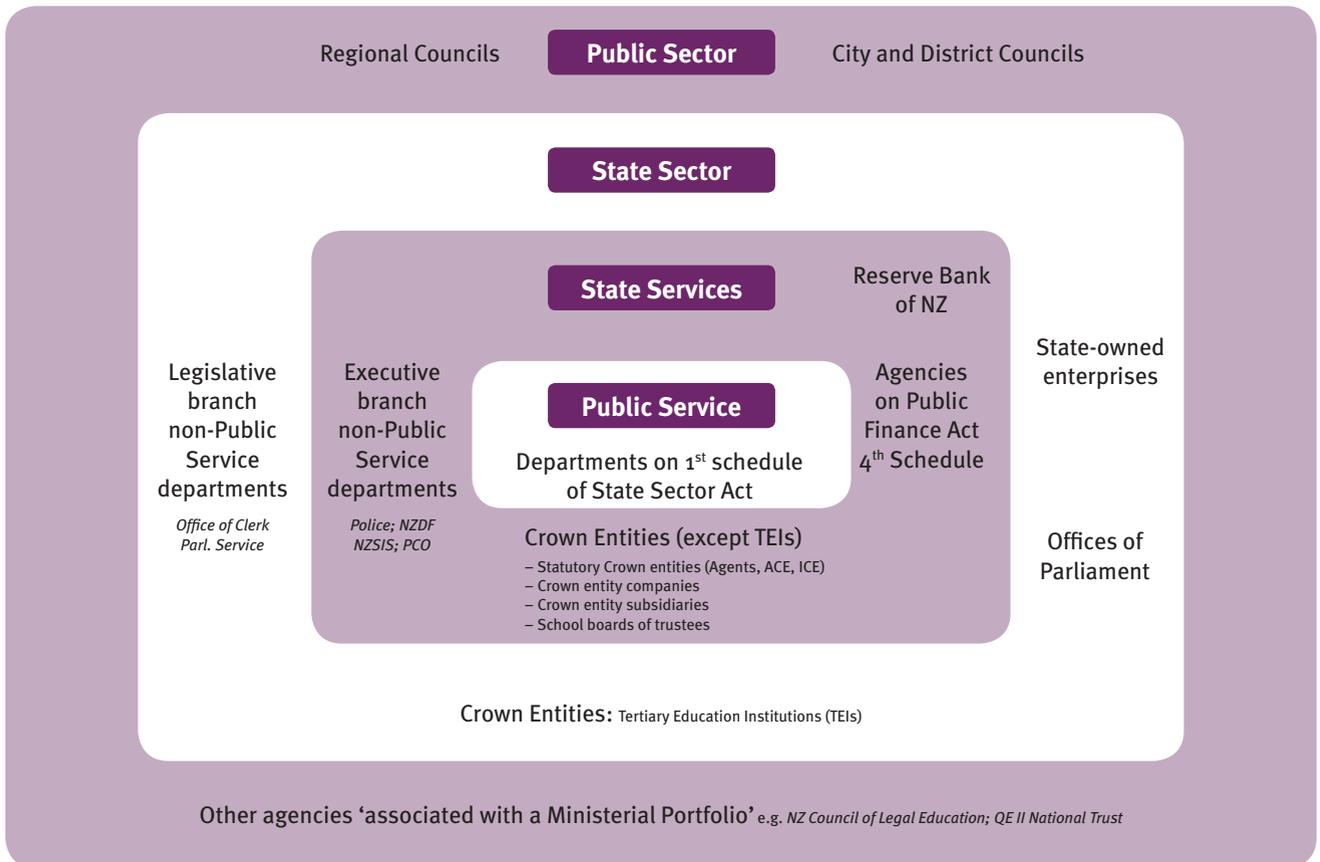




State Services Commission Statement of Intent 2009 – 2012

New Zealand's Public Sector



Contents

Foreword from the Minister of State Services	3
Introduction from the State Services Commissioner	4
Chief Executive Statement of Responsibility	5
Nature and Scope of Functions	6
Strategic Direction	7
Our interventions, outcomes and performance standards	8
Medium term impacts and measures	9
Operating Intentions	10
Intervention 1: Advising Ministers and agencies on delivering better agency performance	10
Intervention 2: Setting standards	13
Intervention 3: Performance management of Public Service chief executives	15
Central Agencies' Shared Agenda	17
Managing in a Changeable Operating Environment	19
Our operating environment	19
Managing risk	20
Assessing Organisational Health and Capability	21
Equal Employment Opportunities	22
Departmental capital and asset management intentions	23

Presented to the House of Representatives pursuant to Section 39 of the Public Finance Act 1989

Crown Copyright

ISSN 1175-5598 (Print)

ISSN 1177-7419 (Online)

Foreword from the Minister of State Services

The State Services Commission's focus is to work with the Treasury and the Department of the Prime Minister and Cabinet to provide strong leadership to the Public Service and the wider State Services. The Government is asking these central agencies to play a leading role in driving an efficient State Services that delivers improved front line services to New Zealanders.

My expectations of the State Services Commissioner are that he will provide this leadership in discharging his statutory responsibilities, such as the appointment and performance management of Public Service chief executives, and in particular I expect he will provide Ministers with high quality advice about the performance of government agencies and how this can be improved.

I also expect that, during this period of fiscal constraint, the State Services Commission will continue to lead on the prudent management of State resources, by managing the cap on the core bureaucracy and ensuring that all collective agreements and wage settlements are affordable and equitable.

This Government, and New Zealanders, want effective front line service delivery from a professional, apolitical State Services. A tightly focused, high performing State Services Commission is essential to the coordination and delivery of that goal. To that end, I have agreed with the State Services Commissioner the work programme he has outlined in the 2009-2012 Statement of Intent.

I am satisfied that the information on future operating intentions provided by the State Services Commission in this Statement of Intent is in accordance with sections 38, 40 and 41 of the Public Finance Act 1989 and is consistent with the policies and performance expectations of the Government.



Hon Tony Ryall | Minister of State Services
April 2009

Introduction from the State Services Commissioner

The State Services Commission performs a leadership role across the State sector. Together with the other central agencies – the Treasury and the Department of the Prime Minister and Cabinet – we are concerned with improving the performance of agencies, of sectors, and the performance of the public management system as a whole.

The primary statutory responsibility of the State Services Commissioner is the appointment and performance management of Public Service chief executives. I intend to improve the Commission's performance in this area by shifting the emphasis of our focus from retrospective analysis to real time performance management. I want to do this by setting sharper expectations of chief executives with greater Ministerial input, providing chief executives with more and higher quality engagement with Deputy Commissioners and increased support from the Commission in general, and holding them to account for delivery against these expectations. I am changing the structure of the Commission to better support this outcome.

In addition to discharging my statutory responsibilities, the Government's specific priority actions for the State Services Commission are: capping the size of the core government administration; setting new expectations for pay and employment conditions in the State sector; and, strengthening trust in the State Services. Over the coming three years, we will also continue to monitor New Zealanders' satisfaction with their public services, act to enhance front line service delivery, and continue to develop senior leadership capability across the State sector.

Essentially, this new work programme is targeted to deliver on the Minister's expectations of improved system and agency performance, driven by the Commission with the other central agencies.



Iain Rennie | State Services Commissioner
April 2009

Chief Executive Statement of Responsibility

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent for the State Services Commission. This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations set out in the Appropriations (2009/10 Estimates) Bill, as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989, and with existing appropriations and financial authorities.



Iain Rennie | State Services Commissioner
April 2009



Mandy Simpson | Chief Financial Officer
April 2009

Nature and Scope of Functions

The efficient and effective delivery of public services makes a significant difference to New Zealand's success as a country, and to its citizens. The State Services Commission ensures that the State Services are well placed to carry out Government policy and meet the needs of New Zealanders.

The State Services Commission has a leadership role across the State sector. We are responsible for the appointment and performance management of Public Service chief executives; we advise on the performance of agencies, both individually and collectively across all areas of government; and we advise on the performance of the public management system in the Public Service and Crown entities. With the other central agencies, we take an all-of-government view and work across the system to lift overall performance and improve the delivery of public services to New Zealanders.

The State Services Commissioner's roles and responsibilities are articulated in the State Sector Act 1988. They include:

- appointing, reappointing and employing Public Service chief executives on behalf of the Crown
- reviewing the performance of Public Service chief executives on behalf of their Responsible Ministers
- reviewing the performance of each Public Service department and investigating and reporting on matters relating to the performance of Public Service departments
- providing advice on the allocation of functions to and between departments and other agencies, and the creation, amalgamation or abolition of departments and other agencies
- providing advice on management systems, structures and organisations in the Public Service and Crown entities
- promoting and developing senior leadership and management capability for the Public Service
- negotiating conditions of employment of employees in the Public Service
- promoting and developing personnel policies and equal employment opportunities policies, and providing advice on the training and career development of staff in the Public Service
- setting standards of integrity and conduct that are to apply in most of the State Services, providing advice and guidance to State Services employees on matters of integrity and conduct and investigating matters of integrity and conduct in the State Services
- performing any other functions with respect to the administration and management of the Public Service, that the Prime Minister directs.

The State Services Commission administers the State Sector Act 1988, the Protected Disclosures Act 2000 and the Crown Entities Act 2004 (with the Treasury), as well as five other minor Acts. In addition, the Commission is also responsible for:

- providing support to the Minister of State Services for correspondence, parliamentary questions and responses to select committees as required
- administering the KiwiSaver Employer Credit and the State Sector Retirement Savings Scheme for Public Service departments.

Strategic Direction

The State Services Commission's strategic direction is based on our overall outcome that

New Zealanders have a high performing, trusted and accessible State sector, delivering the right services in the right way at the right prices.

To achieve this outcome, the State Services Commission needs to act with focus, urgency and impact on delivering the priorities the Government has identified for the wider State sector, while maintaining its focus on its core activities and delivering the priorities of the Minister of State Services.

The Government expects the State sector to focus on providing better and more effective front line services for New Zealanders while using taxpayers' money wisely in a time of fiscal constraint. A more focused, efficient, and productive State Services is a key element in the Government's plan for a faster-growing economy. To deliver the Government's direction, the central agencies – the State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet – must lead by example and exhibit high standards of professionalism, efficiency, and effectiveness.

The key priorities that the Minister of State Services has asked the Commission to deliver are outlined below. Although the Commission will lead the work in delivering these priorities, our central agency partners will also play a key role in supporting their delivery. More details on our approach to working together can be found in *Central Agencies' Shared Agenda* on page 17.

■ Capping the size of the core government administration

The Government has applied a global cap, effective from 31 December 2008, to the size of the core government administration to ensure that priority is given to front line services that directly benefit New Zealanders. It wants to see people and funding move into areas that will deliver the best value for money, and the best improvements to front line services.

The State Services Commission will monitor the implementation of the cap and together with the Treasury will undertake a review of the effectiveness of the management and monitoring regime for the policy. The review, to be completed in early 2010, will consider information on staffing, expenditure and progress in giving priority to the front line reported by departments to the Commission, and consultancy and personnel expenditure reported by departments to the Treasury.

■ Setting new expectations for pay and employment conditions in the State sector

Given the current economic climate, it is essential that there is restraint in pay and conditions within the State sector. The Commission will exercise a greater level of oversight and involvement across a range of employment related areas, based on the following principles:

- Any changes to pay must not lead private sector movements and must take into account the total cost and value of employment conditions.
- State sector agencies that are required to consult with the Commission regarding changes to conditions of employment are expected to demonstrate that changes in pay and employment conditions are fiscally sustainable within baselines, responsible, and demonstrate value for money.

■ Strengthening trust in the State Services

Through the *New Zealanders' Experience* research programme we have identified and understand the key drivers that have the greatest influence on New Zealanders' satisfaction with, and trust in, public services. State servants have also responded on their experience of integrity and conduct in their workplaces.

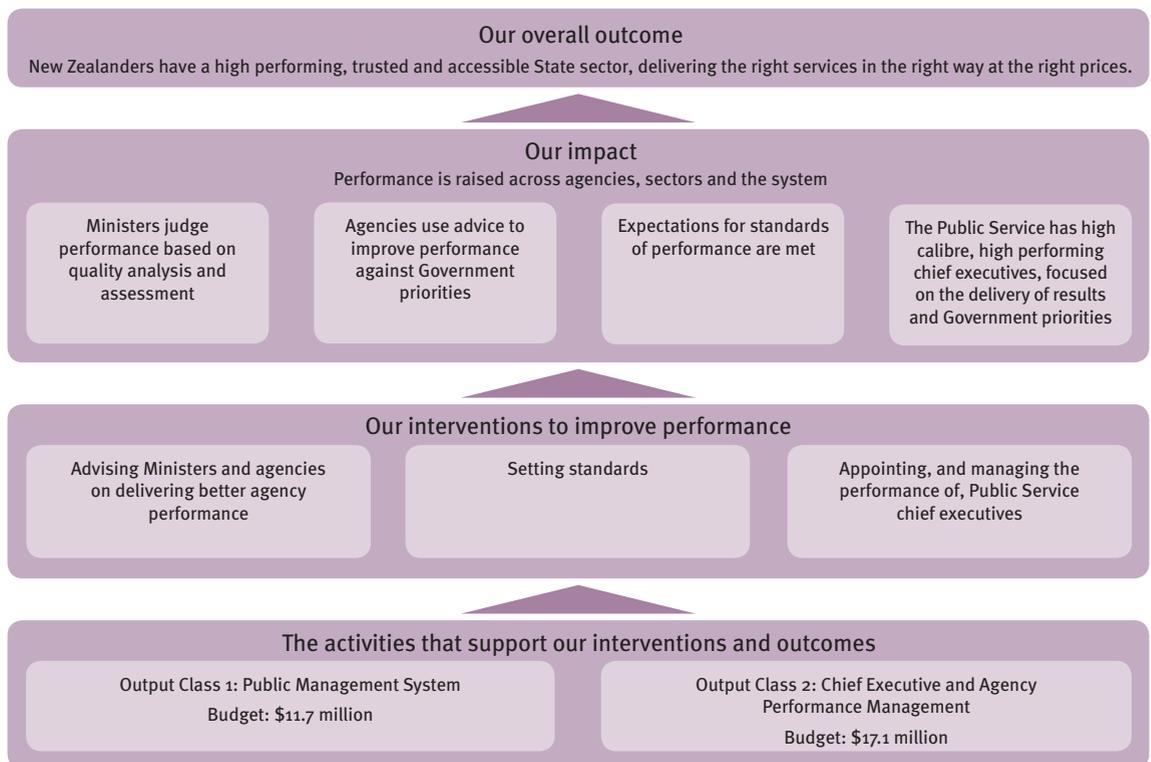
This evidence is informing the Commission's continuing role in leading, articulating and reinforcing standards and values, to maintain the appropriate levels of integrity and conduct among employees in the State Services.

Our interventions, outcomes and performance standards

Lifting the performance of State Services agencies through improved front line delivery of services is the focus for the State Services Commission's work programme over the next three years. While there are other areas of our work that are important and will continue, to enable this improvement in performance we will focus our efforts on three core interventions for improving agency performance and front line service delivery:

1. Advising Ministers and agencies on delivering better agency performance
2. Setting standards
3. Appointing, and managing the performance of, Public Service chief executives.

The impact of these interventions – how they link to our outcomes and the output classes we are funded by the Government to deliver – is set out below. The activities that will support each impact are articulated in *Operating Intentions*, page 10.



Note: The Commission's third output class, State Sector Industry Training Services (Budget: \$6.1 million), supports the delivery of industry training services to the State sector. Because this output class is not central to the Commission's core business, we are examining options for transferring this function to an alternative location.

Medium term impacts and measures

Over the next three to five years, the impact that the State Services Commission makes on the performance of the State sector through its operations will be measured by:

New Zealanders' satisfaction with the public services they receive

New Zealanders want their expectations met, they want the staff they deal with to be competent and to keep their promises, they want to be treated fairly and they want their individual circumstances taken into account. They also want the services they receive to be an example of good value for tax dollars spent. The *New Zealanders' Experience* research programme is a multi-year programme that provides information on New Zealanders' experiences of the services they receive from government. The Commission will be using the *Kiwis Count* survey as one measure of its success in contributing towards our desired impacts and outcomes in the medium term.

The first set of results from the biennial *Kiwis Count* survey were released in 2008. They indicated that 68% of those surveyed were satisfied with their most recent service experience. Although this is a positive start, there is room to improve. These figures provide a benchmark for satisfaction and trust in services delivered by government, against which we can track service improvements in the future. We will be running the *Kiwis Count* survey again in late 2009, with the results available in 2010.

Trustworthiness of the State Services

The *Integrity and Conduct* survey administered by the Commission asks State servants about their perceptions of integrity and conduct within parts of the State Services. This survey is an important part of monitoring and maintaining levels of integrity and good conduct in the State Services. Approximately 4,600 State servants from 38 agencies took part in the 2007 survey. The survey measures how State servants view the six elements that research has shown are essential for supporting trustworthiness in the workplace:

1. Agencies of the State Services have standards of integrity and conduct that meet the State Services Commissioner's minimum standards
2. Agencies of the State Services promote their standards of integrity and conduct
3. Standards of integrity and conduct are integrated into the behaviour of State servants
4. Managers model the standards of integrity and conduct in their behaviour
5. Consequences of behaviour that breaches the standards of integrity and conduct are known by State servants
6. Agencies act decisively when breaches occur.

The survey is due to run again in early 2010. By comparing the 2007 and 2010 results, the Commission will be able to reflect on the changes in perceptions that State servants have about the trustworthiness of their colleagues.

Operating Intentions

Lifting the performance of State sector agencies through improved front line delivery of services is the focus of the State Services Commission's work programme over the next three years. We have identified three interventions that will contribute to lifting the performance of agencies and improving the delivery to New Zealanders of the right services in the right way at the right prices.

INTERVENTION 1:

Advising Ministers and agencies on delivering better agency performance

Impacts:

Agencies use advice to improve performance against Government priorities

Ministers judge agency performance based on quality analysis and assessment

What are we seeking to achieve?

An effective State sector is integral to New Zealand's social and economic performance. The State Services Commission plays a key role in improving effectiveness, through monitoring the way services are delivered, and providing advice to Ministers and guidance to agencies on areas that will lift performance across the system and advance the Government's priorities. The rationale behind the impacts of this intervention is that good advice from the Commission to agencies will help these agencies lift their level of performance, and that good advice from the Commission to Ministers will enable them to make well informed decisions for the benefit of New Zealanders.

What will we do to achieve this?

The Commission has a well-established capability in understanding and analysing the performance of agencies. This year, we will sharpen our focus on agency performance by pulling together a range of perspectives around performance for Ministers and agencies, directed at improving the quality of front line services.

We have identified five areas where our advice can make the greatest difference in improving performance. These are outlined below.

Providing comprehensive, consistent and comparable advice on the performance of agencies, sectors and the system

The Commission works with our central agency partners to advise on performance at agency, sector and system levels. To accurately assess performance, agencies and Ministers need to know what criteria are used to assess performance, which aspects of agency capability need to be improved to achieve better results, and have performance information that allows comparison between different agencies, sectors and across the system.

Central agencies need to be able to identify where there are widespread performance or capability issues that can be addressed more effectively at a system level, rather than by each individual agency working in isolation. Over the next three years, the central agencies will improve the quality of their advice in order to meet these needs. The Commission is currently leading the development of a performance framework to support this (see *Developing and implementing the performance framework*, page 22).

Examining structures in the public management system

With a more challenging economic environment and a new government direction it is appropriate to examine the structures in place across agencies and the allocation of functions to and between departments to find more economic and efficient ways of delivering services to New Zealanders. The Commission will provide Machinery of Government advice more proactively to better support service delivery and reduce costs in the long term.

Monitoring and helping agencies improve New Zealanders' experience of public services

To deliver services that meet the needs and expectations of New Zealanders, agencies need to understand what these expectations are and how they are performing against them. The *Kiwis Count* survey measures New Zealanders' satisfaction with public services (all services provided by central and local government, tertiary institutions, schools and hospitals). The results allow public sector agencies to identify areas where they can improve their services, leading to improved user satisfaction.

The 2009 survey will provide more value to agencies, by developing more information around users' satisfaction with different service delivery channels and by providing more agency-specific results. This information will be used to inform improvements to front line service delivery.

The *Common Measurements Tool*, developed in parallel with the *Kiwis Count* survey, allows individual public sector agencies to measure performance and identify service delivery improvements for their own service users. Agencies can compare their performance with the *Kiwis Count* survey and measure how they are progressing over time. The Commission will develop a benchmarking function to give agencies the ability to compare their results with other agencies in New Zealand and internationally. Currently 17 agencies are signed up to use the tool, and we will be promoting its uptake with further agencies throughout the year.

Improving people productivity

Employee costs account for around 55% of all State sector operating costs. Within a more fiscally-constrained operating environment, it is critical that employees are as productive as possible. The Commission has a number of levers that it will utilise to help agencies improve their people productivity:

- **Promoting the use of employee engagement tools and practices**
Organisations with high levels of employee engagement have increased productivity and improved customer satisfaction rates as well as lower costs from turnover and absenteeism. The Commission will continue to promote the use of engagement tools like the *Gallup Q12 Engagement Survey*, and practices that increase employee engagement. These tools provide insight into the levels of engagement within organisations, and into the areas that agencies can work on to improve engagement.
- **Advising agencies on wage moderation**
The Commission will communicate new expectations for collective and individual employment agreements, and other pay and conditions setting mechanisms, to Public Service chief executives who conduct bargaining on behalf of the State Services Commissioner and other State sector agencies. Departments will be expected to use these expectations when engaging in employment negotiations to ensure that collective agreements and wage settlements in the State sector are tightly managed in a constrained fiscal environment.

- **Collecting and using information**

The annual *Human Resource Capability Survey* collects a wide range of information about people employed in Public Service departments. The information is publicly reported and informs our advice on remuneration and capability issues.

The Commission has also collected baseline data from departments and selected Crown entities to inform the recently initiated global cap on the core government administration.

Implementation of the cap will be monitored through our six-monthly human resource staffing information collection.

- **Improving strategic human resource and organisation development practices**

Good human resource and organisational development (HR and OD) practices are essential for building staff productivity. The Commission will improve the competency of HR and OD professionals in the State Services by identifying areas where skills development is a priority and undertaking developmental programmes to address them. Through these programmes we will encourage HR and OD practitioners to support their organisations by taking a wider, more strategic view.

Overseeing ICT investment and major projects

The Commission will continue to play a key leadership role in State Services Information Technology governance and guidance. To support this approach, the Commission's information and communications technology (ICT) service delivery unit, Government Technology Services, will transition to the Department of Internal Affairs on 1 July 2009 in order to focus the Commission on leadership and strategic oversight within the State Services.

Given that each year the State sector spends around \$1.9 billion on ICT-related expenditure, value for money is a critical component in the ICT value equation. We will focus on providing oversight of expenditure across the State Services in conjunction with the Treasury, including Gateway reviews of major capital investments. We will also develop stronger linkages with agencies to reduce duplication in investments and promote collaboration between government agencies in the development and use of ICT systems. The Commission will continue to facilitate syndicated procurement for ICT products used by multiple agencies, and assess ICT capability and skills across government agencies.

How will we demonstrate success in achieving this?

The Commission will monitor progress using the measures outlined below. More details of our measures of success can be found in the *Information Supporting the Estimates – Vote State Services*.

Activity	Performance indicator
Advice on the performance of agencies, sectors and the system	Feedback from Ministers that they are receiving the right information and advice on agency performance Action plans to improve performance are generated and implemented by agencies in response to advice
Monitoring and helping agencies improve New Zealanders' experience of service delivery	Improvements over time in agency and sector <i>Kiwis Count</i> survey results Increase in the number of agencies using the <i>Common Measurements Tool</i>
Employee productivity	Increase in the number of agencies implementing an approach to measuring and improving employee engagement Establishment of strategic HR and OD priorities and programmes to improve these areas over time
Overseeing ICT expenditure	Ministers are satisfied with the quality of advice they receive on improving the effectiveness of State sector ICT expenditure

INTERVENTION 2: Setting standards

Impacts:

Expectations for standards of performance are met

What are we seeking to achieve?

For the State Services to be high performing, the people who work in agencies need to know what is expected of them and how to meet these expectations. Setting standards and requiring these to be met is one way to achieve consistent performance across the State Services. By working with agencies to set, implement and monitor appropriate standards in key areas the performance expectations of Ministers, and citizens' expectations, are more likely to be met.

What will we do to achieve this?

The central agencies set standards and expectations in their respective areas of focus. The Commission sets standards around integrity and conduct, and technology, that support the delivery of services to New Zealanders. We will continue to work with individual agencies and across the State Services to promote and monitor compliance with standards.

Integrity, conduct and trust

The Commission has an ongoing role in promoting the highest standards of integrity and conduct in the State Services and the Government has signalled that trust within the State Services is one of its priorities.

In 2007 we surveyed State servants about their experience of integrity and conduct in their workplaces. While there was high awareness of integrity standards, 33% had observed misconduct – indicating that integrity training could be improved. In early 2010 we will repeat the integrity survey so we can assess progress. Ongoing improvement across the State Services in standards of integrity and conduct is an indicator of the Commission’s medium term success.

Standards for ICT

The Commission has a central leadership role in defining and promoting good ICT practice within the State Services. We will sharpen our focus on delivering and implementing standards for ICT to help agencies work together, so that agencies can draw value from data and provide citizens ready and easy access to information.

We will continue to develop and promote the e-GIF – a collection of policies and standards for New Zealand government information technology systems. The e-GIF helps government agencies work together electronically: it makes systems, knowledge and experience reusable from one agency to another and reduces the effort required to deal with government online by encouraging consistency of approach.

We know there are significant opportunities to reduce costs for businesses and improve access for individuals to taxpayer-funded information held by State sector agencies. The Commission will work to ease the reuse and transparency of information through promoting common web, geospatial, business reporting and identity verification standards across agencies and acting as a conduit for connecting users and holders of government information.

How will we demonstrate success in achieving this?

The Commission will monitor progress in applying this intervention through the measures outlined below.

Activity	Performance indicator
Integrity and Trust	Improvement in <i>Integrity and Conduct</i> survey results
ICT standards	Baseline for measurement of accessibility of government information by the public established Measure and improve on the degree to which user information is reused by other agencies to improve front line service delivery

INTERVENTION 3: Performance management of Public Service chief executives

Impacts:

The Public Service has high calibre, high performing chief executives, focused on the delivery of results and Government priorities

What are we seeking to achieve?

The Commission has the role of managing the performance of Public Service chief executives through effective recruitment, performance management, development and remuneration processes. By appointing talented and competent leaders, focusing them on achieving the Government's priorities and ensuring they are accountable for achieving them, we can contribute to more effective, efficient and results-driven agencies.

What will we do to achieve this?

The key to effective performance management of Public Service chief executives is ensuring that expectations are clear and relevant, and that there is accountability for performance. The Commission is moving towards a more active model of performance management, providing increased support to chief executives to assist them to deliver on their performance expectations. We will also work to increase the size and capability of the pool of future chief executives to ensure that high calibre candidates are available in the future.

Active performance management of Public Service chief executives

Managing Public Service chief executive performance continues to be a primary responsibility and lever for effectiveness. In 2009/10, the Commission will focus its efforts on moving from chief executive performance assessment to performance management. This means taking a far more active approach to its engagement with chief executives, including ensuring increased clarity of performance expectations and more timely performance feedback. This approach reflects the need to promote accountability for the performance of the chief executive and his or her department.

As part of this process we will better utilise the Commission's expertise to support chief executives, including:

- casting a broader net – augmenting our resources with additional expertise from experienced individuals within and outside the public sector
- developing stronger peer to peer relationships between chief executives
- focusing our attention on agencies and Public Service chief executives that have been identified as a priority
- freeing up our Deputy Commissioners' time to improve their understanding of what is happening in agencies.

Fostering leadership talent and management in agencies.

The capability of senior managers and leaders is a key driver of agency performance. These senior managers are the talent pool for future chief executives. The Commission has identified the need to boost the size, quality and diversity of this pool, to ensure that there are enough high quality candidates to appoint talented chief executives in the future.

The *Senior Leadership and Management Development Strategy* for the Public Service aims to build a group of talented managers of the required calibre to meet the future needs of the Public Service. We will extend the reach of the programme to develop and expand on the current talent pool. The Commission will also work with the Leadership Development Centre to identify new opportunities for the development of high performing, high potential individuals, with a focus on the Public Service. This will involve building an accurate picture of the senior leadership talent pool, ensuring that the State Services' best managers get meaningful developmental experiences and focusing on a smaller group of managers who have the potential to become the chief executives of the future.

How will we demonstrate success in achieving this?

The Commission will monitor progress in applying this intervention through the measures outlined below.

Activity	Performance indicator
Active performance management of Public Service chief executives	The Commission's engagement with chief executives and agencies contributes to alignment with Ministerial priorities Public Service chief executive appointments, performance and remuneration reviews conducted in compliance with the State Sector Act 1988
Fostering leadership and management in agencies	A profile of the diversity, size and capability of the future chief executive talent pool is developed to enable future improvement

Central Agencies' Shared Agenda

Improving State sector performance

The central agencies will work together to lead the State sector to improve the quality of services within existing baselines – building smarter, better public services for less cost.

The Department of the Prime Minister and Cabinet guides the process of collective decision-making, conveys Cabinet's decisions to the relevant Ministers and officials, and ensures that the Cabinet receives well-conceived and coordinated advice. The department also works to ensure that the State sector responds to the Government's priorities and conveys the Government's priorities to officials.

The Treasury monitors and manages the financial affairs of the government, and provides economic and fiscal policy advice. The Treasury is the lead agency to support Ministers in balancing priorities through the budget process. It provides insight into the efficiency and effectiveness of government agencies and their interventions.

The State Services Commission appoints and manages the performance of chief executives in the Public Service. It provides leadership on the capability of agencies, sectors and systems; sets standards; and ensures that State servants focus on delivering the Government's priorities.

Our priorities for the short to medium term are:

■ Delivering results for New Zealand

The central agencies will collectively lead the State sector to improve services to New Zealanders and deliver on the Government's priorities. To achieve this we will:

- ensure that State sector agencies are clear about the Government's priorities
- coordinate State sector agencies to deliver on the Government's priorities
- improve governance and management arrangements where necessary to improve delivery on the Government's priorities
- regularly report on progress towards the Government's priorities.

We will seek feedback through an independent stakeholder survey on how well we achieved these indicators.

■ Improved State sector performance

Build a culture of continuous performance improvement and value for money in the State sector.

To achieve this we will:

- work with agencies to ensure they collectively deliver a shift in resources to achieve the Government's priorities, and
- provide Ministers with systematic, comparative analysis of performance of agencies, sectors and across the system.

Our measure of effectiveness for this year will be that the performance framework is implemented and baseline performance data is established (see *Developing and implementing the performance framework*, page 22).

■ Disciplined State sector expenditure

Ensure the State sector exercises restraint on growth of Government's operating expenditure while improving front line services to citizens. To achieve this we will:

- manage State sector collective employment agreements more tightly to achieve prudent results
- cap the size of the core government administration to rebalance people and money towards areas that support Government's priority to enhance front line services
- reduce the growth of government wage expenditure.

To measure whether the central agencies are adding value to State sector performance, State sector agency leaders will be surveyed, and feedback will be sought from central agency Ministers.

Managing in a Changeable Operating Environment

Our operating environment

The State Services Commission is continuously scanning our environment as part of our role in improving the performance of the State Services. Our regular interactions with State Services agencies, our central agency partners and Government all help us to understand the context in which we operate.

There are approximately 215,000 State servants, comprising 10% of New Zealand's workforce and responsible for around 31% of New Zealand's Gross Domestic Product. They are spread across 35 Public Service departments, approximately 200 other agencies and close to 2,600 school boards of trustees.

These numbers illustrate the influence that high performing State Services have on the overall economic and social well-being of New Zealand. Today, high performance has to be achieved in a more challenging operating environment, as detailed below.

Economic environment

The key consideration in the State Services' current operating environment is the economic crisis facing the world economy. Falling growth rates, lower commodity prices, falling demand for our exports, rising unemployment and expected falls in annual tax revenues mean that the State Services need to work more efficiently and effectively within existing baselines.

Service expectations

New Zealanders expect more responsive, timely, convenient and personalised services delivered by the private sector and are increasingly expecting the same levels of high quality, value for money services from the State Services.

A changing population

Demographic trends indicate that over the next 50 years the proportion of older New Zealanders will increase, as will the proportion of our population who are of Māori, Pacific or Asian ethnicity. Our increasingly diverse population will require changes to employment and people management practices and further consideration of how to deliver services in a targeted and effective way to customers with increasingly different needs.

Technological change

Continued technological change and shifting expectations from both employees and citizens mean that government agencies need to make smart choices in the use of technology as both an enabler and as a service delivery channel. Web-based and wireless technologies allow people to communicate and access information and services when they want and how they want.

Government priorities

The Government expects an increasingly professional and apolitical State Services where advice is sought and received in a free and frank way. It is looking to the State Services to deliver better front line services with a focus on results and real value for money. Agencies will need to adjust their focus to ensure these priorities are delivered.

Managing risk

The Commission's senior management team undertakes a monthly scan of all Commission-wide strategic risks. High level risks are managed directly by a member of the senior management team. Lower level risks are managed by third tier managers, with oversight from relevant senior management team members.

We have identified a number of strategic risks within our operating environment, including:

- the risk to employee engagement from organisational change
- the risk of poor compliance with contract management policies.

In addition to its standard internal management controls and risk management processes, the Commission is implementing an externally-chaired Risk and Audit Committee in line with best practice guidance from the Office of the Auditor-General. The Committee will provide independent checks and balances over the operation of the Commission's risk management and internal control frameworks.

Assessing Organisational Health and Capability

To achieve its outcomes the State Services Commission needs effective relationships with Ministers, chief executives and their agencies, high performing staff and the structures, tools and processes in place to support them.

Organisational change

Over the last 12 months the Commission has been realigning its activities to improve our ability to work with focus, urgency and impact on managing and improving the performance of chief executives and agencies. By 1 July 2009 both the Mainstream Supported Employment Programme and Government Technology Services will have transitioned to other departments. This activity has culminated in our recent restructure to more closely align our resources to concentrate on chief executive and agency performance. Our new structure has been designed to provide more direct support to the Deputy Commissioners and State Sector Performance Specialists who act as the Commission's 'front line' contact with agencies and their chief executives, and to be more agile in our ability to deliver on the Government's priorities and react to changes in our environment.

Learning State, the public sector training organisation, remains a semi autonomous entity within the Commission. Because Learning State is not central to the Commission's core business we are examining options for transferring this function to an alternative location.

As a result of the restructure the Commission will be a smaller and more focused organisation in 2009/10 with approximately 130 employees in the core organisation and a further 30 employees within Learning State.

Monitoring health and capability

To ensure that we can monitor the effectiveness of our increased focus on chief executive and agency performance, the Commission will develop a robust internal measurement framework to track progress on its impacts. Progress against these impacts will be reflected through regular reporting to the Minister of State Services.

To fulfil its leadership role within the State Services, the Commission itself must be perceived as an employer of choice and be able to recruit, develop and retain a talented and diverse workforce. Many staff see the opportunity of working in a central agency as a step to develop, network, and gain valuable experience, before moving on to careers in other parts of the State Services.

The Commission recognises that high employee engagement leads to increased individual and organisational performance. We will continue to use the *Gallup Q12 Employee Engagement Survey* as a key measure of engagement and aim to be at or above the 75th percentile in 2011. In 2009/10, based on staff feedback, our key focus will be on giving our people the tools and systems they need to effectively deliver our work programme.

We also monitor a range of other human resource metrics (data from exit interviews, turnover and length of service according to gender, level within the organisation and job family). Together with the results of the *Employee Engagement Survey*, these measures enable us to identify and respond to trends within our workforce, and make appropriate and targeted response to enhance results where required.

Developing and implementing the performance framework

The Commission, along with its central agency partners, is developing a performance framework that will provide common criteria by which performance at agency, sector and system level can be assessed.

The framework will allow more powerful analysis and comparison of a range of performance metrics, including satisfaction with service delivery, productivity measures and information on the impact of services. The central agencies will use this information to provide advice to Ministers on whether the results they are seeing from agencies are the best possible and what actions Ministers and the central agencies can take to improve agency performance.

Because the framework is based on comparable data of internal capability of agencies and their delivery of results, the central agencies will be able to identify system-wide issues and move to address them. It will also show where sectors are under-performing against Government priorities and enable central agencies to support improvement.

Equal Employment Opportunities

The Commission will foster a diverse workplace and inclusive culture. We will continue our commitment to the four groups identified in the Equal Employment Opportunities policy for the Public Service – Māori, ethnic or minority groups, women, and people with disabilities – and to appointment on merit, ensuring we meet the needs of our diverse workforce.

We will evaluate our annual employee engagement survey findings by age, gender and ethnicity and will monitor our workforce by collecting data on gender and ethnicity distribution at each tier of management. We will develop response plans to issues raised as a result of our findings.

Trends will be monitored and reported through internal quarterly reporting and input into the annual *Human Resource Capability Survey*, the *New Zealand Disability Strategy* and the *New Zealand Positive Ageing Strategy*.

Departmental capital and asset management intentions

The State Services Commission's capital expenditure programme for the three year period 2009-12 is forecast as follows:

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Computer hardware	2,305	630	1,384	1,384
Computer software	6,282	650	650	650
Plant and equipment	120	70	67	67
Furniture and fittings	360	175	224	224
Total	9,067	1,525	2,325	2,325

As Government Technology Services moves to the Department of Internal Affairs on 1 July 2009, the Commission's future capital intentions are significantly reduced. Forecast capital expenditure is in respect of general office equipment, furniture and fittings, and personal computer and other computer equipment.

This report is printed on Spicers 9 lives Satin paper. That is 55% recycled containing 30 % post-consumer and 25% pre-consumer recycled fibre. The fibre mill holds a FSC Certificate and is both ISO14001 and ISO9001 accredited. The inks used in the production of this report are 100% vegetable based.

State Services Commission

100 Molesworth Street, Thorndon

Wellington 6011

PO Box 329, Wellington 6140

Phone: +64 4 495 6600

Fax: +64 4 495 6686

www.ssc.govt.nz