



STATE SERVICES COMMISSION  
TE KAWA MATAAHO

# ANNUAL REPORT

For the year ended  
30 June 2018



I am pleased to present the Annual Report of the State Services Commission for the year ended 30 June 2018. This report comprises of:

- The Annual Report of the State Services Commissioner on the operations of the Commissioner, provided under the State Sector Act 1988,
- The Annual Report of the Chief Executive on the operations of the State Services Commission and its audited financial statements, provided under the Public Finance Act 1989, and
- The Annual Report of the Chief Executive on the operations of the Social Investment Agency as a Departmental Agency of the State Services Commission provided under the Public Finance Act 1989



**Peter Hughes CNZM**  
**State Services Commissioner &  
Head of State Services**

A blue ink signature of Peter Hughes, consisting of a large, stylized 'P' followed by a horizontal line and a small flourish.



**Debbie Power**  
**Deputy State Services Commissioner &  
Chief Executive**

A blue ink signature of Debbie Power, written in a cursive style.

Presented to the House of Representatives pursuant to the Public Finance Act 1989.

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# HEAD OF STATE SERVICES OVERVIEW

This year marked the completion of the State Services Commission's transformation in its system leadership role. Last year we revisited our mission and values, which resulted in changes to leadership and governance for the Commission. As a result, teams were realigned around a clear mission:

To lead the Public Sector in the service of our nation. We lead, We serve.

This is reinforced internally by values which emphasise respectfulness in our interactions with people, strengthens integrity in our actions, and promotes the high ambition we have for New Zealand and New Zealanders.

**The Commission's role has fundamentally changed in recent years from one of a human resource lead and regulator for the Public Service to one centred on leading the system to improve outcomes and services for New Zealanders.**

This active leadership role has been driven by the expectations of successive governments for a higher performing system.

In recent years proactive efforts have been made to fulfil this expanded role and address the need for stronger leadership around complex, cross-cutting issues that require a highly organised response from the Public Service. In 2016, the Commission changed its entire operating model to drive a proactive agenda for reform across the State Services to lift system performance in line with government expectations.

Last year's General Election required the Commission to enhance its leadership across a range of areas to enable the system to progress key government priorities.

This has required building capacity in new areas. To enable this, the Commission changed its operating model, leadership and governance to support a more collaborative and agile way of working. These changes have helped to better align resources to the delivery of key government priorities.

The last piece in the organisational transformation is our working environment. Our workplace is designed to support activity based working and is in line with the IT strategy from the Government Chief Digital Officer and Government Property Group guidance on workplace effectiveness. The new environment, and associated infrastructure, supports the Commission to work in a way that maximises collaboration, information sharing and agility.

**These changes, along with concurrent work to enhance collaboration between agencies, have resulted in real improvements to system performance.**

This was demonstrated during the transition of government following the Election with the Commission contributing to the Public Service-wide project to accomplish the Government's ambitious 100-day Plan. The Commission supported departments to adjust to new priorities and reconfigure operations where necessary. We also worked to establish new departments and build new capability within existing ones.

The Commission has transformed chief executive recruitment and development over the past year. Performance is now better aligned to Ministerial expectations, succession planning and development have been enhanced, and there are processes in place to better match individual skills to critical roles.

# HEAD OF STATE SERVICES

## OVERVIEW Continued

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Public Service chief executives, working as the State Services Leadership Team, and led by me as the Head of State Services, plan and drive change across the system. This work encompasses legislative change and a range of other important change enablers including organisational development, workforce policy and practice, and the flexible deployment of system leaders. I regard this collaborative model of change leadership as indispensable for the future development of the Public Service.

**The past year has also seen an emphasis on the area of diversity and inclusion within the Public Service** —a priority for me since I began in this role. A chief executives group, supported by a team at the Commission, has led a programme of work to drive positive change and outcomes to achieve greater diversity and inclusion within each agencies' workplace. They have identified initiatives across four key focus areas including gender, ethnicity, disability and rainbow communities to drive positive change and outcomes in every workplace. This is also a focus area for the Government.

**Looking ahead, and consistent with our direction, we will see substantive moves in gender equity over the coming year, with the introduction of the Gender Pay Action Plan and Gender Pay Principles. These provide a common framework for agency and system-wide action.**

The Government's aspirations to make substantial progress to close the gender pay gap in the core Public Service will see us turning the spotlight on ourselves and leading by example for all of New Zealand.

The State sector and Crown Entities Reform Bill, which received Royal Assent on 20 September 2018, is a significant change to system settings in the State sector. This legislation provides greater integrity and accountability in the management of the State Sector; will strengthen public trust and confidence in Crown entities, which are often the face of government; and bring more consistency of standards and expectations across the State sector.

This Bill is an indicator of the kind of change we can expect to see more of over the coming years to ensure the Public Service delivers in the way government and the public expect. We know that we need to move to re-examine the basic legislative settings. To this end, the past financial year saw work commence on an ambitious State sector reform programme towards a review of the State Sector Act 1988 and preparation for consequential changes to the Public Finance Act 1989 and Crown Entities Act 2004.



Peter Hughes CNZM  
State Services Commissioner



# OUR STRATEGIC DIRECTION

## In this section:

- The Commission's role in driving change
- Our vision for the Public Service
- Delivering on our vision

# Our Strategic Direction

## The Commission's role in driving change

**Last year, the Commission pushed hard to realise and live up to our State sector leadership role. This means we are in now in prime position to effect real change with this responsibility.**

By leveraging the State Sector Leadership Team and driving system-level change including legislative change as well as working with individual agencies, the Commission has an opportunity to improve the performance of the State services for all New Zealanders.

This ensures we meet the obligations of our leadership role and that is reflected in our work programme. The next section outlines that programme in more detail and how we will prioritise and apply our resources to deliver it.

## Our vision for the Public Service

The Commission is capitalising on the progress of previous reforms and pushing further to empower a more connected and engaged world class Public Service.

We need a service that works with integrity and professionalism, supporting the government of the day for the better of New Zealand and New Zealanders.

**We need to ensure the Public Service is ready for the future, making it agile, adaptive and able to meet the needs and demands of the day.**

This will allow us to tackle complex issues by adopting collaborative work processes rather than slow and expensive structural changes. The outcome for New Zealanders is greater and smoother access to services relevant to them and their needs.

Supporting collaboration requires a sense of community and engagement. Staff work better together when united in a spirit of service to the community and a common identity. A unified Public Service should allow for the free flow of ideas, talent, and it be diverse and inclusive. Diversity ensures we have a Public Service reflective of the people and communities we serve.

## Delivering on our Vision

The Commission receives its mandate for leadership through the State Sector Act 1988, an act that requires updating to reflect our modern context and the expectations New Zealanders now have of us.

**The Commission is currently leading a legislative change programme to provide decision makers with the framework that will support the desired change.**



# STATE SERVICES COMMISSION

The 2017-2018 year in review

## In this section:

- Integrity, Ethics and Standards
- Strategy and Policy
- System and Agency Performance
- Workforce and Talent Management
- Corporate Services

# Integrity, Ethics and Standards

The Public Service must work with the highest standards of integrity and conduct to ensure the trust and confidence of New Zealanders is maintained. This is a fundamental part in our ability to do our jobs.

The Commission has a leadership role, under the State Sector Act 1988, to set standards of integrity and conduct and provide advice and guidance to the system on related matters. We work directly with agencies to set these standards, assist with their implementation and monitor agencies' compliance with other legislative requirements.

## Supporting good decision making

**The Commission works to support the Public Service in maintaining and building trust and confidence, supporting public servants to make good decisions, foster openness and transparency, and to recognise outstanding achievement in the service of New Zealand.**

In the last year, the Commission issued model standards for the first time. This new form of guidance clearly outlines the expectations of the State Services Commissioner in areas of key focus. Issued under the Commissioner's statutory powers, the standards outline the minimum expectations for chief executives and agencies. Three areas of focus have been identified, which included speaking up, conflicts of interest and chief executive gifts, benefits and expenses.

Next year we will build additional support around the model standards to assist agencies in implementing them successfully.

## Recognising success

**As part of further realising our vision of a unified Public Service, we need to recognise and celebrate our individual and collective successes.**

Later this year, the Commission will host the inaugural Public Service Day ceremony, where the first New Zealand Public Service Medal and the State Services Commissioner's Commendation for Frontline Excellence will be awarded to exemplary individuals in their fields.

Furthermore, from 2019 onwards the Institute of Public Administration New Zealand (IPANZ) awards will be administered by the Commission. We have also laid the groundwork for recognising long service across the Public Service with a view to this being established in 2019.

## Investigations

The Commission has conducted a number of investigations over the last year, looking into issues from the treatment of whistle blowers within the Ministry of Transport and the expenditure of the former Waikato District Health Board Chief Executive. Findings from those inquiries are reflected in the work programme around guidance and model standards, to ensure trust and confidence is maintained in the Public Service.

## Open government

The Commission has leadership of open government. This year we have focussed on two areas – official information and the creation of the 2018-20 Open Government Partnership (OGP) National Action Plan.

**Open government is important for developing an inclusive society where government is focussed on improving the wellbeing of all New Zealanders.**

It plays a key role in building our social capital by increasing transparency, participation, understanding of, and trust in government.

In the last year we have implemented six monthly publication of Official Information Act statistics to ensure we are being open and accountable about the administration of this legislation. This has been supported by the issuing of guidance for agencies to help improve their results. We have also consulted with the Public Service on proactive release of government information. The Commission continues to run a cross agency leaders and practitioners forum designed to share experiences with the Official Information Act, discuss issues and encourage collaborative learning.

In April, the Commission initiated a conversation with New Zealanders about what should go into the OGP National Action Plan 2018-20. In the first few months of the conversation, ideas were gathered for commitments through online and kanohi ki te kanohi (face-to-face) processes. The online process included the use of a website where ideas could be posted and commented on. The kanohi ki te kanohi engagements included both public (Auckland, Christchurch and two in Wellington) and targeted workshops (Dunedin students and State sector new graduates). The process included an active social media presence involving Twitter, Facebook and LinkedIn.

The focus for the coming year is continuing to drive improvement in timeliness statistics, increasing proactive release of official information requests, and working towards realising our commitments under the National Action Plan.

# Strategy and Policy

Delivering a world class Public Service requires a system that is agile, adaptable and able to meet the needs of the government of the day and the needs of New Zealanders.

Through the State Sector Act 1988, the Commission has a role in helping to shape the Public Service through machinery of government changes, providing advice on system-wide reform, and collating data and information on the size, capability and movement of people in the Public sector.

This ensures the State Sector Leadership Team has the right data and advice to enable them to set priorities for the Public sector. The resulting work programme focuses on the levers across the whole system that can deliver better outcomes through collaborative or other system level action.

## Designing the public services of the future

**A world class Public Service requires ongoing operational improvement and clear lines of accountability. This year the Commission published the System Design Toolkit, a set of resources that gives agencies new ways to address shared problems.**

The Toolkit encourages agencies to look at different models to support collaboration and deliver cross-agency outcomes. In particular, it supports the use of non-structural solutions such as collaborative working models that can realise better outcomes, faster.

The Commission also ensures that the Public sector can reconfigure at pace in order to deliver the priorities of the government of the day. The Commission takes a proactive and leading role in guiding agencies at a time of change. This includes the successful establishment of Te Kāhui Whakamana Rua Tekau mā Iwa — Pike River Recovery Agency and the Ministry of Housing and Urban Development. The Commission also supported the creation of new business units at the Ministry for Primary Industries.

We have developed the model and mandate for functional leaders who can work across the system in their areas of expertise. The continuous improvement and coordination of professions by Heads of Profession allows for better alignment with current best practise and regular sense-checking on trends and direction.

Our system reform programme is expanding and we are currently reviewing legislation to further secure our position as a world class Public Service. We are looking to enable new

ways of organising the structures and governance of the system to ensure we are agile and adaptive and able to respond to the changing needs of Government and New Zealanders.

Our involvement in change 'on the ground' includes our support for the Auckland Policy Office. Eighteen agencies have now located staff in the office which operates as a key point of engagement between central government, the Auckland Council, and other significant Auckland stakeholders.

## Using data to drive the Public sector workforce

The Commission works with Statistics New Zealand to present more and more information around the state of our workforce, our diversity and identifiable trends. In the last year we have built on this work to deliver more transparency regarding diversity in the Public sector.

Key areas of work have been the pay equity and gender pay gaps. By publicising our results, the Public Service can celebrate progress while identifying gaps in need of improvement to better support our workforce. This information informs next steps for senior leaders in creating a world class Public Service.

**We are regularly improving how we manage and use the information we collect, ensuring it is easily accessible and effectively used. The "Our People: Public Service Workforce Data" report continues to expand the amount of information and data that is current available to the public, providing the transparency and openness required by New Zealanders.**

The Commission's next steps in this space is the development of a Public Service Census to aid us in better understanding our people, culture and diversity.

# System and Agency Performance

High performing Public Service agencies and their chief executives are essential to the delivery of quality outcomes for New Zealanders. At the core of this is bringing together strategy with implementation. This includes bridging the knowledge of individual and agency performance with broader trends in public service systems to progress overall performance and improvement.

The Commission works to develop a rich information source to assess the progress of agency and system change, identify the challenges ahead, provide support to meet these and to throw a spotlight on what's working well.

The Public Service must be led by strong and capable leaders, and part of the Commissioner's statutory role is to recruit and appoint Public Service chief executives, and then monitor and oversees their performance. Alongside our system-wide leadership and talent management role, the Commission actively supports chief executives to meet their statutory responsibilities and the outcomes required in their roles.

## Approach to driving performance

**For 2018, a new chief executive performance management framework was introduced.**

This comprises four key elements:

1. explicit, upfront and tailored performance expectations;
2. active advice and support from the Commissioner and the Commission;
3. real-time feedback and review; and
4. a simplified approach to remuneration.

During 2017/18 the Commissioner took steps to constrain the growth of chief executive pay levels by dialling back pay settings (such as appointing lower in range). From 1 July 2019, the removal of performance pay from chief executive contracts was implemented.

The chief executives that the Commissioner employs understand and accept the rationale for this change. They have voluntarily agreed to this and all have signed new individual employment agreements. The Commissioner acknowledges the chief executives for taking this step.

A mix of appointment, re-appointment and transfer enables the Commissioner to respond to the need for real momentum on the new Government's ambitious priorities by ensuring the right person is in the right role at the right time, but with an eye to ensuring the diversity of the chief executive team.

## Continuous Improvement

Over the last five years the Commission has supported 19 Continuous Improvement engagements. On 2 July 2018, the Continuous Improvement function transferred from the State Services Commission to the Ministry of Social Development. The Ministry is committed to building a centre of expertise, providing support to other sectors and agencies, and continuing to develop the approach as a system wide resource. The Commission will continue to take a strong interest in the outcomes of this work.

## State Sector and Crown Entities Reform Bill

The Commission acted as departmental advisors for the State Sector and Crown Entities Reform Bill which received Royal Assent on 20 September 2018.

**This legislation provides greater integrity and accountability in the management of the State Sector; strengthens the public's trust and confidence in Crown entities, which are often the face of government; and brings more consistency of standards and expectations across the State sector.**

The Bill amends the Crown Entities Act 2004 and the State Sector Act 1988. Each amendment will bring a part of the State sector into better alignment with the arrangements that already exist in other parts of the sector.

## Building Diversity in Public Service Chief Executives

As at 30 June 2018, of the 32 Public Service chief executives 14 were women (including two in acting roles). Women now account for 44% of the chief executive group, up from 41% in 2017 and 30% five years ago in 2014.

**Unlike in the past where women chief executives tended to occupy smaller jobs, more of them are now appointed to bigger jobs. This has resulted in the average job size gap narrowing to just 4% below their male colleagues, compared with a 27% gap in 2016.**

Currently ethnic diversity amongst the chief executives comprises 93.1% European, 17.2% Maori and 3.4% Pacific Peoples (including those with multiple ethnicities).

# Workforce and Talent Management

The Public Service requires a strong and diverse workforce and leaders with the skills and agility to operate across a range of roles and contexts to meet the challenges and opportunities we are facing.

The Commission has a statutory and leadership role in the conduct of State sector employment relations and works with State sector agencies to promote high standards in workplace relations, create safe and healthy places of work, and to foster consistency on employment matters. We work with agencies to build diverse and inclusive workplaces.

We work with chief executives to attract and retain a diverse public service, and identify, develop, and deploy senior leaders and talent where it is needed most across the system.

## Gender pay and pay equity

The Commission, working with the Ministry for Women, is leading a system-wide response to reduce and ultimately close the gender pay gap. In 2017, all Public Service agencies developed Gender Pay Action Plans as part of a coordinated approach. In their action plans, agencies have outlined the key actions they will take in the next 12 months to address the specific issues that drive their own gender pay gap.

**Gender Pay Principles, jointly developed with the New Zealand Council of Trade Unions and agencies, provide a comprehensive framework for agency and system-wide action.**

The May 2017 agreement to address pay equity claims within a bargaining framework rather than by taking legal action continues to be relevant. The Commission is working with agencies and the Council of Trade Unions to develop tools and resources and to support their efforts to address current pay equity claims in the State sector. It is anticipated the first settlements using the Joint Working Group's Pay Equity Principles will occur in 2018/19.

## Diversity and inclusion

Diversity and inclusion is a key system priority for the Commission. Papa Pounamu, a chief executives steering group for diversity and inclusion established in 2017, leads a collaborative programme across the Public Service to build a more diverse workforce and inclusive workplaces. The goal of the programme is a Public Service reflective of the communities it serves. Chief executives have identified and initiated a number of diversity work streams including gender and ethnic pay gaps, disability and rainbow communities. To support this work, the Commission has collaborated with agencies

to develop a system-wide view of progress in diversity and inclusion as a base for shared learning and building on current strengths.

## Employment relations

In March 2018, Cabinet approved as Government policy new Government Expectations on Employment Relations in the State Sector. The Commission developed and promulgated the Expectations which form the basis of the Commission's advice, approval and reporting on employment relations in the State sector.

## Leadership

**The Commission has an increasingly strong role in leading and championing the development of leadership capability for New Zealand's Public Service.**

The transfer of the Leadership Development Centre into the Commission has brought a greater alignment of system wide efforts to build the capability of senior system leaders.

Our common approach to leadership development and talent management supports individuals to gain deeper broader experience. It enables agencies to better identify and develop people with leadership talent, unified around a spirit of service. Initiatives in the past year have been aimed to unify our senior public servants around a common ethos, values and ways of working.

We have also taken a more targeted approach to professional development including:

- the establishment of three new Public Service Career Boards to support professional development in a more targeted way; and
- working with early in career public servants and agencies to develop ways in which we can better attract, support and enable early in career public servants.

# Corporate Services

Organisational health, continuous improvement of the operating model, and implementing and modelling best practise standards for the Public sector are an important part of the Commission staying fit for purpose.

The Commission is committed to ensuring an inclusive culture, where staff, irrespective of their differences, feel valued. We need to ensure we have a high performing workforce and that this workforce reflects the nation it represents. The Commission's gender pay gap has improved, down 4.7 percentage points from 18.1% to 13.4% since 2017. We are committed to further improving our results through the implementation of a gender pay gap plan that reflects the national direction that was released this year.

### **This year marked the completion of the transformation of the Commission.**

Last year we revisited the mission, values and vision, which resulted in a change to leadership and governance for the Commission. As a result of the leadership change, teams were realigned to support the new strategic direction. A new structure, which better aligns to the outcomes that The Commission will deliver, required a new operating model. The operating model enables business as usual to be conducted end to end in single teams, while system level deliverables are delivered via cross-commission teams.

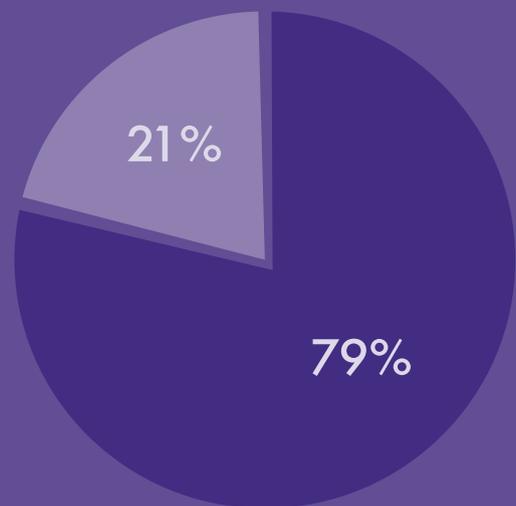
The last piece in the organisational transformation is the design of our workplace. Our workplace is designed to support activity based working and is in line with the IT strategy from the Government Chief Digital Officer, and Government Property Group guidance on workplace effectiveness.

### **Our workplace design, and associated infrastructure supports the Commission to work in a way that maximises collaboration, information sharing and agility.**

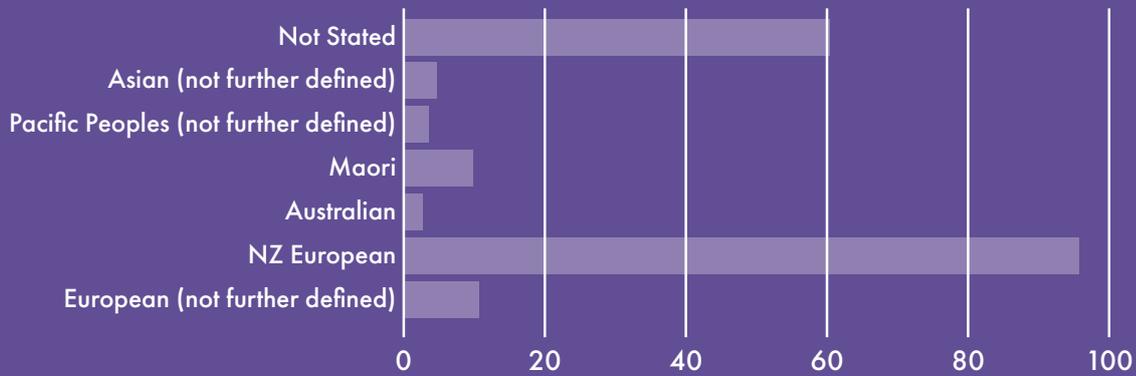
As part of our continuous improvement programme, we have improved our operating model by making further savings in the delivery of our human resource, finance and IT services.

# What we look like

## PEOPLE LEADERS



## SSC STAFF ETHNICITIES



The Commission is committed to ensuring an inclusive culture, where staff, irrespective of their differences, feel valued.

## SSC STAFF AGE





# END OF YEAR REPORTING

## In this section:

- Statement of Responsibility
- Independent Auditor's Report
- State Services Commission's Statement of Performance
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  - Place-based initiatives – National Support Appropriation
- Statement of Expenses and Capital Expenditure against Appropriation
- Reconciliation of Appropriations to Comprehensive Revenue and Expenses
- Statement of Departmental and Non-departmental Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority for the year ended 30 June 2018

## Statement of Responsibility

I am responsible, as Chief Executive of the State Services Commission (the Commission), for:

- the preparation of the Commission's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Commission is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report, and
- the accuracy of any end-of-year performance information prepared by the Commission, whether or not that information is included in the Annual Report.

In my opinion:

- the financial statements fairly reflect the financial position of the Commission as at 30 June 2018 and its operations for the year ended on that date, and
- the forecast financial statements fairly reflect the forecast financial position of the Commission as at 30 June 2019 and its operations for the year ending on that date.

**Debbie Power**

**Deputy State Services Commissioner &  
Chief Executive**



## Independent Auditor's Report

### To the readers of the State Services Commission's annual report for the year ended 30 June 2018

The Auditor-General is the auditor of the State Services Commission (SSC). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of SSC on pages 34 to 51, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by SSC for the year ended 30 June 2018 on pages 24 to 31;
- the statements of expenses and capital expenditure of SSC for the year ended 30 June 2018 on pages 32 to 33; and
- the schedules of non-departmental activities which are managed by SSC on behalf of the Crown on pages 52 to 54 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018;
  - the schedules of expenses; and revenue for the year ended 30 June 2018; and
  - the notes to the schedules that include accounting policies and other explanatory information.

### Opinion

In our opinion:

- the financial statements of SSC on pages 34 to 51:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year ended on that date; and

- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards.
- the performance information of SSC on pages 24 to 31:
  - presents fairly, in all material respects, for the year ended 30 June 2018:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of SSC on pages 32 to 33 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by SSC on behalf of the Crown on pages 52 to 54 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018; and
  - expenses; and revenue for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the State Services Commissioner and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

### **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of the State Services Commissioner for the information to be audited**

The State Services Commissioner is responsible on behalf of SSC for preparing:

- financial statements that present fairly SSC's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of SSC, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by SSC on behalf of the Crown.

The State Services Commissioner is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the State Services Commissioner is responsible on behalf of SSC for assessing SSC's ability to continue as a going concern. The State Services Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of SSC, or there is no realistic alternative but to do so.

The State Services Commissioner's responsibilities arise from the Public Finance Act 1989.

## **Responsibilities of the auditor for the information to be audited**

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to SSC's information on strategic intentions 2017-2022, Estimates and Supplementary Estimates 2017/18 for Vote State Services, and the 2017/18 forecast financial figures included in SSC's 2016/17 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SSC's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the State Services Commissioner.
- We evaluate the appropriateness of the reported performance information within SSC's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the State Services Commissioner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SSC to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the State Services Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The State Services Commissioner is responsible for the other information. The other information comprises the information included on pages 2 to 17 and 56 to 74, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Independence**

We are independent of SSC in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in SSC.

A handwritten signature in blue ink, consisting of a large, stylized initial 'S' followed by a horizontal line and a smaller, more complex signature.

S B Lucy  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand



# State Services Commission's Statement of Performance

## Policy Advice and Management of the Public Management System

The single overarching purpose of this appropriation is to support decision making by Ministers on government policy matters and leading the Public Management System.

### Multi-category Appropriation (MCA)

2017 Actual \$000	Total MCA	2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2019 Unaudited Forecast \$000
28,547	Expenses	30,146	29,715	30,601	29,823
25,003	Revenue Crown	23,972	23,495	23,972	23,363
4,226	Revenue Department and Other	6,688	6,220	6,629	6,460
<b>29,229</b>	<b>Total Revenue</b>	<b>30,660</b>	<b>29,715</b>	<b>30,601</b>	<b>29,823</b>

### What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
Respondents in the Kiwis Count survey agree or strongly agree that, based on their last service experience, they could trust public servants to do what is right	79% <sup>1</sup>	80%	79%
<p>In the 2017 calendar year trust in public services remained high at 79%, 12 percentage points higher than when first measured in 2007. The 2017 result is lower than has been achieved previously, but still represents a strong level of trust in public services. The survey this year considered a range of new services and despite this has maintained a strong result. See <a href="http://ssc.govt.nz/kiwis-count">http://ssc.govt.nz/kiwis-count</a> for further detail.</p>			
Overall Kiwis Count service quality score.	74 points <sup>2</sup>	75 points	76 points
<p>New Zealanders satisfaction with the quality of public services has increased over the past decade. The overall service quality score has increased eight points from 68 in 2007 to 76 in 2017. The 2017 result represents a continuation of the improvements seen in the last two years. The number and diversity of individual services means that achieving continuous improvement on the cumulative result is both a challenge and achievement. See <a href="http://ssc.govt.nz/kiwis-count">http://ssc.govt.nz/kiwis-count</a> for further detail.</p>			

<sup>1</sup> Kiwis Count reporting schedule has moved to a calendar (December) year basis, whereas in previous reports June years were used. This result is for December 2016

<sup>2</sup> Please refer to footnote #1.

## Public Management System Policy Advice (Category)

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the Public Management System.

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2017 Unaudited Forecast \$000
6,542	Expenses	5,202	5,527	5,527	5,528
5,524	Revenue Crown	5,527	5,527	5,527	5,528
413	Revenue Department	-	-	-	-
<b>5,937</b>	<b>Total revenue</b>	<b>5,527</b>	<b>5,527</b>	<b>5,527</b>	<b>5,528</b>

Expenditure in this category decreased in 2017/18. This is because the Commission had a temporary increase in 2016/17 due to a reprioritisation of resources towards policy advice for public sector reform. Expenditure for the year was less than budgeted due to a number of vacancies.

### What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
Technical quality of policy advice papers <sup>3</sup> assessed by a survey <sup>4</sup> with a methodical robustness of 90% <sup>5</sup>	75%	70%	75%
<p>The quality improvement from the 2016/17 year has been sustained through a change in Government and an associated increase in the overall volume of briefings.</p> <p>The majority of the papers that were evaluated related to areas of the Commission's core and long-standing expertise: machinery of government, and workforce issues, and addressed fundamental policy choices in those areas. This, together with the establishment of the Strategy and Policy Group, and the greater emphasis over the last year or so on the Commission's leadership role in workforce related matters, may have contributed to the Commission's ability to maintain quality standards whilst also experiencing the increase in demand and volumes.</p>			
Minister of State Services has satisfaction with policy advice <sup>6</sup>	90%	80%	90%
<p>The Commission has maintained its performance which reflects the Commission's agility in swiftly meeting delivery requirements following a change in Government. We have further embedded our refined policy process from last year and fine-tuned it to ensure our outcomes were fit for purpose and relevant for the new leadership.</p>			
Total cost per hour of producing outputs	\$179	\$160	\$124
<p>Costs were higher over the previous financial year due to the creation of a new Strategy and Policy Group. That team is now well established and engages in work across the Commission with all business units. As such, the workload has been spread throughout the Commission, involving more staff which enables the Commission to hit our outcomes sooner and has significantly reduced costs.</p>			

<sup>3</sup> Quality of policy advice is a performance measure set by the Treasury as part of the 'Review of Policy Expenditure and Advice'.

<sup>4</sup> The Commission runs its review using a methodology developed by Department of Prime Minister and Cabinet's (DPMC) Policy Project. In the scoring scale devised by the Treasury, 5 and 6 are 'satisfactory' scores while 7 and 8 are 'good' scores. The scoring is out of 10, and is converted to a percentage for overall final rating. The scoring is a judgement based on all three areas of the Treasury's policy quality framework – analytical quality, strategic perspective and customer focus.

<sup>5</sup> The statistical robustness reflects the quality of the review process as set out in the Treasury's guidance.

<sup>6</sup> Ministerial satisfaction with the Commission's policy advice is a performance measure set by the Treasury as part of the 'Review of Policy Expenditure and Advice'. The ministerial satisfaction score is based on a standard survey developed by the Treasury, which provides a quantitative representation of a Minister's satisfaction with an agency's policy advice. This survey is conducted annually and was performed by the Minister as at 30 June 2018.

## Management of the Public Management System (Category)

This category is limited to ensuring the Public Management System has the design, capability and performance to deliver public services.

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2019 Unaudited Forecast group \$000
22,005	Expenses	24,944	24,188	25,074	24,295
19,479	Revenue Crown	18,445	17,968	18,445	17,835
3,218	Revenue Department	5,912	2,910	3,119	3,150
595	Revenue Other	776	3,310	3,510	3,310
<b>23,292</b>	<b>Total Revenue</b>	<b>25,133</b>	<b>24,188</b>	<b>25,074</b>	<b>24,295</b>

Expenditure in this category increased in 2017/18. This is because of the transition of the Leadership Development Centre's function to the State Services Commission. Expenditure for the year was more than the original budget due to funding that was transferred from 2016/17 to 2017/18 in the Supplementary Estimates to cover Continuous Improvement projects and Performance Improvement Framework reviews planned in 2016/17 that occurred in 2017/18. Expenditure was less than budgeted in the Supplementary Estimates due to a number of vacancies that occurred during the year.

### What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
State Service Chief Executives agree that the State Services Commission provides the leadership required to support them in their collective leadership and in leading their agencies.	4.2 out of 5	Average score 4 out of 5, or better	4.2 out of 5
<p>The Commission has maintained this score through ensuring the overall high quality of engagement with the State Service chief executives. We have enabled the development of a collective sense of purpose through the chief executives working as the State Sector Leadership Team (SSLT) and stewarding the system.</p> <p>This year the Commission and the chief executives held the second Public Service Leaders' Summit which expanded on the first Summit originally held in 2017.</p>			
Complete the National Action Plan Mid Term Self-Assessment	New Measure	100%	100%
<p>As part of the membership of the Open Government Partnership, New Zealand is required to develop and publicly consult on a Self-Assessment on delivery performance at the halfway point in the two year Action Plan. The Commission published the Self-Assessment on New Zealand's 2016-18 National Action in October 2017.</p>			
Complete the National Action Plan End of Term Self-Assessment	New Measure	Not applicable until 2018/19	Not applicable until 2018/19
<p>As the second National Action Plan is dated until 30 June 2018, this measure will be completed in the 2018/19 financial year.</p>			
Development of a National Action Plan 2018/20 (NAP 3)	New Measure	Not applicable until 2018/19	Not applicable until 2018/19

Development of the National Action Plan 2018/20 began in the 2017/18 financial year. This measure will be completed in the 2018/19 financial year.

Recommissioning of the next phase of the reform programme with new plans in place for June 2018	New Measure	100%	Results available in 2018/19
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During the past financial year a cross agency team commenced work on an ambitious State Sector reform programme towards a review of the State Sector Act 1988 and preparation for consequential changes to the Public Finance Act 1989 and Crown Entities Act 1989 and Crown Entities Act 2004.

The Commission's system leadership role in Auckland is acknowledged and supported by government agencies and demonstrated by their presence in the Auckland Policy Office (APO).	New Measure	Maintaining at least 12 APO government memberships	18 memberships
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The Auckland Policy Office continues to attract strong support from government agencies with five agencies joining the office over the course of the year and a number of others increasing their membership. In addition, over 2017/18 the office has seen a significant increase in Ministerial visitation and in patronage from Wellington based officials.

Deployment of senior leaders through Career Boards and brokered with the State Services Commission	27	100	50
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We work across agencies to identify and develop people who can step into system leadership roles in the future, and to draw from broader pools of talent in the wider public sector and private sector. This includes the deployment of talented leaders between agencies to develop them for senior Public Service leadership roles and to address system-critical needs.

The number of senior leaders deployed through Career Boards and brokered with the Commission is less than the target for 2017/18 owing to a refocusing of the Career Boards during 2017/18. In late 2017 the existing Career Boards were replaced with three new functional Career Boards (Policy, Operational and Corporate) and refocused to target leaders with the aspiration and the potential to progress to more complex roles, and who would benefit from cross agency development. The Career Board cohort membership was refreshed in early 2018 and knowledge of their development needs and intentions is being rebuilt. A new "brokering" role has been established and is in the process of being filled.

## State Services Commission – Capital Expenditure PLA

This appropriation is limited to the purchase or development of assets by and for the use of the State Services Commission, as authorised by section 24(1) of the Public Finance Act 1989.

2017 Actual \$000		2018 Actual \$000	2018 Unaudited Budget \$000	2018 Unaudited Supp. Estimates \$000	2018 Unaudited Forecast group \$000
209	Property, Plant and equipment	1,212	100	1,033	100
-	Intangibles	38	-	-	-
209	<b>Total appropriation</b>	<b>1,250</b>	<b>100</b>	<b>1,033</b>	<b>100</b>

Section 24(1) of the Public Finance Act 1989 allows the Commission to purchase assets to the extent its working capital allows. This allows the Commission to exceed the budget, provided it has the working capital to do so. The Capital PLA included budget in 2016/17 for the refurbishment of the office space but phasing of the work meant that the actual expenditure was incurred in 2017/18. Expenditure in 2017/18 also included unbudgeted expenditure on the Open Government website and other business as usual capital expenditure such as IT equipment.

## Leadership Development Centre Branded Business Unit

Provide and broker leading practise learning experiences and programmes aligned to the current and future needs of the system

### What was achieved

Leadership Development Programmes		
Performance Measure	Budgeted Standard Target 2017/18	Actual 2017/18
Leadership in Practise, an open programme	3	3
Management in Action, an open programme	3	3
Management in Action, tailored to an agency or sector.	4	10
Other Bespoke tailored programmes for agency or sector.	2	6
Fellowship Grants		
Fellowship study grants	3	5

Demand for programmes has grown, particularly for those tailored to agency or sector needs. We continue to apply our evaluation framework to all our programmes.

Schedule of events to allow leaders to engage on relevant topics in Auckland and Wellington		
Performance Measure	Budgeted Standard Target 2017/18	Actual 2017/18
Learning Labs	12	14

Leadership Development Centre delivered on four learning labs in Auckland and ten in Wellington.

## Place-based initiatives – South Auckland Social Investment Board

This appropriation is limited to the delivery of services as part of the Social Investment Plan for South Auckland and to the operational support of the South Auckland Social Investment Board.

This appropriation is intended to achieve support for the South Auckland Social Investment Board to improve outcomes for at-risk children and their families in South Auckland using a social investment approach and agencies working collectively

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2019 Unaudited Forecast \$000
1,155	Expenses	2,525	2,750	2,845	-
1,250	Revenue Crown	2,845	2,750	2,845	-

Expenditure in this appropriation was lower than budgeted due to a delay in the scaling up of some initiatives.

*\*New funding was approved for Place-based initiatives – South Auckland Social Investment Board after the main estimates. This programme will continue to operate in 2018/19 and the budget will be updated in the supplementary estimates*

## What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
Family harm assessments conducted by New Zealand Police, Ministry of Social Development and Counties Manukau District Health Board combined teams	New measure	400 Assessments	1,010 Assessments
<p>Family Harm assessments (a tailored Whāngaia Ngā Pā Harakeke model) involve triaging and responding to family harm incidents to reduce the negative impact of repeat exposure to family harm on the social, emotional and cognitive development of children. It is trialling new ways of working across government agencies and with NGOs to improve support for whānau experiencing family harm.</p> <p>The measure refers to assessments involving 0-5 year olds, which have been the initial target group for the Board. Further assessments and interventions have been conducted involving children and wider whānau of other age groups. The current members of the Family Harm Safety Assessment Meeting are New Zealand Police, Oranga Tamariki, Counties Manukau District Health Board and the Department of Corrections.</p>			
In-home visitation services with at-risk pregnant women by Ministry of Social Development, Ministry of Health and Counties Manukau District Health Board combined teams	New measure	500 Visits	240 Visits
<p>Start Well visits provide integrated health and social home-based intensive support for young mothers and their wider whānau from the antenatal period through to when their child is five years old. There were delays in setting up the Start Well team due to the challenges in recruiting appropriately qualified staff. The service is currently engaged with 19 teen mothers, their babies, and wider whānau.</p>			

# Social Investment Agency Statement of Performance

## Designing and implementing Social Investment Appropriation

This appropriation is limited to identifying where and how to implement a social investment approach, assessing how well a social investment approach is being delivered in these areas, and providing tools and support to agencies to assist them in implementing a social investment approach.

This appropriation is intended to achieve the provision of tools and infrastructure by the Social Investment Agency required to enable a collective social investment approach allowing investment in what works to improve the lives of New Zealanders, creating lasting change.

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2019 Unaudited Forecast \$000
-	Expenses	12,081	8,804	15,011	13,428
-	Revenue Crown	15,011	8,804	15,011	13,428
-	Total Revenue	<b>15,011</b>	<b>8,804</b>	<b>15,011</b>	<b>13,428</b>

Expenditure in this category was new in 2017/18. The expenditure was higher than originally budgeted due to the costs of phase 2 of the Data Exchange Project. This was approved during the year with additional funding being drawn down from a contingency tagged for this purpose during the Supplementary Estimates. Expenditure was lower than the Supplementary Estimates due to delays experienced while Government priorities were embedded.

### What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
The satisfaction rating given by the Minister for the quality and timeliness of advice will be at least 70%.	New measure	70%	80%
The Ministerial Satisfaction Survey asked the Minister for Social Development as at June 2018 to use a 10 point scale to rate the Social Investment Agency's performance across six questions. The Minister for Social Development rated the Agency as eight for five of the questions and nine for the sixth.			
The combined number of agencies and NGO's on-boarded to the Data Exchange will not be less than 80% of the number committed.	New measure	Achieved	Achieved
The Data Exchange Business Case committed to 12 Agency and NGO connections in 2017/18. The actual number on-boarded to the Data Exchange was 13.			
The percentage of key deliverables agreed with the Minister completed in accordance with organisational priorities and agreed standards will be no less than 85%.	New measure	Achieved	Not measured
Following the change of Government, it was agreed with the new Minister that the SIA would continue with the current work programme, focusing on the engagement for the Government's proposed Investing for Social Wellbeing approach, and a Data Protection and Use Policy. The results of this engagement will inform the future work programme and deliverables.			

## Place-based initiatives – National Support Appropriation

This appropriation is limited to providing support and evaluation across place-based initiatives.

This appropriation is intended to achieve the successful implementation and functioning of place-based initiatives to improve outcomes for at-risk children, young people and their families.

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Supp. Estimates \$000	2019 Unaudited Forecast \$000*
-	Expenses	721	1,020	1,220	-
-	Revenue Crown	1,220	1,020	1,220	-

Expenditure in this appropriation was new within Vote State Services in 2017/18. Expenditure was lower than budgeted due to delays while Government priorities were embedded and Cabinet consideration of the future direction of the Place-based initiatives

\*New funding was approved for Place-based initiatives – National Support after the main estimates. This programme will continue to operate in 2018/19 and the budget will be updated in the supplementary estimates.

### What was achieved

Performance Measure	Actual 2016/17	Budgeted Standard Target 2017/18	Actual 2017/18
The evaluation strategy for the place-based approach will be implemented by 30 June 2018.	New measure	Achieved	Not Achieved
Following submission of a Cabinet paper in March 2018, the evaluation of the place-based initiatives will now be revisited in advice to Cabinet in October 2018 on the future direction of the place-based initiatives.			
The place-based initiatives will report that the support they receive from the national function is contributing to the successful implementation and functioning of the initiatives	New measure	Achieved	Achieved
All three place-based initiatives reported that the support they received from the national function was contributing to the successful implementation and functioning of the initiatives.			
The place-based initiatives will attest that the support they receive from the national function assists them in meeting specific monitoring and reporting requirements.	New measure	Achieved	Achieved
All three place-based initiatives attested that the support they received from the national function assisted them in meeting specific monitoring and reporting requirements.			

# Statement of Budgeted and Actual Departmental and Non-Departmental Expenses and Capital Expenditure Incurred Against Appropriations

(For the year ended 30 June 2018)

	2018 Actual \$'000	2018 Unaudited Budget \$'000	2018 Unaudited Supp. Estimates \$'000	2019 Unaudited Forecast \$'000	Location of End-of-year Performance Information
<b>State Services Commission</b>					
<b>Departmental Capital Expenditure</b>	1,250	100	1,033	100	SSC Annual Report
State Services Commission – Capital Expenditure under Permanent Legislative Authority					
<b>Departmental Output Expenses</b>	2,525	2,750	2,845	-	SSC Annual Report
Place-based initiatives – South Auckland Social Investment Board					
<b>Non-departmental Other Expenses</b>					
Open Government Partnership	200	200	200	200	Exempt
Remuneration and Related Employment Costs of Chief Executives	14,740	13,940	16,015	16,460	
Settlement of Legal Liabilities	-	7	7	7	
<b>Total Non-departmental Other Expenses</b>	<b>14,940</b>	<b>14,147</b>	<b>16,222</b>	<b>16,667</b>	
<b>Multi-category Expenses and Capital Expenditure</b>					SSC Annual Report
<i>Policy Advice and Management of the Public Management System MCA</i>					
<b>Departmental Output Expenses</b>					
Public Management System Policy Advice	5,202	5,527	5,527	5,528	
Management of Public Management System	24,944	24,188	25,074	24,295	
<b>Total Multi-category Expenses</b>	<b>30,146</b>	<b>29,715</b>	<b>30,601</b>	<b>29,823</b>	
<b>Total Annual and MCA Expenses SSC</b>	<b>48,861</b>	<b>46,712</b>	<b>50,701</b>	<b>46,590</b>	
<b>Social Investment Agency</b>					
<b>Departmental Output Expenses</b>					SSC Annual Report
Designing and Implementing Social Investment	12,080	8,804	15,011	13,428	
Place-based Initiatives – National Support	721	1,020	1,220	-	
<b>Total Annual Expenses SIA</b>	<b>12,801</b>	<b>9,824</b>	<b>16,231</b>	<b>13,428</b>	
<b>Total Annual and MCA Expenses</b>	<b>61,662</b>	<b>56,536</b>	<b>66,932</b>	<b>60,018</b>	

## Reconciliation of Appropriations to Comprehensive Revenue and Expenses

	Place-based initiatives - South Auckland Social Investment Board	Public Management System Policy Advice	Management of Public Management System	Designing and Implementing Social Investment	Place-based Initiatives - National Support	Comprehensive Revenue/ Expenses
Revenue Crown	2,845	5,527	18,445	15,011	1,220	43,048
Revenue Department and Other	-	-	6,688	-	-	6,688
Eliminations of inter-entity transactions	-	-	(321)	-	-	(321)
<b>Total Revenue after eliminations</b>	<b>2,845</b>	<b>5,527</b>	<b>24,812</b>	<b>15,011</b>	<b>1,220</b>	<b>49,415</b>
Expenses	2,525	5,202	24,944	12,080	721	45,472
Eliminations of inter-entity transactions	-	-	-	(65)	(256)	(321)
<b>Expenses after eliminations</b>	<b>2,525</b>	<b>5,202</b>	<b>24,944</b>	<b>12,015</b>	<b>465</b>	<b>45,151</b>

Inter-entity transactions occurred between SSC and SIA including SIA paying SSC for LDC membership levies, business coaching services and secondment recoveries.

## Statement of Departmental and Non-departmental Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority for the year ended 30 June 2018

### *Expenses and capital expenditure incurred in excess of appropriation*

Nil (2017: Nil).

### *Expenses and capital expenditure incurred without appropriation or other authority, or outside scope of appropriation*

Nil (2017: Nil).

There was no unappropriated expenditure in relation to the activities that SSC administers on behalf of the Crown for the year ended 30 June 2018 (2017: Nil).

## Statement of Departmental Capital Injections for the year ended 30 June 2018

2017 Actual capital injections \$000		2018 Actual capital injections \$000	2018 appropriation \$000
-	Capital injection	1,441	1,500

## Statement of Departmental Capital Injections Without, or in Excess of, Authority for the year ended 30 June 2018

SSC has not received any capital injections during the year without, or in excess of, authority (2017: Nil).



# FINANCIAL STATEMENTS & SCHEDULE

## In this section:

- Departmental Financial Statements
  - Statement of Comprehensive Revenue and Expenses
  - Statement of Changes in Equity
  - Statement of Financial Position
  - Statement of Cash Flows
  - Statement of Commitments
  - Statement of Contingent Liabilities and Contingent Assets
- Notes to the Departmental Financial Statements and Non-departmental Schedules
- Non-departmental Schedules
  - Schedule of Non-departmental Expenses
  - Schedule of Non-departmental Revenue and Receipts
  - Schedule of Non-departmental Assets
  - Schedule of Non-departmental Liabilities
  - Schedule of Non-departmental Commitments
  - Schedule of Non-departmental Contingent Liabilities and Contingent Assets

# Departmental Financial Statements

(for the year ended 30 June 2018)

The financial statements record the revenue, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that SSC and SIA manages.

## Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2018

2017 Actual \$000		Notes	2018 Actual Group \$000	2018 Unaudited Budget Group \$000	2019 Unaudited Forecast Group \$000
	<b>Revenue</b>				
26,253	Revenue Crown	2	43,048	33,241	36,791
4,226	Revenue other	2	6,367	6,220	6,460
<b>30,479</b>	<b>Total revenue</b>		<b>49,415</b>	<b>39,461</b>	<b>43,251</b>
	<b>Expenditure</b>				
17,346	Personnel costs	3	24,390	16,556	26,276
313	Capital charge	4	145	169	210
437	Depreciation and amortisation expense	6	232	319	238
11,606	Other operating expenses	5	20,384	22,417	16,527
<b>29,702</b>	<b>Total expenditure</b>		<b>45,151</b>	<b>39,461</b>	<b>43,251</b>
777	Surplus/(deficit)		4,264	-	-
-	Other comprehensive revenue and expense		55	-	-
777	Total comprehensive revenue and expense		4,319	-	-

Explanations of major variances against budget are detailed in note 15.

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Changes in Equity

for the year ended 30 June 2018

2017 Actual \$000		Notes	2018 Actual Group \$000	2018 Unaudited Budget Group \$000	2019 Unaudited Forecast Group \$000
5,116	Balance as at 1 July		2,413	2,413	3,503
	<b>Comprehensive revenue/(expense)</b>				
777	Net Surplus/(deficit) for the year		4,319	-	-
-	Capital contribution		1,441	1,500	-
(2,703)	Capital withdrawal		-	-	(500)
(777)	Return of operating surplus to the Crown		(4,264)	-	-
<b>2,413</b>	<b>Balance as at 30 June</b>		<b>3,909</b>	<b>3,913</b>	<b>3,003</b>

The accompanying accounting policies and notes form part of these financial statements.

# Statement of Financial Position

as at 30 June 2018

2017 Actual \$'000		Notes	2018 Actual Group \$'000	2018 Unaudited Budget Group \$'000	2019 Unaudited Forecast Group \$'000
	<b>Assets</b>				
	<i>Current assets</i>				
2,049	Cash and cash equivalents		14,975	2,597	3,123
3,029	Debtor Crown		3,029	3,029	1,913
786	Debtors and other receivables	7	2,619	389	928
30	Prepayments		197	246	30
5,894	Total current assets		20,820	6,261	5,994
	<i>Non-current assets</i>				
324	Property, plant and equipment	6	1,430	280	237
113	Intangible assets	6	123	180	151
437	Total non-current assets		1,553	460	388
6,331	Total assets		22,373	6,721	6,382
	<b>Liabilities</b>				
	<i>Current liabilities</i>				
2,051	Creditors and other payables	8	9743	1,620	2,287
-	- Revenue - advance		2908	-	-
777	Return of operating surplus		4,264	-	-
-	- Provisions	10	152	-	119
873	Employee entitlements	9	1,153	879	875
3,701	Total current liabilities		18,220	2,499	3,281
	<i>Non-current liabilities</i>				
119	Provisions	10	119	119	-
98	Employee entitlements	9	125	190	98
217	Total non-current liabilities		244	309	98
3,918	Total liabilities		18,464	2,808	3,379
2,413	Net assets		3,909	3,913	3,003
	<b>Equity</b>				
2,362	Taxpayers' funds		3,813	3,862	2,952
51	Artwork revaluation reserves		96	51	51
2,413	Total equity		3,909	3,913	3,003

Explanations of major variances against budget are detailed in note 15.

The accompanying accounting policies and notes form part of these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2018

2017 Actual \$000		Notes	2018 Actual Group \$000	2018 Unaudited Budget Group \$000	2019 Unaudited Forecast Group \$000
	<b>Cash flows from operating activities</b>				
28,956	Receipts from Crown		43,048	22,816	36,791
3,728	Receipts from other revenue		6,312	2,919	6,460
(11,645)	Payments to suppliers		(14,038)	(9,055)	(16,636)
(17,382)	Payments to employees		(24,059)	(16,511)	(26,167)
(313)	Payments for capital charge		(145)	(169)	(210)
114	Goods and services tax (net)		569	-	-
3,458	Net cash flows from operating activities	11	11,687	-	238
	<b>Cash flows from investing activities</b>				
-	Sale of property, plant and equipment		16	-	-
(209)	Purchase of property, plant and equipment		(1,212)	(50)	-
-	Purchase of intangible assets		(38)	-	-
(209)	Net cash flows from investing activities		(1,234)	(50)	-
	<b>Cash flows from financing activities</b>				
(769)	Repayment of operating surplus		(777)	-	-
(2,703)	Capital (withdrawal)/injection		-	1,500	(500)
-	Transfer of cash balances from Leadership Development Centre Trust		3,250	-	-
(3,472)	Net cash flows from financing activities		2,473	1,500	(500)
(223)	Net (decrease)/increase in cash		12,926	1,450	(262)
2,272	Cash at the beginning of the year		2,049	1,147	3,385
2,049	Cash at the end of the year		14,975	2,597	3,123

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Commitments

as at 30 June 2018

2017 Actual \$'000		2018 Actual \$'000
	<b>Non-cancellable operating lease commitments</b>	
412	Not later than one year	1,098
-	Later than one year and not later than 5 years	1,558
412	Total non-cancellable operating lease commitments	2,656
412	Total Commitments	2,656

SSC has a non-cancellable operating lease, in respect of its Wellington premises ending in 2019, 2020 2021. There was no capital commitment for 2017/2018 or 2016/2017.

## Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2018

### Unquantifiable Contingent Liabilities and Assets

There are no unquantifiable contingent liabilities and assets as at 30 June 2018 (2017: There was an unquantifiable contingent liability, refer to quantifiable liability below)

### Quantifiable Contingent Liabilities and Assets

SSC is involved in a court case with estimated financial effect of \$5,000 (This matter was disclosed as an unquantifiable contingent liability as at 30 June 2017).

The accompanying accounting policies and notes form part of these financial statements.

# Notes to the Departmental Financial

## Statements and Non-departmental Schedules

(for the year ended 30 June 2018)

### 1 – Statement of accounting policies

#### Reporting entity

The State Services Commission (SSC) is a New Zealand government department as defined by section 2 of the Public Finance Act 1989. The Social Investment Agency (SIA) is a departmental agency as defined by section 2 of the Public Finance Act 1989, which is hosted within SSC, unless explicitly stated references to SSC covers both SSC and SIA.

In addition, SSC has reported separately, in the Non-departmental Schedules, financial information on public funds managed by SSC on behalf of the Crown.

The primary objective of SSC is to provide services to the public rather than making a financial return. Accordingly, SSC is designated as a Public Benefit Entity (PBE) for financial reporting purposes.

The Financial Statements of SSC are for the year ended 30 June 2018. The Forecast Financial Statements are for the year ending 30 June 2019. These Financial Statements were authorised for issue by the Chief Executive on 28 September 2017.

The financial Statements of SSC for the year ended 30 June 2018 are consolidated financial statements including both SSC and SIA. They are shown as *Group* in this annual report.

The Departmental Financial Statements and the financial information reported in the Non-departmental Schedules are consolidated into the Financial Statements of the Government and, therefore, readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2018.

#### Statement of compliance

The Departmental Financial Statements, non-departmental schedules and unaudited Departmental Forecast Financial Statements of SSC have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), Treasury Instructions and Treasury Circulars. These Financial Statements comply with PBE accounting standards as appropriate for Tier 1 entities. These Financial Statements have been prepared in accordance with Tier 1 NZ PBE accounting standards as the departmental

expenditure for SSC is now greater than \$30 million. SSC was previously a Tier 2 entity with expenditure less than \$30 million. Measurement and recognition rules applied in the preparation of the Non-departmental Supplementary Financial Schedules are consistent with NZ GAAP and Crown accounting policies and are detailed in the Financial Statements of the Government.

#### Basis of preparation

The Departmental Financial Statements and Non-departmental Schedules have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### Measurement base

The Departmental Financial Statements and Non-departmental Schedules have been prepared on an historical cost basis with the exception of Artwork which is revalued every five years.

#### Functional and presentation currency

The Departmental Financial Statements and Non-departmental Schedules are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of SSC is New Zealand dollars.

#### Changes in accounting policies

There have been no changes in accounting policies during the financial year.

#### Budget figures

The budget figures are those included in the Department's Budget Estimates for the year ended 30 June 2018, which are consistent with the financial information in the Main Estimates. The budget figures are unaudited.

#### Forecast figures

##### *Basis of preparation*

Forecast Departmental Financial Statements and Non-departmental Schedules have been prepared in accordance with the accounting policies expected to be used in the future

for reporting historical general purpose financial statements and based on a group basis including the Social Investment Agency, which is a Departmental Agency.

These Forecast Financial Statements are unaudited and have been prepared in accordance with, and comply with, FRS 42 Prospective Financial Statements.

These financial forecasts are based on Budget Economic Fiscal Update 2018 (BEFU) and have been prepared on the basis of assumptions as to future events that SSC reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions were as follows:

- SSC's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities.
- Personnel costs were based on current wages and salary costs, adjusted for anticipated remuneration changes.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are SSC's best estimate of future costs that will be incurred.
- Inclusion of Leadership Development Centre and Social Investment Agency.

Additional factors that could lead to material differences between the Forecast Financial Statements and the 2018/19 Actual Financial Statements include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustment.

#### **Authorisation statement**

These Forecast Financial Statements were authorised for issue by the Chief Executive of SSC on 9 April 2018. The Chief Executive is responsible for the Forecast Financial Statements presented, including the appropriateness of the assumptions underlying the Forecast Financial Statements and all other required disclosure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

## **Statement of cost allocation policies for Departmental Financial Statements**

SSC has determined the cost of outputs and categories using the following cost allocation system:

- Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related appropriations.
- Indirect costs are expenses incurred by corporate services functions that cannot be identified with a specific output. Indirect costs are allocated to each appropriation based on full-time equivalent personnel.

There have been no changes in SSC's general cost accounting policies since the date of the last audited Financial Statements.

Since March 2012, SSC has been party to receiving shared services from CASS incorporating the Treasury, SSC and DPMC for the delivery of finance, human resources, information management and information technology functions. Costs for these are treated as indirect costs. In a phased approach from 1 September 2018 SSC will be taking responsibility for the strategy and advice functions of Human Resources, Finance Information Management and Information Technology in-house and purchase its IT support services from a third party supplier. SSC will continue to use CASS for payroll and finance system support and transaction processing functions.

## **Critical accounting estimates and assumptions**

There are no critical accounting estimates and assumptions made in preparing these Financial Statements.

## **Capital management**

SSC manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. Its equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, and compliance with the government budget processes, Treasury Instructions, and the PFA.

## 2 – Revenue

### Revenue Crown – non-exchange

Revenue from the Crown is measured based on SSC’s funding entitlement for the reporting period as reported in the Departmental Financial Statements.

The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown. However, SSC can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

### Other revenue

#### *PIF reviews – exchange*

Revenue from reviews is recognised based on percentage completed.

#### LDC Levies and LDC courses – exchange

Revenue from Levies for the Leadership Development Centre and courses are recognised as revenue on a straight line basis over the life of each course.

#### Recovery of rental costs and secondments – exchange

Recovery of rental costs and secondments from participating agencies is recognised as revenue on a straight line basis.

#### Breakdown of other revenue and further information

2017 Actual \$000		2018 Actual \$000
1,175	Agency contribution towards PIF reviews	801
-	LDC Levies	2,095
-	LDC Course and other revenue	1,277
3,051	Other revenue (including recoveries)	2,194
4,226	Total other and departmental revenue	6,367

### 3 – Personnel costs

2017 Actual \$000		2018 Actual \$000
16,779	Salaries and wages	22,828
86	Staff training and development	107
534	Superannuation contributions to defined contribution plans	710
(204)	Increase/(decrease) in employee entitlements	318
(45)	Redundancy*	152
35	Allowance	-
161	Other	275
17,346	Total personnel costs	24,390

\*Negative cost in 2017 is due to reversal of previous year's accrual and nil accrual for the current financial year.

### 4 – Capital charge

SSC pays a capital charge to the Crown based on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2018 was 6% (2017: 7% from 1 July 2016 to 31 December 2016 and 6% from 1 January 2017).

### 5 – Other operating expenses

2017 Actual \$000		2018 Actual Group \$000	2018 Unaudited Budget Group \$000	2019 Unaudited Forecast Group \$000
1,690	Consultancy	2,724	720	6,252
532	Chief executives' recruitment costs	142	400	500
142	Legal fees	91	70	68
69	Fees to Audit New Zealand for audit of financial statements - SSC	108	80	80
-	Fees to Audit New Zealand for audit of financial statements - LDC Trust	26	-	-
838	Rental and operating lease costs	1,190	838	1,257
236	Other occupancy costs	194	302	295
348	IT and communication costs	1,411	524	763
236	Travel	463	213	308
205	Loss on disposal of property, plant and equipment	5	-	-
240	Sponsorship	224	224	124
-	Contractor fees for SIA	4,433	3,435	3,660
3,686	Costs paid to the Treasury for CASS	3,472	3,920	2,700
-	LDC fellowships	197	-	-
3,384	Other operating costs	5,742	11,691	520
11,606	Total operating costs	20,384	22,417	16,527

## 6 – Property, plant and equipment and intangible assets

### Accounting policy

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses. In addition, Artwork is revalued to fair values every five years, subject to regular assessment of market movements to ensure they do not differ materially from fair value. The latest revaluation was performed as at 30 June 2018.

Intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset. Direct costs include software acquisition and customisation costs by consultants or staff. Staff training costs are recognised as an expense when incurred. Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when an asset is available for use and ceases at the date that an asset is de-recognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expenses.

The useful lives of all classes of assets have been estimated as follows:

Asset Type	Useful Life	Depreciation/Amortisation Rate	Method
Office equipment	4 – 5 years	20% – 25%	Straight line
Leasehold improvements	5 years	20%	Straight line
Works of art	N/A	N/A	N/A
Furniture and fittings	3 – 5 years	20% – 33.33%	Straight line
Intangible	3 – 5 years	20% – 33.33%	Straight line

	Office Equipment \$000	Leasehold Improvements \$000	Works of Art \$000	Furniture and Fittings \$000	Intangible Assets \$000	Total \$000
<b>Cost</b>						
<b>Balance at 1 July 2016</b>	189	1,463	92	995	314	3,053
Additions	15	-	-	194	-	209
Disposals/transfers	-	(1,463)	-	(74)	(170)	(1,707)
<b>Balance at 1 July 2017</b>	<b>204</b>	<b>-</b>	<b>92</b>	<b>1,115</b>	<b>144</b>	<b>1,555</b>
Additions	11	703	-	498	38	1,250
Disposals/transfers	-	-	(21)	-	-	(21)
Revaluation increase	-	-	55	-	-	55
Other Movements	55	-	-	6	3	64
<b>Balance at 30 June 2018</b>	<b>270</b>	<b>703</b>	<b>126</b>	<b>1,619</b>	<b>185</b>	<b>2,903</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 July 2016</b>	115	1,035	-	905	128	2,183
Depreciation expense	22	310	-	45	60	437
Elimination on disposal	-	(1,345)	-	-	(157)	(1,502)
<b>Balance at 1 July 2017</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>950</b>	<b>31</b>	<b>1,118</b>
Depreciation expense	41	64	-	96	31	232
Elimination on disposal	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>178</b>	<b>64</b>	<b>-</b>	<b>1,046</b>	<b>62</b>	<b>1,350</b>
<b>Carrying amounts</b>						
At 1 July 2016	74	428	92	90	186	870
At 1 July 2017	67	-	92	165	113	437
<b>At 30 June 2018</b>	<b>92</b>	<b>639</b>	<b>126</b>	<b>573</b>	<b>123</b>	<b>1,553</b>

## 7 – Receivables

### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount will not be fully collectable. The amount that is uncollectable is the difference between the carrying amount due and the present value of the amount expected to be collected.

#### Ageing of debtors and other receivables

2017 Actual \$000		2017 Actual \$000
228	Current	949
558	Past due 31 - 60 days	1,634
-	Past due 61 - 90 days	12
-	Past due over 91 days not impaired	24
<b>786</b>	<b>Total</b>	<b>2,619</b>

## 8 – Creditors and other payables

### Accounting policy

Creditors and other payables are recorded at their face value.

## 9 – Employee entitlements (departmental)

2017 Actual \$000		2018 Actual Group \$000
	<b>Current liabilities</b>	
124	Accrued salaries and performance pay	113
700	Annual leave	952
28	Sick leave	35
21	Retirement and long service leave	53
873	Total current portion	1,153
	<b>Non-current liabilities</b>	
98	Long service leave	125
98	Total non-current portion	125
971	Total employee entitlements	1,278

The present value of the retirement and long service leave obligations depends on a number of factors. Two key variables used in calculating this liability include the discount rate and the salary-inflation factor. Any changes in these variables will impact on the

carrying amount of the liability.

In determining the appropriate discount rate, the Department adopts the central table of risk-free discount rates and Consumer Price Index (CPI) variables provided by the Treasury to all departments.

If the discount rate were to differ by 1% from SSC's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$7,000 higher or lower.

If the salary-inflation factor were to differ by 1% from SSC's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$8,000 higher or lower.

## 10 – Provisions

SSC is required at the expiry of the lease term in the Reserve Bank on 28 February 2021 to make good the premises. \$0.119 million has been provided for this.

	Restructure \$000	Lease Make Good \$000
Opening balance at 1 July 2017	-	119
Additional provisions made	152	-
Provisions released	-	-
Closing balance at 30 June 2018	152	119

## 11. Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

2017 Actual \$000		2018 Actual Group \$000
777	<b>Net Surplus (Deficit)</b>	4,264
	Add/(Less) Non-Cash Items	
437	Depreciation and Amortisation	232
437	Total Non-Cash Items	232
	<b>Add/(Less) Working Capital Movement</b>	
2,522	(Increase)/Decrease in Receivables and Prepayments	(209)
(291)	Increase/(Decrease) in Creditors and Other Payables	6,507
114	Increase/(Decrease) in GST	569
(45)	Increase/(Decrease) in Provisions	152
48	Increase/(Decrease) in Employee Entitlements	141
2,348	Total Net Movement In Working Capital Items	7,160
(187)	Add/(Less) Movements in Non-current Liabilities	27
	<b>Add/(Less) Items Classified As Investing Or Financing Activities</b>	
205	(Gain)/Losses on Disposal of Property, Plant and Equipment	4
3,458	Net Cash Flows from Operating Activities	11,687

## 12 – Summary Analysis of SSC and SIA

Revenue and Expenses	SSC Actual 2018 \$000	SIA Actual 2018 \$000	Total Actual 2018 \$000
Revenue			
Revenue Crown	26,817	16,231	43,048
Revenue other	6,367	-	6,367
Total Revenue	33,184	16,231	49,415
Expenditure			
Personnel costs	20,261	4,129	24,390
Capital charge	145	-	145
Depreciation and amortisation	232	-	232
Other operating	11,712	8,672	20,384
Total Expenses	32,350	12,801	45,151
Net Surplus	834	3,430	4,264

Assets and Liabilities	SSC Actual 2018 \$000	SIA Actual 2018 \$000	Total Actual 2018 \$000
Current assets	11,378	9,442	20,820
Non-current assets	1,553	-	1,553
Current liabilities	8,778	9,442	18,220
Non-current liabilities	244	-	244
Net Assets	3,909	-	3,909
Total Equity	3,909	-	3,909

## 13 – Related party transactions

All related party transactions have been entered into on an arm's-length basis. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

SSC is a wholly-owned entity of the Crown. The Government significantly influences the roles of SSC as well as being its major source of revenue.

In conducting its activities SSC is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. SSC is exempt from paying income tax.

### Key management personnel

2017 Actual \$000 SSC		2018 Actual \$000 SSC	2018 Actual \$000 SIA
	<b>Leadership Team, including the State Services Commissioner</b>		
2,775	Remuneration	3,765	1,603
7	Full-time equivalent staff	10	6.5

The increase in 2018 for SSC was owing to an increase in the number of full-time equivalent staff from seven to ten.

The above key management personnel compensation excludes the remuneration and other benefits the Minister of State Services receives. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of SSC. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by SSC.

### Related party transactions involving key management personnel (or their close family members)

There were no related party transactions involving key management personnel or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2017: Nil).

## 14 – Events after balance date

There have been no significant events subsequent to balance date that require adjustment to the Financial Statements or disclosure (2017: Renewal of lease agreement and Contracts associated with the refurbishment of the office space).

## 15 – Explanation of major variances against budget

### Statement of Comprehensive Revenue and Expense

The following major budget variations occurred between the 2017/18 Actuals and the 2017/18 Budget:

#### *Revenue Crown*

Revenue Crown was higher than originally budgeted by \$9.807 million. This is mainly due to the increased funding received for the Social Investment Agency data exchange phase 2 development. Additional funding was also received following in-principle transfers from the 2016/17 financial year. The in-principle transfers were approved:

- to identify where and how to implement a social investment approach, assess this approach and provide tools and support to agencies in order to implement a social investment approach.
- for work with other agencies, including Performance Improvement Framework reviews and Continuous Improvement projects.
- to provide support and evaluation across place-based initiatives.
- for the South Auckland Social Investment Board to identify investment opportunities.

#### *Personnel*

Personnel costs were higher than originally budgeted by \$7.834 million. This is mainly because the budget for SIA when it joined SSC was included at a high level without breaking it down into expenditure categories. This resulted in a higher opening budget for Other Operating Costs (refer to note 5). The increased workload for the phase 2 development occurring in the Social Investment Agency also contributed to the higher spend.

#### *Other operating expenses*

Other operating costs were \$2.033 million lower than budgeted. This was mainly owing to lower consultancy costs where the work is covered by personnel.

### Statement of Financial Position

#### *Current Assets and Current Liabilities*

Current assets and current liabilities are both significantly higher than originally budgeted. This results from the inclusion of the Social Investment Agency and the Leadership Development Centre. The Social Investment Agency has a large current liability as it needs to reimburse the Ministry of Social Development for expenditure during the year. The Leadership Development Centre receives large amounts of revenue in advance, lifting current liabilities. In both situations, these increased current liabilities correspond with an increase in current assets.

## 16 – Change in organisational form

On 28 March 2017, the Leadership Development Centre Board of Trustees resolved to be dissolved and that a new branded business unit within SSC be created. Leadership Development Centre staff and assets transferred to SSC from 1 July 2017. The functions previously performed by the Leadership Development Centre Trust will now be performed by Leadership Development Centre as a branded cost centre within SSC. The Trust was wound up during the 2017/18 financial year.

The Minister Responsible for Social Investment Hon Amy Adams announced on 21 April 2017 that the Social Investment Unit will be replaced by a new Social Investment Agency (SIA). On 1 July 2017, the SIA was created as a departmental agency of SSC. The group accounts in Financial Statements included the SIA.

# Non-departmental Schedules

(for the year ended 30 June 2018)

The Non-departmental Schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that SSC and SIA manages on behalf of the Crown.

## Schedule of Non-departmental Expenses

for the year ended 30 June 2018

2017 Actual \$000		2018 Actual \$000	2018 Unaudited Budget \$000
13,881	Remuneration and related employment costs of chief executives	14,740	13,947
13,720	<b>Consists of</b>		
	Remuneration and leave costs	14,472	13,450
136	Training and development	265	490
25	Relocation costs	3	-
-	Settlement of Legal liabilities	-	7
200	Open Government Partnership	200	200
55	GST Input expense	72	-
14,136	Total non-departmental expenses	15,012	14,147

The accompanying accounting policies and notes form part of these Financial Statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

## Schedule of Non-departmental Revenue and Receipts

for the year ended 30 June 2018

The Schedule of Non-departmental Revenue and Receipts summarises Non-departmental revenues and receipts that SSC and SIA administers on behalf of the Crown.

2017 Actual \$000		2018 Actual \$000	2018 Unaudited Budget \$000
12,347	Reimbursement of chief executives' remuneration	14,430	13,691
12,347	Total non-departmental revenue	14,430	13,691

The accompanying accounting policies and notes form part of these Financial Statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

## Schedule of Non-departmental Assets

as at 30 June 2018

2017 Actual \$000		2018 Actual \$000	2018 Unaudited Budget \$000
7,062	Cash	8,592	9,751
109	Prepayment	-	-
75	Debtors and other receivables	-	-
7,246	Total non-departmental assets	8,592	9,751

The accompanying accounting policies and notes form part of these Financial Statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

## Schedule of Non-departmental Liabilities

as at 30 June 2018

2017 Actual \$'000		2018 Actual \$'000	2018 Unaudited Budget \$'000
187	Creditors and other payables	165	161
	<b>Current liabilities – employee entitlements</b>		
1,809	Performance pay and Earn Back	2,059	780
163	Salaries and wages	102	595
516	Annual leave	620	702
2,488	Total current liabilities – employee entitlements	2,781	2,077
	<b>Long-term liabilities</b>		
578	Retirement leave	694	63
3,066	Total current and long-term provision for employee entitlements	3,475	2,140
3,253	Total non-departmental liabilities	3,640	2,301

## Schedule of Non-departmental Commitments

as at 30 June 2018

There are no non-departmental commitments as at 30 June 2018 (2017: Nil).

## Schedule of Non-departmental Contingent Liabilities and Contingent Assets

as at 30 June 2018

There are no non-departmental contingent liabilities and contingent assets as at 30 June 2018 (2017: Nil).

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.





# 2017/18 Achievements

The Agency's mission and purpose is 'Investing in what works for better lives'.

The Agency is a catalyst for change across the social system, demonstrating the value of using data, technology and evidence, and trialling how the sector (providers and government agencies) can work together to innovate and embed more effective ways of working. Above all, the Agency's work focuses on supporting the social sector to improve social outcomes through improved decision making.

The Agency's approach is to test new ways of working. It does this by deriving insight from data, partnering with NGOs, building tools, and documenting our approaches. The Agency's work to derive insights starts with individuals and builds a picture of their interaction across the social system. This gives the Agency an independent view that is not tied to the perspective of any single agency or part of the system. The Agency is transparent so others can also learn from its successes and failures.

The Agency made good progress against our five key workstreams:

- Developing this Government's Investing for Social Wellbeing approach
- Developing a Data Protection and Use Policy
- Progressing the Data Exchange (or DX)
- Knowing 'What Works'
- Establishing and embedding our strategic partnerships.

## This Government's Investing for Social Wellbeing approach

The Government wants to develop publically well informed and tested approach to Investing for Social Wellbeing that will compliment broader wellbeing and data work. The proposed approach to Investing for Social Wellbeing is based on understanding that people lead diverse lives and have different needs, and by better understanding these needs we can improve the choices to build individual, whānau and community wellbeing.

The Agency has been tasked with engaging social sector stakeholders to get their input as we support the social system provide services for the public. This will involve a discussion with New Zealanders on the Government's Investing for Social Wellbeing approach, inviting feedback and opinions for further development. There are four main themes for the engagement on Investing for Social Wellbeing:

## Putting people at the centre

Needs of people are at the heart of the approach. It takes into account that people lead diverse lives with different needs. It is inclusive, and treats people with dignity and respect.

## Make better use of a wide range of information

This approach takes into account that people are more than just numbers. While we still need to use data and evaluation results, we also need to listen to people's experiences and frontline knowledge to understand what interventions work. We will also create new evidence through testing and trialling new ideas.

## Work in partnership and building trust

We will actively work to grow public confidence through engaging and working in strong partnerships with a wide range of stakeholders. This will enable us think holistically to solve complex and cross-cutting issues like child poverty, mental health and housing. We will work to build trust in the solutions that we develop, including rebuilding people's confidence in the ethical use of data.

## Clear goals and robust measurement

The approach will require government agencies and key stakeholders to work towards the same goals and outcomes, including how the impact of what we do is measured and how to progress towards goals is monitored. We will provide clear direction and guidance for government agencies to enable them to make well considered, fiscally responsible, evidence based choices about where to invest to improve wellbeing and enable them to be prepared to invest now for future benefits.

## A Data Protection and Use Policy

The purpose of this Policy is to identify principles and procedures to enable collection, use, and reuse of data in a way which protects the interests of the people whose information it is. If data is to play an effective role in these efforts we need commonly agreed guidance on how and why information is collected and used. This policy will inform, clarify and guide the use of data for social service delivery, including its use for social investment purposes.

The Data Protection and Use Policy will:

- Support the sector by providing guidance on how to collect, use and share personal information appropriately, especially when information is useful or necessary for more than one purpose, and to understand when alternatives which don't involve personal information are more appropriate

- Be a combination of principles, protocols, tools and guides that enable everyone to more easily understand what's appropriate, what's not, and how to safely use peoples' personal information to assist in delivering better services
- Inform how information is used in the social sector, but will not change existing law.

## 'Your voice, your data, your say on social wellbeing'

A key focus in achieving the above two priorities (developing this Government's Investing for Social Wellbeing approach, and a Data Protection and Use Policy) was preparation for the launch in May 2018 of the 'Your voice, your data, your say on social wellbeing' engagement for the Data Protection and Use Policy and this Government's Investing For Social Wellbeing approach.

The engagement process is used to:

- Inform the development of the Data Protection and Use Policy and the Investing for Social Wellbeing approach
- Invite broad engagement from a wide and diverse range of participants which includes a conscious effort to engage those who actively use social services who may not ordinarily have an opportunity to provide their voice
- Building trust and confidence by providing genuine opportunities for people to input. SIA will listen and feedback and to continue to engage people in this manner throughout all stages of the process
- Engage with service users, Māori and iwi with an interest in data, Pacific peoples, disabled people, NGOs and service providers, Government agencies, local government, district health boards (DHB's), academia, research and philanthropy representatives and the general public.

## The Data Exchange (or DX)

The Data Exchange is essentially a "smart pipe" that enables the safe, secure and easy sharing of data, with a view to improving service effectiveness and outcomes across the social sector. Organisations using the Data Exchange retain full control of what, when and with whom they are sharing data.

The 2017/18 year was a successful one for the Data Exchange programme with interest in the use of the technology increasing. To date there are 13 organisations connected with operational use case implementations being progressed at a steady rate.

The Phase One pilot of the programme was completed at the end of 2017. Formal approval of the Phase 2 business case was achieved in December 2017.

An additional pilot is being undertaken with the Ministry of Social Development and other organisations called the Social Event Record (SER). The SER is a driver towards consistent information being provided across the social sector. Using a consistent, agreed format will make it easier for additional information to be uploaded.

The ground work for the productionisation of the use of the DX across the social sector has been completed with reporting mechanisms, business as usual procedures, technical and business related guides and technical roadmap processes all being refined based on the learnings in Phase one. This has provided a solid foundation for the Agency and EightWire partnership to progress with the rollout and elaboration of the use of the DX across the social sector.

## What Works

The Agency is developing a wellbeing measurement system to support decision makers across the social sector to collectively achieve better outcomes for New Zealanders. In addition the Agency is also developing population analysis tools for providers so they can better understand their communities and tailor their services.

The focus in 2017/18 has been on further Integrated Data Infrastructure (IDI) analysis, collaboration with other agencies, and wellbeing measurement.

During 2017/18 the Agency also led the Government Analytic Network (GAN), a network that aims to connect, share knowledge, and work on challenges and issues across the system. It was launched in 2017 and in just over 12 months it grew to nearly 300 members across 40 agencies. Statistics NZ have now taken responsibility for the management and organisation of the GAN.

## Strategic Partnerships

The key to commissioning is collaboration between social sector agencies and providers – those best placed to determine need, and design and provide services. At the simplest level, this involves co-designing services with providers. At a more comprehensive level, it involves enduring partnerships between agencies and providers by supporting providers to take responsibility for making decisions on what communities and families need.

The Agency currently has six key partnerships:

- Presbyterian Support Northern
- Te Tihi
- The Southern Initiative
- Family Help Trust
- Wise Group
- Methodist Mission Southern.

These six partnerships have progressed in 2017/18 to either pilots already commencing, or agreements to proceed in place. For example, the Kainga Whanau Ora pilot with Te Tihi was launched, and an evaluation framework developed.

During 2017/18 the Agency also continued working with the three Place-Based Initiatives (PBIs), which are designed to test how to improve outcomes through innovative governance at the local level. The PBIs are all based on local collective decision-making using data, evidence, monitoring and evaluation. The three PBIs are:

- Kāinga Ora in Te Tai Tokerau/Northland, led by the Minister of Education
- Social Investment Board South Auckland (SIB South Auckland), led by the Minister of State Services
- Manaaki Tairāwhiti in Gisborne and Wairoa, led by the Minister of Social Development.

The Agency provides a National Support function for the PBIs. This role assists the PBIs with national-level support common to all three in a manner consistent with the devolved intent of the PBI model, including social investment knowledge and resources, access to data, and support to develop robust investment proposals. The Agency has provided a common approach to measurement and evaluation, sharing best practice, reducing fragmentation and duplication, and possible replication of the PBI model.

# Organisational Health and Capability

## Social Investment Agency values

The Agency's values reflect our mission and purpose of 'Investing in what works for better lives'.

These values are:

### Tangata

We're about people



People will do better, sooner and for longer, when the social system works in partnership, acting on better evidence to develop and deliver services.

### Manawa Māui

We are a catalyst for change



We challenge the status quo constructively and seek better ways of doing things. We help create change to improve lives through different approaches.

### Taunakitanga

We influence through evidence



We use evidence to influence positive change for New Zealanders.

### Puaretanga

We're transparent by nature



We will share what we're doing, how we're doing it, and what we learn.

## Agency formation and organisational arrangements

Over the past nine months, the SIA has undergone a formation programme, and established its operating model for the future, to be fit for purpose and deliver on the Agency's work programme.

In June 2018 the Agency confirmed a final structure, and are now in the process of building capability and appointing to the newly established roles. From 2 July 2018 the Agency began the transition to the new business groups that were established to provide strategic leadership over the work the Agency does:

- Corporate - Fit for purpose corporate functions that progress and support the Agency's culture, operating principles and achievement of goals
- Insights - Develop data and evidence driven cross-system insights; provide advice on institutional settings and conditions required to embed evidence-based decision-making; undertake deep thinking on specific social issues; and provide research & evaluation expertise and advice

- Portfolio – Develop and support the work programme that delivers on Agency's strategic goals
- Data systems and Analytics (Product Development) - Develop key data infrastructure, systems and datasets and build analytical tools and products. Support this with policies and capability-building to enable safer and reliable use of data and measurement
- Partnerships – Identify and mobilise active partnerships to design and implement products and services that exemplify how an investing for social wellbeing approach can deliver better results.

These teams are supported by agency-wide specialists who provide whole of agency expert advice and support, including: Chief Science Adviser, Chief Maori Adviser and Principal Adviser.

## Engagement and supporting our people through change

As a new agency, the Agency has been working in an environment of some uncertainty and change. As a key input to support staff through a period of significant change, the Agency asked for their views through a change survey “Korero Mai”.

Based on these results, the Agency has identified areas to focus on in the coming months to improve on key areas needing attention, which include opportunities to improve communication and collaboration. The Agency intend on surveying again in the first quarter of the 2019 calendar year, as this will come at a time when the new leaders and teams are in place, and will provide an opportunity to review progress and new focus areas.

As part of the recruitment and appointment process, the Agency will continue to focus on diversity as a key element of the workforce to ensure there are equal employment opportunities and pay equity for men and women and to eliminate any barriers that cause inequality in the workplace.

## Capability

The SIA have taken the opportunity to embed the Leadership Success Profile (for Government Leaders) into its position descriptions, recruitment process, and performance planning and development framework. In the coming year the SIA will continue to embed this into the core leadership and talent activities and assess SIA people against these standards.

## Intern programme

In September 2017 an Inter-Agency Data and Analytics Working Group was established, coordinated by the Agency. A joint Data and Analytics Summer Internship programme was developed and four agencies participated in the Summer pilot programme: The Social Investment Agency, Ministry of Social Development, Oranga Tamariki and Statistics NZ.

The purpose of the programme was to support the development of data and analytics expertise in New Zealand by providing exposure to working in government for students who have been studying statistics, data or analytics related courses and would be looking for employment opportunities in the near future. The programme also included cross-agency networking and development events throughout the internship.

The interns gained valuable skills and a greater understanding of what it means to be a public servant and to work in government, found the experience meaningful and, as a result, have a continued interest in working in the public sector.

Agencies received a fresh injection of ideas and ways of

working that brought value to their projects and the teams they worked within as well as a mechanism for connecting with other agencies and learning about cross-sector projects.

## Accessibility Charter

On 20 June 2018 the Agency signed the Accessibility Charter, which seeks to ensure that the public sector is accessible for everyone.

By signing the Accessibility Charter the Agency agrees that:

- Our organisation is committed to working progressively over the next five years towards ensuring that all information intended for the public is accessible to everyone and that everyone can interact with our services in a way that meets their individual needs and promotes their independence and dignity.

In addition, the Agency will use this opportunity to consider how the Agency can be an accessible and attractive place for disabled employees.

## Employee policies

During 2017/18 the Agency developed and implemented the following personnel policies:

- SIA/PSA Change Management Protocol
- Bullying and Harassment Policy
- Speak Safe Policy
- Well-being Policy
- Conflict of Interest Policy
- Disciplinary Action Policy.

## Statement of Responsibility

I am responsible, as Chief Executive of the Social Investment Agency (SIA), for the accuracy of any end-of-year performance information prepared by SIA, whether or not that information is included in the Annual Report.

In my opinion, the annual report fairly reflects the operations, progress, and organisational health and capability of SIA.



**Dorothy Adams** | Chief Executive Social Investment Agency

Dated:

23/7/13.



## Leadership Development Centre Trust

On 28 March 2017 The Board of the Leadership Development Centre Trust formally resolved to wind up the Trust and return the assets of the Trust to the Crown. The Trust was dissolved as a charitable trust board by the Registrar of Incorporated Societies on 29 June 2018.

The Leadership Development Centre Trust ceased all operations at 30 June 2017. The functions and staff of the Trust were transferred to the State Services Commission from 1 July 2017. The former Chief Executive of the Trust was seconded to the Commission through to 27 October 2017 to oversee the wind-up of the Trust and to maintain day-to-day management of the Leadership Development Centre, through the initial transition period, as a branded business unit within the Commission.

At a High Court Hearing on 1 June 2018, subsequently minuted on 25 July 2018, Judge Cook directed that pursuant to clause 6 of the Leadership Development Centre Trust Deed, and section 27 of the Charitable Trusts Act 1957, the surplus assets of the Leadership Development Centre Trust Board following winding up are properly deposited in the Crown bank account. The financial statements for the Leadership Development Centre Trust for the period ended 29 June 2018 reflect this transfer of equity to the Crown.

# Leadership Development Centre Trust Financial Statements

*(for the period ended 29 June 2018)*

## The Minister of State Services

In accordance with the section 150(3) of the Crown Entities Act 2004, section 45M(2) of the Public Finance Act 1989, and the responsibilities transferred to me under section 45J(3) of the Public Finance Act by the Minister of Finance, I present, on behalf of the Leadership Development Centre Board of Trustees, the annual report on the operations of the Leadership of Development Centre Trust for the period ended 29 June 2018.

**Debbie Power**

Chief Executive  
State Services Commission



## Statement of Responsibility

*for the period ended 29 June 2018*

I am responsible for the preparation of Leadership Development Centre's financial statements, and the judgements made in them.

In my opinion, these financial statements fairly reflect the financial position and operations of Leadership Development Centre for the period ended 29 June 2018.

**Debbie Power**

Chief Executive of the State Services Commission  
28 September 2018



## Independent Auditor's Report

### To the readers of Leadership Development Centre Trust's financial statements for the period ended 29 June 2018

The Auditor-General is the auditor of Leadership Development Centre Trust (the Trust). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

#### Opinion

We have audited the financial statements of the Trust on pages 70 to 74, that comprise the statement of financial position as at 29 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Trust on pages 70 to 74, which have been prepared on a disestablishment basis:

- present fairly, in all material respects:
  - its financial position as at 29 June 2018; and
  - its financial performance and cash flows for the period then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. We draw your attention to the financial statements being appropriately prepared on a disestablishment basis. In addition, we outline the responsibilities of the Chief Executive of the State Services Commission (on behalf of the Board of Trustees) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### **The financial statements are appropriately prepared on a disestablishment basis**

Without modifying our opinion, we draw your attention to the basis of preparation section of the accounting policies on page 74, about the financial statements being prepared on a disestablishment basis. This is because the operations of the Trust were transferred to the State Services Commission on 1 July 2017 and the Trust was dissolved on 29 June 2018. We consider the disestablishment basis of preparation and related disclosures to be appropriate to the Trust's circumstances.

## **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Chief Executive of the State Services Commission (on behalf of the Board of Trustees) for the financial statements**

The Chief Executive of the State Services Commission is responsible for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Chief Executive of the State Services Commission is responsible for such internal control as she determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive of the State Services Commission is responsible for assessing the Trust's ability to continue as a going concern. If she concludes that the going concern basis of accounting is inappropriate, she is responsible for preparing financial statements on a non-going concern basis and making appropriate disclosures.

The Board of Trustees' responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004. The Chief Executive of the State Service Commission's responsibilities (on behalf of the Board of Trustees) arise from the Minister of Finance's letter to her dated 21 November 2017.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive of the State Services Commission.
- We conclude on the appropriateness of the use of a non-going concern basis of accounting by the Chief Executive of the State Services Commission.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive of the State Services Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Chief Executive of the State Services Commission is responsible for the other information. The other information comprises the information included on pages 64 to 74, but does not include the financial statements, our auditor's report thereon, or the remainder of the State Services Commission's annual report outside this page range.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Statement of Comprehensive Revenue and Expenses

for the period ended 29 June 2018

2017 Actual		Notes	2018 Actual
	<b>Revenue</b>		
2,100,543	Revenue from membership levies		-
50,000	Revenue from SSC		-
84,070	Interest revenue		-
1,535,268	Revenue other		-
3,769,881	<b>Total revenue</b>		-
	<b>Expenditure</b>		
2,058,113	Personnel costs		-
76,113	Depreciation and amortisation expense		-
1,766,645	Other operating expenses		-
3,900,871	<b>Total expenditure</b>		-
(130,990)	Surplus/(deficit)		-
-	Other comprehensive revenue and expense		-
(130,990)	<b>Total comprehensive revenue and expense</b>		-

No budget was prepared for the period ending 29 June 2018.

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Financial Position

as at 29 June 2018

2017 Actual		Notes	2018 Actual
	<b>Assets</b>		
	<i>Current assets</i>		
3,250,608	Cash and cash equivalents		-
1,503,711	Receivables		-
135,911	Prepayments		-
4,890,230	Total current assets		-
	<i>Non-current assets</i>		
61,383	Property, plant and equipment		-
2,732	Intangible assets		-
64,115	Total non-current assets		-
4,954,345	Total assets		-
	<b>Liabilities</b>		
	<i>Current liabilities</i>		
3,376,463	Payables		-
136,824	Employee entitlements		-
3,513,287	Total current liabilities		-
	<i>Non-current liabilities</i>		
-	Total non-current liabilities		-
3,513,287	Total liabilities		-
1,441,058	Net assets		-
	<b>Equity</b>		
1,153,827	General funds		-
287,231	Fellowship funds		-
1,441,058	Total equity		-

No budget was prepared for the period ending 29 June 2018.

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Changes in Equity

for the period ended 29 June 2018

2017 Actual		Notes	2018 Actual
1,572,048	Balance as at 1 July		1,441,058
(130,990)	Total comprehensive revenue/(expense)		-
	Owner transactions		
-	Capital withdrawal		(1,441,058)
1,441,058	<b>Balance as at 29 June</b>		-

No budget was prepared for the period ending 29 June 2018.

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Cash Flows

for the period ended 29 June 2018

2017 Actual		Notes	2018 Actual
	<b>Cash flows from operating activities</b>		
50,000	Receipts from SSC		-
108,073	Interest received		-
4,238,461	Receipts from other revenue		-
(2,131,722)	Payments to suppliers		-
(92,000)	Fellowship awards		-
(1,846,250)	Payments to employees		-
(114,481)	Goods and services tax (net)		-
212,081	Net cash flows from operating activities		-
	<b>Cash flows from investing activities</b>		
6,900,000	Proceeds from maturity of investments		-
(4,550,000)	Purchase of investments		-
(70,194)	Purchase of property, plant and equipment		-
2,279,806	Net cash flows from investing activities		-
	<b>Cash flows from financing activities</b>		
-	Transfer of funds to SSC		(3,250,608)
-	Net cash flows from financing activities		(3,250,608)
2,491,887	Net (decrease)/increase in cash		(3,250,608)
758,721	Cash at the beginning of the year		3,250,608
3,250,608	Cash at the end of the year		-

No budget was prepared for the period ending 29 June 2018.

The accompanying accounting policies and notes form part of these financial statements.

# Notes to the Financial Statements

(for the period ended 29 June 2018)

## 1 – Statement of Accounting Policies

### *Reporting Entity*

The Leadership Development Centre (LDC) is a public benefit entity (PBE) for financial reporting purposes.

The financial statements for LDC are for the period ended 29 June 2018, and were approved by the Chief Executive of State Services Commission on 28 September 2018.

### *Basis of Preparation*

The financial statements of the Trust have been prepared on a disestablishment basis. The Trust is no longer adopting the going concern assumption for accounting purposes as the operations of the Trust were transferred to the State Services Commission on 1 July 2017. The Trust was formally dissolved and removed from the Register of Incorporated Societies on 29 June 2018. This has had no consequence for the classification or valuation of assets within the Statement of Financial Position.

### *Statement of compliance*

The financial statements of LDC have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (“NZ GAAP”).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards with Reduced Disclosure Requirements (RDR). The criteria for Tier 2 is when an entity has expenditure of less than \$30 million and does not have public accountability.

These financial statements comply with PBE accounting standards.

### *Presentation and currency rounding*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (NZ\$).

## 2 – Closure of the Trust

On 28 March 2017, the Leadership Development Centre Board of Trustees resolved to be dissolved and that a new branded business unit within SSC be created. Leadership Development Centre staff, assets, liabilities and associated equity transferred to SSC from 1 July 2017.

The functions previously performed by the Leadership Development Centre Trust are now performed by Leadership Development Centre as a branded cost centre within SSC. The Trust was formally dissolved and removed from the Companies Register on 29 June 2018.

## 3 – Statement of Performance

No statement of performance is required for the Leadership Development Centre Trust. Performance information relating to the Leadership Development Centre is incorporated into the annual report for SSC.



