



Ngā Tohutohu mō te Minita Tomo Mai

Briefing to the Incoming Minister



Te Kawa Mataaho
Public Service Commission

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Whakarāpopotonga matua | Executive Summary

This briefing provides an overview of your Public Service portfolio and Ministerial role. It discusses opportunities to ensure the Public Service can make the best possible contribution to the lives of New Zealanders. The briefing also identifies matters requiring attention in the next 12 months, and outlines the structure, functions, resource allocation, budget, and leadership team of Te Kawa Mataaho Public Service Commission (the Commission).

A major theme of the portfolio is leadership: leadership of the Public Service, the appointment and performance of leaders across the Public Service, and the development of leadership capability for the future. Equally important is integrity. Integrity is foundational for the Public Service and ensuring high standards of conduct and behaviour is a major focus of the portfolio. The portfolio includes responsibility for exercising oversight of the performance of departments, including their ability to achieve government priorities, and the efficiency of their operations. Finally, there is a strong focus on the Public Service workforce – on skills, capability, pay, workforce size and employment relations.

The Public Service has highly motivated people, with a strong culture of service and responsiveness. It enjoys high levels of public trust and is becoming more reflective of the communities it serves. With clear focus and strong leadership, the capability of the Public Service can be activated to achieve the priorities of the Government.

There are ways in which the Public Service can become more efficient and productive to address the need for fiscal restraint: setting clear priorities and focusing strongly on performance and capability, transforming services, and better aligning agency functions. There are opportunities to better utilise the Public Service workforce, a key resource for government, by ensuring that people with scarce skills are able to move to where they are most needed. You should also expect the Public Service to work with a focus on the future, stewarding the system and preparing to meet future challenges. These opportunities are discussed in Section Two.

There are also some specific issues that will need attention over the next 12 months. There are a number of Public Service chief executive appointments to be made in the first half of 2024. There is a need to consider employment relations issues as a large number of Public Service collective agreements will expire in late 2024 and early 2025. And there are matters relating to statutory Crown entity governance and performance that will need attention. These issues are canvassed in Section Three.

The Commission exists to support you in your role as Minister, and the functions and structure of the Commission reflect the statutory responsibilities set out in the Public Service Act 2020. The appendices to this briefing provide detail on the Commission's functions, resource allocation, structure, funding, and leadership team.



1. He Tirohanga Whānui ki te Ratonga Tūmatanui | Overview of the Public Service portfolio

The Public Service is a major resource for you and your Ministerial colleagues in driving the Government's programme. You and other Ministers will be in daily contact with officials and departments whose job is to assist you; provide policy advice, ensure implementation of initiatives, and maintain the high standards of integrity and conduct for which New Zealand's public services are known.

The Public Service and the public sector

The Public Service is the part of the wider public sector that is closest to and works directly under the control of Ministers. The diagram on page 5 shows the Public Service in the context of the wider public sector. The Public Service consists of an extremely varied range of functions, agencies, and people. All are united by a common spirit of service, which is expressed in a wide range of occupations,

including service delivery roles interacting with customers, clients, citizens, families and communities; regulatory roles that explain and enforce the rules set by Government; those that enable the digital and human resources needed to operate services; and those who support the Government in the delivery of its legislative and policy work programme. The information on page 6 shows the range and diversity of the Public Service.

Further detail on the current state and performance of the Public Service may be found in the attached document: *Te Kahu Tuatini: State of the Public Service*.

Te Rāngai Tūmatanui | The Public Sector

Te Ratonga Tūmatanui The Public Service

- Departments
- Departmental agencies
- Interdepartmental executive boards / ventures
- Crown agents

Delivering policy advice, regulation, government services, funding & commissioning

NZ Police

Schools

Independent entities with specific legislative functions e.g.:

- Investigative or quasi-judicial functions
- Fund management & financial advice
- Cultural advice & funding

NZ Defence Force

Tertiary Education Institutions

Parliamentary Counsel Office

Crown-owned companies

The Reserve Bank

Executive Branch – Central Government

Judicial Branch

- Courts
- Tribunals

Legislative Branch

- Parliamentary Service
- Office of the Clerk
- Officers of Parliament

Local Government

Public Service at a glance

63,117

Full-time equivalent employees*

31

Departments

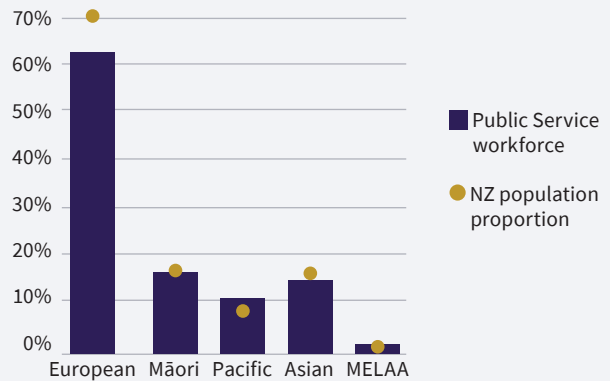
7

Departmental Agencies

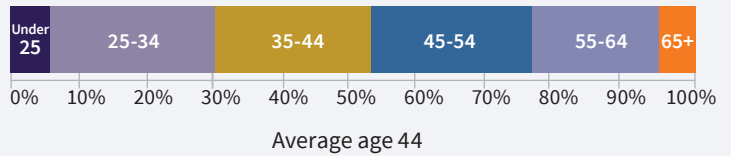
5

Interdepartmental Executive Boards

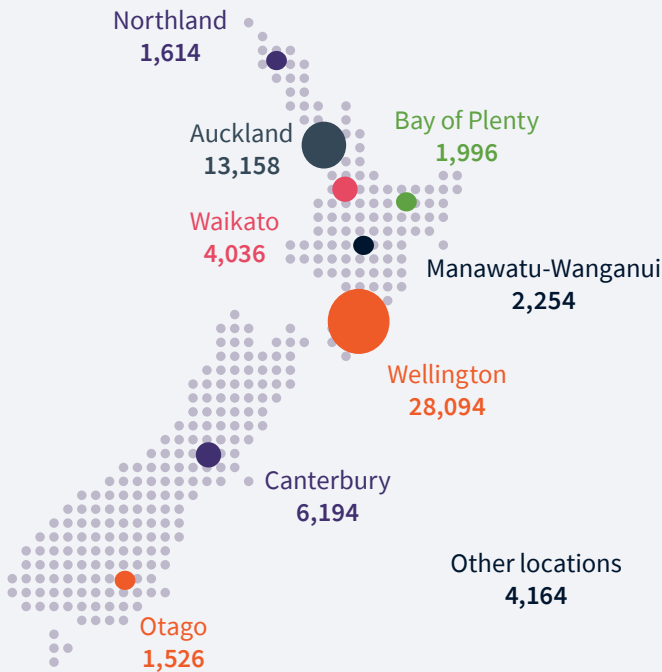
Ethnicity of the Public Service workforce (2023) compared with the NZ population (Stats NZ 2018 Census)



Public Service age groups*



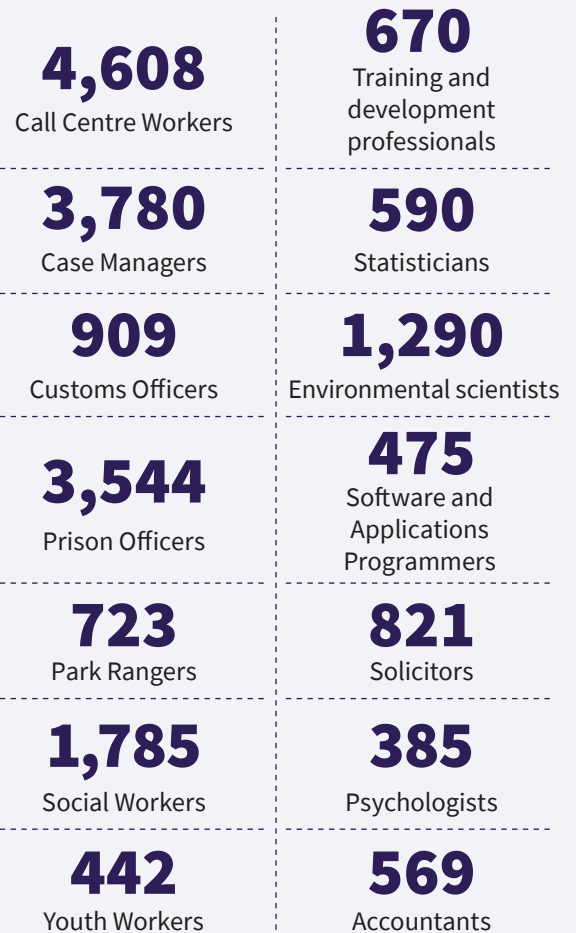
Public Service employees – main locations*



*Source: Te Kawa Mataaho Public Service Commission – Workforce data, 30 June 2023

^Source: Te Taunaki, Public Service Census, 2021

People who work in the Public Service include*



The Scope of the Portfolio

The Public Service Act 2020 provides the framework for the operation of the Public Service. It sets out the foundations of the system, including the principles by which the Public Service operates: political neutrality, free and frank advice, merit-based appointments, open government, and stewardship. Together with the Public Finance Act 1989 it also provides the accountability framework for the Public Service, including the responsibilities that chief executives owe to their Ministers.

Matters that will arise as part of this portfolio include:

- appointment and employment of departmental chief executives in consultation with relevant Ministers;
- review of chief executive and Public Service agency performance on behalf of, and in consultation with, responsible Ministers;
- leadership and oversight of the performance and integrity of the Public Service;
- development of the senior leadership and management capability of the Public Service;
- review of the design and operation of the system of government agencies (sometimes referred to as machinery of government);
- development of a highly capable Public Service workforce;
- development of the capability of the Public Service to support the Crown in its relationships with Māori, and promoting workforce diversity and inclusiveness;
- facilitation of active citizenship and open government; and
- employment relations in the Public Service, including collective bargaining and pay equity bargaining.

Some functions of the portfolio extend beyond the Public Service and into the Crown entity sector and, to a more limited extent, into the wider public sector. These functions are:

- consenting to the terms and conditions of employment for chief executives of Crown

entities (Crown agents, autonomous and independent Crown entities), and Tertiary Education Institutions;

- guidance and advice on the board appointments, legal obligations, operating environment, and Ministerial expectations for Crown entities;
- determining the framework for compensation of board members, and providing advice and guidance to agencies on its implementation;
- responsibility for the Government's employment relations expectations which Crown agents (along with Public Service agencies) must implement.

The role of the Minister

As Minister for the Public Service you work with Cabinet colleagues, and with the Public Service Commissioner (the Commissioner), to ensure that Government expectations and priorities are clear and understood by the Public Service; and that the agencies of the Public Service align, adapt, and innovate as needed to achieve these objectives. From time to time there may be instances where the expectations of the Government or of your Ministerial colleagues are at risk of not being met, and you will need to work with those colleagues to ensure that issues are addressed.

There will also be a range of more specific matters that you will be involved in, or which you will need to discuss and coordinate with other Ministers. Many of these involve proposals for the establishment or disestablishment of agencies, or changes in agency status or role. Your Ministerial colleagues must involve you in any such proposals.

The Commissioner is responsible to you for the exercise of their leadership role and other statutory functions. The Commission is here to support you in your role to provide a higher performing Public Service, that delivers on the Government's priorities, and has the trust and confidence of New Zealanders.

You are responsible for public sector legislation, including the Public Service Act 2020, Protected Disclosures (Protection of Whistleblowers) Act

2022 and parts of the Crown Entities Act 2004. These may all need improvement from time to time, though no legislative amendment processes are currently underway.

You are invited to identify matters that the Commissioner must take into account in the appointment of individual chief executives (e.g. priority competencies and experience) and, once the Commissioner recommends a person for appointment, you are responsible for progressing the recommendation through the relevant Cabinet Committee, to Cabinet, and then to the Governor-General for consideration. You and the Prime Minister are consulted before the conditions of employment for any chief executive are finalised. In relation to the wider public sector you have responsibility for Government expectations regarding chief executive remuneration and the remuneration of members of statutory boards.

You are responsible for formulating Government expectations on workforce matters and employment relations in the public sector, including formal Government Workforce Policy Statements issued under the Public Service Act.

The functions and structure of the Commission mirror the functions of the portfolio, with teams assigned to each function so as to provide the best support to you in the performance of your role. A detailed breakdown of the Commission's staffing in relation to statutory functions of the portfolio is provided in the appendices to this briefing.

The role of the Public Service Commissioner

The Commissioner and two statutory Deputy Public Service Commissioners (Deputy Commissioners) are appointed on the recommendation of the Prime Minister under the Public Service Act. The general functions of the Commissioner are set out in section 44 of the Act, and include:

- exercising leadership so that the Public Service works as a single system;
- promoting integrity, accountability, and transparency in the public sector;
- working to develop a highly capable workforce;
- reviewing the design and operation of the system of government agencies; and
- acting as the employer of Public Service chief executives.

The last of these is the most publicly visible part of the role. The Commissioner appoints chief executives of departments for fixed terms, following confirmation of the proposed appointment. The Commissioner may also transfer a chief executive. The Commissioner sets the conditions of employment for each chief executive, following consultation with you and the Prime Minister.

The Commissioner is also responsible for conducting performance reviews of individual chief executives. In recent years, the practice has been for the Commissioner to set chief executive performance expectations in close consultation with the relevant portfolio Ministers. The Commissioner assesses performance against these priorities, and is responsible to those portfolio Ministers for doing this.

2. Te huarahi rautaki | The strategic opportunity

Over the past six years there has been increased investment in the Public Service and a consequent growth of its workforce. Drivers of this investment have included increased demand for services as a result of population growth, responses to COVID-19 and extreme weather events, and implementation of the Government's work programme. This investment has now levelled off, and economic conditions mean that fiscal restraint and prioritisation of government expenditure will need to play a much greater role in improving the living standards of New Zealanders.

In this context, the following sections present a package of opportunities you could champion to ensure the Public Service maximises its contribution to that objective. The ideas in this package are intended to be mutually reinforcing, and are based on:

- activating the Public Service to deliver for customers, clients and citizens by setting clear, whole of government priorities and organising agencies to align with these;
- driving efficiency and fiscal consolidation;
- ensuring an ongoing capability and performance focus;
- transforming service delivery and aligning organisational structures;
- enabling greater workforce productivity and alignment; and
- working with a future focus.

Activating the Public Service to deliver for customers, clients and citizens

Setting clear priorities

Public servants have high levels of intrinsic motivation. Evidence and experience suggest this motivation is best harnessed when focused on a limited set of clearly defined priorities, and

when agencies are organised to work and be accountable for priorities across organisational boundaries where necessary.

Whole of government priorities will be most effective in driving better investment and action when expressed in terms of a specific, measurable outcome and objective (how much you want the measured outcome to change), and when Government publicly commits and reports against them. This approach to managing priorities can be an effective way to approach complex, cross-cutting problems that require collaboration and innovation. Some care is needed to ensure objectives are statistically reliable and set positive incentives. The Public Service has experience in this area, and can provide advice on specific options.

Prioritisation is also important at the individual portfolio and agency level. A limited set of cross-cutting priorities can be complemented by a wider set of goals in individual portfolios, and mechanisms such as chief executive performance expectations can be used to ensure alignment between all of government priorities, portfolio priorities, and individual agency action. The use of performance levers to drive action against your priorities is discussed further below.

Organising for delivery

In order to drive progress towards cross-cutting priorities, more use can be made of tools now available under the Public Service Act such as Interdepartmental Executive Boards, that bring together chief executives from different agencies to work on complex, priority issues. Several boards have already proved effective in facilitating a coherent approach to such issues, and can combine collaboration, dedicated resourcing, and accountability for results to a lead Minister through a single Board Chair.

In addition, achieving the desired results will require action plans based on the drivers of a problem, and regular, data-driven conversations about what is working, what is not, and options for change. It will also require balancing evidence-based approaches with experimentation, and more can be done to embed these ideas in the decision-making processes that support Government priorities.

Effective management of a programme of priorities will also benefit from some central coordination. The Commission can work closely with the Treasury and the Department of the Prime Minister and Cabinet to support the Government in monitoring and driving execution of its work programme.

Driving efficiency and fiscal consolidation

In the current economic environment, active approaches will be required to ensure public resources are aligned with Government priorities without compromising high-quality services for the public.

We have enhanced data processes to inform the advice we can provide on the Public Service workforce and the use of contractors and consultants. Reduction targets have been set for such expenditure and we can provide further advice and options on these. We can also provide advice on more specific options for improving workforce efficiency or reducing the pressures on consultant spend via more strategic workforce planning, deployable pools of mobile staff, or in-sourced consultancy models, all of which are referenced in the workforce section below.

In general we do not recommend the use of input controls (i.e. ‘caps’ or ‘hiring freezes’) as an effective means of re-prioritising resources. These tend to be blunt instruments, which can lock in resource allocations not aligned to your priorities, set perverse incentives or create upward pressure on contractor and consultant spend, and give you less deliberate choice about which programmes you invest in.

Ultimately, achieving fiscal restraint without sacrificing impact will require more active fiscal management. In particular, we think it will be important to seek greater scrutiny of baseline cost pressures, and ensure consideration of options for active re-prioritisation at key points in the budget cycle. Recently we have worked with the Treasury to develop a fiscal sustainability programme, and you may wish to explore with the Minister of Finance how central agencies (the Department of the Prime Minister and Cabinet, the Treasury, and the Commission) can work together to build on this, including through the collection of better data to support expenditure decisions.

In addition, agencies need to develop greater financial and planning capability to identify efficiencies and options for re-prioritisation, and central agencies can support chief executives to address this.

Efficiency across common functions

The New Zealand Public Service is highly decentralised, placing most decisions on organisational processes and infrastructure at agency level. This autonomy has benefits including greater flexibility to manage and innovate at the individual agency level, but without sufficient coordination can lead to challenges such as incompatibility between agency systems or missed opportunities to achieve economies of scale. System leads are appointed to drive efficiency or alignment across common functions. Some progress has already been made, such as in the property area where a system lead is exploring how to better coordinate management of the government’s property footprint (which could be reduced via greater use of shared occupancy models). Similarly, centrally led procurement is generating estimated savings of \$200m per year, and we believe there is scope for further such initiatives.

Historically it has been difficult to secure funding for such initiatives as the benefits are often diffuse (or accrue differently across agencies), and single departmental initiatives

often take precedence in Budget processes. We have explored mechanisms for shared funding of such initiatives from within baselines, but you may wish to explore further options with the Minister of Finance where new investment has the potential to unlock significant savings in the medium to long term.

Ensuring an ongoing capability and performance focus

Setting clear priorities and driving efficiency will bring a strong focus to government activity, but chief executives and agencies will still need to deliver on a wide range of outcomes, and more could be done to mandate a performance-based approach at this level.

Chief Executives

Responsible Ministers already set portfolio priorities for chief executives, and the Commissioner supports this by reflecting those in chief executive performance expectations, seeking ministerial feedback during performance reviews, and working with Ministers to help drive delivery. Performance expectations could be enhanced by including tailored collective or individual objectives aligned to whole of government priorities (as well as common Public Service wide expectations) and by expanding feedback sources.

Increasingly chief executive expectations have also reflected government expectations operating across the Public Service as a whole, such as financial management and improved efficiency or the reduction of gender pay gaps. These types of expectations can be used to drive any commitments you have in respect of the general operation of government.

Departments and Departmental Agencies

Strong public accountability is a foundation of trust in the Public Service. The outcome and output descriptions and performance measures used in key accountability documents do not always tell a coherent story by which agencies

can be held to account by the Parliament and the public. More thought should be given to ensuring such frameworks reflect the needs of customers, clients, citizens, families and communities. Related to this, the 2023 Review of Standing Orders has expressed concern about the ability of Select Committees to scrutinise agency performance.

You may wish to work with the Minister of Finance to explore how the Government could set stronger requirements for core agency performance information, ensure this is accessible by different audiences, and improve scrutiny by the Parliament. There are also opportunities for central agencies to increase coordination of monitoring approaches across different aspects of performance.

From a capability perspective, the Commission leads a rolling programme of core agency reviews, using independent reviewers to assess agencies' ability to deliver on government priorities and support chief executives to build internal capability. You may wish to explore options for expanding the programme and to use key findings to inform Ministerial expectations for relevant chief executives.

Crown entities

Crown entities are also responsible for delivering a significant number of public services (across sectors such as housing, education, transport and health). The Commission has strengthened its focus on the governance and performance monitoring of Crown entities. We can provide you with further advice on the potential to extend capability reviews to key entities, and better align Crown entities to government priorities including through board appointments, expectation setting and monitoring arrangements.

Transforming service delivery and aligning our structures

A high performing Public Service will be constantly looking for ways to improve services and considering whether our organisational structures are likely to produce the best outcomes.

Transforming service delivery

People's experience of public services is a key determinant of confidence in government, and we need to continually drive improvements across our services to ensure they are of high-quality, easily accessible, and responsive to those who use them.

Improvements can take a number of forms, but digital service transformation in particular involves simplifying and modernising the way transactional services are delivered to significantly reduce costs and provide more accessible, user-focused support. The Digital Executive Board (comprising the system leads that can enable better service design) has been tasked with developing a blueprint to identify, prioritise and sequence investments in service transformation and digital public services.

Good progress has been made in digitising service delivery at an agency level, but more focus is required on integrating digital services around common customers, clients and citizens. A strengthened approach should be underpinned by the following three elements:

- a planned, led approach to digital investment across government, including a single point of leadership that owns the common customer, client or citizen (alongside existing digital leadership);
- greater provision for interoperability including reusable components that can be built into multiple services, common digital platforms, and strong data, digital and security foundations (e.g. approach to digital identity, use of cloud technology); and

- greater access to perspectives from outside the Public Service, and better development and deployment of capability within the Public Service.

Aligning organisational structures

Compared with other small, advanced economies New Zealand has a high number of government departments, with many operational or regulatory functions placed at arms-length in Crown entities. These international comparisons indicate that there are opportunities to reduce the number of agencies in New Zealand.

Changes to system design and architecture can include the creation or disestablishment of agencies, amalgamation of two or more existing agencies into a larger consolidated agency, or a transfer/consolidation of functions between agencies. While such change can generate savings in the medium to long-term, our experience is that significant change can also be complex to manage and generate high transition costs or reduced productivity in the short term.

Should you wish to consider options to reduce the number of government agencies, we recommend considering options on a case-by-case basis where they are likely to make the biggest difference to your priority outcomes, and taking into account the risk of further disruption in sectors that have seen significant recent change. We can provide further advice on options, issues, and implementation (such as how any change might be phased through a 'cluster to consolidate' approach to best achieve your objectives). We can also advise on options for simplifying the system over time, such as by addressing the 'demand factors' that often drive calls for new agencies, or by reducing barriers to disestablishment when agencies have fulfilled a specific purpose.

Building on regional system leadership

Connecting the Public Service across the regions is central to our ability to act collaboratively around communities' strengths and needs. At present, 12 senior public servants (Regional

Public Service Commissioners) are appointed and tasked with:

- improving alignment and reducing duplication in the way central government invests and delivers services in the regions; and
- better connecting with communities through regional stakeholders (councils, Iwi/Māori, business, and community groups) to understand needs and priorities and partner in how to address these.

The impact of the Regional Commissioners was clearly demonstrated in the responses to COVID-19 and North Island Weather Events, when they were instrumental in the delivery of locally-led responses across New Zealand. We would welcome a chance to brief you on options to make this model more sustainable and ensure it provides ongoing options for shifting or aligning government interventions to maximise local impact, including by supporting community-led initiatives and programmes.

Enabling greater workforce productivity and alignment

People and their skills are the greatest asset the Public Service has – but more can be done to use them effectively. As noted above the Public Service is highly decentralised by international standards, with responsibility for employment arrangements and capability development largely located at the agency level. Where there are professions and occupations that are required by all agencies in the Public Service (e.g. employment relations specialists, policy professionals, ICT) there is a risk that aggregate skill development will not be sufficiently coordinated to meet the needs of the Public Service as a whole. This may also give rise to competition between agencies, which will drive staff costs up.

For this reason, there is an opportunity to better coordinate and align recruitment, development, and employment of common workforces, particularly those that are unique to the Public Service such as policy professionals. In addition,

while significant progress has been made in mobilising key people across the Service in times of high need (e.g. COVID-19), there is a need for mechanisms ensuring that, as a matter of course, people and their skills can be flexibly deployed to where they are most needed, regardless of agency boundaries. To this end, we would welcome an opportunity to discuss a range of possible interventions, including:

- agency level strategic workforce planning that addresses current/future skill needs, and a coordinated system for professional development of common workforces;
- a more structured mobility model that facilitates deployment and re-deployment to priority work areas, or an ‘in-house consultancy hub’ that looks to deploy high-capability resources into major projects that could otherwise rely heavily on external consultants; and
- an approach to reducing agency competition for talent, skill shortages, and upward pressure on salaries by moving to align some employment terms and conditions across the Public Service.

Working with a future focus

The Public Service Act has strengthened stewardship obligations on chief executives to ensure agencies and the Service as a whole are fit for purpose to meet future challenges. Chief executives are obliged to proactively promote the stewardship of the Public Service, including its:

- long-term capability and people;
- institutional knowledge and information;
- systems and processes;
- assets; and
- the legislation administered by agencies.

The Public Service portfolio has a particular focus on building the long-term capability and people of the Public Service, ensuring that our institutions can effectively support successive governments and the challenges they are

likely to face. Examples include ongoing work to ensure that the Public Service reflects the diverse communities it serves and has the capability to effectively support the Crown in its relationships with Māori. This focus extends beyond New Zealand through the work of the Public Service Fale that is located within the Commission and funded from the Ministry of Foreign Affairs and Trade. This group supports the development of the public services of Pacific nations with which New Zealand has close cultural and diplomatic ties, through a board of Public Service Commissioners from those countries.

A future focus is promoted by the requirement on chief executives to prepare and deliver independent long-term insights briefings to Ministers at least once every three years. Such briefings are intended to make information about medium and long-term trends, risks, and opportunities that may affect New Zealand and New Zealand society publicly available.

In terms of particular issues, artificial intelligence will pose a multi-dimensional challenge, ranging from regulatory and economy-wide employment impacts to investment decisions needed to ensure public services keep pace with privately provided services in terms of quality, timeliness, and responsiveness. Similarly, the focus of the Commission's own first Long-term Insights Briefing was the need to expand public and community engagement in the work of government: a key element in maintaining trust and confidence of the public in government into the future.

We can provide further advice on each of these issues including opportunities for responding.



3. Ngā kaupapa me mātua aro atu i tēnei tau | Matters requiring attention over the coming year

Chief executive appointments

There are a number of Public Service chief executives with terms coming to an end in the first half of 2024. The process for appointing Public Service chief executives is set out in schedule 7 of the Public Service Act 2020 (the Act). The Act provides for input by Ministers but also for the statutory independence of the Commissioner or Deputy Commissioner in the recommendation of a person for the job.

The Commissioner or Deputy Commissioner updates the Minister for the Public Service and the appropriate Minister at key points throughout the process, including at shortlisting and after interviews. The Prime Minister and Minister for the Public Service must also be consulted by the Commissioner before finalising terms and conditions of employment. Under the Act the Commissioner has the following options when an incumbent chief executive's term ends:

- reappoint the incumbent for a further term;
- run a process to appoint a new chief executive;
- appoint an acting chief executive; or
- transfer an existing Public Service chief executive into the role.

We will provide you with advice on upcoming term ends for Public Service chief executives separately.

There are also appointments that are made by the Governor-General or the Speaker of the House of Representatives where the Commission provides support or manages the process if invited to do so. This will include the appointment of a new Public Service Commissioner following the retirement of the current Commissioner on 29 February 2024. We will also provide you with advice on these appointments separately.

Chief executive performance expectations

As discussed above, the Commissioner acts as the employer of Public Service chief executives, and in this capacity will periodically issue performance expectations. To ensure that these align with and support you in progressing your priorities, the Commission proposes to issue an interim set of revised performance expectations to Public Service chief executives. The Commission will work closely with you and your colleagues to ensure each chief executive has clear and coherent expectations in place, and that these are consistent across all chief executives where appropriate. We will engage with you further on this shortly.

Employment Relations and Pay Equity

You have a role in setting the overall employment relations expectations for the public sector. These expectations apply generally across the public sector and are formally issued by the Minister for the Public Service as a Government Workforce Policy Statement under the Public Service Act 2020. Departments and Crown Agents must give effect to this Policy Statement. Objectives under the existing Policy Statement include a level of remuneration increase that is both fair and affordable for the government and terms and conditions that help support mobility and flexibility across agencies.

The Commissioner provides Public Service Pay Guidance to support agencies to give effect to the government's expectations for employment relations. The Commission also provides support and guidance to the wider public sector in employment relations.

There are comparatively high levels of unionisation in the Public Service, and in the public sector generally. There are correspondingly high levels of collective bargaining:

- 51 Public Service Collective Agreements across 24 departments; and
- 55,000 public servants (FTEs) covered by Collective Agreements, or by Individual Employment Agreements that mirror the applicable Collective Agreement.

Wage inflation is resulting in fiscal pressures on agencies. Contributing factors have been a tight labour market, expectations from cost-of-living pressures, and remuneration systems that provide tenure-based progression up a pay scale.

Although Ministers do not have a direct role in collective bargaining (since decisions rest with the parties to the negotiations), Ministers do have an interest in the conduct and outcomes of employment relations in the public sector. It has been the usual practice for governments to establish a mechanism for considering matters of employment relations policy, delivery and outcomes at a Ministerial level. This could be achieved through a dedicated oversight group on employment relations made up of key Ministers with a portfolio interest, and/or extending the responsibilities of a relevant Cabinet committee. An oversight group can:

- develop for Cabinet's agreement government's expectations on employment relations in the public sector and approaches to giving effect to those expectations;
- oversee significant collective bargaining and pay equity in the public sector with a primary focus on managing potential system-wide impacts from bargaining;
- oversee the government response to system-wide employment relations issues in the public sector.

A large number of Collective Agreements in the Public Service will come up for negotiation in late 2024 and early 2025. We would like to

brief you further on this as a matter of priority. The briefing will also cover several other major processes that are part of the public sector employment relations landscape. The Pay Equity settlement process is a major component of this. There have been 12 pay equity settlements and one extension of a settlement to the wider sector thus far which have corrected the pay of over 158,057 people.

There are currently 25 active pay equity claims covering another 166,881 people and further pay equity claims are expected. It is anticipated that another 10-15 claims will be raised in the next three years and the majority of these will be focused on the public and publicly funded sectors. There are four Fair Pay claims, which are in their very early stages, that also impact the public sector environment.

Crown entity governance and performance

In previous years, the Minister for the Public Service and the Minister of Finance have issued letters of expectations to Crown entity board chairs setting out the government's core expectations and priorities for Crown entities. We will work with the Treasury to prepare advice that provides an updated set of expectations.

You have a role in setting, through Cabinet, the government's policy on remuneration, terms and conditions for members of Crown entities, statutory boards and other bodies in which the Crown has an interest. Current practice is for this policy to be issued as a Cabinet Office Circular called the Cabinet Fees Framework. The Commission is responsible for providing advice and guidance to agencies on the application of this Framework. You also have a role in considering and approving exceptions to the Framework from Ministers where appointments are proposed outside the Framework parameters. We will provide you with further advice on the exceptions process prior to you considering any exception requests.

Capability Review Programme

The Capability Review Programme is a key component of the Commission's performance management system, providing independent, future focused assessments to inform the direction and capability of Public Service agencies. Insights from these reviews are designed to provide chief executives with actions to lead capability development within their agencies.

The Commission is progressing three Capability Reviews for the Ministry for Pacific Peoples, the Inland Revenue Department and the Ministry of Transport. We intend to engage with you on the findings from these reviews and the opportunities they present for these agencies before the end of 2023. We are also drafting a forward programme of reviews and intend to engage with you on agencies that could be considered for review.

Open Government Partnership

The Open Government Partnership (OGP) is an international collaboration between governments committed to strengthening openness, accountability, and public participation. A key deliverable is National Action Plans which contain commitments co-designed by agencies and civil society groups. Progress towards plan targets is independently assessed and publicly reported on. We will need to discuss with you existing commitments in New Zealand's fourth National Action Plan under the OGP, and the OGP process going forward.

Integrity and investigations

The Commissioner's leadership and oversight role includes working with other public sector leaders to ensure high standards of conduct and behaviour are maintained. To support this, the Commissioner has certain statutory powers, including powers of investigation.

The Commission currently has two investigations underway: an assurance review of the operation of the Accredited Employer Work Visa scheme, requested by the former Minister of Immigration, and a review of a series of complaints made to Fire and Emergency New Zealand (FENZ) requested by the FENZ Board Chair. The second investigation relates to matters being considered separately from the Commission's wider review into FENZ's Workplace Culture and Complaint Handling Practices, which was completed last year. We intend to update you on these investigations before their scheduled completion at the end of this year and early next year, respectively.

Other matters

There will be a range of other matters relevant to your portfolio that we will provide briefings on as and when you wish to engage with them or they need to be prioritised.



Kupu whakamutunga | Conclusion

The Public Service exists to support current and successive governments to set and achieve ambitious goals for New Zealand. Public servants have high levels of intrinsic motivation and are committed to achieving outcomes for the customers, clients, citizens, families and communities that they serve. The Commission exists to support you in harnessing this motivation to achieve the Government's objectives.

Alongside the Treasury and the Department of the Prime Minister and Cabinet, we will support you to set clear priorities and fiscal objectives for the Public Service and to organise agencies to deliver these. There are opportunities to drive improved performance at both whole of government and individual agency levels using a wide range of levers, including chief executive performance expectations, and stronger agency performance frameworks and monitoring. We can provide you with advice on the operating model for the public service, including achieving alignment across agencies in key areas such as digital technology and workforce management, and structural alignment in priority areas.

We will support you in your stewardship role, to consider the longer-term challenges and opportunities facing the Public Service and to ensure that it develops the necessary capabilities to respond to these. We are committed to building and maintaining a trusted, leading edge Public Service that makes a difference for New Zealand and New Zealanders into the future.

We welcome the opportunity to engage with you on your vision and objectives for the portfolio, and how we can support you in the crucial leadership role of the Minister for the Public Service. We are here to support you in implementing the Government's programme and we look forward to working with you.



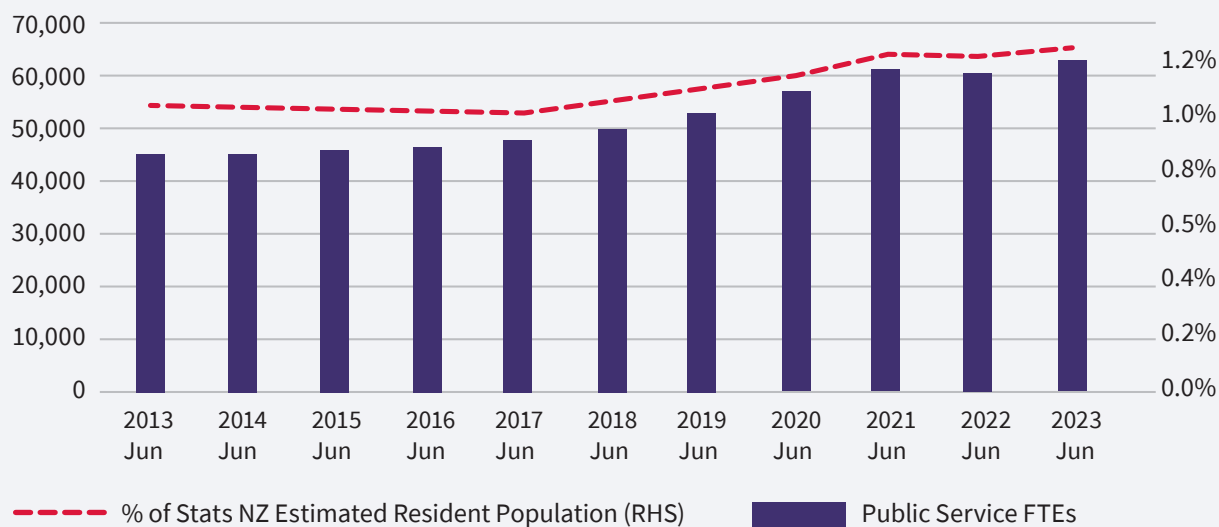


Ngā Āpitihanga | Appendices

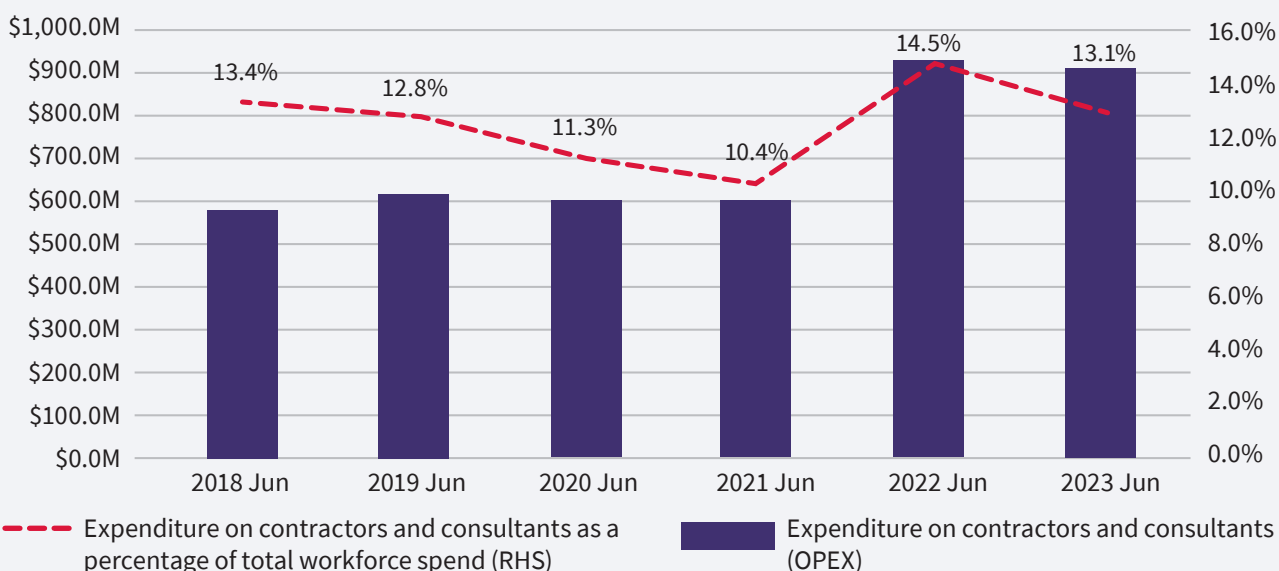


Appendix 1. Key Workforce Data

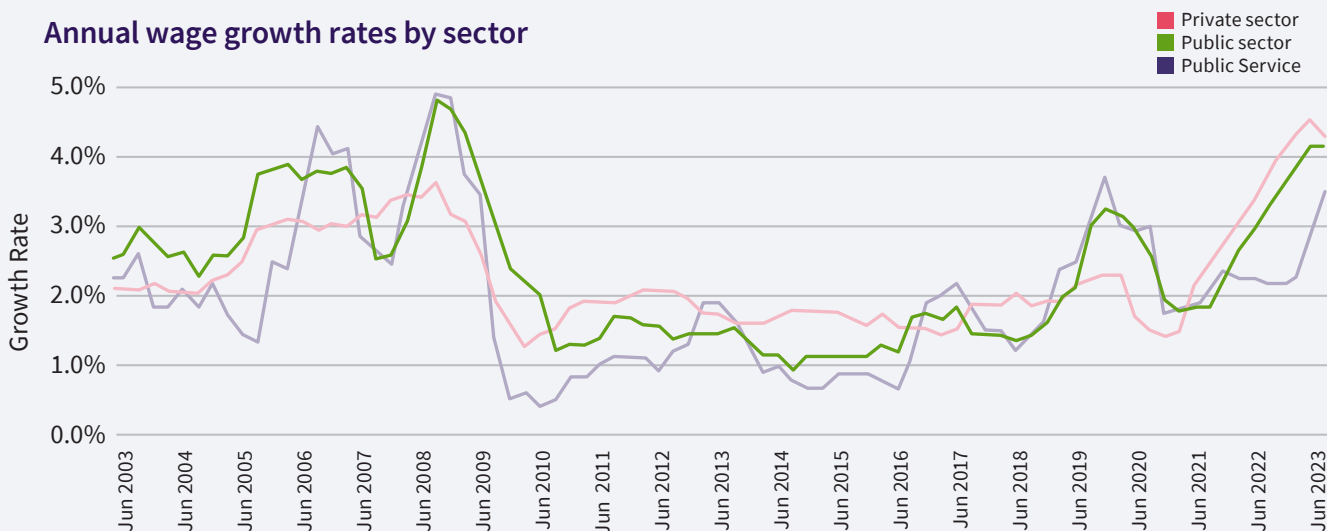
Public Service FTEs and share of the population



Operational expenditure on contractors and consultants



Annual wage growth rates by sector



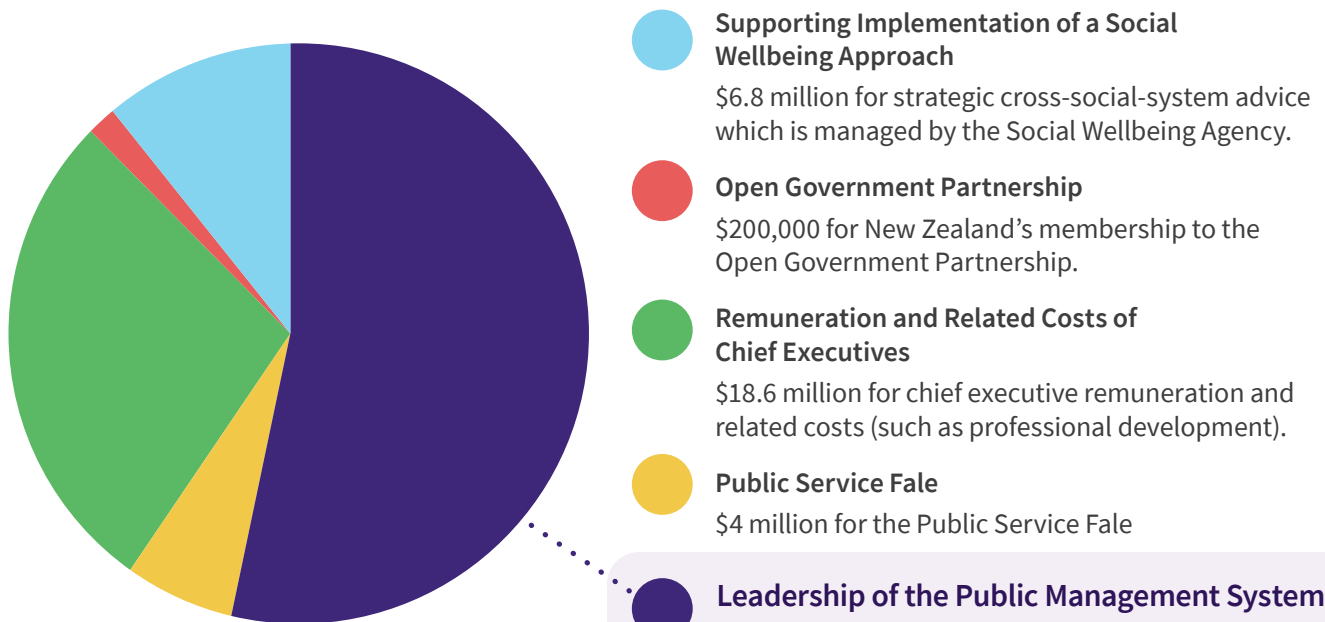
Source: Stats NZ - Labour Cost Index

Appendix 2. Te Kawa Mataaho Public Service Commission: resourcing

The Commission is funded through Vote Public Service which covers the operations of the Commission itself together with the funding for chief executive remuneration, the funding for the Social Wellbeing Agency which is attached to the Commission, and the Public Service Fale.

Vote Public Service

A breakdown of Vote Public Service by appropriation



Supporting Implementation of a Social Wellbeing Approach

\$6.8 million for strategic cross-social-system advice which is managed by the Social Wellbeing Agency.



Open Government Partnership

\$200,000 for New Zealand's membership to the Open Government Partnership.



Remuneration and Related Costs of Chief Executives

\$18.6 million for chief executive remuneration and related costs (such as professional development).



Public Service Fale

\$4 million for the Public Service Fale



Leadership of the Public Management System

A breakdown of our most significant appropriation (,000s)

Significant Expenditure explained

Corporate Overhead

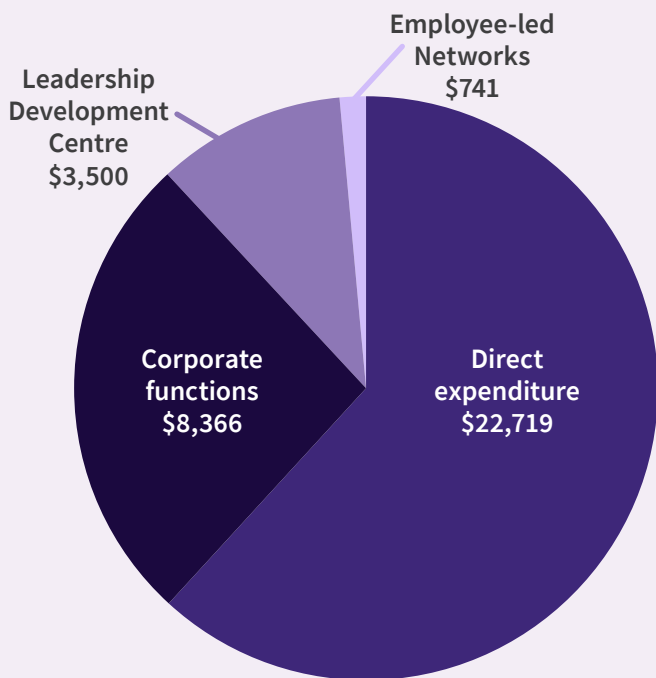
These are the functions that support the delivery of the Commission's direct expenditure. Included are Organisational Capability and Performance, Legal, and Communications. The biggest expenses in corporate include:

- \$5.3m for personnel
- \$1.8m for property
- \$1.5m for information technology services
- \$0.4m for CASS shared services
- \$0.3m for professional development

Direct Expenditure

This covers the expenditure incurred in delivering the Commission's deliverables and outputs. All teams are included except those under corporate overhead (refer below). The biggest expenses include:

- \$22.2m for personnel
- \$0.5m for chief executive recruitment
- \$0.3m for events
- \$0.3m for trust and confidence research (Kiwis Count, Te Taunaki | Public Service Census)



Note these figures will not balance to the above graph as they do acknowledge any recoveries.

Appendix 3. Te Kawa Mataaho Public Service Commission: functions and internal allocation of resources

The Commission is organised to support you in each dimension of your statutory responsibilities. This graphic below describes the statutory functions of the Commission and how its resources, in terms of staffing and money, are allocated between these functions.

Commission's legislated functions	Corresponding roles /areas	FTE
Oversight of performance and integrity of the system	<ul style="list-style-type: none"> Advise on stewardship and overall state of the Public Service Manage collection and use of data including on Public Service Workforce Data and trust in Public Service Maintain relationships with international public services, academics and institutions 	11.58
Promoting integrity	<ul style="list-style-type: none"> Develop Model Standards with the Commissioner's minimum expectations of the Public Service and guidance and advice on integrity and conduct matters (e.g., political neutrality) Support the Public Service to lift integrity capability and standards of conduct and behaviour Support leaders to preserve, protect and nurture the Spirit of service to the community by celebrating and recognising successes 	9.20
Promoting transparency and accountability	<ul style="list-style-type: none"> Conduct investigations and inquiries into matters of integrity and conduct Lead work programme to improve agencies' official information capability, practices and compliance Coordinate New Zealand's involvement in the Open Government Partnership 	7.50
Chief executive and agency performance management	<ul style="list-style-type: none"> Support the management of Public Service chief executives including reviewing the performance of the chief executives, and reviewing the performance of the Public Service agency that the chief executive leads or carries out some functions within 	17.0
Chief executive appointments	<ul style="list-style-type: none"> Lead the recruitment, development and remuneration of Public Service Chief Executives 	6
Crown Entities oversight	<ul style="list-style-type: none"> Support consistent and accountable governance of Crown entities, including matters relating to appointments, remuneration and all-of-government expectations 	3.50
Review of the design and operation of the system of government agencies	<ul style="list-style-type: none"> Advise on areas of public management, governance and accountability, including delivery of priorities that cut across agency boundaries Advise on possible improvements to delivery of services and interagency cohesion, agency disestablishments, establishments and amalgamations, and allocations of functions between agencies 	10.45
Leadership strategy and capability	<ul style="list-style-type: none"> Lead development and implementation of a strategy for the development of senior leadership and management capability in the Public Service 	5
Workforce Strategy and management	<ul style="list-style-type: none"> Lead work to address the Government workforce policy, and the development and implementation of a Public Service Workforce Strategy Provide data to monitor and measure workforce size, composition, capability, remuneration (incl. pay gaps) to support implementation of the Workforce Strategy 	9.50
Diversity, equity and inclusion	<ul style="list-style-type: none"> Support equal employment opportunities programmes and policies for the Public Service, and support development of a workforce that reflects the diversity of the society it serves. Provide guidance and data to measure progress against diversity and inclusion indicators across the Public Service Support Public Service role to support the Crown in its relationships with Māori 	9.70
Employment relations	<ul style="list-style-type: none"> Set standards and maintain oversight of negotiating processes including approvals of bargaining strategies and proposed settlements, supporting Public Service collective agreements 	7.90
Pay equity	<ul style="list-style-type: none"> Lead management of pay equity claims within the Public Service 	8.40
Minister and Parliamentary Services	<ul style="list-style-type: none"> WPQs, OIAs, Select Committee, Minister's Office support 	7.0
Organisational Capability and Performance	<ul style="list-style-type: none"> IT, finance and assurance, people, workplace and administration 	21.53
Governance and Public Affairs	<ul style="list-style-type: none"> Legal, communications, media, events and engagement, and support for statutory officers 	16.7
Total Core Commission FTE		150.96
Functions with recoverable funding	Leadership Development Centre (17.90 FTE), Employee Led Networks (3.88FTE), Clerical Pay Equity Claim (2.20 FTE) Fale (18.9 FTE)	42.88
Leadership Team	Public Service Commissioner, Statutory Deputy Commissioners, Deputy Commissioners	9.0
All FTE incl. recoverable functions and Leadership Team		202.84 FTE

Appendix 4. Commission leadership – Statutory officers

The Commissioner is supported by two statutory deputies, who are appointed by the same process as the Commissioner and exercise the same functions and powers. This is to ensure that the leadership of the Public Service and the support provided to you in your portfolio is underpinned by a breadth of capability and perspectives.



Peter Hughes CNZM (he/him)

Public Service Commissioner, Head of Service

Peter is the Public Service Commissioner and Head of Service. He was appointed to the role in July 2016. Prior to joining the Commission he served as Secretary for Education for three years. Peter has also held the roles of Professor of Public Management and Head of the School of Government at Victoria University of Wellington, Chief Executive at the Ministry of Social Development, Secretary for Internal Affairs, Chief Executive of the Health Funding Authority and Deputy Director-General of Health. In 2012, he was made a Companion of the New Zealand Order of Merit for services to the State.



Heather Baggott (she/her)

Deputy Public Service Commissioner

Heather is one of two Deputy Public Service Commissioners who work closely with the Commissioner to provide leadership and oversight of the Public Service. Heather has a particular focus on Māori Crown relationships, leadership development, and workforce priorities for the system. Heather has also been an Assistant Commissioner at the Commission and has held several senior leadership roles in the justice and culture sectors and in Treaty settlement negotiations.



Gaye Searancke (she/her)

Deputy Public Service Commissioner

Gaye is one of two Deputy Public Service Commissioners who work closely with the Public Service Commissioner to provide leadership and oversight of the Public Service. Gaye has been appointed until January 2024 from her substantive role as Secretary for Land Information and Chief Executive, Toitū Te Whenua Land Information New Zealand. Gaye has held a broad range of senior leadership roles across the Public Service.

Appendix 5. Commission leadership – Key contacts

Alongside the Commissioner and their statutory deputies, you will receive advice and support from a range of key contacts across the Commission. The below senior leaders will be your key contacts for the day-to-day management of the portfolio.



Hannah Cameron (she/her)

Deputy Commissioner, Strategy & Policy

Hannah has overall responsibility for the Commission’s research, policy, and analysis functions, including:

- stewardship of the Commission’s data and information management practices and production of a range of data publications;
- analysis and advice on machinery of government; and
- overall system design and improvement for the Public Service.



Thor Gudjonsson (he/him)

Deputy Commissioner, System & Agency Performance

Thor is responsible for supporting the Commissioner’s role as employer of public service chief executives, and managing agency performance across the Public Service and Crown entities. This includes:

- chief executive appointments, remuneration, and performance review;
- Crown entity fees and disclosures;
- agency performance analysis and advice; and
- the capability review programme.



Alex Chadwick (she/her)

Deputy Commissioner, Workforce

Alex is responsible for supporting the development of the Public Service workforce and for meeting government expectations in employment and workforce matters. This includes:

- employment relations expectations, guidance and analysis;
- addressing pay equity and pay gaps, and promoting diversity and inclusion;
- workforce strategy and mobility; and
- leadership development for the Public Service.



Hugo Vitalis (he/him)

Deputy Commissioner, Integrity, Ethics & Standards

Hugo’s team leads the Commission in promoting high integrity, transparent, and accountable public services. The work includes:

- setting standards of integrity and conduct, issuing guidance and building agency capability;
- providing integrity advice, conducting investigations and reviews;
- strengthening open government performance; and
- administering the awards and recognition programme.



Alastair Hill (he/him)

Deputy Commissioner, Governance and Public Affairs

Chief of Staff, Office of the Public Service Commissioner

Al is responsible for keeping an overview of the Commission’s work and activity, ensuring that the Minister and Minister’s office are well informed and briefed, directly supporting the Commissioner and the two Deputy Commissioners, and supporting governance of the organisation.

Appendix 6. Legislation administered by the Commission

The Public Service Act 2020:

- is one of the key Acts that sets the foundations for the public sector system;
- sets out the Public Service's purpose, principles and values and the fundamental characteristic of spirit of service to the community;
- recognises the Public Service's role in supporting the Māori Crown relationship;
- establishes the role, functions and powers of the Public Service Commissioner;
- provides for the establishment and disestablishment of Public Service agencies;
- provides for appointment, responsibilities, duties and powers of chief executives;
- provides for the establishment of the Public Service Leadership Team, and the appointment of system leaders and functional chief executives;
- provides for various workforce and personnel matters, including how the Employment Relations Act 2000 applies in relation to the Public Service.

The Crown Entities Act 2004 (parts 1, 2, 3 and 5):

- provides a consistent framework for the establishment, governance, and operation of Crown entities;
- clarifies accountability relationships between Crown entities, their board members and responsible Ministers on behalf of the Crown and Parliament.

The Protected Disclosures (Protection of Whistleblowers) Act 2022:

- protects employees who disclose information about serious wrongdoing in or by an organisation;
- facilitates the disclosure and investigation of matters of serious wrongdoing.

The Plain Language Act 2022:

- requires that Public Service agencies and Crown entities take reasonable steps to ensure public-facing documents they produce use plain language.

The Fees and Travelling Allowances Act 1951:

- provided for mechanisms for the payment of remuneration, allowances and expenses of members of statutory boards, as well as travelling allowances or expenses of local authority members;
- Was superceded in practice by the Cabinet Fees Framework administered by the Commission [CO (22) 2], and by the Remuneration Authority in relation to local authority members.

The Ministry of Works and Development Abolition Act 1988:

- provided for consequential matters following the disestablishment of the Ministry of Works and Development (e.g. savings provisions relating to contracts and consents).



Te Kāwanatanga o Aotearoa
New Zealand Government