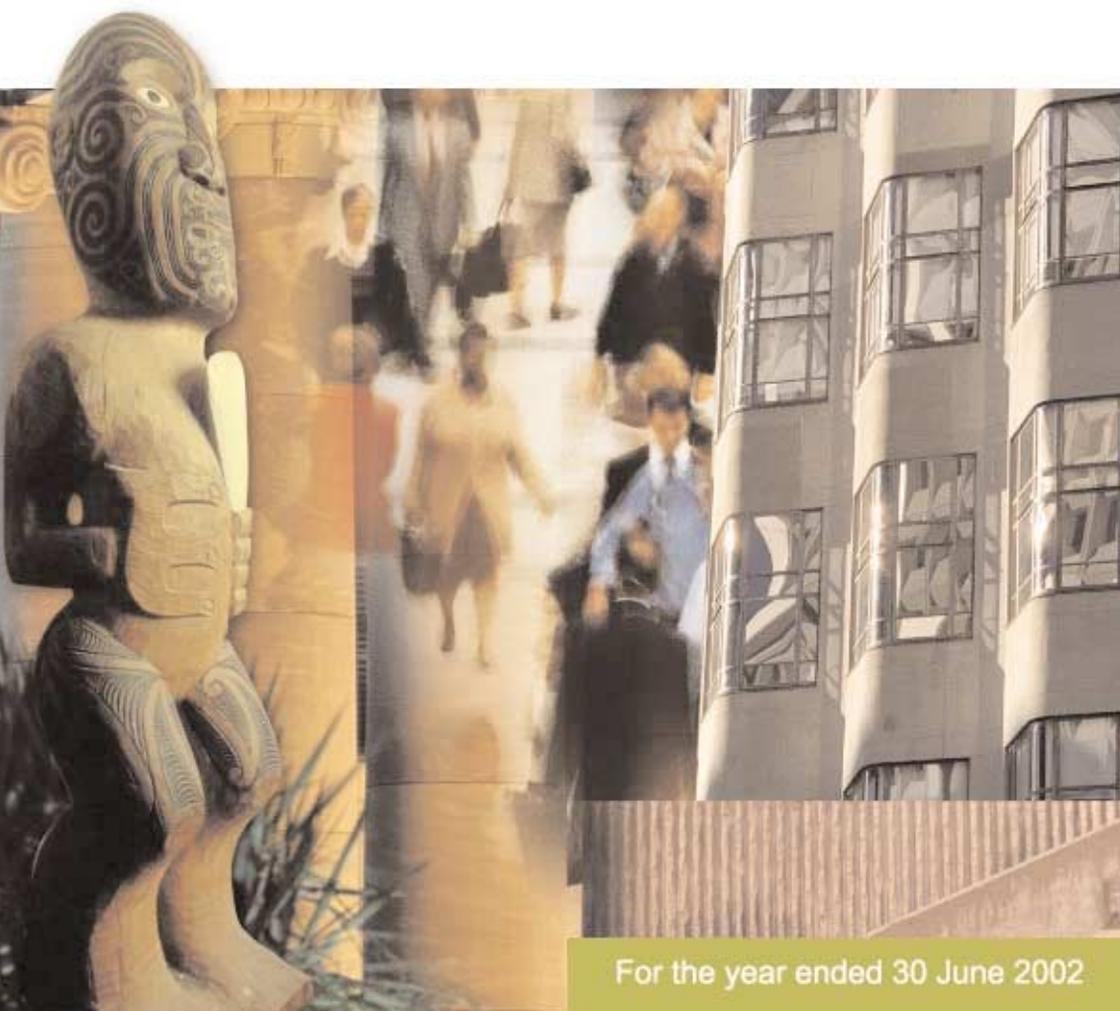




# Annual Report of the State Services Commission 2002

Including the annual report of the  
State Services Commissioner



The Māori figure on the cover is the male figure standing in the entrance foyer of the State Services Commission. It is said to represent 'Mahu' – a name derived from Mahutonga the Southern Cross constellation – and is often referred to as a traveller.

STATE SERVICES COMMISSION  
Te Komihana O Ngā Tari Kawanatanga



# Annual Report of the State Services Commission 2002

Including the annual report of the  
State Services Commissioner

For the year ended 30 June 2002

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

ISBN 478 24425-8



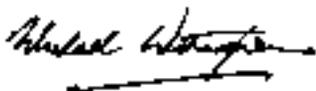
Hon Trevor Mallard  
Minister of State Services

*I have the honour to present to you the report of the State Services Commission for the year ended 30 June 2002. It comprises three parts.*

*Part One is the annual report of the State Services Commissioner on the operations of the Commissioner and other matters affecting the State services, provided under section 19 of the State Sector Act 1988.*

*Part Two is the annual report of the Chief Executive on the operations of the State Services Commission and its audited financial statements provided under section 30 of the State Sector Act 1988.*

*Part Three provides the disclosure of remuneration of State sector senior personnel, as requested by Cabinet.*



Michael Wintringham  
State Services Commissioner



## Contents

<b>Part One: Annual Report of the State Services Commissioner</b>	<b>1</b>
<b>Section 1: State Services Commissioner’s Annual Report on the State Services</b>	<b>2</b>
Where has This Convention Come From?	3
What was Intended by the 1988 Reforms?	5
That was the Theory in 1988 – is it Different Today?	7
The Principle in Practice (1) – Chief Executive Appointments	7
The Principle in Practice (2) – Ministerial Relationships and MMP	8
The Principle in Practice (3) – Support for Government Formation	9
The Principle in Practice (4) – A Need for Political Advice	10
The Principle in Practice (5) – More Visible Public Servants	12
The Principle in Practice (6) – Personal Political Views	13
The Principle in Practice (7) – Contributors to Public Debate	14
The Principle in Practice (8) – ‘Corngate’	15
The State Services Commissioner	17
<b>Section 2: Public Service and State Sector Chief Executive Remuneration</b>	<b>18</b>
Introduction	18
Remuneration Policy	19
Application of the Policy	20
Public Service Chief Executive Remuneration	21
Conclusion	23
Remuneration Disclosure Tables	25
<b>Section 3: Public Service Chief Executive Appointments, Reappointments and Departures</b>	<b>31</b>
Appointments	31
Reappointments	31
Departures	32
<b>Part Two: Annual Report of the State Services Commission</b>	<b>35</b>
<b>Section 1: Chief Executive’s Overview</b>	<b>36</b>
Introduction	36
Highlights of the Year	36

Other Achievements	42
Organisational Changes	43
Capability	43
Afterword	45
<b>Section 2: Performance</b>	<b>46</b>
Introduction	46
Statement of Responsibility	47
Report of the Auditor-General	48
Statement of Objectives and Service Performance	50
Statement of Accounting Policies	81
Statement of Financial Performance	85
Statement of Movements in Taxpayers' Funds	85
Statement of Financial Position	86
Statement of Cash Flows	87
Statement of Commitments	88
Statement of Contingent Liabilities	88
Statement of Departmental Expenditure and Appropriations	89
Statement of Non-Departmental Expenditure and Appropriations	90
Notes to the Financial Statements	91
Statement of Objectives – Forecast Financial Performance Indicators	99
<b>Section 3: Other Information</b>	<b>100</b>
Mission and Values	100
Purpose	100
Roles and Responsibilities	100
Organisational Structure	102
Legal Responsibilities	105
Glossary of Terms	106
Directory	107
<b>Part Three: Remuneration of State Sector Senior Personnel</b>	<b>111</b>
<b>Section 1: Public Service and Related Organisations</b>	<b>112</b>
<b>Section 2: Tertiary Education Sector</b>	<b>115</b>

STATE SERVICES COMMISSION  
Te Komihana O Nga Tari Kawanatanga



# Part One: Annual Report of the State Services Commissioner

Provided under section 19 of the  
State Sector Act 1988



For the year ended 30 June 2002



## Part One: Annual Report of the State Services Commissioner

Part One of this Annual Report is the State Services Commissioner's report on the operations of the Commissioner and other matters affecting the State services, provided under section 19 of the State Sector Act 1988.

It comprises three sections:

Section 1 is the annual report of the State Services Commissioner;

Section 2 is the annual report on the Public Service and State sector chief executive remuneration, including remuneration disclosure tables;

Section 3 records the appointments, reappointments and departures of Public Service chief executives during 2001/02.

## Section 1: State Services Commissioner's Annual Report on the State Services

There were two events in 2001/02 that had a major impact on my role as State Services Commissioner. The *Review of the Centre* was the first major stocktake of New Zealand's public management system since 1996, and the decision to hold a general election some months earlier than widely anticipated brought its own pressures on the State sector.

The *Review of the Centre* has itself been well reviewed. The report is available on the State Services Commission website.<sup>1</sup> Its recommendations were incorporated into the work programme of the State Services Commission for the last half of 2001/02, and for this year. I have made reference to the *Review* in my separate report as Chief Executive of the State Services Commission.<sup>2</sup>

Elections under MMP place special demands on the State sector. Not only must the State sector be clear about its responsibilities and behaviours before and after a general election; it must be in a position, if required, to support coalition negotiations. At the heart of the conventions guiding State sector behaviour around general elections lies the principle of political neutrality. During my term as Commissioner, and particularly over the last year, I have seen the way in which the principle of political neutrality is constantly tested, and appreciated its enduring value in our system of government.

For this reason I have decided to use my annual report as State Services Commissioner to trace the history of this principle and the way it has been tested over recent years, and to reinforce its importance for all public servants.

The New Zealand Public Service has a long and proud tradition of political neutrality. This concept is discussed in the textbooks about our system of government, recognised as a principle worth protecting under the Official Information Act, referred to specifically in the New Zealand Public Service Code of Conduct, and raised as an issue from time to time in the media, particularly in election years. But is there a shared understanding about political neutrality - what it means, why it is important and, more importantly, how it is to be applied in practice?

The theory is simple - a Public Service, free of political interference or patronage, serves the government of the day in a way that ensures not only that public servants maintain the confidence of Ministers, but also that they are able to establish the same professional and impartial relationship with future Ministers.

---

1 [www.ssc.govt.nz](http://www.ssc.govt.nz)

2 see Part Two, Section 1, p41.

In practice, however, the context within which the Public Service operates has changed significantly in the last 90 years, particularly since 1988. In this report I reflect on these changes and consider their impact on the practical application of the neutrality principle today.<sup>3</sup>

## Where has This Convention Come From?

In its early years (post-1840), the New Zealand Public Service consisted of several departments that operated under the direct control of their Ministers – Ministers approved staff appointments, determined pay and conditions, and oversaw the day-to-day activities of their departments. As a consequence, political patronage was rife. Public servants were ‘the Minister’s people’ and there was no division of functions between them and the Minister. Public Service reforms in the 1860s introduced rules for matters such as entry to the Public Service, promotion, salaries and discipline, but had little effect on political patronage, as Ministers were able to circumvent the rules by making ‘temporary’ appointments. A fuller history of the New Zealand Public Service and role of the State Services Commission is provided on the Commission website.<sup>4</sup>

The Public Service Act 1912 put an end to patronage and established a non-political, unified and career Public Service:

- it was non-political in the sense that the powers of appointment, promotion and dismissal were entrusted to an independent body, the Public Service Commissioner – effectively this separated the Minister’s ‘political’ functions from the ‘administrative’ functions of the Public Service;
- it was unified in the sense that all public servants (including the heads of departments) were employed by the Commissioner – therefore, they could more readily focus their attention on providing advice to the Minister and implementing government policy, rather than on serving the partisan interests of a particular patron (the Minister); and
- it was a career service in the sense that public servants were employed on merit and on a professional basis – tenure was not dependent on a particular government or Minister remaining in office. Indeed, long service of heads of departments as well as other employees was rewarded and encouraged. As a result, the ability to work equally well with whatever government and Minister came to power became a practical requirement of public servants.

The 1912 Act, therefore, established a politically neutral Public Service, dedicated to serving the government of the day and ready to serve the government of tomorrow with the same professionalism and loyalty, and with all

---

3 This report is concerned primarily with the Public Service, i.e. those departments listed in the First Schedule to the State Sector Act 1988. However, many of the general principles and comments are also relevant to the wider State sector.

4 [www.ssc.govt.nz](http://www.ssc.govt.nz)

appointments and personnel decisions made independent of political interests. In interposing a third party, the Commissioner, between Ministers and the Public Service, the Act created the triangle of relationships with which we are familiar: Ministers and Public Service, Ministers and the Commissioner, and the Commissioner and the Public Service. I considered last year in my report as Commissioner<sup>5</sup> the implications of the tripartite relationship for the employment of Public Service chief executives. Its inherent tensions similarly determine how political neutrality plays out in practice.

There was (inevitably) potential for friction: around election times; in the day-to-day provision of support for Ministers in the House (responding to parliamentary questions, attendance at select committees etc) and in dealing with the public (preparing speeches and correspondence); and in the provision of free and frank advice. In practice, the boundary between the functions of the politicians (policy and advocacy) and the functions of the public servants (policy advice, implementation and administration) became well understood.

The complementary principles of Public Service anonymity and ministerial responsibility, for example, helped to reinforce the 1912 Act's new shape and culture. The system protected the anonymity of individual public servants – their job was to explain government policies and implement government decisions, without expressing their views on policies or answering criticism of them. It was up to Ministers to defend their policies and decisions, and to answer to Parliament and the public for the actions of the departments and other agencies for which they were responsible.

These principles were premised on the assumption that long-term good government depended on good, free and frank advice. The Public Service could provide this advice effectively only if Ministers had confidence in it. The neutrality, loyalty and professionalism of the Public Service on the one hand, and ministerial responsibility and respect for the anonymity of public servants on the other, ensured that this confidence extended not only to the current government but also to successive governments.<sup>6</sup>

Statutory definitions of responsibilities and the principles and conventions that have developed from their practical application over time are essential but not sufficient to maintain an effective and politically neutral Public Service. A good working relationship between Minister and permanent head was as important in 1912 as it is today.

A Royal Commission of Inquiry in 1962 (the McCarthy Commission) confirmed the 1912 approach, but sought to clarify responsibility for efficiency and economy in the Public Service. Many of its recommendations were enacted in the

---

5 Annual Report of the State Services Commission 2001, p.5.

6 The reciprocal nature of this arrangement is sometimes referred to as 'the fundamental bargain': see Colin James, *The Tie That Binds: The Relationship Between Ministers and Chief Executives*. Institute of Policy Studies and the New Zealand Centre for Public Law, 2002.

1962 State Services Act which repealed the 1912 legislation. It is interesting to see the McCarthy Commission noting, even in 1962, the divergence between the theory of Ministerial responsibility for their departments and the practical reality of (then) Permanent Head responsibility, the erosion of public servant anonymity, and the consequent pressure on political neutrality.

### What was Intended by the 1988 Reforms?

The shape and culture of the Public Service, bequeathed by the 1912 Act and perpetuated by the 1962 State Services Act, were radically reordered by the 1988 State Sector Act and associated reforms.

The reforms of the late 1980s aimed primarily, but not exclusively, to promote efficiency and good management in the State services.<sup>7</sup> In the Public Service, the division of functions between Ministers (responsible for strategy and ‘outcomes’) and chief executives (responsible for management, administration and ‘outputs’) was given statutory recognition.<sup>8</sup> The new tools of internal contracting such as purchase agreements and chief executive performance agreements reflected this ‘efficiency and effectiveness’ objective, and made the respective responsibilities of Ministers and chief executives more transparent.<sup>9</sup>

But as had been the case under the 1912 and 1962 legislation, this division of functions relied upon a good working relationship, and the maintenance of trust and confidence, between Minister and chief executive.

The efficiency and effectiveness objective underpinned the changes to the way in which public servants were employed. Previously all public servants, including the permanent heads of departments, had been employed centrally by the State Services Commission (or its predecessor, the Public Service Commission). Under the 1988 reforms, however, chief executives became responsible for the employment decisions affecting individual public servants within their respective departments.<sup>10</sup>

For their part, the permanent heads of departments lost their ‘permanent’ status. The 1988 State Sector Act introduced a statutory fixed tenure. Chief executives are appointed under the Act for a fixed term of not more than five years, although they may be reappointed. This change in tenure for chief executives was one of the means by which the 1988 Act sought to improve efficiency and

7 See Long Titles to the State Sector Act 1988, the Public Finance Act 1989 and the State-Owned Enterprises Act 1986.

8 Section 2, Public Finance Act 1989.

9 Performance agreements are now being replaced by Statements of Intent (SOI) which focus on the achievement of outcomes as well as individual outputs. However the SOI mechanism does not change the traditional accountabilities of, or division of functions between, Ministers (responsible for outcomes) and chief executives (responsible for outputs).

10 Similar concepts were applied in the broader State sector with Boards being responsible for the employment of the chief executive and the chief executive being responsible for the employment of his or her staff.

effectiveness.<sup>11</sup> It is important to reinforce the point that the change in tenure was intended to support improved performance, and not to undermine the principle of political neutrality.

However, the new appointment process for chief executives included an explicit, legislatively sanctioned role for Ministers. Because a key requirement of the chief executive role was the ability to work effectively with the responsible Minister, the views of the Minister had always been a ‘relevant consideration’, in administrative law terms, to be taken into account by the Commission. The 1988 reforms formalised and gave statutory recognition to this reality. On the face of it, the greatest change in the 1988 legislation was the provision that the Governor-General in Council may reject the Commissioner’s recommendation for a chief executive appointment, and may then require the Commissioner to appoint the Government’s candidate. The State Sector Bill was roundly attacked for abandoning the principle of political neutrality, but fears of Government appointments to all chief executive positions have never been realised. In the 14 years since the Act came into force, a Government has once rejected the Commissioner’s recommendation, and then it did not proceed to make its own appointment (leaving the Commissioner to start the appointment process again).

In practice, therefore, the relevant provisions of the State Sector Act providing a role for Ministers are:

- where a chief executive vacancy arises, the State Services Commissioner must inform the Minister of State Services and invite the Minister to inform the Commissioner of any matters that the Minister wishes the Commissioner to take into account in making the appointment: s.35(2);
- the Governor-General in Council may reject the Commissioner’s recommendation and appoint someone else: s.35(11);
- conditions of employment for chief executives are to be determined by agreement between the Commissioner and chief executive concerned, but the Commissioner must obtain the agreement of the Prime Minister and the Minister of State Services to those conditions: s.38(3);
- the Commissioner may not dismiss a chief executive unless the Governor-General in Council agrees: s.39; and
- on the expiry of the fixed term appointment, the Commissioner may recommend that the existing chief executive be reappointed for a further fixed term (but ultimately the Governor-General in Council could accept or reject that recommendation): s.36.

---

11 When the Bill was originally introduced, the Hon Stan Rodger, as the then Minister of State Services, stated that the intention was to ensure that managers “can properly be held to account for their stewardship”: (1987) Vol 485 NZPD, p.1748.

In these ways the 1988 Act gave the government of the day a clearly defined and transparent role in the appointment of departmental chief executives. It also gave effect to the 1962 McCarthy Commission observation that:

“... [chief executive] appointments should normally be made by the State Services Commission, which is in the best position to judge the merits of each candidate in all respects save one – his (sic) ability to command the Government’s confidence ... [However] a procedure should be followed which leaves no doubt whether, in a given instance, the State Services Commission or the Government has been responsible for making the appointment.” (para 226)

The 1988 Act’s appointment process, the fixed tenure arrangement, and the three-way relationship between Minister, departmental chief executive and State Services Commissioner aimed to strike a balance between the requirements of good management and the traditional principles of a politically neutral, loyal and professional Public Service.<sup>12</sup>

### **That was the Theory in 1988 – is it Different Today?**

The political and social context in which the State sector operates has changed significantly since 1912, and particularly since 1988. The introduction of MMP, an increasingly open government, the intrusiveness of media, and the age of intensely personalised politics have all contributed to a more visible Public Service and put pressure on the boundaries between Ministers’ and chief executives’ roles and responsibilities.

Have these changes impacted on the traditional notion of a politically neutral Public Service and, if so, how?

I want to address that question by looking at examples of political neutrality in action: the appointment of Public Service chief executives; ministerial relationships under MMP; support for coalition negotiations; relationships between the Public Service and political advisors; the visibility and public role of the senior public servant; personal political views of public servants; and a particular event during the recent election campaign popularly known as ‘Corngate’.

### **The Principle in Practice (1) – Chief Executive Appointments**

Although I covered some of the following in last year’s report, the appointment of Public Service chief executives, and the criteria by which their performance is assessed, are so fundamental to the fact and perceptions of political neutrality in our system, that my comments warrant repeating here. Furthermore, a reading of the Hansard debates around the chief executive appointment provisions of the

---

<sup>12</sup> In the wider State sector, a ‘similar but different’ arrangement applies, i.e. Boards are the ‘buffer’ between Minister and chief executive.

State Sector Bill, and even an uninformed reading of the relevant provisions of the State Sector Act, could lead the reader to a conclusion that the neutrality principle carefully enshrined in 1912 was abandoned in 1988.

Such conclusions fail to take into account three matters:

- the role of the State Services Commissioner as the buffer between the party political and politically neutral elements of executive government;
- the distinction between the ability of a candidate for a Public Service chief executive position to win the confidence of the Responsible Minister and the Government, and party political alignment between the Government and a candidate; and
- the way in which successive governments and State Services Commissioners have given effect to the chief executive appointment provisions of the State Sector Act.

I referred last year to the relevance in chief executive appointments or reappointments of whether a candidate has, or is likely to win, the confidence of the Responsible Minister and other senior members of the Government.<sup>13</sup> I noted my predecessor's 1991 Annual Report and his reflections on the Hensley case. Don Hunn asserted that Ministers should expect the State Services Commissioner to recommend for appointment as chief executives people who not only, in the Commissioner's view, meet the requirements of the job, but also are people whom the Government is confident will develop and implement its policies. This was confirmed as a legitimate consideration by Chief Judge Goddard in his judgment in *Rankin v Attorney-General*.

In my experience, for the most part, Ministers have understood and respected the distinction. Furthermore, there are advantages to Ministers in the current appointment and employment arrangements. When things become difficult between a Minister and their chief executive due to the fact or perception of poor performance on the part of the chief executive, it is helpful for Ministers to place some distance between themselves and the process of performance management. In this way the problem can be addressed as a management and employment issue rather than a personality problem or a political event.

## **The Principle in Practice (2) - Ministerial Relationships and MMP**

The introduction of MMP in 1996 changed the political environment in which the Public Service operates. But the change to the electoral system did not bring with it any change to the core constitutional and operating principles that underpin the Public Service. The principle of political neutrality and the respective roles of Ministers and their chief executives remained unchanged.

---

<sup>13</sup> Annual Report of the State Services Commission 2001, p.6.

However, in practice, the MMP environment can make it harder for public servants to interpret and apply the neutrality principle and to identify the boundary between what is, and what is not, politically neutral advice or behaviour. For example, it is sometimes difficult to distinguish clearly between serving the government of the day and serving the political party or parties represented in that government (e.g. where there is a minority Minister in a coalition government and there are policy differences between the coalition parties). This can be exacerbated if rifts appear between coalition partners because Cabinet can be made up of Ministers from different political parties, the principle of ministerial collective responsibility is less assured. For example, where a coalition agreement expressly permits Ministers from different parties to take different positions in public, the chief executive may become associated with those positions.

Senior public servants, although not ‘party political’, have always had to be politically astute and aware of the political environment in which they and their Ministers work. The advent of MMP has made this more demanding in terms of the situations that have to be dealt with (e.g. coalition, minority and caretaker governments, and the government formation process itself). But this requirement is no less important in terms of the need to develop good working relationships with current Ministers while at the same time ensuring that the ability to work with future Ministers is not compromised.

### **The Principle in Practice (3) - Support for Government Formation**

For the most part New Zealand’s first-past-the-post electoral system produced clear results on election night. Periods of post-election caretaker government were short, usually a matter of days. By contrast, MMP is more likely to produce no clear election night result, and can hold out the prospect of an extended period of caretaker government. The difficulties of a lengthy period of caretaker administration are compounded where the caretaker government is also a political party seeking to form a new government, either with a coalition partner or with agreement from another political party to support confidence and supply.

The difficulty for the Public Service is that the caretaker government’s legitimate access to the Public Service to keep the business of government going should not be used to the advantage of the caretaker government in coalition or government formation negotiations. To the extent that information from the Public Service is required to assist such negotiations, access to such information should be even-handed for all parties.

It was for this reason that, prior to the 1996 election, my predecessor developed a set of arrangements to govern access to the Public Service at this time, obtained the approval of the Government for them and managed them during the extended coalition negotiations of October to December 1996.

The two main features of these arrangements are that:

- the Prime Minister grants threshold access to the Public Service and is therefore aware that the Public Service, which is serving the caretaker government as the government of the day, is providing information to other political parties. The details of the information sought are not known to the Prime Minister; and
- the State Services Commissioner is the central point of access to the Public Service to ensure the propriety of the information being provided, and to protect senior public servants as they provide support to what is an intensely political process.

The fact that these arrangements have been approved by three governments, and operated under three caretaker administrations, is in my view evidence of the strength of the Public Service tradition of political neutrality through a major change in our electoral arrangements.

#### **The Principle in Practice (4) - A Need for Political Advice**

The appointment of political and special advisors to assist Ministers, additional to and independent of the Public Service, has increased since 1988 (and particularly since the advent of MMP).<sup>14</sup> This development has raised fears in some quarters about the potential for the politicisation of the Public Service.<sup>15</sup>

This has been an issue in the United Kingdom and in Australia. Sir Robin Mountfield, a former Permanent Secretary of the Cabinet Office, spoke publicly this year of the risks, as he saw them, of growth in the number of party political advisors in the United Kingdom.<sup>16</sup>

He linked the “issue of special advisors” with the “politicisation of the Civil Service”. He saw the growth in the number of special advisors as problematic for two reasons:

- if their numbers become large, their advice begins to supplant that of the Civil Service. In effect, a ‘quasi senior Civil Service’ is established around Ministers providing substantial policy advice to the Government; and
- these advisors then come between Ministers and Civil Servants, not only acting as a conduit but also issuing instructions to the Civil Service on behalf of Ministers. As he put it “...there is a danger that ‘advice’ merges into something like Executive authority, often presented as the conveying of Ministers’ (or the Prime Minister’s) wishes, though in practice often an interpretation of what Ministers’ wishes would be if they were asked”.

---

14 These people are often referred to as ‘personally appointed advisors’ or ‘personal appointees’. In this paper they are termed ‘political advisors’.

15 This is sometimes characterised by references to ‘Washminster’.

16 Mountfield R, *If the Civil Service is to survive, it needs the security of legislation*. 4 March 2002 (<http://argument.independent.co.uk/commentators>).

There were echoes of both in the ‘children overboard’ episode that featured in the most recent Australian Federal election campaign. When a ship attempting to land illegal immigrants in Australia was intercepted by the Australian authorities, there were reports that people on board had put children into the sea alongside the ship. The alleged purpose was to force the Australian authorities to take both children and passengers into custody rather than turn the ship away. The incident (putting children into the sea) was referred to by the Prime Minister in support of his Government’s stance on immigration.

The issues in the election campaign were: whether children were, in fact, put into the sea; whether accurate reports of the episode had been provided to the Prime Minister by senior public servants and members of the Armed Forces; and the role political advisors played in receiving and passing on reports of the matter to the Prime Minister and other Ministers and in instructing officials on their own handling of the matter.

I accept that there are risks as described by Robin Mountfield although, in my experience, they are not as great as he implies. There is a case to be made that political advisors can help the Public Service to retain its neutrality. For example:

- political advisors can provide advice of a political nature and act on a Minister’s behalf with their political interests in mind. The distinction between the political and administrative aspects of the Minister’s role is clearer. This in turn can make it easier for the Public Service to maintain its political neutrality as there is less pressure on (or scope for Ministers or others to expect) the Public Service to provide ‘political advice’ or advice which is less than free and frank;
- in particular, political advisors can handle consultation on policy matters with coalition partners – relieving public servants of a task which could involve negotiating a policy position on behalf of a Minister;
- Ministers may want independent advice about what they should be seeking from departments and how departments can contribute to the Government’s main agenda. Such advice is often permeated by political considerations and therefore best provided by political advisors; and
- advice, as opposed to information, in relation to the government formation process following a general election, and general advice about coalition matters and political relationships, should be provided by ministerial advisors, not public servants.

For the Public Service to work effectively with ministerial advisors (and vice versa) clear understandings or protocols are needed between Ministers and their chief executives. These will:

- ensure that both Minister and chief executive understand the extent of the authority with which ministerial advisors are speaking, and preserve the proper accountability arrangements under the State Sector and Public Finance Acts;<sup>17</sup>
- help avoid incorrect public perceptions about accountability and the neutrality of the Public Service (while political advisors are taxpayer-funded, they are not part of the Public Service or subject to Public Service requirements, but the public does not always understand this distinction); and
- help avoid complications in the flow of free and frank advice between the Public Service and Ministers.

New governments, whose Ministers have been in Opposition for some time, may expect contestability of policy advice, i.e. alternative advice to that provided by the Public Service. This may be symptomatic of a lack of trust and confidence in the Public Service's ability to work with a new government following a general election. The Public Service must recognise that it needs to earn that respect and trust. Earning that trust requires maintaining its professional ethics, including neutrality of advice and service, rather than engaging in short term political expediency.

### **The Principle in Practice (5) – More Visible Public Servants**

Political neutrality, as introduced in 1912, was accompanied by the anonymity principle. Public servants should not speak publicly themselves, even to the point of answering criticism. It is the Minister who must speak and answer for public servants, as part of ministerial responsibility. The reason was that if public servants had an independent public profile, there was a risk that their views could be separately identifiable from the views of their Ministers and that, in turn, could lead to questions about their objectivity, political neutrality and loyalty.

The Ombudsmen Act 1975 (which gives the Ombudsmen power to investigate the actions of public servants); the Official Information Act 1982 (which allows public access to departmental documents and decisions); the chief executive accountability provisions in the State Sector Act 1988 and Public Finance Act 1989; and latterly the 'whistle-blowing' protections afforded to individual employees under the Protected Disclosures Act 2000. While these statutes promote transparency, accountability and public participation in the processes of government, all make it more difficult for senior public servants to remain anonymous.

---

<sup>17</sup> See Cabinet Office Manual, paras 2.186 – 2.190.

However, it is the higher media and public interest in the actions of public bodies, the development of an ‘infotainment culture’ (particularly in TV journalism), and the onset of ‘personality politics’, that have had a more profound impact on anonymity.

The public now expects, or is more prepared to accept, officials and ‘authority’ being questioned and challenged; interest groups are more diverse and vocal; there are regular calls for those responsible for wrongdoing or misuse of resources to be ‘blamed’ and held accountable; and there is more intrusion into personal matters and less respect for individual privacy. It is also more likely that any discord in the relationship between chief executive and Minister, any divergence of advice, and any untoward incident will be played out in a more public forum. There have always been such differences, but now they are more likely to become public and be canvassed on talkback radio and, if visually dramatic, television. I believe that in this environment Ministers, and Members of Parliament, are more inclined to ‘push the boundaries’ by allowing or requesting public servants to front up publicly on contentious matters. The environment, in turn, requires a surefooted and politically aware response by public servants.

The increased visibility of the State sector is inevitable. It is not necessarily unwelcome. The public’s trust in the institutions of government is maintained by open government and transparency of process. Chief executives and other senior public servants have to accept this reality and be prepared to become more public figures.

There is a downside. Some people now holding senior positions in the Public Service have not been well prepared for such a public role in this environment. Some potential candidates for senior positions have regarded the possible public spotlight as far from attractive. On occasions when I have approached people with successful track records in corporate life to consider a Public Service chief executive position they have been unwilling to jeopardise a hard won professional reputation by taking on a job where events, largely outside their control, can subject them to unwelcome (and sometimes unreasonable) publicity.

### **The Principle in Practice (6) - Personal Political Views**

As a general rule, public servants may publicly express their political or personal views. In doing so they should not: criticise government policy with which they have been professionally involved; reveal advice or information given to Ministers which is not yet in the public domain; or disclose information they are not authorised to disclose.

However, that general rule does not apply uniformly to all public servants. If a Dunedin- or Whangarei-based public servant employed in a junior capacity publicly expresses his or her political opinions, that is likely to have little effect

on perceptions of political neutrality. If their chief executive were to express similar views publicly, the risk to perceptions of political neutrality would be far greater. The chief executive may be in a position to influence government policy. The junior public servant is not. As public servants become more senior, and operate in closer proximity to Ministers, constraints on the expression of their political views become greater.

There would be few circumstances in which I would consider it acceptable for a Public Service chief executive to be a member of a political party. The very fact of membership compromises his or her ability to be accepted as an impartial, professional servant of any government.

The presumption though is that public servants are entitled to stand for public office. The Electoral Act provides for public servants, wishing to run as candidates in a general election, to stand down from their positions from nomination day, or earlier if the relevant employer is satisfied that the candidacy will materially affect the ability of the candidate to carry out his or her duties as a public servant, or to be seen as independent in relation to those duties. It is problematic for senior public servants to avail themselves of this right. It would be highly unlikely that a senior public servant could run as an Opposition candidate and, if unsuccessful, return to his or her job with the same relationship of trust with their Minister that applied prior to the announcement of their candidacy. Even if a senior public servant were to resign so as to stand, moving directly from being a senior public servant to political candidate would inevitably raise questions about the political impartiality of the senior public servant prior to resignation. Candidacy of a senior public servant would, in my view, reflect adversely on the political neutrality of the senior ranks of the whole Public Service.

### **The Principle in Practice (7) - Contributors to Public Debate**

Any government, whatever its political colour, which seeks to improve the welfare of New Zealanders and ensure this country is a good international citizen, will be faced with an environment of constraints and opportunities. For example, New Zealand's current and projected demographic profile; the quality of our physical environment; pressures on our bio-diversity; our current and historic economic performance; and the international political and trading environment in which we live, are givens.

Our response as a country, and the choices we make, reflect both political values and the constraints imposed by this environment. In my view a legitimate role for senior public servants is to improve the quality of public debate on our political and policy choices, without participating in the political process itself. The chief executives of The Treasury, Ministry of Social Development, Ministry of Foreign Affairs and Trade, or Ministry of Agriculture and Forestry, for example, all require a profound understanding of those sectors where they have policy or

operational responsibilities. To the extent their understanding can be more widely shared outside the Public Service, public understanding can be improved.

The policy debate can become more sophisticated with better outcomes achieved for New Zealanders. This is not easy. It requires their mastery of the subject matter and careful judgement about the nature and timing of their contribution. For example, a chief executive's speech referring to the pros and cons of genetically modified crops, no matter how 'factual', would have been a rash venture indeed during the last election campaign.

I believe that it is the role of chief executives, subject to the agreement of their Ministers, to make this wider contribution where:

- the subject matter is primarily factual (acknowledging that even the most scientific topics are not entirely values free);
- the contribution is toward a public policy debate, not about profiling the individual making the address; and
- careful judgement is made about the timing and context of the contribution.

In these circumstances both good government and political neutrality are well served.

### The Principle in Practice (8) – 'Corngate'

On 10 July 2002 there was extensive media coverage of the publication of *Seeds of Distrust*.<sup>18</sup> This book purported to prove that genetically modified sweetcorn had been inadvertently planted in New Zealand and that the Government, industry and the Public Service had concealed this fact. This was 17 days before the general election, in a campaign in which the risks of genetically modified organisms, and the way governments should manage those risks, were defining differences between the Labour and Green Parties.

On 11 July, when questioned on Morning Report about the allegations in *Seeds of Distrust*, the Prime Minister said that she wanted, that day, "... officials to sit down and give full briefings to whoever asks for them and that can include the Opposition, because the clear advice Ministers had at the time, and now, is that there was no such evidence (of GE contamination)". She added later in the interview that she was "... very happy for officials to speak completely openly because there is nothing to hide."

This request of the Public Service was legitimate and otherwise unremarkable, except that it was in the middle of an election campaign. Much of what I have covered in this report serves to reinforce the need for the Public Service to avoid perceptions of political partisanship. One way to not avoid such a perception is to

---

18 Hager N, *Seeds of Distrust*. Craig Potton Publishing, Nelson 2002.

become involved in a matter of major contention in the middle of an election campaign.

Two considerations supported a Public Service response along the lines sought by the Prime Minister:

- one of the allegations in *Seeds of Distrust* was that public servants had colluded with the Government and industry to cover up a release of genetically modified material. This was an allegation of gross impropriety and political partisanship. I considered it should be addressed; and
- this was a matter of real substance and national interest. On balance, the public interest was better served by having all the facts in the public domain rather than a continuing swirl of speculation.

Having made a decision to respond, there were four conditions of access by the media to the Public Service:

- spokespeople would be limited to a small number of senior public servants supported by technical experts if required;
- there would be one occasion only for the spokespeople to be interviewed by the media;
- officials would provide information on the events of November 2000, the policy framework under which they were dealt with and, to the extent possible, the science involved. There would be no discussion about, or comment on, any other genetic modification matters being aired during the election campaign; and
- a full set of all documents relating to this matter would be assembled and copies released at one time.

The intention was to put factual material into the public domain at one time and limit the duration of engagement between the media and Public Service on this matter. I attended the press conference to set ground rules and to cut off questioning which breached those rules.

This was not a risk-free event. There was a real possibility that it would be seen as Public Service support for an incumbent Government during an election campaign. That this was not a widespread perception was helped by three factors. First, the Government itself recognised the risk and took no part in the interaction between Public Service and media. Secondly, the media themselves, by and large, respected the rules of engagement. Finally, the obvious frankness of the senior public servants dealing with the media in the ‘warts and all’ press briefing, minimised perceptions of ‘spin’.

I make two observations in the aftermath of the Public Service response to 'Corngate'. The Public Service can sustain such an event and maintain the perception and reality of political neutrality only rarely. This should not be a regular feature of election campaigns. Second, there are parallels between 'Corngate' and 'children overboard'. Both were about matters of political contention during an election campaign. Both were concerned with where the truth lay. And in each case the Public Service was believed to hold information that could shed light on the matter. Both are examples of the hard judgements facing public servants in living the values of their profession.

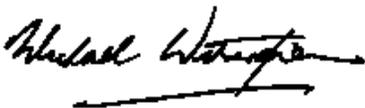
### The State Services Commissioner

As I have reflected on the matters covered in this report, the role of State Services Commissioner emerges as a major factor differentiating New Zealand from other Westminster jurisdictions.

The 'contextual' changes of the last decade have introduced changes to Minister/chief executive relationships and reshaped the boundaries between their respective functions. This makes it harder for the Public Service to apply the neutrality principle in practice and to know where the line should be drawn between what is, and what is not, acceptable.

Is there a line? Can clear criteria be established to help public servants decide what actions could, potentially, breach the political neutrality principle? Ultimately it will be a matter of judgement. A decision will depend on the circumstances, relationships and timing. It is not possible to write rules or prescribe the behaviour that is required in every situation. Furthermore, such decisions are not made in tranquillity. They often need to be made with speed and in a politically charged environment.

The cumulative effect of decisions that are 'marginally wrong' can bring us to a Public Service that is more politicised, less professional and, inevitably, less permanent. That is why the office of the State Services Commissioner is central to the maintenance of New Zealand's politically neutral, professional and permanent Public Service. Although the Commissioner no longer employs all public servants, in the employment of the chief executives of departments, as the arbiter of Public Service behaviours and as the buffer between Ministers and the Public Service, the State Services Commissioner is the custodian of the boundary between politics and public management. For the holder of this office it is both a privilege and a sobering responsibility.



Michael Wintringham  
State Services Commissioner

## Section 2: Public Service and State Sector Chief Executive Remuneration

### Introduction

#### *Public Service*

The State Services Commissioner is responsible for the remuneration of 34 of the chief executives of government departments that are defined under the State Sector Act 1988.<sup>1</sup> I set and review their remuneration within a policy approved by the Government.

On appointment of a new chief executive, I negotiate remuneration, and other terms and conditions, with the appointee. Under the State Sector Act, the Commissioner must have the agreement of the Prime Minister and the Minister of State Services before finalising the conditions of employment, including remuneration.<sup>2</sup>

For each chief executive already in place, I have the discretion to adjust remuneration annually and to pay an annual performance incentive, of up to 15 percent of remuneration, where I determine it to be justified.

#### *State Sector*

I also have a role in advising the Boards of Crown entities on the terms and conditions of employment of their chief executives.<sup>3</sup> I have not previously commented on this area of work in my remuneration report. However, as it is one of the expanding areas of involvement of the State Services Commissioner in the State sector, some brief comments are warranted.

The Government has agreed that all non-company Crown entity boards should consult the State Services Commissioner over the terms and conditions of employment for chief executives of Crown entities.<sup>4</sup> For some Crown entities and other bodies the Commissioner must approve the terms and conditions of employment proposed by Boards for their chief executives. This latter group includes Tertiary Education Institutions and District Health Boards.

---

1 There were 36 departments at 30 June 2002. The State Services Commissioner does not set remuneration for the chief executives of two departments: the State Services Commission; and the Crown Law Office. Those chief executives are respectively, the State Services Commissioner, and the Solicitor-General. Remuneration for these positions is under the jurisdiction of the Higher Salaries Commission.

2 Except for the Chief Executive of Statistics New Zealand, who is also the Government Statistician. Under section 38 of the State Sector Act, the agreement of the Prime Minister and the Minister of State Services is not required for the conditions of employment of the Government Statistician.

3 The State Services Commission also maintains the Cabinet Fees Framework, and advises Ministers and administering departments on the fees and allowances paid to members of governing and advisory boards.

4 In some cases this is a statutory requirement. In other cases the requirement to consult arises from a Cabinet decision. The intention is to enact legislation to bring all Crown entities into line in this regard.

For those Crown entities required to consult the State Services Commissioner on terms and conditions of employment, consultation occurs when a Board is:

- appointing a new chief executive;
- contemplating a reappointment or an extension of term;
- changing remuneration as a result of a remuneration review; or
- proposing to change any existing terms and conditions.

Commission staff, acting under my delegated authority, provide the Board with information on the remuneration policy agreed by the Government and a model employment agreement reflecting the Government's expectations of other terms and conditions of employment. This model agreement can be adopted *in toto* or modified to meet the particular needs of the entity. My staff explain the basis of the remuneration policy and comment on any alternative terms and conditions that may be proposed by the Board.

It remains the Board's prerogative and responsibility to decide on the terms and conditions required to attract (or retain) a chief executive with the right skills for the job. It is also the responsibility of the Board to give proper weight to the Government's policy as conveyed to it by my staff.

For those organisations whose governing bodies are required to obtain the approval of the State Services Commissioner for the terms and conditions of their chief executives, this situation is more difficult. Neither my staff nor I are in a position to second guess the governing board's view of the business environment and management imperatives facing the organisation, and its relationship to the remuneration package proposed for its chief executive. Nor can I apply a policy mechanistically. I must consider each case and come to a view about the circumstances which might support a variation to the policy. It is time consuming, muddles the governance arrangements of the organisation involved and, in many cases, leaves few of the stakeholders satisfied with the result.

I also provide advice to Ministers on policy matters relating to State sector remuneration and individual cases where problems occur or exceptions to policy are sought.

## Remuneration Policy

In my annual reports for 1998, 1999, 2000 and 2001 I covered in detail the remuneration policy for Public Service chief executives. Those with an interest in chief executive remuneration should read them. They are available on the State Services Commission's website.<sup>5</sup>

---

5 [www.ssc.govt.nz](http://www.ssc.govt.nz)

The policy has three main features:

- linking Public Service chief executive remuneration to chief executive remuneration practice in the public sector rather than to a private sector executive market;
- flexibility and discretion for the Commissioner to set remuneration within broad boundaries determined by the Government; and
- a link between chief executives' performance and their remuneration.

The Commission gathers data on the remuneration of chief executives in the public sector through an annual survey. This survey covers around 300 organisations including District Health Boards, Tertiary Education Institutions, other Crown entities, State-owned enterprises, and local government. These data (excluding positions where I set or approve remuneration) form the basis of the State sector pay policy which I have applied for Public Service chief executives, and for organisations in the State sector where I have had a consultation or approval role in remuneration setting for their chief executives. When I was given responsibility for the District Health Boards, I considered whether their data should continue to be included in the data set for setting remuneration policy. They have remained in the data set for a transition period. I comment further below on the 'shrinking' of the 'population' I can use for the public sector benchmark.

Since 1997 when Public Service chief executive pay was linked to a public sector benchmark, there are more State sector organisations whose governing bodies must seek my approval before agreeing the terms and conditions of employment of their chief executives, and many more who must consult me on the same matter. As a result I am, over time, beginning to influence the State sector remuneration market. If I am influencing that market significantly, it loses value as a benchmark for setting remuneration policy. The process becomes 'circular'. Over the next year or so I will need to review and test the validity of our remuneration policy setting method and, if necessary, look for other ways of benchmarking State sector remuneration.

### **Application of the Policy**

There are two matters relating to the different approach in application of the policy between Public Service departments and other organisations in the State sector which warrant comment.

First, as the employer of Public Service chief executives I form a judgement of each chief executive's performance in setting their fixed remuneration annually, and determining an annual performance related payment. In the State sector those judgements are generally made by governing bodies. They either take account of policy parameters on which I have been consulted, or seek my approval in their decision.

The second matter relates to budget. I hold the budget for the remuneration of Public Service chief executives. Governing bodies hold the budgets for other State sector chief executives. My budget for chief executive remuneration is capped. Theirs may not be.

As a result of the capped budget, and my conservative approach to remuneration setting, the remuneration of Public Service chief executives is falling steadily behind the stated remuneration policy for their positions, and behind the remuneration of their State sector counterparts.

The overall result has been the development of a conservative policy in both Public Service and State sectors and reasonably stable remuneration levels. In those organisations where I have been recently given a consultation or approval role, there has been a reasonably smooth transition to the new arrangements.

In addition to dealing with remuneration matters I have put more resources into working with State sector governing bodies on the overall structure of their employment arrangements. This has helped to regularise employment arrangements and minimise the risk of problems such as unduly large termination payments.

### Public Service Chief Executive Remuneration

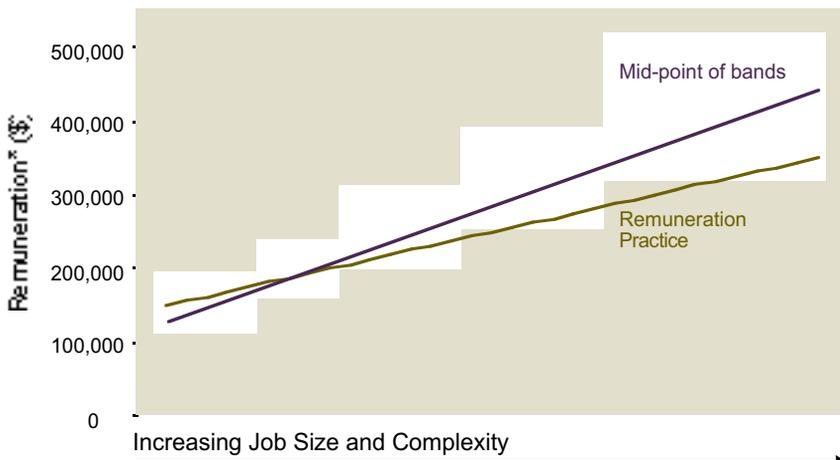
In 2001/02 the average increase in the fixed proportion of remuneration for Public Service chief executives was 3.2 percent. This represents the average increase where the same person was in the same role for all of 2000/01 and 2001/02. The calculation excludes performance incentives and employer superannuation contributions. Calculated on the same basis, the average increases in remuneration since 1997, the first year the new remuneration policy was implemented, have been:

- 2000/01 and 2001/02 3.2 percent
  - 1999/2000 and 2000/01 4.8 percent
  - 1998/99 and 1999/2000 9.5 percent
  - 1997/98 and 1998/99 6.7 percent
  - 1996/97 and 1997/98 6.5 percent
- Three-year implementation period for new policy

I was given three years to 1999/2000 to implement the new policy and raise Public Service chief executive remuneration to a more realistic level. I have continued to take a conservative approach to the application of the remuneration policy. This is demonstrated by the slow down in the annual percentage movement listed above. I expect this figure will continue to remain under 4 percent in 2002/03.

In previous annual reports, and above, I have referred to the growing gap between the remuneration policy and practice for Public Service chief executives. Without wanting to sound like a broken record I am again reporting this year that the gap continues to grow for the majority of chief executive positions and that this, in turn, represents a growing gap between their remuneration and that of their colleagues in the public sector. Figures I and II illustrate this situation.

Figure I - Remuneration Policy and Practice at 30 June 2002

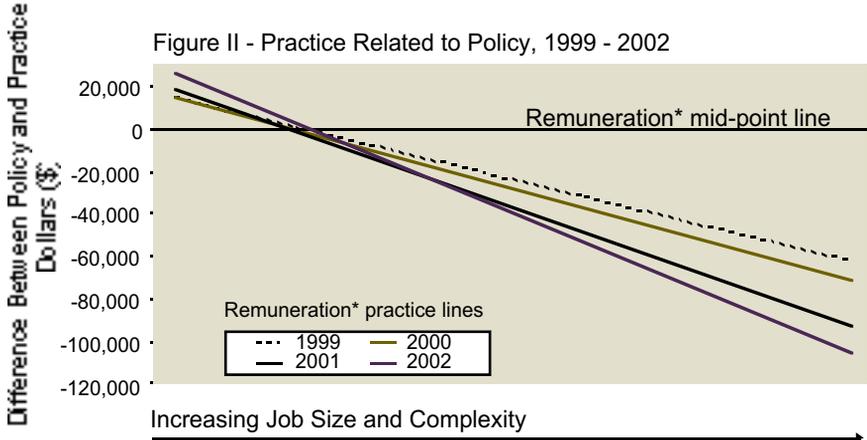


\* Remuneration excludes performance incentives and superannuation

The five boxes in Figure I represent the five bands in which chief executive roles are grouped. The groupings are based on the size of each position, determined through a job evaluation process. Each band has its own remuneration range. The remuneration range is determined each year from the data gathered from the comparator group through the annual remuneration survey. The ‘mid-point’ line is a line drawn through the median in the bands. The ‘remuneration practice’ line is the line of best fit through the points of actual remuneration packages of chief executives.<sup>6</sup>

6 Remuneration packages do not include performance incentives or employer contributions to superannuation.

Figure II illustrates this situation over the last four years.



\* Remuneration excludes performance incentives and superannuation

The 'remuneration mid-point' line on Figure II is the middle of the remuneration range for each of the four years. The 'practice line' is the line of best fit through chief executives' actual remuneration packages for each year.<sup>7</sup>

For the smaller chief executive positions I continue to meet the market. For the majority of chief executive positions I am paying below, and for the largest and most complex jobs well below, the benchmarks established for these positions. The difference between policy and practice is due both to the budget cap within which I work and the conservative application of the policy.

On any remuneration survey public sector chief executives are paid well below their private sector counterparts. Depending on job size the gap ranges between about 25 and 80 percent.

## Conclusion

This is the fourth year I have included a commentary on Public Service chief executive remuneration in my annual report. I have emphasised in previous reports the need to maintain chief executive remuneration at a level that encourages experienced and skilled people to put themselves forward for chief executive roles.

<sup>7</sup> Remuneration packages do not include performance incentives or employer contributions to superannuation.

My experience in my first year as State Services Commissioner demonstrated to me the difficulty of recruiting people with the right qualifications, skills and experience to lead government departments. This has not changed.

I said in my first report as State Services Commissioner that I expected that the new remuneration policy, being one aspect of recruiting and retaining chief executives, would help maintain and improve the standard of Public Service leadership.

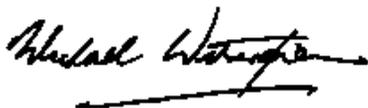
Over the three-year implementation period I raised Public Service chief executive remuneration to a realistic level after a decade of minimal movement and major erosion by any measure of relativity.

In my 2000 annual report I noted that, in the future, pressure would be placed on the remuneration policy from an increasingly global job market. My concern was that, if the Public Service was not seen as a preferred career choice, then the already small pool of potential candidates for chief executive positions would continue to decrease.

We have many good people in management positions in the Public Service. My concern is not about the quality of our talent but about our failure to invest systematically in our good people. The Senior Executive Service (SES) was to be the vehicle for this development. By the mid 1990s it was obviously failing. By the end of the year I intend to put before the Government arrangements for replacing the SES. These proposals should, at last, provide the opportunities our people deserve, and build the leadership skills the Public Service needs.

The results will not be seen overnight. It will be at least two or three years before it will have a noticeable impact on the pool of candidates for chief executive roles. Until I start seeing the results from new investment in senior leadership and management development, there may be occasions where I have to pay a premium to attract the best candidate for some positions.

In the meantime, I will have to continue to look beyond the Public Service, and beyond New Zealand, for suitable candidates for some chief executive positions. In the last two years, I have appointed three chief executives from Australia. If I am unable to maintain remuneration at competitive levels my ability to attract such candidates will diminish.

A handwritten signature in black ink, appearing to read "Michael Wintringham", with a horizontal line drawn underneath it.

Michael Wintringham  
State Services Commissioner

## Remuneration Disclosure Tables

Public Service chief executive remuneration has both fixed and variable components. These are set out in the table below.

### ***Fixed Remuneration***

(A) Salary

(B) Motor vehicle (or salary in lieu)

(C) Principal allowance of \$1,000\*

(D) Superannuation

- a. either: employer contribution to GSF; or
- b. 10% of (A) above

### ***Variable Remuneration***

(E) Performance related payment of up to 15% of the dollar value of

(A) + (B) + (C)

\* Being phased out

The disclosure of Public Service chief executive remuneration is intended to strike a balance between public interest in the remuneration of public officials on the one hand and the privacy of individuals on the other. The remuneration they receive is a matter of public interest. My assessment of their performance is a private employment matter.

The challenge is to balance these objectives when a relatively high proportion of chief executive remuneration is performance related.

The two tables in this section of the report attempt to meet these objectives.

Table I is the closest approximation to the current 'rate for each job'. It is made up of the fixed remuneration (A) to (D) in the table above at the rate applying during 2001/02, plus any performance payment made in that year ((E) in the table above). It may not be the amount actually received by the chief executive if he or she was not in the job for the full year. But, by annualising the fixed remuneration it gives a useful picture of the effective pay package for each chief executive. I recommend that readers use this table in comparing Public Service chief executive remuneration, one with another, or with chief executive positions outside the Public Service.

Table II shows the amount actually paid to a chief executive, or acting chief executive, while they held the position during the course of the year. The sums are made up of (A) to (E) in the table above. If the chief executive left during the course of the year, the sum also includes the payment of end of contract entitlements. These typically include annual leave not taken at the time of departure and in some cases retiring leave, a Public Service entitlement that pre-dates 1988 and which has been grandparented in the terms and conditions of some chief executives.

In my view, the combination of these two tables gives the public a fair picture of the rates of pay for Public Service chief executives as well as confidence that any one-off payments, typically around the end of contract, are disclosed.

**TABLE I****Annual remuneration packages for Public Service chief executive positions as at 30 June 2002, where appointment is made by the State Services Commissioner**

<b>Department<sup>1</sup></b>	<b>30 June 2002</b>
Archives New Zealand	\$140,000 to \$149,999
Ministry of Youth Affairs	\$180,000 to \$189,999
Education Review Office <sup>2</sup>	\$190,000 to \$199,999
Ministry of Women's Affairs	\$200,000 to \$209,999
Ministry for Culture and Heritage	\$200,000 to \$209,999
Ministry of Pacific Island Affairs	\$210,000 to \$219,999
National Library of New Zealand <sup>3</sup>	\$220,000 to \$229,999
Ministry of Housing <sup>4</sup>	\$230,000 to \$239,999
New Zealand Customs Service	\$240,000 to \$249,999
Department of Child, Youth and Family Services	\$240,000 to \$249,999
Department for Courts	\$250,000 to \$259,999
Department of Internal Affairs <sup>2</sup>	\$250,000 to \$259,999
Serious Fraud Office	\$250,000 to \$259,999
Ministry of Justice	\$250,000 to \$259,999
Ministry of Fisheries	\$250,000 to \$259,999
Ministry for the Environment <sup>5</sup>	\$250,000 to \$259,999
Ministry of Māori Development	\$260,000 to \$269,999
Ministry of Transport	\$270,000 to \$279,999
Ministry of Research, Science and Technology	\$270,000 to \$279,999

1 There are no entries for the Public Trust Office and the Department of Social Welfare in Table I. The Public Trust Office ceased to be a Public Service Department, and the Department of Social Welfare ceased separate operation, during the year ending 30 June 2002. There are entries for these departments in Table II reflecting payments made to chief executives/acting chief executives in 2001/2002.

2 The chief executive served part of 2001/02.

3 As at 30/06/02, the Chief Executive of the National Library of New Zealand was an acting chief executive. The sum reflects the remuneration for the previous permanent chief executive.

4 As at 30/06/02, the Chief Executive of the Ministry of Housing was an acting chief executive. The sum reflects the remuneration for the previous permanent chief executive.

5 As at 30/06/02, the Chief Executive of the Ministry for the Environment was an acting chief executive. The sum reflects the remuneration for the previous permanent chief executive.

<b>Department<sup>1</sup></b>	<b>30 June 2002</b>
Department of Work and Income <sup>2, 6</sup>	\$280,000 to \$289,999
Ministry of Agriculture and Forestry <sup>2</sup>	\$280,000 to \$289,999
Ministry of Defence	\$280,000 to \$289,999
Land Information New Zealand	\$290,000 to \$299,999
Department of Corrections	\$290,000 to \$299,999
Department of Labour	\$290,000 to \$299,999
Ministry of Economic Development	\$290,000 to \$299,999
Statistics New Zealand	\$290,000 to \$299,999
Department of Conservation	\$300,000 to \$309,999
Inland Revenue Department	\$330,000 to \$339,999
Ministry of Education	\$330,000 to \$339,999
Ministry of Health	\$340,000 to \$349,999
Department of the Prime Minister and Cabinet	\$350,000 to \$359,999
Ministry of Foreign Affairs and Trade	\$350,000 to \$359,999
The Treasury	\$390,000 to \$399,999

---

6 Operates under the title of Ministry of Social Development.

**TABLE II****Total remuneration received by Public Service chief executives and acting Public Service chief executives appointed by the State Services Commissioner, for the period 1 July 2001 to 30 June 2002**

<b>Department</b>	<b>Remuneration Band</b>	<b>Effective Date<sup>1</sup></b>
Ministry of Agriculture and Forestry	Under \$100,000 \$170,000 to \$179,999	To 18/11/01 acting From 19/11/01
Archives New Zealand	\$140,000 to \$149,999	
Department of Child, Youth and Family Services	\$240,000 to \$249,999	
Department of Conservation	\$300,000 to \$309,999	
Department of Corrections	\$290,000 to \$299,999	
Department for Courts	\$250,000 to \$259,999	
Ministry for Culture and Heritage	\$200,000 to \$209,999	
New Zealand Customs Service	\$240,000 to \$249,999	
Ministry of Defence	\$280,000 to \$289,999	
Ministry of Economic Development	\$290,000 to \$299,999	
Ministry of Education	\$340,000 to \$349,999	
Education Review Office	Under \$100,000 \$150,000 to \$159,999	To 16/9/01 acting From 17/9/01
Ministry for the Environment	Under \$100,000 <sup>2</sup> \$180,000 to \$189,999	To 17/8/01 18/8/01-30/6/02 acting
Ministry of Fisheries	\$250,000 to \$259,999	
Ministry of Foreign Affairs and Trade	\$350,000 to \$359,999	
Ministry of Health	\$340,000 to \$349,999	
Ministry of Housing	\$130,000 to \$139,999 <sup>2</sup> Under \$100,000	To 16/12/01 From 17/12/01 acting
Inland Revenue Department	\$330,000 to \$339,999	

1 The 'effective date' is the date from which, or up to which, the chief executive / acting chief executive served in the role. Where no effective date is shown the chief executive served the full financial year.

2 Includes payments of contractual entitlements at last day of duty. These may include payments for annual leave entitlements due at the last day of duty, and retiring and long service leave provisions grandfathered from previous Public Service terms and conditions. The amount of retiring leave payable at the last day of duty is based on length of service in the Public Service and only applies where an existing entitlement to retiring leave was included in the individual's terms and conditions immediately prior to appointment as chief executive.

Department	Remuneration Band	Effective Date	1
Department of Internal Affairs	Under \$100,000	To 30/9/01	
	\$170,000 to \$179,999	1/10/01-3/6/02	acting
	Under \$100,000	From 4/6/02	
Ministry of Justice	\$250,000 to \$259,999		
Department of Labour	\$290,000 to \$299,999		
Land Information New Zealand	\$290,000 to \$299,999		
Ministry of Māori Development	\$260,000 to \$269,999		
National Library of New Zealand	\$220,000 to \$229,999 <sup>2</sup>	To 3/6/02	
	Under \$100,000	4/6/02-16/6/02	acting
	Under \$100,000	From 17/6/02	acting
Ministry of Pacific Island Affairs	\$210,000 to \$219,999		
Department of the Prime Minister and Cabinet	\$350,000 to \$359,999		
Public Trust Office	Under \$100,000	To 8/7/01	
	Under \$100,000 <sup>2</sup>	9/7/01-30/9/01	acting
	\$140,000 to \$149,999	1/10/01-28/2/02	acting
Ministry of Research, Science and Technology	\$280,000 to \$289,999		
Serious Fraud Office	\$250,000 to \$259,999		
Department of Social Welfare	Under \$100,000 <sup>2,5</sup>	To 30/9/01	acting
Statistics New Zealand	\$290,000 to \$299,999		
Ministry of Transport	\$270,000 to \$279,999		
The Treasury	\$390,000 to \$399,999		
Ministry of Women's Affairs	\$200,000 to \$209,999		
Department of Work and Income	\$140,000 to \$149,999 <sup>2</sup>	To 5/7/01	
	\$210,000 to \$219,999 <sup>2</sup>	6/7/01-30/9/01	acting
	Under \$100,000 <sup>4</sup>	10/8/01-17/8/01	acting
	\$200,000 to \$209,999 <sup>3</sup>	From 1/10/01	
Ministry of Youth Affairs	\$180,000 to \$189,999		

3 Operates under the title of Ministry of Social Development.

4 During this period the acting chief executive at the Department of Social Welfare was also the acting chief executive at the Department of Work and Income. No extra payment was received for the extra responsibility.

5 Operated under the title of Ministry of Social Policy.

## Section 3: Public Service Chief Executive Appointments, Reappointments and Departures

This section provides a summary of the movements of Public Service chief executives for the year. This information reflects the appointment or reappointment being made during the year, not necessarily that the person took up the position during the year.

### Appointments

During 2001/02 six chief executives were appointed under section 35 of the State Sector Act 1988:

- Mr Christopher Blake      Department of Internal Affairs
- Mr Barry Carbon          Ministry for the Environment
- Mr Peter Hughes          Department of Work and Income<sup>1</sup>
- Mr Simon Murdoch        Ministry of Foreign Affairs and Trade
- Ms Karen Sewell          Education Review Office
- Mr Murray Sherwin        Ministry of Agriculture and Forestry

### Reappointments

During 2001/02 eight chief executives were reappointed under section 36 of the State Sector Act 1988:

- Dr Russ Ballard          Land Information New Zealand
- Dr Alan Bollard          The Treasury
- Mr David Bradshaw        Serious Fraud Office
- Ms Judy Lawrence        Ministry of Women's Affairs
- Mr Hugh Logan          Department of Conservation
- Fuimaono Les McCarthy    Ministry of Pacific Island Affairs
- Mr Warwick Tuck         Ministry of Fisheries
- Mr Neil Walter            Ministry of Foreign Affairs and Trade

---

<sup>1</sup> Operates under the title of Ministry of Social Development.

## Departures

Six chief executives left their positions during the year:

- Mr Christopher Blake      National Library Department      Appointed to another Public Service chief executive position
- Ms Denise Church      Ministry for the Environment      Resigned
- Mr Peter Hughes      Department of Internal Affairs      Appointed to another Public Service chief executive position
- Mr David Hutton      Public Trust Office      End of term of appointment
- Ms Christine Rankin      Department of Work and Income      End of term of appointment
- Mr David Smyth      Ministry of Housing      Resigned<sup>2</sup>

---

<sup>2</sup> Resigned on appointment to a position of Deputy Commissioner at State Services Commission.