

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kāwanatanga



# State Services Commission

Te Komihana O Ngā Tari Kāwanatanga

## Statement of Intent 2014–2018

Presented to the House of Representatives pursuant to Section 39 of the Public Finance Act 1989

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# Foreword from the Minister of State Services

The State sector makes up around 30% of New Zealand's GDP, and as such makes an important contribution to economic growth and raising living standards for Kiwis. It needs to develop the strength and flexibility to adapt and meet new challenges, and the State Services Commission is at the heart of this momentum for change.

The Commission has already played a major role in the Government's State sector reform agenda, through implementing the Government's capping policy on core government administration numbers, supporting the role of functional leads in property, procurement and ICT, and driving agency-level work around the Government's ten Better Public Services Results. These are real outcomes that make a difference in our communities, and the public reporting of progress against those targets bolsters the Public Service's existing tradition of integrity and transparency.

Backed by new tools in the legislative reforms of 2013, the Commission is moving forward with building a State sector system better able to meet the expectations of Government and New Zealanders now and into the future.

This Statement of Intent tells New Zealanders what the Commission is doing to achieve that vision. Success will look like a State sector that uses resources – both money and people – wisely, that continuously improves how it operates, and that collaborates under strong leadership to achieve those results most important to New Zealanders.



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**Hon Dr Jonathan Coleman** Minister of State Services  
June 2014

# Introduction from the State Services Commissioner

The State Services Commission has reset its business strategy to focus on its unique contribution to change in the State services to better serve New Zealand and New Zealanders, both present and future.

This is not work that the State Services Commission will achieve on its own. Accelerating the pace of system change will require the Commission to work closely with central agency partners and State services chief executives.

The chief executives are ambitious for a better New Zealand. They are determined to lead their agencies in focusing on the needs of their customers and to mobilise people and resources across agency boundaries to get traction on the long-term issues and opportunities that will make the most difference to present and future generations.

This ambition requires an agile response from the departments and agencies of New Zealand's State services. To help Ministers achieve their aims we need to be excellent managers of public resources; shifting funding to respond to government priorities, making more effective and efficient use of money and people, and managing risk in a fast changing and unpredictable environment.

Promoting a culture of stewardship is a key area of activity and involves strengthening the ability of the State services to work as a single coherent system. Leadership development is a key part of this. Over the next several years the chief executives across the system will work with the State Services Commission to ensure the professional development of the many State servants with leadership and expert roles in the State sector. We will also work on ensuring the agencies of the State services have the greatest possible collective impact in achieving results for New Zealanders, through building the capability for collaboration and partnerships between agencies, and between agencies and communities. The State Services Commission will also continue to enable a learning culture across the State services through its work on Continuous Improvement methodologies and the Performance Improvement Framework.

We are also developing the State Services Commission itself. This is my stewardship responsibility for the department of which I am the chief executive. We will work to build the State Services Commission's capability to deliver on its purpose of 'leading a State sector New Zealand is proud of' through focused strategies for people development, improving our business processes and infrastructure and directing effort to where the most impact will be achieved.

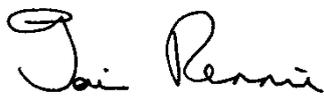


**Iain Rennie** State Services Commissioner

June 2014

# Chief Executive Statement of Responsibility

In signing this statement, I acknowledge that I am responsible for the information contained in the *Statement of Intent* for the State Services Commission. This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations set out in the Appropriations (2014/15 Estimates) Bill, as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989 and with existing appropriations and financial authorities.



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**Iain Rennie** State Services Commissioner  
June 2014



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**Sara Brownlie** Chief Financial Officer  
June 2014

# Who we are and what we do

The State Services Commission (SSC) is a central government agency. The role of SSC is to provide leadership and oversight of the State services, including by:

- promoting the spirit of service to the community
- promoting collaboration among agencies to deliver better outcomes for New Zealanders
- identifying and developing high-calibre leaders
- working with State services leaders to ensure that the State services maintain high standards of integrity and conduct, are led well, and are trusted by New Zealanders
- overseeing workforce and personnel matters in the State services
- advising on the design and capability of the State services
- evaluating the performance of Public Service leaders
- supporting the efficient, effective, and economical achievement of good outcomes by the State services
- promoting a culture of stewardship in the State services to ensure our agencies and the State services 'system' are well placed to deliver better public services now and in the future.

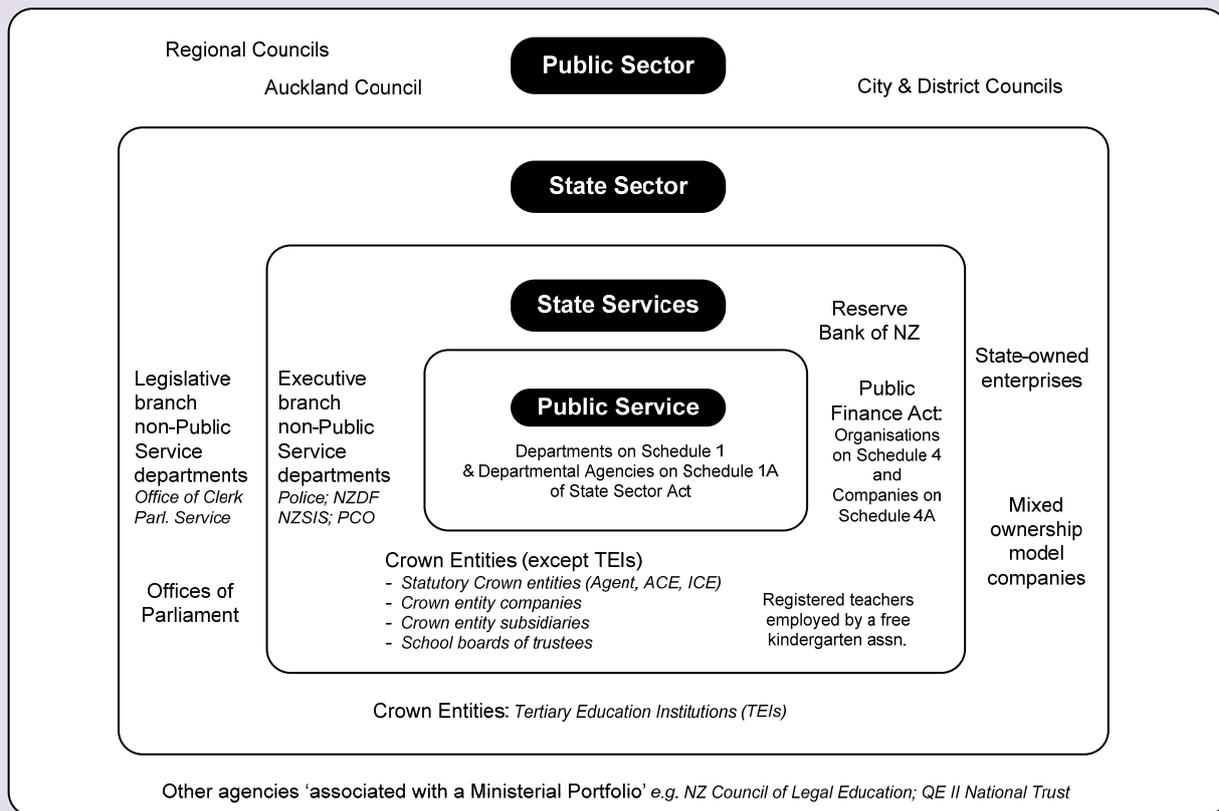
The principal functions of the State Services Commission described under the State Sector Act are:

- *System design*: to review the State sector system in order to advise on possible improvements to agency, sector, and system-wide performance; and review governance and structures across all areas of government, in order to advise on the:
  - allocation and transfer of functions and powers
  - cohesive delivery of public services
  - establishment, amalgamation, and disestablishment of public agencies.
- *Agency performance*: to review the performance of each department and each departmental agency; and appoint leaders of the Public Service, which includes appointing and reviewing the performance of chief executives of departments and departmental agencies.
- *Leadership development*: to promote leadership capability in departments and other agencies; promote strategies and practices concerning government workforce capacity and capability; and promote good-employer obligations in the Public Service.
- *Maintaining system trust and integrity*: to promote and reinforce standards of integrity and conduct and promote transparent accountability in the State services.

## The Public Sector

The State services are made up of 29 Public Service departments, four non-Public Service departments, the Reserve Bank, 93 Crown entities (approximately 200 Crown entity subsidiaries, about 2,430 school boards of trustees), and 60 assorted other entities listed in the Public Finance Act 1989. About 225,000 people work in the State services – including 46,546 in the core Public Service departments.

**Figure 1**



The Statement of Intent refers to public service and public services as a generic reference to any or all the above, unless specific reference to as Public Service, State services, State sector and Public sector is used.

# The current environment

New Zealand can boast comparatively low levels of corruption, a robust civil society, and strong public institutions. New Zealanders are seen to have a sense of fair play and are perceived as creative and entrepreneurial. We have natural resources and an outdoor environment that are the envy of other countries.

Our system of government, public institutions, their employees and the public services they deliver, exist for the benefit of New Zealanders. Over the last two decades State services leaders have become increasingly focused on creating a State sector that can meet the present and future needs of New Zealanders in a fast-changing and technological world. As a small country we have grappled with the recent global recession, major earthquakes, and with difficult and complex issues like welfare dependency and child abuse.

Over the past three years the momentum for change in the State services has been building. Changes to State sector legislation, passed with bi-partisan support in July 2013, provided a mechanism for jointly funding work which crosses agency boundaries, strengthened the collective duties of Crown entities, and extended the potential to use whole-of-government directions to drive common approaches to common functions where there are efficiency and effectiveness gains from doing so. The legislative changes expanded the role of the State Services Commissioner to include explicit responsibility for leadership and oversight of the performance of the State services as a whole.

Apart from legislative change the most visible element of State sector reform has been the focus on results. In 2012, the Government announced ten Results in challenging areas with stretch targets to be achieved over five years. The Results range from reducing long-term welfare dependency, increasing participation in early childhood education and the proportion of 18 year olds with NCEA level 2, reducing crime and reoffending, providing businesses with an online shop for all government advice and support, and ensuring New Zealanders can complete their transactions with government easily in a digital environment.

The results approach was designed to help Ministers drive better outcomes for New Zealanders and to drive progress on issues that require State services leaders to work across agency boundaries and in partnership with communities, NGOs and the private sector.

Other initiatives to drive the collective management of common functions have included appointing functional leads for government property, procurement, and ICT, and heads of profession for core business functions including legal and communications.

# What we intend to achieve

SSC's purpose is "leading a State sector New Zealand is proud of."

The outcome statement we share with our central agency partners, the Treasury and the Department of the Prime Minister and Cabinet, defines a State sector New Zealand can be proud of as "a higher performing State sector that New Zealanders trust, delivering outstanding results and value for money".

Realising this vision will require system-wide change to lift the performance of the State services. Leading this change is not something SSC can do alone. As well as working with our central agency partners, functional leads and heads of profession, we are working with chief executives across the State services to provide collective leadership to system reform.

Our role at the centre of the State services is to step up the pace of progress and work with leaders across the system to change the way agencies think, organise and operate, to make a bigger difference for New Zealanders.

Over the next four years, SSC will be focusing its effort in three portfolios; each of which represents a co-ordinated set of services and interventions to lead system change:

- **System stewardship** – SSC will ensure system governance and leadership are aligned and focused on developing strong and trusted public institutions that deliver results for present and future New Zealanders. People and resources will be deployed where they are needed most and will have the greatest impact.
- **Collective impact** – SSC will establish the right incentives and support for State services leaders to work collaboratively to deliver shared results; ensure that common functions are managed collectively where there are gains from doing so; and system design supports the delivery of common results.
- **Learning culture** – SSC will support agencies to design and deliver policy and services from a customer perspective; make better use of information for maximum impact; and ensure learnings from successes and failures are shared widely and used to drive innovation and continuous improvement.

These three strategic portfolios will provide the framework for everything SSC does to lift system performance. A fourth portfolio, **better every day SSC**, represents the key initiatives SSC will be taking within the organisation to implement an operating model that supports delivery of business strategy.

SSC is funded through one multiclass appropriation covering State services policy advice and management of the public management system.

Figure 2



# What success will look like

Success for SSC in 2018 will be a State services that:

- works as a collective system in its thinking, operation, governance and organisation
- is led by a collective leadership team of chief executives focused on system reform for a better New Zealand
- focuses people and resources where they will have greatest impact on shared results
- designs and delivers policy and services with and for the people who use them
- innovates, takes informed risks and applies a continuous improvement approach
- has capability and resilience to meet today's tasks and flexibly adapt to the challenges and opportunities of the future
- is highly capable in the use of technology to provide better services and increase efficiency
- drives improvement by transparently measuring and reporting on performance.

The pages which follow describe SSC's roadmap to 2018 – how we will work with State services leaders to deliver system reform for a better New Zealand.

# System stewardship

The State Sector Amendment Act, passed in 2013, charged the State Services Commissioner with “promoting a culture of stewardship in the State services”.

To deliver this responsibility SSC will work with State services leaders to:

- strengthen and align system governance and leadership to collectively deliver shared results and build strong and trusted public institutions
- improve the ability of the system to respond with agility to the priorities of the Government of the day whilst maintaining a long-term focus on the future needs of New Zealanders
- lift the performance of State services agencies to better meet the needs of New Zealanders
- implement a system-wide approach to meeting future leadership and workforce capability needs.

## SSC’s priority interventions to lift system stewardship are:

- **Setting expectations** – SSC will integrate planning and accountability documents into one, customer-focused, four-year plan working with the Treasury and Public Service departments.
- **Aligning executive management to system performance** – Renew the approach to executive management for Public Service chief executives, including the introduction of a single set of expectations which explicitly focus on collective leadership for shared results alongside serving Ministers, managing people and departmental core business, and ensuring financial sustainability.
- **Leadership and capability development and deployment** – SSC will introduce a new, system-wide approach to developing leaders for the State services in partnership with chief executives and the Leadership Development Centre. New statutory provisions around key positions have provided a basis for a more systematic approach to succession planning for critical operational roles across the system. Career Boards, comprising sector chief executives, are beginning to play a key role in identifying and developing leadership talent across the Public Service.

Over the next four years, SSC will:

- create initiatives, and address barriers, to support talented leaders to move easily across agencies to high priority areas for both development and system need
  - develop a system wide talent management and assessment system
  - implement an Auckland-based plan for working with agencies on leadership opportunities
  - devise a programme to attract and develop a diverse range of graduates and emerging leaders, and support them to build careers across the State services.
- **Integrity roadmap** – SSC is co-creating an integrity strategy for the State services with partner organisations, and a roadmap to roll out the strategy over five years from 2015. The strategy will build on New Zealand’s reputation for high integrity and assist us in understanding what we can do to maintain this, how we can develop new and innovative ways to improve further, and play a leadership role fostering integrity in our region.

## Demonstrating success

By 2018 State services leaders will:

- collectively own system performance and reform
- be focused on building strong, innovative, customer-focused public agencies
- collaborate across agency boundaries, with communities and the private sector, to deliver common results for a better New Zealand.

Chief executives, together with SSC and the Leadership Development Centre, will be working together to identify and develop high-performing leaders from diverse backgrounds and to meet future workforce capability requirements for the State services.

A high level of public trust is critical for the operation of the public services. SSC measures public trust, through the Kiwi's Count Survey<sup>1</sup>, 'Trust in Public Services'. Success will be demonstrated by at least 70% of respondents agreeing or strongly agreeing that, based on their last service experience, they could trust public servants to do what is right (the result for March 2014 was 72%).

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<sup>1</sup> <http://www.ssc.govt.nz/kiwis-count>

# Collective impact

The Better Public Services (BPS) Advisory Group in 2011 reviewed the performance of the New Zealand State Sector, and concluded that agencies were generally efficient and effective at delivering outputs that were under their control. Despite this, some problems were persistent, particularly where responsibility for those problems spanned multiple agencies.

SSC is supporting agencies to use a collaborative approach to make real progress on addressing these persistent problems. We expect that most services and interventions will continue to be delivered by individual agencies, but where multiple agencies have responsibilities for the same issue or results, working together in a co-ordinated way will be more effective.

Progress to date on the ten Results suggests that having a clear set of priorities, and publically measuring progress towards them, is a powerful way for the Government to drive change. Over the next four years SSC will work with its central agency partners and State services leaders to accelerate the pace of progress on the Results and to make innovation and working together part of the core business of State services agencies.

We will also mature the model for managing common business functions across the State services. Functional leads for ICT, procurement and property were established in 2012 to improve the effectiveness, and reduce the overall costs to Government, of common business functions by:

- driving efficiencies (through economies of scale, leveraging buying power in whole-of-government contracts, setting common standards and approaches, and reducing duplication)
- developing expertise and capability (through centres of expertise, co-ordinated professional development and deploying capability to where it is most needed)
- improving services and service delivery (through sharing and coordinating activities and facilities and through joined up service delivery).

Heads of profession have been appointed to build capability in other common functions including legal and communications. The State Services Commissioner has appointed a new Government Chief Talent Officer who will act as Head of Profession for organisational development and human resources leaders, with an objective to build capability across the system.

SSC's priority interventions to maximise collective impact are:

- **Removing barriers to collaboration** – SSC and its central agency partners are working with a range of agencies with common results, customers or functions, to identify and overcome barriers to collaboration including funding, governance and structural arrangements. New State services-wide leadership development initiatives will strengthen capability across the system to lead collaborative work across agencies, and in partnership with communities, NGOs and the private sector.

- **Refining the results focus** – SSC will work with central agency partners to continue to deliver Results reporting and to provide advice on extending the results focus, including potential new result areas. We will support agencies and sectors to design and implement customer-focused operating models to drive the delivery of common results.
- **Supporting the success of functional leadership** – SSC will work with central agency partners to ensure functional leads have the mandate, tools and resources to succeed, and the functional leadership model is mature. This will include supporting the Government Chief Information Officer to develop proposals for sustainable funding, supporting functional leads in implementing the extension of their mandate to include crown entities, supporting the development of outcome measures, and growing a community of practice between functional leads.
- **Expanding the collective management of common functions** – SSC will work with central agency partners and State services leaders to identify whether there is a case to extend a collective management approach to other common functions through the appointment of additional functional leads or heads of profession or the use of shared services.

## Demonstrating success

Success will mean agencies are working seamlessly together on cross-cutting issues with barriers and disincentives to collaboration and shared results being removed. The most clear demonstration of this will be an increasing number of the ten Results on track to achieve their targets (with eight out of eleven or 72% of targets reported as on track in July 2014)<sup>2</sup>.

The functional leads will be reducing cost and demonstrating other benefits including increased expertise and capability. SSC will ensure the work of the Government Chief Talent Officer is lifting strategic human resource capability across the system and is a model of good practice for heads of profession.

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<sup>2</sup> <http://www.ssc.govt.nz/bps-snapshot>

# Learning culture

Using a better understanding of customers to deliver more personalised public services, more effective public policy, and results for a better New Zealand, is at the heart of State services reform.

To develop a customer-focused learning culture, SSC will be working with State services leaders to:

- *Put information to work* – to ensure high-quality evaluation of policy development and service delivery is improving our understanding of what is working well and what isn't; resulting in continuous improvement across the system. SSC will work with the Treasury to ensure that information collected by Public Service agencies is being integrated to understand performance across the system.
- *Support innovation and improvement* – to ensure senior leader development, expectations and incentives encourage State services leaders to develop new ways of working and managing their organisations that improve the design and implementation of policy and services.
- *Engage with citizens* – to support agencies to view their customers as 'customers of government' and ensure policies and services are designed and implemented around customer need rather than agency boundaries. Co-designing policies and services with customers and partners within and beyond the State services will be standard practice across the system.

SSC's priority interventions to build a customer-focused learning culture across the State services are:

- **Putting customer needs first** – through events such as a State services leadership summit on customer value, and a workshop on accelerating progress towards customer-focused government.
- **Continuous improvement** – SSC is working in partnership with six agencies to test whether a continuous improvement approach can drive a culture of innovation and improvement where customers receive the services they need uninterrupted by agency boundaries. If the proof of concept is successful, a business case will be developed to integrate and expand work across the system to introduce approaches to continuous improvement, service design and innovation. The proposed approach will include establishing an expanded centre of expertise, a virtual academy, and a community of practice to build system capability and standards.
- **Developing leaders and leadership** – SSC will promote and embed a customer-centred learning culture through executive management and leadership development initiatives.
- **Updating and learning from the Performance Improvement Framework (PIF)** – upgrades to the PIF model, and system-level analysis of PIF findings, will contribute to lifting system performance and growing a customer-focused learning culture across the State services.

## Demonstrating success

Success in embedding a customer-focused learning culture will be evidenced by improvements in New Zealanders' perceptions of the quality of services they receive from government agencies. This will be measured by the Kiwis Count survey with results benchmarked against the latest overall service quality score (SQS) of 72 for the March 2014 quarter. Individuals and businesses will report that it is easier and faster for them to access information from, and do business with, government.

The PIF evaluates whether agencies are fit-for-purpose to deliver on current and future expectations and is not a benchmarking tool. However, as lessons about what is working and what is not are shared across the State services we would expect improvements in follow-up PIF reviews. An impact evaluation of the PIF programme is planned for 2015/16.

Further evidence of success will be that high-quality, customer-focused evaluation of policy development and service delivery has become systematic and routine across the system, with insights shared across agencies and with customers and partners.

# Better every day SSC

To be credible leaders of system change SSC needs an agile and capable workforce and a culture that reflects what we expect of ourselves and ask of others.

Better every day SSC represents the implementation of an operating model and workforce strategy to drive changes in culture and behaviour needed to continuously improve the way we work.

Our new operating model is based on a number of principles, including:

- *Investment approach* – to support improved prioritisation and resource allocation. Work is underway to improve SSC’s understanding of the costs and value of our interventions. This will support more informed decisions about where we invest our effort and resources for most impact.
- *Customer focus* – to ensure the design and delivery of SSC’s services and interventions is informed by an improved understanding of our customers and their needs.
- *Being exemplary* – State services agencies expect SSC to be an exemplar in core functions including leadership development, talent management and integrity and conduct. For SSC, being an exemplar doesn’t necessarily mean being the best; it does mean that we will be fit for purpose and actively improving our practice in these areas.
- *Continuous Improvement* – we will build a continuous improvement approach into the way we do things, starting with growing our internal capability through demonstration projects. Learnings from our follow-up PIF, scheduled for early 2015, will be incorporated into this approach. We will put systems in place to evaluate SSC’s key interventions with our customers, in order to improve our service design and delivery.

Key aspects of implementing our workforce strategy include:

- *Competency Framework* – to realise the potential of staff and to ensure we are recruiting, selecting and rewarding individuals who demonstrate the behaviours deemed critical to delivering our business strategy
- Employee Value Proposition – to attract and retain high performing staff and attract aspiring State services leaders to work in SSC as part of their career development
- Talent *management system* – to invest in our people to improve leadership capability and practice.

A medium term workforce capability plan will be developed to guide recruitment and deployment decisions.

SSC will continue its commitment to the four groups identified in the Equal Employment Opportunities policy for the Public Service – Māori, ethnic or minority groups, women and people with disabilities – and to appointment on merit, ensuring the needs of a diverse workforce are met. Employee engagement survey findings will be monitored by age, gender and ethnicity. SSC’s workforce will be monitored by collecting data on gender and ethnicity distribution at each tier of management. Where required, response plans will be developed to address issues identified as a result of the findings.

SSC continues to monitor strategic risks around its own performance, State services’ performance and sector reform in association with its Risk and Audit Committee.

## Demonstrating success

SSC uses a number of measures to evaluate our culture, management practice and performance. These are shown in the following table with baseline results for 2012/13.

Measure	2012/13 results
A high proportion of staff participate in the SSC employee engagement survey.	97% participation
The employee engagement survey shows meaningful improvement in grand mean results.	Grand Mean 3.91
Audit NZ's Management report for SSC, rates SSC systems and controls as at least 'good'.	Two areas received good rating with one needs improvement
We maintain or reduce the total amount of running costs directed at administrative and support services functions.	15.60% in 2012/13