

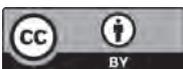


**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

# The Treasury Statement of Intent

2014–2019

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# The Treasury's Statement of Intent

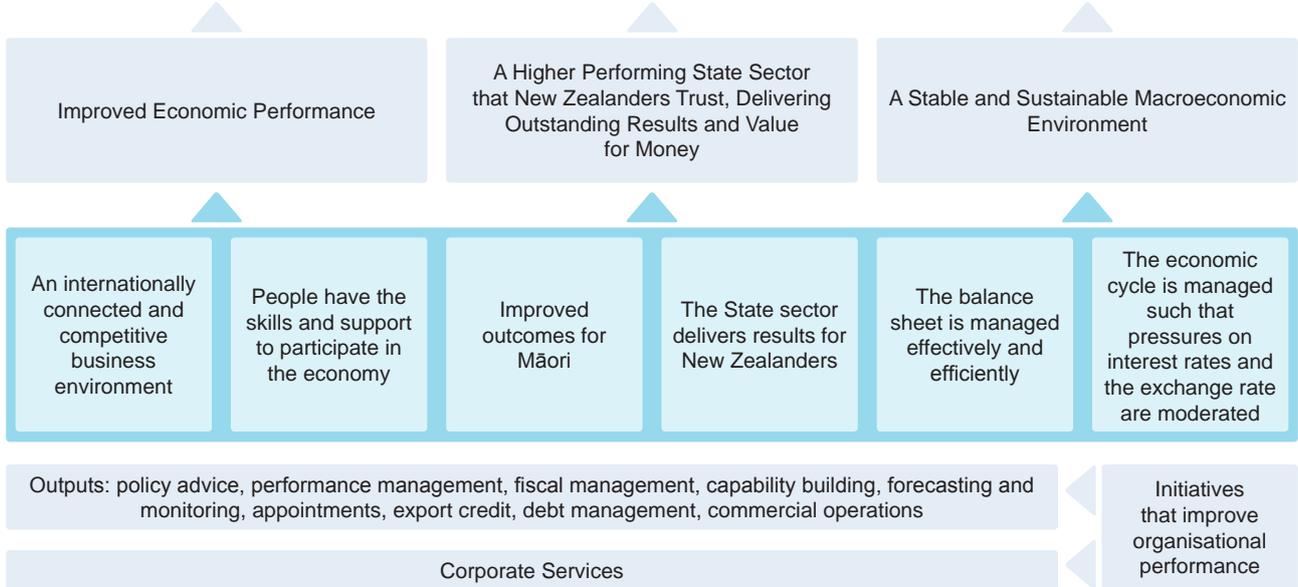
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**Vision: A world class Treasury working towards higher living standards for New Zealanders**



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## Foreword: Minister of Finance

The Treasury plays a key role in New Zealand's public service, as the Government's lead economic and financial advisor, and as one of the central agencies responsible for leading the State sector to achieve higher levels of performance.

As with other public service agencies, the Government is looking for the Treasury to make a step-change in how it approaches its work, as part of our plan to build a brighter future for New Zealand. While New Zealand is entering a period of stronger economic performance, to realise our aspirations over the long-term we need:

- ▶ a more competitive and productive economy
- ▶ a strong financial position that enables us to weather global downturns and unexpected shocks, and
- ▶ a public sector that delivers better services, more efficiently.

To achieve these goals we need to tackle some longstanding policy challenges, and we need government agencies to have a stronger focus on the customers and populations they serve.

In this context, I'm pleased to see that in this Statement of Intent the Treasury has signalled a commitment to seeking out new ideas and partnering with other organisations as it supports the Government's priorities. This is essential if we're going to achieve real transformation in the economy and the public service, and has the potential to deliver world-leading policy solutions.

The Treasury has also undertaken to invest in its own core capabilities so that its advice to government is based on a richer understanding of the economy, the Crown's assets and liabilities, and where the taxpayer will get best value from spending. This investment is essential to the Treasury's ability to respond to government objectives and lead change across the State sector over the long-term.

I am satisfied that the information on strategic intentions prepared by the Treasury is consistent with the policies and performance expectations of the Government.



Hon Bill English  
Minister of Finance

## Introduction from the Secretary and Chief Executive

The Treasury's vision is to be a world-class organisation working towards higher living standards for New Zealanders.

When we talk about living standards, we mean more than economic growth. We recognise people's quality of life is influenced by a range of factors. This includes their physical environment, health, education and skills, social institutions and conventions, and natural resources such as quality water, a stable climate and biodiversity.

We are pursuing our vision in a world that is changing quickly. The makeup of society is shifting, and so is the way we live. Different lifestyles and new technologies mean people have different – and growing – expectations of public services and how they are delivered. New markets are emerging for New Zealand's products and services, creating new opportunities and risks for our businesses and the economy as a whole. At the same time, the composition of the government's balance sheet is changing, meaning we need to think differently about how we get the best value for money for New Zealanders.

This *Statement of Intent* reflects this broad view of living standards and the changing operating environment. It signals the key areas the Treasury will focus on to deliver Government priorities and support inclusive, sustainable growth. Importantly, it also shares how we will go about our work: by being more collaborative, more outward facing and more engaged with society. This will help to ensure that the Treasury remains connected and relevant, and is better at bringing in fresh thinking. We'll also continue to invest in our people and our core analytical capability, building on traditional strengths to add further depth to our economic and financial advice.

Our success will be judged by how others see us. We want people to see our advice as aligned with the way New Zealanders want to live, and that the solutions we put forward are innovative, practical and well informed.

I am confident we are up to the task.

### Chief Executive's Statement of Responsibility

In signing this statement, I acknowledge that I am responsible for the information on strategic intentions of the Treasury. This information has been prepared in accordance with section 38 and section 40 of the Public Finance Act 1989.



Gabriel Makhoul  
Secretary and Chief Executive

# Nature and Scope of Functions

## Vision

The Treasury's vision is to be a *world class Treasury working towards higher living standards for New Zealanders*.

## Outcomes

To achieve its vision the Treasury focuses on three high-level outcomes:

- ▶ Improved Economic Performance
- ▶ A Higher Performing State Sector that New Zealanders Trust, Delivering Outstanding Results and Value for Money
- ▶ A Stable and Sustainable Macroeconomic Environment

To achieve the Treasury's vision and outcomes, it needs to be a high-performing organisation driven by a strong set of values and culture, with the right capability and capacity now and into the future.

## Functions

The Treasury achieves its vision and outcomes through its five core functions:

- ▶ *Economic policy advice*: we are the lead advisor for Ministers on economic performance, concentrating on policy areas that have a significant impact on economic performance. This includes advice on measures to improve the quality of regulation, removing barriers to growth and enhancing productivity.
- ▶ *Financial management and advice*: we manage the financial affairs of the Crown and provide advice on fiscal strategy, policy and performance. As the Government's chief accountant we also work to support awareness, professionalism and skills development in financial management across the State sector.
- ▶ *State sector leadership*: with the Department of the Prime Minister and Cabinet (DPMC) and the State Services Commission (SSC), we collectively lead the State sector with the aim of delivering outstanding results for New Zealanders. We assist the Government to develop its overall strategy for the State services, provide advice on how to improve the system and manage significant issues.
- ▶ *Performance management and advice*: we manage the performance of departments and other entities the Crown owns. This includes working with them to improve performance as required. Our focus is getting value for money for taxpayers.
- ▶ *Commercial policy advice and operations*: we provide commercial policy advice (eg, financial markets, assets) and provide financial operational services through the Treasury's Debt Management Office (NZDMO) and Export Credit Office (NZECO).

# The World We Live in

## Realising New Zealand's Potential

The New Zealand economy is forecast to experience solid growth – both by New Zealand standards and in comparison with other economies – over the next few years. This growth, and a return of the Crown's accounts to surplus, will show New Zealand to be a resilient and attractive place, with a lot going for it. But at the same time, action continues to be required to address New Zealand's very real, long-standing challenges.

These challenges include:

- ▶ We are small and remote which limits the flows of people, ideas and goods to our shores, as well as our ability to participate in global supply chains. New Zealand needs to focus on how it plays its role in a globalising world and how it takes advantage of the opportunities arising from emerging economies in Asia, Latin America and Africa.
- ▶ New Zealand needs to improve the productivity of both its tradable and non-tradable sectors, including in the large State sector.
- ▶ A significant proportion of economic growth in the immediate future will be driven by domestic demand (reflecting the Canterbury rebuild and strengthening housing market). The challenge is to progressively facilitate growth driven by non-housing investment and by exports.
- ▶ There is always more work to do to ensure everyone contributes to and benefits from economic growth. The State sector needs to do more to facilitate all people to participate in the economy, particularly those with social disadvantages.

## Supporting the Government's Priorities

The Treasury's priorities are strongly influenced by the priorities of the government of the day. While priorities may change over the period covered by this document, the Treasury needs to remain agile and responsive to the priorities of the Government while maintaining its ability to provide free and frank first-best advice as well as its broader and longer-run stewardship responsibilities.

The current Government's priorities are to:

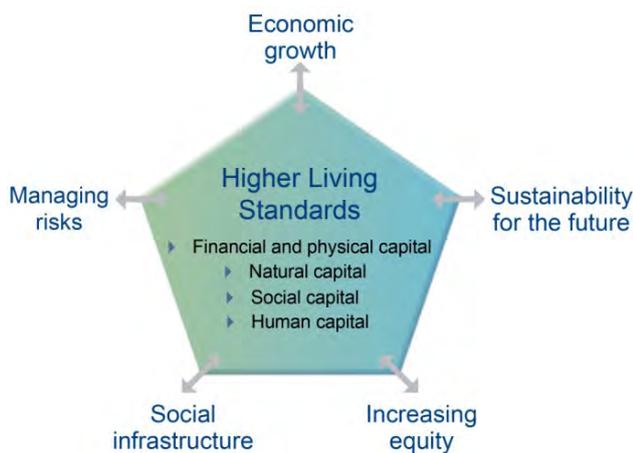
- ▶ manage the Government's finances responsibly
- ▶ build a more competitive and productive economy
- ▶ deliver better public services to New Zealanders, and
- ▶ rebuild Christchurch.

Through its core functions, the Treasury will contribute to all of the Government's priorities. As the Government's lead fiscal advisor we will help it manage the Crown's finances responsibly and achieve *A Stable and Sustainable Macroeconomic Environment*. As the Government's lead economic advisor, we will provide advice on how to build a more competitive and productive economy (*Improved Economic Performance*). Finally, as the Government's lead financial, economic and regulatory advisor, and through our State sector leadership and performance monitoring roles, we will provide advice on how to deliver better public services to New Zealanders (*A Higher Performing State Sector that New Zealanders Trust, Delivering Outstanding Results and Value for Money*) and support agencies in doing so. The Treasury contributes to rebuilding Christchurch through its State sector and economic policy advice functions.

# What We Want to Achieve

## Vision: A world class Treasury working towards higher living standards for New Zealanders

The Treasury is working to raise New Zealanders' living standards. To help the Treasury focus on achieving this vision, it has developed a living standards framework<sup>1</sup> that identifies five key dimensions that are particularly important in the current environment (see figure below).



Economic growth is at the top of the diagram both because of its importance for wellbeing (higher incomes enable people to ensure better outcomes for themselves in many of the ways they value) and because, as the Government's lead economic and financial advisor, the Treasury has a particular focus on it. This is reflected in the Treasury's aspiration to achieve *Improved Economic Performance*.

For economic growth to be sustainable in the long term, without adverse side effects for society and the environment, New Zealand also needs to manage the wide range of risks it faces, such as natural hazards, climate change and resource shortages, and to consider the impact of today's choices on future living standards. The Treasury focuses in particular on risks to the stability and sustainability of the macroeconomic environment as reflected in its *A Stable and Sustainable Macroeconomic Environment* aspiration.

While the Treasury has a particular role to play in advising the Government on the economic dimensions of living standards, it is committed to ensuring it understands the implications on the other Living Standards dimensions in achieving its *Improved Economic Performance* and *A Stable and Sustainable Macroeconomic Environment* aspirations. The Treasury wishes to pursue policies that promote equitable and sustainable economic growth.

Finally, living standards are underpinned by social infrastructure. The level of trust in key institutions (such as the judicial system, legal framework, government agencies), the degree of connectedness between people (such as social support, sense of community) and the equity with which opportunities are spread across society, all have an impact on wellbeing. Many State sector agencies materially affect the social infrastructure and equity of our society, and the Treasury sees the performance of the State sector (its efficiency, effectiveness and affordability) and its impact on people as important for lifting living standards. This is reflected in *A Higher Performing State Sector that New Zealanders Trust, Delivering Outstanding Results and Value for Money*.

<sup>1</sup> [www.treasury.govt.nz/abouttreasury/higherlivingstandards](http://www.treasury.govt.nz/abouttreasury/higherlivingstandards)

## Outcome: Improved Economic Performance

New Zealand performs well across a wide range of economic and social outcomes compared with higher income<sup>2</sup> countries. But our income levels are below the Organisation for Economic Co-operation and Development (OECD) average and below those societies that we often compare ourselves against.

This has not always been the case. New Zealand incomes began to slip from among the highest in the world in the mid-1950s (our gross domestic product [GDP] per person ranked third among OECD countries in 1950) – and fell quite dramatically in the latter half of the 1970s and in the 1980s. Economic performance has improved since the early 1990s and New Zealand's per capita GDP growth has subsequently broadly kept pace with other advanced economies.

However, this improvement has been insufficient to close the sizeable income gap that had opened up with other developed economies (New Zealand ranked 20 out of 34 OECD countries in 2012). New Zealand's GDP per capita remains around 15% below the OECD average. Our GDP per capita growth rate will need to be higher than the OECD average growth rate for an extended period to time for us to materially narrow this income gap.

New Zealand's "economic gap" reflects the low value of what it produces per hour (its labour productivity) which is only two-thirds of Australia's. There is a range of explanations for New Zealand's poor productivity performance and the underlying causes are contested.

The Treasury's assessment is that geography plays an important role in explaining New Zealand's persistent economic gap: a small home market and geographic distance from international markets. Distance also hampers international flows: we have weak outward foreign investment; we have low exports and imports as a share of GDP relative to other advanced small economies; and our low levels of business R&D may be a sign that firms face challenges in funding and leveraging R&D into world-wide returns.

This matters because productivity and international connections are intertwined. A productive economy – in both the tradable and non-tradable sectors – attracts international flows of goods and services, people, capital and ideas. International connections boost productivity by bringing scale, competition, investment and ideas.

Our geographical challenges do not mean New Zealanders should lower their aspirations. Instead, it means a greater focus on how New Zealand plays its role in a globalising world – and how to take advantage of the opportunities from an emerging Asia, Latin America and Africa.

Improving New Zealand's economic performance requires:

- ▶ New Zealand to be more productive and internationally connected, with more competitive and knowledge intensive firms and exports
- ▶ our growth to be more broad based, with exports and investment driving growth (tradable sector growth), and
- ▶ all New Zealanders to be equipped to play a role in the economy and society.

### Sustainable growth is "good growth"

While economic growth is a key indicator of economic performance it does not tell the complete story.

The Treasury recognises that economic growth is not a good measure of economic performance on its own. While we want the higher incomes and jobs that economic growth brings, we want that prosperity to be sustainable and inclusive. It is important that New Zealand's economy supports higher living standards for this and future generations, and that all New Zealanders can play their role in the economy and society.

<sup>2</sup> OECD countries.

## Outcome: A Higher Performing State Sector that New Zealanders Trust, Delivering Outstanding Results and Value for Money

The State sector has a significant impact on the living standards of New Zealanders through the rules it makes, services it provides and assets it owns. The State sector needs to have a clear focus on achieving outstanding results for New Zealanders. This needs to be achieved in a way that delivers value for money and is affordable to New Zealand now and in the future<sup>3</sup>.

The State sector needs to better target and personalise its services (customer focus) and take more of a population-based approach to the provision of services. While New Zealand does well on a number of Living Standards measures there are groups within society that struggle with persistent disadvantage.

The State sector also needs to get better at shifting expenditure away from the areas that deliver short-term benefits to the areas that will deliver longer-term benefits; for example, by focusing on getting people into work as opposed to providing income support<sup>4</sup>.

In order to deliver outstanding results and value for money the State sector needs to be focused on outcomes and:

- ▶ to be aligned and organised to achieve a core set of critical, measurable priorities (currently the Better Public Services results<sup>5</sup>)
- ▶ to proactively work together and collaborate around these priorities
- ▶ for agencies to understand their purpose and who else they need to work with to achieve it
- ▶ to design services with and for those who use them, and organised around their needs and expectations
- ▶ to make better use of data to inform decision-making
- ▶ to have stronger cross-agency leadership of key aspects of the system; for example, in key functional areas (ICT, procurement, property, finance)
- ▶ to deliver services with high levels of integrity and improved levels of trust

- ▶ to deliver improved stewardship of agencies and resources
- ▶ to improve the effectiveness and efficiency of Crown expenditure
- ▶ to own the right assets, manage them and fund them sustainably
- ▶ to manage risk proactively while innovating
- ▶ to demonstrate continuous improvement and innovation.

### What is “value for money”?

In its capacity as a finance ministry, the Treasury is focused on understanding agencies’ performance – how effectively and efficiently they are delivering the results the Government has set for them – so that we can advise and act on it. The Treasury has identified this as an area where it needs to improve its performance in working with agencies.

We have developed a four-tier performance framework which will provide metrics for how we consistently measure agencies’ performance. The tiers measure performance in four areas: controls and monitoring; outlook and sustainability; efficiency; and effectiveness. As we develop these measures in conjunction with other agencies, it will provide us with a more comprehensive picture of how well the State sector is delivering value for money.

3 As shown by government expenditure as a percentage of GDP reducing to below 30% and remaining there.

4 This is shown through a reduction in the total forward liability for welfare spend.

5 See <http://www.ssc.govt.nz/better-public-services>

## Outcome: A Stable and Sustainable Macroeconomic Environment

A stable macroeconomic environment is important to achieving long-run economic growth and higher living standards. We also need to ensure that the New Zealand economy is not significantly impacted by the economic or financial troubles other countries experience (reducing our macroeconomic vulnerability) and that the actions of today do not impose undue costs on our economy in the future (sustainability).

Volatility in New Zealand's activity and employment (as measured by GDP variability) and inflation levels hurts decision-making with respect to employment, saving, investing, innovating and grasping opportunities. It lowers people's living standards by undermining the value of their purchasing power. Output lost during recessions is not always fully recovered causing us to fall further behind other OECD countries.

While there are many factors that impact on the macroeconomic environment, key factors within government's purview include the overall design of the macroeconomic framework, fiscal policy and structure of the Crown's balance sheet, and regulation governing the operation of product, capital and labour markets. The latter can sometimes act to amplify or dampen economic cycles, and economic and financial risks in the economy.

High government deficits and external debt can hurt economic stability, raise the negative impact of external crises, and push up real interest rates and borrowing costs. In addition, high levels of fiscal expenditure when the economy is strong (pro-cyclical fiscal stimulus) can exacerbate the interest rate and exchange rate cycles.

Government spending is always ultimately financed by taxation, whether now or in the future. Managing current and future spending pressures is important for growth, intergenerational fairness and ensuring that fiscal policy has the flexibility to deal with adverse shocks.

There are lessons to be learnt from the previous economic expansion and the global financial crisis. Ensuring we have the right financial stability tools in place, and that we use them appropriately, is important to prevent future financial crises. Some of these tools also have the potential to help smooth cyclical fluctuations in economic activity. Efficient capital and financial markets are important to help the economy react smoothly and adjust to shocks, and to ensure that firms, households and government are able to maximise the benefits from saving and fund investment.

The coming economic cycle is likely to test economic management again. The Canterbury rebuild will require significant resources. Demand for housing remains strong. The strength in domestic demand is likely at the margin to crowd-out activity in the traded sector. Over the next few years the Treasury is focused on managing the consequences for medium-term growth from the current cycle.

### Why worry about house prices?

The relationship between housing markets and macroeconomic pressures is complex. Improvements in the functioning of housing markets may reduce pressures on interest rates, the exchange rate and the tradable sector. High and variable house prices can pose risks to financial stability with wider consequences for economic activity.

Improvements in the availability and cost of housing would also have direct benefits to households. Access to affordable housing also makes an important contribution to wider living standards and is essential to meet basic needs.

# What We'll Do

## Our Intermediate Outcomes

In order to achieve the outcomes outlined above the Treasury will focus on six intermediate outcomes over the next few years. These represent the priority areas for the Treasury. These intermediate outcomes are:

- ▶ New Zealand has an internationally connected and competitive business environment
- ▶ people have the skills and support to participate in the economy
- ▶ outcomes for Māori are improved
- ▶ the State sector delivers results for New Zealanders
- ▶ the balance sheet is managed effectively and efficiently
- ▶ the economic cycle is managed such that pressures on interest rates and the exchange rate are moderated.

The Treasury has identified these priorities from its strategic work on medium-term economic priorities and the Investment Statement<sup>6</sup>; along with the work conducted with SSC, DPMC and other State sector agencies on a strategy for the State sector.

Alongside these priority areas, the Treasury has a stewardship role in ensuring it is well placed to provide advice to future governments. This involves undertaking work to determine what the next set of initiatives will be to achieve improved economic performance, a higher performing State sector and a stable and sustainable macroeconomic environment.

Work in this area includes policy advice on the macroeconomic and financial stability framework; medium-term economic strategy; medium-term State sector strategy; and the research undertaken to support this advice.

The diagram on the following page provides a high level representation of the Treasury's intermediate outcomes. There are no arrows between the intermediate outcomes and the high-level outcomes as each intermediate outcome contributes towards multiple high-level outcomes. Pages 14-25 provide more detail on each intermediate outcome.

## How We Will Demonstrate Performance

This Statement of Intent was produced under the recent amendments to the Public Finance Act 1989. As a result it looks slightly different this year. It is focused on telling the Treasury's strategic story: what it wants to achieve and how it will achieve it. It is less focused on how well it is currently performing and setting out how it will demonstrate performance. The SOI will be presented to the House at the same time as the Treasury's Annual Report. Together these two documents will tell a comprehensive story of the Treasury's performance from a retrospective and forward looking perspective.

There are two key elements to how the Treasury will demonstrate its performance. The first is how well it is doing against what it wants to achieve, as set out in this document. A number of the measures for demonstrating how well the Treasury has performed against its 2014/15 objectives are still under development. The second element is how well the Treasury is delivering its outputs. How the Treasury will assess performance against its outputs is set out in the *Vote Finance 2014/15 Estimates*.

6 <http://www.treasury.govt.nz/government/investmentstatements/2014>

## Vision: A world class Treasury working towards higher living standards for New Zealanders

### Outcome:

#### Improved Economic Performance

*Key indicators:*

- ▶ Real GDP per capita growth
- ▶ Productivity growth
- ▶ Tradeable sector growth

### Outcome:

#### A Higher Performing State Sector that New Zealanders Trust, Delivering Outstanding Results and Value for Money

*Key indicators:*

- ▶ Kiwis Count
- ▶ Better Public Services Results
- ▶ PIF results
- ▶ Government spending reduces to below 30% of GDP
- ▶ Total forward liability for welfare spend decreases

### Outcome:

#### A Stable and Sustainable Macroeconomic Environment

*Key indicators:*

- ▶ GDP variability
- ▶ Inflation and inflation expectations
- ▶ Sovereign credit rating
- ▶ Government financial position, including net core-Crown debt

### Intermediate outcomes:

### Outputs:

#### Internationally connected and competitive business environment

- ▶ Reduce barriers to the flows of trade, capital, people and ideas
- ▶ Ensure government activity provides the foundations for a strong business environment that raises productivity and ensures productivity and sustainability of our natural resources
- ▶ Maintain revenue to fund government services that biases' economic decisions as little as possible
- ▶ Support internationalisation, innovation and partnership with business

- ▶ Policy advice on competition, tax, regulation, infrastructure and natural resource management, economic development, innovation, competitiveness and productivity
- ▶ Policy advice on investment, trade, and broader international connectedness
- ▶ Engagement with international partners, FTA negotiations, and International Financial Institutions
- ▶ Provision of export credit

#### People have the skills and support to participate in the economy

- ▶ The education and welfare systems are effective in enabling people to contribute to society and the economy over the long term
- ▶ The costs of welfare have been rebalanced way from income support towards enabling interventions

- ▶ Monitoring the implementation of the welfare reform programme
- ▶ Policy advice on welfare, education, schooling, youth achievement, and the labour market

#### Improved outcomes for Māori

- ▶ The New Zealand economy is strengthened and diversified through successful partnering on ideas and actions between Māori, iwi and the Crown
- ▶ Service delivery to Māori delivers better outcomes, particularly with regard to education

- ▶ Policy advice on opportunities to improve education outcomes for Māori and to realise the potential of the Māori economy
- ▶ Policy advice and support for achievement of fair and durable Treaty settlements, and resolution of Māori rights and interests in natural resources
- ▶ Stronger understanding of Māori perspectives and impacts incorporated into other policy advice where relevant.

### The State sector delivers results for New Zealanders

- ▶ Clear outcome focused goals and cross-agency leadership and collaboration leading to a more inclusive society
- ▶ Improved value for money of expenditure and agency interventions and steadily rising productivity
- ▶ Improved strategic financial management
- ▶ Agencies keep to agreed spending paths and future liabilities are reduced in major expenditure areas
- ▶ Policy advice on institutional settings and public management system
- ▶ Monitoring, assessing and providing advice on the performance of the State sector system and how to improve performance
- ▶ Monitoring, assessing and providing advice on the performance of agencies, and working with agencies to improve performance
- ▶ Policy advice on agency interventions, including on social housing and Canterbury earthquake recovery
- ▶ Performance improvement initiatives to improve strategic financial management across the State sector
- ▶ Guidance and support to agencies to enable them to fulfil their PFA and Cabinet requirements
- ▶ Budget production

### The Crown balance sheet is managed effectively and efficiently

- ▶ The composition and shape of the Crown's balance sheet and liabilities is aligned with government priorities
- ▶ Appropriate financial, commercial and social returns, and long-term value is achieved from the assets that the Crown owns
- ▶ Agencies have the appropriate level of management capability
- ▶ Sufficient funds are raised to finance the Crown's cash deficit while minimising the cost to the Crown of such borrowing
- ▶ The Crown balance sheet provides a buffer to improve resilience
- ▶ Crown financial risks are managed consistent with government risk tolerance
- ▶ Policy advice on balance sheet management, Crown ownership, SOE governance and policy settings, commercial transactions, infrastructure frameworks, PPPs, CAM framework
- ▶ Execute commercial transactions (as required)
- ▶ Portfolio Performance Management
- ▶ Monitoring advice and board appointments
- ▶ Managing New Zealand's sovereign debt

### The economic cycle is managed so that pressures on interest rates and the exchange rate are moderated

- ▶ The operating balance is returned to surplus and fiscal policy does not exacerbate the economic cycle
- ▶ More responsive housing supply
- ▶ Macro-prudential tools are used appropriately
- ▶ Effective and efficient capital markets which support trend-growth
- ▶ Settings ensure banking crisis can be appropriately managed
- ▶ Action is taken to reduce long-term fiscal pressures/ the Crown is pre-funding for future expenditure pressures
- ▶ Policy advice on fiscal policy, strategy and frameworks; budget management; housing market; saving outcomes and capital markets; macroeconomic management and strategy; macro and financial stability; monetary policy framework; fiscal reporting frameworks; microeconomic settings that impact on the macroeconomic environment
- ▶ Economic and fiscal monitoring, reporting and forecasting

### Treasury is well placed to advise future governments/Higher Performing Treasury

Macroeconomic and financial stability framework; Medium-term economic strategy; Medium-term State sector strategy; Investment work: micro- and macro-economic analysis and research; Corporate support services

## New Zealand Has an Internationally Connected and Competitive Business Environment

### What would success look like?

An internationalisation lens is being systematically applied to significant policy/regulatory work programmes and government interactions with business, households and international stakeholders.

#### *Medium-term success:*

- ▶ Trade intensity increases as a proportion of GDP.
- ▶ Flows of inwards and outwards direct investment increase to levels more proximate to other small, open economies, while becoming demonstrably more diverse and productivity enhancing.

#### *Specific 2014/15 objectives:*

- ▶ Economic agencies work together more collaboratively and have an agreed set of priorities for achieving an internationally connected and competitive business environment.
- ▶ The Treasury has an efficient, effective and resilient network of international connections.

Government agencies work together to ensure policy and regulatory programmes support a strong domestic business environment with greater levels of productivity, and productive and sustainable use of natural resources.

#### *Medium-term success:*

- ▶ The Government's Business Growth Agenda targets are achieved.
- ▶ GDP per hour worked grows substantially faster than the OECD average.
- ▶ Business investment as a percentage of GDP increases substantially relative to the OECD mean.
- ▶ New Zealand signs up for a post-2020 climate change international commitment that reflects our fair share and is aligned with domestic settings.
- ▶ Reforms are progressed to allow more efficient allocation of water quantity and quality.
- ▶ New Zealand improves its ranking on regulatory barriers to business.
- ▶ New Zealand's tax system is considered internationally competitive while achieving revenue-raising targets.
- ▶ The perceived quality of New Zealand's infrastructure increases in measures such as those produced by the World Economic Forum (WEF).

#### *Specific 2014/15 objectives:*

- ▶ Government agencies are working collaboratively together on the implementation of the Business Growth Agenda actions.
- ▶ Government agencies are working more closely in partnership with business in developing advice on an international competitiveness business environment.
- ▶ NZECO operates with a larger and more diversified portfolio of credit risks (by product/sector/counterparty).
- ▶ Ninety percent of Significant Regulatory Impact Statements meet most or all Regulatory Impact Analysis requirements.
- ▶ Government agencies work collaboratively together and take a long-term view to maximise the long-term value of New Zealand's natural endowments.

## New Zealand Has an Internationally Connected and Competitive Business Environment (continued)

### What will the Treasury do?

Provide leadership, policy advice and support to agencies on investment, trade and broader international connectedness; engage with international partners, Free Trade Agreement (FTA) negotiations and International Financial Institutions; and provide export credit. Specifically:

- ▶ strengthen the cross-agency focus on internationalisation through research and work pieces on Overseas Direct Investment (ODI), the Government's role in supporting businesses to internationalise, beyond/behind the border barriers to trade and investment, assessment of how other small states have lifted their international connectedness, a bid for an "internationalisation" module in the 2015 Business Operations Survey
- ▶ refresh the Treasury's strategic overview of New Zealand's international connectedness
- ▶ participate constructively in and leverage opportunities from the G20 process and other international fora, and
- ▶ facilitate increased exports through proactive provision of financing to targeted foreign government buyers.

Provide leadership, policy advice and support to agencies on competition, tax, regulation, infrastructure and natural resource management, economic development, innovation, competitiveness and productivity. Specifically:

- ▶ provide economic leadership through external engagement, cross-agency work on the Business Growth Agenda and the group of "Economic Chief Executives", further research on lifting economic performance, providing support to the OECD country study
- ▶ undertake cross-agency research and work pieces on productivity levels at an aggregate, sector and firm level to identify areas where government can strengthen the domestic business environment
- ▶ support progress on water reform by working with agencies on evidence building and strategy
- ▶ provide central government direction on resource management
- ▶ support cross-agency work towards a post-2020 climate change international commitment that reflects our fair share and is aligned with domestic settings
- ▶ work jointly with Inland Revenue on the Tax Policy Work Programme to ensure economically efficient and internationally competitive tax settings to meet government revenue requirements
- ▶ identify and implement system-wide improvements to the design and operation of the regulatory management system, including responding to the Productivity Commission report on regulatory institutions and practices
- ▶ lead cross-agency work that will underpin the development of the 2015 National Infrastructure Plan
- ▶ contribute to cross-agency work on the role that Auckland (and local government) can play in lifting economic growth and the priorities for government action in Auckland, and
- ▶ ensure best practice competition policy settings through review of section 36 of the Commerce Act 1986 and the upcoming review of the Telecommunications Act 2001.

## People Have the Skills and Support to Participate in the Economy

### What would success look like?

Public service agencies are working together to lift performance as demonstrated by the relevant Better Public Services (BPS) results.

#### *Medium-term success:*

- ▶ Ninety-eight percent of children starting school in 2016 will have participated in high quality early childhood education.
- ▶ Eighty-five percent of 18-year-olds have a National Certificate of Educational Achievement (NCEA) Level 2 or equivalent qualification by 2017.
- ▶ Fifty-five percent of 25–34-year-olds have a qualification at National Qualifications Framework (NQF) Level 4 or above by 2017.
- ▶ Reduce the number of people continuously receiving working-age benefits for more than 12 months by 30%.

#### *Specific 2014/15 objectives:*

- ▶ Ministers have confidence that welfare and education expenditure is delivering value for money, and that opportunities for improving expenditure and improving outcomes through more co-ordinated intervention across the welfare, education, justice and health agencies are being acted on.
- ▶ The Treasury, Ministry of Business, Innovation and Employment (MBIE), Ministry of Education and the Tertiary Education Commission (TEC) are working collaboratively together to lift the integration of skills development with labour market needs, including those of Māori and other priority groups.

The Treasury supports the implementation of interventions that reduce the long-term cost of welfare by enabling more people into paid work.

#### *Medium-term success:*

- ▶ Number of households with no-one working is less than it was in Quarter Four 2007; less than 12.7% of households.

#### *Specific 2014/15 objectives:*

- ▶ The Minister of Finance, the Work and Income Board and the Ministry of Social Development (MSD) view the external monitoring role as robust and adding value.

## People Have the Skills and Support to Participate in the Economy (continued)

### What will the Treasury do?

- ▶ Provide advice on how to, and support agencies in achieving a lift in, the skill outcomes from early childhood education, schooling and tertiary education, and how to support labour market outcomes for migration and welfare support.
- ▶ Support the detailed policy design and implementation of “Investing in Educational Success”.
- ▶ Manage the continued implementation of the investment approach through the Treasury’s external welfare monitoring role.
- ▶ Support greater use of administrative data to improve services to identify where opportunities exist for increasing the impact of government interventions in the skills and welfare areas.
- ▶ Develop strategies for supporting inclusive growth including addressing regulation of labour market settings and reducing variations in regional underemployment.

### What is an ‘investment approach’?

An investment approach is useful when decisions have long-term consequences. The success of a particular policy is then assessed, not in terms of the current expenditure, or even the short-term outcomes, but rather on the basis of outcomes over a long period of time.

In the welfare area, the assessment is based on changes to the actuarial valuation of the cost to the Government of the welfare system. This means the welfare system will have less focus on the short-term outcomes of those needing little help and will target resources where they are most likely to improve the long-term outcomes for people who need more help from the welfare system.

## Outcomes for Māori are Improved

### What would success look like?

Public sector agencies are successfully partnering with Māori and iwi on ideas and actions to support economic development. Service delivery to Māori is delivering better outcomes, particularly with regard to education.

#### *Medium-term success:*

- ▶ There is evidence of sustained growth in the Māori economy (as measured by the value, return on and productivity of Māori-owned assets; participation in export markets; and Māori employment).
- ▶ There is accelerated and sustained improvement in Māori education achievement (measured through Better Public Services targets).
- ▶ Mechanisms for recognising iwi rights and interests in natural resources are well integrated into regulatory frameworks for managing natural resources.
- ▶ Historical Treaty of Waitangi claims are settled and government and iwi are focused on strengthening economic and social outcomes.

#### *Specific 2014/15 objectives:*

- ▶ There is a stronger evidence base on, and understanding of, the Māori economy and its potential, and how government could contribute to growth.
- ▶ Economic and social agencies are working together and with iwi and other Māori organisations on ideas and approaches to improving living standards and the New Zealand economy.
- ▶ Public sector agencies are collaborating with each other and with Māori on opportunities to improve delivery of education services for Māori and Māori education outcomes.
- ▶ There is continued effective engagement with iwi on natural resource management regulation and mechanisms for recognising Māori rights and interests in natural resources.
- ▶ Historical Treaty of Waitangi settlements are fair, durable and affordable.

## Outcomes for Māori are Improved (continued)

### What will the Treasury do?

Work with others on opportunities to improve education outcomes for Māori and to realise the potential of the Māori economy; provide policy advice and support for achievement of fair and durable Treaty of Waitangi settlements, and resolution of Māori rights and interests in natural resources. Develop a stronger understanding of Māori perspectives and impacts and incorporate these into other policy advice where relevant. Specifically:

- ▶ work with the Ministry of Education, other education agencies, iwi and Māori organisations to:
  - make connections with thinkers and leaders in Māori education
  - identify current practices and systems that support successful Māori education outcomes and how they could be scaled up
  - identify further opportunities to progress changes that support successful Māori education outcomes
- ▶ work with MBIE and Te Puni Kōkiri to support the Crown-Māori Economic Growth Partnership, including:
  - significantly greater joint engagement with Māori enterprises, iwi and other Māori groups; and other economic development agencies such as Auckland Council's Māori economic development team
  - with Statistics New Zealand, identify the data needed and undertake analysis on the distinctive characteristics of the Māori economy, and
  - project the potential size of the Māori economy in the longer term (10/20/40 years) and the implications for policy now
- ▶ develop active partnerships and policy to support increased productivity of Māori assets and participation of Māori businesses in export markets
- ▶ provide support and advice on historical Treaty of Waitangi settlements, and
- ▶ work with the Ministry for the Environment and iwi leaders on ongoing clarification of Māori rights and interests in water and other natural resources.

## The State Sector Delivers Results for New Zealanders

### What would success look like?

The State sector system, sector and agency performance is improved; through greater cross-agency leadership and collaboration, use of clear results focused goals, and improved strategic financial and fiscal management. A greater customer- and population-based focus is taken to State sector management and reform. The State sector generates and uses information to support better decisions to drive performance improvements in the State sector and change State sector institutions and systems.

### Medium-term success:

- ▶ Government results are delivered and functional leadership in property, procurement and ICT delivers tangible benefits.
- ▶ There is a broad picture of how the State sector system is performing and how it influences end results for citizens (where measures are available).
- ▶ There has been a demonstrable lift in State sector productivity, efficiency and effectiveness (where measures are available).
- ▶ New purchasing models have been tested, such as contracting for outcomes, and are being implemented if they are producing better outcomes for at-risk population groups.
- ▶ Diverse service providers are introducing greater innovation with calculated risk-taking.
- ▶ Seventy percent of departments are assessed by central agencies as investment ready under Four-year Plans.
- ▶ Financial capability of agencies is assessed as higher as measured by the *Finance and Resources – Financial Management* rating in PIF whereby 90% of agencies are assessed as at least “well placed”.
- ▶ Value drivers for government agencies and value from expenditure are better understood.
- ▶ Agencies keep to agreed spending paths and measured future liabilities reduce in major expenditure areas.

### Specific 2014/15 objectives:

- ▶ Agencies are working more collaboratively to achieve cross-agency results and outcomes, and make services more accessible and responsive to individuals.
- ▶ Agencies are sharing information and lessons about how they purchase social sector services and more agencies are considering different approaches to contracting services.
- ▶ A contestable system for social housing is being implemented.
- ▶ Better information is available to Ministers for decision-making and is used by departments and central agencies for demonstrating and measuring agency performance.
- ▶ Insights from Analysis and Insights capability provide opportunities for improved results and high return on investment in at least two sectors.
- ▶ Ministers have greater confidence, based on supporting evidence, that expenditure is delivering value for money.
- ▶ More major sectors and agencies than in 2013/14 are assessed by central agencies as “investment ready” under their Four-year Plans.
- ▶ All new significant operating expenditure proposals received in the Budget process are subject to cost benefit analysis (or similar).

## The State Sector Delivers Results for New Zealanders (continued)

### What will the Treasury do?

Deliver robust fiscal and financial management to improve State sector performance. Specifically:

- ▶ provide advice on and work with agencies to improve the efficiency and effectiveness of expenditure in the priority sectors of health, justice, education and skills, and welfare
- ▶ provide advice on “controls and monitoring” and “outlook and sustainability” on all agency expenditure
- ▶ support the Government in delivering a budget in line with its fiscal strategy
- ▶ provide advice on affordability, future capability and value for money from the expenditure and operating business cases of government agencies, together with strategies for managing them
- ▶ provide advice on substantial State sector transformation programmes such as MBIE integration and Inland Revenue business transformation, and
- ▶ provide advice on efficient and effective Canterbury earthquake recovery procurement.

Undertake performance improvement initiatives designed to improve internal and external strategic financial management capability. Specifically:

- ▶ raise State sector strategic financial capability through the establishment of the Office of Government Accountant, and
- ▶ develop the Four-year Plan process so that departments take responsibility for assessing their investment readiness themselves and it is integrated with other key strategic activities such as the Statement of Intent (SOI) and Performance Improvement Framework (PIF) processes.

Monitor, assess and provide advice on the performance of the State sector system and how to improve performance. Specifically:

- ▶ provide advice from a system-wide perspective on State sector performance, including on results, delivery mechanisms and market design
- ▶ provide advice on the implementation of State sector system reforms, including functional leadership, collaborative funding and new opportunities for better management
- ▶ support new approaches to social sector contracting, including cross-government contracts, community-led service delivery, social financing, Whānau Ora and outcomes-based contracting
- ▶ generate better data for government decisions, to understand, reward and adapt performance; for example, through a central Analytics and Insights function and agreements on information sharing
- ▶ understand the incidence of government spending across the community
- ▶ provide advice on social housing reform options to grow the third sector and reconfigure Housing New Zealand Corporation (HNZC); work with MBIE, MSD and other agencies on Social Housing Reform Programme deliverables; advise on changes to HNZC to support competition and better performance, and
- ▶ support the transition to long-term arrangements in Christchurch in light of the expiry of the Canterbury Earthquake Recovery Act in 2016.

## The Crown Balance Sheet is Managed Effectively and Efficiently

### What would success look like?

The Crown balance sheet is managed effectively and efficiently with overall performance of assets and liabilities supporting the Government's medium-term objectives.

#### *Medium-term success:*

- ▶ Balance sheet targets are met and the Crown balance sheet is resilient to shocks.
- ▶ The composition and shape of the Crown's assets and liabilities are aligned with government's priorities.
- ▶ Appropriate financial, commercial and social returns and long-term value are achieved from the assets the Crown owns.
- ▶ The Crown's commercial and financial portfolio is performing to agreed benchmarks.
- ▶ Crown capital allocation aligns with medium-term government priorities.
- ▶ New investments deliver expected value for money.
- ▶ Entity risks are well understood and appropriately managed.
- ▶ Agencies have the appropriate level of asset management capability.
- ▶ Debt portfolio composition is optimised with regard to the Crown balance sheet.
- ▶ Borrowing targets are successfully completed within appropriate cost and risk parameters.
- ▶ Crown cash flows and financial risks are efficiently and effectively managed, operating within agreed limits and error rates.

#### *Specific 2014/15 objectives:*

- ▶ The Treasury's understanding of the consolidated Crown balance sheet has been strengthened, allowing better risk management.
- ▶ Collection and use of agreed asset and liability performance information is enhancing performance reporting and supporting better decision-making.
- ▶ The Treasury's understanding of the strategic positioning and financial performance of entities has been strengthened, providing a better platform to influence shareholders, entities and stakeholders.
- ▶ Ministers have confidence that major investments are monitored and governed appropriately to ensure value for money is delivered.
- ▶ Agencies comply with Cabinet's capital approval requirements and the Better Business Cases standard.
- ▶ The debt management marketing strategy reinforces investor confidence and broadens the investor base.

## The Crown Balance Sheet is Managed Effectively and Efficiently (continued)

### What will the Treasury do?

Monitor the performance of and provide policy advice on management of the Crown's balance sheet. Specifically:

- ▶ further develop metrics for Crown balance sheet asset performance and risk
- ▶ develop and implement a work programme following the publication of the *2014 Investment Statement*
- ▶ identify metrics and data collection needs for Crown balance sheet asset performance and risk measurement, eventually establishing a mechanism that collects, aggregates and analyses asset performance across the Crown balance sheet
- ▶ develop Crown balance sheet targets
- ▶ understand, analyse and manage Crown financial risks and contingent items, and
- ▶ increase the focus on the value and performance of the investment decision-making and management system.

Deliver commercial operations. Specifically:

- ▶ develop and begin implementing a pipeline of policy and strategic reviews in relation to the Crown's commercial portfolio
- ▶ develop new analytical tools, and new processes and products
- ▶ undertake board appointments, and
- ▶ execute commercial transactions as necessary.

Deliver a borrowing programme; and liquidity, market, credit and operational risk management. Specifically:

- ▶ plan, communicate and execute the borrowing programme within agreed cost and risk parameters
- ▶ manage the Crown's net cash flows and associated risks
- ▶ improve business continuity readiness, in preparation for unexpected events
- ▶ deliver technology solutions to provide capability, execution, risk management and control, and
- ▶ deliver services to the Local Government Funding Authority.

## The Economic Cycle is Managed so that Pressures on Interest Rates and the Exchange Rate are Moderated

### What would success look like?

Tax, product, financial and labour market settings and operation of fiscal policy do not unnecessarily amplify the business cycle. This will minimise how much work interest rates and the exchange rate have to do to keep the economy operating close to full employment, thus maximising the conditions for higher trend growth.

### *Medium-term success:*

- ▶ Fiscal policy has supported monetary policy by placing downward pressure on aggregate demand growth as measured by a range of indicators (such as spending to GDP, fiscal impulse).
- ▶ The Government's financial buffers have been strengthened, with core Crown net debt on track to be below 20% of GDP by 2020.
- ▶ Any positive operating balance surprises are used mainly to further strengthen the Government's balance sheet.
- ▶ A lift in both government and private sector saving rates contributes to higher national saving over time.
- ▶ Housing supply is more responsive to housing demand and house price growth is substantially lower than in the previous cycle, such that there is a moderate fall in the house price/income ratio.
- ▶ The increase in interest rates over the forthcoming economic cycle is smaller than it was during the 2000s.
- ▶ Assessments of exchange rate misalignment do not show material over- (or under-) valuation.
- ▶ Strengthened preventative measures are in place, and settings ensure a bank failure can be appropriately managed.
- ▶ Financial stability risks related to New Zealand are within the "normal range".

### *Specific 2014/15 objectives:*

- ▶ The operating balance excluding gains and losses (OBEGAL) returns to surplus in 2014/15, with fiscal policy settings having placed downward pressure on aggregate demand.
- ▶ Fiscal forecasts show further increases in the OBEGAL surplus beyond 2014/15, declining government debt and a continuation of negative fiscal impulses.
- ▶ Informed commentators (eg, the International Monetary Fund [IMF], OECD and credit rating agencies) endorse operation of macroeconomic policy and associated frameworks.
- ▶ Measures have been taken to reduce any remaining regulatory barriers to the supply of housing.
- ▶ Issues relating to banking sector failure management have been clarified and action is in train to strengthen institutional settings where appropriate.
- ▶ Crown agencies work collaboratively together and take a long-term view to maximise financial sector stability and the efficiency and effectiveness of capital markets.

## The Economic Cycle is Managed so that Pressures on Interest Rates and the Exchange Rate are Moderated (continued)

### What will the Treasury do?

Provide advice on macroeconomic, exchange rate and fiscal policy settings and frameworks; the housing market; the insurance sector and capital markets; migration; firm saving and investment behaviour; household saving behaviour; wealth accumulation and decumulation. Specifically:

- ▶ monitor and provide advice on fiscal settings
- ▶ assist the Minister of Finance to produce the *Budget Policy Statement* and *Fiscal Strategy Report*
- ▶ monitor and provide advice on macroeconomic stability and related issues, including the production of regular pieces of applied analysis (eg, rebalancing, fiscal/monetary policy interaction)
- ▶ lead and provide input into international processes such as reviews by the International Monetary Fund or credit agencies
- ▶ develop tools and methodology for better communicating uncertainty and risks around the fiscal position for incorporation into *Economic and Fiscal Updates*
- ▶ track post-crisis fiscal policy responses in other countries
- ▶ develop and make accessible through publication key quarterly fiscal data and existing data series
- ▶ provide advice on the Reserve Bank of New Zealand's (RBNZ) purchase, ownership and operational performance
- ▶ provide advice on the monetary policy framework
- ▶ monitor and provide advice on macro and macro-prudential policy settings
- ▶ provide advice on financial sector costs and risks and financial crisis governance
- ▶ monitor and provide advice on key issues influencing capital markets including the cost of capital that firms face and KiwiSaver
- ▶ provide advice on business saving and its link to firm investment behaviour and the wider economy
- ▶ prepare and publish the fourth *Statement on the Long-term Fiscal Position*, and
- ▶ work with agencies on a range of projects examining issues underpinning housing supply (incentives on councils, infrastructure, affordable housing).

Undertake macroeconomic monitoring, economic and tax forecasting. Specifically:

- ▶ produce *Economic and Fiscal Updates*
- ▶ monthly economic indicators, and
- ▶ monitor and report on domestic and international economic developments, including weekly economic updates and monthly reporting on tax revenue outcomes.

# Enabling and Supporting a Higher Performing Treasury

## A World-Class Treasury

The Treasury has a number of strengths. It has a reputation for providing frank and credible advice. It enjoys a high level of trust and confidence with Ministers. It is seen as a go-to agency to deliver on hard and complex issues.

At the same time, there are opportunities for the Treasury to make a greater contribution to raising living standards for New Zealanders. The most significant and pressing of these are outlined below.

## Influence, engagement and delivery

The Treasury has a unique position at the heart of government. To be effective, it needs to make the most of that unique position – to take a long-view of the issues, to join up perspectives, and to support effective delivery of policy solutions.

The Treasury's success depends on its influence; to make a difference it needs to provide policy advice that makes sense not just to decision-makers, but to people affected by the decisions. This requires an active and engaged approach to framing issues, having credibility with a wide range of stakeholders, and identifying practical solutions to help government meet the challenges facing New Zealand.

This focus on engagement and policy implementation is becoming a more embedded part of the Treasury's business, and there are good examples of this in practice. But this is a significant shift in the nature of the Treasury's business – in essence from being an "ideas" business, to being an "ideas, relationships and delivery" business.

## Leadership in economic policy

The Treasury's contribution to economic policy debate needs to be strong, given the significance of the economic challenges facing New Zealand.

This SOI identifies the challenges and opportunities facing the New Zealand economy. The Treasury has deliberately aimed to be both broader in perspective (with a greater focus on social and environmental aspects of living standards), and bolder and more concrete in policy implications.

The opportunity now is to work with other economic agencies and to support joined up advice to government and development of practical solutions.

This includes developing stronger relationships with key parties in the economy – business leaders, iwi, social partners, NGOs and others – to help craft real world policies that are most likely to improve New Zealand's prospects, and the opportunities and prosperity of New Zealanders.

## Leadership in better public services

This focus on engagement, collaboration and delivery also applies to the Treasury's role in leading better public services for New Zealanders.

This is about transforming the way public services are provided in New Zealand in order to get real traction on the outcomes that matter most for New Zealanders.

In practice it means:

- ▶ Deeper engagement with the community to understand their needs, how public services can work better, and the community's role in that.
- ▶ Deeper collaboration with departments and a sound understanding of their cost drivers and business models, what changes in activities and services are likely to positively impact on New Zealanders' lives, and practical advice to Ministers on the options open to them.
- ▶ Working with other central agencies and the functional leadership agencies to drive transformational change in the public service, by drawing on each other's respective strengths.
- ▶ Strengthening the Treasury's financial and Budget advice to drive changes in system performance, using its information and commercial capability to drive better service delivery, and developing the operational capability to support agencies to change their operating models.

## Excellence in core business

The Treasury needs to be excellent at its core business (see page 5). Key areas the Treasury is focused on are:

- ▶ Using performance information to better inform decisions to drive performance improvements in the State sector and to change State sector institutions and systems to get better outcomes.
- ▶ Taking a more active approach to managing value in the Crown's balance sheet. This calls for more careful attention to the quality of investment, and a more deliberate view about opportunities to add or extract value on behalf of taxpayers.

## Continuing to develop the capability to meet these challenges

Making the most of these opportunities will require an ongoing shift in the nature of the Treasury's business, and will require a continuing shift in capability for the Treasury – in leadership, in engagement, in diversity of perspectives, and in implementation skills.

The leadership focus – both internally and externally – is on painting a vision of what is possible, and inspiring others towards that. This applies not only to the senior leadership of the organisation, but to all leaders within the organisation.

This implies continuing to build in-house specialist expertise where it is needed, but more importantly, more emphasis on engagement, collaboration, and influencing skills, backed with high strategic agility to join the dots, and practical ability to get the job done.

It also implies openness to diversity of thought and perspectives.

The challenges are big, and the Treasury's success will depend on the quality of its people. The Treasury needs to broaden and strengthen its brand as employer of choice to attract and retain the capability it will need to meet these challenges.

## What Will Success Look Like?

In summary, success will mean the Treasury is a much more influential organisation because it genuinely engages with a range of key stakeholders within the State sector, across the economy and, more importantly, in communities.

The Treasury's strength is in its ability to take a whole-of-economy and whole-of-government perspective. A successful Treasury will connect the dots for Ministers and work in partnership with people to provide the best possible advice to Ministers on real-world solutions to improve living standards for New Zealanders.

Success in the future will mean Treasury staff are regarded as good listeners, intellectually curious and ambitious. The Treasury challenges but at the same time looks for opportunities to collaborate and supplement its knowledge and skills with those of others.

Because the Treasury values creative and innovative solutions, it will foster diversity of thought and experience, and an inclusive culture. This will help the organisation understand the environment and real-world challenges that affect all New Zealanders. Together with its partners the Treasury will have made significant shifts in some of the biggest, long-term issues for New Zealanders.

## What Will We Do to Achieve This?

The Treasury has an on-going programme of work focused on lifting its ability to have a positive influence and raise living standards for New Zealanders. This programme is focused on making the Treasury:

- ▶ more collaborative
- ▶ more outward facing
- ▶ better at our core business, and
- ▶ more productive.

This programme is under review following the 2014 PIF review of the Treasury. While this review might see some changes of emphasis, key initiatives include:

- ▶ embedding the Living Standards Framework in how the Treasury provides advice
- ▶ increasing external engagement
- ▶ greater co-production of advice with others
- ▶ improving the Treasury's ability to perform its finance ministry role
- ▶ improving our ability to deliver our commercial operations function
- ▶ improving efficiency through a programme of continuous improvement, and
- ▶ working more effectively with its central agency colleagues to provide leadership across the State sector.

## Diversity and Inclusiveness

Research shows that diversity of thinking is a key driver of performance in successful teams and organisations. In practice, this means actively seeking out different perspectives and ensuring different voices have an opportunity to be heard and make a meaningful difference to decision-making. Diversity of thinking in an inclusive environment leads to better quality ideas, analysis and advice.

The Treasury sees pursuing diversity and inclusiveness as a key way it can continue to lift organisational performance. A more diverse and inclusive culture will accelerate progress in all of the areas the Treasury has identified as priorities to make it more influential: it will help the organisation to be more collaborative and outward facing (through new connections to stakeholders and society), better at its core business (by helping to surface new perspectives and ideas), and more productive (again through new perspectives and ideas).

Over the coming year the Treasury's focus will be on creation of an inclusive workplace culture to help it effectively attract, retain and harness the depth and breadth of technical, management and leadership capabilities of a diverse culture.



*Visit the Treasury's Internet site at:*  
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