The Treasury

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

State Services Commission Four-year Plan - Update

2014/15 – 2017/18

Introduction

This document provides an update to last year's Four-year Plan (4YP) for the State Services Commission (SSC) for the period 2013/14 to 2016/17. The update also includes assurance around SSC's ability to manage its fiscal pressures for 2017/18.

Only an update of the plan is required as the current 4YP remains relevant, no additional funding is being sought and there is no significant change to the SSC's strategic direction and operating environment.

The update contains progress against last year's 4YP and supporting information as required by annex 5.9 of the 4YP guidance material.

Overview

SSC's outcome "A higher performing State sector that New Zealanders trust, delivering outstanding results and value for money" is an outcome which we share with our central agency partners, The Treasury and Department of Prime Minister and Cabinet. Working as one as the "Corporate Centre", the central agencies provide co-ordinated leadership to improve the performance of the State sector system.

Improving performance is fundamental to meeting the high expectations of the public and Government alike, to addressing the challenging issues facing New Zealand, and ensuring high levels of service delivery can be achieved within current funding levels.

Meeting these objectives requires a system-wide transformation of our public services. Over the past year there has been significant progress in driving State sector reform, with the State Services Commissioner as Head of State Services taking on the responsibility for the overall performance of the State sector system. The Corporate Centre's and SSC's work programme has been established to support the new role of the Commissioner and to deliver on the Better Public Services programme.

One of the significant achievements for the year was changes made to State sector legislation, which made amendments to the State Sector Act 1988, Public Finance Act 1989 and Crown Entities Act 2004. The passing of the legislation provided a strong mandate for change from Parliament and the legislative tools to enable and support the level of change required.

A key focus is not only seeking change within the public management system, but also ensuring SSC is well placed to lead those changes. The SSC PIF review, while acknowledging the work that was already underway identified a number of areas where further improvement could be made. SSC's work programme for the next 18 months will ensure that we improve our services and be exemplars of organisational performance.

Improved planning and prioritisation controls will ensure that SSC fiscal pressures can be managed within its current baseline through to 2017/18 financial year. There are however likely to be tradeoffs that will have to be managed over the four year period as we deal with increased fiscal pressures due to increased demand on our services. Potential areas where cost pressures may arise include:

- Ramping up Integrity services
- Ongoing support of Continuous Improvement programme beyond the two year period it is funded for
- Expanding the PIF programme by moving into other parts of the State sector and undertaking more system analysis
- Appropriate investment to implement LCDD and Executive Management
- Capital funding for technological requirements

It is anticipated that the spread of baseline over financial years will need to be amended as milestones and the timing of delivery is developed.

Progress to date

Last year's 4YP outlined a number of key shifts, partly driven by Corporate Centre priorities, to transform ourselves to be able to lead and support Better Public Services. Establishment of the Corporate Centre was one of those key initiatives. In addition progress has been made on:

- Functional Leadership – strengthening the mandates of our functional leaders (ICT, Property and Procurement) and supporting them in their implementation of their mandates.

- Government Results – SSC continues to work with result leads to support them in their achievement of the 10 Government Results. The first progress report was published which showed some progress against challenging targets.

- Legislative change – as already outlined, changes to legislation was passed in July this year.

- Talent Management – the talent programme has been reshaped, however there was progress with the hosting of 'Top 200' events and career boards beginning the process to build succession pipelines for key positions.

For more detailed coverage of what was achieved by SSC over the last year, please consult the SSC Annual Report for the year ended 30 June 2013[1].

Corporate Centre

Progress has been made over the last year in how the three central agencies operate as the Corporate Centre to deliver on the Corporate Centre vision: "Leading the State sector to deliver outstanding results for New Zealanders". This includes the establishment of three new teams to ensure that we are operating collectively and providing overall system leadership and insight. These teams are:

[1] http://www.ssc.govt.nz/ar2013

- the Performance Hub, a co-located, central agency policy team, which was established in February 2013. The Performance Hub is undertaking performance monitoring of the system and will provide advice on improving its performance.

- a Central Analysis and Insights Function, a joint venture with cross-agency governance, to provide system-level analytical and reporting capability, which was established in 2013.

- Portfolio Performance Management – a merger of the different functions relating to investment; including collection of agency capital intentions, promulgating the Better Business Cases methodology, managing Gateway reviews (reviews at key decision points by experts of progress and potential for success), and monitoring of high risk projects; into one team within the Treasury from December 2013.

In addition the three agencies have agreed a set of Corporate Centre priorities and have set up a cross-agency steering group of second tier managers to ensure progress on these. A new Deputy Commissioner has been recruited to support the State Services Commissioner in his role of Head of the State Services. The Deputy Commissioner will further help the three central agencies to operate as the Corporate Centre.

The Corporate Centre priorities are outlined in section 5.9.4.1: Delivering Better Public Services.

Focus for the next 18 months

Following the significant progress made over the last year SSC is committed to five priority areas, which are aligned to our Corporate Centre priorities, and are critical to delivering on Better Public Services:

- Leadership and Capability Development and Deployment – the talent management programme has now been redefined, and is scoped to include not only improving the capability of Public Services leadership, but also looking at emerging leadership and graduate programmes. The legislative changes have also provided better ability to develop and deploy senior leaders throughout the system. SSC has established a new Chief Talent Officer role, who will drive this work programme.

- Functional Leadership – there continues to be more work to successfully embed whole of system functional roles. SSC will continue to support Functional Leadership, specifically in planning for, supporting and realising benefits from property, IT and procurement leadership.

- Executive Management – SSC has made some changes to bring all parts of executive management under one team to improve how we support this function and support Public Service Leaders, from recruitment through to improving executive performance and leadership. This also includes the Corporate Centre supporting agency CEs in their ‘stewardship’ role over the future state of their agencies.

- Results Assurance – SSC supports agencies and sectors to deliver on the Results Areas.

- SSC Workforce Strategy – SSC has an ambitious work programme that needs to be delivered by our staff. Our workforce strategy looks to clearly establish our capability needs and how we support our people to provide that capability.

SSC is currently reviewing its baseline resources to determine the appropriate spread across financial year within the four year term to reflect milestone and the timing of delivery for these priorities. It is expected that SSC will require to transfer funding from 2013/14 into out years for these areas.

Annex 5.9 Supporting Information for Update

[11]

[11]

[11]

[11]

[11]

5.9.2 Government ICT Strategy and Action Plan to 2017 - Alignment of agency ICT Strategies to Destination 2017

Services are digital by default

The Central Agencies Information Management Strategy underpins the provision of information services delivered electronically. A key principle within the strategy is that services and systems are digital by default and quick and easy to access. The current programme of work includes projects across systems, processes and people to deliver on this focus area. Examples include:

- Provision of electronic books across the Central Agencies
- Koha which provides centralised access and distribution for external information resources used by the three central agencies for policy formation and other core activities
- Standardisation of systems and processes (including Metadata schemes)
- We have developed an information systems roadmap focused on meeting the efficiency goals of Central Agencies Shared Services (CASS) and enabling the Agency key strategic outcomes. This will allow us to be in a position to assess the All-of-government (AoG) offerings for all three agencies in regard to the Enterprise Content Management as a Service

The Central Agencies Web Strategy puts better public services at the centre of our thinking to help us see what we do on the web from the user's viewpoint. It ensures we deliver better public services on the web using common systems and processes. Key deliverables of the strategy include:

- Reducing the number of sites to reduce on-going costs and complexity
- Establish a new centralised guidance site to make it easier for people to find and use up-to-date guidance
- Use all-of-government platforms, tools and processes to ensure benefits flow to and from system-wide investments
- Improve data handling, presentation and distribution to more efficiently and effectively release the value in our public datasets

Information is managed as an asset

A goal of the Central Agencies Information Management Strategy is to foster sharing and reuse of information across the central agencies. Initiatives commencing in 2014 aim to develop systems and processes to do so. To date we have:

- Rationalised and consolidated access to externally generated information
- Developed a central agency-wide information disposal schedule
- Developed a process for auditing systems that hold information

One of the Central Agencies Information Management Strategy's key principles is that information should be valuable and relevant. To that end we are cataloguing and reconfiguring our information systems to make identification of information easier and to ensure we capture the value that organisations place in information. This involves the development of common descriptive frameworks across the central agencies to describe information so we can assign value to it.

Investment and capability are shared

The formation of CASS combined the ICT investment and resources of the central agencies into one shared service. This has delivered a number of key benefits to each agency including pooling scarce technical resources and capabilities.

A key aim of the Central Agencies Development Programme (CADP) for FY 12/13 and the current 13/14/ Programme of Work (PoW) has been consolidation and standardisation including Human Resources Information System (HRIS) integration and Financial Management Information System (FMIS) consolidation. The CADP programme completed 29 projects and significant enhancements. This will help to accelerate the uptake of AoG services such as Infrastructure-as-a-Service (IaaS). This has also included uptake of a number of AoG products and services.

Leadership and culture deliver change

A core aim of CASS is to be an exemplar for shared services across the Public Sector. To this end CASS has presented to a number of agencies and organisations (for example GOVIS and the Chief Information Officer Forum) on lessons learned and key challenges and opportunities of establishing a successful shared service. This has received very positive feedback.

CASS is currently in the process of developing an Information Services Strategic Plan (ISSP) providing a strategic roadmap for ICT for the next 3-5 years. The purpose of the ISSP is to set the ICT strategy and roadmap so that it is fit for purpose to enable and support the strategic outcomes of the Central Agencies.

This work programme over the next four months includes the following activities:

- Current State Analysis - Over the next month, the project team will be working with various business stakeholders throughout Treasury, DMPC and SSC to understand the current business strategy and needs, as well as assessing CASS's current capability to meet those needs.
- Future State Operating Model – Based on the discussion with stakeholders, we will develop the future state operating model in terms of technology, people and process. Consideration will be made to investigating the options around key areas such as the use of Infrastructure as a Service (IaaS), cloud services and mobility options and

alignment with the Government ICT Strategy and Action Plan to 2017 and contribution to the deployment of the Government Enterprise Architecture framework (GEAF).

A roadmap will also be developed to show the key activities which are required over the next 3-5 years in order to achieve the desired future state.

Additionally CASS ICT has been involved in or contributed to a number of agency specific initiatives. These include:

- CabNet
- Analysis for Outcomes
- [7]
- Machinery of Government changes – e.g. Ministry of Civil Defence and Emergency Management moving from DIA to DPMC

Resolution of IT Cost Pressure

When CASS was implemented, the net book value of IT assets was transferred to Treasury. The accumulated cash reserves of $3.7 million related to those assets was not transferred. This was deferred until an ISSP had been developed which would identify the long term funding requirement for IT assets for all three agencies.

The cash reserves were not transferred as it was identified that the cash held by SSC was lower than the accumulated depreciation reserves by approximately $1 million. This was due to cash withdrawals back to the Crown made two years earlier. It is expected that the ISSP will clarify that the future capital replacement cost for IT will be lower in the shared services environment than the original investment. In addition, the changing nature of delivery (eg, Infrastructure as a Service, Software as a Service and Cloud solutions) are anticipated to result in lower capital costs and higher operating costs.

Until the ISSP is completed a risk still exists that SSC may have insufficient funding to meet its technology requirements and those requirements would then need to be prioritised and rationalised

5.9.3 Risks

5.9.3.1 Strategic & Operational Risks:

The following are key risks, which may lead to fiscal impact. These are in addition to the strategic risks identified in SSC's Annual Report for the year ended 30 June 2013. All risks are deemed acceptable after mitigation.

Description	Likelihood	Impact (including fiscal impact)	Treatment/ mitigation
[8]			
Lack of prioritisation and	Possible	Medium Could mean some agencies	

sequencing of reform initiatives puts too much pressure on the system at one time		involved in internal change programmes do not engage in system-wide change	Prioritise and sequence System operating model
[8]			
Continuous Improvement programme does not become self sufficient	Possible	Medium Costs for the Continuous Improvement team are not insignificant for SSC at $1.5 million per annum, however unlikely that the full amount cannot be offset by cost recovery [8]	Staff have been contracted for a period of two years The team is then to establish value to offsets costs, which are then cost recovered Programme will be assessed at the end of two year pilot
Implementation costs arising from new programmes (such as LCDD)	Likely	Medium Ongoing costs are unknown, however like to be in the several hundred thousand dollars	Development of new programmes being funded from competitive contingency money Clearly established cap on resources Trade-off decisions to be made once implementation costs are known
[8]			
Capital funding is insufficient to meet technology requirements	Possible	Minor Will impact ability to deliver outputs within expectations.	ISSP to be completed by June 2014 that will clarify requirements

Levels of Risk						
Consequences	Severe	Moderate	High	High	Very high	Very high
	Major	Moderate	Moderate	High	High	Very high
	Medium	Low	Moderate	Moderate	Moderate	High
	Minor	Very Low	Low	Low	Moderate	Moderate
	Routine	Very Low	Very Low	Low	Low	Moderate
		Rare	Unlikely	Possible	Likely	Almost certain
		Likelihood of event occurring				

5.9.3.2 Resilience:

1. Strongly resilient to most possible eventualities, well within risk appetites
2. Resilient to most eventualities, mainly within risk appetites
3. **Resilient to some eventualities, but need strengthening in some areas to be within risk appetites**
4. Only weakly resilient to most eventualities, exposed to significant risk in excess of appetites
5. No resilience to many eventualities

SSC is a small agency that relies on the quality of our staff to deliver on a broad set of responsibilities and an ambitious work programme, as we look to lead system wide change. Each day, SSC may be responding to a number of issues which may have a significant impact on SSC's resources. We are set up to respond and adapt to the changing demands, and have staff who are capable of working across a number of issues and different specialities at any one time.

That said, we are small, and that reduces our resiliency. Also as we develop more tools that require specialist expertise, such as organisation development specialists for workforce, talent management, strategic information and continuous improvement, we reduce our flexibility and therefore resiliency.

Our Workforce Strategy is a key component to ensuring our primary resource, our people, are fit for purpose and are providing us the capacity and capability needs now and into the future. We are being more strategic around what our needs are and are planning to ensure those needs are met.

Our resilience is also addressed through our model of being able to mobilise parts of the system to address particular issues. For example the use of our functional leaders to address specific needs. Working as a Corporate Centre also provides some resilience as priorities can be shared across the three central agencies and functional leaders as needed. Also we have a number of providers who are familiar with SSC and our responsibilities and can come in and address specific resource needs.

SSC has also established contingencies and planning practices to ensure we are focused on delivering on our priorities and have the resources to support those priorities.

If at any stage we are uncomfortable that we can deliver on government expectations or our responsibilities, we will address those concerns with our Minister.

5.9.3.3 Risks to the sustainability of the 4YP beyond 2017/2018:

SSC cannot continue to absorb the cost pressures within fixed baselines indefinitely. However the changes already outlined to workforce capacity are able to be accounted for. Changes to how we deliver and support LCDD and Executive Performance, establishment of continuous improvement and the loss of Portfolio Performance Management are managed within existing baselines and budget assumptions over the four-year period. Based on current forecasted demand, these anticipated changes do not foreshadow particular sustainability concerns beyond 17/18.

What cannot be accounted for at this time, is whether any other new products or services are required to deliver on the performance improvements expected for the system. If new products or services could not be reprioritised or managed within SSC, or the Corporate Centre, funding will have to be sought through the Budget or from the system. This would only occur if the business case was made.

5.9.4 Government priorities

5.9.4.1 Delivering Better Public Services

SSC, along with its Corporate Centre partners, has a key role in ensuring the successful implementation of the Better Public Services reforms. The key element of the Corporate Centre's strategy is the delivery of a set of priority initiatives:

- Transforming business models: by June 2014 public service Chief Executives own the Four-year Plan process and there is evidence Chief Executives and Ministers regard the plans as useful planning tool to drive improvements in agency performance and decisions on prioritisation of activities. – Treasury lead

- Leadership and Capability Development and Deployment (LCDD): by June 2014 the foundations of the new system wide approach to leadership development and deployment are in place and are gaining traction across Chief Executives and second tier leaders in government agencies. – SSC lead

- Executive Performance: Chief Executive performance expectations were endorsed by Cabinet in October 2013. Performance agreements and assessment of Chief Executives' performance are aligned to delivery of government's priorities [11] – SSC lead

- Functional Leadership: whole of government strategies achieve efficiencies, value for money and improve capability across the State services in ICT, Property and Procurement (measured against targets and performance indicators that are agreed by December 2013). – DPMC lead

- System Operating Model: by June 2014 there is evidence that the system operating model is understood by Chief Executives[8] – Performance Hub lead

- Communication and Engagement: by June 2014 there is evidence Chief Executives know the change expected across the system and by June 2016 organisational performance has shifted to a system wide focus. Evidence indicates that public service Chief Executives consider the Corporate Centre is providing leadership and direction and is working alongside their agencies to deliver the BPS reforms. – SSC lead (Office of the HoSS)

- Risk Management: pngoing monitoring (through mechanisms such as Agency Risk Matrix, Chief Executive accountabilities, budgeting processes, inter-agency policy discussions and PAG advice) enables early identification, mitigation, intervention (if required) and proactive support to agencies, resulting in avoidance of key risks and successful resolution in 100% of cases within one or two years. – Joint agency approach

SSC considers that the delivery of the Better Public Services reform is part of its core business. This includes improving our practices to support BPS, such as the LCDD programme, as well as directly supporting the BPS programme by providing governance, policy and communication support.

	2012/13	2013/14	2014/15	2015/16
Resources committed				
Resources reallocated across agencies				

5.9.4.2 Canterbury rebuild

SSC's contribution has several dimensions:

- Providing system level support for CERA – SSC works with CERA to enable successful execution of its system leadership role, including capability development and use of central agency levers (e.g. Four-year Plans, CERA and agency PIFs);

- Issue specific support for CERA – SSC provides advice and capability to CERA to support new or cross-cutting issues to be picked up and progressed;

- Recovery progress monitoring and assurance – SSC works with CERA to provide assurance on progress with the recovery, including monitoring of major programmes and projects;

- Machinery of Government - SSC provides advice as required on institutional arrangements for successful execution of the Government's priorities.

	2012/13	2013/14	2014/15	2015/16
Resources committed	1.5 FTE $15k (travel)	2.0 FTE $20k	2.0 FTE $20k	2.0 FTE $20k
Resources reallocated across agencies				

NB: please specify if the resources are capital (in absence of any advice it will be assumed all resources committed or reallocated are operating).

5.9.4.3 Building a more productive and competitive economy (Business Growth Agenda work-stream)

SSC does not directly support this priority. It is indirectly supported through our leadership of Better Public Services reform programme.