

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kāwanatanga



# State Services Commission

Te Komihana O Ngā Tari Kāwanatanga

## Statement of Intent 2011–2014

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

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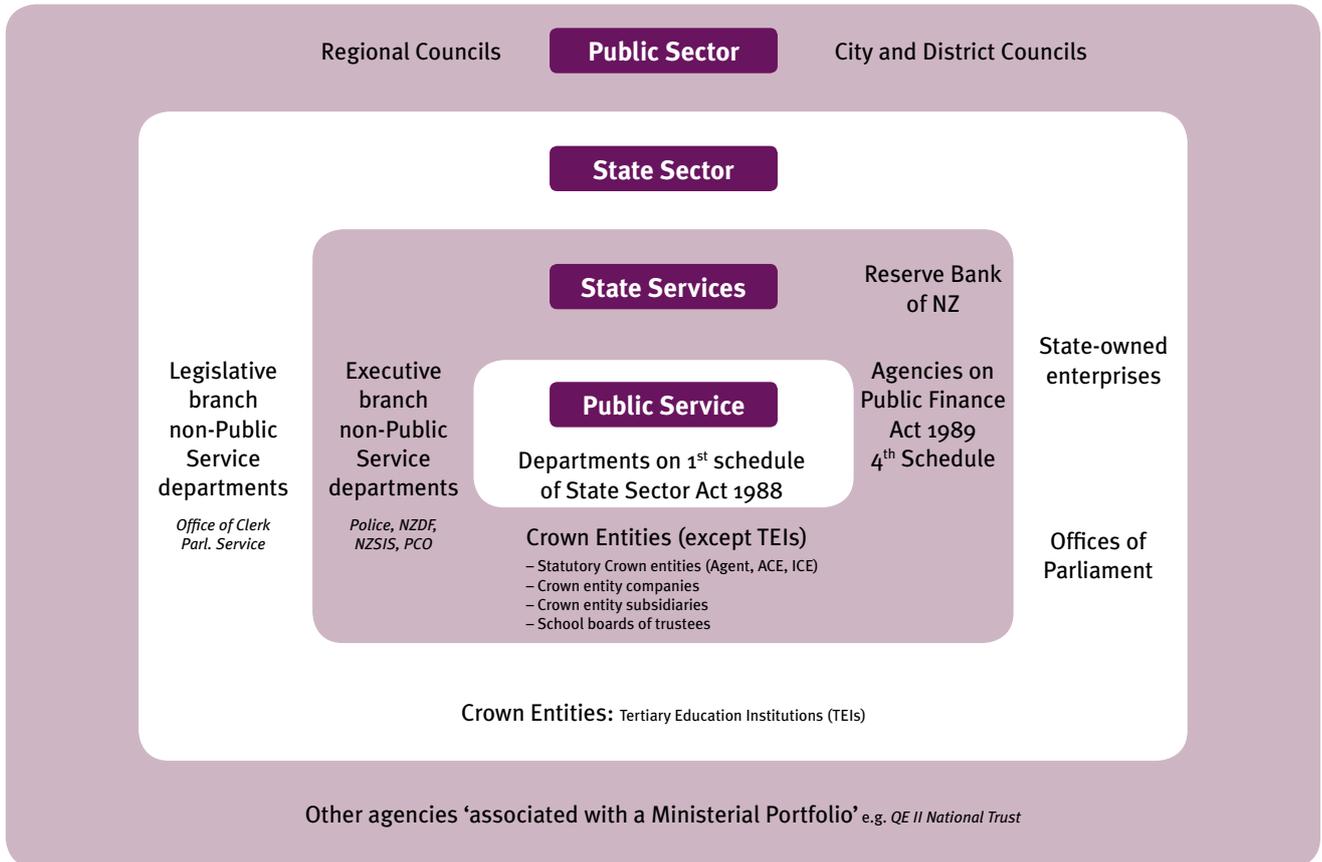


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# New Zealand’s Public Sector



# Foreword from the Minister of State Services

The role of the State Services Commission is to provide leadership to the State Services so that government works better for New Zealanders. The impact of its role is measured against three key objectives – ensuring the State Services are well led and trusted by the public and that the public management system delivers results at a lower cost.

As New Zealand faces new economic challenges and tight spending constraints, innovative public servants and good public sector management will be critical. The Government expects better results from public services and improved outcomes for New Zealanders who access these.

State Services agencies have a critical role to play in New Zealand's economic recovery. The State Services Commission, together with the Treasury and the Department of the Prime Minister and Cabinet, is responsible for leading the collective effort of agencies to lift State sector performance and improve the delivery of public services in an environment of considerable financial restraint.

My expectations of the State Services Commissioner are that he will provide leadership through his statutory responsibilities – such as the appointment and performance management of Public Service chief executives, providing high quality advice and support to Ministers around the future state of the system and the performance of agencies across the sector.

This Government, and New Zealanders, want efficient and effective frontline service delivery from a professional, apolitical State Services. A State Services Commission that is delivering quality advice to Ministers and focused support to agencies is essential to lifting the performance of the system to meet the Government's expectations and the needs of New Zealanders. To that end, I have agreed with the State Services Commissioner the work programme outlined in this *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.



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**Hon Tony Ryall** | Minister of State Services  
April 2011

# Introduction from the State Services Commissioner

The State Services Commission has a leadership role across the State sector. With the other central agencies – the Treasury and the Department of the Prime Minister and Cabinet – we work across the system with agencies to improve their performance and the quality of services they deliver to New Zealanders.

We are in an environment where Government and public expectations about the quality of service delivery is rising and the medium- to long-term financial forecast is one of restraint. This means significant and ongoing change: agencies are rethinking the way they operate to ensure they are responding to these rising expectations, focusing on contributing resources where they matter most and delivering quality services for New Zealanders.

The challenge over the medium term will require high performing government agencies that are flexible, innovative and responsive to technological, social and demographic shifts. Agencies will need to work across the system to get things done and target their resources on the critical areas that have the most impact but cost less to deliver.

The State Services Commission's role in this change is to work with Ministers and leaders across the State Services to set the direction for the system. Our job is to identify and prioritise medium- to long-term results and to set expectations and hold leaders to account for their progress on achieving these agency and sector results. We work actively with our central agency colleagues in Treasury and the Department of the Prime Minister and Cabinet to ensure that the Government's priorities are met and these results are achieved.

We do this by focusing on:

- identifying the critical capability the system needs to lift overall performance and ensure that we model the results we want for the system through our own organisational practices
- developing stronger Public Service leadership through the effective recruitment, expectation setting and performance management of Public Service chief executives and senior leaders
- advising Ministers and focus leaders on the best models for the integration, governance and organisation of public services, including working with agencies to develop high quality analysis to support governance for redesigned service delivery models that work across the system
- identifying emerging risks to the trust and integrity of the system, including strengthening system-wide trust and integrity frameworks and setting the levels of transparency of the system as required by New Zealanders
- working with agencies to deliver performance information that assesses their contribution to the overall performance of the system, through the Performance Improvement Framework and other evidence-based analysis.

We are expecting a big lift in performance from agencies and sectors over the next three to five years. To realise this shift, the Commission will focus on a much tighter work programme. By working closely with Ministers, sectors and agencies, our goal is to provide high quality evidence-based analysis and targeted and effective interventions across the system to ensure that government does work better for New Zealanders.



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**Iain Rennie** | State Services Commissioner  
April 2011

# 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 (2011/12 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.



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**Iain Rennie** | State Services Commissioner  
April 2011



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**Matthew Valentine** | Chief Financial Officer  
April 2011

# The Nature and Scope of Our Functions

The State Services Commission's purpose statement is: *We provide leadership to the State Services so that government works better for New Zealanders.*

The efficient and effective delivery of public services makes a significant difference to New Zealand's success. The State Services Commission ensures that the agencies of 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.

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**The State Services Commission ensures that the agencies of the State Services are well placed to carry out Government policy and meet the needs of the public**

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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.

## **Review of the Commission's business strategy and operating model**

To ensure that the State Services Commission can lead change in the State Services so that government works better for New Zealanders, we are currently working through a review and revision of our business strategy and operating model. This work is well advanced but still under way as we prepare this *Statement of Intent*.

While this work will not invalidate the outcomes, impacts, outputs or inputs covered in this document, it will underpin significant reconfiguring of the way we work and, over time, in the way we measure and evaluate our impact on the State Services. Implementation of the new business strategy will be a major focus of the period covered by this *Statement of Intent*, and the progress we have made is reflected in this document.

# Our Operating Environment

New Zealand's State Services are responding to shifting expectations of service delivery in an environment of considerable financial constraint, and we are reconfiguring the way we work to lead delivery of this change.

## The State sector

There are around 220,000 State servants, comprising 10 percent of New Zealand's workforce. They are spread across 32 Public Service departments, 350 other agencies and close to 2,600 school boards of trustees. The State Services and the wider State sector deliver a wide array of services to New Zealanders and have a critical role to play in New Zealand's economic recovery. Where we collectively focus our efforts and expenditure has a real impact on the functioning of the economy and to New Zealanders' daily lives.

## Changing expectations of service delivery

New Zealanders have high expectations of the services they receive from the State. To meet those expectations, agencies have to rethink how they deliver services to respond to significant technological, social and demographic change. An increasingly diverse and ageing population will require more flexible targeting of services for increasingly different needs. A networked and ICT-enabled world is changing the flow of information and increasing expectations for easily accessible services that can be shaped by the user. The complexity of lives and businesses brings a complexity of interfaces with the State Services that demands improved coordination or integration to get results, reduce costs and improve accessibility.

## Financial constraint

This change becomes more challenging in an environment of constrained finances. The overall economic outlook for the medium term is one of a slow and fragile recovery. This means that continued fiscal constraint and a reduction in baselines is an ongoing reality for agencies. Any new money will be invested in priority frontline services, and any increases will be smaller than in the past. Resources will have to be reprioritised and every effort made to identify efficiencies and realise savings. Financial constraint does not mean we should assume reductions in the quantity or quality of necessary services are inevitable. What it means is that agencies will have to make critical decisions about the services they deliver and the way they are delivered – determining which services really matter and working out how to deliver them for less money.

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**Agencies will have to determine which public services really matter and work out how to deliver them for less money**

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## Canterbury

Two major earthquakes have had a significant impact on the people of Canterbury, its infrastructure and the economy, not only of the region but New Zealand as a whole. The State Services have a critical role to play and will need to devote significant resources to the rebuilding and recovery of Christchurch.

## State sector change

The Government has a clear commitment to State sector reform that will reduce the State sector's size as a proportion of the New Zealand economy through a focus on core priorities, the reduction of lower-value funding and the elimination of duplication and waste. This will include consolidation of agencies and functions where this has the potential to improve the direction, focus and results of the sector as a whole.

To deliver and sustain the step changes in service delivery and cost-effectiveness required, the State sector will have to become better at change itself – at anticipating, innovating and implementing. Agencies will need to identify the really critical results they contribute to and focus resources where they matter most. They will have to work together across agency boundaries to get things done. They will have to be able to make meaningful assessments of the impact of their work and build what they learn into how they do things differently.

To support agencies, sectors and the State Services system to deliver on the change that is required we will be explicitly prioritising key shifts in the way we work with the State Services. These shifts will underpin delivery of our outcomes, objectives and outputs and are the focus of our new business strategy and operating model.

## Delivering on the results that matter

We will work with other system leaders to develop and articulate the direction for the State Services. We will have a clear view on what really matters – the results required, what needs to change to achieve them and who will make the change happen. We will work with chief executives to explicitly prioritise agency and sector results and will hold them to account for their progress. With other central agencies, we will play a key leadership role in the reform of the State sector.

This priority will be driven through the outputs of Objective 1: *A public management system that delivers results at a lower cost* and Objective 2: *State Services that are well led* (see pages 16 to 22).

## Proactively addressing system, sector and agency performance

Performance issues will be proactively addressed at the system, sector and agency level. Leaders will need to focus on the best models for the integration, governance and organisation of public services. Where delivering results is beyond the remit of a single agency, cross-agency governance or service integration will be established. We will build on the Performance Improvement Framework programme to partner with chief executives to embed a culture of performance excellence in which agencies and sectors build the capability to self-evaluate.

This priority will be driven through the outputs of objective 1: *A public management system that delivers results at a lower cost* and Objective 2: *State Services that are well led* (see pages 16 to 22).

### **Appointing and developing system leaders**

We will appoint and develop chief executives who can exercise effective sector and system leadership, as well as lead their agencies. We will work with chief executives to develop talent and succession management for critical system positions and will communicate to emerging leaders the requirements for future leadership in the State Services.

This priority will be driven through the outputs of Objective 2: *State Services that are well led* (see pages 20 to 22).

### **Addressing emerging trust and integrity risks**

While New Zealand has a strong record on issues of trust and integrity, an environment of fiscal constraint can place increased pressures on individuals and organisations. We will identify and address emerging risks to the trust in, and integrity of, the system.

This priority will be driven through the outputs of Objective 3: *State Services that are trusted by the public* (see pages 22 to 23).

### **Modelling our expectations**

The revision of the State Services Commission business strategy and operating model is an opportunity to ensure that we are modelling the results we want for the system in our own organisation.

This priority will be driven through our work to strengthen organisational health and capability (see pages 24 to 26).

# Our Strategic Direction

For the three-year period of this *Statement of Intent*, the State Services Commission's work programme continues to contribute to the Government's strategic direction for the State sector – *Delivering better, smarter public services for less*.

## Outcomes

The State Services Commission works towards Government's strategic direction through contributing to two outcomes that represent shifts in the State sector and are aligned to our legislative mandate and the attainment of our purpose. These contributing outcomes are:

**Outcome 1: The public receive better services**

**Outcome 2: The State Services are resilient and fit for purpose**

Our outcomes framework reflects our priorities and demonstrates the linkage between our activities, our outcomes, and the Government's strategic direction. The work programmes that support our strategic objectives are balanced between tactical interventions to address areas requiring immediate improvement and longer-term programmes that provide a foundation for improved performance over time.

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**The State Services Commission's work programme continues to contribute to the Government's strategic direction for the State sector – *Delivering better, smarter public services for less***

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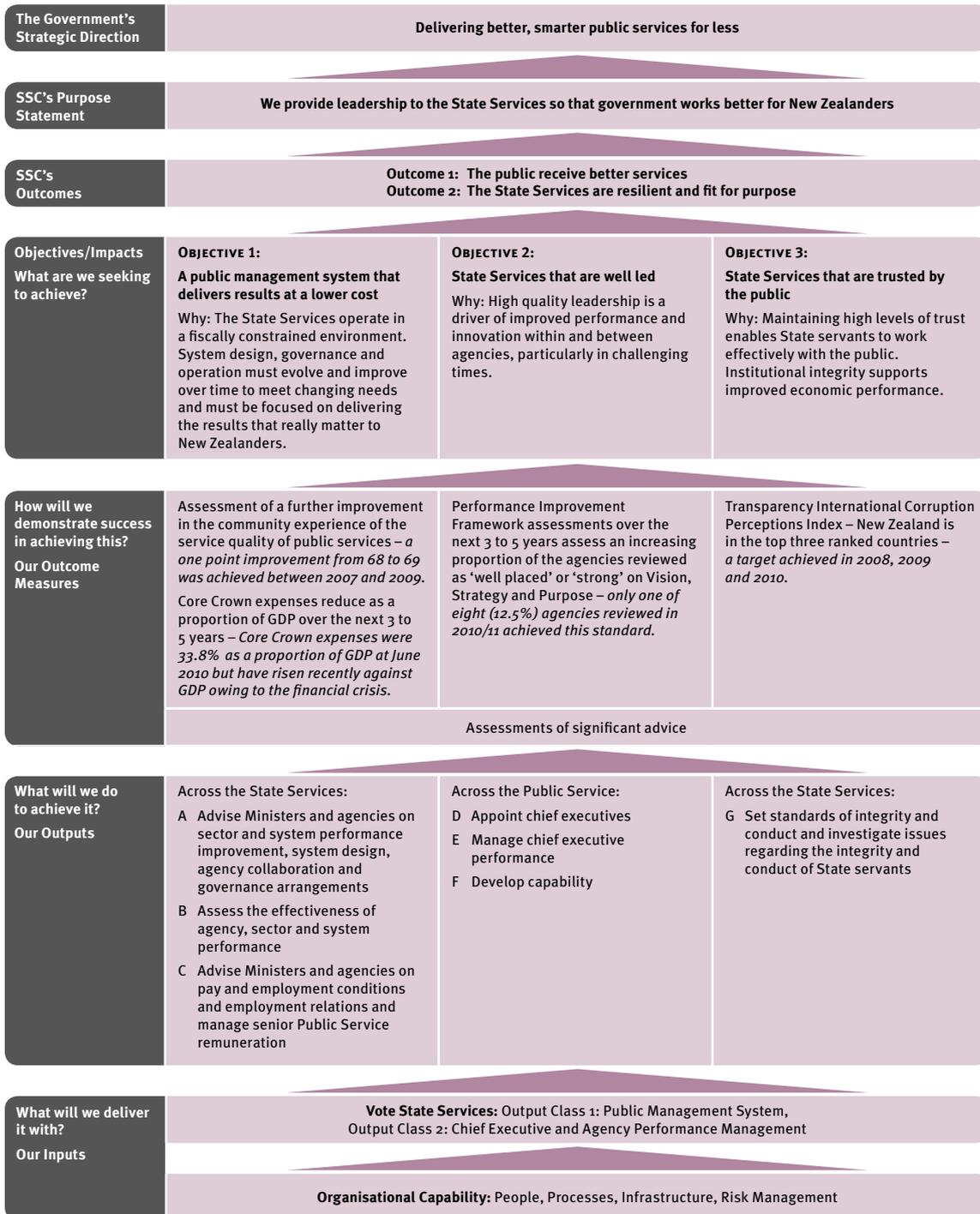
Improving State sector performance and leading State sector reform are shared priorities of the three central agencies (the State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet) that work individually and collaboratively with agencies and Ministers.

## Output classes

The State Services Commission produces a range of outputs under two output classes, details of which can be found in the Information supporting the Estimates – Output Class 1: Public Management System and Output Class 2: Chief Executive and Agency Performance Management. Our programme of outputs is designed to help us achieve our objectives and, over time, contribute to our outcomes. To achieve our outcomes, we work at both a system level and directly with agencies, chief executives and their Ministers to improve the overall functioning and performance of both the public management system and individual agencies.

Our outputs are highly interrelated and complementary. Outputs from both output classes contribute to the attainment of each of our outcomes.

# Our Outcomes Framework



# Our Medium-term Measures of Success

The systematic review of the impact of our work is a key focus of the revision of our business strategy. The State Services Commission is developing and refining a set of measures that we will use to assess the contribution we make to our outcomes over the next three to five years.

As many other factors influence outcomes, to suggest that our activities alone have resulted in a particular outcome would be incorrect and would not reflect the work of other individuals and organisations. The measures outlined below are the first steps in developing indicators of our contribution to achieving these outcomes.

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## **OBJECTIVE 1:**

### **A public management system that delivers results at a lower cost**

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A focus on results is at the heart of the new State Services Commission business strategy. We will be developing a measurement approach that can provide critical information on the progress that is being made in delivering on priority results. During development, we will utilise two measures that show progress on the Government's strategic direction for the State sector – *Delivering better, smarter public services for less*.

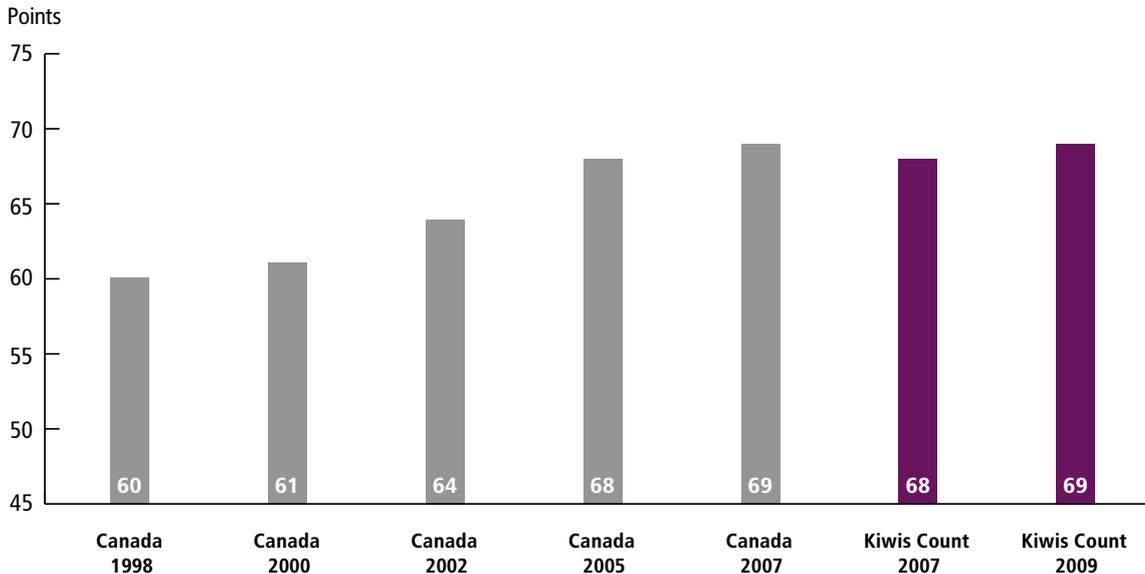
#### **New Zealanders' satisfaction with the public services they receive**

The State Services Commission's work with chief executives, agencies and Ministers influences the way services are delivered to New Zealanders, and over time, we would expect to see increasing levels of satisfaction with these services.

The State Services Commission uses the overall service quality measure from surveys that provide information on New Zealanders' experiences of the services they receive from government to gauge its success in contributing towards our outcomes.

The Kiwis Count survey was conducted in 2007 and 2009. Further assessments of service quality will be conducted in the 2011–2014 period. In 2007, New Zealanders' overall quality score for public services was 68. In 2009, there was a small but significant improvement to 69. This improvement, in a fiscally challenging environment, is a real achievement for the State Services. The results compare favourably with a similar Canadian research programme 'Citizens First' that showed a comparable increase in satisfaction in its first two years of operation and demonstrate that our target of a further improvement in service quality is significant and challenging.

## Overall Service Quality



### How will we demonstrate our success?

Measure	2007	2009	Target
Overall service quality of public services improves over time.	68 points	69 points	Assessment of a further improvement in the community experience of the service quality of public services.

## Affordable State Services

A high performing State sector supports a stable and sustainable macroeconomic environment. It does this by helping bring government debt back to a prudent level, reducing our vulnerability to economic shocks and preparing for the longer-term fiscal challenges associated with an ageing population. Within debt and tax levels that are consistent with a high performing economy, reducing vulnerabilities will involve core Crown expenses as a proportion of GDP reducing over the next three to five years.<sup>1</sup>

### How will we demonstrate our success?

Measure	Target
Core Crown expenses as a proportion of GDP. Core Crown expenses were 33.8% as a proportion of GDP at June 2010. Over the past decade this ratio has ranged between 29% and 32%. More recently expenses have risen as a proportion of GDP due to the financial crisis.	Core Crown expenses as a proportion of GDP reduces over the next three to five years.

<sup>1</sup> Core Crown expenses includes the expenditure of the Crown departments, Offices of Parliament, the Reserve Bank and the New Zealand Superannuation Fund. It is a different concept from the general government expenditure series used for international comparisons and deriving the national accounts. Apart from core Crown expenditure being on a June year basis, the most significant differences are that core Crown expenditure excludes local government expenditure and gross fixed capital formation (investment) expenditure.

**OBJECTIVE 2:****The State Services are well led****Well articulated strategy**

As part of the new business strategy implementation, we will also be developing a more complete measure of leadership that reflects the demands of the operating environment and builds on our experience with the Performance Improvement Framework (PIF). During development, we will focus on a critical leadership aspect – the ability to articulate and share organisational strategy to provide a ‘line of sight’ to staff around the future direction of an organisation. This was identified as a key weakness in the first eight PIF reviews. The State Services Commission will focus its efforts with agencies and chief executives in this area. An improvement over time in the proportion of agencies who are assessed as being ‘well placed’ or ‘strong’ on Vision, Strategy and Purpose is a key indicator of the good leadership the State Services Commission wishes to develop.

In our current operating environment, it is critical for agencies to have a clear view of what really matters.

How will we demonstrate our success?	
Measure	Target
Performance Improvement Framework assessments over the next three to five years assess an increasing proportion of agencies as being ‘well placed’ or ‘strong’ on Vision, Strategy and Purpose. Only one of the eight agencies reviewed (12.5%) in the first two tranches of the PIF achieved this standard in 2010/11.	Year-on-year improvement in the proportion of agencies assessed as being ‘well placed’ or ‘strong’ on Vision, Strategy and Purpose.

**OBJECTIVE 3:****State Services that are trusted by the public****Transparency International Corruption Perceptions Index**

By independent assessment, New Zealand has one of the most corruption-free public sectors in the world. Launched in 1995 and run annually, Transparency International's 2010 Corruption Perceptions Index<sup>2</sup> is an aggregate indicator that ranks nearly 200 countries by their perceived levels of corruption and is based on the results of surveys<sup>3</sup> by ten independent institutions that measure the extent of corruption in the public and political sectors. The State Services Commission will be using New Zealand's ranking in the index as a means of tracking the State sector's collective level of trustworthiness and the effectiveness of our own Integrity and Conduct work programme.

How will we demonstrate our success?				
Measure	2008	2009	2010	Target
New Zealand is rated as one of the leading countries in public service probity as measured by the Transparency International Corruption Perceptions Index.	NZ ranked first (equal with Denmark and Sweden).	NZ ranked first.	NZ ranked first (equal with Denmark and Singapore).	On average over the next 5 years NZ is in the top three ranked countries.

**Developing measure – assessments of significant advice**

The provision of advice to Ministers and agencies is a significant means of promoting change within agencies and the wider State sector. The State Services Commission is continuing to develop and refine its approach to assessing the quality and results of significant advice. We commission independent assessments of key projects, programmes and advice to determine whether the advice met its goals and our effectiveness in improving State sector performance. These assessments also enable us to assess the cost-effectiveness of these key programmes. Assessing the cost-effectiveness of advice is difficult, but examining the impacts created compared to the costs of the programmes provides an insight of the efficiency and effectiveness of these programmes.

<sup>2</sup> [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009)

<sup>3</sup> Not all surveys include all countries.

# Operating Intentions

The State Services Commission's strategic direction, our objectives and the majority of our interventions have not changed from previous years. The way we are seeking to deliver them and the organisational capability we need to support their achievement is changing to better reflect our focus on results and our aspiration to lift the level and quality of our delivery.

We will track our progress against the objectives set out below throughout the year, using the performance measures and standards contained in the 2010/11 Budget estimates documentation. Each piece of work described below is aligned to the Minister of State Services' priorities for the 2011 calendar year and is 'owned' by a senior manager within the State Services Commission responsible for its delivery.

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The way we are seeking to deliver our objectives and interventions and the organisational capability we need to support their achievement is changing

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## OBJECTIVE 1:

### A public management system that delivers results at a lower cost

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#### What are we seeking to achieve?

The State Services operate in a dynamic and fiscally constrained operating environment. The State Services Commission is working towards a system more focused on results and measurability.

The outputs delivered under this objective will enable the State Services Commission to lead the State Services system in delivering on the results that matter, and proactively addressing system, sector and agency performance (see page 8).

#### What are the central agencies seeking to achieve?

The central agencies have a common interest in leading State sector reform and improving State sector performance – improving the quality of services within existing baselines, seeking efficiency improvements across the State sector and ensuring ongoing fiscal sustainability.

Each central agency has a different mandate and different outputs aligned to improving State sector performance. The agencies work collaboratively in some areas, such as clarifying Ministerial expectations and individually in others, such as specific policy advice.

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An increased focus on results supported by better governance, structures and service delivery will ultimately result in better services being provided to the public

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## How will we know we are achieving this?

An increased focus on results supported by better governance, structures and service delivery will ultimately result in better services being provided to the public. A high performing State sector with lower service costs supports a stable and sustainable macroeconomic environment. The key activities selected by the State Services Commission below are all designed to help Ministers and their agencies make decisions that result in better services at lower cost. The State Services Commission will be able to track this through improvement in New Zealanders' overall quality score for public services as measured in an independently administered survey and through core Crown expenses falling as a proportion of GDP over the next three to five years (see pages 12 to 13).

## What will we do to achieve this?

Our emphasis is on leading State sector reform and supporting agencies and chief executives to deal with tough economic times, reduce baselines and deliver on expectations of improved service delivery. Often this will involve working with one or more of the other central agencies.

### A. Advise Ministers and agencies on sector and system performance improvement, system design, agency collaboration and governance arrangements

The provision of advice and therefore influence is one of the most significant outputs of the State Services Commission.

The State Services Commission is committed to providing high quality advice and support to improve performance, leveraging off our experience, monitoring programmes and expert networks. We will work closely with Ministers, helping to provide additional clarity to chief executives around Ministerial expectations of service delivery.

A particular focus over the medium term will be to equip agencies and their chief executives to deal with the the current challenging operating environment. The Government has signalled its commitment to reforming the State sector, with a focus on enhanced services to the public, value for money, less complexity and less duplication. The State Services Commission will continue to offer advice to Government on how to achieve this.

Not all agencies require high levels of support and advice. The State Services Commission focuses on priority agencies that need to lift their performance, on agencies where warning signs are identified and where rapid involvement will reduce the risk of poor performance and in strategically important larger agencies that deliver critical services to the public.

Advice will focus on:

- improving quality of services to New Zealanders and stakeholders, responsiveness to Ministers and better alignment of functions to achieve government priorities
- reducing cost in the short to medium term by eliminating duplication, achieving economies of scale and disestablishing lower priority functions
- improving leadership and governance.

The State Services Commission is continuing to refine the metrics we use for measuring the quality of the advice we provide and will be integrating the recommendations of the *Review of Expenditure on Policy Advice* into the *2012–15 Statement of Intent*. A measure will be in place for 2011/12 that provides for external review of the quality of the range of different types of advice that the Commission provides. In the interim, we have developed a preliminary measure of the quality of advice in consultation with Treasury and the Office of the Auditor-General.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
Papers provided to the Minister will be subject to an internal quality assurance process; peer reviewed and signed off by a manager as meeting agreed standards.	New measure for 2011/12	100%

## B. Assess the effectiveness of agency, sector and system performance

The State Services Commission will use a number of tools to measure and understand how well agencies are performing. Making an assessment of performance helps us deliver advice on how to make improvements to areas like cost-effectiveness and delivery. We will be recalibrating the balance of our assessment activity from chief executive performance reviews to agency and sector performance improvement.

The State Services Commission is aiming to complete Performance Improvement Framework (PIF) reviews for most of the large service delivery agencies by mid 2012. The PIF is a joint central agency initiative to help senior leaders drive performance improvement across the State Services. The first two tranches of PIF results indicated that, amongst other things, agencies are good at reacting to Government priorities (these tend to be shorter-term objectives – what will be achieved this year). They are not so good in the strategic capability space where agencies and their leadership find it harder to articulate medium to longer-term strategic objectives and position their agencies to respond to future demands. The reviews also indicate that agencies struggle to measure their efficiency, which hampers their ability to review and reprioritise activities. This insight is helping to inform and influence our interactions with agencies and is shaping our work to enhance our support of agencies in strengthening their strategic leadership.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
PIF reviews are completed with selected public service agencies and significant Crown entities.	12 assessments in 2010/11 – 8 were completed.	7 assessments in 2011/12
Responses to PIF reviews are monitored and their impacts evaluated.	New measure for 2011/12	100% of PIF reviews have an appropriate evaluation of progress.
The PIF model is evaluated, opportunities for improvement identified and implementation planned.	New measure for 2011/12	Governance bodies agree to the programme of improvement and are satisfied with progress made.

### C. Advise Ministers and agencies on pay and employment conditions and employment relations and manage senior Public Service remuneration

Wage costs are a significant component in the State sector's overall expenditure. In an environment where the State Services face considerable fiscal pressure, the State Services Commission will continue to provide advice to Ministers, and expectations to agencies, on pay and employment conditions and employment relations across the State Services. We will work with agencies to ensure any increases in remuneration, both individual and overall, are tied to productivity improvements – such as flexibility in hours and work content.

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

During this period of fiscal restraint, the Government expects the State sector to focus on using tax payers' money wisely. Accordingly, the Commissioner will be working to ensure that pay-setting for chief executives and other senior staff in the State sector continues to model a high level of restraint.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
The LCI labour cost index indicates that public service wage growth does not exceed private sector wage growth.	New measure for 2011/12	Public service wage growth is the same or less than the rate of growth in the private sector over the next three years as measured by the LCI labour cost index.
Agencies' bargaining and remuneration strategies approved by the State Services Commission are within Government expectations.	100% – <i>achieved</i> .	100%

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## **OBJECTIVE 2:**

### **State Services that are well led**

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#### **What are we seeking to achieve?**

Developing a stronger Public Service leadership is a priority for both Government and the State Services Commission. Across the system over the next three to five years, we are seeking to lift strategic capability at senior levels and to support leaders to get more out of agencies, specify results and make necessary changes within a challenging environment.

The outputs delivered under this objective will enable the State Services Commission to lead the State Services system in delivering on the results that matter, proactively addressing system, sector and agency performance and appointing and developing system leaders (see pages 8 to 9).

#### **How will we know we are achieving this?**

The first eight Performance Improvement Framework (PIF) assessments have identified the articulation of Vision, Strategy and Purpose as a key weakness for Public Service leaders. This is a critical challenge in a time of significant change, and we will be looking to see an increasing proportion of agencies being 'well placed' or 'strong' on Vision, Strategy and Purpose over the next three to five years (see page 14).

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**Our priority is lifting chief executive performance – ensuring they are thinking about improving service delivery in an environment where money will be tight for several years**

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#### **What will we do to achieve this?**

The State Services Commission is responsible for ensuring sound leadership in the Public Service through the effective recruitment, performance management, development and remuneration of Public Service chief executives and fostering leadership development and talent management within agencies, thereby growing the pool of future chief executives. Our priorities in delivering these outputs is lifting chief executive performance – ensuring that chief executives are thinking about improving service delivery in an environment where money will be tight for several years – and making sure that management capability in the second tiers of their organisations is being prepared for further leadership challenges. The State Services Commission will appoint and develop leaders who can contribute to the leadership of the State Services, not only the leadership of a single agency. We will work with agencies to prioritise developing talent management and succession plans. We will communicate to emerging leaders the requirements for leadership in the State sector in the future. Through delivering these outputs, the State Services Commission can ensure that the State Services are well led and contribute to its key outcomes.

#### **D. Appoint Public Service chief executives**

A high performing Public Service is dependent on high performing chief executives. The appointment, induction and, in some cases, reappointment of high quality chief executives is a key mechanism for promoting high performance. The State Services Commission is committed to continuous improvement and to delivering best practice appointment processes that have the confidence of Ministers, chief executives and agencies.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
Chief executives' performance meets the State Services Commissioner's expectations in the 12 and 24 months following appointment.	80% at 12 months – <i>100% achieved.</i> 100% at 24 months – <i>100% achieved.</i>	80% at 12 months. 100% at 24 months.
Public Service chief executive appointments are made within a month or less of the incumbent chief executive leaving the department.	New measure for 2011/12 – <i>replaces previous measure on timeliness of appointment announcement.</i>	70% of appointments are made within one month.
Number of appointments/reappointments of Public Service chief executives, and appointment processes managed on behalf of ministers.	7 to 15 appointments or reappointments are completed in 2010/11 – <i>17 were completed.</i>	7 to 15 appointments or reappointments are completed in 2011/12.

## E. Manage chief executive performance

Every Public Service chief executive is contracted directly to the State Services Commissioner as their employer, and this employment relationship is a key lever for influencing the leadership, performance and productivity improvements of agencies. The performance management process, which provides regular feedback and updating of expectations throughout the year, is designed to help chief executives develop. The critical elements in this process are setting expectations in consultation with the Responsible Minister around what the chief executive will achieve, providing support and counsel to chief executives, both in their own professional development and around the complex issues they face in leading their agencies, assessing their performance and, where necessary, holding them to account. The State Services Commission will be leading and requiring a focus on delivering results across the State Services and will be working with chief executives to identify the priority results for their agencies and sectors and then holding them to account for progress in achieving those results.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
All chief executives have mutually agreed expectations, developed in consultation with Ministers, together with indicators of performance against which they will be assessed.	100% of chief executives – <i>achieved.</i>	100% of chief executives.
The stakeholder survey shows that the State Services Commission is assisting chief executives and senior management to improve performance.	Baseline measure from previous 2009 survey was 30% of respondents agreed.	40% or more of respondents agree.
Chief executive performance is assessed annually against expectations within three months of the anniversary of their start date.	New measure for 2011/12 – <i>replaces previous timeliness measure which did not establish a baseline.</i>	80% of assessments completed within three months.

## F. Develop capability

The capability of chief executives, and senior managers as the talent pool for future chief executives, is a key driver of agency performance. Boosting the size and quality of this pool is a priority for the State Services Commission. Working with agency chief executives and other stakeholders to improve the diversity of senior teams and lifting their strategic capability in response to insights from the first tranche of PIF assessments will be a focus of this work.

The State Services Commission will concentrate on using the chief executive performance management process to communicate expectations around leadership development and talent management, using system-wide forums to identify and develop talent at a system level and will be exploring ways of providing talented leaders with more development opportunities across the State Services, for example through secondments.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
A group of senior managers is identified and agreed by chief executives as potential leaders and chief executives through a process facilitated by the State Services Commission.	75 managers identified – 87 were identified.	75 managers identified.
Identified potential leaders are pursuing agreed professional development plans (PDPs).	100% of identified potential leaders – was not able to be accurately measured in 2010/2011*	100% of identified potential leaders.
Identified potential leaders appear in long-lists for chief executive appointments.	New measure for 2011/12.	At least two identified potential leaders per appointment.

\* A new measurement approach to confirm with agency chief executives that PDPs are in place and being pursued for potential leaders will be developed and applied in 2011/12.

## OBJECTIVE 3:

### State Services that are trusted by the public

#### What are we seeking to achieve?

High levels of trust enable State servants to work effectively with the public. Institutional integrity, a corruption-free bureaucracy and high quality government institutions create a stable platform for business investment and economic growth.

The outputs delivered under this objective will enable the State Services Commission to lead the State Services system in addressing emerging trust and integrity risks (see page 9).

#### How will we know we are making an impact?

We will know that our interventions, and those of others, are making the desired impact when New Zealand continues to be rated as one of the leading countries in Public Service probity as measured by the Transparency International Corruption Perceptions Index (see page 15).

The Integrity and Conduct programme is a critical underpinning for all of our work across the State sector

## What will we do to achieve this?

The State Services Commission is responsible for a number of mechanisms to ensure that standards of integrity and conduct are not only in place, but actively promoted, and that, where potential breaches have occurred or risks emerge, they are dealt with. Whilst consuming a relatively small amount of organisational resource, the Integrity and Conduct programme is a critical underpinning for all of our work across the State sector.

### G. Set standards of integrity and conduct and investigate issues regarding the integrity and conduct of State servants

The State Sector Act 1988 empowers the State Services Commissioner to set minimum standards of integrity and conduct across the Public Service and Crown entities. The State Services Commission's Integrity and Conduct work programme is based on promoting the code of conduct for the State Services.

The State Services Commission provides advice and support for integrity and conduct across the State Services, ranging from responding to the individual queries of State servants to providing advice to agencies and chief executives on potentially complex integrity and conduct issues. Expectations around integrity and conduct are set with chief executives at the beginning of each performance cycle. The chief executive and their agency's performance are assessed against these expectations as part of their annual performance review.

In addition to our work around the code of conduct, the State Services Commission is also responsible for the Protected Disclosures Act, which provides protection for employees who draw potential misconduct to the attention of relevant authorities.

The State Sector Act 1988 establishes that the State Services Commissioner may conduct investigations and make reports in respect of the Public Service. These inquiries and reviews provide assurance not only to the Government but also to the public that the activities of agencies and individual State servants are being carried out within the law and within the bounds of proper conduct.

#### How will we demonstrate our success?

Measure	2010/11 Standard or Target	2011/12 Standard or Target
All integrity and conduct investigation reports include an analysis of potential systemic risks and recommendations for mitigation.	100% – <i>achieved</i> .	100%

# Organisational Health and Capability

To deliver on the State Services Commission's purpose statement: *We provide leadership to the State Services so that government works better for New Zealanders* – within a challenging operating environment, we are comprehensively reviewing and revising our business strategy and operating model. This work is well advanced but still under way as we prepare this *Statement of Intent*. Implementation of the new approach will commence from May 2011 and will be the focus of our efforts to strengthen organisational capability over the next three years.

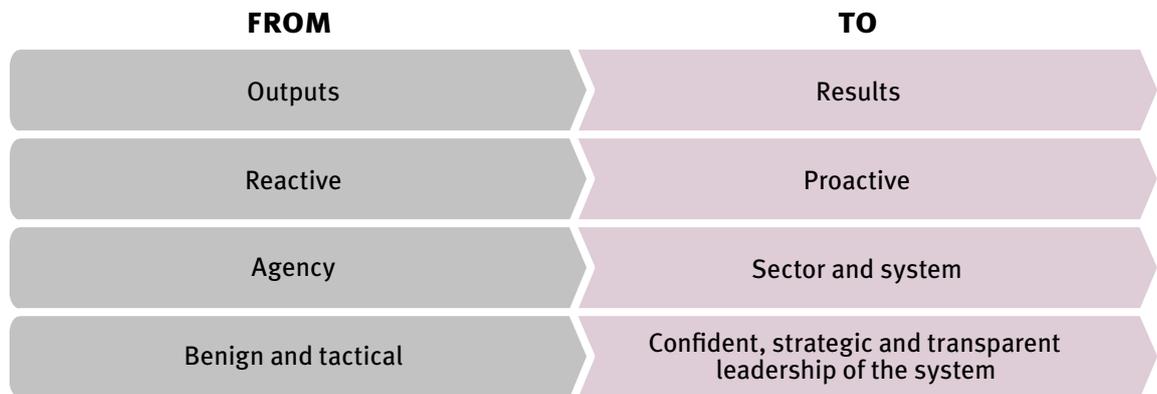
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The State Services Commission is comprehensively reviewing and revising our business strategy and operating model

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To successfully provide leadership to the State Services, we have to be able to close the gap between what is being asked of us and what we can deliver. Our environment has changed, and Ministers are demanding change from the State sector. Agencies have to change to meet these challenges, and the PIF reviews conducted so far show that many will struggle to respond. Our stakeholder and staff surveys over recent years have identified the need to clearly define and communicate our purpose and role, and we need to identify how we will work differently to support system, sector and agency change and lead State sector reform.

Four key shifts have been identified as underpinning the change:



The new business strategy and operating model will enable the State Services Commission to support the delivery of the results that really matter, be proactive in our leadership of the system, support the system to manage through change swiftly and successfully and be flexible in our ability to deal with a challenging environment and changing ministerial priorities.

## Our people

In 2010/11, the State Services Commission developed a three-year People Strategy to provide a platform for ensuring that both productivity and engagement within the organisation are raised. Our people strategy has four key objectives supported by a multi-year work programme.

1. Foster a positive culture of personal leadership and accountability.
2. Ensure senior management performance reflects the expectations of employees and stakeholders.
3. Monitor and manage workforce capability so that the State Services Commission has the right mix of people and skills to be effective and agile.
4. Use effective relationship management and collaboration to improve the State Services Commission's performance.

The People Strategy will enable the State Services Commission to take the objectives of the new business strategy, where our people work more proactively with agencies and sectors to deliver on priority results, and articulate what this means in terms of specific skills and workforce planning processes.

## Our processes

To be able to deliver we must have robust, high quality and cost-effective processes in place across our corporate functions.

We will continue to investigate options for a single model of supply across the three central agencies through the Central Agency Integrated Corporate Services Project. The aim is to improve performance and effectiveness through better coverage of specialist roles and by cutting duplication and waste so we are doing more for less in the medium to long term. We have taken some steps to work more closely, particularly in sharing information and information technology procurement. We are now moving to another level and putting together a medium-term work programme to identify what corporate functions we require to better support front office performance.

During 2010/11, we received the first benchmarking report from the Better Administrative and Support Services (BASS) programme. The report identified that, overall, the State Services Commission compares favourably in the provision of its support services with other similar agencies in its cohort and with the general BASS average (see table below). However, the assessment did provide insights into some corporate functions, including finance and accommodation, where more efficient practice could result in savings while preserving quality. Structural changes were made to the State Services Commission's finance function in late 2010 to improve its operational efficiency and over the next three years, we will use benchmarks from annual BASS assessments to inform and direct other improvements in corporate services.

Initial baseline measures	SSC	NZ Peer Group (median)	NZ Full Cohort (median)
Total amount of running costs directed at Administrative and Support Services functions.	11.92%	15.64%	11.46%

## Infrastructure

High quality infrastructure is critical to supporting our people to deliver on our work programme.

The results of the BASS process and the fact that our headcount has decreased considerably in the last five years has prompted examination of options for fit-for-purpose and cost-effective accommodation. A final option for accommodation will be decided before the start of the 2011/12 financial year.

As part of the Central Agency Integrated Corporate Services Project, the State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet are progressing the development of common IT infrastructure and common finance systems. Delivery of these integrated systems is expected to progress across 2011/12.

## Demonstrating our success

### Employee engagement

The State Services Commission recognises that high employee engagement leads to increased individual and organisational performance. Our new business strategy and operating model is an ambitious undertaking, and critical to its success will be the close and active involvement of committed staff. A highly engaged workforce is essential to support an increased focus on quality client relationships and effective knowledge management.

In recent years, the State Services Commission set a stretch target of staff engagement reaching the 75th percentile of the Gallup Q12 Employee Engagement Survey in 2011. It is unlikely we will reach this target during 2011. The State Services Commission needs to be a strongly engaged organisation if it is going to be effectively positioned to play a key leadership role in addressing the challenges and opportunities facing the State Services. Achieving this level of change in engagement will remain an important goal over the next three years. In particular, we will focus on three statements that we have identified as critical to improving our engagement:

Q1: I know what is expected of me at work.

Q2: I have the materials and equipment I need to do my work right.

Q3: At work, I have the opportunity to do what I do best every day.

We continue to be committed to building staff engagement through implementation of the People Strategy. A People Strategy priority, currently under way, is development of managerial and leadership capability. We expect that this focus will result in a lift in staff productivity and engagement levels. Managers will be accountable for improving their teams' overall engagement through effective team action planning, setting clear expectations and using strengths-based approaches to people management. We will use the next annual engagement survey, scheduled for August 2011, as a measure of progress.

### Equality and diversity

The State Services Commission will continue its 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 monitor 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. Where required, we will develop response plans to issues raised as a result of our findings.

# Managing Risk

The State Services Commission regularly reviews the State sector's operating environment and risks as part of our role in lifting the performance of agencies, sectors and the system as a whole and to identify internal and system risks that may evolve if we do not manage risk appropriately. We have two key mechanisms to help manage these risks. The externally chaired Risk and Audit Committee provides assurance and challenge to the Commissioner that our risk management practices, particularly at a strategic and system level, are appropriate. The internal Risk Sub-committee is a subcommittee of the Senior Leadership Team and has oversight of risk management practices and capability development.

We have identified the following high level business and system risks that will need to be managed over the short to medium term and implemented mitigation strategies to manage those risks. In part, our strategy development and organisational change process has been developed to ensure we are well positioned to better manage many of the risks to the system outlined below.

Area of risk	Consequence	Key mitigation
State sector change	State sector agencies fail to change or move too slowly in response to the changing environment and/or unsuccessful change management results in agency failure.	The State Services Commission's new strategy, working practices and structures will be designed to assist us to work with agencies and Ministers to ensure that change processes are managed appropriately.
Employment Relations	Wage bargaining processes may not be satisfactorily concluded, and disruptive industrial action may take place.	We will provide significant assistance to agencies, particularly those with large collective agreements, to ensure agreements are concluded satisfactorily.
Senior Pay	In an environment that continues to be fiscally constrained, there is a risk that high pay levels for senior Public servants are seen to be excessive.	The Commissioner will continue to exercise his influence whether by setting, consenting or being consulted with around chief executive remuneration. Further guidance will be provided to those that set senior pay (for example, Crown entities, Remuneration Authority).
Integrity and Conduct failure	There is an ongoing risk of a significant public integrity and conduct breach within the Public Service.	We will continue to provide guidance to State servants and set expectations with chief executives. Should a significant breach occur, we will ensure that any response is carried out promptly and transparently.
Organisational Change	Demands in a changing environment may not be met. The State Services Commission is unable to deliver on its business objectives owing to disruptions such as staff disengagement, resource gaps, increased turnover or competing priorities caused by the internal organisational change process.	People strategy, agile employment and change processes. The change process is carried out in a timely and transparent way with strong governance and with its own risk and issues management systems.

# Departmental Capital and Asset Management Intentions

The Commission's capital expenditure programme for the five year period 2011–16 is forecast as follows:

	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
Computer hardware	1,300	600	384	384	384
Computer software	150	150	150	150	150
Plant and equipment	70	70	67	67	67
Furniture and fittings	3,230	20	24	24	24
<b>Total</b>	<b>4,750</b>	<b>840</b>	<b>625</b>	<b>625</b>	<b>625</b>

The Commission is currently exploring future options for accommodation and is also involved in the Corporate Services integration project.

The lease on the Commission's current premises expires in the 2011/12 financial year. Increases in capital expenditure will be required in 2011/12 if the Commission decides to move from its current premises and also contribute to the Corporate Services integration project.



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