

The Treasury

Budget 2014 Information Release

Release Document

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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.



Reference: T2014/435

CM-0-6-2-1

Date: 12 March 2014

To: Minister of Finance (Hon Bill English)

Deadline: Before SOC meeting on 19 March

Aide Memoire: Redesign of MPIA Operating Model

The Minister of Pacific Island Affairs intends to lodge a paper for consideration at SOC on 19 March on the "Redesign of MPIA Operating Model". This briefing provides you with our view of the proposal, and the related implications for Budget 2014.

Context

The Chief Executive of the Ministry of Pacific Island Affairs (MPIA) has been considering making some fundamental changes to the structure and operating model of MPIA, in order to better support the achievement of its vision and strategic direction.

In the MPIA Four-Year Plan, a shift in the current operating model was signalled, [8]

Subsequently, MPIA has undertaken further work on the high-level design of its new operating model, and in the last few weeks has worked closely with Central Agencies on the upcoming Cabinet paper. This is intended to explain the changes that are occurring and note the financial implications. Though we did not support the earlier Budget initiative, we are now in a position to support a revised budget initiative (details of which are below).

Benefits and Risks of the New Operating Model

The main practical effect of the new operating model is a substantial shift in the roles, capability and location of staff at MPIA. The most significant change would be a larger presence in Auckland, where 67% of NZ's Pacific population resides. As a consequence, the Wellington presence would be smaller, consisting of a streamlined corporate services function and Ministerial and policy staff to drive MPIA's policy development.

The operating model is intended to enable:

- Improved engagement with Pacific peoples that will lead to better intelligence, greater understanding of issues, and an increased focus on partnering with Pacific communities and leaders
- An agile, relationship-based workforce connected to Pacific communities, and engaging through their preferred channels and in their preferred locations

- Ultimately, this cultural intelligence is intended to support better policy advice, which can proactively drive MPIA's agenda in supporting Pacific peoples

We consider that the primary benefit of these changes is that they will allow MPIA to drive its own proactive policy agenda based on strong community intelligence and a good understanding of the issues. Under the status quo MPIA's centralised model means that it doesn't understand the needs of Pacific people well because it isn't well-connected with Pacific communities. The consequence is that MPIA operates in a reactive 'second-opinion' manner as part of the policy agenda of other agencies.

[8]

Financial Implications

The Cabinet paper notes that the total change costs associated with the transition will be \$1.297 million. This includes \$0.515 million of capital expenditure, which will be funded off MPIA's balance sheet. In addition, \$0.162 million of the operating expenditure can be funded from current baselines.

The paper also signals that some new funding is being sought through the Budget 2014 process. The total funding being sought is \$2.180 million over the four-year forecast period, and \$0.390 million in 2017/18 and outyears. On reviewing MPIA's financial modelling we think that there is merit in providing this funding to enable the transition to proceed smoothly and remove some of the risks associated with a shift of this significance.

However, we acknowledge that set against the broader context of the operating allowance, this funding is discretionary. Without new funding, the transition could still occur, but would need to occur at a much slower pace as natural turnover of existing staff occurred. This approach may continue to prevent MPIA from doing its job effectively for a number of years, and would deplete the Ministry's cash reserves to low levels.

[7]

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