



Statement of Intent 2002



STATE SERVICES COMMISSION
Te Komihana O Nga Tari Kawanatanga



G.3.SI (02)

Statement of Intent 2002

Presented to the House of Representatives

Pursuant to Section 34A of the Public Finance Act 1989

ISSN 1175-5598

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PREFACE

This is the second year of a journey for the State Services Commission in committing to an outcomes approach to public management. The intention is to provide a stronger and clearer link between good government generally and the results that the Government wants to achieve.

The major outcome and the three intermediate outcomes adopted last year, with a three to five year horizon, have been confirmed for 2002/03. Achieving outcomes takes time, especially when they involve influencing the behaviours of individuals, the performance of agencies and the effectiveness of a complex public management system. This year the Commission will make progress in assessing the achievement of these outcomes.

The priority new work area for the Commission over the coming year is the *Review of the Centre* programme. This programme has a number of facets including:

- achieving better integrated service delivery, particularly where complex social problems are dealt with by multiple agencies;
- addressing the fragmentation and improving the alignment of State sector agencies;
- enhancing the capability of departments, and the Public service as a whole, through better development of their staff and leaders; and
- central agencies exerting more effective leadership across the State sector.

Again, we are jointly signing this Statement of Intent, as the Responsible Minister and the Chief Executive, to signal our agreement that these are the priorities for the State Services Commission for the coming year.

Signed:



HON TREVOR MALLARD
MINISTER OF STATE SERVICES

Signed:



MICHAEL WINTRINGHAM
STATE SERVICES COMMISSIONER

INTRODUCTION

This is the second Statement of Intent for the State Services Commission. It builds on the first Statement of Intent presented last year.

The changes may not be apparent at first glance. The major outcome and three intermediate outcomes remain the priorities for the Commission for 2002/03 and beyond. There has been a minor change in the expression of Outcome 3 to capture better the purpose of New Zealand's public management system.

What is different is that this Statement of Intent provides more detail on how the achievement of the outcomes will be assessed. Last year the Commission was some way away from being able to measure outcome achievement. Considerable effort will still be required in 2002/03 to develop sound and enduring performance indicators and measures.

The organisational capability of the Commission is addressed more explicitly this year. The Commission's last two annual reports have described the changes in the way the State Services Commission will support the State Services Commissioner's statutory and other functions. Restructuring to enable this to happen has been largely completed although some gaps in capability remain.

OPERATING ENVIRONMENT

The operating environment of the State sector, and indirectly the State Services Commission, is shaped by all those factors that will have an impact on New Zealand's social and economic performance, and on its cultural life and physical environment. But there are some particular currents which have, and will continue to have, a more direct impact on the priorities and performance of the State sector. These include:

- profound demographic change which will accelerate over the next 20 years. Our population will become older and ethnically more diverse;
- the continued growth of Auckland as a major metropolis and the gateway to New Zealand will place increasing pressure on government services ranging from customs clearance and immigration services through health and other social service delivery;
- some unlooked-for effects of globalisation, including an increased likelihood that organised crime will place new pressures on some parts of the Public Service to act corruptly;
- a more pluralist society, which results in greater diversity of personal values among those with whom the Public Service interacts, and more varied career aspirations among those whom the Public Service employs;
- a labour market that is becoming more global and more accessible to New Zealanders with sought-after skills;
- a more complex political environment, particularly since the introduction of MMP in 1996;
- a Public Service that is more efficient than a decade ago, but arguably, whose long-term investment in people and infrastructure has not kept pace with the demands made upon it;
- increased expectations of quality service from citizens, combined with an erosion of trust by citizens in the institutions of government; and
- rapidly-changing technology, particularly in information and communications, which provides new opportunities and imposes new management challenges.

There is a fundamental tension in adapting and responding to these challenges. On the one hand, more tailored and individualised service to our citizens is more often expected, may produce better outcomes, and is enabled by technology. On the other hand, moving away from a 'one size fits all' approach to service delivery can introduce complexity and jeopardise some of the efficiency gains of the last decade or more.

It is against this context that the State sector is challenged to demonstrate high ethical standards and shared values, perform well by doing the right things cost-effectively and, as a system, capitalise on technology, invest in the future, and encourage both innovation and collaboration.

WORK PROGRAMME

This Statement of Intent takes account of the independent statutory responsibilities of the State Services Commissioner as well as other programmes. It recognises both business as usual and major, one-off initiatives, some of which will place heavy demands on the Commission in 2002/03. For example:

- the delivery of the government portal near the beginning of the year is a major milestone in implementation of the e-government strategy;
- the implementation of the recommendations arising from the *Review of the Centre* will begin to show results during the year;
- the senior management development strategy moves from design to implementation; and
- the values and standards programme will expand beyond the Public Service into the State sector.

This year is an election year. This will place particular demands on the Commission to help the State sector respond to the requirements and priorities of the government of the day while maintaining New Zealand's long tradition of a politically neutral Public Service.

Many things influence the Public Service environment. It is easy to concentrate

on responding to issues as they arise. It is more difficult to identify and respond to changing expectations of citizens. As stated in the last Annual Report of the State Services Commissioner¹, the view of government from the regions is very different from the Wellington view. Knowing and understanding the needs and expectations of citizens will become increasingly important for the Commission as it seeks to develop a responsive, values based, 'citizen aware' State sector.

The full work programme of the Commission is set out in the Output Agreement between the Minister of State Services and the State Services Commissioner.

MAJOR OUTCOME

The ultimate measure of success of those in government and public service who have a role in determining the way in which the State sector operates, is that:

The Government and citizens of New Zealand see a trusted and high performing State sector:

- delivering the right things;
- at a fair price; and
- in a spirit of service.

This major outcome remains the Commission's *raison d'être*. It requires that the Government and citizens 'see' the performance; their perceptions cannot be separated from any test of performance.

Integrity and outreach to citizens, as well as efficiency and effectiveness, are cornerstones of trust in public institutions and effective government.

This is a statement about Public Service departments, Crown entities and other statutory bodies achieving results, as well as stretching the public dollar.

The spirit of service is a core value of the State sector, given equal weight in the State Sector Act to the requirements of good management.

Building trust with, and delivering the right things to achieve the right outcomes

¹ *Annual Report of the State Services Commission 2001, including the annual report of the State Services Commissioner. For the year ended 30 June 2001, page 17.*

for, all citizens requires State sector organisations to be effective for Māori as citizens and parties to the Treaty.

For this outcome to be achieved:

- our public management system must perform well;
- the individual organisations within the system must perform well; and
- public officials must share sound values.

Each of these is reflected in the three intermediate outcomes to which the State Services Commission will make a major contribution.

PUBLIC SERVICE OR STATE SECTOR?

This Statement of Intent addresses a fundamental issue relating to the responsibility and mandate of the State Services Commissioner – the role of the Commissioner in the Public Service and State sector respectively.

The Public Service comprises the 36 departments listed in the First Schedule to the State Sector Act². The State Services Commissioner appoints, and reviews the performance of, chief executives of 34 of these departments (excluding the Solicitor-General and, of course, the State Services Commissioner). The State Services Commissioner has a number of statutory powers in relation to these important functions, including the power to appoint and dismiss chief executives, to review chief executive and departmental performance, to set standards of conduct and integrity, to obtain information from departments and to carry out investigations.

The State sector includes the 36 Public Service departments, as well as a range of other government organisations including non-State Sector Act departments, Offices of Parliament, Crown entities, State Owned Enterprises, and the Reserve Bank. The powers of the State Services Commissioner, and his ability to affect the performance of these organisations, are much more constrained than for the Public Service departments.

² *The First Schedule of the State Sector Act lists 38 departments. However, the Department of Social Welfare and the Department of Work and Income have been amalgamated, and are known as the Ministry of Social Development. The Schedule also lists both the Ministry of Justice and its predecessor, the Department of Justice.*

This is dealt with in the Statement of Intent in three ways:

- although the major outcome refers to the State sector, the three intermediate outcomes that follow primarily refer to the Public Service;
- the window to the major areas of the Government's business that are carried out through Crown entities – in education, health and transport especially – is through the respective departments, and the performance of those departments in maintaining effective relationships with the Crown entities on behalf of the responsible Minister(s); and
- in some areas through direct engagement with Crown organisations other than departments e.g. in contract and remuneration arrangements for the chief executives; in assisting in the appointment of their chief executives; and in the wider roll out of the values and standards training programme.

But this remains an indirect relationship for the Commissioner. This poses a risk of events in a Crown entity undermining political and public confidence in the State sector as a whole.

INTERMEDIATE OUTCOMES

Given the major outcome to be achieved, and recognising the constraints on the State Services Commissioner's role in the State sector other than in 36 departments, there are three intermediate outcomes that the Commissioner will deliver. Each of these outcomes is elaborated with a brief explanatory rationale and context.

Broadly speaking, the first outcome is concerned with individual behaviours of public servants and State sector employees; the second outcome with the performance of departments; and the third with the effectiveness of the public management systems.

A number of actions or interventions to achieve each goal are listed. Although these actions constitute most of the 2002/03 work programme of the Commission, many of the interventions are on-going activities or programmes. For example, the appointment and reappointment of chief executives is an on-going activity

funded by a multi-year appropriation. The support and performance management of chief executives is an on-going intervention, although specific activities related to individuals will vary from year to year. Likewise, the values and standards programme is an on-going programme, although individual projects will change from year to year. Whereas the interventions related to the implementation of the *Review of the Centre* are for a shorter term.

Achieving the three intermediate outcomes is not totally within the control of the State Services Commission. Some of the interventions involve collaborative work across a number of agencies. For example, the *Review of the Centre* interventions involve collaboration of other central agencies and individuals in other departments and agencies. Likewise, Outcome 1 is concerned with individual behaviours of all public servants; therefore the achievement of this outcome is ultimately beyond the direct control of the Commission. However, the interventions are designed to marshal the Commission's influence, powers and responsibilities to achieve the outcome.

Other routine business of the Commission is included following the outcome statements.

ASSESSING AND REPORTING ON PERFORMANCE

This year the Commission has started developing performance information by which the intermediate outcomes can be assessed. This will form the basis for outcome reporting at the end of the year.

The Commission has approached the task of developing this information with the following underlying principles:

- The Commission will use some or all of three approaches - target-focused, benchmarking-comparative; and learning - where they are relevant. Complete attribution or linear causality is not possible, but over time the clarity of the logic between intervention and outcome will be tested and improved.

- All performance measures require enquiry and interpretation, and can be as much the ‘question’ as the ‘answer’.
- The Commission will select a few performance measures that capture the material impacts or change aimed for rather than a large number of measures that cover all aspects of its business.
- It can take a long time to develop performance information. In many of our areas of interest we will develop specific measures during this year, and building a database of performance information will proceed from that. Quantitative and qualitative data are both valid and reliable. The Commission will test indicators and measures with stakeholders as they are developed.
- The Commission prefers to use the data used by departments to manage their own organisations. The Commission does not wish to add burden to these systems. The Commission wishes to build from departments’ own assessment of their management performance.
- The performance information presented for each outcome describes three levels of assessment:
 - The outcome – where the impact on the citizen or Minister will be assessed;
 - The system – where the integrity or behaviours will be assessed; and
 - The interventions – where the levers the Commission has available will be assessed.

OUTCOMES - ACHIEVING RESULTS

MAJOR OUTCOME

The Government and citizens of New Zealand see a trusted and high performing State sector:

- *delivering the right things;*
- *at a fair price; and*
- *in a spirit of service.*

OUTCOME 1

Public servants carry out the business of government with:

- *shared values;*
- *high ethical standards; and*
- *in a spirit of service.*

OUTCOME 2

Chief executives and senior managers of departments:

- *achieve results;*
- *invest for the future;*
- *work effectively together;*
- *inform public debate on the big questions facing New Zealand; and*
- *act always with integrity.*

OUTCOME 3

Our system of public management supports achievement of results:

- *now and in the future; and*
- *for citizens and the Government.*

INTERMEDIATE OUTCOME 1

Public servants carry out the business of government with:

- shared values;
- high ethical standards; and
- in the spirit of service.

RATIONALE AND CONTEXT

- Shared values are important glue to bind any system or organisation in ways that will make it more effective.
- The government and citizens base their judgements of State sector performance on actions and observed behaviours. For the State sector to be seen as trusted and acting in a spirit of service, the actions of public servants must visibly reflect the values of political neutrality, honesty, integrity and professionalism.
- Many Government functions rely heavily on voluntary compliance by citizens – the tax system, for example, would be much more expensive to operate without it. That voluntary compliance depends in large part on public perceptions that the system is fair, and that the people who operate it are honest and will not abuse their positions. It is vitally important therefore that public servants behave, and are seen to behave, honestly and in accordance with a set of values that the public regards as appropriate for its paid officials.
- There is a public perception that Public Service values are declining. Media reports of incidents such as large payouts to Board members and the selling of personal information held by Public Service departments reinforce this perception.
- The operations of the Public Service affect many aspects of citizens' lives; some of the services involve a degree of coercion (e.g. collecting fines) or intrusion (e.g. gathering of information). Again, citizens want to be sure

that those powers will be wielded honestly, and to serve citizens' best interests. Citizens therefore want public servants to display a clear sense of service.

- The State Services Commissioner is the primary steward of the values and standards of the State sector. The interventions described in this Statement of Intent give practical expression to the support of this role by the Commission. They will change and adapt over time as the State sector responds to the programme described below.
- OECD has ranked New Zealand highly as having an integrity-based ethics regime. This also links with the high rating given by Transparency International for being corruption free.
- The Commissioner's values/standards/services model is based on encouraging and adopting behaviour through the stages of:
 - Public servants *support* the objective of an open and equitable democratic system that encourages participation with minimal coercion and compliance;
 - Public servants are *aware* of values and standards that are necessary to achieve that objective;
 - Public servants are *discussing* values and standards;
 - Public servants are *living* values and standards; and
 - Public servants are *leading* values and standards.
- Awareness and understanding are insufficient unless they are reflected in behaviours.

INTERVENTIONS

To achieve this outcome, the Commissioner will:

- a Design and implement a programme to reinforce core values for Public Service departments based on good research, that includes political neutrality, conflicts of interest, and guidance for State servants in election year;

- b Assist departments to use this resource in carrying out their day-to-day business;
- c Recruit chief executives who can lead values and standards in government departments;
- d Ensure that the senior management development programme (see Outcome 2) explicitly incorporates Public Service values;
- e Facilitate the sharing of best practice in the promotion and reinforcement of Public Service values between departments;
- f Take opportunities to communicate clear messages on values and standards to wider audiences, especially those who deal with the State sector; and
- g Raise awareness of, and foster discussion on, values and standards with selected State sector organisations.

Interventions delivered to achieve Outcome 1 also contribute to Outcomes 2 and 3.

PERFORMANCE INFORMATION FOR OUTCOME 1

Preamble

- This outcome is about the ethical behaviour of public servants and State sector employees. Understanding and attitudes are fundamental, but it is the behaviour as it is seen and experienced by citizens that counts.
- The Commission will assess performance primarily through the information that departments themselves collect to provide assurance that ethics, values and standards are high.
- The major development task for 2002/03 will be to agree with departments on the collection of data that enables them to manage effectively this aspect of their business, and to use this data to provide a picture of the Public Service as a whole.

<p>IMPACT</p> <p>Citizens experience excellent service and trust public servants</p>	<p>PUBLIC SERVICE IS NOT CORRUPT</p> <p><i>Data source:</i> Transparency International:</p>	<p>CITIZENS TRUST PUBLIC SERVANTS</p> <p><i>Data source:</i> World Values Survey, OECD measures</p>	<p>CITIZENS EXPERIENCE EXCELLENT SERVICE</p> <p><i>Data source:</i> The customer satisfaction surveys of departments; World Values Survey</p>
	<p><i>Measures to be developed based on the Transparency International corruption index</i></p>	<p><i>Measures to be developed based on available data sources</i></p>	<p><i>Measures to be developed based on the collation of customer service satisfaction from departments</i></p>

<p>PUBLIC SERVANTS' BEHAVIOURS</p> <p>Are public servants (and State sector employees) behaving in the desired manner?</p>	<p>CRITICAL INCIDENTS MONITORED</p> <p><i>Data source:</i> Departmental database including Crown entities</p>	<p>QUALITY OF SERVICE IS HIGH</p> <p><i>Data Source:</i> Departmental assessment and reporting, including Crown entities</p>	<p>EARLY INTERVENTION TO REWARD AND CORRECT IS EFFECTIVE</p> <p><i>Data source:</i> Departmental management data including Crown entities</p>
	<p><i>Measures to be developed with departments</i></p>	<p><i>Measures to be developed with departments</i></p>	<p><i>Measures to be developed with departments</i></p>



<p>THE LEVERS</p> <p>Are the Commission interventions contributing to these behaviours?</p>	<p>EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM</p> <p>Commission specifies, assesses and rewards the management of ethics in their departments by chief executives</p>	<p>SELECTION AND RECRUITMENT OF CHIEF EXECUTIVES</p> <p>Commission chooses people of integrity who lead ethically</p>	<p>EFFECTIVE DEPARTMENTAL MANAGEMENT SYSTEMS</p> <p>Commission supports management systems that intervene early and deal promptly with lapses</p>
	<p><i>Measures to be developed based on chief executive assessments</i></p>	<p><i>Measures to be developed</i></p>	<p><i>Measures to be developed with departments</i></p>

INTERMEDIATE OUTCOME 2

Chief executives and senior managers of departments:

- achieve results;
- invest for the future;
- work effectively together;
- inform public debate on big questions facing New Zealand; and
- act always with integrity.

RATIONALE AND CONTEXT

- For departments to achieve results they need highly skilled and experienced people as leaders. Good selection, appointment, support and performance management of chief executives of Public Service departments will help achieve results for the Government.
- The restructuring of the Commission over the last couple of years aims at a greater level of support and engagement with chief executives and senior managers of each department. The change in emphasis is from a backward-looking compliance approach to a more supportive approach for outcome-based management. This should be more likely to help achieve results for the Government and citizens.
- The development of senior managers, both as a pool of potential candidates for future chief executives, and as leaders of their departments and the Public Service in their own right, requires more active leadership from the centre.
- Within departments the quality of recruitment and development of people determines the quality of senior management in the future. The Commission can support this investment by researching and reporting

on trends in human resource capability within the Public Service, and recommending or brokering best practice in human resource practice and systems.

- Although chief executives of departments have statutory responsibility for the business of their departments, there are few functions within Government that are undertaken in isolation. The Commission has a role to facilitate effective collaboration between chief executives, senior managers and departments.
- This outcome recognises explicitly that many chief executives must actively develop public awareness of, and assist public debate on, the 'big issues' facing New Zealand. This requires skill and judgement. The Commission has a role to encourage and support chief executives in this role to help provide space for these opportunities to be taken.
- It is not enough for chief executives and senior managers to be efficient and effective; they must always behave with integrity.

INTERVENTIONS

To achieve this outcome the Commissioner will:

- a Appoint Public Service chief executives with the skills to do the job, and provide induction and support to ensure a smooth transition into these positions;
- b Support and performance manage Public Service chief executives, as individuals, to help them achieve results and grow the capability of the senior ranks of the Public Service;
- c Support the chief executives and senior management of departments in assessment and feedback (including to Ministers) of the strategy, capability and performance of their departments;

- d Implement a new approach to senior management development for current and potential senior managers in the Public Service based on new standards and institutional arrangements, including partnership(s) with tertiary institution(s);
- e Lead the refinement of the Public Service planning, reporting and accountability system, to focus more on longer term outcomes and capability, including intensive support for the roll-out of the Statement of Intent planning process to remaining departments;
- f Lead the implementation of the Government's decisions on the *Review of the Centre*, especially those relating to more effective organisational arrangements in the Public Service, better regional coordination, and the identification, promotion and leadership of opportunities for whole-of-government approaches;
- g Provide research, evaluation and statistical monitoring to improve the information base on which Public Service (and in some cases State sector) human resource planning is based, and develop a Public Service wide human resource framework;
- h Lead the e-government programme to ensure that technology is applied to serve citizens better, enable government administration to be more efficient, and to promote greater citizen participation in the processes of government;
- i Provide personal leadership to the Public Service, in which the Commissioner will model the contribution to public debate expected of departmental senior management teams; and
- j Lead the interventions relating to ethical conduct and integrity of public servants, as set out for Outcome 1. These interventions also contribute to the achievement of the 'act with integrity' element of Outcome 2.

Interventions e, f, g and h are major contributions to the achievement of Outcome 3 (see below).

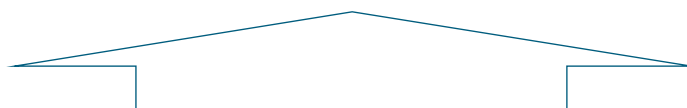
PERFORMANCE INFORMATION FOR OUTCOME 2

Preamble

- This outcome is about the performance of chief executives and senior managers, and their departments.
- The Commission will focus on the contribution of chief executives and senior managers to the achievements of departments.
- The Commission will assess the contribution of chief executives and senior managers primarily by looking at their behaviours.
- The Commission will assess its own impact upon these desired and actual achievements by looking at how effectively it has intervened upon the key levers.
- Measures of integrity are covered in Outcome 1; an enabling public management system is covered in Outcome 3.

<p>IMPACT</p> <p>Are we achieving the overall impact we seek in terms of chief executive performance?</p>	<p>SATISFACTION OF STAKEHOLDERS WITH CHIEF EXECUTIVE PERFORMANCE</p> <p><i>Data source:</i> Minister feedback, other independent views and benchmarks</p>	<p>ACHIEVEMENT OF INTERMEDIATE OUTCOMES IN STATEMENTS OF INTENT</p> <p><i>Data source:</i> Departmental reports to Parliament on Statements of Intent</p>
	<p><i>Measures to be developed based on the satisfaction of Ministers and other stakeholders</i></p>	<p><i>Measures to be developed based on the achievement of outcomes in annual reports</i></p>

<p>CHIEF EXECUTIVE BEHAVIOURS</p> <p>Are chief executives behaving in the desired manner?</p>	<p>QUALITY OF LEADERSHIP - RESULTS, COLLABORATION AND PUBLIC DEBATE</p> <p><i>Data source:</i> External and internal feedback and assessment by Deputy Commissioners</p>	<p>STEWARDSHIP INCLUDING INVESTMENT</p> <p><i>Data source:</i> Stakeholder feedback, incident analysis and assessment by Deputy Commissioners</p>	<p>INTEGRITY AND VALUES</p> <p>(assessed as part of Outcome 1)</p>
	<p><i>Measure to be developed</i></p>	<p><i>Measure to be developed</i></p>	



<p>THE LEVERS</p> <p>Are Commission interventions contributing to these behaviours?</p>	<p>EFFECTIVE ATTRACTION AND SELECTION OF CHIEF EXECUTIVES</p> <p><i>Data source:</i> Commission data e.g. length of short list, quality of candidates</p>	<p>EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM</p> <p><i>Data source:</i> Chief executive and Minister feedback on incentives and rewards, and Commissioner feedback</p>	<p>ENABLING PUBLIC MANAGEMENT SYSTEM</p> <p>(assessed as part of Outcome 3)</p>
	<p><i>Measures to be developed based on Commission data</i></p>	<p><i>Measures to be developed based on feedback from chief executives</i></p>	

INTERMEDIATE OUTCOME 3

Our system of public management supports achievement of results:

- now and in the future; and
- for citizens and the Government.

RATIONALE AND CONTEXT

- The New Zealand public management system is an interlocking set of relationships, processes, conventions and statutory arrangements that shape the way the State sector functions. It involves six major building blocks:
 - *the design of the State sector* - how the Government determines the number and type of agencies in the State sector and the allocation of functions to them;
 - *the strategy-setting system* - how the Government decides and prioritises what the State sector should do;
 - *the accountability system* - how the Government ensures that its agencies do the right things and are held accountable for their performance;
 - *the resource allocation system* - how the Government assembles, deploys and accounts for its resources - financial, physical and human;
 - *values and culture* - the standards, systems and understandings that shape how government agencies do things, and how individual public servants behave; and
 - *the triangular relationship between the community, politicians and the State sector* - the roles and responsibilities of each party to this relationship; the balance between them; and the means by which they manage their interactions.
- Ideally the public management system should be:
 - *effective* - if it does not deliver good results, then there is no point in having it;

- *efficient* - there are always more demands on the Government than there are resources available. Therefore it must get the maximum impact from everything it does;
 - *affordable* - since it is mostly citizens' taxes that pay for the operation of the State sector, the cost of the system should be as low as possible, consistent with effectiveness;
 - *participative* - since the system serves the government of the day, which serves the citizens, it is important that citizens have ways to influence the performance of the system and the agencies within it;
 - *adaptive* - the system should adapt, with minimal disruption, to meet the changing needs of citizens and governments;
 - *based on integrity* - because the effectiveness and cost of much government activity depends on voluntary compliance, and because voluntary compliance depends on citizens trusting the agencies of government, it is important that the system demonstrates and protects the integrity that enables trust;
 - *aligned* - because many of the problems that concern governments and citizens are now too complicated to be solved by one agency acting alone, it is important that the system ensures that public servants look beyond their own agencies, and that decisions are taken with the broader interests of the Government and the country in mind.
- The Government has made some decisions about the development of the public management system after a review last year. The Commission is the lead agency for the implementation of these decisions.
 - Ministers and citizens are interested in results. Encouraging departments to focus on results also encourages departments and other stakeholders to interact and work together.

INTERVENTIONS

To achieve this outcome, the Commissioner will:

- a Lead the Public Service;
- b Lead the implementation of the Government's decisions on the *Review of the Centre*, especially those relating to more effective organisational arrangements in the Public Service, better regional coordination, and the identification, promotion and (if necessary) leadership of opportunities for whole-of-government approaches;
- c Lead the refinement of the Public Service planning, reporting and accountability system, to focus more on longer term outcomes and capability including intensive support for the roll-out of the Statement of Intent planning process to remaining departments;
- d Provide research, evaluation and statistical monitoring to improve the information base on which Public Service (and in some cases State sector) human resource planning is based, and develop a Public Service wide human resource framework;
- e Lead the e-government programme to ensure that technology is applied to serve citizens better, enable government administration to be more efficient, and to promote greater citizen participation in the processes of government;
- f Advise boards of Crown entities on chief executive terms and conditions of employment; and
- g Maintain the Cabinet Fees Framework, and advise Ministers and administering departments on the fees and allowances paid to members of governing and advisory bodies.

Interventions delivered to achieve Outcomes 1 and 2 contribute to the achievement of Outcome 3.

PERFORMANCE INFORMATION FOR OUTCOME 3

Preamble

- This outcome is about the system performance in terms of results. It does not focus on behaviours.
- It is not possible to attribute improvements in system performance directly to the Commission, but it is possible to show that the choice of intervention is logical and implemented successfully.
- There are many aspects of the public management system upon which the Commission advises, but the big step required in the next few years is the focus on results.

<p>IMPACT</p> <p>Are we achieving the impact we seek - a public management system that fosters good results for citizens?</p>	<p>A SYSTEM WHICH HELPS PRODUCE GOOD RESULTS FOR CITIZENS</p> <p><i>Data source:</i> World Values Survey, chief executive feedback, Ministerial feedback</p> <hr/> <p><i>Measures to be developed based on citizens' perception that the Government is achieving desired results; actual results achieved against Statements of Intent; and citizen and Ministerial satisfaction.</i></p>
<p>SYSTEM INTEGRITY</p> <p>Is the system functioning well to achieve these outcomes?</p>	<p>Chief executives are made responsible for planning for outcomes and are gradually made accountable for intermediate outcomes, as well as outputs.</p> <hr/> <p><i>Measures to be developed.</i></p>
<p>THE LEVERS</p> <p>Are Commission interventions contributing to this system integrity?</p>	<p>The Commission successfully alters the accountability, strategy-setting and resource allocation system to focus on outcomes as well as outputs and sets up effective incentives to achieve this.</p> <hr/> <p><i>Measures to be developed based on positive impact from evaluation of Statements of Intent roll-out, positive perceptions of Ministers and chief executives.</i></p>

OTHER BUSINESS

Around 85% of the Commission’s effort will be directed to supporting the Commissioner achieve the intermediate outcomes. However, the Commission has other responsibilities. They must be done well. In many cases they require dedicated staff and specialised skills. They include residual and other services arising out of Public Service restructuring, required by statute or Cabinet minute, or those that are fully funded by third party revenue. They are:

- the management of records and residual liabilities arising from the activities of now disestablished government departments;
- the provision of administrative support for the Mainstream Supported Employment Programme;
- the provision of accounting services for some small Public Service departments;
- services of the Public Sector Training Organisation (PSTO); and
- ad hoc reviews undertaken on behalf of the Prime Minister or other Ministers.

RISK MANAGEMENT

The management of both risk and opportunity is central to the Commission’s business. A lot of the State sector is beyond the direct reach of the State Services Commissioner, as noted earlier, but public servants will need to think beyond departmental boundaries if they are to do their jobs with flair and innovation. Innovation entails risk but over-control constrains innovation. It is a fine balancing act for the Commission and departments to take opportunities, while retaining credibility and the trust of both the Government and citizens.

There are both external and internal sources of risk. There are three main risks to the achievement of the State Services Commission’s intermediate outcomes.

- 1 Performance failure, or the perception of failure, in a department or Crown entity may undermine public confidence in State sector capability and performance.

- 2 In some areas there may well be a mismatch between the demands of a complex and challenging government programme and the leadership, management or policy development capabilities of particular departments and groups of departments.
- 3 There is the risk that Commission capability itself fails to match the requirements of the programme outlined in the outcomes.

The way in which each of these risks will be managed is inherent in the interventions related to the three outcomes and investment in change within the Commission over the coming year.

- The interventions for Outcome 1 on values and standards are specifically intended to improve the integrity and effectiveness of public servants.
- The performance management approach of Outcome 2 that reinforces the link between chief executive and departmental performance is intended, over time, to lessen the risk of performance failure through better leadership, management systems, information and early warning systems.
- Improved collaboration and collective responsibility to deal with complex and demanding issues to improve overall performance is a major aspect of both Outcomes 2 and 3.

CAPABILITY

The interventions to achieve outcomes in this Statement of Intent require:

- staff who have relationship skills and the respect of chief executives, their departments and Ministers;
- excellent internal processes that support staff in doing their work;
- knowledge transfer and learning;
- collaborative working arrangements – both internally and externally;
- management of the important over the urgent;

- credible techniques for the assessment of results, strategy and capability; and
- good communication – both internally and externally.

The Commission's strengths lie in:

- people who, in general, have the skills to achieve the interventions intended to achieve the outcomes in this Statement;
- a recently designed structure to better support the Commissioner and give effect to the outcomes;
- institutional knowledge and several innovative approaches;
- resources properly directed to the interventions;
- processes that, in general, support staff to achieve results that are credible to both Ministers and departmental chief executives;
- a culture (albeit developing) that values and exercises the skills of all internal resources and working with external agents; and
- a Statement of Intent that genuinely reflects our priority outcomes and that staff 'own'.

Capabilities that we need to enhance the opportunities for the Commission to excel over the next three to five years are:

- investing in staff training so they all meet or exceed the Commission's required competencies;
- growing a more proactive risk management culture – we need to anticipate risk, responding to live issues is not good enough;
- taking some risks – trying new ways of working with others, especially front line public servants away from head offices of departments, to get the best collective results;

- resources for greater interactions with regional offices of other departments;
- building relationships and working collaboratively with other agencies;
- developing techniques, including the development of benchmarks, to assess our performance against this Statement of Intent;
- taking a hard look at our internal systems and policies to make sure they match up to what the Commissioner needs and are embedded in practice;
- to manage our institutional and other knowledge. This will require investment of time and a shift in culture to one that values knowledge - sharing and learning both internally and externally; and
- resources and appropriate allocation systems to align what we have got with what we need depending on agreed priorities.

Priorities for the 2002/03 year are:

- developing techniques, including the development of benchmarks, to assess our performance against this Statement of Intent;
- improving our institutional and other knowledge management;
- investing in staff training, especially in priority areas of Māori responsiveness, strategic listening and questioning, relationship building and management, client focus, internal consultancy, assessment skills and oral and written communication; and
- reviewing the following internal systems and policies: human resource policies, information management systems, risk management reporting and financial systems (associated with the installation of a new Financial Management Information System).

BRANCH ROLES AND RESPONSIBILITIES

DEPUTY COMMISSIONER TEAMS

The four Deputy Commissioner teams are:

- centres of excellence on matters related to Public Service department design, strategy, capability and performance; and
- lead the performance management (within the framework of the State Sector Act and the Public Finance Act) of chief executives.

CHIEF EXECUTIVES BRANCH

The branch maintains core expertise in support services for Public Service chief executive selection and appointment, and manages terms and conditions of employment. They are:

- a centre of excellence on matters relating to the leadership of Public Service departments, including competency profiling, assessment and selection, career development, job evaluation and performance pay, and senior leadership and management development;
- a provider of internal human resource consultancy services to other branches of the Commission, especially the Deputy Commissioners;
- advisors on terms and conditions of employment of Crown entity chief executives and administer the fees framework for Crown entities and advisory bodies.

STRATEGIC DEVELOPMENT BRANCH

The branch has expertise in:

- strategic machinery of government;
- strategic human resources, employment relations and equal employment opportunities; and
- values and ethics

in order to:

- be a centre of excellence and leadership in strategic human resources, public management systems and Public Service culture; and
- provide high quality thinking and analysis to both the Government and internally.

E-GOVERNMENT UNIT

This unit is focused on:

- being a centre of excellence on all matters related to the way in which technology can deliver better government; and
- leading the New Zealand E-government Strategy.

LEGAL BRANCH

This important service:

- supports the Commissioner in the exercise of his statutory functions; and
- will strengthen its role in providing proactive whole-of-government advice.

CORPORATE SERVICES BRANCH

The Branch is:

- a centre of excellence in business planning, financial management, information services and human resource services for the Commission; and
- supports the business of the Commission with cost effective and responsive service.

FINANCIAL STATEMENTS

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

STATEMENT OF RESPONSIBILITY

The forecast statements for the State Services Commission for the year ending 30 June 2003 contained in this report have been prepared in accordance with section 34A of the Public Finance Act 1989.

The State Services Commissioner as the Chief Executive of the State Services Commission acknowledges, in signing this statement, that he is responsible for the forecast financial statements contained in this report.

The financial performance forecast to be achieved by the Commission for the year ending 30 June 2003 that is specified in the Statement of Objectives is as agreed with the Minister of State Services who is the Minister responsible for the financial performance of the Commission.

The performance for each class of outputs forecast to be achieved by the State Services Commission for the year ending 30 June 2003 that is specified in the Statement of Objectives is as agreed with the Minister of State Services who is responsible for the Vote administered by the Commission.

We certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2003 which are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:



MICHAEL WINTRINGHAM
CHIEF EXECUTIVE
22 APRIL 2002

Countersigned:



NEVILLE MACINDOE
CHIEF FINANCIAL OFFICER
22 APRIL 2002

INTRODUCTION AND HIGHLIGHTS

Summary of Prospective Financial Statements

For the year ending 30 June 2003 the Commission expects:

- to earn \$22.788 million in revenue from the Crown and \$2.508 million from others for the purchase of services. These will be supplied under the five output classes, which are detailed in the Statement of Objectives – Output Performance;
- to incur expenses of \$25.296 million in providing these services; and
- to receive a capital injection of \$3.5 million from the Crown to fund the development of e-government systems.

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

- \$4.057 million for benefits and other unrequited expenses for people on the Mainstream Supported Employment Programme;
- \$11.500 million for other expenses. Of this amount \$11.280 million is for the payment of salaries and costs relating to the employment of Public Service chief executives. The remainder (\$0.220 million) is for the settlement of legal liabilities of now disestablished departments.

The Commission expects to collect, on behalf of the Crown, \$8.248 million from government departments for reimbursement of the costs of chief executive salaries. Details of what the appropriations will be spent on appear in Parts B1, B2, C and D of Vote State Services in the 2002/03 Estimates.

FINANCIAL HIGHLIGHTS

<i>All GST exclusive</i>	2001/02		2002/03
	<i>Budgeted</i>	<i>Estimated Actual</i>	<i>Budgeted</i>
	\$000	\$000	\$000
Revenue Crown	19,651	20,513	22,788
Revenue other	2,508	2,084	2,508
Output expenses	22,159	22,597	25,296
Net surplus	-	-	-
Taxpayers' funds	2,406	8,799	12,299
Net cash flows from operating and investing activities	(1,347)	(2,500)	(7,128)

FORECAST FINANCIAL STATEMENTS

STATEMENT OF PROSPECTIVE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	2001/02		2002/03
	<i>Budget</i>	<i>Estimated Actual</i>	<i>Budget</i>
	\$000	\$000	\$000
REVENUE			
Crown	19,651	20,513	22,788
Departments	633	693	633
Other	1,875	1,391	1,875
Interest	-	-	-
TOTAL REVENUE	22,159	22,597	25,296
EXPENSES			
<i>Output expenses:</i>			
Personnel	10,301	11,958	12,218
Operating	9,988	9,202	8,938
Depreciation	1,604	1,208	3,392
Capital charge	266	229	748
TOTAL EXPENSES	22,159	22,597	25,296
Surplus/(deficit) from operations	-	-	-
Profit on sale of physical assets	-	-	-
NET SURPLUS	-	-	-

STATEMENT OF PROSPECTIVE MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY), FOR THE YEAR ENDED 30 JUNE 2003

	2001/02	2002/03
	<i>Estimated Position as at 30 June 2002</i>	<i>Forecast Position as at 30 June 2003</i>
	\$000	\$000
Taxpayers' funds at start of period	2,406	8,799
<i>Movements during the year (other than flows to and from the Crown)</i>		
Net (deficit)/total recognised revenues and expenses for the period	-	-
<i>Adjustment for flows to and from the Crown</i>		
Capital contribution	6,393	3,500
Provision for payment of surplus to the Crown	-	-
TAXPAYERS' FUNDS AT END OF THE PERIOD	8,799	12,299

**STATEMENT OF ESTIMATED FINANCIAL POSITION,
AS AT 30 JUNE 2002
PROSPECTIVE FINANCIAL POSITION, AS AT 30 JUNE 2003**

	2000/01	2001/02	2002/03
	<i>Actual Position as at 30 June 2001</i>	<i>Estimated Position as at 30 June 2002</i>	<i>Forecast Position as at 30 June 2003</i>
	\$000	\$000	\$000
Assets			
<i>Current assets</i>			
Cash and bank balances	2,647	6,505	2,877
Receivables and advances	254	229	1,058
Prepayments	84	55	55
Total current assets	2,985	6,789	3,990
<i>Non-current assets</i>			
Physical assets	2,964	4,631	8,191
Receivables and advances	-	-	2,718
Total non-current assets	2,964	4,631	10,909
TOTAL ASSETS	5,949	11,420	14,899
Liabilities			
<i>Current liabilities</i>			
Payables and provisions	2,290	1,552	1,509
Provision for payment of surplus	35	-	-
Provision for employee entitlements	472	553	565
Revenue received in advance	67	35	35
Total current liabilities	2,864	2,140	2,109
<i>Term liabilities</i>			
Payables and provisions	679	481	491
Total term liabilities	679	481	491
TOTAL LIABILITIES	3,543	2,621	2,600
Taxpayers' funds			
General funds	2,406	8,799	12,299
TOTAL TAXPAYERS' FUNDS	2,406	8,799	12,299
TOTAL LIABILITIES & TAXPAYERS' FUNDS	5,949	11,420	14,899

**STATEMENT OF PROSPECTIVE CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003**

	2001/02	2002/03	
	<i>Budget</i>	<i>Estimated</i>	<i>Budget Actual</i>
	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided from:			
Supply of outputs to:			
- Crown	19,651	20,513	22,788
- Departments	-	655	586
- Other	2,366	1,359	1,875
Interest	-	-	-
Cash was applied to:			
Produce outputs:			
- Personnel	(10,474)	(12,075)	(12,196)
- Operating	(9,911)	(9,848)	(8,981)
- Capital charge	(266)	(229)	(748)
Net cash flows from operating activities	1,366	375	3,324
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from:			
Sale of physical assets	-	-	-
Cash disbursed to:			
Purchase of physical assets	(2,713)	(2,875)	(6,952)
Receivable - e-government initiative	-	-	(3,500)
Net cash flows from investing activities	(2,713)	(2,875)	(10,452)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash provided from:			
Capital contribution	1,100	6,393	3,500
Cash disbursed to:			
Payment of surplus to Crown	-	(35)	-
Net cash flows from financing activities	1,100	6,358	3,500
Net increase/(decrease) in cash held	(247)	3,858	(3,628)
Opening total cash balances	1,858	2,647	6,505
FORECAST CLOSING TOTAL CASH BALANCES	1,611	6,505	2,877

**RECONCILIATION OF PROSPECTIVE NET CASH FLOWS
FROM OPERATING ACTIVITIES TO NET SURPLUS
IN THE STATEMENT OF PROSPECTIVE FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2003**

	2001/02		2002/03
	<i>Budget</i>	<i>Estimated Actual</i>	<i>Budget</i>
	\$000	\$000	\$000
SURPLUS/(DEFICIT) FROM THE STATEMENT OF PROSPECTIVE FINANCIAL PERFORMANCE	-	-	-
<i>Non-cash items</i>			
Depreciation	1,604	1,208	3,392
Increase/(decrease) in non-current employee entitlements	12	(198)	10
Total non-cash items	1,616	1,010	3,402
<i>Movements in working capital items</i>			
(Increase)/decrease in receivables	(141)	25	(829)
(Increase)/decrease in prepayments	-	29	-
Increase/(decrease) in payables and provisions	(123)	(738)	(43)
Increase/(decrease) in revenue in advance	-	(32)	-
Increase/(decrease) in employee entitlements	14	81	12
Total movements in working capital	(250)	(635)	(860)
<i>Add/(deduct) items classified as investing activities</i>			
Increase/(decrease) in receivables	-	-	782
Total items classified as investing activities	-	-	782
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,366	375	3,324

**FORECAST DETAILS OF FIXED ASSETS BY CATEGORY
AS AT 30 JUNE 2003**

	30 JUNE 2002	30 JUNE 2003 - FORECAST POSITION			
	<i>Estimated Actual Position</i>	<i>Depreciation</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
	\$000	\$000	\$000	\$000	\$000
Furniture & fittings	2,258	474	4,411	1,984	2,427
Computer equipment and software, and plant	2,355	2,912	11,000	5,248	5,752
Motor vehicles	18	6	30	18	12
TOTALS	4,631	3,392	15,441	7,250	8,191

STATEMENT OF OBJECTIVES - FORECAST
FINANCIAL PERFORMANCE INDICATORS
2001/02 AND 2002/03

	UNIT	2001/02		2002/03
		<i>Budget</i>	<i>Estimated Actual</i>	<i>Budget</i>
OPERATING RESULTS				
Revenue other	\$000	2,508	2,084	2,508
Revenue interest	\$000	-	-	-
Output expenses	\$000	22,159	22,597	25,296
Operating surplus/(deficit) before capital charge	\$000	266	229	748
Net surplus	\$000	-	-	-
RESOURCE UTILISATION				
Total physical assets at year end	\$000	4,166	4,631	8,191
Additions - physical assets	\$000	2,713	2,875	6,952
Additions as % of physical assets	%	65	62	85
Accommodation cost per employee	\$000	8	8	8
FORECAST NET CASH FLOWS				
Surplus/(deficit) on operating activities	\$000	1,366	375	3,324
Surplus/(deficit) on investing activities	\$000	(2,713)	(2,875)	(10,452)
Surplus/(deficit) on financing activities	\$000	1,100	6,358	3,500
Net increase/(decrease) in cash held	\$000	(247)	3,858	(3,628)
HUMAN RESOURCES				
Staff turnover	%	20	13	15
Total staff	No.	134	157	167
Training as % of hours worked	%	3	2.5	2.5

STATEMENT OF OBJECTIVES - OUTPUT PERFORMANCE

The State Services Commission has committed to provide five output classes in 2002/03 which meet the requirements of the Minister of State Services in terms of their nature, timeliness, quality and quantity specifications and cost.

OUTPUT OPERATING STATEMENTS: 2002/03					
<i>Departmental Output Class Description</i>	REVENUE			EXPENSES SURPLUS	
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D1 PUBLIC SERVICE CHIEF EXECUTIVE MANAGEMENT Good practice management of the selection and development of chief executives to ensure that the challenges of each individual job are well understood and that high quality leaders are appointed who will deliver the best possible results for government.	2,518	7	44	2,569	-
D2 POLICY ADVICE OWNERSHIP ANALYSIS AND ADVICE Making informed judgements about strategy, capability and performance of departments.	7,473	12	84	7,569	-
D3 POLICY ADVICE PUBLIC MANAGEMENT Provision of policy advice on the public management system, (including e-government) machinery of government and human resources required to deliver on the Government's key goals over time.	4,700	164	110	4,974	-
D4 MANAGEMENT SERVICES Provision of residual and other services arising out of Public Service restructuring, required by statute or Cabinet minute, or those that are fully funded by third-party revenue.	917	441	1,575	2,933	-
D5 ELECTRONIC GOVERNMENT DEVELOPMENT AND COORDINATION The development, implementation coordination and evaluation of initiatives in relation to the use of information technology in the State sector.	7,180	9	62	7,251	-
TOTAL DEPARTMENTAL OUTPUT CLASSES	22,788	633	1,875	25,296	-

OUTPUT CLASS PERFORMANCE STATEMENTS 2002/03

Output Class D1 - Public Service Chief Executive Management

Description

This output class gives effect to the State Services Commissioner's statutory responsibilities as set out in Part Three of the State Sector Act. This empowers the Commissioner to appoint Public Service chief executives with the skills to do the job. The Commissioner treats each appointment as an opportunity to review the specific requirements for the job, which will affect not only the direction of the department, but also contribute leadership for system-wide initiatives and collaboration. To do this the Commissioner will tailor each selection process, employing good practice. He will ensure good practice contract management for timely and high quality management of each appointment and reappointment.

Once appointed, the Commission will arrange induction for each chief executive, to ensure low risk transition, and on-going support and development. The outcome sought is high quality leadership from each chief executive, to ensure their department delivers the best possible results for government. In doing this chief executives must actively develop public awareness of, and assist public debate on, the big issues facing New Zealand. This requires a high degree of skill and judgement.

Quantity

Each appointment and reappointment will be completed according to an agreed work programme, as specified in the Output Agreement. Factors in determining the work programme include the normal contractual arrangements with chief executives and the Government's machinery of government decisions. The work programme will be updated as necessary to reflect these external influences. Human resources management services will be provided in a cost-effective manner.

Quality

The State Services Commissioner will ensure:

- that the challenges and scope of each Public Service chief executive position are clearly understood and reflected in the job description;

- that good practice is applied to selection and appointment of Public Service chief executives; and
- that Public Service chief executives are treated in accordance with the provisions of the State Sector Act 1988.

Timeliness

The work programme will be delivered to meet the deadlines and expectations set and agreed with the Minister of State Services.

Cost

Departmental output class description	REVENUE			EXPENSES SURPLUS	
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D1 Public Service Chief Executive Management	2,518	7	44	2,569	-

Output Class D2 - Policy Advice - Ownership Analysis and Advice

Description

In this output class, the State Services Commissioner and Deputy Commissioners will make informed judgements about strategy, capability and performance of departments (ownership analysis and advice). They will assess how well chief executives and departments are:

- achieving results;
- investing for the future;
- working collaboratively with other departments;
- managing effective relationships with Crown entities; and
- acting with integrity.

The Deputy Commissioners will also work alongside chief executives and their senior management teams at a strategic level.

Quantity

For each department an assessment will be completed. This could be a major, minor or nil assessment, depending on where the chief executive is in the appointment cycle. This will be set out more fully in the work programme, specified in the Output Agreement. The Government's machinery of government decisions will also bear on the work programme throughout the year.

Quality

The State Services Commissioner will ensure:

- engagement with all chief executives in respect of strategy, capability and performance;
- provision of advice and assistance with strategy, capability and performance as required; and
- active performance management of chief executives.

Timeliness

The work programme will be delivered to meet the deadlines and expectations set and agreed with the Minister of State Services.

Cost

Departmental output class description	REVENUE		EXPENSES SURPLUS		
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D2 Policy Advice-Ownership Analysis and Advice	7,473	12	84	7,569	-

Output Class D3 - Policy Advice - Public Management

Description

This output class covers the provision of policy advice to the Government about the public management system, the machinery of government and human resources required to deliver on the Government's key goals over time. This includes:

- establishment of appropriate values and standards of behaviour for the State sector;
- strategic advice from a whole-of-government perspective;
- advice on structure, governance and accountability in the State sector;
- advice on developing the people capability of the Public Service and State sector;
- the provision of advice to the Minister of State Services and the Minister for Information Technology in relation to electronic government; and
- the provision of support to the Minister for correspondence, parliamentary questions and, as required, responses to select committees.

Quantity

Each part of the work programme as specified in the Output Agreement, including projects required by the Minister and Cabinet, will be delivered throughout the year.

Quality

The State Services Commissioner will ensure that policy advice is delivered in accordance with the quality standards in the Output Agreement. The advice will be:

- clear, concise and reasoned:
 - all assumptions behind the advice given will be stated and the reasoning and debate within the paper will be logical and supported by fact;
 - all known material facts relevant to the advice will be included and accurately presented; and
 - a wide range of options will be presented and assessed for benefits, costs and likely consequences of implementation;
- free and frank, including recommendations.

The State Services Commissioner will implement internal processes to ensure the quality of the advice delivered under this output class, including peer review, as appropriate.

Timeliness

The work programme will be delivered to meet the deadlines and expectations set and agreed with the Minister of State Services.

Cost

Departmental output class description	REVENUE		EXPENSES SURPLUS		
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D3 Policy Advice - Public Management	4,700	164	110	4,974	-

Output Class D4 - Management Services

Description

This output class covers a range of residual and other services arising out of Public Service restructuring, required by statute or Cabinet minute, or those that are fully funded by third-party revenue. These include:

- the management of records and residual liabilities arising from the activities of now-disestablished government departments;
- advice to boards of Crown entities and statutory bodies on conditions of employment for State sector chief executives and concurrence with their recommendations for chief executive terms and conditions;
- administration and review of the Cabinet Fees Framework and the Fees and Travelling Allowances Act 1951;
- provision of administrative support for the Mainstream Supported Employment Programme;
- the provision of accounting services for selected small Public Service departments; and
- services of the Public Sector Training Organisation (PSTO).

Quantity

The State Services Commissioner will deliver management services according to the agreed work programme in the Output Agreement.

Quality

The State Services Commissioner will ensure:

- legal liabilities are managed so as to minimise the potential cost to the Crown;
- the advisory services provided to employers are delivered as required by statute, including the State Sector Act 1988, in respect of the conditions of employment for State sector chief executives;
- advisory services on fees and allowances for Crown entity boards and other statutory bodies in which the Crown has an interest are provided in accordance with the Cabinet Fees Framework and the provisions of the Fees and Travelling Allowances Act 1951;
- in at least 80% of six-monthly surveys completed by employing agencies and Mainstream participants, management of the Mainstream programme is rated as satisfactory or better;
- accounting services are provided as agreed with client departments; and
- PSTO's business plan objectives, as agreed with the PSTO Board are achieved.

Timeliness

Management services will be provided according to priorities set in consultation with the Minister of State Services and other clients and within the timeframes agreed.

Cost

Departmental output class description	REVENUE			EXPENSES SURPLUS	
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D4 Management Services	917	441	1,575	2,933	-

Output Class D5 – Electronic Government Development and Coordination

Description

This output class covers the development, implementation, coordination and evaluation of e-government initiatives in the State sector as set out in the Government’s E-government Strategy. This includes:

- the development and implementation of authentication policy options to ensure citizens will trust on-line government through appropriate identification and protection of customers;
- the development and implementation of a change of address strategy;
- the implementation of a whole-of-government e-procurement solution, including completion of a pilot programme, to streamline government purchasing processes and encourage suppliers to go on-line; and
- the operation of central e-government infrastructure to support the whole of government web portal as the primary entry-point to government on-line.

Quantity

The State Services Commissioner will deliver the reports and actions as specified in the Output Agreement.

Quality

The State Services Commissioner will ensure:

- that an authentication policy is developed and implemented that appropriately identifies government customers and protects their information;
- that a change-of-address strategy is developed and implementation is commenced;
- that a whole-of-government e-procurement solution is piloted, tested and is ready for widespread implementation; and
- that a government web portal is operated to the standard specified in the Output Agreement.

Timeliness

The work programme will be delivered to meet the deadlines and expectations set and agreed with the Minister of State Services.

Cost

Departmental output class description	REVENUE			EXPENSES	SURPLUS
	<i>Revenue Crown</i>	<i>Revenue departments</i>	<i>Revenue other</i>	<i>Total expenses</i>	<i>Surplus/ (deficit)</i>
	\$000	\$000	\$000	\$000	\$000
D5 Electronic Government Development and Coordination	7,180	9	62	7,251	-

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

These statements have been compiled on the basis of Government policies and the State Services Commission's Output Agreement with the Minister of State Services at the time the statements were finalised.

The Commission's financial statements have been prepared in accordance with section 34A of the Public Finance Act 1989, and generally accepted accounting practices.

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Specific Accounting Policies

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation.

Depreciation

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

The estimated economic useful lives are:

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

Cost Allocation

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

Cost Allocation Policy

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

Criteria for Direct and Indirect Costs

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

Direct Costs Assigned to Outputs

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

Basis for Assigning Indirect Corporate Costs to Outputs

Indirect costs are allocated to outputs in a two-stage process:

- indirect operating costs such as accommodation, depreciation, staff leave and training are allocated to outputs and internal services in the same proportion as directly coded time; and
- internal services are allocated to outputs in proportion to the number of full time equivalents involved in the production of each output.

Receivables

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

Changes in Accounting Policies

No changes in accounting policies are expected to be made during the period.

RECONCILIATION OF OUTPUT CLASSES WITH APPROPRIATIONS

The forecast financial statements in this report present expenses (and revenue) exclusive of GST, in accordance with generally accepted accounting practice. When appropriated by Parliament, these expenses are inclusive of GST, in accordance with legislation. Thus:

- the GST-exclusive amounts for each departmental output class correspond to 'total expenses' for 2002/03 appearing in the Output Operating Statements appearing on page 44 of this report, while the aggregate amount for all five output classes corresponds to 'total output expenses' for 2002/03 in the Statement of Prospective Financial Performance on page 37 of this report.
- the GST-inclusive amount for each departmental output class corresponds to the bolded annual appropriations and the estimated expenses from the multi-year appropriation for 2002/03 appearing in Parts B1 and B2 of Vote State Services.

The difference is shown in the table below:

Departmental output class description	SOI GST- Exclusive	GST	VOTE GST- Inclusive
	\$000	\$000	\$000
<i>Multi-year appropriation</i>			
D1 Public Service Chief Executive Management	2,569	321	2,890
<i>Annual appropriations</i>			
D2 Policy Advice -Ownership Analysis and Advice	7,569	946	8,515
D3 Policy Advice -Public Management	4,974	622	5,596
D4 Management Services	2,933	367	3,300
D5 Electronic Government Development and Coordination	7,251	906	8,157
Total outputs under annual appropriations	22,727	2,841	25,568
TOTAL DEPARTMENTAL OUTPUT CLASSES	25,296	3,162	28,458

ADDITIONAL INFORMATION

LEGAL RESPONSIBILITIES

The State Services Commission administers the following acts and regulations:

- State Sector Act 1988;
- Protected Disclosures Act 2000;
- Fees and Travelling Allowances Act 1951;
- Terralink NZ Limited (Transfer of Employees) Act 1996;
- Ministry of Works and Development Abolition Act 1988;
- Government Service Equal Pay Act 1960; and
- Fees and Travelling Allowances Regulations 1952.

GLOSSARY

Central agencies	The collective term for the three departments: Department of the Prime Minister and Cabinet, The Treasury and the State Services Commission.
Output Agreement	An agreement between the Responsible Minister and the chief executive that describes a range of outputs to be delivered by the department, together with the applicable performance measures and standards; and sets out the amount and basis on which the department is to be paid for the delivery of those outputs. The Output Agreement replaces the former Purchase Agreement.
Public sector	The State sector and all local authorities.
Public Service	The 36 Departments listed in the First Schedule to the State Sector Act. The First Schedule of the State Sector Act lists 38 departments. However, the Department of Social Welfare and the Department of Work and Income have been amalgamated, and are known as the Ministry of Social Development. The Schedule also lists both the Ministry of Justice and its predecessor, the Department of Justice.
State sector	All organisations in the annual financial statements of the Crown (i.e. Departments, Offices of Parliament, State-Owned Enterprises, Crown entities, and the Reserve Bank).

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