSC has directed its efforts into four key areas:

- Ongoing improvements to processes and practices to lower waste, emissions and energy usage through improvements to waste management systems and purchasing more energy efficient products where possible.

- Ensuring that the SSC is aligned to and reports against government sustainability initiatives such as the Govt<sup>3</sup> programme, working closely with colleagues across the State sector and in particular with the Ministry for the Environment.
- The SSC's ICT branch is working to accelerate the adoption of videoconferencing by government agencies to increase productivity and reduce costs and travel.
- Educating, engaging and enabling our people to make sustainable choices and to develop sustainable behaviours.

Through delivering in these areas, the SSC is openly demonstrating its commitment to sustainable practice in line with its primary responsibility as a leadership agency within the State Services.

## Changes

The Mainstream Supported Employment Programme, operated from the SSC for the past 32 years, moved to the stewardship of the Ministry of Social Development (MSD) on 1 July 2008. Over the years, Mainstream has made significant impacts on the lives of New Zealanders with disabilities by providing them with work experience opportunities in the public sector. The Mainstream programme has largely an operational focus, which complements MSD's strong policy and delivery platform. This move enables the SSC to focus more on its strategic leadership role in the State Services.

Finally it is appropriate to acknowledge the contribution that the retiring State Services Commissioner Mark Prebble has made to the SSC and the wider State Services. Mark has 30 years' Public Service experience including working in senior roles for the Treasury, the Department of the Prime Minister and Cabinet, and the SSC. Since his appointment in May 2004, Mark's time as Commissioner saw the development of a number of significant initiatives, in particular the development and launch of the Development Goals for the State Services, an increased emphasis on setting standards of integrity – including the issue of the Code of Conduct for the State Services – and initiating a new work programme that measures the effectiveness of government agencies in meeting the needs of New Zealanders.

Mark's enthusiasm, integrity and passion for the role of the State Services will be missed. We wish him all the best for the future.




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**Iain Rennie** | State Services Commissioner

## Section 2: Performance

### Introduction

This section of the Annual Report sets out 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 four classes of outputs that the SSC produces.

The third series of financial statements sets out the accounting policies, statements of 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.

### Statement of responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the State Services Commission, 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 2008.



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**Iain Rennie** | State Services Commissioner  
10 September 2008



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**Mandy Simpson** | Chief Financial Officer  
10 September 2008

AUDITOR'S  
**REPORT** FOR THE YEAR ENDED 30 JUNE 2008

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**To the readers of the State Services Commission's Financial Statements and Statement Of Service Performance for the year ended 30 June 2008**

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 on his behalf. The audit covers the financial statements, statement of service performance, and schedules of non-departmental activities included in the annual report of the Commission for the year ended 30 June 2008.

**Unqualified Opinion**

In our opinion:

- The financial statements of the Commission on pages 63 to 92:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - > the Commission's financial position as at 30 June 2008; and
    - > the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 22 to 62:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - > its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - > its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.
- The schedules of non-departmental activities on pages 93 to 97 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Commission on behalf of the Crown for the year ended 30 June 2008.

The audit was completed on 10 September, 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 Chief Executive and the Auditor, and explain our independence.

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## 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 and statement of service performance 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 and statement of service performance. 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 and statement of service performance. 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 and statement of service performance disclosures are adequate.

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

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

## Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies

managed by the Commission on behalf of the Crown for the year ended 30 June 2008. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of 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 during the reporting period in the areas of project governance and project management and in September 2007 one staff member was seconded to the Commission to assist with the documentation of the security aspects of the IT Security Management project.

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.



John O'Connell  
Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

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## Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the State Services Commission (the Commission) for the year ended 30 June 2008 included on the Commission's website.

The Commission's management is responsible for the maintenance and integrity of the Commission's website.

We have not been engaged to report on the integrity of the 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 and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. 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 statement of service performance as well as the related audit report dated 10 September to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

## Statement of objectives and service performance for the year ended 30 June 2008

This statement of service performance records required results and services delivered for each class of outputs detailed in the State Services Commission Statement of Intent 2007–10 as required by section 45 of the Public Finance Act 1989. The State Services Commission Statement of Intent 2007–10 is available at [www.ssc.govt.nz/soi2007](http://www.ssc.govt.nz/soi2007).

### Service performance measures

The following performance standards apply to all output classes unless otherwise specified.

#### Performance measures for quantity and coverage

The tables that follow specify the quantity and nature of advice and services supplied within each output class against the specifications of the State Services Commission Statement of Intent 2007–10.

#### Performance measure for quality

The SSC has put in place internal processes to ensure the quality of its policy advice. These include rigorous internal and external peer review and consultation within the organisation and with relevant external agencies. All policy advice prepared during the year was peer reviewed against the standards below before being sent to a Minister.

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 is free of spelling and grammatical errors.

### Specific quality measures

The State Services Commissioner ensures that Public Service chief executives are treated in accordance with the provisions of the State Sector Act 1988 and 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.

### Performance measure for timeliness

The timeframes specified in the following tables were agreed between the Minister of State Services and the State Services Commissioner to ensure the following:

- Advice was delivered within the agreed and/or statutory timeframes so that the Minister had sufficient time to consider the issues and take appropriate action.
- Ministerial correspondence, Parliamentary questions and Official Information Act requests were responded to within agreed and/or statutory timeframes.
- The SSC responded appropriately to requests for attendance at Parliament during debates and at Cabinet and select committee meetings.

Where agreed timelines were not met, as identified in the tables, extensions were formally requested.

### Statement of quantity, quality and timeliness of service delivery

All work programmes were delivered to the specifications of the State Services Commission Statement of Intent 2007–10 and set out in the following tables. All timelines and quality standards were met unless otherwise stated.

All statutory requirements were complied with. Many of the SSC outputs, including policy advice and the delivery of services including Public Service chief executive appointments and reappointments, are non-standard and highly tailored, with a significant degree of variation required in the processes used to complete them. In these circumstances, delivering a quality service depends on competent analysis and the application of professional knowledge and experience. The exercise of discretion and sound professional judgement are frequently required.

## Output Class One: State Services People Capability

This output class provides for the SSC's leadership role in enhancing productivity in the State Services through improved people management practices. It includes the development and leadership of programmes designed to:

- ensure the State Services is an employer of choice to high achievers with a commitment to service
- develop a strong culture of constant learning in the pursuit of excellence.

The activities delivered within this output class contribute to the Employer of Choice and the Excellent State Servants Development Goals.

### Statement of cost of services (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Continuing Activities	Discontinued Activities	Total Actual
\$000		\$000	\$000	\$000	\$000	\$000
8,614	Revenue Crown	7,450	7,467	6,633	484	7,117
818	Revenue departments	1,034	871	1,097	6	1,103
3,845	Revenue other	3,706	4,799	4,337	-	4,337
13,277	Income	12,190	13,137	12,067	490	12,557
12,340	Expenses	12,190	13,137	11,751	490	12,241
937	Net surplus	-	-	316	-	316

This output class was provided at a cost of \$12.241 million, which is \$0.896 million less than Supplementary Estimates. Approval has been obtained to carry forward \$0.860 million of the unspent appropriation to 2008/09 to complete work on initiatives that contribute to the achievement of the Employer of Choice Development Goal (\$0.350 million funded by revenue Crown) and for the Public Sector Training Organisation (PSTO) to complete work on two new programmes for the State sector in response to identified sector training needs (\$0.510 million funded by the Tertiary Education Commission). The appropriation for this output class was increased by \$0.947 million in the Supplementary Estimates due to expense transfers from 2006/07 to 2007/08 (\$0.620 million), forecast increase in cost of contributions to the State Sector Retirement Savings Scheme (0.048 million), increase in baseline (\$0.150 million) for administration of KiwiSaver State sector employer compulsory contribution recoveries and fiscally neutral adjustments (\$0.529 million) offset by an expense transfer from 2007/08 to 2008/09 (\$400 million). The discontinued activity is in respect to the Mainstream Supported Employment Programme. The management of, and staff and funding for, the Mainstream Supported Employment Programme was transferred to the Ministry of Social Development (MSD) with effect from 1 July 2008. A net asset transfer of \$5,041.00 will be made between SSC and MSD. In respect to the staff transferred, SSC will compensate MSD \$35,562.95 for the vested leave liabilities as at 30 June 2008.

### Benefits and other unrequited expenses (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Continuing Activities	Discontinued Activities	Actual
\$000		\$000	\$000	\$000	\$000	\$000
3,100	Mainstream Programme	4,566	3,566	-	3,566	2,779

The actual subsidised cost is dependent upon the nature of placements (part-time or full-time and period of employment), number of participants and levels of training support and other disability-related employment assistance required. The funding for the Mainstream Supported Employment Programme was transferred from Vote State Services to Vote Social Development (administered by the Ministry of Social Development) from 1 July 2008.

### Other expenses incurred by the Crown (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
89,567	State Sector Retirement Savings Scheme	102,093	99,675	97,780
-	- KiwiSaver: State sector employer contributions	-	1,000	301
-	- Settlement of legal liabilities	196	196	-
10,000	School of Government contribution	-	-	-

The increase in expense from 2006/07 to 2007/08 is due to the growth in membership prior to the scheme being closed for new members and member salaries.

A new appropriation has been established from 2008/09 to fund State sector employer compulsory contributions to KiwiSaver from April 2008.

No claims were made against the appropriation for settlement of legal liabilities, and there are currently no contingent liabilities associated with it.

Provision of one-off grants to the Australia and New Zealand School of Government (\$6 million) and Victoria University of Wellington School of Government (\$4 million) were made in 2006/07 to help secure the futures of both these schools.

## Service Performance: Output Class One

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### Outputs to be delivered

### Service delivery

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#### Promoting the State Services as an employer of choice

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| <ul style="list-style-type: none"> <li>• <b>The SSC will use its knowledge of perceptions of the State Services as a place to work to support a pilot group of six State Services agencies in developing their employment brands. Results of the pilot study may be used to support development of a sector employment brand.</b></li> <li>• <b>Relaunch the updated New Zealand Government Jobs website (<a href="http://www.jobs.govt.nz">www.jobs.govt.nz</a>).</b></li> </ul> | <ul style="list-style-type: none"> <li>• To deliver a more effective brand presence SSC has focussed on an all of Government employment brand rather than fragmented individual agency brands. Central to this work has been an emphasis on value for money in the recruitment advertising area through promotion of the <a href="http://jobs.govt.nz">jobs.govt.nz</a> website and planning for the development of initiatives including consolidated recruitment advertising across agencies.</li> <li>• The updated website was successfully re-launched in August with a corresponding increase in web traffic. The site received approximately 530,000 visits for the period 1 April to 30 June 2008.</li> <li>• Improvements to the functionality of the website have enabled advertisers to monitor and report on the number of times jobs are accessed and applied to, syndication of the Government Jobs website to the Government Portal website and video content on the site to profile agencies and their employees.</li> </ul> |
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#### Building productive, engaged workplaces

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| <ul style="list-style-type: none"> <li>• <b>Provide implementation support to a target of five State Services agencies that commit to using a suitable employee engagement tool in 2007/08.</b></li> </ul> | <ul style="list-style-type: none"> <li>• At 30 June 2008 20 agencies had completed engagement surveys.</li> <li>• SSC is supporting the implementation of the employee engagement tool by developing support material for agency use, using a cohort based approach to participation to maximise shared learning across agencies, as well as supporting agencies through a relationship management model.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• <b>Complete agreed actions in the project plan developed with the Department of Labour and Public Service Association to promote the implementation of workplace productivity initiatives.</b></li> </ul> | <ul style="list-style-type: none"> <li>• All actions set out in the action plan were completed.</li> <li>• The actions implemented were: the planning and organising of the P3 Conference held on 17/18 July 2008, the identification of departments and productivity projects, establishing ongoing monitoring of projects and reporting to the Tripartite Forum on further productivity/public value initiatives and projects.</li> <li>• The development and publication of the State Services Workplace Productivity Toolkit in collaboration with the Department of Labour that was subsequently launched at the P3 Conference. The toolkit is being promoted through SSC engagement with agencies, for example, the HR forum, and State Services Performance Specialists.</li> </ul> |
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**Diversity, equal employment opportunities and pay and employment equity**

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| <ul style="list-style-type: none"> <li>• <b>Launch the revised Equal Employment Opportunities/Diversity Policy and supporting tools.</b></li> <li>• <b>Continue joint work with the Human Rights Commission.</b></li> <li>• <b>Continue to work with the Department of Labour to provide leadership and advice to Public Service agencies on implementation of Phase 1, and the introduction of Phase 2, of the Pay and Employment Equity Plan of Action.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The revised Equality and Diversity policy was launched in April 2008. The policy and guidance have been promoted at the HR Forum, EEO Practitioners Network and in discussions with individual agencies. They are available on SSC's website at <a href="http://www.ssc.govt.nz/eo">www.ssc.govt.nz/eo</a>.</li> <li>• Regular joint meetings have been held with the Human Rights Commission to discuss our respective work programmes on EEO and diversity. This has included planning and alternately taking responsibility for running quarterly EEO practitioner meetings.</li> <li>• SSC has continued to advise and work with the Department of Labour on accountability mechanisms for the plan and on progressing pay investigations arising from Pay and Employment Equity Plan reviews.</li> <li>• SSC provided a range of advice to agencies including Pay and Employment Equity data reports to departments, contributions to the development of the Equitable Job Evaluation tool and the guidance for implementing the Gender Inclusive Job Evaluation standard.</li> <li>• As part of its leadership role SSC coordinated the November Public Service report to the Minister on progress in Pay and Employment Equity.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• <b>Implement the Partnership for Quality work plan agreed with the Public Service Association and, where appropriate, the Department of Labour.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The priority activities in the joint work programme have been implemented. These are:             <ul style="list-style-type: none"> <li>– Development and implementation of Common Leave Provisions in Public Service Collective Agreements for implementation by 1 July 2009. Work with the PSA and departments to finalise a second set of Common Employment Provisions will be completed end of August and consultation on a third set of common provisions is underway.</li> <li>– Workplace Productivity initiatives (Toolkit and Conference) implemented in July 2008.</li> </ul> </li> <li>• In addition, the following have been implemented or progressed.             <ul style="list-style-type: none"> <li>– Consultation with PSA on wage-related budget bids and KiwiSaver in the State sector.</li> <li>– Monitoring and support for agencies implementing pay and employment equity reviews.</li> </ul> </li> <li>• Joint work has yet to start on:             <ul style="list-style-type: none"> <li>– Contributing to government agencies joint programme on the ‘future of work’.</li> <li>– Implementing work/life balance initiatives.</li> </ul> </li> </ul> |
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**Public Service labour market information**

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| <ul style="list-style-type: none"> <li>• <b>Complete the annual Human Resource Capability survey and report its findings to the Minister of State Services by 31 October 2007.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The 2007 Human Resource Capability survey was completed and its findings reported to the Minister of State Services on 19 October 2007. A report on the survey is available at <a href="http://www.ssc.govt.nz/hrc-survey-2007">www.ssc.govt.nz/hrc-survey-2007</a>.</li> </ul> |
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**Ongoing operation of the State Sector Retirement Savings Scheme**

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| <ul style="list-style-type: none"> <li>• <b>Provide advice to the Minister of State Services on the development of the State Sector Retirement Savings Scheme (SSRSS).</b></li> </ul> | <ul style="list-style-type: none"> <li>• SSC provided advice for Ministers’ decisions on implementing KiwiSaver in the State sector and implications for SSRSS. Decisions to fund employer contributions for KiwiSaver for the State sector and to continue funding employer contributions for the SSRSS within prescribed limits were announced on 19 December 2007.</li> </ul> |
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Outputs to be delivered	Service delivery
<ul style="list-style-type: none"> <li>• <b>Manage the agreements with State Sector Retirement Savings Scheme providers.</b></li>   <li>• <b>Ensure the State Services Commissioner meets his obligations as promoter of the State Sector Retirement Savings Scheme.</b></li>   <li>• <b>Ensure that communications are compliant with securities legislation.</b></li>   <li>• <b>Monitor the allocation of funding to reimburse approved employers for employer contributions to the State Sector Retirement Savings Scheme.</b></li> </ul>	<ul style="list-style-type: none"> <li>• In February 2008 the State Services Commissioner gave notice to the SSRSS providers to close the SSRSS offer to new members and of other changes to reflect the KiwiSaver legislation (as it affects existing schemes) and Ministers' decisions.</li>   <li>• The Superannuation Advisory Board reviewed provider performance against contractual requirements each quarter.</li>   <li>• Supplies of all promotional materials were maintained and updated to reflect changes in the SSRSS.</li>   <li>• The SSRSS website now carries selected savings information for all State sector employees.</li>   <li>• All SSRSS publications issued by SSC in 2007/08 received independent legal review to ensure compliance with securities legislation and obligations of the State Services Commissioner.</li>   <li>• All quarterly invoices from employers were reviewed and where necessary adjustments were requested prior to payment.</li> </ul>

### Mainstream Supported Employment Programme

<ul style="list-style-type: none"> <li>• <b>At least 230 people participate in the Mainstream programme in 2007/08.</b></li>   <li>• <b>At least 80 percent of programme reviews completed by employing agencies and Mainstream programme participants rate programme management as satisfactory or better.</b></li>   <li>• <b>Evaluations of new placements are conducted at commencement, after three months and at regular intervals thereafter.</b></li> </ul>	<ul style="list-style-type: none"> <li>• As at 30 June 2008, the Mainstream programme was supporting 218 participants. Participation has been adversely affected following the withdrawal by Workbridge as a placement agency for Mainstream subsidised individuals.</li>   <li>• As at 30 June 2008, 97 percent of participants and 100 percent of employing agencies rated the management of the programme as satisfactory or better.</li>   <li>• Placements are evaluated at commencement as part of the set-up process, and regular reviews of placements are sent after three months and at agreed periods thereafter.</li> </ul>
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• Induction workshops and individual support is provided for participants and supervisors. Training is provided regularly to placement specialists. Casework support is provided on request.</li> <li>• At least 60 percent of programme reviews show that Mainstream programme participants have undertaken external or on-the-job training.</li> <li>• Information about the Mainstream programme is provided to State Services agencies and regular promotional activities are undertaken.</li> <li>• Cost of disability funding is allocated according to publicly-available criteria.</li> <li>• Crown funding is administered in accordance with Treasury standards.</li> </ul> | <ul style="list-style-type: none"> <li>• Twenty seven workshops were held for participants and supervisors over the year.</li> <li>• Nine workshops were held for placement specialists.</li> <li>• Casework support was provided as requested by participants, supervisors and placement specialists.</li> <li>• Sixty three percent of programme reviews show that training has been delivered.</li> <li>• The programme's major promotional event, the Mainstream Placement Awards ceremony, was held in October and further events were timetabled around the International Day of Disabled Persons in December 2007 and Disability Mentoring Week in April 2008.</li> <li>• Information about the relocation of the Mainstream programme to the Ministry of Social Development was provided to Mainstream employers, participants and placement agencies and others in the Disability Sector.</li> <li>• The Cost of Disability in Employment Fund (CODE) has been allocated according to criteria that are available on the Mainstream website <a href="http://www.mainstream.ssc.govt.nz">www.mainstream.ssc.govt.nz</a>. It has been used to provide sign language interpreter services, adaptive software, equipment and other assistance to participants in need of support.</li> <li>• Funding was administered in accordance with Treasury standards. At year end funding was under budget due to fewer participants on the programme than anticipated.</li> </ul> |
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**Excellent State Servants strategy and development**

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| <ul style="list-style-type: none"> <li>• Provide support to a target group of 25 State Services agencies implementing the common competency model in 2007/08.</li> <li>• Provide support to a target group of 10 agencies implementing the State Services learning and development framework.</li> </ul> | <ul style="list-style-type: none"> <li>• Forty-six agencies have attended initial certification for the common competency model and a range of ongoing implementation support activities and resources have been provided.</li> <li>• Implementation support to the 10 target agencies is being delivered on a continuing basis. A learning and development community of practice meets regularly to discuss practices aligned to the principles set out in the framework.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Senior Leadership and Management Development Strategy**

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| <ul style="list-style-type: none"> <li>• An evaluation of the Senior Leadership and Management Development Strategy is completed in June 2008 and reports positive progress.</li> <br/> <li>• Continue to work in partnership with the Leadership Development Centre (LDC) on activities that support the achievement of the Senior Leadership and Management Development Strategy.</li> <br/> <li>• Qualitative evidence indicates that State Services agencies understand the roles of the SSC and the Leadership Development Centre in implementing the strategy.</li> <br/> <li>• The SSC is kept informed on the Leadership Development Centre's progress in increasing participant numbers on the Executive Leadership Programme (ELP).</li> <br/> <li>• Develop a new partnership agreement with the Leadership Development Centre (LDC) for delivery of the Executive Leadership Programme, including funding arrangements for 2007/08 and monitor performance relative to the agreement.</li> <br/> <li>• Monitor the performance of the Leadership Development Centre as an organisation listed on the 4th schedule of the Public Finance Act.</li> </ul> | <ul style="list-style-type: none"> <li>• This five year evaluation is nearing completion with the last year being the most intensive for data collection, analysis and reporting. This includes Executive Leadership Programme and Australia New Zealand School of Government (ANZSOG) programme participants being surveyed.</li> <br/> <li>• This independent evaluation has been delayed due to the health of contractor conducting the evaluation. Completion is scheduled for mid August 2008.</li> <br/> <li>• Ongoing liaison is taking place with LDC, including the redesigned Executive Leadership Programme, now named Public Sector Advanced Leadership Programme.</li> <br/> <li>• Agencies have reported a lack of clarity around who holds the accountability for leadership development. This is the result of some overlapping of roles between the organisations. SSC and LDC have held discussions to clarify accountability and the LDC board have decided to minimise engagement with agencies to ensure they understand the roles of SSC and LDC.</li> <br/> <li>• Greater clarity has been achieved recently with a focus around the Development Goals.</li> <br/> <li>• SSC and LDC meet regularly including updates around the number of ELP participants. Recent changes to the structure of the programme have resulted in increased nominations.</li> <br/> <li>• An updated partnership agreement with the LDC was reached with LDC in 2006/07. Funding arrangements have been agreed annually and regular monitoring of performance has taken place as per the partnership agreement.</li> <br/> <li>• Quarterly monitoring has taken place tracking targets and financial performance.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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- **Report to the Minister of State Services on the quality and take-up of tertiary programmes offered by the Australia New Zealand School of Government and the Victoria University of Wellington School of Government by 30 June 2008. Continue to promote the tertiary programmes, including the selection of participants, to ensure course registrations meet minimum numbers required.**
- **Ensure curriculum development and delivery of the tertiary programmes remains responsive to the needs of the New Zealand Public Service.**

- The Minister of State Services has received regular reports on the uptake of tertiary programmes and a further report for the year to 30 June 2008 including information on the quality and uptake of programmes was submitted to the Minister in August 2008. The report indicated that the programmes are regarded as high quality offerings that participants felt should continue to be offered.
  - Programmes have been promoted through a variety of channels including the SSC website, the Public Sector Intranet and communications directly to chief executives, managers, HR managers and prospective applicants.
  - While most programmes met the minimum number of participant applications for the two year part-time Executive Master of Public Administration (EMPA) did not fill New Zealand's allocation of 20 participants. SSC will be promoting the programme strongly in 2008 for the 2009 intake.
  - Regular liaison occurs on curriculum development with both the Victoria University School of Government and the Australia New Zealand School of Government.
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**Learning State**

- **Materials promoting workplace learning are distributed to State Services agencies at least quarterly.**

- Learning State's newsletter 'Kia Mōhio' was distributed to agencies quarterly and provided case studies of agencies that are using workplace learning and have staff gaining national qualifications. This included stories from Customs, Statistics NZ, MSD and Land Transport NZ.
- Promotional materials about national qualifications for the State sector were distributed to attendees at the annual DevCon conference in June.
- Three DVDs promoting State sector career opportunities linked to workplace learning and national qualifications for young people in the Housing NZ Corporation, DoC and Customs, have been distributed to agencies and aired on TVNZ as part of a TV series about job careers for young people.
- A members forum for agencies was held in February and an annual report was distributed at that time.
- Materials promoting workplace learning were distributed at Learning State's two annual graduation ceremonies held in Wellington and Auckland in November.

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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• <b>At least one new all-of-government programme is developed and promoted to State Services agencies.</b></li> <li>• <b>At least six State sector agencies have the Modern Apprenticeship programme operating in their agency and contract targets and performance measures required by the Tertiary Education Commission are met.</b></li> <li>• <b>At least one State sector agency has the Gateway programme operating in their agency.</b></li> <li>• <b>The number of agencies and learners participating in industry training increases from the previous year and contract targets and performance measures required by the Tertiary Education Commission (TEC) are met.</b></li> </ul> | <ul style="list-style-type: none"> <li>• A State sector induction programme has been developed and piloted with two agencies. The programme will be available for State sector agency use by October 2008.</li> <li>• The Modern Apprenticeship programme is operating in nine agencies with a total of 168 apprentices involved. Targets and contract measures are being met.</li> <li>• There are four agencies with the Gateway programme operating.</li> <li>• The number of agencies participating has increased from last year.</li> <li>• 3,020 trainees were participating as at 30 June 2008, compared with 3,260 at the same time last year. This decrease in learners has been offset by an increase in the completion of qualifications by learners that participated. 1,239 qualifications were completed to the year ended 30 June 2008 compared to 1,045 with qualifications completed in the year ended 30 June 2007.</li> <li>• Contract targets and measures required by the TEC have been met.</li> </ul> |
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## Output Class Two: E-government Development and Operations

This output class provides for the development, operations and evaluation of e-government services, infrastructure and initiatives for the Government, including:

- developing the e-government strategy and provision of policy advice
- developing and operating all-of-government ICT standards and infrastructure
- initial implementation of the all-of-government authentication of identity solution.

Activities within this output class contribute to all of the Development Goals, with a major contribution to the Networked State Services Development Goal.

### Statement of cost of services (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
17,037	Revenue Crown	20,865	22,214	21,869
279	Revenue departments	326	191	565
1,150	Revenue other	2,104	1,704	2,374
18,466	Total revenue	23,295	24,109	24,808
18,466	Expenses	23,295	24,109	23,764
-	Net surplus	-	-	1,044

This output class was provided at a cost of \$23.764 million, which is \$0.345 million less than Supplementary Estimates. Work under this output class on the All-of-government Authentication of Identity programme spans financial years, and expense transfers are used to carry forward unspent appropriation. Approval was obtained to carry forward \$0.814 million from 2006/07 to 2007/08 and \$0.345 million from 2007/08 to 2008/09.

## Service Performance: Output Class Two

### Outputs to be delivered

### Service delivery

#### Delivering government services

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| <ul style="list-style-type: none"> <li>• <b>Contribute to research into the design and delivery of services to meet user needs, including the extent of user engagement as part of reporting on the Development Goal indicators.</b></li> <li>• <b>Maintain and promote use of the e-initiatives wiki to provide a readily accessible source of information on e-government initiatives and to enable State Services agencies to share experiences. Analyse and report on data by June 2008.</b></li> <li>• <b>Report on the achievement of the 2007 milestone that technology will be integral to the delivery of government information, services and processes by October 2007.</b></li> </ul> | <ul style="list-style-type: none"> <li>• Contributions have been included in the report on the State of the Development Goals. The report can be found at <a href="http://www.ssc.govt.nz/sdg-report07">www.ssc.govt.nz/sdg-report07</a>.</li> <li>• Operation of the e-initiatives wiki continued. Resources diverted to higher priorities meant reduced promotion and reliance on SSC's internal knowledge of initiatives to update wiki content.</li> <li>• SSC has not completed analysis and reporting because of the above resource constraints.</li> <li>• The report has been published online in July 2008 and was announced at DevCon 2008. The report is in three parts, with the first part on user experiences published prior to December 2007.</li> </ul> |
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#### Enabling variety in delivery

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| <ul style="list-style-type: none"> <li>• <b>Provide advice and address issues relating to the use of non-governmental organisations and other intermediaries to help New Zealanders access government services.</b></li> </ul> | <ul style="list-style-type: none"> <li>• Advice was provided as required.</li> </ul> |
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#### Adding value to information

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| <ul style="list-style-type: none"> <li>• <b>Undertake and complete a review of the Policy Framework for Government-held Information in consultation with State Services agencies by June 2008.</b></li> <li>• <b>Develop guidelines for managing intellectual property for ICT applications and data holdings by December 2007.</b></li> </ul> | <ul style="list-style-type: none"> <li>• An international scan and correspondence with our global counterparts has identified the draft OECD principles that significantly affect the review. The June 2008 OECD Seoul Ministerial meeting has adopted these principles. The work programme to complete the review will continue into 2008/2009.</li> <li>• Revised policy and guidelines were approved by Cabinet in December 2007. Advice has been sent to chief executives of State Services agencies.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Providing authoritative data**

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| <ul style="list-style-type: none"> <li>• <b>Identify authoritative government datasets by 31 December 2008.</b></li> <br/> <li>• <b>Standards for access to authoritative databases are developed and included in the E-government Interoperability Framework by 30 June 2008.</b></li> <br/> <li>• <b>Advice is provided as required on issues relating to privacy and authentication in the management and availability of authoritative databases.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The scoping and planning stages of the project to identify authoritative sources has been completed and work is on track to meet the 31 December 2008 deadline.</li> <br/> <li>• After consultation on definitions, methodology, and communications, it was determined that the extent of activity underway to support better data access is comprehensive. It has been recommended that no additional standards are required at this time.</li> <br/> <li>• No advice on these issues has been required.</li> </ul> |
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**Delivering value for money**

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| <ul style="list-style-type: none"> <li>• <b>Pilot the Gateway Review Process for reviewing major IT projects.</b></li> <br/> <br/> <li>• <b>Monitor, manage and promote Government software contracts:</b> <ul style="list-style-type: none"> <li>– Performance reports on Government software contracts with Microsoft, Telecom, Vodafone and other suppliers will be produced every six months as requested and agreed by participating State Services agencies, and</li> <br/> <li>– Design and implementation of a supplier engagement model will be completed by June 2008.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Five pilot Gateway Reviews have been successfully completed.</li> <br/> <li>• Eight Gateway Training and Awareness workshops have been completed for senior executives in government.</li> <br/> <li>• Core Gateway processes and protocols have been introduced. Development of these is continuing.</li> <br/> <li>• Monitoring, managing and promotion of Government software contracts continues.</li> <br/> <li>• A representative sample of agencies participating in the syndicated procurement contracts for mobile communication services participated in a survey on the performance and suitability of the mobile contracts. The survey results are being used as part of the current contract price review with the suppliers. Reporting on these contracts occurs at intervals no longer than six months.</li> <br/> <li>• Planning for the next Microsoft negotiation project has commenced, with cross-agency representation. Because of the long-run nature of the contract it was determined that six monthly monitoring was not necessary.</li> <br/> <li>• A preliminary report on supplier management incorporating engagement was completed however the final design was deferred due to structural changes in SSC's ICT branch.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**

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| <ul style="list-style-type: none"> <li>• <b>Work with the Treasury to implement recommendations on Capital Asset Management and ICT management as directed by Cabinet in December 2006.</b></li> </ul> | <ul style="list-style-type: none"> <li>• SSC continues to work with Treasury on Capital Asset Management and ICT investment management.</li> </ul> |
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**Building standards and interoperability**

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| <ul style="list-style-type: none"> <li>• <b>Publish government federated enterprise architecture principles and approach by 31 December 2007.</b></li> <li>• <b>Develop and implement the e-Government Interoperability Framework strategy to focus efforts on business benefit, productivity and reuse of information assets by 30 June 2008.</b></li> <li>• <b>Evaluate object registry as a means of reusing data and computer programs by 30 June 2008.</b></li> <li>• <b>Promote compliance with Web Standards:</b> <ul style="list-style-type: none"> <li>– <b>70 percent of Public Service departments will have demonstrated improvement in compliance with Web Standards 1.0, as measured by an external audit in the first quarter of 2008, and</b></li> <li>– <b>50 percent of the wider State sector agencies will be working towards achieving compliance with Web Standards 1.0.</b></li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The federated enterprise architecture principles and approach were published in December 2007 at <a href="http://www.e.govt.nz/standards/fea">www.e.govt.nz/standards/fea</a>.</li> <li>• Work to focus the existing e-Government Interoperability Framework (e-GIF) strategy on business benefit, productivity and reuse of information assets continues. A draft e-GIF work plan has been developed. This will be reviewed during July/August and reflected in a revised version of the e-GIF.</li> <li>• The Pilot Object Registry is now available and has been evaluated by users. A business case for a production shared service has been produced.</li> <li>• To promote compliance with Web Standards the pilot Web Standards wiki was launched in November 2008 to provide increased support for agencies to share and receive good practice advice on accessibility and general site management. In addition a series of 'Introduction to Accessibility' workshops were held, to assist agency web teams to understand accessibility and Web Standards.</li> <li>• The Web Standards accessibility assessment 2008 project to measure the quality of websites across government is nearly complete. Agencies will be given their assessment results in late August 2008. Initial analysis indicates that the targets for improvement were not met. This indicates a need for us to refocus our intervention programme to provide more effective advice and services across a wider range of areas that affect site quality (such as strategy, project management and governance).</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Building the foundational infrastructure**

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| <ul style="list-style-type: none"> <li>• <b>Promote uptake of all-of-government shared ICT services.</b></li> <br/> <li>• <b>Manage the customer engagement plan and conduct a review in November 2007 to measure the success of the customer engagement model and identify where further adjustments can be made.</b></li> <br/> <li>• <b>Targets in Service Level Agreements are met.</b></li> <br/> <li>• <b>A report on governance models for all-of-government ICT, including location and organisational form will be completed by June 2008.</b></li> <br/> <li>• <b>Existing Authentication standards will be maintained and any new standards will be developed and implemented.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The flagship event, ‘Driving Government Performance’ was held in September 2007, and was very favourably received. A wide range of other events and communications were used to promote uptake of services.</li> <br/> <li>• The review of the Customer Engagement Model has been completed. However formal implementation was deferred as a consequence of SSC’s ICT reorganisation. Engagement with vendors around mobile contracts and Microsoft G2006 has continued to be managed as required.</li> <br/> <li>• Monthly operational reports for customers were compiled detailing the performance to Service Levels. System availability targets were met.</li> <br/> <li>• A report on governance models for all-of-government ICT, including location and organisational form was completed and presented to Cabinet in March 2008. Cabinet endorsed the proposal that a shared services group (currently known as the GTS) be established and then located in the Department of Internal Affairs (DIA); and that leadership function (the GCIO) be established to be located in SSC. The consequential reorganisation of the ICT Branch to separate the two functions was successfully completed, and came into effect from 1 July 2008. Work on the next stages, including planning the move of the GTS to DIA, is underway.</li> <br/> <li>• NZ SAMS, the Secure Messaging standard for communicating authentication assertions will be released in July. All existing standards have been reviewed. As a result one revised standard will be published as will the amendments to all other existing standards.</li> <br/> <li>• SSC has provided contributions to other international standards most notably the ISO Identity Management and Risk Management Frameworks, and the Health sector’s Authentication and Security Framework.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Addressing collaboration**

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| <ul style="list-style-type: none"> <li>• Provide advice as required on the development and application of governance models for shared ICT initiatives.</li> <li>• Provide advice as required on issues affecting the exchange of information between agencies.</li> </ul> | <ul style="list-style-type: none"> <li>• Advice provided as required.</li> <li>• Advice provided on proposals for new information-sharing mechanism in the Privacy Act.</li> </ul> |
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**Providing collaborative tools**

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| <ul style="list-style-type: none"> <li>• There is a 100 percent increase in access to the Public Sector Intranet by 30 June 2008.</li> <li>• The number of shared workspaces in active use increases 25 percent by 30 June 2008.</li> <li>• Collaborative tools such as wikis and blogs are integrated into the Public Sector Intranet and Shared Workspace infrastructure by 30 June 2008.</li> </ul> | <ul style="list-style-type: none"> <li>• From 1 July 2007 to 30 June 2008 subscribers to Public Sector Intranet news alerts have increased by 131 percent. Visitor numbers increased by 52 percent and new agencies accessing the PSI increased by 16 percent. Active promotion continued throughout the year and user feedback has been positive, as well as providing constructive input for future improvements. Cabinet Office and Treasury (Improving Accountability Information work) have used the PSI as a key channel to connect with agencies.</li> <li>• The number of shared workspaces since 1 July 2007 has increased by 8 percent. Some Shared Workspaces were closed following the completion of the agency's projects and the shift of their work focus. 85 shared workspaces were in place on 1 July 2007. Over the year 36 shared workspaces have been created and 29 shared workspaces have been closed. As at 30 June 2008 92 shared workspaces were in place.</li> <li>• Existing systems that have collaborative features have been integrated into the Public Sector Intranet and Shared Workspace(s).</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Fostering innovation and the use of technology**

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| <ul style="list-style-type: none"> <li>• <b>Support research and the development of tertiary courses and programmes to raise awareness of how technology can be used in government. Maintain effective liaison with universities on course development.</b></li> <br/> <li>• <b>Continue publishing case studies describing how technology has been used successfully.</b></li> <br/> <li>• <b>Promote and update business case guidelines for e-government initiatives by 30 June 2008.</b></li> <br/> <li>• <b>Continue to research and develop participation and engagement tools and their application by New Zealanders, including innovative web applications (Web 2.0).</b></li> </ul> | <ul style="list-style-type: none"> <li>• SSC continues to support the Chair of E-government at Victoria University as a means to support research and development and to provide input into course development.</li> <br/> <li>• Presentations on the E-government Strategy, Development Goals and e-government initiatives have been given to Master of Public Management and Master of Information Management students – many are public sector managers.</li> <br/> <li>• The Guide to Online Participation published in September 2007 contains case studies of New Zealand agencies developing and implementing online engagement. The guide can be found at <a href="http://www.e.govt.nz/policy/participation/guide-to-online-participation.html">www.e.govt.nz/policy/participation/guide-to-online-participation.html</a>. Examples are the Families Commission's The Couch, the Safe As Roadsafety forum, and MED's <a href="http://www.businessconsultation.govt.nz">www.businessconsultation.govt.nz</a>.</li> <br/> <li>• Business case guidance has been published on the e.govt.nz website.</li> <br/> <li>• Guidance has been published for the State services about providing opportunities through ICT for public to engage with government to improve service and policy design and delivery at <a href="http://participation.e.govt.nz">http://participation.e.govt.nz</a>. The process used to develop this guidance with a diverse community of practice – academia, business, civil society, central and local government and international practitioners – and co-creating the guidance on a wiki, has received international validation.</li> <br/> <li>• Responding to extensive international and local interest in using such engagement tools, the SSC 'In Development' blog has been launched as a trial for six months.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Building ICT professionalism**

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| <ul style="list-style-type: none"> <li>• <b>Maintain effective liaison on course development with tertiary institutions providing professional training and skills development for ICT professionals.</b></li> <li>• <b>Provide support for communities of interest of ICT professionals.</b></li> </ul> | <ul style="list-style-type: none"> <li>• Liaison has occurred with tertiary institutions to implement programmes for ICT security.</li> <li>• ICT professionals undertaking postgraduate management study have received presentations on the E-government Strategy and programmes that influence their work.</li> <li>• SSC provided support for the CIO Forum for large agencies and supported the government enterprise architect community of practice to develop capability within government with respect to enterprise architecture.</li> </ul> |
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**Strengthening trust and security**

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| <ul style="list-style-type: none"> <li>• <b>Ensure government's use of technology protects privacy and so maintains trust in online channels by promoting collaboration on security issues.</b></li> <li>• <b>Maintain effective internet security practices by maintaining regular communication with key stakeholders.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The SSC identified that there were risks around government use of ICT service providers for agencies that had no previous experience with offshore vendors. Particular triggers were small 'web appliances' that send information back to (for example) the US or web survey instruments based in the US. A background paper was commissioned and delivered in October 2007.</li> <li>• As a result of the paper, SSC prepared a briefing paper for Cabinet and recommended that SSC commence preparation of guidance for agencies on the risks that offshore of ICT service, their possible impacts, and mitigation strategies. Cabinet accepted the recommendations in December 2007 and directed SSC along with Archives New Zealand and the Office of the Privacy Commissioner to undertake that work.</li> <li>• SSC established a steering committee which met for the first time in March 2008. Draft guidance material was developed in April–May using a wiki to enable direct contribution and review of content and comments from members. The draft guidance was distributed to 50 government chief information officers for their comments in July 2008.</li> <li>• Comments were developed on policy reviews by the Domain Name Commission.</li> <li>• SSC continues to liaise with the Officials Committee to Review Internet Security, the Government Communications Security Bureau and the Department of the Prime Minister and Cabinet on security issues and continues to provide support to the Netsafe internet safety group.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• <b>Strengthen the security of critical infrastructure by undertaking the work programme agreed by the Officials Committee to Review Internet Security (OCRIS).</b></li> </ul>  | <ul style="list-style-type: none"> <li>• The work programme previously agreed with OCRIS was completed prior to the 2007/08 year.</li> <li>• During 2007/08 a review of the OCRIS Working Group was begun to consider the future role of the group. This review was expanded at the request of OCRIS to consider a wider range of issues regarding strengthening the security of critical infrastructure in New Zealand. As a result a paper has been prepared for OCRIS which was completed in June 2008 (and was considered by OCRIS at its meeting on 1 July 2008). The paper provides a basis for OCRIS members to reflect on the status of ICT security in New Zealand, and to stimulate discussion about the relative significance of the issues, identify highest priority areas for attention, and agree responsibility to lead any further initiatives.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Protect the integrity of government information by implementing principles and policies for using Trusted Computing/Digital Rights Management. Complete work on the implementation of principles, policies and standards by December 2007.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The Trusted Computing and Digital Rights Management (TC/DRM) Standards and Guidelines were published in July 2007.</li> <li>• In August 2007, the Chair of the TC/DRM Steering Committee wrote to the chair of the e-GIF (e-Government Interoperability Framework) Management Committee recommending that the SSC remain the steward of the TC/DRM Standards and Guidelines and that Archives New Zealand should take over the custodian role. The committee accepted this recommendation in August 2007. SSC and Archives New Zealand signed a formal Memorandum of Understanding (MoU) for those governance arrangements and cooperated on the establishment of a permanent governance group for managing the standards and guidelines and on a formal launch of the new arrangements in March 2008. Presentations were made by staff from SSC, Archives, and a member of the Standards and Guidelines Working Group to the quarterly meeting of the Recordkeeping Forum. SSC is represented on the governance group.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Managing the govt.nz space**

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| <ul style="list-style-type: none"> <li>• <b>Manage the New Zealand government domain to promote trust.</b></li> <li>• <b>Develop the newzealand.govt.nz portal, incorporating new branding, directory and search facilities by 31 December 2007.</b></li> <li>• <b>Review emerging technologies, including search, to assess how they can best be used to provide access to government information and services.</b></li> <li>• <b>Develop standards and guidelines to encourage collaboration in the govt.nz space.</b></li> </ul> | <ul style="list-style-type: none"> <li>• SSC continues to provide moderation, registration and management of govt.nz domains.</li> <li>• The portal was launched on 3 March 2008 and supports newzealand.govt.nz's role as the destination site for the all-of-government brand and cross-promotion of agency services. The redevelopment included a new look and feel, information architecture and an all-of-government search facility.</li> <li>• The search function of the site has been refined and now supports te reo and a consultation search.</li> <li>• As a result of reviews of emerging technology, users can now sign up for the latest news via an RSS feed. RSS feeds provide visitors to newzealand.govt.nz with seamless access to government information and services.</li> <li>• SSC has provided active support to communities of practice and working groups.</li> <li>• SSC has introduced the pilot web standards wiki to promote collaboration and knowledge sharing among the agencies and vendors that develop and operate government websites.</li> <li>• The Web Standards Working Group is in the process of reviewing and updating the web standards. The pilot web standards wiki is being piloted as a consultation tool to support agency and vendor engagement in the standards review process.</li> </ul> |
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## Output Class Three: State Services Development, Governance and Performance

This output class provides for the SSC's role in the development, governance and performance management of the State Services.

It includes the development and leadership of programmes designed to:

- enhance access, responsiveness and effectiveness, and improve New Zealanders' experience of the State Services
- strengthen trust in the State Services and reinforce the spirit of service
- ensure the total contribution of government agencies is greater than the sum of its parts.

Activities to be delivered within this output class will contribute to the achievement of the Coordinated State Agencies, Accessible State Services and Trusted State Services Development Goals.

### Statement of cost of services (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
11,324	Revenue Crown	11,067	11,086	10,466
853	Revenue departments	947	947	599
68	Revenue other	45	45	68
12,245	Income	12,059	12,078	11,133
12,082	Expenses	12,059	12,078	11,120
163	Net surplus	-	-	13

This output class was provided at a cost of \$11.120 million, which is \$0.958 million less than Supplementary Estimates. Approval has been obtained to carry forward \$0.620 million of the under spend to 2008/09 to cover the cost of ongoing work that was funded in 2007/08 but will now be completed in 2008/09. The transferred funding will be used for projects contributing to the achievement of the Accessible State Services (the New Zealanders' Experience Research Programme \$0.370 million) and Trusted State Services (roll-out of new code of conduct for school boards of trustees and employees of school boards – \$0.100 million) Development Goals. The remaining \$0.150 million will be used in relation to the appointment and reappointment of Public Service chief executives function. Employment contract end dates determine the number of (re)appointments processed each year, and these are not evenly spread from one year to the next.

### Other expenses incurred by the Crown (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
11,061	Payment and remuneration of chief executives	12,361	12,358	11,699

The actual cost is lower than forecast because a number of chief executive vacancies were temporarily filled by staff employed by departments.

### Current revenue (non-tax)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
10,474	Reimbursement of chief executives' remuneration	11,581	11,231	11,118

Recoveries are on the basis of the midpoint of \$10,000 salary bands.

## Service Performance: Output Class Three

### Outputs to be delivered

### Service delivery

#### Appointments and reappointments

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| <ul style="list-style-type: none"> <li>• <b>Recruit and appoint Public Service chief executives to fill all vacancies that arise. All appointments and reappointments will comply with the provisions and spirit of the State Sector Act.</b></li> <li>• <b>Appoint to each chief executive position according to the requirements for the job and contribution to achieving results. Ministers provide positive feedback on new appointees' performance within the first 12 months of appointment.</b></li> <li>• <b>Consider for reappointment, where appropriate, chief executives whose terms of appointment are coming to an end. Perform reappointments. All reappointments will comply with the provisions and spirit of the State Sector Act.</b></li> <li>• <b>Assist with, or undertake, recruitment and selection for any other appointments as requested. All other appointments comply with the provisions and spirit of the State Sector Act.</b></li> <li>• <b>Organise a tailored induction programme for each new chief executive, including an integrity and conduct component. Positive feedback is received from all new chief executives.</b></li> </ul> | <ul style="list-style-type: none"> <li>• Nine appointment processes were completed. These were for the Department of Labour, Serious Fraud Office, New Zealand Food Safety Authority, Ministry of Fisheries, Department of Internal Affairs, Land Information New Zealand, Ministry for the Environment, Ministry of Economic Development and Ministry of Transport.</li> <li>• No vacancies arose that were not filled.</li> <li>• All appointments complied with the provisions and spirit of the State Sector Act.</li> <li>• Chief executives were appointed according to job requirements and potential contribution to achieving results.</li> <li>• Performance feedback has been sought from each Responsible Minister for the Section 43 performance review of each chief executive.</li> <li>• Ministerial feedback on chief executives appointed in 2006/07 has been positive.</li> <li>• Four reappointment processes were completed during the year for the National Library, the Treasury, Department of Corrections and the Ministry of Justice.</li> <li>• All reappointments complied with the provisions and spirit of the State Sector Act.</li> <li>• SSC managed five appointments, on behalf of Ministers and the Chief Executive of the Department of the Prime Minister and Cabinet, during the year. These were the General Manager Parliamentary Service, the Clerk of the House, the State Services Commissioner, the Deputy State Services Commissioner and Secretary of the Cabinet/Clerk of the Executive Council.</li> <li>• All appointments complied with the provisions of the relevant legislation.</li> <li>• Each of the Public Service chief executives appointed since 1 July 2007 has received a tailored induction programme.</li> <li>• Feedback received from all chief executives about induction has been positive.</li> </ul> |
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## Outputs to be delivered

## Service delivery

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| <ul style="list-style-type: none"> <li>• <b>Integrate the common competency framework into the Performance Management process including:</b> <ul style="list-style-type: none"> <li>– chief executive appointments</li> <li>– assessment</li> <li>– performance and remuneration reviews, and</li> <li>– professional development.</li> </ul> </li> <li>• <b>Complete project, implement changes, revise, effect, fine-tune by December 2007.</b></li> <li>• <b>Engage with Responsible Ministers over the results and future needs of chief executives and departments.</b></li> <li>• <b>Conduct performance reviews for Public Service chief executives within agreed timeframes.</b></li> <li>• <b>All current chief executives have employment agreements that conform to legal requirements and government policy, suitably reward performance and maintain commitment.</b></li> <li>• <b>Consistent positive chief executive feedback is received about the quality of the SSC service.</b></li> <li>• <b>Manage and deliver payroll services to all Public Service chief executives and oversee chief executives' leave provisions. All chief executives are paid correctly and on time.</b></li> <li>• <b>Crown funding for remuneration and revenue is recovered from departments within established and agreed procedures and timeframes and the requirements of the Treasury are met.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The Lominger competency framework was piloted for appointments during the Land Information New Zealand (May 2008) and Ministry for the Environment (June 2008) appointment processes. The evaluation of this trial was completed in June 2008 and its findings will be implemented in the 2008/09 Chief Executive Employment and Development section's business plan.</li> <li>• SSC completed 25 chief executive performance reviews in the period July 2007– June 2008. These included engagement with Ministers about future needs.</li> <li>• Performance reviews occurred within agreed timeframes.</li> <li>• All chief executive employment agreements conform to legal requirements and government policy.</li> <li>• Fixed remuneration and performance payment distribution to suitably rewarded performance. Chief executive commitment was reflected in low unplanned turnover rates (two chief executives were appointed to other Public Service chief executive roles, one retired and three resigned over the course of the 2007/08 year).</li> <li>• In 2008 feedback has been received from a large number of chief executives on their interactions with Deputy Commissioners. Feedback overall was highly positive with chief executives giving a range of reasons for valuing their interaction with SSC.</li> <li>• All chief executives were paid correctly and on time.</li> <li>• Crown funding for remuneration was recovered from departments within established procedures and met timeframes and Treasury requirements.</li> </ul> |

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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• All chief executives have individual development plans that meet their needs and reflect performance reviews.</li> <br/> <li>• Commission and produce an annual chief executive remuneration survey by 30 June 2008. Survey methods will meet professional survey standards.</li> <br/> <li>• Provide advice to 110 Crown entity board chairs during their annual chief executive remuneration review and to approximately 40 boards as they undertake an appointment or reappointment process. Provide advice on performance management matters as requested.</li> </ul> | <ul style="list-style-type: none"> <li>• Individual development plans are in place to meet the needs of each chief executive.</li> <br/> <li>• The SSC approach to chief executive professional development has been revised. Implementation of the revised approach will commence in 2008/09.</li> <br/> <li>• The implementation of the revised approach will be phased. New chief executives will start off on the new approach, Current chief executives will migrate over the next two to three years on a case by case basis.</li> <br/> <li>• The survey was completed by 30 June 2008 to professional survey standards and is informing chief executive remuneration.</li> <br/> <li>• SSC completed 87 Crown entity chief executive remuneration reviews and 21 chief executive appointments/reappointments in the year to 30 June 2008.</li> <br/> <li>• Advice on performance management was provided when requested.</li> </ul> |
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**Relationship management with State Services Agencies**

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| <ul style="list-style-type: none"> <li>• For each Public Service chief executive appointment, perform a strategic organisational analysis (looking forward three to five years) to inform the job description and person specification.</li> <br/> <li>• Support and advise Public Service chief executives and their departments on strategy, capability and performance. All chief executives will consider that the advice and support provided by the SSC has resulted in some improvements to their personal performance and that of their department.</li> </ul> | <ul style="list-style-type: none"> <li>• Nine strategic organisational analyses were completed since July 1 2007 for the Ministry of Fisheries, Department of Internal Affairs, Land Information New Zealand, Department of Labour, Serious Fraud Office, the NZ Food Safety Authority, the Ministry of Transport, Ministry of Economic Development and Ministry for the Environment.</li> <br/> <li>• Deputy Commissioners had regular contact with each Public Service chief executive around their agency's strategy, capability and performance.</li> <br/> <li>• In 2008 feedback was sought from a large number of, but not all, chief executives on their interactions with Deputy Commissioners. Feedback overall was very positive with chief executives giving a range of reasons for valuing their interaction with SSC.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• <b>Administer the Cabinet Fees Framework, including providing timely advice to Ministers on exceptions and monitoring practice and undertake a review of the Framework every two years.</b></li> <li>• <b>The central agencies will develop and implement a plan of action to work in a more coordinated way to improve the performance of the State Services. Feedback, through an annual survey to State sector agency leaders, and from central agencies' Ministers, will indicate that central agencies are adding value to State sector performance.</b></li> </ul> | <ul style="list-style-type: none"> <li>• During the year advice was provided to the Minister in regard to 40 exceptional fees cases.</li> <li>• The last review of the Framework was released in November 2006; another review of the Framework is currently underway and will be completed by December 2008.</li> <li>• Independent feedback was sought from stakeholders, in June–August 2008, to assess progress on the central agencies' joint leadership role. Interviews were held with central agency Ministers and 10 State sector chief executives and/or deputies.</li> <li>• Ministers reported a satisfactory level of engagement, in line with and appropriate to their roles. Ministers noted that there had been some good attempts at developing a shared view of priority issues for improving State sector performance and examples of coordination and cooperation. However Ministers thought there was still room for improvement.</li> <li>• State sector leaders believed central agency leadership had improved over the last year. Historically, the central agencies did not have a shared view of performance, which meant other agencies received mixed messages. Respondents agreed that a lot of work had been done in this area and improvements have been made. This has led to an appetite for more collective alignment between the central agencies. Activities receiving positive comments include the State Services Development Goals, Lominger competency framework, public surveys, value for money, and developing a shared view of performance. Most chief executives felt that the central agencies support their agency to achieve the government's objectives. They also felt the central agency link to senior Ministers is useful. Respondents also felt there was still room for improvement. While there is some coordination, it doesn't always translate into a shared view, particularly around things like Statements of Intent and the Budget. State sector agencies are asking central agencies for more clarity on how the central agencies, collectively, will continue to add value to the wider State sector.</li> </ul> |

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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• The plan of action will include:           <ul style="list-style-type: none"> <li>– <i>Cross-government policy issues.</i> Central agencies will provide the leadership and support needed to achieve progress on difficult issues where government expects to see significant shifts in outcomes. These issues often cross agency and sector boundaries.</li> <li>– <i>State systems improvement.</i> Central agencies will work together where systems improvements would significantly assist government to delivery on priorities.</li> <li>– <i>Central agency organisational improvements.</i> Each central agency is changing and better aligning its internal processes to more effectively carry out the shared central agency role. All milestones and key dates in the coordinated plan of action will be achieved.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The work programme has made progress in four key policy areas: Sustainability, Effective Interventions Phase 2, Housing and Schools Plus.</li> <li>• The central agencies have focussed on five agencies that have sector or system-wide issues and worked collaboratively to assist agencies to improve their performance.</li> <li>• The State Services Development Goals are now led by all three central agencies.</li> <li>• A Value for Money work programme is underway and is expected to report in August. The programme includes system-wide initiatives such as exploring how to reduce expenditure in recruitment advertising and travel by the use of video conferencing.</li> <li>• An external review was completed on 30 June 2008. Central agency chief executives have been provided with a range of options for integrating the agencies systems and process to improve coordination.</li> </ul> |
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**Strategic analysis, review and advice**

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| <ul style="list-style-type: none"> <li>• Engage with Responsible Ministers over the results and future needs of the State Services to meet Ministers' requirements.</li> <li>• Undertake reviews (as required) to provide information about progress toward interdepartmental/shared outcomes and/or whether departments/sectors are configured well to achieve results. Reviews will be completed within agreed timeframes.</li> </ul> | <ul style="list-style-type: none"> <li>• Ministers were consulted on each chief executive vacancy to ensure that the Ministers' needs including results and the future needs of the State Services were met.</li> <li>• No major sector reviews were requested to be undertaken in the 2007/08 year.</li> <li>• SSC continued to provide ongoing support to improve performance in the Transport sector and the Border sector which were both reviewed in 2006/07.</li> </ul> |
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**Outputs to be delivered**

- **Contribute to international public sector thinking by participating in relevant international fora and hosting and briefing international delegations, as appropriate.**

**Service delivery**

- During the year SSC provided briefings and hosted delegations from a number of Pacific, Asian and Latin American countries.
  - SSC was represented at the OECD Centres of Government Meeting, and OECD steering group on Open and Inclusive Policy-making.
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**State Services coordination**

- **Implement with the Treasury and the Department of the Prime Minister and Cabinet, the joint central agencies work plan to improve Crown entity performance, including the provision of better support for Ministers, enhanced monitoring of Crown entities and improved Crown entity governance.**

- **Implement with the Treasury and the Department of the Prime Minister and Cabinet, a joint work plan to integrate Managing for Outcomes (MfO) more effectively into the State Services performance system to enhance its results focus.**

- A work plan was established and implemented – its highlights being:
  - Induction modules for new members of Crown entity boards on operating within a Crown environment were delivered.
  - SSC engaged with monitoring departments on a review of Crown entity monitoring for EXG. SSC subsequently commenced an ongoing visits programme with monitoring departments to follow-up on actions to improve their monitoring functions.
  - In conjunction with the Treasury and monitoring departments, six monthly reports were delivered on key performance issues and risks of selected Crown entities.
- The Monitoring, Appointments and Governance Network (MAGNet) delivered a work programme which included a number of workshops and seminars aimed at improving monitoring practice and Crown entity performance.
- SSC has been working jointly with the Treasury and the Department of the Prime Minister and Cabinet on a number of MfO initiatives:
  - A guide for agencies: ‘Performance measurement: advice and examples on how to develop effective frameworks’ is due for release in August 2008.
  - The Central Agencies’ Capability Toolkit, which aims to support agency and system performance, is due for release by the end of 2008.
- Support was provided for agencies in the development of their performance management systems including support on strategic planning and preparation of their accountability documents.
- Support and advice were provided to agencies in their use of the ‘Factors for Successful Coordination Framework’, which aims to help agencies coordinate effectively on cross agency projects.

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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• Support the development of permanent governance and accountability frameworks for trans-Tasman arrangements, and lead thinking about future generic institutional arrangements.</li> <br/> <li>• Provide advice to Ministers and departments on the allocation and coordination of functions to, and between, agencies, as required.</li> <br/> <li>• Support implementation of the all-of-government brand identity including managing requests for exemptions and preparing for a review in 2008/09 of implementation of the all-of-government brand identity. Engage with Crown Agents to support them in preparing for implementation of the all-of-government brand identity (where practical and appropriate) from 1 October 2007. By 1 October 2007, provide the Minister of State Services with a suitable letter of expectation to provide on request to Responsible Ministers to support the implementation of the all-of-government brand identity by Crown Agents.</li> </ul> | <ul style="list-style-type: none"> <li>• The Trans-Tasman Cooperation project has been on hold since the October meeting with officials due to the Australian election. Work is expected to resume from July 2008 under the lead of the Ministry of Economic Development.</li> <br/> <li>• Regular updates continue to be provided on Machinery of Government (MoG) matters for State Services agencies and their Ministers. For the year ended 30 June 2008 SSC had provided advice on 32 significant MoG projects.</li> <br/> <li>• Three Machinery of Government reviews were conducted within SSC, on the organisational form and governance for ICT, the location of the Mainstream programme within the Public Service and the organisational form of Learning State.</li> <br/> <li>• Seven exemption requests were received and processed during the year.</li> <br/> <li>• Planning for review of the implementation of the brand in 2008/09 is well advanced.</li> <br/> <li>• Engagement with Crown Agents was successfully completed prior to the implementation date on 1 October 2007. Ongoing advice has been provided about the use of the brand identity and monitoring for appropriate use in agency campaigns.</li> <br/> <li>• Letters of expectation were provided to the Minister of State Services.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**State Services accessibility, responsiveness and effectiveness**

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| <ul style="list-style-type: none"> <li>• <b>Complete a New Zealand-wide public satisfaction quantitative survey of the quality of, and trust in, government services. Research report to be received from the contracted provider by 24 December 2007.</b></li> <li>• <b>Translate the research findings in a way that enables managers to improve their services in line with New Zealanders' experience and improvement priorities. Messages are delivered at the 2008 State Services Senior Leaders' Development Conference.</b></li> <li>• <b>Establish, where appropriate, communities of practice to support the implementation of the service improvements indicated by the research findings.</b></li> <li>• <b>Evaluate the utility of the methodology used in the satisfaction survey, and make recommendations for how and when the survey will run again by 31 January 2008.</b></li> <li>• <b>Identify qualitative research projects to support understanding of the quantitative results from the 2006/07 drivers of satisfaction research and the public satisfaction survey by 31 October 2007 and 30 June 2008, respectively.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The survey Kiwis Count was completed in late 2007. The research report is available on the SSC's website along with other supporting material here: <a href="http://www.ssc.govt.nz/kiwis-count-research-survey">www.ssc.govt.nz/kiwis-count-research-survey</a>.</li> <li>• A summary publication for service delivery managers and fact sheets for nine service groupings have been distributed.</li> <li>• Key messages from the survey were delivered by central agency chief executives at the 2008 State Services Senior Leaders' Development Conference (DevCon).</li> <li>• SSC held a Contact Centre Conference in August 2007 to share research findings and best practice for service improvements.</li> <li>• A community of practice for contact centre managers is being developed.</li> <li>• Meetings are taking place with agencies to gauge support for establishing further communities of practice.</li> <li>• Recommendations for how and when the survey will run were presented on 28 January 2008.</li> <li>• Based on the recommendations the SSC intends to repeat the survey using the existing methodology in the 2009/10 financial year to report progress against milestones in the 2010 State of the Development Goals report.</li> <li>• After a process to identify priority projects was completed a qualitative research project to gain a better understanding of the drivers of satisfaction and to help improve service design and delivery was commissioned in March 2008. The project will report in November 2008.</li> <li>• No further qualitative research can be conducted until the results of the project have been received and communicated.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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| <ul style="list-style-type: none"> <li>• Support the NZ Police, and promote with other government agencies, to undertake client satisfaction surveys that can be benchmarked domestically and, if appropriate, internationally. Put in place licensing arrangements for interested State Services agencies, and support and guide survey adaptation for agency requirements.</li> <br/> <li>• Prepare the 2007 State of the Development Goals Report, and any supplementary paper-based or electronic communications. The report will be publication-ready by 31 October 2007 and will be launched in November 2007.</li> <br/> <li>• Use findings of the 2005/06 and 2006/07 Development Goals research programmes, 2007 State of the Goals Report and the public satisfaction survey to inform government agencies about how New Zealanders view them and what they need to do to improve their services.</li> <br/> <li>• Provide advice and guidance, as required, to assist agencies to achieve the 2010 Development Goal milestones.</li> </ul> | <ul style="list-style-type: none"> <li>• Support was provided to NZ Police during the procurement of a supplier and the successful implementation of their satisfaction survey.</li> <br/> <li>• A licence to use the Common Measurements Tool client satisfaction survey was purchased from Canada's Institute of Citizen Centred Service and a stakeholder group established to guide and support the adaptation of the tool for use in New Zealand. Licensing arrangements are in place for State Services agencies and memoranda of understanding had been signed with seven agencies as at 30 June 2008.</li> <br/> <li>• Guidelines for the use of the survey which agencies can use to benchmark client satisfaction were released in April 2008 and a community of practice established to promote use of the tool and provide agencies with an opportunity to share best practice.</li> <br/> <li>• The 2007 State of the Development Goals Report was publication-ready by 31 October 2007 and was launched on 13 November 2007.</li> <br/> <li>• The 2007 State of the Development Goals Report identifies the priority actions for agencies that have been identified as a result of the research programmes.</li> <br/> <li>• The results of the Kiwis Count research have been communicated to agencies through a range of media including the 2008 State Services Senior Leaders' Development Conference (DevCon).</li> <br/> <li>• The 2007 State of the Development Goals Report sets out the tools and resources available to agencies to assist them to achieve the 2010 milestones.</li> <br/> <li>• SSC provided advice and guidance when required and will continue to provide support to agencies to use these resources.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**State Services integrity and conduct**

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| <ul style="list-style-type: none"> <li>• <b>Work with 120 agencies in the State Services on implementation of the new code of conduct.</b></li> <li>• <b>Publish integrity guidance for board members.</b></li> <li>• <b>Provide ad hoc advice and guidance on integrity matters.</b></li> <li>• <b>Ensure that agencies have policies and procedures for integrity and conduct that support the new code.</b></li> </ul> | <ul style="list-style-type: none"> <li>• The State Services Code of Conduct came into force on 30 November 2007. SSC engaged with 120 agencies prior to implementation to ensure their readiness.</li> <li>• SSC produced induction modules for new Crown entity board members that highlighted the roles and responsibilities of members. These materials included a section on integrity matters.</li> <li>• SSC maintained a helpdesk and responded to a range of agency queries to provide both general integrity and election year-specific advice with more than 96 substantive queries responded to during the period.</li> <li>• SSC worked collaboratively with Public Service departments and Statutory Crown Entities to ensure that their policies and procedures were aligned with the code of conduct.</li> <li>• ‘State servants, political parties and elections: Guidance for the 2008 election’ was released in February to assist agencies in the lead up to the general election.</li> </ul> |
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**Ad hoc reviews**

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| <ul style="list-style-type: none"> <li>• <b>Undertake statutory investigations, inquiries and ad hoc reviews in response to performance failures of particular agencies or the identified risk thereof, or in response to specific Ministerial directives, as required by the Prime Minister, the Minister of State Services, the Cabinet or the State Services Commissioner. All reviews will comply with the provisions of the State Sector Act and agreed terms of reference.</b></li> </ul> | <ul style="list-style-type: none"> <li>• SSC completed an investigation into the Public Service recruitment and employment of Madeleine Setchel in November 2007.</li> <li>• SSC undertook a review into the Ministry for the Environment’s engagement of Clare Curran in 2006. The review was completed in December 2007.</li> <li>• At the request of the Minister of State Services, SSC is completing an investigation into the Department of Labour’s response to immigration matters involving family members of the head of the Immigration Service.</li> <li>• All reviews were compliant with the provisions of the State Sector Act and agreed terms of reference.</li> </ul> |
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**Outputs to be delivered**
**Service delivery**


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**Ministerial services**

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| <ul style="list-style-type: none"> <li>• An estimated 100 to 150 items of Ministerial correspondence will be completed within required timeframes.</li> <li>• Responses will be prepared to 50 to 100 requests asked under the Official Information Act within required timeframes.</li> <li>• Responses to an estimated 50 to 100 Parliamentary Questions will be completed within required timeframes.</li> <li>• An estimated two Select Committee Questionnaires will be completed within required timeframes.</li> <li>• 95 percent of replies to Ministerial correspondence, parliamentary questions and select committee questions directed to the Minister of State Services, will be acceptable to the Minister without the need for further work.</li> </ul> | <ul style="list-style-type: none"> <li>• 75 items of Ministerial correspondence were responded to during the year.</li> <li>• 94 Official Information Act requests were responded to of which 17 were Ministerial Official Information Act (OIA) requests (one request was completed late).</li> <li>• 101 Parliamentary Questions were responded to during the year within timeframes.</li> <li>• Two Select Committee Questionnaires were completed during the year.</li> <li>• No items were returned for rework by the Minister.</li> </ul> |
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**Management services**

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| <ul style="list-style-type: none"> <li>• Records of disestablished government departments are managed (including storage, retrieval, retention and disposal) in accordance with the Public Records Act 2005, ISO 15489 and other relevant legislation and standards.</li> <li>• Provide accounting services to the Serious Fraud Office and the Ministry for Culture and Heritage, meeting appropriate professional standards and the requirements of the Treasury and Audit New Zealand.</li> <li>• Manage unknown and other contingent liabilities as they become known.</li> </ul> | <ul style="list-style-type: none"> <li>• Records continue to be managed in accordance with all relevant legislation and standards and some will be transferred to Archives New Zealand in July.</li> <li>• Accounting services to the Serious Fraud Office and accounting systems support to the Ministry for Culture and Heritage were provided in accordance with agreements. All requirements of the Treasury, Audit New Zealand and professional standards were complied with.</li> <li>• There was no activity during this period.</li> </ul> |
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## Output Class Four: Treaty Information

This output class provided for the production of booklets on the Treaty of Waitangi and for contract management functions associated with extending the Treaty2U tour. The outputs were delivered and completed in 2006/07, and this output class was discontinued in 2007/08.

### Statement of cost of services (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
400	Revenue Crown	-	-	-
-	Revenue departments	-	-	-
-	Revenue other	-	-	-
400	Income	-	-	-
396	Expenses	-	-	-
4	Net surplus	-	-	-

## Output Class Five: Government Shared Network

The Government Shared Network contributes to the Networked State Services Development Goal, is one of the core components of the Government's Digital Strategy and is an important element of the e-government programme.

This output provides for the implementation of the Government Shared Network (GSN) project.

### Statement of cost of services (GST exclusive)

2006/07 Actual		Main Estimates	Supp. Estimates	Actual
\$000		\$000	\$000	\$000
-	Revenue Crown	-	-	-
58	Revenue departments	-	3,383	3,031
133	Revenue other	10,083	789	204
-	Gain	-	-	1,042
191	Income	10,083	4,172	4,277
6,007	Expenses	10,083	13,221	21,712
(5,816)	Net surplus	-	(9,049)	(17,435)

This output class was provided for at a cost of \$21.712 million, which is \$8.491 million more than Supplementary Estimates. This unappropriated expenditure, in breach of the Public Finance Act, occurred due to the recognition of a \$10.618 million impairment loss resulting from the write-down of GSN information technology assets to their fair value. The lower than forecast uptake from government departments and Crown entities influenced these asset values through lower than expected revenue and projected net cash flows. For the financial year ended 30 June 2008 the GSN generated \$3.235 million income from 13 government agencies (10 departments, including SSC, and three Crown entities) rather than forecast \$10.083 million from 18 government agencies. The \$1.042 million gain was due to the Government's decision to waive the deferred capital charge liability on the financing of the GSN. This decision was one of a number of decisions the Government made following a financial review of the GSN business model.

For further information relating to this review and the background to it, refer to the financial statement Memorandum Account – Government Shared Network on page 76.

## Service Performance: Output Class Five

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### Outputs to be delivered

### Service delivery

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#### Provision of telecommunications services

<ul style="list-style-type: none"> <li>• <b>The Government Shared Network (GSN) will provide high-speed, secure telecommunications services to 18 State Services agencies by 30 June 2008. The services to be provided will include:</b> <ul style="list-style-type: none"> <li>– data services</li> <li>– internet services</li> <li>– email services, and</li> <li>– backbone IT data transmission facilities.</li> </ul> </li> <li>• <b>Additional services, such as video conferencing, will be introduced dependent on demand from participating agencies and funding.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Nineteen agencies had signed Memoranda of Understanding for GSN services by 30 June 2008, with 13 agencies having progressed to using the GSN service.</li> <li>• Data network services are operating effectively.</li> <li>• Internet and email services are now being added to the portfolio, and outbound internet services and mail filtering are operational.</li> <li>• The backbone IT data transmission facility, part of the core GSN infrastructure, is in place and has been enlarged to provide additional capacity.</li> <li>• No additional services have been introduced.</li> </ul>
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STATEMENT OF  
**ACCOUNTING POLICIES** FOR THE YEAR ENDED 30 JUNE 2008

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### Reporting entity

The State Services Commission (SSC) is a government department as defined by section 2 of the Public Finance Act 1989.

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

The primary objective of the SSC is to provide services to the public rather than making a financial return. Accordingly, the SSC has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the SSC are for the year ended 30 June 2008. The financial statements were authorised for issue by the State Services Commissioner on 10 September 2008.

### Basis of preparation

The financial statements of the SSC have been prepared in accordance with section 45B of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS. The comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Because there is no material change in equity and no change in net surplus/(deficit) between previous NZ GAAP and NZ IFRS, no reconciliation of the previous NZ GAAP and NZ IFRS figures is required. The changes arising from adoption of NZ IFRS are detailed in Note 21.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

These financial statements have been prepared on a going-concern basis, and the measurement base applied is historical cost.

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the SSC is New Zealand dollars.

### Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Currently, the only standard issued but not yet effective that has not been early adopted and which is relevant to the SSC is as follows:

- *NZ IAS 1 Presentation of Financial Statements* (revised 2007) replaces *NZ IAS 1 Presentation of Financial Statements* (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as 'owner' separately from 'non-owner' changes. The revised standard gives the SSC the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The SSC expects it will apply the revised standard for the first time for the year ended 30 June 2010 and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

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## Revenue

The SSC derives revenue through the supply of outputs to the Crown, for services to other government departments and third parties and from the State Services Commission (as agent for Crown) for the recovery of the State Sector Retirement Savings Scheme. Revenue is measured at the fair value of consideration received and is recognised when earned.

## Taxpayers' funds

Taxpayers' funds are the Crown's investment in the SSC and are measured as the difference between total assets and total liabilities.

## Capital charge

The capital charge is a levy on the Crown's investment in SSC. The capital charge is recognised as an expense in the period to which it relates. The capital charge is not a borrowing cost in accordance with NZ IAS 23.

## Leases

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment charges.

Impairment of a receivable is established when there is objective evidence that the SSC will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

## Accounting for derivative financial instruments, hedging activities and foreign currency transactions

The State Services Commission uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its foreign exchange policy, the State Services Commission does not hold or issue derivative financial instruments for trading purposes. The State Services Commission has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the statement of financial performance.

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

### Property, plant and equipment

Property, plant and equipment consists of operational assets that are computer equipment, plant, office equipment, furniture, fixtures and fittings, artwork and motor vehicles.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

#### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the SSC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

#### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

#### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the SSC and the cost of the item can be measured reliably.

#### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset	Depreciation rate	
Furniture, fixtures and fittings	5 years	(20%)
Works of art	10–100 years	(10%–1%)
Office equipment	5 years	(20%)
Plant	5 years	(20%)
Motor vehicles	5 years	(20%)
Computer equipment and software	3–7 years	(33.3%–20%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

## Intangible assets

### Computer software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the SSC are recognised as an intangible asset. Direct costs include the software development, employee costs incurred in the development of software and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer network design and configuration	5–7 years	(20%–14.3%)
Other computer software	3–5 years	(33.3%–20%)

### Capitalisation threshold

Individual assets, or groups of assets, are capitalised if their cost is greater than \$1,000. The value of an individual asset that is less than \$1,000 and is part of a group of similar assets is capitalised.

### Impairment of non-financial assets

Non-financial assets are property, plant and equipment and intangible assets.

An intangible asset that is not yet available for use at the balance sheet date is tested for impairment annually.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss is recognised in the statement of financial performance.

## Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## Employee entitlements

### Short-term employee entitlements

Employee benefits that the SSC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries accrued up to balance date, annual leave earned but not yet taken at balance date, vested retiring and vested long service leave entitlements expected to be settled within 12 months, and sick leave.

The SSC recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the SSC anticipates it will be used by staff to cover those future absences.

The SSC recognises a liability and an expense for performance pay where contractually obliged to pay them or where there is a past practice that has created a constructive obligation.

### Long-term employee entitlements

These are employee benefits that the SSC expects to be settled beyond 12 months of balance date. These consist of vested retiring leave and unvested long service leave.

The vested retiring leave is measured at nominal value based on accrued entitlements at current rates of pay. The unvested long service is calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated future cash flows. A discount rate of 6.42 percent and a salary inflation factor of 3.4 percent were used. The 10-year Government Bond interest rate has been used as the discount rate. The inflation factor is based on the expected long-term increase in remuneration for employees.

## Superannuation

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the statement of financial performance as incurred.

## Provisions

The SSC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

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### **Income tax**

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 2007. Accordingly, no charge for income tax has been provided for.

### **Goods and services tax (GST)**

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables (excluding accrued revenue and expenses respectively), which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Budget figures**

The budget figures are those included in the SSC's Statement of Intent for the year ended 30 June 2008, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

### **Statement of cost accounting policies**

The SSC has determined the costs of outputs using the cost allocation system outlined below.

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 are charged directly 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 2008, indirect costs accounted for 20 percent (not allowing for one-off effect of \$10.6 million write-down of Government Shared Network non-financial assets, otherwise 17 percent) of the SSC's costs (2007: 20 percent).

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

### **Statement of cash flows**

The following are definitions of the terms used in the statement of cash flows:

- Cash and cash equivalents include cash on hand and funds in bank accounts.
- Investing activities are those activities relating to the acquisition and disposal of non-current assets.
- Financing activities comprise capital contributions by, or repayment of capital to, the Crown.
- Operating activities include all transactions and other events that are not investing or financing activities.

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**Commitments**

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

**Contingent liabilities**

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

**Accounting estimates and assumptions**

In preparing these financial statements, the SSC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Value of Government Shared Network information technology assets**

During the year the GSN information technology assets have been written down to their fair value. In determining fair value, the SSC has considered the cash flows expected to be generated in the future by the assets and has estimated the likely disposal value should the assets be sold.

**Critical judgements in applying the SSC's accounting policies**

SSC management has not made any critical judgements in applying the SSC's accounting policies for the year ended 30 June 2008.

STATEMENT OF  
**FINANCIAL PERFORMANCE** FOR THE YEAR ENDED 30 JUNE 2008

30/6/2007			30/6/2008	30/6/2008	30/6/2008
Actual		Note	Actual	Main	Supp.
\$000			\$000	Estimates	Estimates
				\$000	\$000
	<b>INCOME</b>				
37,375	Revenue Crown		<b>39,452</b>	39,382	40,767
7,204	Revenue other	2	<b>12,281</b>	18,245	12,729
3	Gains	3	<b>1,042</b>	-	-
44,582	<b>Total income</b>		<b>52,775</b>	57,627	53,496
	<b>EXPENDITURE</b>				
20,825	Personnel costs	4	<b>24,489</b>	21,751	23,561
2,176	Depreciation, amortisation, write-off and impairment expenses	9, 10, 14	<b>14,928</b>	6,943	4,418
1,819	Capital charge	5	<b>1,028</b>	3,555	3,152
24,471	Other operating costs	6	<b>28,317</b>	25,378	31,414
49,291	<b>Total expenditure</b>		<b>68,762</b>	57,627	62,545
(4,709)	<b>NET SURPLUS/(DEFICIT)</b>		<b>(15,987)</b>	-	(9,049)

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

STATEMENT OF  
**MOVEMENTS IN TAXPAYERS' FUNDS** FOR THE YEAR ENDED 30 JUNE 2008

30/6/2007			30/6/2008	30/6/2008	30/6/2008
Actual		Note	Actual	Main	Supp.
\$000			\$000	Estimates	Estimates
				\$000	\$000
14,452	Taxpayers' funds as at 1 July	19	<b>19,707</b>	27,786	19,707
(4,709)	Net surplus/(deficit)		<b>(15,987)</b>	-	(9,049)
(4,709)	Total recognised revenues and expenses for the year		<b>(15,987)</b>	-	(9,049)
	Capital contributions				
10,400	– Government Shared Network		<b>9,100</b>	-	7,704
671	– All-of-government authentication of identity solution		<b>2,210</b>	5,000	4,875
(1,107)	Repayment of surplus to the Crown	7	<b>(1,448)</b>	-	-
19,707	<b>TAXPAYERS' FUNDS AS AT 30 JUNE</b>		<b>13,582</b>	32,786	23,237

The SSC's taxpayer's funds consist entirely of contributed equity.

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

STATEMENT OF  
FINANCIAL POSITION AS AT 30 JUNE 2008

30/6/2007			30/6/2008	30/6/2008	30/6/2008
Actual		Note	Actual	Main	Supp.
\$000			\$000	Estimates	Estimates
				\$000	\$000
19,707	<b>TAXPAYERS' FUNDS</b>		<b>13,582</b>	32,786	23,237
	Represented by:				
	<b>CURRENT ASSETS</b>				
8,390	Cash and cash equivalents	17	<b>7,613</b>	9,358	7,105
272	Prepayments		<b>346</b>	60	272
4,692	Debtors and other receivables	8	<b>2,755</b>	1,633	1,912
13,354	<i>Total current assets</i>		<b>10,714</b>	11,051	9,289
	<b>NON-CURRENT ASSETS</b>				
6,868	Property, plant and equipment	9	<b>6,580</b>	7,466	10,117
13,188	Intangible assets	10	<b>8,101</b>	25,683	17,865
20,056	<i>Total non-current assets</i>		<b>14,681</b>	33,149	27,982
33,410	<b>Total assets</b>		<b>25,395</b>	44,200	37,271
	<b>CURRENT LIABILITIES</b>				
6,451	Creditors and other payables	11	<b>6,559</b>	9,601	7,873
1,107	Repayment of surplus to the Crown	7	<b>1,448</b>	-	-
1,582	Employee entitlements	12	<b>1,887</b>	1,110	1,462
2,820	Unearned income	13	<b>1,357</b>	-	818
11,960	<i>Total current liabilities</i>		<b>11,251</b>	10,711	10,153
	<b>NON-CURRENT LIABILITIES</b>				
701	Employee entitlements	12	<b>562</b>	703	701
1,042	Capital charge on GSN funding facility	3,5	-	-	3,180
1,743	<i>Total non-current liabilities</i>		<b>562</b>	703	3,881
13,703	<b>Total liabilities</b>		<b>11,813</b>	11,414	14,034
19,707	<b>NET ASSETS</b>		<b>13,582</b>	32,786	23,237



Iain Rennie | State Services Commissioner  
10 September 2008



Mandy Simpson | Chief Financial Officer  
10 September 2008

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

STATEMENT OF  
**CASH FLOWS** FOR THE YEAR ENDED 30 JUNE 2008

30/6/2007		30/6/2008	30/6/2008	30/6/2008
Actual	Note	Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
<b>CASH FLOWS – OPERATING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Supply of outputs to				
37,241		<b>38,061</b>	39,382	40,901
996		<b>5,304</b>	2,307	5,885
6,531		<b>8,166</b>	15,880	6,814
<i>Cash was applied to:</i>				
Produce outputs				
(19,791)		<b>(23,859)</b>	(23,700)	(23,656)
(24,849)		<b>(28,679)</b>	(24,505)	(30,174)
(399)		<b>759</b>	700	880
(871)		<b>(1,028)</b>	(1,010)	(1,014)
(1,142)	15	<b>(1,276)</b>	9,054	(364)
<b>CASH FLOWS – INVESTING ACTIVITIES</b>				
<i>Cash provided from:</i>				
3		<b>210</b>	-	-
<i>Cash disbursed for:</i>				
(6,202)		<b>(3,252)</b>	(4,065)	(5,325)
(6,414)		<b>(6,662)</b>	(11,836)	(7,068)
(12,613)		<b>(9,704)</b>	(15,901)	(12,393)
<b>CASH FLOWS – FINANCING ACTIVITIES</b>				
<i>Cash provided from:</i>				
11,071		<b>11,310</b>	5,000	12,579
<i>Cash disbursed for:</i>				
(1,052)		<b>(1,107)</b>	-	(1,107)
10,019		<b>10,203</b>	5,000	11,472
(3,736)		<b>(777)</b>	(1,847)	(1,285)
12,126		<b>8,390</b>	11,205	8,390
8,390		<b>7,613</b>	9,358	7,105

The GST component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

STATEMENT OF  
**COMMITMENTS** AS AT 30 JUNE 2008

### Non-cancellable operating lease commitments

The SSC has non-cancellable operating lease commitments in respect of its office premises in Wellington. The SSC's non-cancellable accommodation lease on its Wellington premises on Molesworth Street runs to 31 March 2012. The lease provides for right of renewal and for escalation. The SSC has also entered into non-cancellable contracts for services in connection to the Government Shared Network and Authentication project. The amounts disclosed below as future commitments are based on the current rental and contract rates.

### Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability as balance date.

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
	<b>Non-cancellable operating lease commitments</b>	
1,887	Not later than one year	1,822
6,741	Later than one year and not later than five years	4,919
-	Later than five years	-
8,628	<b>Total operating lease commitments</b>	<b>6,741</b>
	<b>Non-cancellable contracts for services</b>	
4,522	Not later than one year	10,138
6,580	Later than one year and not later than five years	8,618
-	Later than five years	-
11,102	<b>Total non-cancellable contracts</b>	<b>18,756</b>
652	<b>Capital commitments – property, plant and equipment</b>	<b>34</b>
20,382	<b>Total commitments</b>	<b>25,531</b>

The SSC has a non-cancellable sublease with a fitness centre operator. The total minimum future sublease payments expected to be received under this lease at 30 June 2008 is \$28,140 (2007: Nil).

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

STATEMENT OF  
**CONTINGENT LIABILITIES** AS AT 30 JUNE 2008

There are no contingent liabilities as at 30 June 2008 (30 June 2007: Nil).

STATEMENT OF DEPARTMENTAL  
**EXPENSES, CAPITAL EXPENDITURE AND APPROPRIATIONS**

	30/6/2008 Expenditure Actual \$000	30/6/2008 Appropriation Voted*
<b>VOTE: STATE SERVICES</b>		
<b>Appropriations for classes of departmental outputs</b>		
E-government development and operations	23,764	24,109
Government Shared Network	21,712	13,221
State Services development, governance and performance	11,120	12,078
State Services people capability	12,241	13,137
<b>Total for outputs</b>	<b>68,837</b>	<b>62,545</b>
Remeasurement of sick leave liability	(75)	-
<b>Total expenses per statement of financial performance</b>	<b>68,762</b>	<b>62,545</b>
<b>State Services Commission – capital expenditure (PLA)</b>		
This appropriation is limited to the purchase or development of assets by and for the use of the State Services Commission, as authorised by section 24(1) of the Public Finance Act 1989	9,821	12,358
<b>Total departmental and capital expenditure and appropriations</b>	<b>78,583</b>	<b>74,903</b>

\* This includes adjustments made in the Supplementary Estimates.

## MEMORANDUM ACCOUNT – GOVERNMENT SHARED NETWORK (GSN)

This account summarises financial information relating to the accumulated surpluses and deficits incurred in the provision of the Government Shared Network (GSN).

The GSN was established during the financial year ended 30 June 2006, and in that financial year its development costs were accounted for against another expense appropriation. From 1 July 2007, the GSN was established as an output class, and its development costs prior to service delivery commencing and operating costs were accounted for against a departmental output expense appropriation.

30/6/2007	30/6/2008
Actual \$000	Actual \$000
(1,530) Opening balance at 1 July	(7,346)
191 Revenue	3,235
- Gain – waiver of capital charge liability (as at 30 June 2007)	1,042
(6,007) Expenses	(21,712)
(5,816) GSN output class operating deficit	(17,435)
- Adjustment for impairment loss on GSN IT assets	10,618
(7,346) Closing balance at 30 June	(14,163)

In June 2006, the Crown approved a funding facility for the GSN of a capital injection to a maximum of \$23 million to be made available to cover capital expenditure, development costs prior to service delivery and initial operating losses. By 31 May 2008, SSC had drawn down the full \$23 million. Beyond this funding facility, the ongoing costs (including capital charge on the \$23 million drawn down and depreciation) were expected to be fully recovered from service users. In June 2008, it was established that the current ongoing operating costs could not be recovered from service users due to the lower than expected rate of uptake by government departments and Crown entities. The uptake decisions of individual government agencies are a critical determinate of revenue and asset values. Under generally accepted accounting practice, an asset's carrying amount should not be greater than the cash it can generate through use (value in use) or sale (fair value). Given that the GSN information technology assets (collectively) were unable to generate sufficient cash to cover costs, an impairment test was conducted, and it was found that the GSN's computer hardware and computer software assets carrying amounts needed to be written down to their fair value. The computer hardware was found to have a commercial value of \$2.151 million and the computer software no commercial value. This resulted in the recognition of an impairment loss of \$10.618 million in the statement of financial performance. To address the GSN financial situation, the Crown provided the SSC a further \$1 million in June to compensate for the GSN operating cash deficit to 30 June 2008; agreed to waive the \$3.18 million accrued capital charge (payment was deferred to 2011) on the \$23 million funding facility and account for this in the 30 June 2008 financial statements; agreed that the unappropriated expenditure incurred by SSC due to the impairment loss be included in the Appropriation (2007/08 Financial Review) Bill for validation by Parliament and that, in the interim, these expenses be met from imprest supply; agreed to levy the capital charge from 1 July 2008 on the carrying amount of the GSN information technology assets; and appropriate in the next financial year \$3.6 million under the GSN output expense (funded by revenue Crown) for the SSC to operate the GSN through to December 2008 when the GSN is expected to become cash-neutral from revenue from users.

An independent review of the implementation of the GSN is to be commissioned by the State Services Commissioner with a view of identifying best practice in the assessment, implementation and monitoring of all-of-government IT projects.

STATEMENT OF DEPARTMENTAL UNAPPROPRIATED  
**EXPENSES AND CAPITAL EXPENDITURE** FOR THE YEAR ENDED 30 JUNE 2008

	30/6/2008 Actual Expenditure \$000	30/6/2008 Appropriation Voted*	30/6/2008 Unappropriated Expenditure \$000
<b>Vote State Services</b>			
Departmental output expense:			
Government Shared Network	21,712	13,221	8,491

\* This includes adjustments made in the Supplementary Estimates.

The SSC incurred \$8.491 million expenditure in excess of appropriation under the GSN output expense for the year ended 30 June 2008. This unappropriated expenditure occurred due to the recognition of an impairment loss resulting from the write-down of the carrying amount of GSN information technology assets to their fair value. Interim authority under imprest supply in advance of this expenditure being incurred was obtained from Cabinet on 23 June. Validation by Parliament for this unappropriated expenditure will be sought in the Appropriation (2007/08 Financial Review) Bill to be presented by the Minister of Finance in accordance with section 26C of the Public Finance Act 1989.

The accompanying policies and notes form part of these financial statements. For information on major budget variances against budget, refer to Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1

Refer to the statement of accounting policies for the year ended 30 June 2008 for Note 1.

### Note 2: Revenue other

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
4,248	Public Sector Training Organisation (PSTO) services	4,769
188	Government Shared Network (GSN) excluding SSRSS	3,222
1,150	Government Logon Service (GLS)	2,195
220	Conference fees	816
453	State Sector Retirement Saving Scheme (SSRSS) funding from Crown	546
-	- Emerging Issues Project*	357
-	- Shared Workspace	153
-	- Leadership and Development Roundtable membership fees	79
70	Rental income	70
875	Other (reviews, accounting services etc)	74
7,204	<b>TOTAL OTHER AND DEPARTMENTAL REVENUE</b>	<b>12,281</b>

\* Contributions from government departments and Housing New Zealand Corporation for the Victoria University School of Government Institute of Policy Studies to conduct a programme of relevant research, discussion and dissemination on key issues of importance to the State sector.

### Note 3: Gains

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
3	Net gain on disposal of property, plant and equipment	-
-	- Waiver of GSN capital charge liability (as at 30 June 2007)	1,042
3	<b>TOTAL GAINS</b>	<b>1,042</b>

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 4: Personnel costs**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
19,064	Salaries and wages	22,752
761	Staff training and development	872
589	Superannuation contributions to defined contribution plans	681
385	Increase/(decrease) in employee entitlements	166
11	Fringe benefit tax	4
15	Severance	14
20,825	<b>TOTAL PERSONNEL COSTS</b>	<b>24,489</b>

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund.

The severance payment was to a staff member made redundant due to the decision to close the SSC Auckland office upon the retirement at the end of December 2007 of the Regional Assistant Commissioner for Auckland. The motor vehicle owned by the SSC and used by the Regional Assistant Commissioner was sold. The fringe benefit tax expense is in respect of this motor vehicle.

Personnel costs increased by \$3.664 million over the previous financial year due to the employment of an additional 35 staff, needed to work on the development of e-govt initiatives and to support the development of chief executives of government agencies, and due to remuneration increases for existing staff.

**Note 5: Capital charge**

The SSC pays a capital charge to the Crown based on taxpayers' funds excluding funding for GSN, at 30 June and 31 December each year. The capital charge rate for the 2007/08 financial year was 7.5 percent (2006/07: 7.5 percent).

In June 2008, the Crown reversed an earlier decision to levy a capital charge on the funds drawn down for the GSN. The capital charge was compounded and payment was deferred until 1 July 2010. The accrued GSN capital charge liability carried forward from the previous financial year was written off.

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 6: Other operating costs**

30/6/2007			30/6/2008
Actual		Note	Actual
\$000			\$000
10,945	Consultancy		13,554
304	Legal fees		293
	Fees to auditor:		
74	– Audit fees for the financial statements audit		74
5	– Audit fees for NZ IFRS transition		10
32	– Audit related fees for assurance and related services		9
2	Debt impairment	8	5
1,989	Rental and operating leasing costs		1,934
518	Other occupancy costs		564
5,661	IT and communications costs		7,769
687	Travel		816
-	Loss on disposal of property, plant and equipment		58
4,254	Other operating costs		3,231
24,471	<b>TOTAL OPERATING COSTS</b>		<b>28,317</b>

**Note 7: Repayment of surplus to the Crown**

30/6/2007			30/6/2008
Actual			Actual
\$000			\$000
(4,709)	Net surplus/(deficit)		(15,987)
5,816	Adjustment for GSN output class deficit funded through capital injections from Crown		17,435
1,107	<b>TOTAL REPAYMENT OF SURPLUS</b>		<b>1,448</b>

The repayment of surplus is required to be paid by 31 October each year.

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 8: Debtors and other receivables**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
3,747	Trade debtors	937
(2)	Less: provision for doubtful debts	(7)
3,745	Net trade debtors	930
134	Debtor Crown	1,525
137	Accrued revenue and other receivables	300
676	GST receivable	-
4,692	<b>TOTAL DEBTORS AND OTHER RECEIVABLES</b>	<b>2,755</b>

As at 30 June 2008 and 2007, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2007			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	4,429	-	4,429	2,517	-	2,517
Past due 31–60 days	151	-	151	109	-	109
Past due 61–90 days	28	-	28	33	-	33
Past due > 91 days	86	(2)	84	103	(7)	96
<b>Total</b>	4,694	(2)	4,692	2,762	(7)	2,755

The carrying value of debtors and other receivables approximates their fair value.

The provision for doubtful debts has been calculated based on expected losses for the SSC's pool of debtors. Expected losses have been determined based on an analysis of the SSC's losses in previous periods and review of specific debtors. Those specific debtors that are insolvent are fully provided for.

Movements in the provision for doubtful debts are as follows:

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
-	Balance at 1 July	2
2	Additional provisions made during year	5
-	Receivables written off during the year	-
2	<b>Balance at 30 June</b>	<b>7</b>

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 9: Property, plant and equipment**

30/6/2007		30/6/2008	GSN 30/6/2008	Other 30/6/2008
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
<b>Computer hardware</b>				
<i>At cost</i>				
6,104	Balance at 1 July	<b>10,583</b>	3,650	6,933
5,025	Additions	<b>2,920</b>	904	2,016
(546)	Reclassifications	<b>(968)</b>	-	(968)
-	Derecognition on disposal or write-off	<b>(254)</b>	(254)	-
10,583	Balance at 30 June	<b>12,281</b>	4,300	7,981
<i>Accumulated depreciation and impairment losses</i>				
5,011	Balance at 1 July	<b>5,720</b>	327	5,393
1,255	Depreciation expense	<b>1,478</b>	796	682
(546)	Reclassifications	<b>(841)</b>	-	(841)
-	Derecognition on disposal or write-off	-	-	-
-	Impairment losses	<b>1,026</b>	1,026	-
5,720	Balance at 30 June	<b>7,383</b>	2,149	5,234
4,863	<b>Carrying amount</b>	<b>4,898</b>	2,151	2,747
<b>Plant and equipment</b>				
<i>At cost</i>				
879	Balance at 1 July	<b>1,070</b>		
191	Additions	<b>103</b>		
-	Reclassifications	<b>100</b>		
-	Derecognition on disposal or write-off	<b>(9)</b>		
1,070	Balance at 30 June	<b>1,264</b>		
<i>Accumulated depreciation and impairment losses</i>				
677	Balance at 1 July	<b>748</b>		
71	Depreciation expense	<b>98</b>		
-	Reclassifications	<b>80</b>		
-	Derecognition on disposal or write-off	<b>(9)</b>		
-	Impairment losses	-		
748	Balance at 30 June	<b>917</b>		
322	<b>Carrying amount</b>	<b>347</b>		

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 9: Property, plant and equipment continued**

30/6/2007		30/6/2008	GSN 30/6/2008	Other 30/6/2008
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
<b>Furniture and fittings</b>				
<i>At cost</i>				
3,181	Balance at 1 July	4,344		
1,177	Additions	136		
-	Reclassifications	(100)		
(14)	Derecognition on disposal or write-off	(28)		
4,344	Balance at 30 June	4,352		
<i>Accumulated depreciation and impairment losses</i>				
2,378	Balance at 1 July	2,805		
440	Depreciation expense	444		
-	Reclassifications	(80)		
(13)	Derecognition on disposal or write-off	(24)		
-	Impairment losses	-		
2,805	Balance at 30 June	3,145		
1,539	<b>Carrying amount</b>	1,207		
<b>Works of art</b>				
<i>At cost</i>				
145	Balance at 1 July	154		
9	Additions	-		
-	Reclassifications	-		
-	Derecognition on disposal or write-off	-		
154	Balance at 30 June	154		
<i>Accumulated depreciation and impairment losses</i>				
3	Balance at 1 July	22		
19	Depreciation expense	4		
-	Reclassifications	-		
-	Derecognition on disposal or write-off	-		
-	Impairment losses	-		
22	Balance at 30 June	26		
132	<b>Carrying amount</b>	128		

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 9: Property, plant and equipment continued**

30/6/2007		30/6/2008	GSN 30/6/2008	Other 30/6/2008
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
	<b>Motor vehicles</b>			
	<i>At cost</i>			
26	Balance at 1 July	26		
-	Additions	-		
-	Reclassifications	-		
-	Derecognition on disposal or write-off	(26)		
26	Balance at 30 June	-		
	<i>Accumulated depreciation and impairment losses</i>			
8	Balance at 1 July	13		
5	Depreciation expense	3		
-	Reclassifications	-		
-	Derecognition on disposal or write-off	(16)		
-	Impairment losses	-		
13	Balance at 30 June	-		
13	<b>Carrying amount</b>	-		
	<b>Total property, plant and equipment</b>			
	<i>At cost</i>			
10,335	Balance at 1 July	16,177		
6,402	Additions	3,159		
(546)	Reclassifications	(968)		
(14)	Derecognition on disposal or write-off	(317)		
16,177	Balance at 30 June	18,051		
	<i>Accumulated depreciation and impairment losses</i>			
8,077	Balance at 1 July	9,308		
1,790	Depreciation expense	2,027		
(546)	Reclassifications	(841)		
(13)	Derecognition on disposal or write-off	(49)		
-	Impairment losses	1,026		
9,308	Balance at 30 June	11,471		
6,869	<b>TOTAL CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT</b>	6,580		

No property, plant and equipment are held under finance leases.

The total amount of property, plant and equipment in the course of construction is \$1.261 million (2007: \$466,000).

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 10: Intangible assets**

30/6/2007		30/6/2008	GSN 30/6/2008	Other 30/6/2008
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
<b>Acquired software</b>				
<i>At cost</i>				
4,107	Balance at 1 July	<b>8,657</b>	254	8,403
4,208	Additions	<b>109</b>	-	109
342	Reclassifications	<b>1,185</b>	347	838
-	Derecognition on disposal or write-off	-	-	-
8,657	Balance at 30 June	<b>9,951</b>	601	9,350
<i>Accumulated amortisation and impairment losses</i>				
3,578	Balance at 1 July	<b>4,019</b>	-	4,019
83	Amortisation expense	<b>810</b>	-	810
358	Reclassifications	<b>841</b>	-	841
-	Derecognition on disposal or write-off	-	-	-
-	Impairment losses	<b>601</b>	601	-
4,019	Balance at 30 June	<b>6,271</b>	601	5,670
4,638	<b>Carrying amount</b>	<b>3,680</b>	-	3,680
<b>Internally generated software</b>				
<i>At cost</i>				
6,629	Balance at 1 July	<b>8,835</b>	7,737	1,098
2,206	Additions	<b>6,553</b>	2,827	3,726
204	Reclassifications	<b>(217)</b>	(347)	130
(204)	Derecognition on disposal or write-off	-	-	-
8,835	Balance at 30 June	<b>15,171</b>	10,217	4,954
<i>Accumulated amortisation and impairment losses</i>				
-	Balance at 1 July	<b>286</b>	192	94
286	Amortisation expense	<b>1,473</b>	1,034	439
188	Reclassifications	-	-	-
(188)	Derecognition on disposal or write-off	-	-	-
-	Impairment losses	<b>8,991</b>	8,991	-
286	Balance at 30 June	<b>10,750</b>	10,217	533
8,549	<b>Carrying amount</b>	<b>4,421</b>	-	4,421

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 10: Intangible assets continued**

30/6/2007		30/6/2008	GSN 30/6/2008	Other 30/6/2008
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
<b>Total intangible assets</b>				
<i>At cost</i>				
10,736	Balance at 1 July	<b>17,492</b>	7,991	9,501
6,414	Additions	<b>6,662</b>	2,827	3,835
546	Reclassifications	<b>968</b>	-	968
(204)	Derecognition on disposal or write-off	-	-	-
17,492	Balance at 30 June	<b>25,122</b>	10,818	14,304
<i>Accumulated amortisation and impairment losses</i>				
3,578	Balance at 1 July	<b>4,305</b>	192	4,113
369	Amortisation expense	<b>2,283</b>	1,034	1,249
546	Reclassifications	<b>841</b>	-	841
(188)	Derecognition on disposal or write-off	-	-	-
-	Impairment losses	<b>9,592</b>	9,592	-
4,305	Balance at 30 June	<b>17,021</b>	10,818	6,203
13,187	<b>TOTAL CARRYING AMOUNT OF INTANGIBLE ASSETS</b>	<b>8,101</b>	-	8,101

There are no restrictions over the title of the SSC's intangible assets, nor are any intangible assets pledged as security for liabilities.

The total value of internally generated software under development is \$2.625 million (2007: \$2.758 million).

**Note 11: Creditors and other payables**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
2,330	Sundry creditors	<b>980</b>
199	Creditors for property, plant and equipment	<b>106</b>
3,922	Accrued expenses	<b>5,390</b>
-	GST payable	<b>83</b>
6,451	<b>TOTAL CREDITORS AND OTHER PAYABLES</b>	<b>6,559</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore, the carrying value of creditors and other payables approximates their fair value.

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 12: Employee entitlements**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
	<b>Current liabilities</b>	
435	Accrued salaries and performance pay	486
947	Annual leave	1,173
100	Sick leave	25
100	Retirement (vested) and long service leave (vested)	203
1,582	<i>Total current portion</i>	1,887
	<b>Non-current liabilities</b>	
593	Retirement leave (vested)	446
108	Long service leave (unvested)	116
701	<i>Total non-current portion</i>	562
2,283	<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	2,449

The present value of the unvested long service leave obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and salary inflation factor.

A discount rate of 6.42 percent and a salary inflation factor of 3.4 percent were used. The 10-year Government Bond interest rate has been used as the discount rate. The inflation factor is based on the expected long-term increase in remuneration for employees. Any changes in these assumptions will impact on the carrying amount of the liability although not materially.

**Note 13: Unearned income**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
2,075	Government Logon Service funding	-
420	Public Sector Training Organisation (PSTO) services	910
325	Other unearned income	447
2,820	<b>TOTAL REVENUE IN ADVANCE</b>	1,357

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 14: Non-current assets written off**

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
16	Computer software – websites	-
1	Furniture and fittings	-
17	<b>TOTAL ASSETS WRITTEN OFF</b>	-

**Note 15: Reconciliation of net surplus to net cash flows from operating activities**

30/6/2007		Note	30/6/2008
Actual			Actual
\$000			\$000
(4,709)	<b>Net surplus/(deficit)</b>		<b>(15,987)</b>
	<i>Add non-cash items</i>		
2,159	Depreciation, amortisation and impairment expenses	9,10	<b>14,928</b>
17	Non-current assets written off	14	-
92	Increase/(decrease) in non-current employee entitlements		<b>(139)</b>
948	Increase/(decrease) in deferred capital charge for GSN		<b>(1,042)</b>
3,216	<b>Total non-cash items</b>		<b>13,747</b>
	<i>Add/(less) movements in working capital items</i>		
(212)	(Increase)/decrease in prepayments		<b>(74)</b>
(2,931)	(Increase)/decrease in debtors and other receivables		<b>1,937</b>
682	Increase/(decrease) in creditors and other payables		<b>108</b>
2,721	Increase/(decrease) in revenue in advance		<b>(1,463)</b>
293	Increase/(decrease) in current employee entitlements		<b>305</b>
553	<b>Working capital movements</b>		<b>813</b>
	<i>Add/(less) items classified as investing activities</i>		
(3)	Net loss/(gain) on disposal of property, plant and equipment		<b>58</b>
(199)	(Increase)/decrease creditors for property, plant and equipment		<b>93</b>
(202)	<b>Total investing activity items</b>		<b>151</b>
(1,142)	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(1,276)</b>

**Note 16: Contingencies**

The SSC does not have any contingent assets as at 30 June 2008 (2007: Nil).

Contingent liabilities are separately disclosed in the statement of contingent liabilities.

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 17: Financial instruments**

The SSC is party to financial instrument arrangements as part of its everyday operations. The SSC's financial assets comprise cash and cash equivalents and debtors and other receivables. Cash and cash equivalents consist of cash on hand (petty cash) and funds held in bank current accounts. The SSC's financial liabilities comprise creditors and other payables. The SSC was not party to any derivative financial instruments as at 30 June 2008.

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

30/6/2007		30/6/2008
Actual		Actual
\$000	Note	\$000
<b>Loans and receivables</b>		
8,390	Cash and cash equivalents	7,613
4,692	Debtors and other receivables	2,755
13,082	Total loans and receivables	10,368
<b>Financial liabilities measured at amortised cost</b>		
6,451	Creditors and other payables	6,559

The SSC has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The SSC has no material exposure to currency risk.

**Interest rate risk**

Interest rate risk is the risk the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The SSC has no interest-bearing financial instruments and, accordingly, has no exposure to interest rate risk.

**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 debtors and other receivables and bank deposits.

The SSC is only permitted to deposit funds with Westpac, a registered bank with a high credit rating. For its debtors, the SSC has no significant concentrations of credit risk.

The SSC's maximum credit exposure for its financial instruments is represented by the total carrying amount of cash and bank deposits, and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)

**Note 17: Financial instruments continued**

**Liquidity risk**

Liquidity risk is the risk that the SSC will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the SSC closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The SSC maintains a target level of available cash to meet liquidity requirements.

The table below analyses the SSC's financial liabilities that will be settled based on the remaining period as at 30 June 2008 and 2007 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Note	Less than 6 months \$000	More than 6 months \$000
<b>2007</b>			
Creditors and other payables	11	6,451	-
<b>2008</b>			
Creditors and other payables	11	6,559	-

**Note 18: Related party transactions and key management personnel**

**Related party transactions**

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

The SSC enters into transactions with other government departments, Crown entities and State-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the SSC would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

Apart from the transactions described above, the SSC has not entered into any related party transactions.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

30/6/2007		30/6/2008
Actual		Actual
\$000		\$000
2,307	Salaries and other short-term employee benefits	2,447
179	Long-term employee benefits	16
-	Post-employment benefits	-
-	Termination benefits	-
2,486	<b>TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION</b>	<b>2,463</b>

Key management personnel include the State Services Commissioner and seven members of the Senior Management Team.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Note 19: Capital management**

The SSC's capital is its equity (or taxpayers' funds) that represents the Crown's net investment in the SSC.

The SSC manages its income, expenditure (operating and capital), assets, liabilities and general dealings prudently. The SSC's equity is largely managed as a by-product of managing income, expenditure, assets, liabilities and compliance with the Government Budget processes and with Treasury instructions.

The objective of managing the SSC's equity is to ensure the SSC effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

### **Note 20: Major budget variances**

Explanations for major variations between actual results and forecast in the Main Estimates having regard to changes made in the Supplementary Estimates follow.

The primary reason for the changes between the Main Estimates and Supplementary Estimates is GSN would not meet its financial performance targets. The resultant unforecast GSN operating cash deficit was funded from capital contributions from the Crown and SSC working capital. These factors ultimately led to the recognition of an impairment loss on the write-down of GSN information technology assets to their fair value and a decision to undertake a financial review of the GSN business model.

#### **Statement of financial performance and statement of movements in taxpayers' funds**

The output classes were provided at a cost of \$68.762 million, which is \$6.217 million more than Supplementary Estimates. The increased expenditure was due to the \$10.618 million impairment loss incurred on write-down of GSN information technology assets, under the GSN output class. This one-off expense was partially offset by a \$2.138 million reduction in capital charge following the Crown's decision to waive the capital charge on financing GSN and approve a carry forward of \$1.825 million operating funding and associated capital funding (\$1.992 million) to 2008/09 to progress projects, most notably the all-of-government authentication of identity solution, agreed between the Vote Minister and SSC. Income is less than Supplementary Estimates by \$0.721 million mainly due to the carry forward of funding for the \$1.825 million expense transfers (\$1.315 million revenue Crown and \$0.510 million revenue other) offset by a one-off \$1.042 million gain through the Crown's decision to waive the deferred GSN capital charge liability carried forward from the previous financial year.

The overall operating deficit of \$15.987 million is due to the unforecast GSN operating deficit of \$17.435 million, offset by \$1.448 million surplus generated under the other output classes. The SSC will pay the \$1.448 million surplus to the Crown. Capital contributions from the Crown were needed to cover the unforecast GSN operating cash deficit.

Further variance information is provided under the statement of cost of services for each output class in the statement of objectives and service performance section of the Annual Report.

#### **Statement of financial position (and cash flows)**

The \$9.655 million deterioration in financial position from that in the Supplementary Estimates is mainly due to the \$10.618 million write-down of GSN information technology assets to their fair value, the deferral of \$1.992 million (and carry forward of funding for) capital expenditure on the all-of-government authentication programme to 2008/09, offset by the \$3.180 million waiver by the Crown of capital charge liability on the \$23 million GSN funding facility that would otherwise be payable at 30 June 2008.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Note 21: Transition to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)**

The SSC's financial statements for the year ended 30 June 2008 are the first financial statements that comply with NZ IFRS. The SSC has applied *NZ IFRS 1 First-time Adoption of NZ IFRS* (NZ IFRS 1) in preparing these financial statements. The SSC's transition date is 1 July 2006. The SSC prepared its opening NZ IFRS statement of financial position at that date. The reporting date of these financial statements is 30 June 2008. The SSC NZ IFRS adoption date is 1 July 2007.

The SSC has not applied any optional exemptions from full retrospective application in transitioning to NZ IFRS.

The only mandatory exception from retrospective application that applies to the SSC is the requirement for estimates under NZ IFRS at 1 July 2006 and 30 June 2007 to be consistent with estimates made for the same date under previous NZ GAAP.

Because there is no material change in equity and no change in net surplus/(deficit) between previous NZ GAAP and NZ IFRS, no reconciliation of the previous NZ GAAP and NZ IFRS figures is required. The changes arising from adoption of NZ IFRS are as follows:

#### **Statement of financial performance and statement of cash flows**

Other than presentational changes, the change to NZ IFRS has not impacted the statement of financial performance and statement of cash flows.

#### **Statement of financial position**

The effect on transition of the 30 June 2006 financial position to the opening 1 July 2007 financial position was to:

- reclassify computer software as an intangible asset (net book value \$13.187 million)
- recognise an employee entitlement liability for sick leave (valuation \$100,000) with offsetting reduction to taxpayers' funds.

### **Note 22: Post balance date events**

#### **Relocation of the Mainstream Supported Employment Programme**

The management of, and staff and funding for, the Mainstream Supported Employment Programme (Mainstream) was transferred to the Ministry of Social Development (MSD) with effect from 1 July 2008. A net asset transfer of \$5,041 will be made between SSC and MSD. As Mainstream does not represent a separate major line of business for the SSC, the transfer to MSD is not a discontinued operation as defined in NZ IFRS 5, and it has not been accounted for as such in the financial statements.

#### **Relocation of all-of-government ICT shared services**

A review of governance arrangements for the delivery of shared information and communication technologies (ICT) services was undertaken and the Government decided ICT shared services would be transferred to the Department of Internal Affairs with effect from 1 July 2009. Preparatory to this transfer, the SSC reorganised the ICT Branch to separate the service delivery and ICT leadership functions from 1 July 2008. The financial implications of the transfer of the shared services unit to the Department of Internal Affairs have yet to be determined at this early stage in the planning process.

## CROWN FINANCIAL STATEMENTS

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### STATEMENTS AND SCHEDULES – **NON-DEPARTMENTAL** FOR THE YEAR ENDED 30 JUNE 2008

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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 \$112.675 million of non-departmental appropriations, \$11.118 million of non-departmental revenue and receipts, \$1.000 million of assets and \$32.130 million of liabilities on behalf of the Crown for the year ended 30 June 2008. Further details of the SSC's management of these Crown activities are provided in the output performance sections of this report.

All figures are exclusive of GST except for the creditors and other payables figure in the schedule of liabilities, which is inclusive of GST (as applicable).

### STATEMENT OF **ACCOUNTING POLICIES** FOR THE YEAR ENDED 30 JUNE 2008

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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.

STATEMENT OF NON-DEPARTMENTAL  
EXPENSES AND APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2008

The statement of non-departmental expenses and appropriations details the expenses incurred against each appropriation administered by the SSC on behalf of the Crown.

30/6/2007		30/6/2008	30/6/2008	30/6/2008
Expenses Actual		Expenses Actual	Main Estimates	Appropriation Voted*
\$000		\$000	\$000	\$000
	<b>Vote State Services</b>			
	<b>Appropriations for non-departmental output classes</b>			
116	Development of online authentication services	116	116	116
750	Treaty of Waitangi touring exhibition	-	-	-
866	<i>Subtotal</i>	116	116	116
	<b>Appropriation for benefits and other unrequited expenses</b>			
3,100	Mainstream Supported Employment Programme	2,779	4,566	3,566
3,100	<i>Subtotal</i>	2,779	4,566	3,566
	<b>Appropriation for other expenses to be incurred by the Crown</b>			
11,061	Payment and remuneration of chief executives	11,699	12,361	12,358
10,000	School of Government contribution	-	-	-
-	Settlement of legal liabilities	-	196	196
89,567	State Sector Retirement Savings Scheme	97,780	102,093	99,675
-	KiwiSaver: State sector employer contributions	301	-	1,000
110,628	<i>Subtotal</i>	109,780	114,650	113,229
114,594	<b>TOTAL</b>	112,675	119,332	116,911

\* This includes adjustments made in the Supplementary Estimates.

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, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2008.

STATEMENT OF NON-DEPARTMENTAL  
**UNAPPROPRIATED EXPENSES** FOR THE YEAR ENDED 30 JUNE 2008

There were no unappropriated expenses in relation to the activities that the SSC administers on behalf of the Crown for the year ended 30 June 2008 (30 June 2007: Nil).

SCHEDULE OF NON-DEPARTMENTAL  
**REVENUES AND RECEIPTS** FOR THE YEAR ENDED 30 JUNE 2008

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

30/6/2007		30/6/2008	30/6/2008	30/6/2008
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
	<b>Vote State Services</b>			
	<i>Non-tax revenue:</i>			
10,474	Reimbursement of chief executives' remuneration	<b>11,118</b>	11,581	11,231
	<b>Total Crown revenue and receipts:</b>			
10,474	<b>Vote State Services</b>	<b>11,118</b>	11,581	11,231

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, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2008.

SCHEDULE OF  
**NON-DEPARTMENTAL ASSETS** AS AT 30 JUNE 2008

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

30/6/2007		30/6/2008	30/6/2008	30/6/2008
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
<b>Vote State Services</b>				
<b>ASSETS</b>				
<i>Current assets</i>				
-	Cash	1,000	5,339	264
-	<b>Total non-departmental assets</b>	<b>1,000</b>	<b>5,339</b>	<b>264</b>

SCHEDULE OF  
**NON-DEPARTMENTAL LIABILITIES** AS AT 30 JUNE 2008

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

30/6/2007		30/6/2008	30/6/2008	30/6/2008
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
<b>Vote State Services</b>				
<b>LIABILITIES</b>				
274	Bank overdraft	-	-	-
32,163	Creditors and other payables	30,823	30,554	27,406
965	Provision for employee entitlements	1,307	985	985
33,402	<b>Total non-departmental liabilities</b>	<b>32,130</b>	<b>31,539</b>	<b>28,391</b>

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, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2008.

STATEMENT OF  
**NON-DEPARTMENTAL COMMITMENTS** AS AT 30 JUNE 2008

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There are no non-departmental commitments in respect to the activities the SSC administers on behalf of the Crown as at 30 June 2008 (30 June 2007: Nil).

STATEMENT OF NON-DEPARTMENTAL  
**CONTINGENT LIABILITIES** AS AT 30 JUNE 2008

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There are no non-departmental contingent liabilities in respect to the activities the SSC administers on behalf of the Crown as at 30 June 2008 (30 June 2007: Nil).

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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, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2008.

STATEMENT OF OBJECTIVES –  
**FORECAST FINANCIALS**

**Performance Indicators: 2007/08**

	Unit	2007/08 Forecast (SOI)	Actual
<b>Operating results</b>			
Revenue other	\$000	18,245	12,281
Output expenses	\$000	57,627	68,762
Operating surplus/(deficit) before capital charge	\$000	3,555	(14,959)
Net surplus/(deficit)	\$000	-	(15,987)
<b>Resource utilisation</b>			
Non-financial assets:			
– Total non-financial assets at year end	\$000	33,149	14,681
– Additions	\$000	15,901	9,914
– Additions as % of non-financial assets	%	48%	68%
Accommodation cost per employee	\$000	7	8
<b>Forecast net cash flows</b>			
Net cash inflow/(outflow) from operating activities	\$000	9,054	(1,276)
Net cash outflow to investing activities	\$000	(15,901)	(9,704)
Net cash inflow from financing activities	\$000	5,000	10,203
Net increase/(decrease) in cash held	\$000	(1,847)	(777)
<b>Human resources</b>			
Staff turnover	%	20%	19%
Total staff (full-time equivalents)	No.	252	244

## Section 3: Further information

### The cost of the State Services Commission's operational activities

Specific cost effectiveness measures for service delivery activities managed by the SSC in support of the Development Goals programme have been identified. Data collected for the 2007/08 year will act as a baseline for future years.

#### Government Shared Network

Average cost of individual products over the 2007/08 year:

Product	Average monthly cost	Average annual cost
core.connect	\$2,650	\$31,800
office.connect	\$1,935	\$23,220
internet.connect	\$15	\$180

#### All-of-government software contracts

Average cost per licence for participating State Services agencies over the 2007/08 year:

SSC arranges three all-of-government supply contracts for ICT products/services – with Telecom New Zealand and Vodafone New Zealand for mobile telecommunications and with Microsoft New Zealand for software licences. The prices within these contracts are reviewed periodically. During the year 2007/2008, prices were reviewed on three occasions. While individual price details are subject to commercial confidentiality, the average price reduction across the contracts during the year was 7 percent.

#### Public Sector Training Organisation

Costs per individual for the 2007/08 year:

Annual cost per trainee on an industry training programme	\$299
Annual cost per Modern Apprentice on a Modern Apprenticeship	\$410

### 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:

<b>Agencies</b>	A general term for organisations, used most often to refer to organisations in the State sector.
<b>Central agencies</b>	The collective term for three departments: the Department of the Prime Minister and Cabinet, the Treasury and the State Services Commission.
<b>Crown entities</b>	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 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.
<b>Departments</b>	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).
<b>Public sector</b>	The State sector and all local authorities.
<b>Public Service</b>	The departments listed in the First Schedule to the State Sector Act 1988.
<b>State sector</b>	All organisations in the annual financial statements of the Crown (for example, departments, New Zealand Police, New Zealand Defence Force, Offices of Parliament, State-owned enterprises, Crown entities and the Reserve Bank).
<b>State Services</b>	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: <ul style="list-style-type: none"> <li>• the Governor-General</li> <li>• any member of the Executive Council</li> <li>• any Minister of the Crown</li> <li>• any member of Parliament</li> <li>• any corporation listed in the First Schedule to the State-Owned Enterprises Act 1986 (i.e. any SOE)</li> <li>• any university, polytechnic or college of education.</li> </ul>

Other definitions can be found on the SSC's website at [www.ssc.govt.nz/Glossary](http://www.ssc.govt.nz/Glossary).

## Directory

### State Services Commission

100 Molesworth Street, Wellington  
PO Box 329, Wellington  
Phone: +64 4 495 6600  
Fax: +64 4 495 6686  
Email: [commission@ssc.govt.nz](mailto:commission@ssc.govt.nz)  
Website: [www.ssc.govt.nz](http://www.ssc.govt.nz)  
e-government website: [www.e.govt.nz](http://www.e.govt.nz)  
igovt website: [www.i.govt.nz](http://www.i.govt.nz)  
All-of-government portal website: [www.newzealand.govt.nz](http://www.newzealand.govt.nz)  
New Zealand Government Jobs website: [www.jobs.govt.nz](http://www.jobs.govt.nz)

### Learning State

Level 1, Gen-i House  
154 Featherston Street  
PO Box 10243, Wellington  
Phone: +64 4 495 1410  
Fax: +64 4 495 1419  
Email: [info@learningstate.govt.nz](mailto:info@learningstate.govt.nz)  
Website: [www.learningstate.govt.nz](http://www.learningstate.govt.nz)

# Part 3

## Remuneration of Public Service and State sector senior personnel

This part of the Annual Report is the State Services Commissioner's (the Commissioner) report on the remuneration of chief executives and other senior personnel in the Public Service and State sector.

### Section 1: Public Service and State sector chief executive remuneration policy

The Commissioner's role includes setting and reviewing the remuneration of 32<sup>1</sup> Public Service chief executives and advising on or approving the proposed terms and conditions of employment of 116 Crown entity and subsidiary chief executives. The Commissioner, therefore, has a direct influence on the remuneration received by almost 150 chief executive positions in the State sector.

The current Public Service chief executive remuneration policy is well established, continues to meet its objectives and is designed to provide an environment in which high-quality leaders are attracted to and encouraged to perform in key roles. The main features of the policy are to:

- link Public Service chief executive remuneration to chief executive remuneration practice in the public sector<sup>2</sup>
- provide flexibility and discretion for the Commissioner to set remuneration within broad boundaries determined by the Government
- link chief executives' remuneration to their performance.

The key principles of the remuneration policy noted in recent Annual Reports remain the same. To reiterate, they are that the policy:

- provides the ability to attract, retain and motivate suitable highly competent chief executives
- is fair and equitable, flexible and transparent
- has integrity (statistically sound)
- is efficient and manageable
- is legal
- is affordable
- supports the business of government
- inspires public confidence.

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1 There are 35 departments. 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.

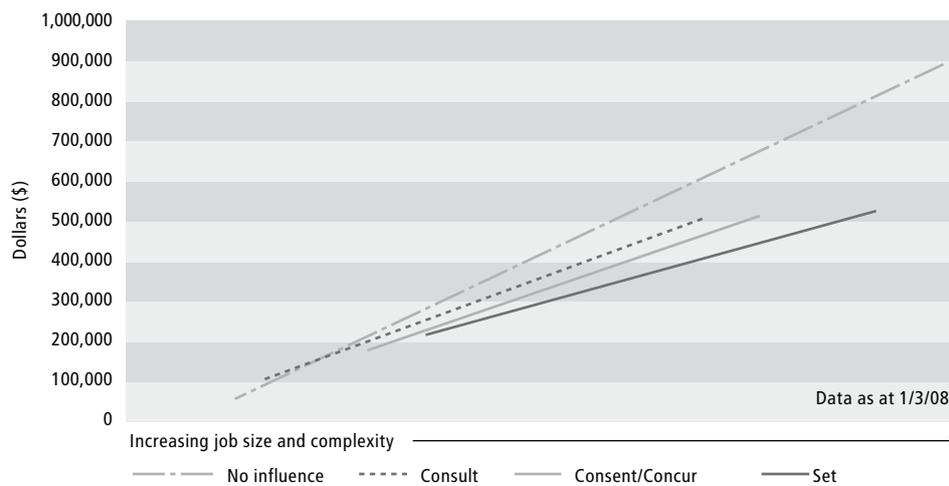
2 The State sector plus the organisations of local government in New Zealand collectively make up the 'public sector'.

The benchmark for both Public Service and State sector chief executives' remuneration is the public sector, for which remuneration data is collected by the SSC through its annual chief executive remuneration survey. Apart from this, I also regularly monitor other markets to see how the public sector fits into the wider picture.

### State Services Commissioner's influence

Figure 1 below illustrates chief executive remuneration across the public sector in terms of my degrees of influence:

Figure 1 – State Service Commissioner's influence (total remuneration lines)



The solid line in Figure 1 shows Public Service chief executive remuneration as the line that I *set*. The two lines immediately above it show the remuneration of chief executives in the State sector whose remuneration I *consent* or *concur to* (mainly tertiary education institutions and district health boards) and those that *consult* with me (the majority of Crown entities). The upper line shows the remuneration of chief executives of organisations over which I have *no influence* – organisations in the public sector but which are local government bodies or trading enterprises operating in a commercial environment.

### The Public Service

Last year, the previous State Services Commissioner, Mark Prebble, said that he was concerned about the disparity between the remuneration of Public Service chief executives and the remuneration of chief executives in equivalent sized jobs in the public sector (the benchmark group). As was the case last year, a number of new appointments have been made recently, and new appointees are generally remunerated at a lower level than their more experienced predecessors. The disparity, therefore, still remains. I will continue to monitor it carefully and intend to reduce the disparity over my term as Commissioner, while ensuring that any remuneration increases are informed by performance, recruitment or retention issues, and movements in the benchmark group.

As noted last year, a key element of all chief executives' remuneration is the performance component. I agree that there should be a strong linkage between what chief executives are paid and their performance in the position. Over the past year, the SSC continued to develop its programme of performance management of Public Service chief executives, working with our central agency colleagues. During the coming year, this programme will be enhanced with a common competency framework integrated into the performance management process. The framework will also be used in the appointment, performance review and professional development processes. The focus over the next three years will be to further develop the performance management programme with increasing emphasis on integrating performance management with the agency contribution to the government's strategic themes. The Development Goals for the State Services will continue to provide a framework for how we lead and track performance improvement to advance the Government's vision.

This year, the SSC released the results of the Kiwis Count survey, which is the first comprehensive report on New Zealanders' experiences of the State Services and resources. This 'outside looking in' perspective is a new initiative in the New Zealand public management environment. It has provided us with an invaluable source of information and a benchmark for us to measure our performance against in the future, and I intend to integrate the information drawn from the Kiwis Count survey and the Common Measurements Tool that assesses client feedback at a departmental level, into Public Service chief executive performance management.

I believe that effective performance management of Public Service chief executives enhances performance. Given that State Services performance lies at the heart of the role of the SSC, I will be taking active steps to evaluate our own performance in the recruitment and performance management of Public Service chief executives.

## **The State sector**

The remuneration policy continues to form the basis of my advice on chief executive remuneration in the State sector. I consider each proposal from a board or council regarding the terms and conditions of employment for their chief executive on its merits, taking into account individual circumstances, the Government policy of a conservative and modest approach and any special business reasons particular to the organisation.

As noted last year, it is necessary, from time to time, for me to show flexibility regarding remuneration. I give special consideration to the market from which an organisation is recruiting and the particular skills and expertise required for the role. As with Public Service chief executive remuneration, I must strike a balance between the Government's and the public's requirement for a conservative approach, and the need to recruit and retain highly qualified and suitable people in each case.

The performance component in State sector chief executive remuneration packages is a discretionary component and not an automatic entitlement. I strongly urge boards and councils to continually improve performance management systems and use the performance component effectively as a performance management tool, setting and voicing clear expectations and offering guidance, support and professional development opportunities where appropriate.

The Government has expectations in terms of performance, transparency and strict accountability for spending public monies. Crown entities continue to be a significant player in the Crown environment, and well-performing Crown entities will make a significant contribution to the achievement of the Government's key objectives and priorities. The SSC, together with the other central agencies, is continuing its work to improve the performance of Crown entities. The central agencies are supporting Ministers, departments and boards of Crown entities to attain higher levels of performance.

## Conclusion

Chief executive remuneration in both the Public Service and the State sector is set in accordance with the policy approved by Cabinet. The remuneration I pay to Public Service chief executives, and either approve or am consulted about in the State sector, must be considered carefully. I believe there should be a strong linkage between chief executive remuneration and their performance in the position, while taking into account individual circumstances and the Government policy of a conservative and modest approach. Lifting chief executive performance is a key focus for me as I lead the State Services to achieve the Government's objectives.



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**Iain Rennie** | State Services Commissioner

## Remuneration disclosure tables

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

### Fixed remuneration

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- (A) Salary
- (B) Motor vehicle<sup>3</sup> (cost deducted from salary)
- (C) Superannuation
  - either: a. employer contribution to GSF
  - or b. 10% of (A) above

### Variable remuneration

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- (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 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) above at the rate applying during 2007/2008, plus any performance payment made in that year ((D) 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) 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 grandparented 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.

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<sup>3</sup> Motor vehicles are no longer available to chief executives who did not have them as part of their remuneration packages as at September 2007.

**Table 1: Annual remuneration packages for Public Service chief executive positions as at 30 June 2008, where appointment is made by the State Services Commissioner**

<b>Position</b>	<b>30 June 2008</b>
Ministry of Pacific Island Affairs	\$200,000 to \$209,999
Archives New Zealand	\$230,000 to \$239,999
Ministry of Women's Affairs	\$250,000 to \$259,999
Serious Fraud Office	\$250,000 to \$259,999
Education Review Office	\$260,000 to \$269,999
Statistics New Zealand	\$260,000 to \$269,999
National Library of New Zealand	\$270,000 to \$279,999
Ministry for Culture and Heritage	\$290,000 to \$299,999
Department of Building and Housing	\$300,000 to \$309,999
Department of Conservation	\$300,000 to \$309,999
Ministry of Research, Science and Technology	\$300,000 to \$309,999
Ministry of Fisheries	\$300,000 to \$309,999
New Zealand Food Safety Authority	\$310,000 to \$319,999
Land Information New Zealand	\$320,000 to \$329,999 <sup>4</sup>
Ministry of Defence	\$320,000 to \$329,999
Department of Internal Affairs	\$330,000 to \$339,999
Ministry for the Environment	\$330,000 to \$339,999 <sup>5</sup>
Department of Corrections	\$360,000 to \$369,999
Inland Revenue Department	\$360,000 to \$369,999
Ministry of Māori Development	\$360,000 to \$369,999
Department of Labour	\$370,000 to \$379,999
New Zealand Customs Service	\$370,000 to \$379,999
Ministry of Transport	\$370,000 to \$379,999 <sup>6</sup>
Ministry of Agriculture and Forestry	\$410,000 to \$419,999
Ministry of Education	\$420,000 to \$429,999
Department of the Prime Minister and Cabinet	\$450,000 to \$459,999
Ministry of Justice	\$470,000 to \$479,999
Ministry of Foreign Affairs and Trade	\$500,000 to \$509,999
Ministry of Health	\$500,000 to \$509,999
Treasury	\$510,000 to \$519,999
Ministry of Economic Development	\$510,000 to \$519,999 <sup>7</sup>
Ministry of Social Development	\$530,000 to \$539,999

4 As at 30 June 2008, the Chief Executive of Land Information New Zealand was an acting chief executive. The sum reflects the remuneration of the previous permanent chief executive.

5 As at 30 June 2008, the Chief Executive of the Ministry for the Environment was an acting chief executive. The sum reflects the remuneration of the previous permanent chief executive.

6 As at 30 June 2008, the Chief Executive of the Ministry of Transport was an acting chief executive. The sum reflects the remuneration of the previous permanent chief executive.

7 As at 30 June 2008, the Chief Executive of the Ministry of Economic Development was an acting chief executive. The sum reflects the remuneration of the previous permanent chief executive.

**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 2007 to 30 June 2008**

<b>Department</b>	<b>Remuneration band</b>	<b>Effective date<sup>8</sup></b>
Archives New Zealand	\$230,000 to \$239,999	
Department of Building and Housing	\$300,000 to \$309,999	
Department of Conservation	\$300,000 to \$309,999	
Department of Corrections	\$360,000 to \$369,999	
Department of Internal Affairs	\$160,000 to \$169,999	From 1 July 2007 to 22 October 2007
	Under \$100,000	From 23 October 2007 to 3 February 2008
	\$130,000 to \$139,999	From 4 February 2008 to 30 June 2008
Department of Labour	\$100,000 to \$109,999	From 1 July 2007 to 22 October 2007
	\$250,000 to \$259,999	From 23 October 2007 to 30 June 2008
Department of the Prime Minister and Cabinet	\$450,000 to \$459,999	
Education Review Office	\$260,000 to \$269,999	
Inland Revenue Department	\$360,000 to \$369,999	
Land Information New Zealand	\$220,000 to \$229,999	From 1 July 2007 to 3 February 2008
	Under \$100,000	From 4 February 2008 to 30 June 2008
Ministry for Culture and Heritage	\$290,000 to \$299,999	
Ministry for the Environment	\$270,000 to \$279,999	From 1 July 2007 to 1 February 2008 <sup>9</sup>
	Under \$100,000	From 2 February 2008 to 10 February 2008
	\$130,000 to \$139,999	From 11 February 2008 to 30 June 2008
Ministry of Agriculture and Forestry	\$410,000 to \$419,999	
Ministry of Defence	\$320,000 to \$329,999	

<sup>8</sup> 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.

<sup>9</sup> Includes payment of contractual entitlements at last day of duty.

<b>Department</b>	<b>Remuneration band</b>	<b>Effective date<sup>8</sup></b>
Ministry of Economic Development	\$550,000 to \$559,999	From 1 July 2007 to 2 June 2008 <sup>10</sup>
	Under \$100,000	From 3 June 2008 to 30 June 2008
Ministry of Education	\$420,000 to \$429,999	
Ministry of Fisheries	\$150,000 to \$159,999	From 1 July 2007 to 31 December 2007
	\$150,000 to \$159,999	From 1 January 2008 to 30 June 2008
Ministry of Foreign Affairs and Trade	\$500,000 to \$509,999	
Ministry of Health	\$500,000 to \$509,999	
Ministry of Justice	\$470,000 to \$479,999	
Ministry of Pacific Island Affairs	\$200,000 to \$209,999	
Ministry of Research, Science and Technology	\$300,000 to \$309,999	
Ministry of Social Development	\$530,000 to \$539,999	
Ministry of Transport	\$330,000 to \$339,999	From 1 July 2007 to 13 May 2008 <sup>11</sup>
	Under \$100,000	From 12 May 2008 to 30 June 2008
Ministry of Women's Affairs	\$250,000 to \$259,999	
National Library of New Zealand	\$270,000 to \$279,999	
New Zealand Customs Service	\$370,000 to \$379,999	
New Zealand Food Safety Authority	\$310,000 to \$319,999 <sup>12</sup>	
Serious Fraud Office	\$270,000 to \$279,999	From 1 July 2007 to 2 November 2007 <sup>13</sup>
	\$160,000 to \$169,999	From 5 November 2007 to 30 June 2008
Statistics New Zealand	\$260,000 to \$269,999	
Ministry of Māori Development	\$360,000 to \$369,999	
Treasury	\$500,000 to \$509,999	

<sup>8</sup> 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.

<sup>10</sup> Includes payment of contractual entitlements at last day of duty.

<sup>11</sup> Includes payment of contractual entitlements at last day of duty.

<sup>12</sup> Includes payments received while acting in the Chief Executive, New Zealand Food Safety Authority role, from 1 July 2007 to 29 October 2007, prior to being appointed to the role in a permanent capacity, effective 30 October 2007.

<sup>13</sup> Includes payment of contractual entitlements at last day of duty.

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

During 2007/2008, the following chief executives were appointed under section 35 of the State Sector Act 1988 and commenced their role:

Mr Christopher Blake	Department of Labour <sup>14</sup>
Mr Andrew McKenzie	New Zealand Food Safety Authority
Mr Grant Liddell	Serious Fraud Office
Mr Wayne McNee	Ministry of Fisheries
Mr Brendan Boyle	Department of Internal Affairs <sup>15</sup>

During 2007/2008, the following chief executives were reappointed under section 36 of the State Sector Act 1988 and commenced their role:

Ms Penny Carnaby	National Library of New Zealand
Mr John Whitehead	Treasury
Mr Barry Matthews	Department of Corrections

The following chief executives left their positions during the 2007/2008 year:

Mr David Bradshaw	Serious Fraud Office	Retired
Mr Christopher Blake	Department of Internal Affairs	Resigned <sup>16</sup>
Mr Hugh Logan	Ministry for the Environment	Resigned
Mr Brendan Boyle	Land Information New Zealand	Resigned <sup>17</sup>
Mr Alan Thompson	Ministry of Transport	Resigned
Mr Geoff Dangerfield	Ministry of Economic Development	Resigned

<sup>14</sup> Previously Chief Executive of the Department of Internal Affairs.

<sup>15</sup> Previously Chief Executive of Land Information New Zealand.

<sup>16</sup> Appointed Chief Executive of the Department of Labour.

<sup>17</sup> Appointed Chief Executive of the Department of Internal Affairs.

## 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 2007 to 30 June 2008, in \$10,000 bands.

Remuneration band <sup>18</sup>	Organisation	Effective date <sup>19</sup>
Under \$100,000	Chief Ombudsman	From 23 April 2008
	General Manager of the Parliamentary Service <sup>20</sup>	To 31 August 2007
\$100,000 to \$109,999	-	
\$110,000 to \$119,999	-	
\$120,000 to \$129,999	Chief Parliamentary Counsel <sup>20</sup>	To 18 July 2007
	General Manager of the Parliamentary Service	From 17 September 2007 to 8 February 2008
\$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	General Manager of the Parliamentary Service	From 11 February 2008
\$180,000 to \$189,999	Chief Ombudsman <sup>20</sup>	To 3 December 2007
	Clerk of the House of Representatives <sup>20</sup>	To 1 November 2007
\$190,000 to \$199,999	Chief Parliamentary Counsel	From 8 November 2007
\$200,000 to \$209,999	-	
\$210,000 to \$219,999	-	
\$220,000 to \$229,999	-	
\$230,000 to \$239,999	-	

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 2007/2008.

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 or their equivalent served in the role. There are two entries for some organisations that had two chief executives during the year.

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

<b>Remuneration band<sup>18</sup></b>	<b>Organisation</b>	<b>Effective date<sup>19</sup></b>
\$240,000 to \$249,999	Clerk of the House of Representatives Parliamentary Commissioner for the Environment	From 10 December 2007
\$250,000 to \$259,999	-	
\$260,000 to \$269,999	-	
\$270,000 to \$279,999	Director of the Government Communications Security Bureau	
\$280,000 to \$289,999	-	
\$290,000 to \$299,999	-	
\$300,000 to \$309,999	-	
\$310,000 to \$319,999	Director of the New Zealand Security Intelligence Service	
\$320,000 to \$329,999	-	
\$330,000 to \$339,999	-	
\$340,000 to \$349,999	-	
\$350,000 to \$359,999	Deputy State Services Commissioner <sup>21</sup>	To 30 June 2008
\$360,000 to \$369,999	-	
\$370,000 to \$379,999	-	
\$380,000 to \$389,999	-	
\$390,000 to \$399,999	Chief of the New Zealand Defence Force Controller and Auditor-General	
\$400,000 to \$409,999	-	
\$410,000 to \$419,999	-	
\$420,000 to \$429,999	-	
\$430,000 to \$439,999	-	
\$440,000 to \$449,999	Commissioner of Police	
\$450,000 to \$459,999	State Services Commissioner	To 30 June 2008
\$460,000 to \$469,999	Solicitor-General	

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 2007/2008.

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 or their equivalent served in the role. There are two entries for some organisations that had two chief executives during the year.

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

**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 2007 to 30 June 2008, 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 Police and the New Zealand Defence Force. The relevant information for these two organisations appears in their own annual reports. Some of the organisations did not have any staff who received total remuneration of \$100,000 or more.

<b>Remuneration band<sup>22</sup></b>	<b>Number of staff</b>
\$100,000 to \$109,999	985
\$110,000 to \$119,999	702
\$120,000 to \$129,999	522
\$130,000 to \$139,999	354
\$140,000 to \$149,999	279
\$150,000 to \$159,999	215
\$160,000 to \$169,999	179
\$170,000 to \$179,999	125
\$180,000 to \$189,999	88
\$190,000 to \$199,999	82
\$200,000 to \$209,999	53
\$210,000 to \$219,999	43
\$220,000 to \$229,999	31
\$230,000 to \$239,999	24
\$240,000 to \$249,999	24
\$250,000 to \$259,999	22
\$260,000 to \$269,999	13
\$270,000 to \$279,999	10
\$280,000 to \$289,999	12
\$290,000 to \$299,999	6
\$300,000 to \$309,999	4
\$310,000 to \$319,999	5
\$320,000 to \$329,999	3
\$330,000 to \$339,999	1

<sup>22</sup> 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 2007/2008.

<b>Remuneration band<sup>22</sup></b>	<b>Number of staff</b>
\$340,000 to \$349,999	6
\$350,000 to \$359,999	1
\$360,000 to \$369,999	-
\$370,000 to \$379,999	-
\$380,000 to \$389,999	1
\$390,000 to \$399,999	-
\$400,000 to \$409,999	-
\$410,000 to \$419,999	-
\$420,000 to \$429,999	1

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<sup>22</sup> 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 2007/2008.

## 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 2007 to 31 December 2007.

Remuneration band <sup>23</sup>	Organisation	Effective date <sup>24</sup>
Under \$100,000	Te Wānanga o Raukawa <sup>25</sup>	To 30 June 2007
	Te Wānanga o Raukawa	From 1 July 2007
	Te Whare Wānanga o Awanuiarangi	From 6 August 2007
\$100,000 to \$109,999	-	
\$110,000 to \$119,999	Te Whare Wānanga o Awanuiarangi <sup>25</sup>	To 5 August 2007
\$120,000 to \$129,999	-	
\$130,000 to \$139,999	-	
\$140,000 to \$149,999	-	
\$150,000 to \$159,999	Tairāwhiti Polytechnic	From 1 January 2007
\$160,000 to \$169,999	-	
\$170,000 to \$179,999	Tairāwhiti Polytechnic <sup>26</sup>	
\$180,000 to \$189,999	-	
\$190,000 to \$199,999	Telford Rural Polytechnic	
\$200,000 to \$209,999	Aoraki Polytechnic	
	Nelson Marlborough Institute of Technology	
\$210,000 to \$219,999	Tai Poutini Polytechnic	
\$220,000 to \$229,999	Bay of Plenty Polytechnic	
	Southern Institute of Technology	
\$230,000 to \$239,999	Northland Polytechnic	
\$240,000 to \$249,999	Manukau Institute of Technology	From 1 March 2007
	Waiariki Institute of Technology	
\$250,000 to \$259,999	Eastern Institute of Technology	
	Te Wānanga o Aotearoa	
\$260,000 to \$269,999	-	

23 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 2007.

24 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 2007.

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

26 Relates to contractual entitlements at last day of duty for the previous incumbent whose last day of duty was 31 December 2006.

Remuneration band <sup>23</sup>	Organisation	Effective date <sup>24</sup>
\$270,000 to \$279,999	Christchurch Polytechnic Institute of Technology Otago Polytechnic Unitec Institute of Technology Whitireia Community Polytechnic	
\$280,000 to \$289,999	The Open Polytechnic of New Zealand	
\$290,000 to \$299,999	Wellington Institute of Technology	
\$300,000 to \$309,999	Waikato Institute of Technology	
\$310,000 to \$319,999	-	
\$320,000 to \$329,999	Universal College of Learning	
\$330,000 to \$339,999	-	
\$340,000 to \$349,999	Lincoln University University of Waikato	
\$350,000 to \$359,999	-	
\$360,000 to \$369,999	Victoria University of Wellington	
\$370,000 to \$379,999	-	
\$380,000 to \$389,999	-	
\$390,000 to \$399,999	-	
\$400,000 to \$409,999	Auckland University of Technology	
\$410,000 to \$419,999	-	
\$420,000 to \$429,999	Western Institute of Technology Taranaki <sup>27</sup>	To 19 December 2007
\$430,000 to \$439,999	-	
\$440,000 to \$449,999	-	
\$450,000 to \$459,999	University of Canterbury	
\$460,000 to \$469,999	University of Otago	
\$470,000 to \$479,999	-	
\$480,000 to \$489,999	-	
\$490,000 to \$499,999	-	
\$500,000 to \$509,999	-	
\$510,000 to \$519,999	-	
\$520,000 to \$529,999	Massey University <sup>28</sup> University of Auckland	

23 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 2007.

24 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 2007.

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

28 Includes payments relating to previous periods.

**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 2007 to 31 December 2007, 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 did not have any staff who received total remuneration of \$100,000 or more.

<b>Remuneration band<sup>29</sup></b>	<b>Number of staff</b>
\$100,000 to \$109,999	840
\$110,000 to \$119,999	572
\$120,000 to \$129,999	383
\$130,000 to \$139,999	242
\$140,000 to \$149,999	212
\$150,000 to \$159,999	141
\$160,000 to \$169,999	89
\$170,000 to \$179,999	67
\$180,000 to \$189,999	51
\$190,000 to \$199,999	43
\$200,000 to \$209,999	20
\$210,000 to \$219,999	19
\$220,000 to \$229,999	20
\$230,000 to \$239,999	12
\$240,000 to \$249,999	16
\$250,000 to \$259,999	9
\$260,000 to \$269,999	8
\$270,000 to \$279,999	2
\$280,000 to \$289,999	1
\$290,000 to \$299,999	1
\$300,000 to \$309,999	2
\$310,000 to \$319,999	1
\$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	1

<sup>29</sup> 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 2007.





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