

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



State Services Commission

Te Komihana O Ngā Tari Kāwanatanga

Statement of Intent 2013–2017

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

New Zealand's Public Service faces new challenges as it moves into its second century. A tight fiscal environment, the Canterbury earthquake, and an increasingly bright spotlight on Public Service leaders add up to increased expectations on the State Services Commission, from both Ministers and the public.

The biggest challenge for public servants today, though, is connecting with the community it serves to deliver front-line services that meet Kiwis' needs now and into the future. New Zealanders expect our public services to evolve along with the times; I expect the Commission to lead the way across the system and show how it's done.

We are seeing through the biggest reforms to the Public Service since the turbulent years of the 1980s, including new legislation, the State Sector and Public Finance Reform Bill. The Public Service will work in new ways that break down departmental lines to organise around delivering outcomes for New Zealanders, including clustering expertise and achieving efficiencies of scale through functional leadership.

The National Government has ten Better Public Services targets that go directly to the community's needs. New Zealanders will judge us not just by how we take action, but by whether we take actions that deliver results. As part of the Corporate Centre along with the Treasury and Department of Prime Minister and Cabinet, the Commission is responsible for delivering on the Better Public Services programme over the next four years.

Success hinges on leadership. I expect to see the Head of the State Services leading not just the Commission, but the State sector in bringing cohesion to the way we do business across government. The Commission also is stepping up work in this area to grow the talent we need in future years, and to hold today's leaders to account for achieving the results that matter.

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.



Hon Dr Jonathan Coleman | Minister of State Services

April 2013

Introduction from the State Services Commissioner

This year the State Services Commission (SSC) celebrates a century of service. The past hundred years have seen massive changes in New Zealand society and the Public Service has had to respond and evolve to those changes and ensure the challenges of the day are met. Currently we are in the middle of a period of significant change designed to make sure the Public Service is able to meet today's challenge of improving the services we deliver within tightly limited funding.

These are the most significant changes the Public Service has seen for twenty years and will result in a fundamental re-shaping of how the Public Service works and how services are delivered. A large part of how this change is being delivered is through Better Public Services. Better Public Services is about whole of system change and re-focusing on priority results. A focus on results requires agencies to work together both within sectors and across the entire system and is designed to benefit people and communities in a measurable way.

As Head of State Services I am accountable, along with my Corporate Centre Chief Executive colleagues, for ensuring Better Public Services are delivered. The State Services Commission, working with the Corporate Centre agencies and functional leaders, has a vital role in achieving this change across the State sector. We must model best practice and be an example for other agencies to follow, give advice and support to overcome challenges, and we must also drive change and performance across the sector.

The past year saw a significant focus on re-gearing and re-focusing the Public Service to meet the current challenges and a lot has been achieved. Departments have stepped up their work across sectors and with non-government partners to achieve results and deliver improvements. The Commission too has gone through a period of transformation, including proposals to change the State Sector and Crown Entity Acts, to make sure the organisation is well placed to lead whole-of-system change.

With these changes made the focus for the year ahead is embedding this change and ensuring delivery. The Government has made its priorities clear and the State sector is responding. The response must gain pace and make demonstrable gains against the Government's priority result areas. The focus on delivering Better Public Services and working together across sectors is now business as usual.

Rebuilding after the Canterbury earthquakes is an important priority for the Government and the work to achieve a timely, cost-effective and safe rebuild is continuing to gather pace. No-one is under any illusions as to the scale of the task that still remains but agencies across the State sector are working together to help make the rebuild happen and make the most of the opportunities to improve the facilities and service that government provides in Christchurch.

By driving a focus on achieving priorities and new ways of working across the State services we aim to help government deliver results that will improve the lives of New Zealanders and lead a State sector New Zealand is proud of.



Iain Rennie | State Services Commissioner

April 2013

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.



Iain Rennie | State Services Commissioner
April 2013



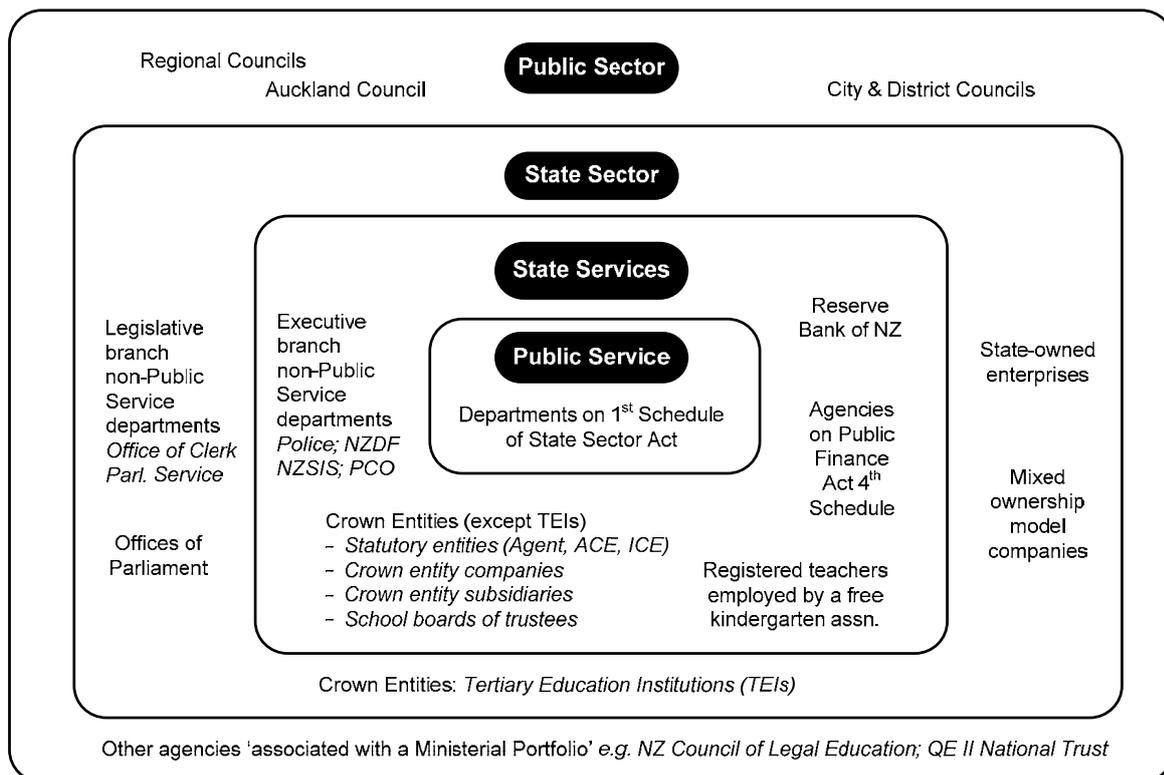
Sara Brownlie | Chief Financial Officer
April 2013

The Nature and Scope of our Functions

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

The State Services are made up of 29 Public Service departments, four non-Public Service departments, the Reserve Bank, 91 Crown entities (approximately 200 Crown entity subsidiaries and about 2,435 school boards of trustees) and 36 other entities listed in the Public Finance Act 1989. About 220,000 people work in the State Services – including 45,444 in the core Public Service departments. This represents around a quarter of New Zealand’s real economy, which makes ensuring maximum effectiveness and impact from their combined efforts and closely managing the costs critical to our country’s economic health and social well-being.

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.

SSC is responsible for driving improvement and change across the system and is accountable for ensuring the success of Better Public Services.

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 strengthen trust and integrity across the State Services by ensuring integrity across New Zealand's State Services is measured, integrity principles are embedded in all of SSC's work supporting the sector, and by providing advice, publishing guidance and actively promoting integrity principles and good practice to employees within the State Services (except Crown research institutes) on matters affecting integrity and conduct.

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

Changes to the State sector legislation

In 2012 the State Sector and Public Finance Reform Bill was presented to the House of Representatives by the Minister of State Services, Hon Dr Jonathan Coleman. The Bill is an omnibus bill aimed at strengthening the management of the State sector and public finances. The Bill has three parts: amendments to the State Sector Act 1988; amendments to the Public Finance Act 1989; and amendments to the Crown Entities Act 2004. SSC is supporting proposals for the State Sector Act 1988, and, in conjunction with the Treasury, the Crown Entities Act 2004. The Treasury is supporting amendments to the Public Finance Act 1989.

The State Sector Act 1988 has not been reviewed as a whole since its enactment. The Bill makes a number of amendments to ensure that the State Services can be reshaped so that they are fit for purpose in today's environment and into the future. The amendments provide a wider range of public sector management tools which will encourage greater collaboration across agencies and looks to improve leadership across the system, sector and at agency level.

Some of the significant amendments to the State Sector Act 1988 and Crown Entities Act 2004 include:

- strengthening the State Services Commissioner's role in leading the State Services
- extending the responsibilities of chief executives, particularly to consider matters relating to the collective interests of government, and stewardship of the Crown's medium to long term interests
- a new organisational arrangement called a departmental agency, which will operate within the policy and funding framework of a host department, but have operational autonomy
- strengthening the alignment of Crown entities by amending the collective duties of Crown entity boards, to ensure that a Crown entity performs its functions 'in collaboration with other public entities where practicable'
- supporting functional leadership by expanding scope for the use of whole-of-government directions
- strengthening the role of the Minister of State Services by enabling the collection of information from Crown entities relating to the Minister's portfolio interests in system-wide capability and performance.

In addition there are a number of technical changes aimed at improving the clarity and the operation of the legislation.

The Bill is due to be passed in the latter half of 2013, with the focus for SSC moving to implementation of these amendments.

Our Strategic Direction

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

SSC is committed to leading a public sector that is working to deliver things that matter most to New Zealanders. A big part of this drive is working with leaders across State Services to set the direction for the system. It is about lifting State sector performance and shaping the way the Public Service works to achieve results that benefit New Zealanders...

Strategic Environment

SSC's strategic direction is set within an environment where the global economic situation still poses significant uncertainty for New Zealanders. The Government and the public have rising expectations about the quality of delivery of services, while operating within capped public spending. As a result of these challenges, the Government is focused on:

- building a strong and stable economy
- responsibly managing the Government's finances
- lifting State sector performance and achieving better services for New Zealanders
- rebuilding Christchurch after the earthquakes.

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

New Zealand operates with an increasingly 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. Technology will play a larger role, particularly as a driver of efficiency. In response, SSC is improving assurance in the areas of ICT and information management.

Supporting the rebuild in Christchurch is a priority for the Government. The Canterbury rebuild is seeing government agencies find new and innovative ways of working together to deliver services to the community more efficiently and effectively. SSC is focused on supporting the Government's efforts in the recovery of Canterbury and learning from the improvements in the delivery of services to the public to see if they can be applied across the State sector.

Strategic Priorities

Better Public Services is a key priority for the Government and the reform programme ensures we are focused on driving tangible actions in key areas and includes:

- a focus on results
- people-centred service design and delivery
- strengthening system leadership
- building capability to deliver services in the best way
- delivering effective spending and efficiencies.

The Government expects to see tangible progress on the 10 Result Areas¹ for New Zealanders. This includes evidence that agencies are working together and reorienting resources and decision-making around delivery of results. To support this it is imperative that SSC provide a different style of leadership, more innovation and improved responsiveness to the needs and expectations of how the State sector performs. Part of this includes continuing to develop and deploy the future leaders of the Public Service to assist.

The Government also expects continued improvement in the management of services and delivery of efficiencies. Services need to be designed with people and business in mind and around their needs. Functional leadership will be important to achieving efficiencies and system wide improvements in the areas of ICT, property and procurement. Efficiencies will also have to be delivered by appropriate management of the Public Service workforce as the Government continues to cap the core government administration to 36,081 full-time equivalent (FTE) positions.

All of this requires change, and the Government is supporting State sector reform to deliver Better Public Services, led by SSC and its Corporate Centre partners. This includes legislative change to provide the Corporate Centre with the tools to drive changes to support the State Services to deliver on these expectations.

Central Agencies Working as the Corporate Centre

To meet the challenges and help deliver on the Governments priorities, SSC, the Treasury and the Department of the Prime Minister and Cabinet, working together as a 'Corporate Centre', are responsible for providing strong and coordinated leadership to improve how the State sector performs. This is done by leveraging the respective strengths and collective expertise of the central agencies to lead and support the State sector to deliver the results that matter to New Zealanders.

The central agencies need to act as a strong and coordinated Corporate Centre to:

- assist State sector agencies to meet New Zealanders' expectations of better public services, delivered in more immediate and flexible ways
- gain better traction on the results that matter most
- increase the efficiency and effectiveness of the State sector to deliver more with less.

In recent years, the central agencies have collaborated on a number of initiatives and issues, including the development of key management and performance tools, such as the Performance Improvement Framework (PIF). These have demonstrated how, together, the central agencies can drive better and higher-performing services and encourage value-for-money improvements, both across the State sector and within the agencies themselves.

¹ <http://www.ssc.govt.nz/better-public-services>

Our Outcomes Framework

To achieve its long-term purpose and deliver on its strategic priorities, SSC works towards one outcome: A higher-performing State sector that New Zealanders trust, delivering outstanding results and value for money.

The outcomes framework aligns with the Government's intentions to lift State sector performance and achieve better services for New Zealanders. The outcome framework outlines:

- SSC's outcome for the sector
- the Government's expectations for SSC
- the impacts SSC intends to make over the next three years
- specific outputs SSC intends to achieve or contribute to.

Supporting the outcome are four pillars that set out the impact of SSC's work. The four pillars are:

- leading the system – a State Service that is innovative, efficient and focussed on results that matter to New Zealanders
- building system capability – a resilient, responsive and adaptable State sector
- delivering performance excellence – a State Services that is performing
- strengthening trust and integrity – a State Service that has high standards of integrity.

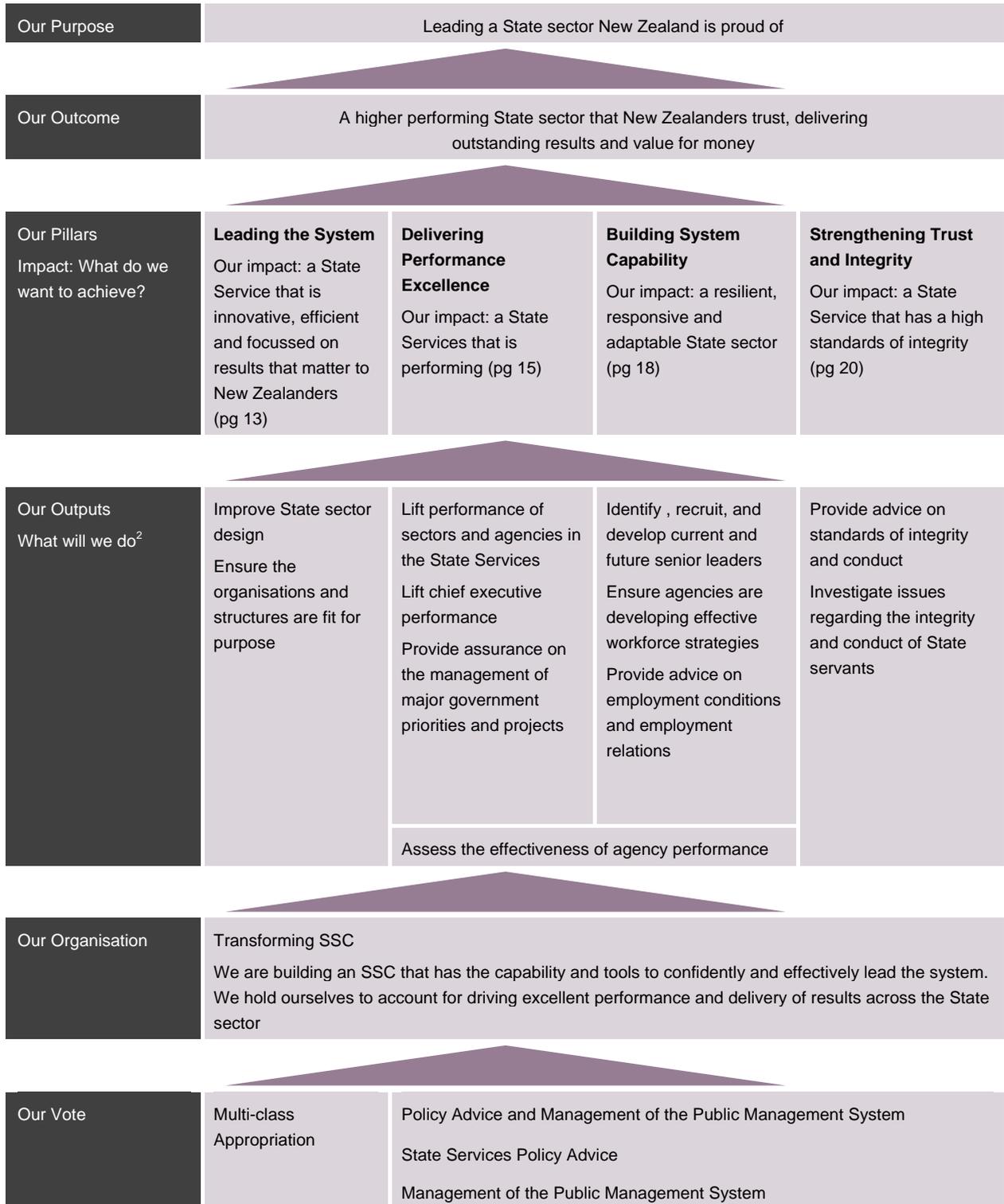
SSC acknowledges that transformational change is needed to ensure it can model expected behaviours, particularly with a focus on results. This 'foundation' pillar, 'Transforming SSC', is outlined in the organisational health and capability work programme (see pages 22 and 23).

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. SSC has developed specific measures and performance targets relating to the key pillars. These can be found in the 2013/14 Budget Estimates documentation.

Our outcome will be delivered through one multiclass appropriation: Policy Advice and Management of the Public Management System. This is supported by two sub categories:

- State Services Policy Advice
- Management of the Public Management System.

The sub categories relate to all SSC outputs to a varying degree, with much of SSC's policy advice focused on the pillar 'leading the system' and the output 'Lift performance of sectors and agencies in the State Services' as we lead a State sector reform programme. SSC's outputs are highly interrelated and complementary to achieving our outcome.



² A full description of each output and what is delivered by SSC is outlined in the operating intentions of the *Statement of Intent*.

Operating Intentions

SSC continues to review and embed a new way of working both as an agency and collectively as the Corporate Centre with our central agency partners. The focus is on results, being proactive, focusing on sectors – not individual agencies – and moving to confident and strategic leadership of the system. This requires a fundamental shift in how the State sector operates and demands new ways of working and operating, in terms of system design, culture and behaviours.

All of this requires change, and the Government is supporting State sector reform to deliver better public services, led by SSC and its Corporate Centre partners. This includes legislative change to provide the Corporate Centre with the tools to drive changes to support the State Services to deliver on these expectations. Leveraging the respective strengths and collective expertise of the central agencies provides a greater collective impact to support the State sector to deliver results that matter.

This section outlines SSC's outputs and its impact in more detail. Many of these outputs have been re-gearred, or are in the process of improving to support the changes needed in the State sector to help drive improved performance. Delivering on the strategic direction and in particular the priorities of improved performance of the Public Services are reflected in the work programme outlined including: implementing Better Public Services; improving leadership development and deployment; and undertaking results assurance and reporting.

The operating intentions are organised by the four pillars. SSC will track progress against the pillars set out below throughout the year, using the performance measures and standards contained in the 2013/14 Budget Estimates documentation.

LEADING THE SYSTEM

What are we seeking to achieve?

SSC is responsible for leading a State Service that is innovative, efficient and focused on results that matter to New Zealanders. This includes looking at whole-of-system opportunities to improve performance, whether through system, structural or functional improvements to the State Services.

SSC will continue to implement Better Public Services, with supporting functional leadership and implementing legislative changes to ensure the levers to lead this change are priorities.

SSC will design and steer a State Services that is innovative, efficient and focused on results that matter to New Zealanders

How will we demonstrate success in achieving this?

Delivery on the result areas, including government expectations, will ensure government and the public are receiving better public services. SSC is working with sectors and agencies, and providing assurance to government, to ensure there is the capability and capacity to deliver on the result areas and address any issues that may arise. Successful delivery on the result areas demonstrates effective leadership from SSC.

This is a multi-year work programme, with 10 State sector results identified. The first report on progress against delivering the priority results will be delivered in mid-2013. In addition we will continue to 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?		
Measures	2012/13 Standard	2013/14 Standard or Target
Increasing percentage of result areas is on track to achieve their targets.	73%	81%
Overall service quality of Public Services improves over time	2012 – 72%	Improvement in the overall service quality score

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 State sector reforms using the mechanisms available to SSC, including those developed as part of the State sector legislative changes proposed as part of the State Sector and Public Finance Reform Bill.

SSC, with its central agency partners, has strengthened its leadership of the reform programme through establishment of an Office of the Head of State Services and Executive Board, and creation of the State Sector Performance Hub to improve design of the State Services.

Improve State sector design

SSC has lead responsibility for improving the design of the State Services. To more effectively deliver on this responsibility, the State Sector Performance Hub was established in February 2013. The Hub is a co-located, central agency policy team that brings together analysts from the SSC and the Treasury to work as a single team. The Hub has been created to draw on capabilities and perspectives across the Corporate Centre to identify what matters most for State sector performance and take action to make change happen where it is needed.

The Hub will have two core roles:

- It will develop our 'big picture' understanding of State sector performance. This includes making better use of the performance information we collect across the Corporate Centre to drive understanding of where the problems are and what is needed to lift performance.
- It will be the architect for the State sector operating system with responsibility for identifying what we should be doing to make the system work better and for ensuring system change programmes are delivered, implemented and the benefits realised.

State sector design priorities being driven by the Hub include functional leadership of ICT, procurement and property and the implementation of changes to the State Sector Act 1988; Public Finance Act 1989; and Crown Entities Act 2004.

SSC will also continue to monitor the cap on the core government administration, which is currently set at 36,081 FTE positions. SSC will engage regularly with organisations and support their implementation of the cap on core government administration by providing information, guidance and advice.

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

SSC plays a critical role in ensuring government organisations and structures 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 1988 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.

In 2013 the State Sector and Public Finance Reform Bill will introduce a new tool called a 'departmental agency', which will encourage greater collaborative working across the system in support of Better Public Services. This will require SSC to ensure that the machinery of government effectively supports the Better Public Services programme.

DELIVERING PERFORMANCE EXCELLENCE

What are we seeking to achieve?

In a period of fiscal constraint, excellent performance is needed to meet rising government and public expectations. To meet these expectations, chief executives will work in new ways where shared interests can be easily identified, problems of mutual interest are jointly solved, and capabilities are recognised and shared to collectively achieve world class front line services that meet the needs of all New Zealanders.

SSC works with chief executives to deliver performance excellence by setting expectations for chief executives, providing support to them and holding them to account for their achievement of performance expectations. The State Sector and Public Finance Reform Bill will change the nature of the development of chief executive's performance expectations. Expectations will be increasingly shaped by the Commissioner's agreement with the chief executive on how chief executive's propose to discharge their responsibilities for stewardship as proposed by the Bill.

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 to deliver better results. It will operate a targeted improvement programme across agencies and sectors, and work as trusted advisors to Ministers and chief executives.

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. SSC will work with agencies to ensure agencies are on track to deliver against the result areas.

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

How will we demonstrate success in 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	2012/13 Standard or Target	2013/14 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'	50% of agencies were assessed as being 'well placed' or 'strong'	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.

Lift performance of sectors and agencies in the State Services

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.

Better Public Services requires a greater focus on results in order to address some of the difficult issues facing New Zealand. The Government has identified 10 results for New Zealanders under five key themes: reducing long-term welfare dependence; supporting vulnerable children; boosting skills and employment; reducing crime; and improving interaction with government.

Public Service chief executives who have a sector lead role are accountable for delivering action plans to address these results and SSC plays a key role in ensuring multi-agency collaboration for those plans and in providing an assurance role for government on delivery against those. This involves working across the Corporate Centre to actively engage with agencies to ensure they are well placed to deliver on results through the provision of advice, challenge and active support.

The Head of State Services has mandated sector lead chief executives, and three functional lead chief executives with the responsibility for leading whole-of-government practice and coordination in three functional areas: property, procurement and ICT. These roles are an important tool for achieving efficiency savings through reduced duplication of effort, resources and expertise. SSC plays a key role in supporting the lead and functional chief executives to deliver better public services. A requirement to drive better public services is also reflected in the expectations set for all chief executives, whether they have a lead or contributory role.

SSC also provides advice to government on State sector reforms and reviews. This advice leverages off SSC's experience and whole-of-system 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.

Lift 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.

A high performing Public Service is dependent on high-performing chief executives' ongoing leadership and talent development. Better Public Services requires a significant shift in leadership with a greater, more collaborative focus on results and sector-first thinking. This needs to be driven and supported by a modern, efficient and credible performance management system.

SSC's performance management process actively supports chief executives to achieve results through real-time feedback and ongoing engagement 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. Expectations provide the platform for driving performance and focus on the impact a chief executive's leadership will have over the medium term, the role they have to play in the delivery of results and key actions for the year ahead. Achievement against expectations is reviewed on an annual basis as part of SSC's performance management approach.

Assess the effectiveness of agency performance

SSC will 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. Increasingly, SSC is changing the focus 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 that 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 examples of strong performance across all elements of the PIF Agency model. Central agencies intend to build on these strengths to support effective practices across the State Services. In the coming year this will be done via the '*How to get to Great*' publication and seminar series. The focus of this series will be on how individual agencies have built strong practice, and ensuring others have access to that information.

In addition to profiling strong practice, there will be a substantial upgrade in the PIF Agency model to reflect the ambition at the heart of better public services and the findings of the *Getting to Great* publication.

Provide assurance on the management of major government priorities and projects

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

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 Projects Monitoring function monitors project risk and provides support to get projects on track if required.

The Gateway methodology more directly contributes towards Building System Capability as its focus is on providing recommendations to agencies to improve the management of their projects and the likelihood of project success.

BUILDING SYSTEM CAPABILITY

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 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 demonstrate success in 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	2012/13 Standard or Target	2013/14 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	29% of agencies were assessed as being 'well placed' or 'strong' for people development	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 development of 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.

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

Identify, recruit 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, developed and deployed to ensure a quality supply of senior leaders for the State Services.

Identifying promising senior leaders means SSC and chief executives will provide targeted development opportunities to talented public servants. This will ensure they have the experiences necessary to develop the skills needed for large

leadership roles. By doing this, SSC can ensure the Public Service is being led by the best, most competent people available and that there is a steady supply of candidates for chief executive positions.

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 also able to lead across sectors to achieve results for New Zealanders.

SSC is committed to continuous improvement and delivering best practice appointment processes that have the confidence of Ministers, chief executives and agencies through the appointment, induction and, in some cases, reappointment of high-quality chief executives. SSC is responsible for ensuring the right people are appointed to meet the demands of a chief executive role.

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 better public services within decreasing baselines. SSC is working with agencies to guide development of agency and/or sector workforce strategies that form part of Four-year Plans, and outline how agencies/sectors will shape the workforce they need to deliver on strategic outcomes within fixed or reducing baselines over the four-year period.

Workforce strategies explore the organisational capability (including culture and change leadership) and people capability and capacity 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.

This work will help SSC to lead the system by providing understanding of the organisational changes required to deliver better public services. SSC will have a stronger system perspective of future workforce pressures, as a base to build strategic workforce capability so agencies are better able to deliver on government priorities. This will include brokering opportunities for collaboration and sharing capability between agencies, and facilitating access to talent from outside the State Services.

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. SSC will work with those agencies required to seek SSC approval to remuneration and bargaining strategies, to ensure these strategies are within the Government's expectations.

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. The remuneration policy for chief executives is being reviewed to ensure that it rewards the behaviours expected from the system changes underway. This includes the focus on delivery of results, of working to increase the collective impact of government and ensuring that departments continue to deliver today and in the future.

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, whilst recognising and rewarding individual performance. To this end, SSC is reviewing the current remuneration policy to ensure it delivers against these expectations.

STRENGTHENING TRUST AND INTEGRITY

What are we seeking to achieve?

SSC sets the standards and advises the State Services on maintaining high standards of integrity. This is 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 support trust and integrity in the State Services and to address emerging trust and integrity risks.

How will we demonstrate success in achieving this?

We will know that our interventions, and those of others, are making the desired impact as New Zealanders rate trust in the public service through the Kiwis Count Survey.

SSC is also looking at undertaking a survey of State servants on their perception of trust and integrity within the State Services in 2013/14. This will indicate how State servants perceive the standards of integrity and conduct in the State Services.

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

Measure	2009	2012	Target
Kiwis Count levels of 'Trust in public services' are maintained or improved	70%	74%	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

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.

Provide advice on 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.

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.

Organisational Health and Capability

SSC continues to align its operating model, deployment of people and other resources with its new business strategy.

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 SSC's organisational structure: it has moved to more appropriate working premises and begun work on a number of organisational development initiatives.

In 2012/13, SSC ran a series of interviews with key stakeholders focused on the value SSC adds, the impact of our new business strategy, and what we could do differently. The feedback provided indicated that SSC had made good progress on its new ways of working – and that there was appetite for even more collaboration, advice and support.

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 continues to be on working with SSC staff to define and develop a culture that enables SSC to better support and lead the State sector. SSC is currently developing its first full workforce strategy. This will focus the Commission on workforce challenges including creating smarter ways to work across teams within the Commission, with our Corporate Centre colleagues and with our partners.

The workforce strategy 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
- maintaining 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 system-leading organisation, a great place to work and an essential development experience for aspiring chief executives and State sector leaders.

How will we demonstrate our success?		
Measures	2012/13 Standard	2013/14 Standard or Target
A high proportion of SSC staff participate in the SSC employee engagement survey.	97% of SSC staff participated	Continued high levels of participation
The SSC employee engagement survey shows meaningful improvement in grand mean results.	Grand mean 3.91	Grand mean of 4.11 or above

Our Processes

SSC will improve its management processes and internal control environment. It is currently carrying out a review of internal policies and putting in place new monitoring and reporting around its internal control environment. The Commission's new risk management framework is also being rolled out and a new approach to external advice and review around risk is being developed. SSC is currently undertaking 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.

How will we demonstrate our success?		
Measure	2012/13 Standard	2013/14 Standard or Target
In Audit's Management report for SSC, SSC systems and controls are rated as at least 'good'	'Good' rating received for: Management control environment; and Financial information, systems and controls 'Needs improvement' rating received for System performance information and associated systems and controls	'Good' rating for all three assessment areas

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 aspects of corporate functions and accommodation costs. Having transferred the majority of its corporate services to Central Agency Shared Services (CASS) in March 2012, the focus is now on bedding down new ways of operating and maximising gains from the new shared services arrangement. SSC has also moved to new accommodation. Success will be measured by scores on BASS surveys over the next three years.

How will we demonstrate our success?			
Measure	2010/11 Standard	2011/12 Standard	2013/14 Standard or Target
Reduce the running costs directed at administrative and support services functions	24.04%	22.84%	Less than 23%

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 SSC's role in lifting performance of agencies, sectors and the system as a whole.

SSC's formal risk management policy is consistent with the international standard ISO31000. Risk management disciplines 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 SSC's 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 on its strategic direction and actively identify and manage any emerging risks that may impact on our ability to deliver.

Risks	Risk Description	Key Mitigations
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	Support 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 Work with sectors, agencies and chief executives to improve performance
SSC is unable to lead the public sector to deliver better outcomes for New Zealanders	Leadership is an important factor to lead whole-of-system change and improve performance. SSC needs to ensure we have the capability, tools and resources to lead the system	Build system leadership capability both within SSC and across the system Implement changes to State sector legislation Develop workforce strategy to improve our people capability to meet our needs
The system is unable to deliver government priorities, including key results	Government has moved to a results-driven focus, with 10 key results that the State Services are expected to deliver on. SSC needs to be 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

Risks	Risk Description	Key Mitigations
A significant performance failure occurs within an agency	SSC through its performance management role with chief executives and agencies has not accurately identified a failure or systemic risk or been proactive in supporting its prevention or mitigation	<p>Active assessment of risks across the system to deal with matters before they become issues</p> <p>Intervening as appropriate and providing proactive support around resolution or mitigation</p> <p>Work with sectors, agencies and chief executives to improve performance to ensure they system is better equipped to deal with issues</p>

Departmental Capital and Asset Management Intentions

The forecast capital expenditure will support the efficient delivery of services as set out in this *Statement of Intent*. The most significant component of our capital programme relates to maintaining our plant, property and equipment.

We will continue to review our capital expenditure requirements at least annually.

	Supplementary Estimates	Mains Estimates	Mains Estimates	Mains Estimates	Mains Estimates
	2012/13	2013/14	2014/15	2015/16	2016/17
	\$000	\$000	\$000	\$000	\$000
Forecast Capital Expenditure					
Furniture and Fittings	50	24	24	24	24
Leasehold Improvements	-	-	-	-	-
Computer Hardware	-	-	-	-	-
Plant and equipment	620	601	601	601	601
Total Plant, Property and Equipment	670	625	625	625	625
Internally Developed Software	-	-	-	-	-
Other Software	170	-	-	-	-
Total Intangibles	170	-	-	-	-

SSC does not own land or buildings. We do fit out our leased office accommodation and we will continue to look at opportunities to reconfigure our working areas to meet the flexibility of our accommodation needs, for example investing in smaller furniture to reduce office accommodation demands per FTE. In addition, to minimise the need for significant un-forecast capital expenditure, we undertake planned annual maintenance of our accommodation assets to ensure they remain fit for purpose and enhance the longevity of these assets.

In March 2012, when CASS was established, SSC transferred its computer hardware or software (categorised as Intangible Assets) to the Treasury as the host agency. CASS are currently preparing an integrated capital plan which will result in a transfer of accumulated cash reserves to fund the replacement of computer hardware and software. At that time the one software item developed during 2012/13 will also transfer to the Treasury.