The Treasury

Budget 2014 Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[3] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[5] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

[6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[9] 9(2)(h) - to maintain legal professional privilege

[10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[13] Not in scope

[14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

Vote Finance:

Budget 2014 Four-year Plan Update

Overview

In the *Vote Finance: Four-year Plan* that I submitted for Budget 2013 I set out the challenges facing the Treasury and how it intends to meet these challenges. These challenges remain largely the same.

The environment the Treasury is working in is complex and likely to remain so requiring new approaches to generate real solutions. New Zealand continues to face the impact of the global financial crisis, the exchange rate remains elevated and will act as a constraining force on growth and rebalancing the economy, the drivers of global economic growth are changing, and the public service is faced with the significant challenge of delivering better public services within reducing baselines. The Treasury's challenge is ensuring it has the capability and ability to respond to these demands quickly, with sufficient pace, and work in a way that reaches solutions that will shift the results that Government is looking for. The Government is demanding action from the public service and I expect the Treasury to be at the forefront of delivering the Government's priorities and results.

The Treasury is a people business. How it deploys and uses its people is its biggest challenge. This includes how it maintains sufficient critical mass and capability in the enduring aspects of its business while also having the ability to surge resources where they are needed. It also includes lifting its capability in State sector leadership with the other central agencies and performance management (both performance of State sector agencies and of the balance sheet). This requires Treasury to be as influential as possible. The Treasury is committed to changing its culture by continuing to create a culture where there is diversity of thought, where it is integrated with real world experience, and it works with others to make a difference. Aligning staff to the Treasury values is important to achieving this shift.

At the same time as investment is needed to build and maintain this capability, the Treasury continues to face the challenge of a reducing baseline and increasing cost pressures.

The Treasury has a number of initiatives underway to address these challenges. These initiatives are outlined in the 2013 *Vote Finance: Four-year Plan*. The Treasury has made progress on these initiatives over the past year and will look to continue to focus on these objectives over the next three years.

The Treasury also noted in its 2012 Four-year Plan that there was a risk that the Mixed Ownership Model programme (now known as the Government Share Offers programme) might need additional funding and that a decision will need to be made on the future location of the New Zealand Export Credit Office (NZECO). With respect to these:

- It is unlikely that the Government Share Offers programme will require additional funding although a small risk remains (see page 6).

- The review of NZECO has been deferred for two years and funding is being sought through Budget 2014 to continue the operations in the Treasury until the review is completed. This is ultimately fiscally neutral, as NZECO generates a corresponding income stream for the Crown (which would offset the increased funding requirement for continuing to operate NZECO).

[7]

Refresh of Treasury's economic strategy

Over the last year the Treasury has been refreshing its economic strategy. This sets out the current state of New Zealand's economy and identifies what is needed to foster growth and prosperity. This work has been informed by the Treasury's Living Standards Framework and recognises that we need economic performance that contributes to the range of things that New Zealanders value. In particular, our strategic economic story has been broadened to include State sector performance and supporting economic and social participation. The Treasury will also be focused on reaching Maori potential, including Maori economic development and education outcomes.

The Treasury is considering what this means for its organisational strategy, including how we describe what we are seeking to achieve. The Treasury will determine what it will do to contribute towards economic growth and prosperity, and what its short and medium-term priorities are. This is likely to lead to a revised Four-year Plan next year.

Lifting capability in State sector leadership and performance management

Shared central agencies vision

The central agencies (the Treasury, State Services Commission [SSC] and the Department of the Prime Minister and Cabinet [DPMC]) have a commitment to work together as a 'corporate centre' for the State sector, and are working towards a shared outcome: A high performing State Sector that New Zealanders trust, delivering outstanding results and value for money.

Progress has been made over the last year in how the three central agencies work together. This includes the creation of three new teams to ensure that the agencies are operating collectively and providing overall system leadership and insight. These teams are:

- the *Performance Hub*: a co-located, central agency policy team, which was established in February 2013. The Performance Hub is tasked with monitoring the system's performance and advising on improving its performance.

- *Central Analysis and Insights*: a joint venture with cross-agency governance, to provide system-level analytical and reporting capability, which was established in 2013. We expect to see output from this function by July 2014.

- *Portfolio Performance Management*: a merger of different functions from across the Treasury and SSC relating to project investment. These functions include 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 high risk projects.

In addition the central agencies have agreed a set of shared priorities and have changed governance so that our second tier leaders are responsible for ensuring progress on these key priorities. A new Deputy Commissioner has been recruited to support the State Services Commissioner in his role of Head of the State Services.

The shared central agency priorities are:

- Transforming business models: Public service Chief Executives own the Four-year Plan process and Chief Executives and Ministers regard the plans as a useful planning tool to drive improvements in agency performance and decisions on prioritisation of activities. (Treasury lead)

- Leadership and Capability Development and Deployment (LCDD): The foundations of the new system-wide approach to leadership development and deployment are established. (SSC lead)

- Executive Performance: Performance agreements and assessment of Chief Executives' performance are aligned to delivery of the 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. (DPMC lead, Performance Hub supported)

- System Operating Model: A system operating model is developed[7] (Performance Hub lead)

- Communication and Engagement: Public service Chief Executives consider the central agencies are providing leadership and direction and are working alongside their agencies to deliver the BPS reforms. (SSC lead, Office of the Head of State Services)

- Risk Management: Ongoing monitoring (through mechanisms such as 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)

Ministry of Finance

In September 2013 the Treasury established a team to help drive performance improvement in the State sector. The "Ministry of Finance" team will work with Treasury's existing sector teams to build up the knowledge base and systems available for providing advice for Ministers. That advice will reflect a more in-depth understanding of cost drivers and pressures and performance information for different parts of the State sector and individual agencies, including the value-for-money of government spending. The team will complement the work that has also been undertaken on developing a graduate training programme (focused on strengthening core capabilities as people join the Treasury) and an initial set of common tools for use in sector teams. The cost of this work will be managed from within Treasury's existing baseline. The timing of this initiative may result in some of Treasury baseline needing to transfer from 2013/14 to 2014/15.

Management of the Crown's Balance Sheet

The Treasury aims to take a more active role in the management of the Crown's balance sheet. The Treasury team responsible will focus on aggregate risk exposures, returns and performance of all components of the balance sheet. The Treasury will also publish an Investment Statement in early 2014 that will set out how the balance sheet has evolved over time and highlight the importance of the balance sheet being managed well.

As this function expands, it will be necessary to capture data from a broad range of sources, determine a set of risk metrics to apply, analyse overall exposures and undertake transactions to manage the Crown risks. To achieve this, the team will utilise the functionality that is currently being developed by the Debt Management Office. This Business Information Hub programme of work will initially provide enhanced outcomes for the Debt Management Office core activities[1], but is being built with scalability as a key attribute, to enable risk management information to be captured and processed from sources such as Crown Financial Institutions, departments and SOEs. The Business Information Hub programme of work is using an agile method of development and that may require changes in funding between the 2013/14 and the 2014/15 financial years.

In recent years the Treasury has introduced improvements to managing the performance of the Crown's commercial and mixed objective interests. However, expectations are high for achieving better performance from the Crown's assets. In order to respond to these expectations the Treasury is undertaking a review of its Commercial Operations function over November to December 2013. The objective of the review is to develop best practice arrangements for the delivery of the Treasury's commercial operations portfolio for the medium-term.

Central Agency Shared Services (CASS)

Since the 2012 Four-year Plan was produced, CASS, which was established in March 2012, has continued to bed in. CASS has already delivered a number of system improvements (for example, implementing a single payroll system, monthly financial forecasting and making substantial progress on moving to a standard operating environment) with benefits including improved resilience, security and risk reduction. It has achieved its planned efficiency savings. System improvements are still underway and some of these projects are expected to experience movements in implementation timing requiring funding transfers from 2013/14 to 2014/15. In addition, all functions have maturity models and action plans to improve maturity. Some challenges still

[1] This has replaced the Matriarch Replacement initiative noted in the 2013 Four-year Plan.

remain, including how to prioritise across three agencies and how to deliver improvements while also maintaining services levels.

CASS is developing its long-term strategy which will include reviewing possible future operating models. The future direction of CASS partly depends on decisions made around the long-term operating model for corporate services across the State sector.

Strengthening the Treasury's Leadership Team

The Treasury's Executive Leadership Team has been reviewed and a decision has been made to reduce the team from ten to seven. This decision will come into full effect from February 2014. This will contribute towards the Senior Cohort Optimisation initiative noted in the 2013 Four-year Plan.

Delivery of the Workforce Strategy

The Treasury developed its Workforce Strategy in 2011 and revised and updated this as part of its 2012 Four-year Plan process. Actions to shift Treasury's workforce outcomes have included:

- *Developing analysts*: through a new graduate analyst programme with targeted training and a year-long coaching model to re-enforce skills development.
- *Ministry of Finance*: rolling out foundation training to support Treasury's Ministry of Finance role.
- *Maori perspectives and economy*: a new He Uru Whetu programme provides entry level understanding for staff.
- *Senior capability*: targeted training to develop newly appointed Principal Advisors as senior thought leaders.
- *Workforce planning:* developing plans by portfolio to determine workforce needed to deliver on the outcomes in the four-year plan.

The Treasury will need to review its Workforce Strategy in light of changes in the last two years such as the high level of competition for a limited talent pool of policy specialists, the need to develop more visible commercial career pathways, and the pressures financial constraints will put on capacity. The Treasury intends to produce an updated Workforce Strategy by October 2014.

Managing the Treasury's financial pressures

As noted in the 2012 Four-year Plan the Treasury needs to make productivity improvements and efficiency savings in order to be able to live within its baselines over the medium-term. The initiatives to deliver the efficiency savings are expected to be funded from within baselines. Therefore the Treasury proposes to transfer under-expenditure, primarily from personnel appointment delays to fund improvement initiatives. The identification of savings in order to fund improvement initiatives may result in a requirement to transfer funding from 2013/14 to 2014/15.

The underlying assumptions that were modelled for the 2013 Four-year Plan have not changed (these are outlined on page 17). This modelling also included managing the implications of the winding-down of the Mixed Ownership Model function. While the Treasury has taken on additional functions, all additional functions have come with new funding and therefore have only a marginal net impact on the Treasury's overall financial situation.

The Treasury has a range of productivity improvement and efficiency saving initiatives underway which are designed to enable the organisation to live within its baselines over time including:

- *Ministry of Finance* (see above): this initiative is designed to improve the productivity of this particular function within existing funding levels.

- *Enhanced project management*: the Treasury is developing and implementing a fit-for-purpose project management methodology.

- *Sustainability reviews*: the Treasury intends to undertake rolling reviews of each of its main functional areas to ensure that they are operating as effectively and efficiently as possible. The Macroeconomic function was the first to be reviewed and has already started implementing the findings of its review (including some structural changes) – full implementation may take up to two years.

- *Corporate Services Review:* A review was undertaken of the Corporate Services functions not in CASS. The review resulted in changes to the Treasury's communications and business support services which have generated savings of $0.370 million per annum. These savings along with the implementation of CASS, have contributed to a fall in administrative and support services costs as a proportion of operating costs, now at 9.89% (2012: 11.76%; 2011 15.88%]. This compares to the top performer across all agencies measured at 8.58% [Median 13.3%].

- *Continuous Improvement Programme*: The Treasury has established a Continuous Improvement Programme designed to make a fundamental and sustainable change in the way it works. The Programme focuses on 'hard' processes (e.g. improving economic and tax forecasting and OIA processes) and 'soft' processes (e.g. improving meeting skills, more effective prioritisation and decision making).

- *Accommodation Strategy:* The Treasury is developing its accommodation strategy. This aims to follow the goals and objectives of the Government National Property Strategy and Principles. It will outline guiding principles that support new ways of working and utilising space that support agility within a continually changing environment.

The Treasury is currently completing implementation of the Government Share Offers programme. As at 30 November 2013 one transaction (Genesis Energy) remained outstanding in the programme. The Treasury intends to complete this transaction in the first half of 2014 within the existing funding that has been provided. There is however a low risk that if this transaction is delayed beyond this timeframe, or if the transaction is designed in a different way than currently planned, that more funding could be required. The Treasury has been active at managing contracts with the suppliers to mitigate the risk that additional funding will be needed. The Treasury views this risk as acceptable as it is likely that any additional funding will be aimed at maximising proceeds from the transaction and thus improving the Crown's overall financial position.

Delivery of the Change Programme

All of these initiatives are co-ordinated as part of the Treasury's Change Programme, which aims to embed the Treasury's values and therefore improve its performance. The objective is to create a Treasury that is as influential as possible, that is outward looking, listens, moves to action, reaches solutions that integrate theory and practice, and encourages a diversity of thought.

The Treasury is seeking to lift its performance by changing its culture – how it goes about its business – so that the way all Treasury people work is aligned with the Treasury's values: bold and innovative; collaborative and challenging; adaptable and focused; passionate and ambitious. The Change Programme is currently focused around how the Treasury can become more collaborative, more outward facing, better at its core business, and more productive.

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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 CASS and enabling its key strategic outcomes. This will allow CASS to be in a position to assess the all-of-government 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 CASS's thinking to help the unit to see what it does on the web from the user's viewpoint. It ensures CASS delivers 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 the sharing and reuse of information across the central agencies. Initiatives scheduled to commence in 2014 aim to develop systems and processes to do so. To date CASS has:

- 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 CASS is cataloguing and reconfiguring its information systems to make identification of information easier and to ensure CASS captures the value that organisations place in information. This involves the development of common descriptive frameworks across the central agencies to describe information so CASS can assign value to it.

Data analytics are used to inform decisions

The central agencies have established an Analytics and Insights team to undertake advanced analytics on linked data sets held in Statistics New Zealand's Integrated Data Infrastructure (IDI). The team will promote the development of analytical capability across the public sector, working on joint ventures with partner agencies. An initial work programme has been developed, including the development of a "citizens' pathway through human services" and collaborative projects with the Ministries of Education and Justice. A further piece of work involves working with the Ministry of Health to determine the best means of using health data in the IDI environment.

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 2012/13 and the current 2013/14 Programme of Work has been consolidation and standardisation including Human Resources Information System integration and Financial Management Information System consolidation. The CADP programme completed 29 projects and significant enhancements. This will help to accelerate the uptake of all-of-government services such as Infrastructure-as-a-Service[2].

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:

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[2] New Zealand Government Infrastructure-as-a-Service is a vendor-hosted and managed solution that enables agencies to buy their computing infrastructure, on demand, from approved providers.

- 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, 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.

- 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

- Analytics and Insights

- [7]

- Machinery of Government changes - e.g. Ministry of Civil Defence and Emergency Management moving from the Department of Internal Affairs to DPMC.

Risks

Strategic & Operational Risks

The main organisational risks that the executive are focusing on are set out below. These are all considered high impact risks for the Treasury.

Risk	Mitigating Strategies
Capability Risk that the Treasury fails to attract and/or retain sufficient numbers of people with appropriate skills and experience. Risk that the Treasury fails to achieve an appropriate range of diversity.	The mitigating strategies include: • A Workforce Strategy supported by detailed Workforce Plans. • Review of the remuneration strategy to address high risk areas and identify markets trends which may be having an impact on the Treasury's ability to attract and retain talent. • Review of the Treasury's Diversity and Employee Value Proposition strategies, which will have a focus on identifying alternative channels for attracting talent to the Treasury, and what makes it attractive for someone to join the Treasury and remain with us. The work on this will also feed into the Treasury's review of its recruitment strategy.
Prioritisation Risk that Treasury does not successfully focus on the initiatives and work programmes that will have the most impact on the achievement of the Treasury's outcomes, resulting in sub-optimal delivery, lack of impact, and / or undue work pressures on staff.	The mitigating strategies include: • Quarterly prioritisation discussions with Minister, which involves agreeing clear 3-6 month milestones and an assessment of progress to date. • Categorisation of resources through the planning process provides greater transparency of trade-offs that inform ELT prioritisation decisions. • The revised economic strategy will be used to inform the Treasury's prioritisation processes over the next few years. • Reallocation of resources across the four year baseline.

Risk	Mitigating Strategies
<u>Business Continuation Plan/Disaster Recovery Plan</u> Risk that the Treasury is not sufficiently resilient in the event of a disaster or crisis event (ie, cannot respond or recover sufficiently to manage associated financial, reputational and/or health and safety risks).	The Treasury has recently reviewed and is in the process of updating these plans. This includes: • Clarity on levels of service and timeframes in the event of service. • Having effective communication channels with staff. • Pooling of resources with central agencies and other agencies. • Having out of region systems recovery procedures.
<u>Corporate Centre</u> Risk of lack of clarity and credibility in relation to Corporate Centre role and brand leads to: i) loss of the required commitment within central agencies; ii) loss of influence on, and loss of support from, the State sector to deliver Ministers' ambitions for state sector reform.	The Treasury is working with SSC and DPMC on giving effect to identified Corporate Centre priorities. The mitigating strategies include: • Providing leadership through the appointment of a new Deputy Commissioner to oversee the Corporate Centre activities. • Providing system leadership and performance monitoring through establishment of Performance Hub, Central Analytics and Insights and Portfolio Performance Management teams.
<u>Ministry of Finance</u> Risk of a lack of clarity regarding expectations and ambitions associated with the Treasury's "Ministry of Finance" functions and what it means in practice for staff. This could result in reputational damage to the Treasury and sub-optimal achievement of outcomes.	As outlined earlier the Treasury will address the clarity risk by establishing a team to support those teams who do performance management. This team will work alongside sector teams to help build up and analyse performance information, and it will develop the tools and frameworks for these teams to use.
<u>Change Management</u> Risk that there is a loss of focus of the Change Programme.	• Clarity on purpose and main areas of emphasis of the Change Programme (reference is made to areas of focus highlighted previously in this document). • Ensure effective communication strategy with staff.

Resilience

The action taken as a result of recent experiences has strengthened the Treasury's overall resilience to withstand and recover from natural, economic and fiscal shocks. This has included enhancing the Treasury's disaster response and recovery plan and working closely with the Reserve Bank to manage financial crisis.

Applying the definitions provided, the Treasury's resilience level would be at level 3 (resilient to some eventualities, but need strengthening in some areas within risk appetites). However, this should increase to level 2 (resilient to most eventualities, mainly within risk appetites) by 30 June 2014 when systems to support a comprehensive disaster response and recovery plan have been put in place and properly tested.

Risks to the sustainability of the 4YP beyond 2017/18

As outlined above the Treasury is undertaking a number of actions designed to ensure that it is sustainable beyond 2017/18 with a particular emphasis on improving the Treasury's efficiency and productivity. The Treasury is confident that, through taking these actions and through active monitoring of any risks to the Treasury's longer-term sustainability that might arise, the Treasury will continue to be sustainable over time.

The following planning assumptions were made in the Treasury's 2013 Four-year Plan and therefore represent risks should they not hold true:

- The Treasury will generate savings of $2.200m by 2016/17 ($0.300m pa cumulative efficiency savings and $1.000m in consultancy expenditure)
- The Treasury's vacancy lag remains at 7.5%
- The Treasury's workforce shape remains similar to its current shape
- Remuneration costs increase by 2% per annum

The Treasury's People and Resources Committee has been charged with monitoring how it is tracking against these assumptions along with any other risks that might arise.

Government priorities

Delivering Better Public Services

The Treasury, 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 central agencies' strategy is the delivery of a set of priority initiatives:

- Transforming business models.
- Leadership and Capability Development and Deployment (LCDD)
- Executive Performance
- Functional Leadership
- System Operating Model
- Communication and Engagement
- Risk Management

Alongside the functional leadership priority, the Treasury has been reviewing the performance of the finance function and has identified a series of initiatives for improving efficiency and effectiveness through adopting shared services for transactional finance (this project is known as Optimise Finance). The next stage of this project, business case development, has been placed on hold while an overarching multifunctional shared services strategy is developed.

In addition to the business case and strategy work, the Optimise Finance team has worked with the GCIO to develop an FMIS roadmap, and it has worked with the Chief Accountant to identify interventions for better strategic finance across government.

The Treasury considers that the delivery of the Better Public Services reform to be part of its core business, in particular the support it provides agencies in delivering the reforms. The key changes that the Treasury has made in support of the Better Public Services are the establishment of the Performance Hub and the Insights and Analytics teams. The cost of these is as follows:

$m	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Resources committed by the Treasury	3.352	3.690	3.711	3.655
Resources committed by SSC	2.245	2.167	2.206	2.246
Capital Spend	0.120	-	-	-

Canterbury rebuild

The central agencies are working with the Canterbury Earthquake Recovery Authority (CERA) on a range of earthquake-related issues. These include the development of advice on whole-of-government procurement processes and capital-works programme, the monitoring and evaluation of the recovery and rebuild, and the resolution of insurance issues. The central agencies also support CERA in its role as convener of the Canterbury Chief Executives Forum and support its engagement with other agencies to ensure they identify their Canterbury rebuild activities in their four-year plans.

Since shortly after the Canterbury earthquakes the Treasury has had a dedicated team focused on supporting the Canterbury rebuild process, although other parts of Treasury (for example, the Education and Health teams) also devote significant effort to the Canterbury recovery. These teams provide advice on policies and institutions to support the rebuild of Christchurch and to ensure there are no unjustified policy blockages. The dedicated team has the following budget:

$m	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Resources committed	0.790	0.780	0.682	0.685
Resources reallocated across agencies				

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

Alongside its central agency role the Treasury is also the Government's lead economic advisor. As part of this role the Treasury has joint responsibility for the Business Growth Agenda (BGA) along with MBIE. The Treasury also provides a broad stream of advice to the Government on how to build a more productive and competitive economy, which includes advice on infrastructure, capital markets, natural resources, innovation, export markets and skills. The Treasury's strategy for this is set out in the Treasury's *2013 Statement of Intent* under the Treasury's *Improved Economic Performance* outcome.

The Treasury considers that this advice is largely part of its core business and any BGA work leverages off this.

Initiative Name	Vote	Department	Contact Person
NZECO funding extension	Finance	The Treasury	Chris Chapman

Describe what this funding request is for and what the expected results from this spending are.

This appropriation is to enable the Export Credit Office (NZECO) to continue to deliver its existing suite of products, in support of New Zealand exports, and the internalisation and competitiveness of New Zealand exporters.

Describe how the expected results will be measured.

NZECO's performance is measured against a range of results including:

- Number of polices issued
- Value of export transactions supported
- Cash Received
- Claims Paid

NZECO's premiums are set at a level to cover operating costs and future claims over the long term.

Budget 2014

Funding Sought at Budget 2014	**2014/15** ***$0.000m***	**2015/16** ***$0.000m***	**2016/17** ***$0.000m***	**2017/18** ***$0.000m***
Operating				
Operating funding sought	2.564	2.564		
Capital				
Capital funding sought				

Funding Sought at Budget 2014 – Non Department	**2014/15** ***$0.000m***	**2015/16** ***$0.000m***	**2016/17** ***$0.000m***	**2017/18** ***$0.000m***
Operating				
Operating funding sought				
Capital				
Capital funding sought				
Revenue				
Revenue forecasts	3.593	3.558		

Describe how, if the funding sought represents the total amount required for the initiative - and if not, what the total is and where the additional funds are coming from:
This funding is in addition to the fixed $1.067m appropriation for the operation of NZECO's export credit guarantee product (refer Cabinet Paper – EGI (10) 271 dated 18 November 2010). The total NZECO appropriation is $3.361m. This appropriation is fiscally neutral, with expenditure having a corresponding increase in revenue.
Describe if this initiative might require additional funding in future years:
Yes. This funding request is to roll-over funding until an evaluation of NZECO is undertaken (as required under the above Cabinet minute). Once that review is undertaken additional funding is likely to be sought.
Describe how this new funding request supports the Governments priorities:
NZECO's product range and operation supports the Government's priority to grow New Zealand exports and support the internationalisation of New Zealand firms.
Describe how this new funding request aligns with your Strategic Direction and delivery thereof, as described in your 4YP:
NZECO products and services help to increase exports that otherwise would not have occurred owing to constrained access to trade finance or appropriate risk mitigation techniques. This contributes towards the *Internationally Competitive Environment* intermediate outcome of Treasury's Strategic Direction.
Describe why this new initiative cannot be funded within baselines:
The operation of NZECO is a fiscally neutral activity where the operating costs are offset by non departmental revenue. It is appropriated within Vote Finance with the provision of time-limited funding until 30 June 2014 (refer Cabinet Paper – EGI (10) 271 dated 18 November 2010) related to the delivery of an extended product suite. Funding beyond this date was dependent on an evaluation of NZECO. This year, the Minister of Finance, at Treasury's recommendation, agreed to defer this NZECO review for another two years to enable it to more effectively evaluate NZECO's delivery of its products. This activity cannot be funded from within Treasury baselines due to other financial cost pressures which are outlined in the four year plan.
Describe what other activities are already being undertaken, either within your agency or across the State sector, to address the issue this new funding will look to address:
NZECO's activities complement the range of Government's Business Growth Agenda initiatives to help Build Exports, and Build Capital Markets. NZECO has many examples of how its support of a firm resulted in a private insurer or bank subsequently stepping in to provide similar support.
Describe the implication if this funding is not approved:
NZECO will be unable to continue to effectively deliver its extended product range.
If partial funding of this initiative is an option, please describe how partial funding might work:

Initiative Name	Vote	Department	Contact Person
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