

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kāwanatanga



# State Services Commission

Te Komihana O Ngā Tari Kāwanatanga

## Statement of Intent 2012–2016

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

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# Foreword from the Minister of State Services

In 1912 the New Zealand Public Service Act came in to effect. It heralded the beginning of 100 years of a professional, unified and independent public service and a Public Service Commission. While our country and the world has changed significantly in this time, the trust in and integrity of the public service has grown.

Today, as its predecessor did then, the State Services Commission provides leadership so the State Services provide high performing services now and in the future.

The Commission's role is to ensure the State Services continue to enjoy the trust and confidence of citizens and that public services are improved to deliver results at a lower cost.

New Zealand continues to face economic challenges and so strong leadership across agencies and the system coupled with an innovative public service is critical. The Government expects better results - and improved outcomes for New Zealanders - from public services.

State Services agencies have a vital role to play in our country's return to a stronger economic footing. The State Services Commission, with the Treasury and the Department of the Prime Minister and Cabinet, is responsible for leading the combined efforts of agencies to lift State sector performance and improve public services in a climate of ongoing financial restraint.

I expect the State Services Commissioner to provide strategic leadership, as head of the State sector, to bring a stronger cross-agency collaboration and focus to achieve the priority results set out by the Prime Minister.

The Commissioner's responsibilities include the appointment and performance of Public Service chief executives, the development of leadership across the system, agency performance, and the provision of advice and support to Ministers on the future state of the system.

This Government and New Zealanders want better services for less from a professional and apolitical State Services that is focused on results. A State Services Commission that delivers quality advice to Ministers and strategic support to agencies is essential to lifting the performance of the system to meet the expectations of Government and New Zealanders.

I have agreed with the State Services Commissioner the work programme outlined in this *Statement of Intent*. I am satisfied 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 Dr Jonathan Coleman** | Minister of State Services

April 2012

# Introduction from the State Services Commissioner

This year we proudly mark 100 years of Public Service in New Zealand. From 1912 the Public Service has provided a professional and politically neutral service for New Zealanders and the government of the day.

Today the State Services Commission continues to champion these important values and provide leadership for 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.

With a forecast of ongoing fiscal restraint the Government and public's expectations around service delivery continue to rise. It is a time of significant and ongoing change: the Commission and agencies are rethinking and re-gearing how they operate to meet these expectations. Together we are focused on delivering better services with a sharp focus on priority results.

To provide better services now and in future, agencies must be responsive to a range of social, economic and technological shifts. Momentum is building; agencies have begun to work across the system, and with sector partners, to achieve results that make a difference but cost less to deliver.

The 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 medium- to long-term results and hold leaders to account for their progress on achieving them. We do this by:

- 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 focusing leaders on the best models for the integration, governance and organisation of public services, including working with agencies to develop analysis to support governance for redesigned service delivery models
- identifying critical system capability needs to lift overall performance and ensuring we model the results we want for the system through our own practices
- working with senior leaders, using tools like the Performance Improvement Framework, to deliver the most for New Zealand
- identifying emergent risks to the trust and integrity of the system, including strengthening trust and integrity frameworks and setting the levels of transparency of the system as required by New Zealanders.

In a short period of time the Commission has transformed its work programme and is now working at pace to lead the system and support agencies to lift their performance to make real progress toward the results they are responsible for.

By working closely with Ministers, sectors and agencies, our goal is to help government achieve results that improve the lives of New Zealanders.




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**Iain Rennie** | State Services Commissioner

April 2012

# 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 2012



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**Sara Brownlie** | Chief Financial Officer  
April 2012

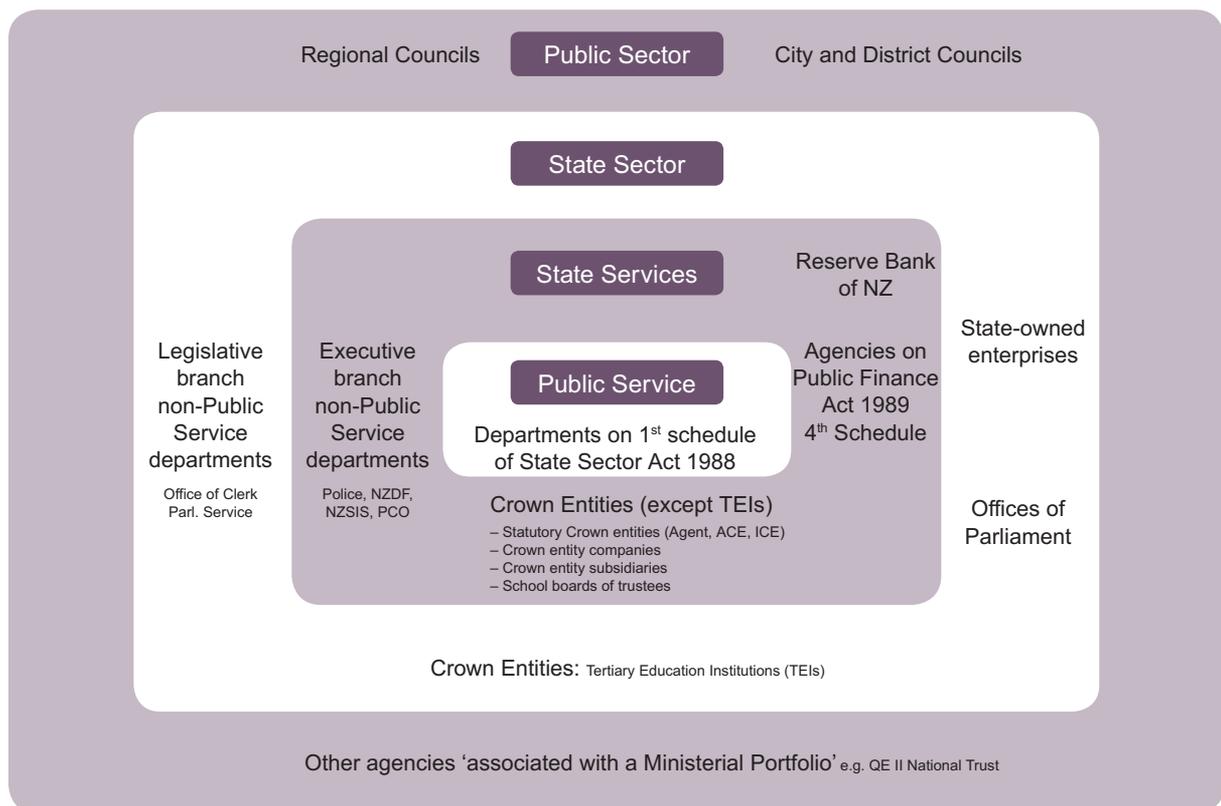
# The Nature and Scope of our Functions

The efficient and effective delivery of public services makes a significant difference to New Zealand's success. The State Services Commission (SSC) ensures that State Services agencies are well placed to carry out government policy and meet the needs of New Zealanders.

SSC was formed nearly 100 years ago as a key element of a professional public service that was autonomous of the government of the day. This autonomy ensures legislation is administered impartially and the role of Parliament in making and changing laws cannot be circumvented by administrative means. This is central to our form of democracy.

The State Services are made up of 32 Public Service departments, four non-Public Service departments, the Reserve Bank, 95 Crown entities (not counting approximately 200 Crown entity subsidiaries and about 2,435 school boards of trustees) and 55 assorted other entities listed in the Public Finance Act 1989. About 220,000 people work in the State Services – including 45,807 in the core Public Service departments.

SSC has a range of statutory and non-statutory roles relating to the operation and performance of the Public Service, State Services and the wider State sector.



## Our Role

SSC provides leadership to the State Services to help them perform strongly and with high levels of integrity. These two factors must be present if government and the public are to have confidence in our public institutions.

The leadership role is supported through our administration of the State Sector Act 1988, the Protected Disclosures Act 2000 and the Crown Entities Act 2004 (with the Treasury) and five other minor Acts.

## Our Functions

The State Sector Act 1988 describes the principal functions of SSC. These can be grouped into six main areas:

- *System design*: to review the machinery of government across all areas of government. This includes the allocation of functions to and between agencies; the creation, amalgamation or abolition of agencies and the coordination of the activity of agencies. It also includes providing advice on management systems, structures and organisations in the Public Service and Crown entities.
- *Agency performance*: to appoint chief executives of departments, to negotiate their conditions of employment and to review the performance of each department, including the chief executive.
- *Leadership development*: to promote and develop senior leadership and management capability in the Public Service.
- *Employment negotiations*: to negotiate conditions of employment of employees in the Public Service and school sector, and to be consulted by agency heads of certain other parts of the State sector.
- *System-wide people management*: to promote and develop personnel policies and standards of personnel administration for the Public Service (including equal employment opportunities and advice on training and career development).
- *Maintaining system trust and integrity*: to provide advice and guidance to employees within the State Services (except Crown research institutes) on matters affecting the integrity and conduct of employees within the State Services.

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**Integrity and performance is the cornerstone of ensuring government and the public have confidence in our public institutions**

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# Our Strategic Direction

SSC's purpose is: Leading a State sector New Zealand is proud of.

SSC has developed a new business strategy to support the achievement of its purpose. The business strategy was developed to refocus SSC, taking into account the current strategic environment and priorities of the Government and to ensure the State Services and SSC are delivering quality services for New Zealanders.

SSC works with and through the State sector. This relationship with the State sector and, in particular the Public Service, is reflected in how we articulate our outcome framework and monitor our achievements. Achievement of SSC's strategic direction reflects the performance and integrity of the whole system.

## Strategic Environment

The SSC strategic direction is set within an environment where government and the public have rising expectations about the quality of delivery of services, while operating within capped public spending.

Other challenges include: an increasingly diverse and ageing population; a networked and ICT-enabled world that is changing the flow of information and increasing expectations for easily accessible services that can be shaped by the user; and rebuilding and learning from the significant natural disasters that have affected Christchurch and the wider Canterbury region.

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SSC's purpose is: Leading a State sector New Zealand is proud of

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This means significant and ongoing change for the State Services and SSC to be able to respond, focusing on contributing resources where they matter most.

## Strategic Priorities

A key Government priority is to deliver better services to New Zealand within tight financial constraints. The Government has also set out a new results-driven focus. This will involve changes to how services are delivered. It will require more innovation, collaboration and responsiveness to the needs and expectations of New Zealanders. Technology will play a larger role, particularly as a driver of efficiency. Agencies' measurement of, and reporting on, performance will need to improve, and there will be a stronger commitment to continuous improvement. Ultimately it may require change to the form and function of the State Services.

The Government has also announced a lowering of the cap on core government administration to 36,475 full time equivalent positions.

SSC will lead and drive changes to support the State Services to deliver on these expectations, with a focus on delivering on the 10 key results for New Zealanders, monitoring the cap on core government administration and delivering on Better Public Services.

## Central Agencies

The focus of the central agencies (SSC, Department of the Prime Minister and Cabinet [DPMC] and the Treasury) is to improve the performance of the State Services.

The Better Public Services Advisory Group presented a report to government in late 2011 which called on the central agencies to “work much more collaboratively together as a de facto ‘corporate head office’ of the State Services”. Central agencies are exploring how to make this work. The Better Public Services implementation programme will be supported and implemented by the central agencies. The Better Public Services programme is outlined on page 11.

The central agencies will build on recent collaborations, including delivering performance review and improvement through the Performance Improvement Framework (pg 14) and delivering centralised shared services across the three agencies through the Central Agency Shared Services programme (pg 25).

## Our Outcomes Framework

To achieve its long-term purpose and deliver on the strategic priorities, SSC works towards one outcome: The performance of the State Sector is improved and its integrity is strengthened.

The simple logic that underpins the outcome is that integrity + performance = confidence. Confidence in the State sector’s performance and integrity will ensure that New Zealanders can be proud of the State sector.

Supporting the outcome is four pillars. They set out the impact of SSC’s work and support the achievement of SSC’s outcome and purpose. In turn SSC’s outputs contribute to the impact achieved by each of the pillars. The four pillars are:

- leading the system
- building system capability
- delivering performance excellence
- strengthening trust and integrity.

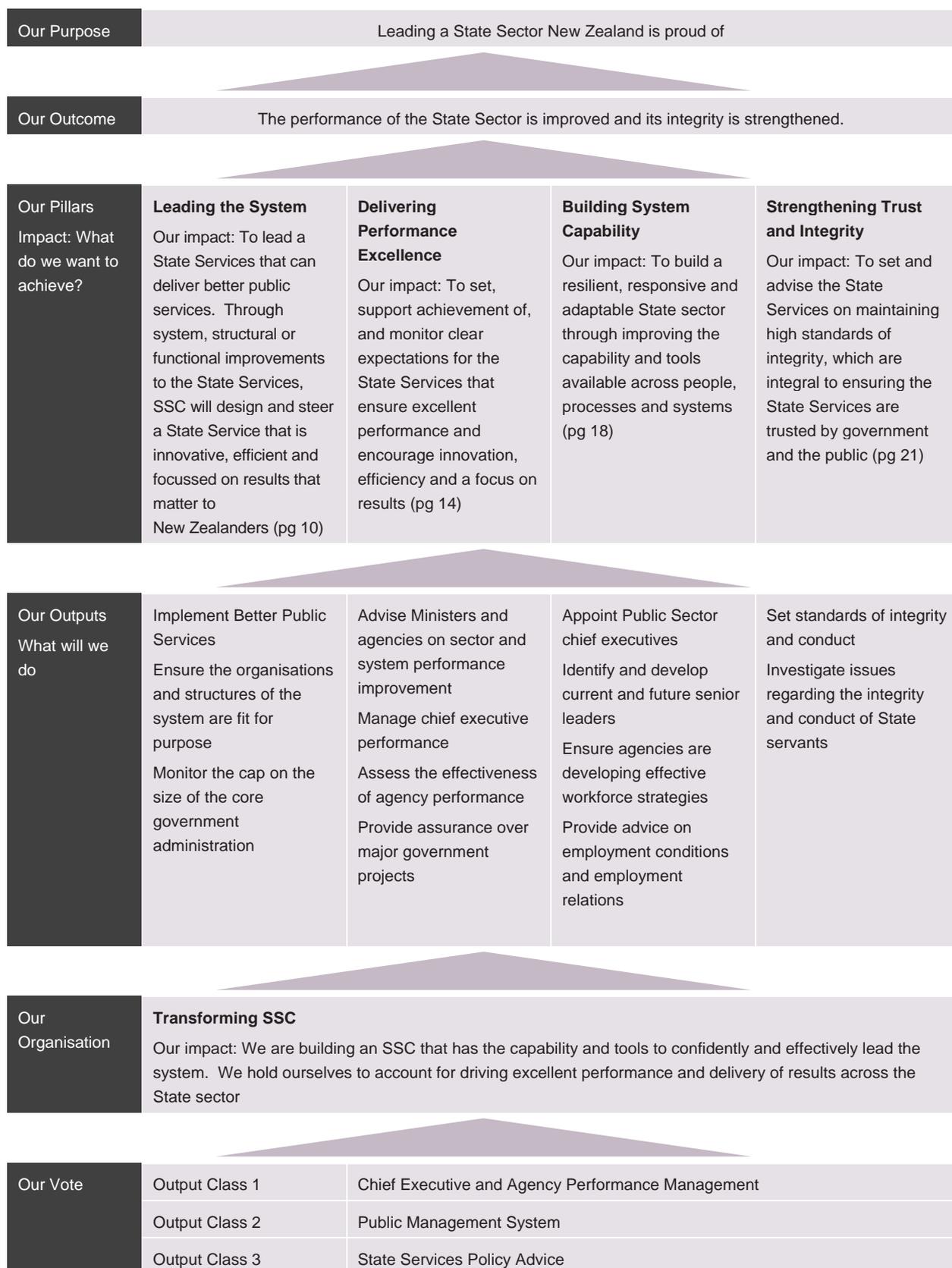
SSC acknowledges that transformational change is needed to ensure it can model expected behaviours, particularly with a focus on results. This ‘foundation’ pillar, ‘Transforming SSC’, is outlined in the organisational health and capability work programme (see pages 23 to 25).

The outcomes framework demonstrates the link between SSC’s outputs, impacts and outcome, which align to the Government’s priorities. The work programmes that support SSC’s impacts are balanced between tactical interventions to address areas requiring immediate improvement and longer-term programmes that provide a foundation for improved performance over time.

## Output classes

SSC produces outputs under three output classes. These are in the Information supporting the Estimates – Output Class 1: Chief Executive and Agency Performance Management; Output Class 2: Public Management System; and Output Class 3: State Services Policy Advice. The programme of outputs will help achieve the SSC’s objectives and, over time, contribute to its outcomes. The SSC works at a system level and directly with agencies, chief executives and their Ministers to improve the overall functioning and performance of the public management system and individual agencies.

The SSC’s outputs are highly interrelated and complementary. Outputs from the output classes contribute to the attainment of the outcome.



## Operating Intentions

While the majority of the interventions have not changed from previous years, the way SSC delivers them has shifted to align to the new strategic direction. The focus is on results, being proactive, focusing on sectors not individual agencies, and moving to confident and strategic leadership of the system. It is a shift SSC and the State sector need to take to achieve the strategic direction.

We will track progress against the pillars set out below throughout the year, using the performance measures and standards contained in the 2012/13 Budget Estimates documentation. Each piece of work is aligned to the strategic direction and priorities and is 'owned' by a senior manager within SSC responsible for its delivery.

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## LEADING THE SYSTEM

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### What are we seeking to achieve?

To meet the challenges set by government and increasing expectations of the public within a tight fiscal environment the State Services are facing a period of reform and change. As a central agency and employer of Public Service chief executives, SSC must lead changes to improve the State Services.

SSC's impact is to lead a State Services that can deliver better public services. Whether through system, structural or functional improvements to the State Services, SSC will design and steer a State Service that is innovative, efficient and focused on results that matter to New Zealanders. Particularly on complex issues that cut across multiple agencies.

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**SSC will design and steer a State Service that is innovative, efficient and focussed on results that matter to New Zealanders**

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

Delivery on these result areas, including government expectations, will ensure government and the public are receiving better public services.

This is a multi-year work programme, with 10 State sector results identified<sup>1</sup>. Better Public Services will develop a measurement approach to provide critical information on progress against delivering the priority results. During development, we will measure public satisfaction with the public services they receive. This is not a direct measurement of the achievement of the results, but it does measure whether people believe they are receiving better public services.

#### How will we demonstrate our success?

Measure	2007	2009	Target
Government's 10 results for New Zealanders are reviewed and reports on progress published*			Benchmark year
Overall service quality of Public Services improves over time	68 points	69 points	Improvement in the overall service quality score

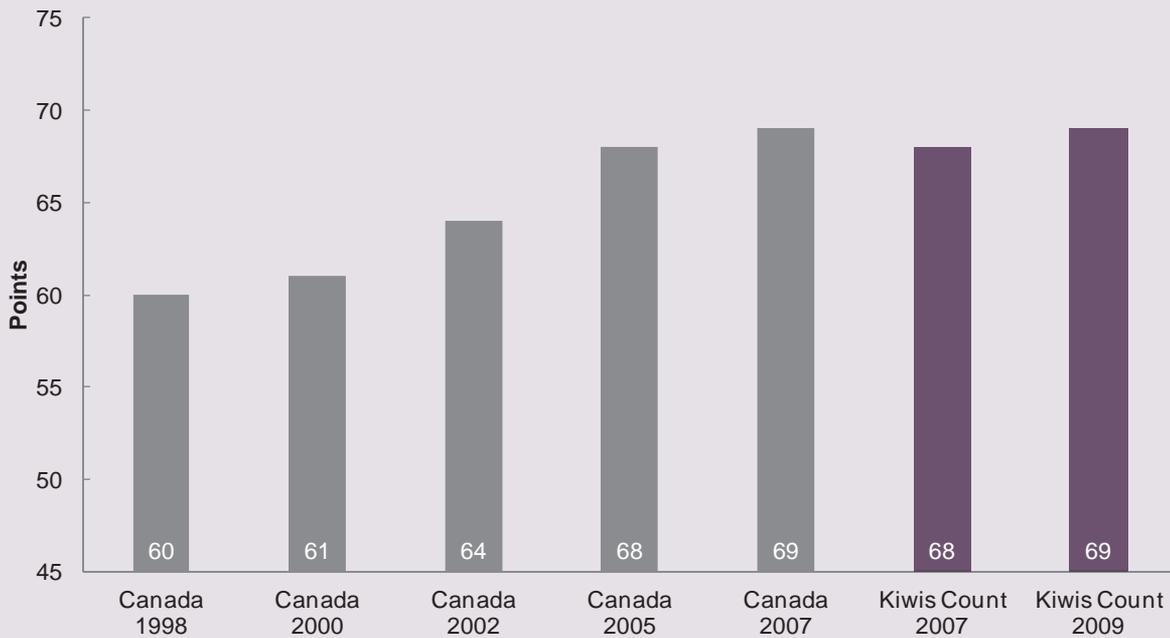
\* SSC will be developing a framework to assess progress on the achievement of the 10 results.

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<sup>1</sup> <http://beehive.govt.nz/speech/better-public-services-speech-auckland-chamber-commerce>

The Kiwis Count survey is a national, all-of-government survey that measures New Zealanders' satisfaction with, and trust in, public services. The Kiwis Count surveys in 2007 and 2009 aimed to inform decisions on improving service delivery so government works better for New Zealanders. What was a biennial point-in-time survey, however, is now being run as a continuous survey, with fieldwork 50 weeks of the year and quarterly reporting on a six-month rolling average. This more flexible tool can be adapted to meet future needs and changing priorities. The improved survey will provide a regular stream of performance information about Public sector service delivery, which will allow SSC to actively monitor satisfaction with government services.

### Overall Service Quality



### What will we do to achieve this?

Our emphasis is on leading State sector reform to ensure the State sector is able to deliver on results within the challenges of the current environment. Over the term of the Statement of Intent this work is focused around implementing changes from the Better Public Services Advisory Group Report using the mechanisms available to SSC, including those developed as part of the State sector legislative review.

### Implement Better Public Services

The State Services Commissioner leads the Better Public Service programme and holds major responsibility for ensuring that organisational and operational arrangements in the State Services are robust to support government objectives and that chief executives, at agency, sector and functional levels, are held to account for their roles in relation to key government objectives. Implementation of the Better Public Services programme is dependent on improving collaboration across the public sector, improving sector leadership with a focus on results, better services and value-for-money improvements.

An implementation programme is currently being developed through the Better Public Services team, which is supported by SSC and other central agency staff. The Better Public Services team will provide support to coordinate, communicate and set the pace of activities occurring across central agencies and the wider State Services.

One of the key activities within the programme will be working with Ministers and chief executives to achieve the 10 key results areas. SSC will work with other central agencies and support responsible Ministers and chief executives to implement the Result Action Plans.

Proposed amendments to the State Sector Act 1988, Public Finance Act 1989 and the Crown Entities Act 2004 are progressing, some of which will provide the tools for the agencies to deliver on better public services.

<b>How will we demonstrate our success?</b>		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Performance Improvement Framework (PIF) reviews show an increasing proportion of the agencies reviewed as 'well placed' or 'strong' in the critical areas of sector contribution; collaboration and partnerships with stakeholders	New measure	The percentage of agencies receiving 'strong' or 'well-placed' PIF ratings is 40% for sector contribution and 60% for collaboration and partnerships with stakeholders
Amendments are made to the State Sector Act and Crown Entities Act to enable greater collaboration around results and strengthen system leadership	New measure	Achieved
Better Public Services programme achieves its key milestones as agreed with Ministers	New measure	100% of milestones are achieved

### Ensure the organisations and structures of the system are fit for purpose

The way roles and functions are allocated to government agencies, and the structure of agencies, can have a big impact on how well they respond to the Government's policy priorities, environmental pressures and opportunities for better performance.

One of the Commissioner's principal statutory functions under the State Sector Act is to review the machinery of government, which can involve:

- the allocation of functions to and between departments and other agencies
- the desirability of, or need for, the creation of new departments and other agencies, and the amalgamation or abolition of existing departments and other agencies
- the coordination of the activities of departments and other agencies.

This includes changing the organisations within government, their functions and governance arrangements, and how they work together to deliver results for Ministers and the public.

A number of machinery of government changes are also due to be implemented in 2012 through the Crown Entities Reform Bill, currently before the House.

<b>How will we demonstrate our success?</b>		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
The quality of machinery of government advice meets internal quality assurance standards	100%	100%

## Monitor the cap on the size of the core government administration

The cap on the size of core government administration has been reset at 36,475 full time equivalent (FTE) positions. The reset cap is based on the number of FTE staff in core government administration plus vacancies as at 30 June 2011. The cap is applied to the total FTE positions in core government administration, not to individual organisations. The State Services Commissioner is responsible for overseeing the cap.

Applying the cap allows for greater flexibility in rebalancing staff numbers and resources between and within organisations to focus on frontline service delivery across the State Services.

The SSC will regularly engage with organisations and support their implementation of the cap on core government administration by providing information, guidance and advice.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Cabinet Paper on 'Capping the Size of the Core Government Administration' presented to Cabinet	New measure	Papers presented to Cabinet in February and August

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## DELIVERING PERFORMANCE EXCELLENCE

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### What are we seeking to achieve?

In a period of fiscal constraint, excellent performance is needed to meet rising government and public expectations. SSC will set, support achievement of, and monitor clear expectations for the State Services that ensure excellent performance and encourage innovation, efficiency and a focus on results.

SSC will widen its agency performance focus to also include sector improvements. Partnering with sectors, agencies and their chief executives, SSC will drive a system-wide focus on better results. It will operate a targeted improvement programme across agencies and sectors, and work as trusted advisors to Ministers and chief executives.

SSC works with Public Service chief executives to deliver performance excellence by setting expectations for chief executives, providing support to them and holding chief executives to account for their achievement of performance expectations.

A strong area of focus for SSC is shaping expectations around the critical things a chief executive is required to deliver. These will be derived primarily from the priorities of government and the responsible Minister, and will reflect sector and agency specific expectations for results.

The outputs delivered under this objective will enable the SSC to lead the State Services system to deliver on the results that matter, proactively address system, sector and agency performance, and appoint system leaders.

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

The central agencies have tools to review the performance of agencies across the system. One of the key tools is the Performance Improvement Framework (PIF). Developed by the central agencies, the PIF is a bespoke performance improvement tool that senior leaders use to drive performance improvement in their agencies and across the system.

#### How will we demonstrate our success?

Measure	2011/12 Standard or Target	2012/13 Standard or Target
Performance Improvement Framework assessments over the next three to five years assess an increasing proportion of agencies as being 'well placed' or 'strong'	Baseline year	Improvement on previous year

### What will we do to achieve this?

SSC is committed to providing high quality advice and support to improve performance, leveraging off our experience, monitoring programmes and expert networks. This includes setting expectations and supporting chief executives to perform; assessing performance of the system, sectors and agencies; and providing advice on specific improvements across the system.

#### Advise Ministers and agencies on sector and system performance improvement

To drive sector and system-wide performance, SSC takes a leadership role in identifying opportunities for greater sector and system impact. The challenges facing most sectors are in agreeing a clear direction for the whole sector and the downstream measurement on progress; achieving clarity and effectiveness on sector governance to ensure long-term success; and aligning investment made in individual agencies to sector-based models for service delivery. SSC adds value to sectors by identifying performance improvement levers, working with sector lead chief executives to employ those

levers effectively and promoting governance approaches that support achievement of sector results. An example of this includes using PIF findings to understand system and sector strengths to inform areas for potential improvement.

SSC also provides advice to government on State Sector reforms and reviews. This advice leverages off SSC's experience and whole-of-sector perspective, and covers subjects ranging from machinery of government reform proposals to reviewing significant processes within agencies that may have failed and/or need to be improved. The one thing they have in common is the objective to improve performance.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Milestones specified in Results Action Plans (RAP) in year one are achieved	New measure	At least 90% of year one milestones
All sector leaders have agreed expectations that reflect sector results	New measure	30 September 2012
All reforms and reviews are completed in a timely way	New measure	80% of findings on reforms and reviews are reported to the relevant parties within: <ul style="list-style-type: none"> <li>• three months for routine matters</li> <li>• 12 months for major matters</li> </ul>

### Manage chief executive performance

Every Public Service chief executive is contracted directly to the State Services Commissioner as their employer. This employment relationship is an important tool for influencing the leadership, performance and productivity improvements of agencies. SSC's performance management process actively supports chief executives to achieve results through real-time feedback and advice. A critical element in this process is setting measurable expectations in consultation with the responsible Minister, which focuses a chief executive's leadership on delivering the key strategic medium-term priorities facing the sector and agency.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
All Chief Executives have agreed expectations that reflect a focus on results	100% of chief executives*	As at 30 June 2013 100% have expectations focused on results
Chief Executives' performance meets the State Services Commissioner's expectations	80% at 12 months of term – 100% achieved	80% at 12 months
	100% at 24 months of term – 100% achieved	100% at 24 months or more

\* Target changed for 2012/13 to focus on timeliness

### Assess the effectiveness of agency performance

SSC will use tools to measure and understand how well agencies are performing. Making an assessment of performance helps us advise on how to improve areas such as cost-effectiveness and delivery. We will recalibrate the balance of our assessment activity from a focus on chief executive performance reviews to agency and sector performance improvement.

The PIF, a joint-central agency initiative, has been designed to help agencies and the system rise to the challenge of rising expectations in quality service provision and reducing baselines, by developing high performing flexible, innovative agencies that are responsive to shifts in the communities they serve.

In general, PIF review findings so far confirm a number of areas of strong performance, including agencies:

- engage well with Ministers
- are responsive to the government of the day
- effectively deliver on government priorities
- deliver open, transparent financial management of government funding
- demonstrate financial prudence, and
- ensure accountability for the expenditure of taxpayers' funds.

There are also examples of excellent performance across all elements of the PIF framework. Central agencies intend to build on these strengths to support effective practices across the State Services.

In addition to the strong performance, four areas for improvement have been identified by central agencies. They will be working to support agencies to lift their performance in these areas:

- increasing their ability to provide advice that is robust over time, and meets the needs of Ministers and the public in the future;
- developing a stronger 'line of sight' between expenditure and the impacts of this expenditure for New Zealanders. This includes having better information on the effectiveness of programmes and services and using this information to drive decision-making about investment and improvement;
- improved ability to work across agency boundaries so that they can better connect policies and services in areas where collaborative effort will improve outcomes for New Zealanders; and
- improved people management so that agency leaders are more effectively communicating their vision across the organisation, developing appropriate cultures and capability and managing poor performance.

<b>How will we demonstrate our success?</b>		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
PIF reviews show an increasing proportion of the agencies reviewed as 'well placed' or 'strong' in the critical area of Leadership, Direction and Delivery	60% 2011/12	60%
PIF reviews are completed with selected Public sector agencies and significant Crown entities	7 assessments in 2011/12	15 reviews will be completed in 2012/13
	New target	80% of all PIF review completed within 6 months
Responses to PIF reviews are monitored and their impacts evaluated*	100%	100% of PIF reviews are followed by an appropriate evaluation of progress

## Provide assurance over major government projects

SSC provides assurance to Ministers on all major, high risk programmes in government, through project monitoring and use of the Gateway assurance methodology for investments.

A typical monitored project has an investment value to government of approximately \$80 million to \$100 million. Some are much larger. Failure of any one of these projects would have significant financial and reputational repercussions. The major project monitoring and Gateway assurance methodology monitors project risk and provides support to get projects on track if required.

Gateway as a toolkit more directly contributes towards Building System Capability as it provides project assurance methodology to improve the capability of managing projects.

How will we demonstrate our success?		
Measure	2010/11 Standard or Target	2011/12 Standard or Target
Monitor and regularly review the progress of major projects in the Public Service (and in Crown Agents where directed by responsible Ministers) focusing particularly on high risk projects	New measure	Publish quarterly reports
The project monitoring process demonstrates cost savings/avoided costs over the year through advice/interventions	New measure	Quarterly report tracking cost savings/avoided
		Annual report demonstrating total cost savings/avoided over 12 months
Maintain Gateway as the essential assurance methodology for major capital investments in the system*	Complete 20 Gateway reviews in 2011/12	Complete 20 Gateway reviews in 2012/13
	80% of Senior Responsible Owners (SROs) agree "Review was beneficial and will impact positively on the outcome of the programme/project" and "Report's recommendations will enable me to achieve improvements in the project's outcomes"	85% of SROs agree "Review was beneficial and will impact positively on the outcome of the programme/project" and "Report's recommendations will enable me to achieve improvements in the project's outcomes"

\* Note this measure more directly contributes towards Building System Capability

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## BUILDING SYSTEM CAPABILITY

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### What are we seeking to achieve?

SSC is seeking to build a resilient, responsive and adaptable State Services through improving the capability and tools available across people, processes and systems. In particular the SSC is focused on strengthening the leadership and workforce of the Public Service. This is especially necessary during times of transformation and fiscal constraint for the Public Service.

Developing a stronger Public Service leadership is a core role and priority for SSC. Across the system over the next three to five years, SSC is seeking to lift strategic capability at senior levels, broaden the leadership base and improve the management of system-wide capability across the State Services.

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

Strengthening Public Service senior leadership should provide a lift in performance across the Public Service as measured by the PIF. With a focus on broadening and lifting strategic capability, not only of chief executives, SSC expects to see an improvement in the people development results of the PIF programme. This includes managing workforce and career development to meet the current and future needs of agencies.

#### How will we demonstrate our success?

Measure	2011/12 Standard or Target	2012/13 Standard or Target
Performance Improvement Framework assessments over the next three to five years assess an increasing proportion of agencies as being 'well placed' or 'strong' for people development	Baseline year	Improvement on previous year

### What will we do to achieve this?

SSC is responsible for ensuring sound leadership in the Public Service through the effective recruitment, development and remuneration of Public Service chief executives, fostering leadership development and talent management within agencies, and growing the pool of future chief executives.

SSC will appoint and develop leaders who can contribute to leadership of a single agency and of the State Services. We will work with agencies to prioritise developing talent management and succession plans, and will communicate to emerging leaders the requirements for leadership in the State sector. We will support agencies to manage the capability of their workforce.

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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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### Appoint Public Service chief executives

The quality of a department's chief executive is critical to the success of the department and the sector in which it works. Public Service chief executive positions are difficult and demanding; they call for a special range of skills, qualifications and experience. Increasingly SSC is looking for leaders who are not only focused on individual departments but are able to lead across sectors to achieve results for New Zealanders.

The appointment, induction and, in some cases, reappointment of high quality chief executives is a key mechanism for ensuring the necessary capability to support a high performing Public Service. SSC is committed to continuous improvement and delivering best practice appointment processes that have the confidence of Ministers, chief executives and agencies. An effective recruitment process should be reflected in high performing chief executives as outlined on page 15.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Public Service chief executive appointments are made within a month or less of the incumbent chief executive's term ending	70% of appointments	70% of appointments
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 2011/12	8 to 15 appointments or reappointments are completed in 2012/13

### Identify and develop current and future senior leaders

SSC identifies system capability gaps and develops work programmes to address these. One of the key areas is ensuring that future leaders of the Public Service are being identified. The Public Service must be supported by strong leadership, as this inspires people to deliver results.

SSC is working with Public Service chief executives to develop a new, effective talent management initiative for the Public Service. The initiative aims to identify the Public Service's best and most promising public servants, those who have the ability, engagement and aspiration to become a chief executive or senior leader in the Public Service.

Identifying promising senior leaders means SSC and chief executives will provide targeted development opportunities to talented public servants. This will make sure they have the experiences necessary to develop the skills needed for leadership. By doing this, SSC can ensure the Public Service is being led by the best, most competent people available.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Percentage of senior leaders who opt into the career board process	New measure	70% 2013, 80% 2014
Percentage of women and people self-identified as Māori or Pacific Peoples among senior leaders increasingly reflects their representation in the Public Service	New measure	Benchmark year
Track diversity trends for the Public Service report as part of the HRC survey results	New measure	Annually in September

### Ensure agencies are developing effective workforce strategies

The current and medium-term fiscal and economic environment means significant change will be required if agencies are to deliver their business strategies within decreasing baselines. SSC is working with agencies to guide development of agency and/or sector workforce strategies that outline how agencies will manage the workforce implications of living within fixed or reducing baselines over the four-year budget period.

Workforce strategies will explore the capability, capacity, culture and change leadership required to deliver sustainable services for New Zealanders. They will give central agencies and Ministers confidence that agencies have real plans for

how they will get to their desired future state, and enable the identification of risks and opportunities for system-level interventions. Workforce strategies will be submitted with the four-year budget plans.

This work will help SSC to lead the system, by providing greater detail about the organisational changes required to deliver sustainable services. Over time, we will use this process to build a stronger system perspective of future workforce pressures, and build strategic workforce capability so agencies are better able to undertake this work on an ongoing basis. This will likely include brokering opportunities for sharing capability between agencies, and potentially facilitating access to talent from outside the State Services.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Workforce strategies submitted by agencies demonstrate a credible workforce approach aligned to business results including management of cost pressures	New measure	75%
Agencies/sectors required to develop workforce strategies received advice and support; and workforce strategies submitted are assessed within stated timeframe	New measure	100%

### Provide advice on employment conditions and employment relations

Wage costs are a significant component in the State sector's overall expenditure. In an environment where the State Services face considerable fiscal pressure, SSC 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.

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 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 taxpayers' money wisely. 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 Labour Cost Index indicates that Public Service wage growth does not exceed private sector wage growth	Benchmark year	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 Labour Cost Index
Agencies' bargaining and remuneration strategies approved by SSC are within Government expectations	100% - achieved.	100%
Total Public Service chief executive remuneration is met within appropriation	100%	100%
Crown entity Board Chairs follow guidance on chief executive terms and conditions of appointment	New measure	90%

## STRENGTHENING TRUST AND INTEGRITY

### What are we seeking to achieve?

SSC sets and advises the State Services on maintaining high standards of integrity integral to ensuring the State Services are trusted by government and the public. 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 SSC to lead the State Services system to address emerging trust and integrity risks.

### 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

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 2011 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. SSC 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.

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

### How will we demonstrate our success?

Measure	2009	2010	2011	Target
New Zealand is rated as one of the leading countries in Public Service probity as measured by the Transparency International Corruption Perceptions Index	New Zealand ranked first	New Zealand ranked first (equal with Denmark and Singapore)	NZ ranked first	On average over the next five years New Zealand is in the top five ranked countries
Kiwis Count levels of 'Trust in public services' are maintained or improved	70%			At least 70% of respondents agree or strongly agree that, based on their last service experience, you can trust public servants to do what is right

<sup>2</sup> <http://cpi.transparency.org/cpi2011/>

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

## What will we do to achieve this?

SSC is responsible for a number of mechanisms to ensure that standards of integrity and conduct are not only in place, but actively promoted, and where potential breaches have occurred or risks emerge, they are dealt with. Although 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.

### Set standards of integrity and conduct

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. SSC's Integrity and Conduct work programme is based on promoting the code of conduct for the State Services.

SSC provides advice, guidance 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 work around the code of conduct, SSC is also responsible for the Protected Disclosures Act 2000, which provides protection for employees who draw potential misconduct to the attention of relevant authorities.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
Integrity and conduct advice provided through the Commission's integrity helpdesk is timely, accurate and comprehensive	New measure	80% of queries are answered within five working days.
All Public Service and Crown Entity chief executives publicly disclose business expenses, gifts and hospitality six monthly	New measure	100%

### Investigate issues regarding the integrity and conduct of State servants

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	2011/12 Standard or Target	2012/13 Standard or Target
Undertake statutory investigations, inquiries and ad hoc reviews in response to Ministerial directives, as required by the Prime Minister, the Minister of State Services, the Cabinet or the State Services Commissioner	New target	All investigations meet their terms of reference
	No findings are subject to successful legal challenge	No findings are subject to successful legal challenge
All integrity and conduct investigation reports include an analysis of potential systemic risks and recommendations for mitigation	100%	100%

# Organisational Health and Capability

SSC has developed a new business strategy to support the achievement of its purpose. The business strategy was developed to refocus SSC, taking into account the current strategic environment and priorities of the Government.

Achieving on the business strategy requires transformational change within SSC. It simply cannot deliver on a large, challenging and rapidly evolving work programme without changes in the way it works and in the working environment provided for SSC people. Within the past year significant changes have been made to the organisational structure, the SSC has moved to more appropriate working premises and begun work on a number of organisational development initiatives for launch in 2012/13.

In 2011/12 SSC was less focused on gathering formal stakeholder feedback than was desirable – although a number of stakeholders were involved in developing the new business strategy. SSC is committed to surveying stakeholders in 2011/12, and more importantly, it has begun work on a feedback strategy which will incorporate various mechanisms for collecting feedback on the Commission’s work in real-time and responding promptly to that feedback.

How will we demonstrate our success?			
Measure	2010/11 Standard or Target	2011/12 Standard or Target	2012/13 Standard or Target
The stakeholder survey shows that SSC 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	New stakeholder feedback strategy in place
			Measures to be confirmed

## Our People

It is SSC people who will deliver on the business strategy. With a number of new staff members, and a significantly changed organisational structure, the focus for SSC will be on building the right organisational culture and working differently. There is a particular focus on:

- working with SSC staff to define and develop a culture that enables SSC to better support and lead the state sector
- bedding in the business strategy and continuing to develop operational processes for a high productivity, high accountability and supportive work environment
- redesigning governance and decision making models to involve more staff in making the decisions that matter.

SSC will also focus on providing a working environment that supports people to develop their capability by:

- building and implementing talent management and leadership development initiatives
- providing well-targeted development opportunities for people
- maintain a watching brief around potential capability and capacity pressures for the workforce arising from ongoing state sector reform.

Despite having successfully recruited a number of new staff, as trusted advisors to Public Service leaders, it is critical that SSC recruits highly experienced and recognised leaders in their own right. This means that a portion of the SSC workforce will move through the Commission as a part of their career development, either as permanent staff or secondees. As a result, SSC will be, and should be, an organisation with a higher level of turnover than the Public Service norm. SSC will continue to manage this by developing the SSC brand as a sector-leading organisation, a great place to work and as an essential development experience for aspiring chief executives and State sector leaders.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
The SSC employee engagement survey shows improvement in overall results and a significant improvement in scores for questions 1, 2 and 3, covering expectations at work, tools and equipment, and people having an opportunity to do what they do best everyday	New measure	75% of SSC people complete the employee engagement survey
		Overall, SSC's results show a significant improvement (Gallup defines this as a change of 0.2 or more in Grand Mean)
Feedback from the SSC people focus group	New measure	When the group is interviewed quarterly, it agrees that SSC people have had good opportunity to be involved in development of workforce initiatives and that SSC's working environment is continuing to improve

### Our Processes

SSC will improve its management processes and internal control environment. In 2012 SSC will undertake its first PIF review. The results will highlight strengths and areas for improvement and benchmark SSC against wider public service performance. Action plans will be developed and implemented in response to the PIF results. SSC expects an improvement in its Departmental Internal Control Environment scores.

How will we demonstrate our success?		
Measure	2011/12 Standard or Target	2012/13 Standard or Target
The SSC Departmental Internal Control Evaluation (DICE) scores improve	4.05	4.20

## Our Infrastructure

Over the last year, SSC has been responding to the Better Administrative and Support Services (BASS) results which indicated room for improvement in some areas of the corporate functions and accommodation costs. Having transferred the majority of the corporate services to Central Agency Shared Services (CASS) in March 2012, the focus is now on bedding down new ways of operating and maximising the gains from the new shared services centre. SSC has also moved to new accommodation. Success will be measured by scores on BASS surveys over the next three years.

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%

## Equality and Diversity

SSC 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 the needs of the diverse workforce are met. Employee engagement survey findings will be monitored by age, gender and ethnicity and the workforce will be monitored by collecting data on gender and ethnicity distribution at each tier of management. Where required, response plans will be developed to issues raised as a result of the findings.

# Managing Risk

Achievement of the strategic direction requires management of risk across the system and within SSC. Across the system many interventions and operating priorities are about addressing risks and issues to the State Services as part of the SSC’s role in lifting performance of agencies, sector and the system as a whole.

The formal risk management policy is consistent with the international standard ISO31000. Risk management discipline and tools are embedded within performance and planning mechanisms and project methodology. The externally chaired Risk and Audit Committee’s role is to challenge and provide assurance to the Commission that risk management practices, particularly at the strategic and system level, are appropriate.

In addition SSC undertakes regular management reporting to provide an assessment of progress against stated performance expectations. This reporting provides an opportunity for the executive to have discussions on whether there are any operational risks or issues that need to be managed.

## Strategic Risks

Strategic risks are those that would prevent the achievement of SSC’s strategic direction. The five strategic risks identified below, include risks across the system and to SSCs ability to impact on the system. Mitigation strategies, which include many key interventions, have been developed. These will be actively managed and monitored quarterly. In addition SSC will continue to monitor achievement of its strategic direction and actively identify and manage any emerging risks that may impact on our ability to deliver.

Risk	Risk Description	Key mitigations
SSC is unable to lead the system	Leadership is important factor to high performance, particularly during time of change. SSC needs to step up and lead the system to ensure the system delivers on its potential	Ensure Better Public Services has sufficient resources and leadership so that SSC can lead and deliver on Better Public Services Engage with Ministers on their expectations Build system leadership capability both within SSC and across the system
The system is unable to deliver key results	Government has moved to a results-driven focus, with 10 key results that the State Services are expected to deliver on. SSC is in a position to lead, support and provide the tools for the State Services to succeed	Develop clear expectations for chief executives Revise processes to ensure we employ high performing leaders who can manage across sectors and functions Central agencies actively support result teams Sector and functional organising mechanisms are delivered
The State Services loses the confidence of the public and government	Lack of confidence in the State Services has the potential to undermine our public institutions. SSC has a role in strengthening trust and delivering a high performing State Service	Maintain the State Services Code of Conduct Evaluate performance of agencies through the PIF and establish performance improvement action plans Review and where appropriate investigate any integrity or conduct matters

Risk	Risk Description	Key mitigations
SSC fails to deliver	This risk focuses on SSC as an agency, and our ability to deliver as we transform ourselves to ensure we have the capability, tools and resources to achieve our outcomes	<p>Review our suite of services to ensure they are fit for purpose and meet future needs</p> <p>Develop workforce strategies to improve our people capability to meet our needs</p>
SSC fails to implement Better Public Services	Better Public Services is at the centre of the change and reform programme of the State Services. SSC needs to manage and support the programme of work as it is essential for achievement of our outcomes	<p>Establish appropriate governance, accountability and mechanisms to confirm and manage programme scope</p> <p>Establish risk and issues management process</p> <p>Regularly evaluate programme using assurance methodology</p> <p>System-wide resources are used to resource projects</p>

# Departmental Capital and Asset Management Intentions

SSC's capital expenditure programme for the five-year period 2011-16 is currently budgeted as follows:

	Supplementary Estimates 2011/12 \$000	Main Estimates 2012/13 \$000	Main Estimates 2013/14 \$000	Main Estimates 2014/15 \$000	Main Estimates 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	3,819	20	24	24	24
<b>Total</b>	<b>5,339</b>	<b>840</b>	<b>625</b>	<b>625</b>	<b>625</b>

In 2011/12 the lease on SSC's premises expired and SSC moved to a new site and a higher level of capital expenditure was budgeted for furniture and fittings.

In March 2012, the Information Technology, Information Management, Human Resources and Finance functions of SSC were transferred to the Treasury, as part of the Central Agencies Shared Services (CASS), who will now be providing those functions to SSC, the Treasury and Department of the Prime Minister and Cabinet. A higher level of expenditure was budgeted for computer hardware to allow for that integration. From March 2012, the ownership of computer hardware and software has been transferred to the Treasury. SSC is still budgeting for capital expenditure on these items pending development of an integrated capital plan by CASS.