



# State Services Commission Statement of Intent 2005







# State Services Commission Statement of Intent 2005

Presented to the House of Representatives  
Pursuant to section 39 of the Public Finance Act

# Contents

Preface .....	1
Introduction .....	2
Operating environment .....	3
State Services Development Goals .....	5
Capability of the State Services Commission .....	7
Leadership and coordination .....	7
State Services Commission interventions and the development goals .....	8
Implementation and milestones .....	11
Evaluation .....	13
Risks .....	14
Other business .....	15
Financial statements .....	16
Statement of responsibility .....	16
Introduction and highlights .....	17
Financial highlights .....	18
Departmental capital expenditure .....	19
Forecast Financial Statements .....	20
Statement of prospective financial performance .....	20
Statement of prospective movements in taxpayers' funds (equity) .....	21
Statement of estimated financial position and prospective financial position .....	22
Statement of prospective cash flows .....	23
Reconciliation of prospective net cash flows .....	24
Forecast details of fixed assets by category .....	25
Forecast financial performance indicators .....	26
Statement of forecast service performance .....	27
Output operating statements .....	27
Output class descriptions .....	28
Service performance measures .....	31
Statement of significant underlying assumptions .....	33
Statement of significant accounting policies .....	34
Glossary .....	35

## Preface

A well performing State Services can make a huge difference – to New Zealand’s success as a country and to the people who make up our society. New Zealanders have high expectations of the government system and its many agencies. Not only about the quality or range of services provided, but also the way in which those services are delivered. People need to trust that the system will deliver the services needed in order to go about their lives. People’s trust is hard won. It is also easy to erode and difficult to re-establish.

It is therefore not surprising that there is an ongoing focus on improving the effectiveness of the public sector. This work on improving the State Services will never be complete. Government and the public will always expect that the State Services will develop to better meet needs and adapt to changed circumstances. This is positive and an important spur to improvement.

The priorities for improvement change over time. Over the last couple of decades there has been a series of reforms. The positive aspects of these reforms are known – including increased transparency, accountability, and efficiency. These remain important and the current changes do not signal a move away from them. But we have, over recent years, encouraged agencies to place more emphasis on results for the community, on partnership between agencies, and on ensuring the kind of standards in conduct and behaviour that justify public trust. Much good work has been done in these areas and the Government has been prepared to make a considerable investment in capability, including in staff numbers. However, much remains to be done to ensure that the Government and public see the investment as a worthwhile one.

The development of the State Services has been hampered by the lack of arrangements for leadership across the sector as a whole, and by a lack of cohesiveness across this large group of, sometimes disparate, agencies. The conclusion of the work programme of the 2001 *Review of the Centre*, the recent passage of new State sector legislation, and the Development Goals for the State Services agreed by the Government, have changed this situation.

As a result, the role of the State Services Commission is expanding and it will need to work across a much larger field, and in new ways, to make better use of its resources. This *Statement of Intent* shows how we will go about doing this. As the Responsible Minister I am satisfied that this *Statement of Intent* is consistent with the policies and performance expectations of the Government.



Hon Trevor Mallard  
Minister of State Services



Mark Prebble  
State Services Commissioner

## Introduction

The recent enactment of new and amended legislation covering the State Services has altered the role of the State Services Commission (SSC). The State Sector Amendment Act (No 2) 2004 extends the State Services Commissioner's mandate so that he/she is no longer responsible only for the Public Service but also for setting standards of integrity and conduct within the State Services generally. The Crown Entities Act 2004 complements this by introducing to the Crown entity sector a system of outcomes-focused planning similar to that which exists in the Public Service. Together these provide the statutory base for an SSC whose leadership role is no longer limited to the Public Service but extends to encompass the role of a true State Services Commission.

Over the period covered by this *Statement of Intent* the SSC will roll out work programmes to support each of the six new Development Goals for the State Services. These goals, including development targets for 2007 and 2010, have been expressed with as much precision and measurability as is feasible at this point. Work will be done to specify them in greater detail, develop timelines and indicators of results, and to ensure the SSC has the capability to implement them.

This *Statement of Intent* contributes to doing this by:

- setting out the ways in which the SSC intends to develop capability to achieve the State Services Development Goals
- considering how our current interventions map on to the goals
- beginning the evaluation of which areas of SSC actions will need most development and change, as a prelude to further work
- analysing the risks that need to be managed.

The development of the SSC's capability is occurring on a number of fronts from changing the culture of the organisation, to further developing the skills and knowledge of staff, to a new internal structure for the organisation. However, the capability challenge is not limited to the SSC itself. The capability of the State Services to coordinate effectively around common Development Goals will be facilitated through the operation of a new Advisory Committee on State Services that will be primarily made up of Public Service chief executives, and convened by the State Services Commissioner. This committee will oversee the development programme. The capability of central agencies to coordinate more effectively will also develop as a result of the work that we, the Treasury, and the Department of the Prime Minister and Cabinet, are undertaking around shared central agency outcomes.

Despite the very different 'look' and emphasis of this *Statement of Intent* there is more underlying continuity than may at first be apparent. The previous SSC outcomes are incorporated and enhanced by the State Services Development Goals. However, the newness of the Development Goals, and the size of the challenge this entails for the SSC, mean that this *Statement of Intent* is, in significant respects, an unfinished plan. Consequently, this *Statement of Intent* commits the SSC to identifying measures of progress, and to building the research and evaluation capability to support this.

## Operating environment

We now operate in an environment where there is an increased sense of urgency about raising performance across the State Services. In some ways this is not new. There has always been a level of government and community concern about the performance of public institutions. In recent years this has led us to focus much more on addressing the need for greater certainty around standards of conduct of State servants, for better coordination across a very complex State sector, and for more emphasis on outcomes as well as outputs. To this end there has been considerable change and development. The State Services Commission has changed; our role in standards of integrity and conduct has been reinvigorated, our performance management of Public Service chief executives has been reviewed and strengthened, and we have worked with other central agencies to design and roll out the Managing for Outcomes Programme. The State Services have often responded well to the need to perform better in these areas. Previous SSC *Statements of Intent* have noted the increased appetite among government agencies for collaborative approaches, and moves to work in partnership with local government.

But much more needs to be done. Public trust in the integrity and effectiveness of the State Services remains a critical, and intensifying, issue for us. It is made even more urgent by the fact that government investment in State Services capability over the past few years has been considerable. The Government and the public rightly expect to see results from an investment of this magnitude.

In this connection it is important to recognise what has not been addressed over the past few years. The complex system of institutions that make up our State Services has remained too disparate both in the ways that individual agencies work and in how they relate to each other. Moreover, the divide between Public Service on the one hand, and Crown entities on the other, has continued.

Our ability to respond better to these challenges is now much enhanced by changes to the law and to government policy that extend the role of the SSC. There has been a major change in the statutory framework governing the State Services:

- The State Sector Amendment Act (No 2) 2004 extends the State Services Commissioner's role beyond the Public Service to include responsibility for setting minimum standards of integrity and conduct that are to apply in all or any Crown entities (with exceptions).
- The new Crown Entities Act 2004 reforms the law relating to Crown entities to provide a consistent framework for the establishment, governance and operation, and to clarify accountability relationships between Crown entities, board members, the Crown, and Parliament.

The amendment to the State Sector Act means a far-reaching change in the nature and role of the SSC. From being, in fact, a Public Service commission, the SSC will become a true State Services Commission exercising a leadership role across the State Services. This is what gives rise to the need for change within the SSC as our existing structure and culture no longer supports our business given the change in role and expectations.



The new legislation provides a framework for addressing the key challenges of our operating environment by:

- ensuring uniformity in the way in which standards of conduct and integrity are developed, expressed and applied across the State Services
- developing better coordination in access to, and better performance in the provision of, services for the public
- investing in the capability of State agencies to meet present and future needs
- encouraging public trust in the State Services.

These aims are what underlie the State Services Development Goals. The process of achieving the goals is intended to draw the State Services together into a coherent whole. The goals are sufficiently important for our future direction that they form the backbone of this latest SSC *Statement of Intent*.



## State Services Development Goals

The Government's overall goal for the State Services is "*A system of world class professional State Services serving the government of the day and meeting the needs of New Zealanders.*" This goal is deliberately timeless, because it is ongoing. The State Services will work towards this overall goal through the achievement of Development Goals which are time-bound and which address the major challenges, which we currently face in enhancing the overall performance of the State Services.

The Development Goals are not intended to outline what outcomes the State Services will achieve, that is a matter for government policy from time to time. Rather, the Development Goals are aspirations for how the State Services will be configured and perform.

The six Development Goals reflect judgements about the key things that need to change at a system-wide level if we are to advance towards the overall goal.

The first two goals relate to the need to develop the people capability of the State Services. The State is a major employer and, while it should not be an over-generous employer, it must be a good employer if it is to attract and retain the people it needs to deliver quality services. We also need to recognise the dynamic nature of skills and knowledge in today's workplace. Developing a strong commitment to constant learning in pursuit of excellence is the subject of the second Development Goal.

The third and fourth goals address the quality of the organisational systems within which people work. These stress the need for the State Services to adopt and use information technology, and to ensure a stronger focus on results in organisational planning and management. This requires more of a focus on coordination between agencies than has been the case in the past.

The fifth goal focuses on the ways in which New Zealanders access the State Services and the responsiveness of these services. This reinforces the need for the agencies of the State Services to take an "outside in" perspective, i.e. to see quality of service from the point of view of the public.

The first five Development Goals build towards the sixth, which focuses on trusted State Services. Trust will be enhanced as the State Services further develop people and organisational capability, and take an "outside in" perspective in shaping services. This goal also emphasises the need to focus directly on standards of conduct in the State Services.

## The State Services Development Goals, agreed by the Government, are:

**Goal 1: Employer of choice**

Ensure the State Services is an employer of choice attractive to high achievers with a commitment to service.

**Goal 2: Excellent State servants**

Develop a strong culture of constant learning in the pursuit of excellence.

**Goal 3: Networked State Services**

Use technology to transform the provision of services for New Zealanders.

**Goal 4: Coordinated State agencies**

Ensure the total contribution of government agencies is greater than the sum of its parts.

**Goal 5: Accessible State Services**

Enhance access, responsiveness and effectiveness, and improve New Zealanders' experience of State Services.

**Goal 6: Trusted State Services**

Strengthen trust in the State Services, and reinforce the spirit of service.

The SSC will formulate and implement measures to achieve these goals. There is a strong capability dimension to this work, and not only for the SSC. For this reason we next address capability development, leadership, and coordination.

## Capability of the State Services Commission

Because the Development Goals are for the State Services as a whole, many agencies will have responsibilities in contributing to their achievement. The State Services Commissioner has primary responsibility for defining and leading the programme.

A major programme of capability development is a significant priority for this year. We will:

- develop the capability needed to enhance the leadership role of the SSC, i.e. to become a leader in the development and implementation of good public sector management practice
- enhance our capability to relate effectively to central and local government in the regions
- develop our functional expertise in research and evaluation
- act to change the internal SSC culture to achieve a truly integrated organisation
- change the way we work by evaluating and reviewing our interventions to better meet the State Services Development Goals – e.g. by adjusting performance management of chief executives so that it better supports Government priorities
- enhance our knowledge and skills on issues of State sector performance
- develop SSC's expertise in good employment practices, including the expertise to carry out a pay and employment equity audit internally this year, and the skill and knowledge to effectively assist departments to carry out audits over time
- implement a new SSC structure and develop the SSC's infrastructure (e.g. a new contact relationship management system).

## Leadership and coordination

The State Services Commission's effectiveness will also be enhanced as we move to work more closely with our other central agency counterparts – the Treasury and the Department of the Prime Minister and Cabinet. We have a shared interest in a higher performing, trusted and accessible State sector, delivering the right things in the right way and at the right price. This is an outcome to which we all contribute, via a series of organisation-specific outcomes where we individually take the lead.

During 2004/05 we committed to developing better approaches to working together. Initially, we will focus on building a clearer picture of each other's businesses and the respective contributions that each will expect of the others in carrying out that business. We will also focus on greater coordination and collaboration in our respective planning processes. For 2005/06 this will include more collective environmental scanning, and making progress on a wider range of joint projects.

Leadership and coordination of the Development Goals will also be enhanced by the establishment of the Advisory Committee on the State Services. This will be convened by the State Services Commissioner, will consist primarily of Public Service chief executives, and will provide momentum and support to achieve the Development Goals.

## State Services Commission interventions and the development goals

This *Statement of Intent* begins the process of adjusting our work to better address the Development Goals. To this end below we:

- categorise our existing interventions according to which Development Goal they primarily contribute to
- indicate our current thinking about the ways in which our interventions will need to develop in order to better advance each Development Goal.

This gives us a basis for more rigorously reviewing current interventions over the next year so that we can identify where we should stop or modify current work, or start new actions.

However, it should be noted that the Development Goals are not intended to give a complete picture of the work of the SSC. There will be the ongoing requirement to appoint Public Service chief executives and manage their performance, conduct investigations, and provide guidance and advice. All of these tasks will need to be delivered to a very high standard. However, the Development Goals will affect how we perform these functions, and the reasons why we carry them out. That is, the Development Goals will provide the focus around which SSC activities change, develop, and improve.

Some core SSC interventions will contribute to all the Development Goals. These include those interventions concerned with performance management of Public Service chief executives, chief executive appointments, and strategic advice on performance.

### Goal 1: Employer of choice

The Government cannot afford to be a bad employer. A bad employer burns out the goodwill required to achieve results for New Zealanders. A good employer provides a satisfying workplace where people are prepared to take risks and get the job done. A good workplace attracts and retains the best staff.

Current SSC actions that contribute to this goal are in the areas of Good Employer and Equal Employment Opportunities (EEO), Employment Relations, and chief executive human resource services. The State Sector Retirement Savings Scheme, and the Mainstream Programme, are also relevant to this goal.

Our Good Employer and EEO interventions will develop as we implement our role in relation to the Government's Pay and Employment Equity Plan of Action. This aims to ensure that any unjustified disparities between men and women in terms of pay and employment are identified and remedied over time. Our role in this area will encompass the coordination and facilitation of pay and employment equity audits throughout the Public Service. The SSC will conduct an audit internally in the 2005/06 year.

However, under this goal the most change will occur as we develop the Human Resources Framework, which provides a more coordinated approach to human resource development. This becomes a more comprehensive Employer of Choice Framework. The current components of our Human Resources Framework are valuable as a means of identifying some useful features of good employment practice. However, they tend to appeal to human resources practitioners, when the real target is current, and potential, employees, and, in particular, high performers. We will aim for an Employer of Choice Framework that will make it easier for any State servant to see how they could contribute in a variety of agencies, and how they will be treated. The easier that it is to see how one's present job contributes and fits into a State Services concept, then the easier it will be for high performers to maximise their contribution by finding their best fit within the State Services.

## Goal 2: Excellent State servants

The amendments to the State Sector Act allows the State Services Commissioner to take interest in the development of potential leaders across the State Services. The first steps are in place with the refocusing of the Leadership Development Centre (LDC) to provide senior leadership and management development in the Public Service, and the continued work of the Public Sector Training Organisation (PSTO) to coordinate a range of learning opportunities. There is now an opportunity to renew and reinvigorate our commitment to training and development across all parts of the public sector. The challenges faced in a range of public sector organisations (including local government) are very similar. The best staff for State Services organisations are likely to come from a wide range of public sector agencies, and the best possible development of public sector workers is potentially valuable for the future capability of the State Services.

In the period since the State Sector Act was introduced, there has been a good focus on training many public servants in skills required to achieve the goals of their department. The development of wider public sector skills, however, has proved to need a broader focus. The establishment of the Victoria University of Wellington School of Government, and the Australia and New Zealand School of Government (ANZSOG) are the beginning of a response to this need. We will develop a culture of excellence across the New Zealand public sector, and work to foster the development of centres of excellence in public sector learning within the schools of government.

## Goal 3: Networked State Services

Current SSC actions are e-government development and operations, and the monitoring of major information technology projects. The e-government goals have always been expressed as a transformation programme. They also focus on the way in which the State and its various agencies interact with New Zealanders. The e-government goals have anticipated the thinking that has developed more broadly across State sector management, and is now expressed in the other Development Goals. Consequently, the e-government work programme continues as the means of giving effect to this Development Goal.

## Goal 4: Coordinated State Agencies

Many current SSC actions contribute to this goal already. This includes the strategic analysis of departments, capability reviews, and strategic advice on State sector performance.

Our actions in relation to this goal will expand with the roll-out of the State Sector Amendment Act 2004 and the Crown Entities Act 2004.

The interventions to date under the aegis of the Managing for Outcomes Programme will require development so that they more effectively encourage managing for shared or joint outcomes, and extend this across the State Services. It has always been envisaged that joint outcomes would develop between departments and agencies, but so far this has been unusual. Consequently, there has also been little formal development planning between agencies. These goals will require the identification and pursuit of joint outcomes (where sensible) with all the resource management implications that would follow. As with the rest of the Managing for Outcomes Programme, the achievement of this goal will require active leadership from all the central agencies.

## Goal 5: Accessible State Services

In the period since the State Sector Act took effect in 1998, and prior to that, the location and delivery of government services has generally been treated on a case-by-case basis with individual agencies making separate decisions on the delivery of services. This Development Goal is not intended to change the fundamental responsibility and accountability in present arrangements. It is, however, intended that agencies will work together far more closely to ensure that services received by New Zealanders respond to their needs effectively. The more recent changes, brought about in the context of the *Review of the Centre*, have improved the way in which agencies work together. Existing SSC actions in relation to the strategic analysis of departments and capability reviews also support this goal.

Work on this goal will focus initially on access to services. To lead the progress towards this goal the SSC will need to understand much better the factors affecting access as seen from the point of New Zealanders. The goal is focused on the collaboration between, and inter-relationships of, agencies in relation to access and is therefore a significant new direction for the New Zealand State Services. As such it requires a cultural and behavioural change. It is likely to be an area in which the Advisory Committee on the State Services becomes a medium for designing and implementing new interventions which enhance the inter-connections between agencies.

## Goal 6: Trusted State Services

This has always been fundamental to our role. The promotion of the highest standards of behaviour in a politically neutral Public Service is a defining function for the State Services Commissioner. Current SSC actions that support this goal are strategic analysis of departments, capability reviews, ad hoc reviews, the Integrity and Conduct Programme, and advice to Boards of Crown Entities and Statutory Bodies.

Interventions arising from the extended mandate of the State Services Commissioner will be important to achieving this goal. The achievement of milestones under the first five goals will contribute to the goal in increased trust in the State Services.

## Implementation and milestones

The Development Goals, and associated milestones, have been expressed with as much precision as is possible now.

Development Goals	By June 2007	By June 2010
<p><b>Goal 1 Employer of choice</b> Ensure the State Services is an employer of choice attractive to high achievers with a commitment to service.</p>	<p>A comprehensive guide to good employment practice developed with input from State Services employers and unions, in place for use across government agencies.</p>	<p>Measurable improvement in the proportion of talented job seekers aspiring to join the State Services.</p>
<p><b>Goal 2 Excellent State servants</b> Develop a strong culture of constant learning in the pursuit of excellence.</p>	<p>A framework for learning and development across government agencies.</p>	<p>All government agencies have a strong commitment to developing skills and knowledge across all staff.</p>
<p><b>Goal 3 Networked State Services</b> Use technology to transform the provision of services for New Zealanders.</p>	<p>Networks and Internet technologies are integral to the delivery of government information, services and processes.</p>	<p>The operation of government has been transformed through the use of the Internet.</p>
<p><b>Goal 4 Coordinated State agencies</b> Ensure the total contribution of government agencies is greater than the sum of its parts.</p>	<p>Government agencies demonstrating improvement through Managing for Outcomes, including joint outcomes and other shared accountabilities across clusters of agencies.</p>	<p>Measurable results are evident from the joint pursuit of joint outcomes.</p>
<p><b>Goal 5 Accessible State Services</b> Enhance access, responsiveness and effectiveness, and improve New Zealanders' experience of State Services.</p>	<p>No wrong door – any New Zealander accessing government services will be referred appropriately to the organisation best able to address their concerns.</p>	<p>Right doors in the right places – government agencies work together to coordinate the availability of services across the country using co-location, joint services and management of different physical and electronic channels.</p>
<p><b>Goal 6 Trusted State Services</b> Strengthen trust in the State Services and reinforce the spirit of service.</p>	<p>Agencies of the State Services demonstrate their commitment to earning trust by working with the State Services Commissioner to develop and promote codes of conduct.</p>	<p>Measurable improvement in New Zealanders' trust in the agencies of the State Services.</p>



The SSC has implemented an internal re-organisation. This will see a new branch and management structure in place from 1 July 2005. All branches will have responsibilities in relation to the implementation of all Development Goals. However, particular responsibility for each Development Goal will reside with a deputy commissioner and a branch. The Employer of Choice and Excellent State servants goals will be the responsibility of the Deputy Commissioner heading the People Capability Branch. The Networked State Services goal will be the responsibility of the Deputy Commissioner, Information and Communication Technologies. The goal of Accessible State Services will be the responsibility of the Deputy Commissioner, Development. Coordinated State agencies and Trusted State Services will come within the Governance Branch.

Each of these Deputy Commissioners will have overall responsibility for planning and implementing the roll-out of the Development Goal or Goals in their area. This will include responsibility for planning for evaluation of progress.

The Deputy State Services Commissioner, in charge of the new Performance Management Branch, will be responsible for ensuring that the performance management system supports the achievement of each of the Development Goals.

The Corporate Services Branch will be the driving force behind the achievement of a stronger and more integrated culture across the SSC. The Deputy Commissioner, Corporate Services, will be responsible for developing best practice as a learning organisation with promotion of internal discussion and constructive feedback.

The State Services Commissioner will establish the Advisory Committee on the State Services that will provide support and momentum to the development programme.

## Evaluation

In the first 12 months, as each Deputy Commissioner plans for the achievement of the 2007 Goal, he or she will also determine how that work will be evaluated. These plans will take account of, and build on, our existing evaluative activity including those in relation to the Employer of Choice Framework, Senior Leadership Management Development Programme, and the E-government Strategy. The senior management team will agree priorities for evaluative activity.

In recent years the process of performance management has improved, to include widespread reference checking to get a stronger understanding of the contributions Public Service chief executives are making. This improvement needs to be maintained. In addition, performance management of chief executives needs to be used more actively to support the Government's priorities as expressed through Managing for Outcomes, and each chief executive and their department's contribution to the State Services Development Goals. The development of processes for performance management and relationship management will be the responsibility of the Deputy State Services Commissioner. This responsibility will include the development of means to assess and report on progress.

Some existing evaluative activity will continue in relation to the Development Goals:

- An evaluation of the process of developing the Human Resources Framework was completed in 2004. The use of products by departments has been assessed, and evaluation of selected products is underway. Evaluation of progress towards the goals of the Framework will now occur in the context of the Employer of Choice goal and milestones.
- The first evaluation of the Senior Leadership and Management Development (SLMD) Strategy is nearing completion, and will be reported in 2005. This covers the early successes and impact to date of the SLMD Strategy, and forecasts to 2008. A further full evaluation is scheduled for 2008.
- An assessment of progress against the 2004 e-government programme goal was completed last year, and a further full evaluation is planned for 2007. In the meantime there will be some evaluation of individual initiatives within the programme.

## Risks

In pursuing Development Goals we face two broad types of risk that we can take steps to manage: risks internal to the SSC itself, and risks more broadly across the State Services.

Within the SSC we face a risk that the current change process does not achieve the cultural, behavioural, and capability shifts which it is designed to achieve. This risk could emerge in practice if there is not the level of staff commitment to the Development Goals and to the new ways of working which are needed. This risk is being managed in a range of ways. The need to prevent the continuation of working in 'silos' has been recognised and addressed in the planning for structural change in the SSC. Staff understanding and commitment have been built through consultation and dialogue internally. Risks will continue to be managed by concentrating on internal communications and on the cultural aspects of the organisational development process that is now underway.

More generally, across the State Services, there is a risk that the Development Goals will not be understood as well or as broadly as is necessary for their successful implementation. There is a risk that the Development Goals will be seen as an imposition over and above the core business of agencies rather than as ways in which the State Services can become more effective in achieving its core functions and meeting its obligations to government and the public. If the goals are seen in this way then organisations may prove resistant to working in new ways. Then there will be a risk of 'surface compliance' rather than active engagement. This risk will be managed through the way in which the SSC engages with departments and Crown entities. The Development Goals, whilst non-discretionary, are intended to enhance the effective and efficient achievement of results and, to this end, must be implemented in a way that is based on dialogue and engagement, rather than command and control.

## Other business

Most of the SSC's effort will be directed to supporting the Commissioner in the leadership and management of the achievement of the Development Goals for the State Services. However, the SSC has other responsibilities. They must be done well. In many cases they require dedicated staff and specialised skills. They include residual and other services arising out of Public Service restructuring, services required by statute or Cabinet minute, or those that are fully funded by third party revenue.

The other business of the SSC includes:

- provision of support to the Minister of State Services for correspondence, parliamentary questions and, as required, responses to select committees
- maintaining government-to-government relationships through participation in international forums and briefings to international delegations
- provision of accounting services for some other Public Service departments
- management of the residual records of disestablished government departments
- management of the outstanding legal liabilities of the pre-1988 State Services Commission and the former Ministry of Works and Development, and
- the Treaty of Waitangi Information Unit, which is implementing a three-year programme to raise the level of public knowledge about the Treaty of Waitangi through the provision of factual and balanced information.

## Financial statements

The Minister of State Services is the Responsible Minister for the State Services Commission.

## Statement of responsibility

The information contained in this *Statement of Intent* for the State Services Commission has been prepared in accordance with section 38 of the Public Finance Act 1989.

The State Services Commissioner, as chief executive of the State Services Commission, acknowledges, in signing this statement, his responsibility for the information contained in this *Statement of Intent*.

The performance forecast for each class of outputs in the statement of forecast service performance is as agreed with the Minister responsible for Vote: State Services administered by the State Services Commission.

The financial performance forecast for the State Services Commission in the forecast financial statements, and the statement of forecast service performance, are as agreed with the Minister of State Services who is the Minister responsible for the financial performance of the State Services Commission.

The information contained in this *Statement of Intent* is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2005/06 Estimates) Bill.



Mark Prebble  
State Services Commissioner  
29 April 2005



Shareez Farouk  
Chief Financial Officer  
29 April 2005

## Introduction and highlights

This part of the *Statement of Intent* for the State Services Commission (SSC) includes the financial statements for 2005/06. These set out how the SSC's role in leading and managing the Development Goals for the State Services, and the SSC's other business, will be funded.

For the year ending 30 June 2006 the SSC expects:

- to earn \$37.290 million in revenue from the Crown and \$4.705 million from others for the purchase of services. These will be supplied under the four output classes, which are detailed in the *Output class descriptions*
- to incur expenses of \$41.995 million in providing these services
- to receive a capital injection of \$980,000 from the Crown to fund the development of e-government systems.

In addition, the SSC administers on behalf of the Crown:

- \$3.979 million for benefits and other unrequited expenses for people on the Mainstream Supported Employment Programme
- \$91.934 million for other expenses. The SSC will be reimbursing employers' subsidies for the new State Sector Retirement Savings Scheme and these are budgeted at \$80.533 million in the first full year. The other expenses include \$11.205 million for the payment of salaries and costs relating to the employment of Public Service chief executives, and \$196,000 for the settlement of legal liabilities of now disestablished departments
- \$846,000 for purchase of services from the Museum of New Zealand Te Papa Tongarewa and the Office of the Privacy Commissioner.

The SSC expects to collect, on behalf of the Crown, \$9.404 million from government departments for reimbursement of the costs of chief executive salaries.

Details of what the appropriations will be spent on appear in Parts B, C and D of Vote State Services in the 2005/06 Estimates.

## Financial highlights

	<b>2004/05 Budgeted</b>	<b>2004/05 Estimated Actual</b>	<b>2005/06 Budgeted</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Revenue Crown	38,394	38,394	37,290
Revenue other	4,752	4,752	4,705
Output expenses	43,146	43,146	41,995
Net surplus	-	-	-
Taxpayers' funds	12,477	12,477	13,457
Net cash flows from operating and investing activities	(174)	(174)	(2,305)



## Departmental capital expenditure

(to be incurred in accordance with section 24 of the Public Finance Act 1989)

	Forecast 2005/06 \$000	Estimated Actual 2004/05 \$000	Budget 2004/05 \$000	Actual 2003/04 \$000	Actual 2002/03 \$000	Actual 2001/02 \$000	Actual 2000/01 \$000
Computer equipment and software, and plant	5,969	3,026	3,026	1,353	1,248	4,691	1,304
Motor vehicles	-	30	30	-	-	-	-
Furniture and fittings	687	237	237	336	1,433	1,413	866
<b>Totals</b>	<b>6,656</b>	<b>3,293</b>	<b>3,293</b>	<b>1,689</b>	<b>2,681</b>	<b>6,104</b>	<b>2,170</b>

Of the forecast capital expenditure of \$6.656 million for the 2005/06 financial year, \$4.942 million will be spent on e-government initiatives, and \$1.714 million on other assets.

### E-government initiatives

	\$ million
All-of-government authentication of identity*	2.419
Government root certificate authority	1.000
Securemail infrastructure	0.750
Secure Electronic Environment (SEE) mail and directory enhancement	0.510
Other infrastructure upgrade	0.263
<b>Total</b>	<b>4.942</b>

\*The objective of the All-of-Government Online Authentication project is to establish an all-of-government approach that will make access to government online services easier for individuals, and mitigate security and privacy risks to government. The total project cost is \$3.932 million, of which \$1.513 million is forecast to be spent in the financial year ending 30 June 2005, and \$2.419 million in the financial year ending 30 June 2006.

### Other assets

Capital expenditure of \$1.714 million will be spent as follows: \$250,000 on refurbishment of level 3 of the building occupied by the SSC, \$150,000 on the Knowledge Information Management (KIM) project, \$50,000 on a Treaty of Waitangi website for children, and the balance (\$1.264 million) on routine replacement and upgrade of the department's information technology and office equipment to help the delivery of the services set out in this *Statement of Intent*.

## Forecast financial statements

### Statement of prospective financial performance

for the Year Ending 30 June 2006

	<b>2004/05 Budget</b>	<b>2004/05 Estimated Actual</b>	<b>2005/06 Budget</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>			
Crown	38,394	38,394	37,290
Departments	1,196	1,196	1,281
Other	3,556	3,556	3,424
<b>Total revenue</b>	<b>43,146</b>	<b>43,146</b>	<b>41,995</b>
<b>Expenses</b>			
Personnel	13,802	13,802	14,078
Operating	25,340	25,340	22,599
Depreciation	3,141	3,141	4,281
Capital charge	863	863	1,037
Other expense	-	-	-
<b>Total expenses</b>	<b>43,146</b>	<b>43,146</b>	<b>41,995</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement of prospective movements in taxpayers' funds (equity)

for the Year Ending 30 June 2006

	2004/05 Budgeted Position 30 June 2005 \$000	2004/05 Estimated Position 30 June 2005 \$000	2005/06 Forecast Position 30 June 2006 \$000
Taxpayers' funds at start of period	9,090	9,090	12,477
<i>Movements during the year (other than flows to and from the Crown)</i>			
Net (deficit)/total recognised revenues and expenses for the period	-	-	-
<i>Adjustment for flows to and from the Crown</i>			
Capital contribution	3,387	3,387	980
Provision for payment of surplus to the Crown	-	-	-
<b>TAXPAYERS' FUNDS AT END OF THE PERIOD</b>	<b>12,477</b>	<b>12,477</b>	<b>13,457</b>

## Statement of estimated financial position

as at 30 June 2005

## Prospective financial position

as at 30 June 2006

	2003/04 Actual Position 30 June 2004 \$000	2004/05 Budgeted Position 30 June 2005 \$000	2004/05 Estimated Position 30 June 2005 \$000	2005/06 Forecast Position 30 June 2006 \$000
<b>Assets</b>				
<i>Current assets</i>				
Cash and bank balances	9,305	11,595	11,595	10,270
Receivables and advances	736	755	755	755
Prepayments	154	154	154	154
<b>Total current assets</b>	<b>10,195</b>	<b>12,504</b>	<b>12,504</b>	<b>11,179</b>
<i>Non-current assets</i>				
Physical assets	5,745	5,883	5,883	8,258
<b>Total non-current assets</b>	<b>5,745</b>	<b>5,883</b>	<b>5,883</b>	<b>8,258</b>
<b>TOTAL ASSETS</b>	<b>15,940</b>	<b>18,387</b>	<b>18,387</b>	<b>19,437</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Payables and provisions	4,503	4,500	4,500	4,550
Provision for payment of surplus	923	-	-	-
Provision for employee entitlements	665	660	660	670
Revenue received in advance	102	100	100	100
<b>Total current liabilities</b>	<b>6,193</b>	<b>5,260</b>	<b>5,260</b>	<b>5,320</b>
<i>Term liabilities</i>				
Payables and provisions	657	650	650	660
<b>Total term liabilities</b>	<b>657</b>	<b>650</b>	<b>650</b>	<b>660</b>
<b>TOTAL LIABILITIES</b>	<b>6,850</b>	<b>5,910</b>	<b>5,910</b>	<b>5,980</b>
<b>Taxpayers' funds</b>				
General funds	9,090	12,477	12,477	13,457
<b>TOTAL TAXPAYERS' FUNDS</b>	<b>9,090</b>	<b>12,477</b>	<b>12,477</b>	<b>13,457</b>
<b>TOTAL LIABILITIES &amp; TAXPAYERS' FUNDS</b>	<b>15,940</b>	<b>18,387</b>	<b>18,387</b>	<b>19,437</b>

## Statement of prospective cash flows

for the Year Ending 30 June 2006

	2004/05 Budget	2004/05 Estimated Actual	2005/06 Budget
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Cash provided from:			
Supply of outputs to:			
- Crown	38,394	38,394	37,290
- Departments	1,177	1,177	1,281
- Other	3,554	3,554	3,424
Cash was applied to:			
Produce outputs			
- Personnel	(13,537)	(13,537)	(13,580)
- Operating	(25,620)	(25,620)	(23,027)
- Capital charge	(863)	(863)	(1,037)
<b>Net cash flows from operating activities</b>	<b>3,105</b>	<b>3,105</b>	<b>4,351</b>
<b>Cash flows from investing activities</b>			
Cash provided from:			
Sale of physical assets	14	14	-
Cash disbursed to:			
Purchase of physical assets	(3,293)	(3,293)	(6,656)
<b>Net cash flows from investing activities</b>	<b>(3,279)</b>	<b>(3,279)</b>	<b>(6,656)</b>
<b>Cash flows from financing activities</b>			
Cash provided from:			
Capital contribution	3,387	3,387	980
Cash disbursed to:			
Payment of surplus to Crown	(923)	(923)	-
<b>Net cash flows from financing activities</b>	<b>2,464</b>	<b>2,464</b>	<b>980</b>
<b>Net increase/(decrease) in cash held</b>	<b>2,290</b>	<b>2,290</b>	<b>(1,325)</b>
Opening total cash balances	9,305	9,305	11,595
<b>FORECAST CLOSING TOTAL CASH BALANCES</b>	<b>11,595</b>	<b>11,595</b>	<b>10,270</b>

## Reconciliation of prospective net cash flows from operating activities to net surplus in the statement of prospective financial position

for the Year Ending 30 June 2006

	2004/05 Budget	2004/05 Estimated Actual	2005/06 Budget
	\$000	\$000	\$000
<b>SURPLUS/(DEFICIT) FROM THE STATEMENT OF PROSPECTIVE FINANCIAL PERFORMANCE</b>	-	-	-
<i>Non-cash items</i>			
Depreciation	3,141	3,141	4,281
Increase/(decrease) in non-current employee entitlements	-	-	-
Other non-cash item	-	-	-
<b>Total non-cash items</b>	<b>3,141</b>	<b>3,141</b>	<b>4,281</b>
<i>Movements in working capital items</i>			
(Increase)/decrease in receivables	(19)	(19)	-
(Increase)/decrease in prepayments	-	-	-
Increase/(decrease) in payables and provisions	(5)	(5)	50
Increase/(decrease) in revenue in advance	-	-	-
Increase/(decrease) in employee entitlements	(12)	(12)	20
<b>Total movements in working capital</b>	<b>(36)</b>	<b>(36)</b>	<b>70</b>
<i>Add/(deduct) items classified as investing activities</i>			
Increase/(decrease) in receivables	-	-	-
Net loss/(gain) on sale of fixed assets	-	-	-
<b>Total items classified as investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,105</b>	<b>3,105</b>	<b>4,351</b>

## Forecast details of fixed assets by category

as at 30 June 2006

	30 June 2005	30 June 2005	30 June 2006 Forecast Position			
	Budgeted Position	Estimated Actual Position	Depreciation	Cost	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000	\$000	\$000
Furniture and fittings	1,272	1,272	608	3,807	2,456	1,351
Computer equipment and software, and plant	4,593	4,593	3,667	18,403	11,508	6,895
Motor vehicles	18	18	6	30	18	12
<b>TOTALS</b>	<b>5,883</b>	<b>5,883</b>	<b>4,281</b>	<b>22,240</b>	<b>13,982</b>	<b>8,258</b>



## Forecast financial performance indicators

2004/05 and 2005/06

	Unit	2004/05 Budget	2004/05 Estimated Actual	2005/06 Budget
<b>OPERATING RESULTS</b>				
Revenue other	\$000	4,752	4,752	4,705
Output expenses	\$000	43,146	43,146	41,995
Operating surplus/(deficit) before capital charge	\$000	-	-	-
Net surplus/(deficit)	\$000	-	-	-
<b>RESOURCE UTILISATION</b>				
Physical assets:				
Total physical assets at year end	\$000	5,883	5,883	8,258
Additions	\$000	3,293	3,293	6,656
Additions as % of physical assets	%	56	56	81
Accommodation cost per employee	\$000	9	9	10
<b>FORECAST NET CASH FLOWS</b>				
Surplus/(deficit) on operating activities	\$000	3,105	3,105	4,351
Surplus/(deficit) on investing activities	\$000	(3,279)	(3,279)	(6,656)
Surplus/(deficit) on financing activities	\$000	2,464	2,464	980
Net increase/(decrease) in cash held	\$000	2,290	2,290	(1,325)
<b>HUMAN RESOURCES</b>				
Staff turnover	%	15	18	15
Total staff	No.	167	169	180
Training as % of hours worked	%	1.8	1.6	1.8

## Statement of forecast service performance

The State Services Commission has committed to provide four output classes in 2005/06 that meet the requirements of the Minister of State Services in terms of their description, quantity, quality timeliness and costs. The structure of output classes has changed from 2004/05 following a review, to provide a better alignment of output classes with the Development Goals for the State Services approved by the Government.

### Output operating statements: 2005/06

Departmental Output Class Description	REVENUE			EXPENSES	SURPLUS
	Revenue Crown	Revenue Departments	Revenue Other	Total Expenses	Surplus/ (Deficit)
	\$000	\$000	\$000	\$000	\$000
State sector development, governance and performance	12,580	395	599	13,574	-
State sector people capability	5,957	723	2,820	9,500	-
E-government development and operations	16,199	150	5	16,354	-
Treaty information	2,554	13	-	2,567	-
<b>TOTAL DEPARTMENTAL OUTPUT CLASSES</b>	<b>37,290</b>	<b>1,281</b>	<b>3,424</b>	<b>41,995</b>	<b>-</b>

## Output class descriptions

### State Services development, governance and performance

This output class provides for the development, governance and performance management role of the SSC in the State sector. It will include the development and leadership of programmes designed to:

- enhance access, responsiveness and effectiveness, and improve New Zealanders' experience of 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.

This will include:

- chief executive appointments and reappointments in the Public Service
- provision of good employer services for chief executives in the Public Service
- reviewing the performance of departments and chief executives, and advising on managing for outcomes, capability and performance
- providing an overview of the State Services and advice on future development priorities
- advising on the machinery of government
- leading and reinforcing integrity and conduct
- governance and best practice matters relating to boards and staff of Crown entities, and management of the fees and allowances framework
- oversight of international development in public sector thinking
- maintaining government-to-government relationships through participation in international fora and briefings to international delegations
- ad hoc reviews as required by the Prime Minister, other Ministers, heads of agencies, or the State Services Commissioner in response to performance failures of particular agencies or the identified risk thereof
- the provision of support to the Minister of State Services for correspondence, parliamentary questions and, as required, responses to select committees
- management of records and residual liabilities arising from the activities of now disestablished government departments
- provision of accounting services for selected Public Service departments.

## State Services people capability

This output class provides for the people capability role of the SSC in the State Services. It will include the development and leadership of programmes designed to:

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

This will include:

- leading strategic human resource management
- collecting, analysing and disseminating information on human resources
- developing the State Services as a good employer including promotion, development and monitoring of equal employment opportunities
- promotion of positive workplace employment relationships, consultation on collective employment agreements where required; promotion of partnership approaches and support for pay and employment equity
- oversight of industrial and employment relations issues across the State Services and provision of strategic advice to government on these issues
- senior leadership and management development
- monitoring of the Leadership Development Centre
- support for the Mainstream Programme
- support for the State Sector Retirement Savings Scheme
- support for training through the Public Sector Training Organisation.

## 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 e-government standards and infrastructure
- operating the syndicated procurement unit
- developing the all-of-government authentication of identity solution.

This will include:

- reviewing the E-government Strategy and Programme in the light of progress achieved and challenges identified
- continuing the e-government research and evaluation programme, including the assessment of alignment of agency activities with the E-government Strategy
- identifying and addressing policy issues affecting the delivery of the E-government Strategy
- developing an enterprise architecture for government to facilitate networking and integration of service delivery
- managing the continued growth and application of the e-government interoperability framework (e-GIF)
- implementing services based on the e-GIF, such as directory, change of address notification and intranet
- developing and implementing government networks
- implementing Cabinet decisions on identifying and authenticating people to receive government services via the Internet and related technologies
- operating, maintaining and enhancing all-of-government services, including the all-of-government web portal, the metadata collection, the secure electronic environment and shared workspaces, and
- promoting opportunities for syndicated procurement across government.

## Treaty information

This output class provides for the SSC's role in managing, delivering and coordinating a three-year programme to raise the level of public knowledge of the Treaty of Waitangi through the provision of factual and balanced information.

## Service performance measures

These measures are for all output classes unless specified.

### Performance measure for quantity and coverage

The quantity and nature of advice and operational services for individual outputs will be supplied on the basis agreed between the Minister of State Services and the State Services Commissioner as set out in the *Output Plan* for 2005/06, or as subsequently amended during the financial year.

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

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

### Performance measure for quality

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

#### **Quality Assurance Procedures**

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

### Quality of Policy Advice

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

Criterion	Description
Purpose	The purpose of the paper has been clearly stated and all questions raised by the requester addressed.
Logic	All assumptions behind the advice given have been stated and the reasoning and debate within the paper is logical and supported by fact.
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

In addition to the service performance measures for the State Services development, governance and performance Output Class, the State Services Commissioner will ensure that:

- Public Service chief executives are treated in accordance with the provisions of the State Sector Act 1988.
- The advisory services on fees and allowances for Crown entity boards and other statutory bodies in which the Crown has an interest are provided in accordance with the Cabinet Fees Framework and the provisions of the Fees and Travelling Allowances Act 1951.

### Ministerial Feedback

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

## Performance measure for timeliness

Timeframes will be agreed between the Minister of State Services and the State Services Commissioner for the financial year.

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

## Reporting on service performance

A statement of service performance, as required by section 45A of the Public Finance Act 1989, will be provided in the Annual Report of the SSC at the end of the year. That statement will include performance against each output specified in the *Output Plan*.

## Statement of significant underlying assumptions

These statements have been compiled on the basis of Government policies and the SSC's *Output Plan* with the Minister of State Services.

The SSC's financial statements have been prepared in accordance with section 41 (1) of the Public Finance Act 1989, and generally accepted accounting practices.

The following general accounting policies have been adopted in the preparation of these financial statements:

- The SSC is assumed to be a going concern.
- The SSC has accepted historical cost as a measurement base.
- Revenues earned and expenses incurred are matched using the principles of accrual accounting.



## Statement of significant accounting policies

### Fixed assets

Fixed assets are recorded at cost less accumulated depreciation.

### Depreciation

Depreciation of fixed assets is provided on a straight-line method so as to allocate the cost of assets, less any estimated residual value, over their useful lives. The estimated economic useful lives are:

Furniture, fixtures and fittings	5 years
Office equipment	5 years
Plant	5 years
Motor vehicles	4 years
Computer equipment and software	3-5 years

### Cost allocation

The SSC derives the cost of outputs shown in these statements using a cost allocation system which is outlined below.

#### **Cost Allocation Policy**

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

#### **Criteria for Direct and Indirect Costs**

‘Direct Costs’ are those costs directly attributed to an output. ‘Indirect Costs’ are those costs that cannot be identified in an economically feasible manner with a specified output.

#### **Direct Costs Assigned to Outputs**

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

#### **Basis for Assigning Indirect Corporate Costs to Outputs**

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

#### **Receivables**

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

### Changes in accounting policies

No changes are expected to accounting policies during the period.

## Glossary of terms

The following terms are used throughout this document:

<b>Agencies</b>	A general term for organisations, most often referring 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>Departments</b>	The generic term for the departments of the Public Service, as listed in the First Schedule of the State Sector Act 1988 (whether their names may be ‘Ministry’, ‘Department’, ‘Office’ or other specific name).
<b>Output Plan</b>	An agreement between the Responsible Minister and the chief executive that describes a range of outputs to be delivered by the department, together with the applicable performance measures and standards; and sets out the amount and basis on which the department is to be paid for the delivery of those outputs.
<b>Public sector</b>	The State sector and all local authorities.
<b>Public Service</b>	The 34 departments listed in the First Schedule to the State Sector Act 1988. The First Schedule of the State Sector Act lists 35 departments. For technical reasons the Schedule also lists both the Ministry of Justice and its predecessor, the Department of Justice.
<b>State sector</b>	All organisations in the annual financial statements of the Crown (e.g. Departments, Police, New Zealand Defence Force, Offices of Parliament, State-owned enterprises, Crown entities, and the Reserve Bank). A complete list of State sector organisations can be found at <a href="http://www.ssc.govt.nz/State-sector-organisations/">www.ssc.govt.nz/State-sector-organisations/</a>
<b>State Services</b>	State Services are defined in the State Sector Act 1988 as meaning all instruments of the Crown in respect of the Government of New Zealand and includes Public Service departments, non-Public Service departments, Crown entities, the Reserve Bank and entities in the 4th Schedule of the Public Finance Act. “State Services” excludes Tertiary Education Institutions, State-owned enterprises and Offices of Parliament.

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

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