

The Treasury Statement of Intent

July 2017 – June 2021

Published on the Treasury website:

<http://www.treasury.govt.nz/publications/abouttreasury/soi/2017-21>

ISBN 978-1-98-853458-9 (Online) 978-1-98-853457-2 (Print)



This work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms.

To view a copy of this licence, visit <https://creativecommons.org/licenses/by/4.0>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the *Flags, Emblems, and Names Protection Act 1981*. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Contents

Minister’s Foreword	2
Chief Executive’s Statement.....	3
Overview of our Statement of Intent.....	4
Our Strategy – at a glance.....	5
Our Context	6
▶ Our Core Functions and Responsibilities	6
▶ Our Ministers and Stakeholders	6
▶ Global Trends	7
What will we do?.....	8
▶ Our Vision	8
▶ Our Mission.....	8
▶ Our Business Objectives	8
▶ Our Strategic Priorities.....	8
Priority One: Intergenerational Wellbeing.....	9
Priority Two: System Stewardship	10
Priority Three: Performance Reporting	11
How will we work?	12
▶ Our Foundations	12
▶ Our Critical Capabilities	13
▶ The Living Standards Framework.....	14
▶ Our Values	15
▶ Diversity and Inclusion.....	15
How will we measure our success?	16
▶ Outcomes Framework	16
▶ Higher Living Standards for New Zealanders.....	17
▶ Economic Performance	17
▶ State Sector Performance	18
▶ Crown Fiscal Performance	18
Strategic Risks and Implementation.....	20

Minister's Foreword

This Government's economic strategy has at its core our goal to improve the living standards and wellbeing of all New Zealanders through productive, sustainable and inclusive growth. We have made a clear choice to put the wellbeing of all New Zealanders at the heart of everything we do.

Strong economic growth is important, but is not an end in itself. We will be striving for an economy with a purpose – to give all New Zealanders a share in prosperity and the opportunity to have lives of dignity, security and hope. This includes unlocking the growth potential of all our regions. We are also embarking on an exciting path to a net zero carbon economy by 2050 and this will help guide our policy work.

The Government's transformational policy programme is committed to resolving the greatest long-term challenges for this country. It will deliver a stable and growing economy which is fair for all New Zealanders. The recently released Budget Policy Statement and the Treasury's Half Year Economic and Fiscal Update in December 2017 show we can deliver on our promises while running sustainable surpluses and paying down debt.

Our Budget Responsibility Rules are an important part of our framework. We will show that we can make substantial positive differences to living standards, at the same time as being fiscally responsible.

Our wellbeing focus means we will measure our progress as a Government differently. I have instructed the Treasury to accelerate the application of the Living Standards Framework to their policy and financial advice, and I am pleased to see that the Framework sits at the heart of this Statement of Intent.

As the Government's lead advisor on economic and financial policy, and as one of the central agencies providing leadership across the public sector, the Treasury has a vital role in the successful implementation of the Government's policy programme. This Statement of Intent shows how the Treasury will support the Government's priorities.

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 Grant Robertson
Minister of Finance

Chief Executive's Statement

This Statement of Intent sets out how we will go about our work in pursuit of our vision: to be a world-leading Treasury working towards higher living standards for New Zealanders. Our ambition is to integrate a broader conception of economics and value into the everyday work of public policy and finance.

The Treasury is entrusted with many important functions and responsibilities. We are the Government's lead economic and financial advisor. We provide advice to the Government on its overarching economic framework, on its fiscal strategy and on achieving value for money from its investments. We implement government decisions and are also responsible for the Financial Statements of the Government, for ensuring effective management of the assets and liabilities on the Crown's balance sheet, and for publishing economic and fiscal forecasts. Our Statement of Intent defines the three overarching areas in which we will focus our efforts over the next four years to help us achieve our vision – intergenerational wellbeing, system stewardship, and performance reporting.

Embedding the Living Standards Framework is fundamental to our Statement of Intent. It takes into account the growth, distribution and sustainability of natural, human, social, and financial/physical capital to increase living standards for New Zealanders. The Living Standards Framework helps us to holistically assess trade-offs and value, and generates a broader conversation about what contributes to raising the standards of living of New Zealanders.

All of our work is done in the spirit of service. Alongside our public sector colleagues, we believe in the importance of a trusted, professional, public service: our stewardship responsibilities embody kaitiakitanga; we work to support the Treaty of Waitangi partnership between the Crown and Māori; and we are transparent, objective, impartial and free and frank in our advice.

Fulfilling the ambitions outlined in this Statement of Intent will, without doubt, be a strong test of the Treasury's capabilities. We look forward to the challenges and opportunities the next four years will bring, and to delivering on our vision to be a world-leading Treasury working towards higher living standards for New Zealanders.

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

Overview of our Statement of Intent

Our Statement of Intent outlines what we do, how we will work and how we will measure our success – to achieve the greatest results we can for New Zealand.

Our Statement of Intent is based on the importance of critically analysing and evaluating the value created by all current and proposed Government investment, to support the Government to make deliberate and transparent trade-offs that achieve sustainable and equitable increases in New Zealand's collective wellbeing.

The status, growth and distribution of the Four Capitals – natural, human, social, and financial/ physical – and wellbeing indicators for New Zealand will be fundamental in our analysis, evaluation and management of allocated resources. We must understand the trade-offs New Zealanders are willing to make to live the lives they value, know which economic levers, incentives and institutional settings work best together to achieve the outcomes sought, and monitor and report against the Four Capitals and the wellbeing indicators for New Zealand.

We need to better understand what government spends, what spending does and does not achieve, and how to invest to make a difference. We need to understand how the State sector system operates and enable cross-agency collaboration and delivery. We need an increased focus on outcomes – tracking the value delivered by the Crown's capital and operating expenditure and evaluating the performance of programmes, agencies and projects. Furthermore, we must continue to strive for better results for populations and individuals, knowing that given the diversity of our people and cultures, one size does not fit all. These aspirations are not small. The development and execution of our ambition in this space is integrated into our strategic priorities.

We need to ensure our resources and practices are more focused on the important and proactive, rather than the urgent and reactive. By strengthening our connections with others, and drawing on the work of multi-disciplinary experts throughout New Zealand and around the world, we will maximise coordination and minimise duplication.

Our Statement of Intent responds to the need for us to:

- be proactive in addressing the confluence of global and domestic issues affecting economic, social and environmental conditions
- work at the forefront of economic thinking, integrating foresight practices and insights to identify and manage the opportunities for, and risks to, New Zealand's intergenerational wellbeing on a sustainable and shared basis
- increase resilience in New Zealand's economic and fiscal position to cope with potential shocks – domestic and international
- ensure the public sector system is fit for purpose, meets the needs of all citizens and delivers outcomes for New Zealanders
- lift accountability for performance and evidence of delivering impact across the State sector
- spur ourselves and other agencies to be more open, accountable and responsive, and
- work with others to strengthen the Treaty partnership between the Crown and Māori.

Our Statement of Intent at a glance

The following page outlines the key elements of our Statement of Intent.

We have identified three strategic priorities to guide us in aligning and prioritising key programmes of work. These strategic priorities reflect our emphasis on supporting government investment in the right things, and monitoring the creation of value to improve the wellbeing of all New Zealanders now and in the future. Our objectives ensure we are measuring our success on the right things, as set out in our outcomes framework (page 16). Our success as a high-performing Treasury requires excellence from our foundational functions and critical capabilities. We stand by our values and seek to embed diversity and inclusion in who we are and what we do.



Our strategy – at a glance

Higher living standards for New Zealanders

Our business objectives

The Economy

Fiscal, monetary and regulatory frameworks result in a stable and sustainable economic environment.

State Sector

Institutional and regulatory settings support the State sector system to increase equitable, intergenerational wellbeing.

Crown Finances

The Crown's finances and the financial and non-financial balance sheet are managed efficiently, effectively and sustainably

Our strategic priorities

Intergenerational Wellbeing

System Stewardship

Performance Reporting

Our critical capabilities



Our Context

Our Core Functions and Responsibilities

The Treasury's statutory and operational responsibilities are wide-ranging and we administer significant legislation on behalf of the Minister of Finance. Our primary legislative imperatives are the Public Finance Act 1989 (PFA), State Owned Enterprise Act 1986, Crown Entities Act 2004, State Sector Act 1988 and all legislation relating to the annual budget. The Treasury's core statutory and operational responsibilities include:

- Lead economic and financial advisor to the Government and steward of the public sector financial management and regulatory systems
- Manage State sector and public finances
 - Manage the Government's balance sheet
 - Produce the Investment Statement
 - Manage the Budget cycle and produce the Budget
 - Produce the Government's monthly and annual financial statements
 - Produce economic and fiscal forecasts
 - Produce the Long-term Fiscal Statement
- Develop tax strategy
- Manage investment and asset performance
- Provide commercial policy advice and execute commercial transactions
- Manage government borrowing requirements and associated financial market activities – cash management, Crown lending, capital markets advice and risk management (New Zealand Debt Management Office)
- Provide financial guarantees and trade credit insurance (New Zealand Export Credit Office)
- Central agency role – alongside the Department of the Prime Minister and Cabinet (DPMC) and the State Services Commission (SSC) – providing State sector leadership.

Our Ministers and Stakeholders

The Government

We must remain agile and responsive to the priorities of the Government, while still taking care of our stewardship responsibilities and ensuring we maintain our ability to serve future governments. Ensuring we have a good understanding of what our ministers need and want is critical to the Treasury's success. We need ministers to have confidence that we can consistently deliver quality advice and practical solutions. Their confidence is indispensable to our influence and impact.

State Sector

The Treasury has a key role in supporting the interconnected parts of the State sector system to operate effectively. New Zealand's State sector and public financial management settings are well respected internationally, however, there is opportunity to improve system settings to better ensure public services meet all citizens' needs and deliver value for money. In particular, over the last 30 years, the sector has become a complex mix of vertical and horizontal accountabilities, creating a need for the Treasury to lead work to simplify the planning and reporting requirements of government. Stakeholders look to the Treasury for leadership and support to improve the performance of the State sector in raising New Zealanders' wellbeing.

New Zealanders

We aim to do more to put people at the centre of decision-making. We need to know and understand what New Zealanders want and value and the trade-offs they are willing to make to achieve increases in intergenerational wellbeing. Stakeholders want the Treasury to be more active in shaping the economic debate within New Zealand. We need to engage with stakeholders more widely and with greater confidence.

Māori and Iwi

Better leveraging of the relationships between iwi, other Māori groups and the Crown is critical to enabling economic and social development not only for Māori but wider New Zealand. The maturing governance and strength of the Māori economy creates opportunities for new Māori alliances and coalitions, as well as greater participation in decision-making. Engaging well with Māori means knowing how to apply Treaty of Waitangi principles, as well as principles derived from Te Ao Māori, to the practices and frameworks we use in our work.

Māori values and perspectives broadly concur with the holistic view of capitals in the Treasury's Living Standards Framework, and with the importance of stewardship of resources and intergenerational wellbeing. The Treasury has a responsibility working with others to assess the effectiveness of the State sector's service delivery to Māori and to improve intergenerational outcomes for Māori.

Global Trends

The Treasury operates in a dynamic domestic and international environment that can significantly impact what we do and can achieve. Our Statement of Intent takes into consideration this constantly changing operating environment and the challenges and opportunities it presents. We must be proactive, resilient and adaptable. We must listen to and understand New Zealanders as events in the world challenge established norms.

Technological change is impacting the way New Zealanders live and work, as well as changing how citizens interact with governments, and raising the expectations they have for services. We must put New Zealanders' wellbeing at the centre of our thinking.

Some global challenges and what they might mean for New Zealand:

Climate change: rising sea levels, extreme weather events, natural resource stress and environmental degradation impacts our pastoral industries, coastal populations and infrastructure, and creates competition for resources.

Urbanisation and population growth: pressure on housing supply and prices, infrastructure and transport challenges the provision of State sector services and local government funding models.

Disruptive technology: new technologies, artificial intelligence, robotics and disruptive services impact the nature of work, education, regulation, national boundaries and cyber-dependency.

Individual aspiration and empowerment: citizens who expect greater choice and control over their lives, and show rising levels of distrust in the establishment, will demand greater participation in decision-making, more responsive policies and institutions, and new socially responsible business models.

National and International Stakeholders

Becoming more outward facing has been a priority for the Treasury in recent years. We strive to be highly connected, bringing together expertise and work done internationally, nationally and within agencies to maximise coordination, minimise duplication and ultimately develop better advice. We need strong relationships with a global community of thinkers, policy makers and influencers to find new solutions to long-standing systemic and cross-cutting issues, and to unlock innovative ways to achieve better outcomes for New Zealand. We also have a distinct role to play in New Zealand's relationship with trading partners and the multilateral institutions that shape regional and economic policy. We know that to deliver tangible improvements in public services and better outcomes for New Zealanders, we need to find better ways to work with others – including public service agencies, communities, businesses, not-for-profits and experts.

What will we do?

This section of our Statement of Intent focuses on the story of ‘what we do’ – comprising our vision, mission, role and purpose, and strategic priorities. It articulates where we need to focus our efforts over the medium term to deliver on our vision.

Our Vision

A world-leading Treasury working towards higher living standards for New Zealanders.

We have reconfirmed our commitment to our vision – lifting living standards for New Zealanders. We do not judge how people should be living their lives – we focus on expanding the opportunities and capability of people to live the lives they value.

Our success will be demonstrated by improvements in a selected set of living standards indicators for New Zealand. The Treasury is not directly responsible for these indicators but they will help us to define and measure progress toward our vision. We are developing these on the basis of the OECD Better Life Index (see more on page 17).

We will continue to expand our use of the Treasury’s Living Standards Framework to ensure our work considers the growth, distribution and sustainability of the Four Capitals to increase living standards for New Zealanders (see more on page 14).

Our Mission

We are the Government’s lead economic and financial advisor. We provide advice to the Government on its overarching economic framework, on its fiscal strategy and on achieving value for money from its investments. We implement government decisions and are also responsible for the Financial Statements of the Government, for ensuring effective management of the assets and liabilities on the Crown’s balance sheet, and for publishing economic and fiscal forecasts.

Our mission outlines our reason for being, and the value we contribute.

Our Business Objectives

- Fiscal, monetary and regulatory frameworks result in a stable and sustainable economic environment
- The Crown’s finances and the financial and non-financial balance sheet are managed efficiently, effectively and sustainably
- Institutional and regulatory settings support the State sector system to increase equitable, intergenerational wellbeing for New Zealanders.

Our objectives measure our success in relation to our mission. They are measures the Treasury is more directly responsible for. These are further discussed in ‘How will we measure our success?’ (page 16).

Our Strategic Priorities

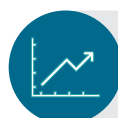
We have identified three Strategic Priorities that will help us to meet our strategic objectives and achieve higher living standards for all New Zealanders. We will intensify our work and align our skills and resources according to our strategic priorities over the next four years or more.



Intergenerational Wellbeing



System Stewardship



Performance Reporting

Priority One: Intergenerational Wellbeing



What will this look like?

- We know what future we are aiming for – identifying the opportunities for, and risks to, New Zealand's intergenerational wellbeing and integrating these perspectives into a cohesive and holistic economic strategy to guide New Zealand and the State sector.
- We use the growth, distribution and sustainability of the Four Capitals to transparently and deliberately advise on the allocation of resources and trade-offs required to improve intergenerational wellbeing.
- We have a National Balance Sheet to manage all current and future financial and non-financial resources for the New Zealand Government, which incorporates the contributions of the Four Capitals and protects the Crown's long-term net worth.
- We believe in an open and transparent government and in understanding the values and perspectives of New Zealanders through public engagement.

Areas of focus to achieve this:

- **Foresight**
 - Identify the opportunities for, and risks to, New Zealand's intergenerational wellbeing. Integrate findings into our advice on New Zealand's economic strategy.
 - Engage widely to influence and learn from others, to bring global perspectives to our work, challenge our thinking and open up informed policy discussion and debate.
- **Four capitals**
 - Advance our understanding of the status, growth and distribution of the Four Capitals, to advise on current and proposed expenditure.
 - Develop a National Balance Sheet to manage all current and future financial and non-financial resources for the New Zealand Government.
- **Wellbeing indicators**
 - Identify the appropriate indicators of wellbeing for New Zealand and track their performance.
 - Develop an approach to understand what constitutes wellbeing for New Zealanders, and the choices and trade-offs they are willing to make to achieve sustainable and equitable improvements in wellbeing.

Priority Two: System Stewardship



What will this look like?

- Our public sector financial management system supports government to make informed and strategic decisions about investing resources to enhance intergenerational wellbeing.
- As the steward of the public sector financial management system, we collaboratively and critically evaluate proposed and baseline expenditure and monitor the realisation of benefits.
- We have a strong capability for reviewing the analysis on which investment proposals are based and forming a view on the worth of proposed expenditure.
- We have a deep understanding of systems and the State sector as a whole and have networks of connections with multidisciplinary expertise.
- We encourage new models of State sector delivery focused on better long-term results for users and recipients of government services and taxpayers. System design supports flexibility, collaboration and new approaches to delivering value.
- The State sector has a shared understanding of how to value its investments.
- Information is transparent, accessible and user-friendly – empowering those within and beyond the State sector.

Areas of focus to achieve this:

- **Public sector financial management system**
 - Ensure the Crown financial operating model is fit for purpose and operates effectively to deliver better long-term results for all New Zealanders.
 - Develop best practice cross-discipline or portfolio arrangements and incentives to encourage agencies to work collaboratively across silos with a focus on New Zealanders.
 - Develop new approaches for commercial portfolio capital allocation, to ensure greater alignment between principal and agent interests.
 - Work with Māori and other agencies to address issues that lead to disadvantage for Māori in the commissioning and delivery of public services, including identifying opportunities to draw on Māori perspectives to improve public service delivery; gathering and using data about population outcomes and aspirations to inform priority-setting; and partnering with Māori communities to support delivery of interventions.
- **Budget reform**
 - Enable the Budget process to better support intergenerational wellbeing, including consideration of: multi-year budgets; analysis of baseline expenditure; opening the Budget to ideas from outside government; and the legislative authorising environment.
 - Develop (or update) tools for assessing and prioritising all proposed expenditure according to an intergenerational wellbeing framework. Review and develop tools needed for cost-benefit analysis.
 - Strengthen our commitment to an open and transparent government, facilitating public participation to support better resource allocation decisions through open information and an open budget – giving effect to the Open Government Partnership.

Priority Three: Performance Reporting



What will this look like?

- System reporting supports effective State sector performance and delivery of tangible results.
- The State sector has a consistent approach to integrated financial and non-financial reporting and monitoring. Agency reporting communicates a clear, concise, integrated story that explains how all of their resources are creating value.
- Agencies are evaluating their programmes effectively, supported by clear guidance from central agencies.
- Agencies think holistically about their strategy and plans, make informed decisions and manage key risks to improve future performance.
- The Treasury is able to look across a range of information sources to identify the value of existing expenditure, measure whether benefits are realised over time, identify the potential value of new or changed investment and compare value across the sector.
- Agencies understand what financial and non-financial information is most useful to demonstrate the benefit of their interventions, and are collecting it. They also collect data about their populations consistently to enable cross-sector analysis, and share it.

Areas of focus to achieve this:

- **State sector planning and reporting**
 - As steward of the public sector financial management system, reassess and develop the Treasury's role in monitoring the performance of agencies.
 - Review and develop a clear strategic planning and reporting cycle that rationalises and aligns agency planning and reporting requirements for financial and non-financial information.
 - Develop plans with others to build agency financial and regulatory capability where needed (eg, commissioning, evaluation) and continue work to lift strategic financial management expertise.
- **Integrated annual reporting**
 - Implement a State sector integrated financial and non-financial performance reporting framework that incorporates the Four Capitals.
 - Expand the range of relevant data and information the Treasury uses to evaluate practice, including data held by others.

How will we work?

This section of our Statement of Intent sets out how we will work as a high-performing Treasury to succeed in our business objectives and fulfil our vision. Key components include our foundations, our critical capabilities, our values, and diversity and inclusion.

Our Foundations

Our success requires excellence from our foundational functions. Our people, data, information and technology are the core drivers that will enable us to deliver on our strategic intent. We consistently strive to maintain and develop a high-performance and high-trust environment. Our philosophy is that everyone has a role in making the Treasury a great place to work and in getting the best out of all who work here.

Technology is a key enabler of people producing outcomes. We value quality, rich and accessible information, supported by the right systems and technology to maximise impact. All of our corporate services are clearly focused on our customers and seek to continually improve quality, cost and timeliness of service.

What we want for our people:

- We attract, retain and motivate the best people, challenge them, treat them exceptionally well and keep them focused on significant work.
- We have the personal skills to create strong connections, demonstrate sound judgement and confidence to share ideas.
- We champion a culture of 'see it, say it, fix it', where it is safe to respectfully give advice that may not be wanted or liked.
- Our people understand and can apply Treaty of Waitangi principles to our work, and we have the cultural competence and confidence to engage with Māori, Pasifika, Asian and other communities.
- Employees and their managers accept a shared responsibility to have quality conversations about development.
- People are self-managing to the extent required of an organisational structure that is 'highly aligned, loosely coupled'. Our Human Resources frameworks allow cross-Treasury collaboration.

What we want for our data, information and technology:

- Advice is authoritative, trusted and informed by up-to-date and comprehensive information.
- Data is secure and well managed to maintain its integrity, quality and stability; information is readily accessible for evidence-based decision-making – open by choice, design and default.
- Staff are satisfied with the accessibility, quality and richness of the information they need.
- Our information is trusted and managed as a strategic asset and we have thriving communities of practice.
- Organisation processes and policies are recorded, are designed with the user in mind and ownership is assigned.
- A high level of practice and performance in data governance, State sector-wide usability and value creation.
- Data collection, compiling and tracking is automated.

Our people priorities – Workforce planning • Technical and professional capability development, leadership and management capability, cultural capability • Performance, growth and recognition of our people – meaningful career conversations. **Our data, information and technology priorities** – User-centric business process automation • Improved system and information flexibility and resilience • Improved data management

- Improved analytics – tools, processes, channels

Our Critical Capabilities

We have identified four critical capabilities which, when combined with our focus on the Living Standards Framework, help drive higher living standards for New Zealanders. These are mutually reinforcing and will drive the Treasury's approach to work, technology and information, recruitment, training and development and our performance measurement.

Economic & financial expertise

The Treasury values deep expertise in our core disciplines. The quality and relevance of our expertise matters for our impact, reputation and credibility.

What will this look like?

- We combine knowledge of economic frameworks and systems, financial management, regulation and depth of analysis.
- We work at the forefront of economic thought, engaging and collaborating with a range of experts – nationally and internationally.
- Our strong recruitment, retention and development practices are targeted to the skills and experience that we need.

Analysis & evaluation

Critical analysis and evaluation will help us advise on expenditure trade-offs, performance and impact relative to our economic strategy.

What will this look like?

- We are able to collect, understand and share information from a range of sources.
- We deliberately surface and test assumptions.
- We have the skills and understanding to draw insights from qualitative, as well as quantitative, data and information integral to our goals and strategies.

Connecting with others

We cannot have all of the information, experience or answers. Connecting enables us to pool resources, share wisdom and practice, and to learn from the real world. Effective implementation requires buy-in from others.

What will this look like?

- We foster open exchange and engagement with public and private organisations, academia, communities and individuals.
- Our deep relationship management, communication and facilitation skills enable us to engage with confidence.
- We are very good at multi-stakeholder engagement practices, as well as at forming trusted one-to-one relationships.

Systems thinking

We are dealing with universal, complex and cross-cutting issues; a better understanding of systems enables us to identify the leverage points for desired outcomes. We need to understand relationships and interactions to make effective decisions.

What will this look like?

- We understand the interdependent structures of dynamic systems and how a system's structure affects behaviours.
- We consider short-term, long-term and unintended consequences of actions.
- We can scale effectively – start small, test and develop, build and share.
- We focus on seamless services that meet people's needs across all parts of the public system.

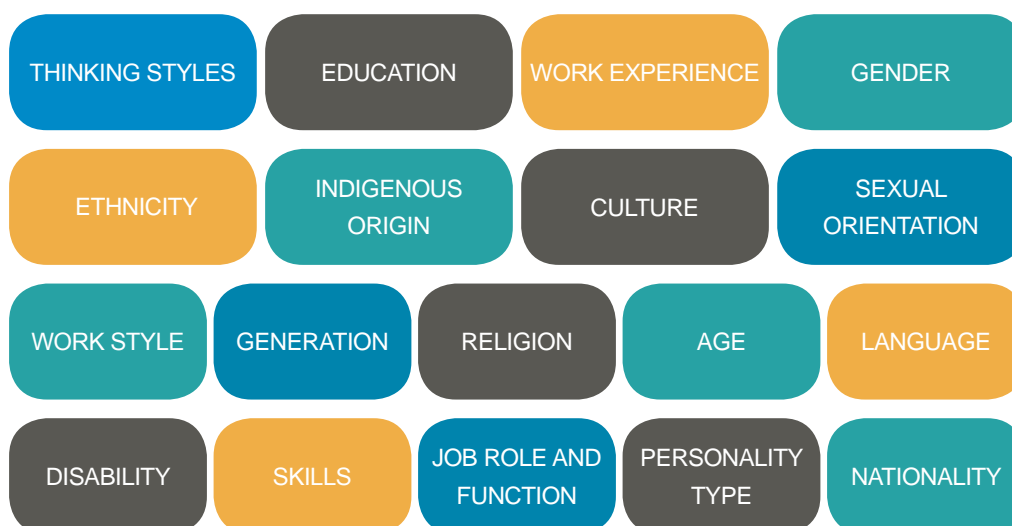
Our Values

Every person working at the Treasury has a role in helping to achieve higher living standards for New Zealanders. We believe in the importance of a trusted, professional, public service: our stewardship responsibilities embody kaitiakitanga; we work to support the Treaty partnership between the Crown and Māori; and we are transparent, objective, impartial and free and frank in our advice. Our values reflect our aspirations, for ourselves and for New Zealanders:



Diversity and Inclusion

We are committed to being an inclusive place to work, where diversity is valued in all of our people. Diversity refers to the variety of differences and similarities among people such as...



Our goal is to embed diversity and inclusion as an intrinsic part of who we are and what we do – to improve our ability to connect and respond in a changing country and world. We know that diversity of thought makes us stronger as an organisation, gives us the capacity for deeper insights and makes us more resilient. Inclusion recognises, values and leverages diversity to create a fair, healthy and high-performing organisation, where the richness of ideas, backgrounds and perspectives are harnessed to create new insights and innovation. Our ideal is that people of all groups are treated fairly, feel included and actually are included, have equal opportunities and are represented at all organisational levels and functions.

We will better measure the impact of diversity and inclusion on the quality of our work. Current measures include gender and ethnicity representation in our workforce, assessment of our culture, and our engagement survey results. We are committed to reducing our gender pay gap.

Our priorities – Developing and engaging our leaders • Fostering an inclusive culture • Growing the cultural capability of our staff, better incorporating Māori and Pasifika perspectives in our thinking and our analysis • Engaging with the diverse groups that make up New Zealand • Embedding diversity and inclusion practices into our people management systems, policies and processes.

How will we measure our success?

Outcomes Framework

In developing our measures of success, we have focused on what we want for New Zealand and what we will do to contribute to achieving this. At the highest level we want to raise living standards for all New Zealanders and we will use the OECD Better Life Index as a basis for tracking progress. In addition, we have set three intermediate outcome areas where we add value: Crown fiscal performance, State sector performance and economic performance. The following diagram shows the relationships between our outputs, intermediate outcomes and our ultimate outcome.

The Treasury's Outcome

Higher living standards for New Zealanders

The Treasury's Intermediate Outcomes

Economic Performance	State Sector Performance	Crown Fiscal Performance
Fiscal, monetary and regulatory frameworks result in a stable and sustainable economic environment.	Institutional and regulatory settings support the State sector system to increase equitable, intergenerational wellbeing.	The Crown's finances and the financial & non-financial balance sheet are managed efficiently, effectively, and sustainably.
Measure areas: <i>GDP growth, price stability, external stability, financial stability and economic stability</i>	Measure areas: <i>trust, competitiveness and transparency</i>	Measure areas: <i>fiscal sustainability, fiscal resilience, financial and commercial performance, and fiscal stability</i>

Outputs

<ul style="list-style-type: none"> Advice on a range of economic matters, including economic development, competition, capital markets, tax, regulation, natural resource management, productivity, innovation, investment and trade and regulatory impact. Provision of export credit insurance. Economic and fiscal monitoring, reporting and forecasting. Execution of investor and intermediary engagement plans. 	<ul style="list-style-type: none"> Advice on State sector management and institutional settings. Advice on, and monitoring of, the performance of the State sector system and agencies. Improvements in strategic financial management capability across the State sector. Preparation and production of the Budget, Budget guidance, and support for agencies. 	<ul style="list-style-type: none"> Advice on the Crown's fiscal management and performance, fiscal policy and budget management. Execution of core Crown funding programme, management of Crown liquidity and funding risks. Production of Economic and Fiscal Updates, Financial Statements and Investment Statement. Capital markets and risk management advice. Administration of guarantees and indemnities. Performance management and monitoring of assets, liabilities, risks and major projects.
---	---	--

Higher Living Standards for New Zealanders

Higher living standards are about intergenerational wellbeing – improvements in the lives and outcomes of all New Zealanders, present and future. Wellbeing is multidimensional, covering aspects of life such as civic engagement, housing, household income, work/life balance, skills, health status and other tangible and intangible dimensions of life that people value. We must ensure that growth and productivity gains are not at the expense of the environment and that benefits are shared equitably – improving outcomes for all.

The indicators of wellbeing in the Living Standards Framework are based on the OECD's Better Life Index (BLI) approach. This internationally recognised approach allows comparison across countries, based on 11 dimensions of wellbeing identified by the OECD in the areas of material living conditions and quality of life. It is updated and released every two years and enables assessment of longer-term change, as well as cross-country comparison.

We are continuing to develop this framework to ensure that the indicators provide sufficient coverage to represent New Zealand-specific concerns and preferences, including cultural dimensions relating to the Treaty of Waitangi. Choices of indicators, will in addition, need to reflect the availability and quality of New Zealand-specific measures. Three intermediate outcomes have been identified to support the ultimate outcome of higher living standards: economic performance, Crown fiscal performance and State sector performance.



Economic Performance

Stronger economic performance is ultimately about an economy that is growing consistently and sustainably to support increasing incomes for all New Zealanders. Economic and financial instability can reduce incentives for investment (reducing growth), impose financial losses on individuals and businesses, and can reduce incomes for those who lose employment during downturns in economic activity. Success against this objective will be apparent through growth in real Gross Domestic Product (GDP), indirect measures of the stability of the economic cycle (eg, the inflation rate), and measures of national financial vulnerability and risk - such as the net international investment position (NIIP) and debt servicing ratios. These last two measures demonstrate our vulnerability to outflows of foreign capital and the vulnerability of borrowers to shifts in interest rates.¹

Measure area	Result sought	Measure
GDP growth	Increasing per capita income	Increasing real GDP per capita
Price stability	Inflation consistent with the Policy Target Agreement	Inflation averages between 1 and 3% ¹
External stability	NIIP outlook is sustainable	NIIP/GDP is stable or falling from current levels
Financial stability	Financial stability risks are moderate	Financial stability risks are moderate or declining, as measured by household debt servicing ratios
Economic stability	Output and employment are at maximum sustainable levels	Unemployment is low or stable
	Fiscal policy doesn't exacerbate cycle	Fiscal impulse is not positively correlated with the output gap

Our work in economic policy ranges across economic development, competition, capital markets, tax, natural resource management, productivity, innovation, investment and trade, and regulation. In providing advice in these areas, we support the Government and relevant ministers to make informed policy decisions that take account of a range of factors contributing to the wellbeing of New Zealanders. In addition, our advice helps the Government to review and adapt New Zealand's macro and micro institutional frameworks. We aspire to improve the Government's and agencies' trust in our economic and fiscal projections and wider economic analysis.

¹ The appropriate measure would be updated to be consistent with the new Policy Target Agreement.



State Sector Performance

State sector performance is about efficiently and effectively delivering government initiatives and objectives. Success will be demonstrated through New Zealanders' satisfaction with the public sector, New Zealand's competitiveness (indicative of the regulatory environment) and transparency as an indicator of trust.

Measure area	Result sought	Measure
Trust	Satisfaction and trust in the public sector are maintained	Rate of perception of satisfaction and trust in public services (Kiwis Count)
Competitiveness	Improve competitiveness	New Zealand's ranking in Global Competitive Index
Transparency	Trust in the public sector is maintained	New Zealand's score on the Transparency International's Corruption Perceptions Index

To contribute to maintaining trust and satisfaction in the public sector and improving New Zealand's competitiveness, our work and our advice include activities aimed at increasing collaboration within the public sector. Our strategic financial capability programmes are designed to lift financial management knowledge and capability of key finance officials in agencies, so that they can capably direct and improve the financial management of their agencies. Our policy advice on State sector management and institutional settings is aimed at improving efficiency and effectiveness of the sector, as well as encouraging the sector to factor wellbeing into their policy making.



Crown Fiscal Performance

This supporting outcome aims to measure the extent to which fiscal policy outcomes support improvements in intergenerational wellbeing for New Zealanders. Success will be achieved when the Government's fiscal management approach ensures sustainability of public services and revenue settings both over time and in circumstances of uncertainty; when fiscal management stabilises rather than exacerbates economic fluctuations; and when efficient outcomes are achieved from the Crown's investment in commercial and financial assets.

Measure area	Result sought	Measure
Fiscal sustainability	Government finances are appropriately managed through time	Operating balance before gains and losses (OBEGAL) surpluses are maintained at over 1% of GDP on average over the medium term
Fiscal resilience	Government finances are resilient to shocks	Total Crown net worth is between 40-55% of GDP, while maintaining the current credit rating
Financial and commercial performance	Government assets are efficiently and effectively managed	Net return on the financial and commercial portfolios is greater than its weighted cost of capital
Fiscal stability	Countercyclical fiscal policy	Fiscal impulse is not positively correlated with the output gap

The Treasury's specialist advice to the Government plays a key role in enabling it to make informed decisions on fiscal policy and executing the Government's fiscal policy. In particular, our advice on fiscal policy and strategy is aimed at informing the Government's short- and long-term intentions so that its decisions are within its specified fiscal management approach. Cost-benefit and other value-for-money assessment processes managed by the Treasury play a significant role in the Government's investment decisions. In addition, we facilitate financial asset management decisions to align with the Crown's risk appetite. We also aim to support good capital management and public spending decisions by ministers. On the reporting front, our public financial reporting establishes good practice and supports transparency and open government objectives. Regarding the borrowing programme, we set ourselves the challenge of meeting the Crown funding requirements on a timely basis at an appropriate cost, allowing for risk.



Strategic Risks and Implementation

Strategic Risks

The main risks to successful execution of our Statement of Intent are set out below. These risks will be actively considered in our approach to planning and implementation, in order to mitigate them.

Impact on the system – The risk that our actions and advice do not achieve the outcome sought of raising living standards for New Zealanders and that we fail to influence the public sector system.

Focus on right areas – The risk that the Treasury does not successfully focus on the initiatives and work programmes that will have the most impact on the achievement of the Treasury’s strategic objectives, resulting in sub-optimal delivery, lack of impact and/or undue work pressures on staff. This includes the need to get the right balance between government priorities and initiatives and critical business as usual activities, such as the Government’s Budget and managing the Crown’s financial assets and liabilities.

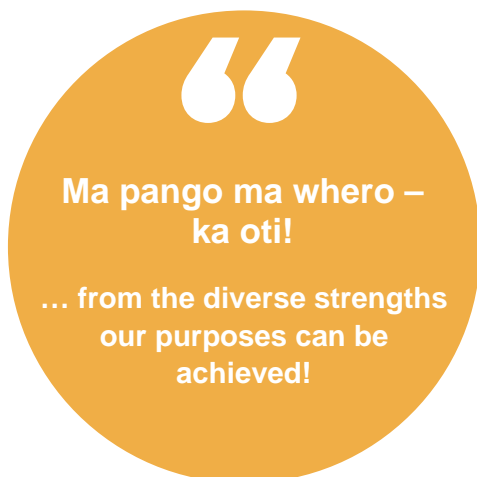
Responsive to changing requirements – It is recognised that, during the next four years, there will be new and emerging areas of focus arising. The risk is that the Treasury is not agile enough to be able to respond to emerging priorities.

Target operating model – The elements of the operating model – structure, accountabilities, governance, essential behaviours, as well as the way people, processes and technology get integrated to deliver key capabilities – must be explicitly designed to support the delivery of our strategic intent. Our challenge will be to ensure we have the right arrangements that enable the right people to work together and the right trade-offs to be made efficiently and effectively.

Maintaining Treasury’s asset base and capability – The Treasury’s main assets are our people, information, systems and tools. The risk is that we don’t adequately invest in developing and maintaining these assets, which impacts the quality of our services.

Organisational resilience – The risk is that we fail to maintain secure and available services for the Treasury’s operations, which impacts our reputation and confidence.

Trust and credibility – Our Statement of Intent requires us to collaborate widely and to be accessible and inclusive. The risk is that we fail to meaningfully engage and represent the diverse views of New Zealanders, and to promote public discussion and participation in making the trade-offs to achieve shared and sustainable increases in intergenerational wellbeing.



Implementation

Our Statement of Intent is for the long term and will be implemented progressively. It is dynamic and will respond to changes, given external events or pressures. We know that the true magnitude and potential of our Statement of Intent will depend on how we implement it. We recognise that this will require us to make some hard calls and to take some risks. We are committed to learning and improving – because when we get it right, the results for New Zealanders will be worth it.