Report Title:	**Fiscal Sustainability Programme**		
Report No:	**2024-0033**		
Date:	**7 February 2024**		
To:	**Hon Nicola Willis, Minister for the Public Service**		
Action Sought:	For discussion	**Due Date**	8 Feb 2024
Contact Person:	**Hannah Cameron, Deputy Commissioner, Strategy and Policy**		
Contact No:	9(2)(a) privacy		
Encl:	Yes – Appendix One	**Priority:**	Medium
Security Level:	**BUDGET-SENSITIVE**		

Executive Summary

1. At the end of last year, we briefed you on the Public Service Commission's financial position, including a proposed approach to manage any future savings proposals, and current work underway to manage cost pressures and time limited funding (the end of funding allocated for the Pay Equity Centre of Excellence).

2. We also discussed that with the introduction of recoverable functions, corporate functions and expansion of our system leadership role, the Commission has grown in size. To manage future savings targets and expectations, we indicated we'd likely need to significantly downsize our FTE and that this would need to be carefully managed to ensure we maintain our statutory responsibilities.

Vote Public Service

3. Savings targets have now been set, ranging between 6.5-7.5% of agency baselines. The allocated savings target is $2.7 million of Vote Public Service, based on 7.5% of the Vote. We intend to deliver a savings proposal for this full amount, as well as take measures to absorb future cost pressures over the forecast period.

4. As part of the Budget 24 Initial Baseline Exercise, we have identified four possible savings initiatives from within both non-departmental and departmental appropriations. This report provides you with an overview of the savings proposal, and seeks your agreement in principle to each of the four components including:

    a. Reducing the contingency fund from the *Remuneration and Related Costs of Chief Executives* appropriation;

    b. Contribution from the Social Wellbeing Agency;

    c. Ceasing membership of the Open Government Partnership; and

    d. Reducing the Commission's core funding (the *Leadership of the Public Management System* appropriation)

Core funding for the Commission

5. Depending on your decisions on other initiatives, the Commission's core baseline will need to reduce by at least \$1.8m. This is on top of the end of time-limited funding for the Pay Equity Centre of Excellence.

6. We have also been notified of an additional pressure on our baseline. The Equal Pay function, hosted within the Commission is supported by a transfer of funding from the Ministry for Women and the Ministry of Business, Innovation and Employment. These agencies have indicated that they may be including this funding in their own upcoming savings proposals.

7. Taken together, the net effect of all these changes is that by the end of the four-year period (2027/28) our baseline could be \$4.7 - \$5.7 million less per annum from the \$32m in 2023/24, and we expect to be absorbing increasing cost pressures from remuneration and inflation of around \$3.4 million. This could be a reduction of the *Leadership of the Public Management* system appropriation by around 18%, and in real terms (taking into account cost pressures to be absorbed) this would have an impact close to 28% reduction.

8. Going forward, the most significant challenges will be managing the impacts of a reducing baseline on our ability to deliver on our core responsibilities and managing stakeholder expectations. We are a small agency and 83 percent of our cost is people. The proposed savings will require reductions to our workforce above normal attrition, and our work programme deliverables, both in the next few months and over the coming years.

Impact of the downsizing of the Commission

9. There are some choices for you and some risks for you to be aware of as we downsize to meet your priorities as well as our statutory responsibilities, including under the Public Service Act 2020. We seek direction from you as to where our resource can be best placed to continue to support our statutory functions, Government and portfolio priorities.

10. Regardless of the decisions you take on priorities, we expect that immediate decisions will be required to begin to downsize our organisation. We are already taking opportunities to hold vacancies or to fill key vacancies with fixed term roles, pending decisions on priorities and Budget 24. While attrition will be a key feature of our approach to managing change, we expect that we will need to consider targeted redundancies in the coming months to achieve a right-sized organisation by 2024/25.

11. In planning our approach over the coming months, we are also looking at how we manage across financial years. Our existing work to constrain spending means that we are working towards underspend within 2023/24. This briefing seeks agreement in principle that this underspend be carried over to the next financial year to help the anticipated change processes including any redundancy costs.

Recommended Action

We recommend that you:

a **agree** that the Commission will submit a savings proposal for the full amount of the allocated saving target (\$2.7m per annum) from Vote Public Service

Agree/disagree.

b **agree in principle** to the following initiatives being included in the upcoming budget bid process:

i. Reducing contingency from the *Remuneration and Related Costs of Chief Executives* appropriation by $200k

Agree/disagree.

ii. Contributing savings of $506k from the *Supporting Implementation of a Social Wellbeing Approach* appropriation (managed by the Social Wellbeing Agency)

Agree/disagree.

i. Ceasing membership of the Open Government Partnership creating a saving of $200k in the *Open Government Partnership* appropriation

Agree/disagree.

ii. Reducing the *Leadership of the Public Management System* appropriation by the remaining amount, based on your decisions above (at least $1.8m)

Agree/disagree.

c **note** that the end of fixed funding for Pay Equity will result in a reduction in our baseline of $3 million and this will require a change in our role in this area [2023-0320 refers)

d **note** that the Commission will also be impacted by the savings proposals of other agencies, particularly through the Equal Pay taskforce contributions amounting to $559,200

e **note** that the scale of the savings, when combined with other time-limited funding and absorbing ongoing costs pressures, will require managed reductions in the size of our workforce, (including potential redundancies) likely to occur in the next few months and also over the longer term.

f **agree in principle** that if the Commission manages to achieve an underspend in 2023/24, that this can be transferred into 2024/25 to help manage anticipated change processes.

Agree/disagree

g **note** that we will work further with you to ensure our resource is best placed to support our statutory functions, Government and portfolio priorities including the management of risk and stakeholder expectation

h **discuss** your feedback on the proposed approach this briefing at the upcoming agency meeting including where resource could be reprioritised to support priorities.

Hon Nicola Willis
Minister for the Public Service

Purpose of Report

12. This briefing provides you with an update on the Commission's financial sustainability plan and seeks your agreement in principle to proposed savings initiatives.

Our savings target

13. Under the Government's commitment to start reducing public sector expenditure, savings targets have been set for each public service agency ranging between 6.5-7.5% of votes. Targets from within this range were allocated to each agency based on increase in FTE relative to 2017.

14. In our December briefing to you on the Commission's financial position, we discussed how the introduction of several recoverable functions, corporate functions and expansion of our system leadership role over the last decade, has seen the Commission grow in size. As a result of this growth, our allocated savings target is based on 7.5% of Vote Public Service.

15. The allocated savings target is $2.7 million. In developing a savings proposal, we have considered appropriations from across our entire Vote, including the appropriation that funds the Social Wellbeing Agency.

16. As part of the Budget 24 Initial Baseline Exercise, the Commission will report back to the Treasury identifying our strategic approach for the full amount of our savings target.

Proposed savings initiatives

17. As Minister for the Public Service, we seek your agreement in principle to the following savings initiatives. The savings initiatives identified below are from both our non-departmental and departmental appropriations.

Initiative One - Reducing the contingency fund in the Remuneration and Related Costs of Chief Executives appropriation

18. The *Remuneration and Related costs of Chief Executives* appropriation funds the salaries of Public Service Chief Executives. It also includes a contingency fund for increased expenditure in unexpected situations and to give flexibility in the appropriation.

19. We propose savings of $200,000 through reducing the contingency fund by this amount. After running an analysis on the last 6 years, we are confident this part of the contingency is not needed. Prudent management of the appropriation will prevent the need for this extra portion of the contingency, and we can hand it back to the Government without any detrimental impact on the Commission's delivery.

Initiative Two - Reducing Social Wellbeing Agency funding

20. As the Social Wellbeing Agency is funded from an appropriation from within Vote Public Service, it is appropriate that they contribute to the savings target of $2.7 million. We have calculated this contribution to be $506,000, based on applying the same 7.5% to the *Supporting Implementation of a Social Wellbeing Approach* appropriation. On 29 January, Social Wellbeing Agency briefed you on their proposed approach to finding their portion of this target from their core appropriation. We are seeking your confirmation to the size of this contribution.

Initiative Three - Ceasing the Open Government Partnership membership

21. In December, we provided advice on your role in leading New Zealand's membership of the Open Government Partnership (OGP), the emerging risks to the delivery of the fourth NAP

and options for managing OGP into the future [2023-0321 refers]. We recommended exiting membership due to the:

a. limited evidence of OGP's effectiveness (both internationally and in NZ),

b. high transaction costs across government agencies,

c. the uncertainty that any further investment (advocated by stakeholders) would improve effectiveness.

22. On 23 January 2024, we met with you to discuss the advice. It was agreed that we would seek MFAT's views on the implications of exiting OGP while also considering how OGP membership could be retained without additional investment.

23. The Commission has a standalone appropriation for the annual payment of $200,000 for Open Government Partnership membership, and this would be saved in full if New Zealand exited the arrangement. There are also savings to the Commission's core appropriation from stopping Expert Advisory Panel (EAP) payments which have been included in our initial modelling of reductions that can be made to our discretionary non-personnel ($35,000).

24. It also may be possible to reduce OGP membership contributions to the "minimum" recommended of $135,000 (for 2025 onwards). This could provide a saving of $65,000. We could still stop EAP payments that are included in our core appropriation (Note: of 17 jurisdictions canvassed, New Zealand is the only OGP country that pays its EAP).

25. We are currently finalising our advice on these two options. In the interim, we are seeking your agreement to continue to include the option of ceasing membership of OGP creating a saving of $200, 000, noting that the Commission is exploring the option of remaining in OGP that could provide a lesser saving of $65,000.

Initiative Four - Reducing the Commission's core funding

26. The *Leadership of the Public Management System* appropriation is Vote Public Service's most significant appropriation, and funds the Commission's core functions.

27. Of Vote Public Service, this is the only remaining appropriation available to find the remaining savings required to meet a savings target of $2.7million. If you agree to the savings initiatives 1-3 above, this amount will be $1.8 million, and we are committed to delivering this amount and more analysis around the impact of this change is provided below.

28. If we are required to find more than this amount from within this appropriation, we will need to reassess with you how to manage additional reduction. We are conscious that any additional savings on top of this amount would be increasingly challenging to Commission's ability to deliver its core functions to a consistent high-quality.

Reducing the Commission's core funding – further analysis

Scale of the challenge

29. In our initial advice to you, we identified that the biggest challenges would likely be managing the pace of significantly downsizing our FTE and readjusting our resource to maintain our statutory responsibilities and meet the Government's priorities. As development of a savings proposal has come to fruition, this is still the case.

30. We have analysed the impact of the savings proposal alongside the impact of time-limited funding[1], flow-on impact on our corporate provision if cost-recovered functions, such as the Pacific Fale[2], are not funded on an ongoing basis and estimated cost pressures over the forecast period[3].

31. In addition, we are now aware of a further pressure. The Equal Pay taskforce hosted by the Commission is currently supported by funding transfers of $300,000 from the Ministry for Women and $259,200 the Ministry of Business, Innovation and Employment. This arrangement reflects the cross-agency benefit that is drawn from the Taskforce[4]. As agencies are working to meet Government savings expectations, they have indicated that they are advising their respective Ministers on the potential option of withdrawing their funding from this area in their upcoming savings proposals.

32. Should the full amount of $559,200 be withdrawn, this would add to the overall reduction of the Commission's baseline. We would need to reduce our capacity to support this function accordingly, and this would reduce our options for efficiencies in this area, especially given we need to maintain our statutory role to support fair and equitable employment and the promotion of the Public Service Act's good employer requirements.

33. Taken together, the net effect of all these changes is that by the end of the four-year period (2027/28) our baseline could be $4.7 - $5.7 million less per annum from the $32m in 2023/24, and we expect to be absorbing increasing cost pressures from remuneration and inflation of around $3.4 million. This could be a reduction of the *Leadership of the Public Management system* appropriation by around 18%, and in real terms (taking into account cost pressures to be absorbed) this would have an impact close to 28% reduction.

34. To actively manage our pressures, we have already begun to implement some efficiency measures in our non-personnel funding to help manage some of this impact. These include those listed in more detail in our previous report:

    a. Targeting reduction in IT expenditure.

    b. Reducing property footprint.

    c. Decreasing contractors and consultants spend.

    d. Identifying ways to cut back on discretionary spending over the next year.

35. While there will be some immediate benefits, fully realising these savings would take at least a year (for example, our move to Bowen House is planned for early 2025). These levers will also not get us all the way, we will also have to look to substantially reduce the size of our workforce.

36. We have calculated that the Commission needs to reduce the current 160 FTE that are currently focused on our core work (that is, not including those funded through cost-recovered functions) to around 146 FTE by 1 July 2024, with a further reduction to a more sustainable level of approximately 9(2)(a) FTE over the forecast period (all analysis is approximate as it is based on average salaries).

37. Some of this reduction can be achieved by attrition, including the non-renewal of all fixed term positions, but this is unlikely to result in change at the pace required. Currently, we

[1] $3 million per annum for Pay Equity for three years received in 2020/21 which finishes on 30 June 2024.
[2] The Fale currently contributes $650,000 per annum to the Commission's corporate overheads.
[3] Using the Treasury's PREFU forecast for inflation and assuming a 3% remuneration increase every year, we have anticipated cost pressures may total an estimated $8.5 million over four years.
[4] Currently delivered by a team of around 7 FTE of which 4 are funded from these contributions

estimate an additional managed reduction of 10-11 FTE are likely to be required by July. We would look to support people into alternative roles across the public service, but this process could lead to a redundancy liability of around $600,000 (estimated based on average entitlements). There may also need to be further managed reductions over the coming years to reach a sustainable size.

Sustainably reducing our resource

38. In developing our savings plan, we have become even more aware of the scale of impact reducing our core Commission resource will have for the Commission and the Public Service.

39. Given that our work programme and activity is driven by our statutory functions, there are few options to entirely stop work programmes. Instead, the choices relate to how we weight those functions, and the degree of pressure we exert on the system in different areas.

40. We note that you have proposed your priorities to the Prime Minister as:

    - **Using public service levers to support a culture of fiscal sustainability.** The Public Service portfolio closely aligns with the Finance portfolio giving additional support to our fiscal sustainability programme and efficiency objectives. This includes the work of the Public Service Commission in overseeing the required reduction in expenditure on consultants and contractors.

    - **Amending the Public Service Act 2020 to clarify the role of the public service, drive performance and ensure accountability to deliver on the agenda of the government of the day.** You expect you will be able to propose such legislation in 2025.

    - **Setting clear performance expectations for Chief Executives and agencies to align with Government targets and Ministerial priorities.** Including moving to implement performance payments for senior leaders in alignment with performance expectations and objectives for fiscal sustainability.

    - **Supporting Ministers to implement Coalition commitments to make specific structural changes.** More broadly, this includes work to ensure agencies are arranged to deliver Government priorities and are working effectively together.

41. Ensuring that resources and capability needed to deliver on these priorities will be the top priority for the Commission.

42. As you are aware, we also have a large number of Chief Executive and statutory officer appointments and/or reappointments to complete this year, and the coming years. This will also remain a key priority for the Commission.

43. Using feedback you provided us in January, we have updated our analysis of our current functions and FTE to also outline the impacts any changes would have **(Appendix One).** We note that we are building on a base whereby we are managing our current resource as efficiently as possible, including by maximising the flexibility of deployment across the Commission to changing priorities and having held vacancies in many areas over the past year. The functions in this table do not represent individual teams, and many of our people work flexibly across different functions.

44. Based on your feedback to date, your priorities and the analysis that is summarised at Appendix One, we suggest that we can divide our functions into three clusters.

45. Firstly, we would look to ensure we retain our core capability in the following areas:

a. Chief Executive and agency performance management

b. Chief Executive Appointments

c. Promoting integrity

d. Employment relations

e. Minister and Parliamentary Services

46. Secondly, there are other areas where we may be able to examine our operating model over the coming year, but where immediate reductions may compromise our ability to deliver to current government priorities. In the meantime, we may be able to look at opportunities for efficiencies and to scale back, such as reducing the seniority of FTE allocated or increasing management spans in these areas.

a. Oversight of performance and integrity of the system

b. Promoting transparency and accountability

c. Crown Entities oversight

d. Review the design and operation of the system of government agencies

e. Workforce strategy and management

47. Finally, there are areas where we have recently taken a more active leadership role in order to create momentum for change, and where our resource could now be scaled back. This does not mean ceasing work entirely as these remain statutory responsibilities. It may mean changing our leadership approach to focus on monitoring and oversight, while requiring agencies to deliver on their ongoing accountabilities:

a. Leadership strategy and capability

b. Diversity, equity and inclusion

c. Pay Equity

48. We seek direction from you as to where reprioritising our resource in this way would best suit your portfolio priorities. We will then consider how structural change processes will need to be implemented to ensure that our resource and capability is focused on these functions.

Next Steps

Managing across financial years

49. One of the greatest challenges in reducing the size of the Commission is the pace at which this needs to occur. We are therefore looking at ways to manage funding across financial years to support the necessary change, enabling us to reduce our workforce through attrition and minimise the number of costly redundancies.

50. We have already taken steps to mitigate the end of Pay Equity funding by 30 June 2024 by requesting a one-off capital to operating swap of $1 million in 2024/25. This will help to smooth the transition until decisions are made on the ongoing funding model and could, along with any underspend carried forward, also be directed to supporting the Commission's overall transition.

51. We have also been working to ensure that we immediately constrain current spending in all areas, predominantly through holding vacancies, and we now anticipate that there may be

an underspend in 2023/24 as a result. Our forecast as at 31 December 2023 is to underspend by around $500,000. This could increase if there are any further unplanned vacancies, which we do not plan to fill. We seek your agreement in principle that should there be an underspend that this be carried over to the next financial year in order to help manage anticipated change processes including any redundancy costs.

Change management process

52. In light of anticipated changes, the Commission has begun discussions with staff about where there may be opportunities for efficiencies, where we could maximise our workforce agility and minimise the impact on our ability to deliver. We are also continuing to review human resource processes to ensure that we can deliver maximum flexibility of deployment across our organisation (e.g. matrix management, cross-Commission teams and line management changes).

53. We will continue to engage transparently and openly with staff as decisions on proposals for formal change are made. To ensure we take a consistent and people-centred approach to implementing any changes, we have developed a set of engagement principles that will ensure we continue to appropriately support our workforce, especially over the next few months.

54. We are also redirecting resource to establish a small cross-commission programme team - with formal governance – to manage the next phase for detailed options planning, design and implementation of the changes that reflect decisions to be taken through Budget 2024 (and in the meantime, realignment to your priorities), and to ensure effective engagement with staff, unions and stakeholders.

Budget process

55. Initial Baseline Exercise and initiative submissions are due in CFISnet by 1pm Friday 16 February 2024. This will include the:

    a. Ministerial submission letter (note, you may wish to have a single letter across your portfolios)

    b. Budget 2024 Initial Baseline Exercise Summary Template summarising the approach taken by the Commission and Social Wellbeing Agency.

    c. Budget 2024 Savings Templates for each savings initiative.

56. We will provide this documentation to your office to review ahead of the deadline, including a draft submission letter for your amendments and signature.

57. The Treasury will provide an assessment of Budget 2024 Initial Baseline Exercise submissions before developing the Budget 2024 package (which will include bilateral meetings and Budget Ministers meetings

Appendix One - Understanding the impacts of managing our resource

Statutory functions	Corresponding roles	What could be the opportunities to scale back resources in this area?	What might be the impact of any change in terms of delivery of outcomes and priorities?
Oversight of performance and integrity of the system	• Advise on stewardship and overall state of the Public Service. • Manage collection and use of data including on Public Service Workforce Data and trust in Public Service. • Manage relationships with international public services, academics and institutions.	**This function would be challenging to scale in the short-term but there may be scope to utilise efficiencies in the long-term** e.g. reducing research resource, including international engagement, especially following the conclusion of the Census scheduled for April. We are cautious to reduce data analysis resource given the Government's focus on fiscal sustainability, including quarterly monitoring and reporting on workforce size, contractor/consultant spend.	Reduction of policy resource would impact our stewardship of the system including the production of statutory reporting on the state of the Public Service Further reduction to data resource would impact on information and analysis available on the size of the public service, which would affect assurance related to the Government's fiscal sustainability priorities. Reduction of research resource may impact on international relationships e.g. OECD and reduce the Commission's ability to learn from, and adapt, initiatives in other jurisdictions.
Promoting integrity	• Develop Model Standards with the Commissioner's minimum expectations of the Public Service and guidance and advice on integrity and conduct matters (e.g., political neutrality) • Support the Public Service to lift integrity capability and standards of conduct and behaviour • Support leaders to preserve, protect and nurture the Spirit of service to the community by celebrating and recognising successes	**We suggest maintaining resource here to meet core priorities.** It might be possible to exit the programme which promotes and recognises the spirit of service of public servants. The awards programme is primarily funded by external sponsorship. It would not deliver significant savings. Other areas it might be possible to reduce FTE by slowing development of guidance and training or more efficiencies through the integrity champ network.	Reducing the awards programme would lose the opportunity to recognise and reinforce high performance across the Public Service. There has been an increase in agencies seeking advice and support from the Commission on integrity related issues. Slowing the Commission's guidance, training and advice work would impact on ensuring all public service agencies understand their integrity responsibilities (e.g. upholding politically neutrality) and thereby maintaining the trust and confidence of Ministers and the public.
Promoting transparency and accountability	• Conduct investigations and inquiries into matters of integrity and conduct. • Lead work programme to improve agencies' official information capability, practices and compliance • Coordinate New Zealand's involvement in the Open Government Partnership	**Reducing investigations would be challenging given their demand-driven nature. However, there may be scope to utilise efficiencies or reduce resource long-term.** e.g. transferring the OIA practices work back to Ministry of Justice. Improving the efficiency or reducing the frequency of OIA reporting frequency could have a small impact on FTE. Advice on our engagement with OGP -has been included within our savings	Transparency and accountably, when things go wrong, is critical to maintaining NZ's reputation for high-integrity public services. Reducing resourcing in this function could impact on timeliness, quality and give rise to reputational risks. Transferring the OIA practices work back to MoJ may result in reduced OIA performance, as MoJ do not have access to the Commission's performance levers. Reduced performance would attract media

		proposal.	criticism and could reduce public trust.
Chief Executive and agency performance management	• Support the management of Public Service chief executives including reviewing the performance of the chief executives, and reviewing the performance of the public service agency that the chief executive leads or carries out some functions within	**We suggest maintaining resource here to meet core priorities.** The government has signalled a strong focus on performance management of the Public Service, and this is the Commissions key lever in this area for driving public service performance. Lifting the delivery of performance of the public service could be enhanced by further investment in this area. This will involve active management of Chief Executives and their agencies, the introduction of performance pay.	Reducing resources here would significantly hinder the Minister's key priorities for the portfolio. If resource was reduced, we would be more reactive, and/or target specific agencies, and less driving performance of the system.
Chief Executive Appointments	• Lead the recruitment, development and remuneration of Public Service Chief Executives	**We suggest maintaining resource here to meet core priorities.** Traditionally this work has been a hybrid of internal and recruitment consultant work. In the past 9 months we have recently reduced the external recruiter support and brought more in-house. If we were to scale this further, we would limit the amount of concurrent recruitment work we can do at any time.	Recruitment is driven by the fixed-term nature of chief executive appointments, and the creation of new agencies. A reduction would limit the amount of concurrent recruitment we can do at any one time.
Crown Entities oversight	• Support consistent and accountable governance of Crown entities, including matters relating to appointments, remuneration and all-of-government expectations	**This work would be challenging to scale back in the short-term but there may be scope to utilise efficiencies or reduce resource long-term.** Core statutory work in this area, such as the review of remuneration, is an ongoing demand, though some of this work is however concentrated in peak periods. Outside of peak periods, resource is used to enhance the overall performance of the Crown Entity sector through strengthening monitoring, governance and developing future Crown Entity Board members. This capacity could be used more broadly across other functions. We could also stop hosting the annual Crown Entities Chair's forum, or run this on a cost recovered basis.	The Crown Entities Sector represents a significant portion of Crown Spend and Public Service workforce and asset base. The Office of the Auditor-General recommended the Commission play a more active role in leading this sector. Any further reduction other than reprioritising would likely impact on the performance of this sector more broadly. Reduction in engagement with Crown Entity chairs would impact the influence that the Commission can exert across the system. There has been increased approaches from Ministers and Crown Chairs for advice and intervention from the Commission in recent years. These requests would need to be redirected to the relevant monitoring agencies.

Review the design and operation of the system of government agencies	• Advise on areas of public management, governance and accountability, including delivery of priorities that cut across agency boundaries. • Advise on possible improvements to delivery of services and interagency cohesion, agency disestablishments, establishments and amalgamations, and allocations of functions between agencies	**There may be scope to utilise efficiencies or reduce resource long-term, but we will need to retain capability in the short term to support the Government's priorities.** Current policy resource is focused on advice regarding changes to the structures of the public service to deliver the Government's priorities. Changes to the model to enable other agencies to take more leadership of this advice, and to reduce the seniority of the current team could be explored to implement in 2024/25.	The Commission often provides neutral and trusted advice to Ministers when changes to the role and function of agencies are required. Reduction in this role could have an impact on other Ministers and agencies. The Commission's policy resource will also be important to support the delivery of any amendment to the Public Service Act.
Leadership strategy and capability	• Lead development and implementation of a strategy for the development of senior leadership and management capability in the public service • Support senior leader succession planning and development events.	**There are opportunities to reduce further**. We could revisit the leadership strategy and scale back the level of delivery and resource allocated accordingly. The Commission hosts 2-3 "summits" for the Public Service Leaders Group (PSLG) - approx. 1100 senior leaders, each year. We propose to reduce the frequency and make these fully online (i.e. not return to an in-person event, which were deferred over the COVID period).	The Commissioner must deliver and implement a leadership strategy under the Public Service Act. The current focus on unifying and building system leadership at the senior leader level is important for achievement of cross-system efficiencies and wider Public Service targets. An annual event between Senior Ministers and the PSLG has been a useful way to have direct engagement to ensure senior leaders are clear on the Government's priorities and what is expected of them. These could continue in an online format, and we could explore agency contributions to the cost.
Workforce strategy and management	• Lead work to address the Government workforce policy, and the development and implementation of a Public Service Workforce Strategy • Provide data to monitor and measure workforce size, composition, capability, remuneration (incl. pay gaps) to support implementation of the workforce strategy.	**This work would be challenging to scale in the short-term but there may be scope to utilise efficiencies or reduce resource long-term.** This resource has already been scaled back through attrition. It is important to retain a level of resource to deliver on the Commission's statutory responsibilities to provide advice and guidance on workforce strategy design and implementation, including matters such as workforce mobility, capacity and composition. There is scope to consider how this resource may also support new initiatives that facilitate efficient delivery of the Government's fiscal sustainability priority such as flying squads or an in-house public service consultancy (as other jurisdictions like Australia have in place).	We know that the New Zealand Public Service does not undertake workforce planning or deploy resources effectively across the system, and this results in competition between agencies, lack of talent identification and development and overall an inability to respond efficiently to changing priorities. Reducing this work would stop future development of initiatives to improve the system in these areas, such as those developed by international jurisdictions. In addition, successful re-deployment of critical staff was an essential part of the delivery of the response to Covid and Cyclone Gabrielle, and would be needed again if a similar crises arose.

Diversity, equity and inclusion	• Support equal employment opportunities programmes and policies for the public service, and support development of a workforce that reflects the diversity of the society it serves. • Provide guidance and data to measure progress against diversity and inclusion indicators across the public service • Support Public Service role to support the Crown in its relationships with Māori.	**There are opportunities to reduce** further. There is an option to streamline the work by reducing the resource and number of managers. We currently receive levies from agencies to support cross-agency Employee Led Networks (e.g. annual conferences for Women in Government) . We propose to expand the use of this funding to cover our (reduced) system-level advice and support for Diversity and Inclusion. We do not propose to reduce ELN support altogether as the centralisation of this support enables greater economies of scale and consistency across agencies.	We have had an active leadership role in this area in recent years, leading considerable system progress. A reduction would: • change our approach to operating this function – could provide an oversight/ monitoring role • lessen our ability to guide and support agencies and facilitate networking across the system. • make this work agency led • agencies would manage relationships with community groups and key stakeholders. There is a risk in taking an agency led approach that the system progress stalls, or goes backward. There is also some reputational risk if the work is seen to be deprioritised.
Employment relations	• Set standards and maintain oversight of negotiating processes including approvals of bargaining strategies and proposed settlements, supporting Public Service collective agreements.	**We suggest maintaining resource here to meet core priorities.** There is limited scope to reduce this function although it will become more interconnected to Pay Equity in the future (see below).	Reduction of this resource would remove the Government's ability to manage the significant fiscal and other impacts of collective bargaining across the system and oversight of implementation of Government expectations for employment relations, including managing strategic relationships with unions. We also expect there may be increased demand for system level support and advice as all agencies simultaneously manage through change processes and the bargaining environment becomes more complex.
Pay Equity	• Lead management of pay equity claims within the Public Service	**There are opportunities to reduce further**. The Pay Equity Taskforce funding is due to end in June 2024. The Commission would retain a limited pay equity function focussed on the performance of the Commissioner's statutory functions in relation to pay equity. This assumes that Treasury would also allocate resource to advise agencies on the fiscal aspects and budget treatment of pay equity claims.	Reduction will mean we would no longer provide: • detailed advice and assurance to Ministers that claims have complied with the Equal Pay Act, • tailored support to agencies or funders of claims. We would therefore have less visibility of and ability to influence the progress of claims, especially outside of the core Public Service. This may expose the Crown to some additional legal/and financial risk – particularly as 52% of the claims now sit in the Funded Framework and this is expected to the be the largest area of growth.
Minister and Parliamentary Services	• WPQs, OIAs, Select Committee, Minister's Office support	**We suggest maintaining resource to meet core priorities, with opportunity to create efficiencies over time to enable us**	Failing to deliver in this area would have a significant reputational risk.

		to continue to meet demand and statutory deadlines We will look at digital solutions for supporting workflow which achieve efficiencies and may over time enable reduction by 1 FTE. We will also continue to review the role played by the Commission to support whole of system responses e.g. when a stakeholder sends a common OIA or PQ to all agencies, and the government wants oversight of the response.	

Enabled and supported by:			
Organisational capability and performance	IT, Finance & Assurance, People, Workplace & Administration	**There are opportunities to reduce further.** Opportunity to downsize proportionately with the size of the Commission. Potential opportunities to generate additional revenue with shared services to other agencies/groups and clarify recoverable contributions.	External corporate review confirmed we need to manage risk carefully as the Commission reduces its resource, e.g. in performance and assurance function. Reduction in IT capability will reduce our ability to pursue digital solutions that improve productivity and effectiveness in the Commission and across agencies
Governance and Public Affairs	Legal, Communications, media, events and engagement , and support for statutory officers	**There are opportunities to reduce further.** Though we do not suggest reducing the Legal Team. The Comms and Engagement Team has opportunity to reset and reduce core team. More system-leadership work could also be directed to the Communications head of profession role.	Implementing changes would • result in less comms-led activity - shifting more to support and advice. • require us to build more generic templates for self-help. • reduce responsiveness