

# The Treasury

## Implementation Unit Establishment Information Release

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### Cabinet Document Details

Title: **Cabinet Paper: CPC-21-SUB-0001: Implementation Unit: Between-Budget Contingency Proposal**

Date: **16 February 2021**

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## **Implementation Unit: Between-Budget Contingency proposal**

### **Proposal**

- 1 This paper seeks approval for funding from the Between-Budget Contingency to enable the establishment of an Implementation Unit (the Unit) within the Department of Prime Minister and Cabinet (DPMC).
- 2 The commencement of the Unit is time-critical if it is to be effective within this parliamentary term on projects such as those already funded out of the COVID-19 Response and Recovery Fund (CRRF) <sup>[33]</sup>

### **Relation to Government priorities**

- 3 The Unit is critical to enabling the successful delivery of Government priorities, in particular our priorities of *accelerating economic recovery* and *laying foundations for the future*.

### **Executive Summary**

- 4 Cabinet has agreed that there is a need to focus on all available levers to ensure delivery of the significant investments the Government has made over the past year [CAB-20-MIN-0483 refers].
- 5 The Prime Minister has delegated to me the establishment of the Unit, in my role as Deputy Prime Minister.
- 6 Improving the delivery of public service projects is a critical lever for economic recovery and for improving the lives of New Zealanders. We need to be able to review frequently, test assumptions and check programmes are delivering as intended. One of the features of the pandemic has been rapidly changing circumstances and we may be required to change course many times in the future.
- 7 The purpose of the Unit is to ensure that the Deputy Prime Minister, responsible ministers, Cabinet, responsible public servants and the central agencies know, accurately, at any given moment, whether selected, priority projects are on track to deliver their intended benefits in their intended timeframes – and, if they are not, to work with the responsible minister and agency to identify what needs to be done to bring the project back on track and follow up to ensure these actions are taken.
- 8 The Unit will initially have five staff. In addition, political input to the work will be provided by my office. A key part of the success of the Unit will be ministers and their offices working closely with the public sector, the Unit and

my office. It is vital that the Unit works in this way to ensure there is shared accountability for outcomes and no opportunity for mixed messages between ministers' offices and agencies.

- 9 At the request of the Prime Minister, a Budget 2021 initiative has been submitted to fund the Unit. If successful, this will enable the establishment of the Unit from 1 July 2021 as a two year proof of concept.
- 10 Significant funding has already been committed by our Government to ensure our economic recovery, for example through the CRRF <sup>[33]</sup>. However there will be a lag before the Unit can become fully operational.
- 11 To ensure the Unit can have the desired impact within this term of government, I seek approval for initial establishment funding through to 1 July 2021 from the Between-Budget Contingency. This will enable the Unit to commence from March 2021, with an initial focus on the CRRF <sup>[33]</sup> where any delivery issues will already be live.

## Background

- 12 On 14 December 2020 Cabinet considered the paper *The Government Priorities* and agreed that our three objectives are to “Keep New Zealanders safe from COVID-19, Accelerating the Recovery and Laying the Foundations for the Future”. Cabinet noted that the Deputy Prime Minister, together with the Cabinet Priorities Committee (CPC), will monitor the progress of the Government’s work programme, ensuring our programmes are being implemented in a timely fashion, and are achieving the outcomes they are designed to create [[CAB-20-MIN-0525](#) refers].
- 13 Specific policies to give effect to the priorities are contained in the Speech from the Throne; the Labour 2020 Manifesto and are reflected in the Cooperation Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand.
- 14 On 23 November 2020 Cabinet considered the paper *Budget 2021: Strategy and design* and “**agreed** that Ministers need to focus on all the levers available and not just the new spending allocated in the annual Budget, including ... delivering the significant investments made over the past year, in particular ensuring that they are delivered on time and within budget.” [[CAB-20-MIN-0483](#) refers].
- 15 Cabinet also **invited** the Minister of Finance to engage with relevant portfolio Ministers in relation to the continued need for and ability to deliver on:
  - 15.1 initiatives funded through the March package and COVID-19 Response and Recovery Fund ahead of the Budget 2021 process; and
  - 15.2 recent capital investment decisions, to manage risk and ensure value for money.

- 16 On 14 December 2020, Cabinet further noted that I asked DPMC “to develop a proposal to establish a small Implementation Unit (the Unit) to monitor the delivery of the government’s work programme, working in close partnership and jointly governed by the Treasury” [CAB-20-MIN-0537 refers].
- 17 DPMC has now undertaken this design work. This paper seeks funding to commence establishment of the Unit in 2020/21, and advises Cabinet that a budget initiative has been submitted for funding in 2021/22 and 2022/23.

## **Analysis**

### *Operation of the proposed Implementation Unit*

- 18 DPMC has developed the design parameters of an Implementation Unit and a Budget 2021 initiative has been submitted to provide funding from 1 July 2021 for a period of two years.
- 19 In preparing the initiative, DPMC contracted with Delivery Associates for advice. Delivery Associates was founded and is chaired by Sir Michael Barber, who created and led the Delivery Unit in the United Kingdom under the Prime Ministership of Tony Blair. Delivery Associates specialises in setting up delivery-focused functions for governments across the world.
- 20 The proposed Unit will have five primary responsibilities:
  - 20.1 To work with agencies to agree ‘delivery plans’ that provide clear agreed baseline commitments on the benefits that the project will deliver and by when.
  - 20.2 To assemble and analyse project data to assess progress, working closely with Treasury and agency project teams as well as collecting primary data from its own sources.
  - 20.3 To proactively identify and report to responsible Ministers and the Deputy Prime Minister on problems that risk compromising delivering these benefits.
  - 20.4 To regularly convene meetings with the Deputy Prime Minister, responsible ministers, and agencies to facilitate solution-orientated conversations on what should be done to bring project performance back on track.
  - 20.5 To follow up on agreed actions to address challenges.
- 21 The proposed operating model of the Unit is based on a number of critical success factors, these include:
  - 21.1 The creation of a set of routines and reporting disciplines that require agencies to provide regular data and information updates, and to have regular performance conversations.
  - 21.2 A clear and consistent escalation path for when issues are identified.

21.3 A limited number of projects enabling:

21.3.1 Unit staff to gain an in-depth understanding and knowledge of the projects being monitored.

21.3.2 The full impact of focused ministerial attention to be brought to bear.

22 The following figure adapted from Delivery Associates' advice outlines the routines and reporting for tracking progress and provides a sense of their recommended operating model for the Unit and its implications for ministerial and agency time:

<b>Routines</b> <i>Relevant Stakeholders</i>	<b>Month 1</b>				<b>Month 2</b>				<b>Month 3</b>			
Weekly check-in <i>Officials</i>	•	•	•	•	•	•	•	•	•	•	•	•
Monthly progress check-in <i>Senior Officials</i>			•				•					
Monthly update note <i>To DPM, Ministers, CEs</i>				•				•				
Pre-stocktake briefings <i>Ministers, CEs</i>									•			
Stocktake meeting <i>With DPM, Minister, CEs</i>											•	
Post-stocktake briefing <i>DPM at CPC</i>												•

23 Given the size of the proposed Unit that has been put forward as a budget initiative (five full time staff in DPMC), and the intensive nature of the proposed monitoring, it is likely that around <sup>[33]</sup> priority projects will be able to be monitored at any point in time. This is a relatively small number of projects and stringent prioritisation will be required.

24 As well as those priority programmes, the Unit will provide me with status reports on CRRF programmes as part of Budget 2021.

25 Projects will be selected for monitoring based on criteria such as:

25.1 Government priorities.

25.2 Delivery risk.

25.3 Complex accountabilities.

25.4 Agency capacity.

25.5 Ability to influence.

25.6 Impact for New Zealanders.

- 26 I expect that projects will cycle in and out of monitoring over time as implementation is completed or when a project's scoring against the selection criteria changes materially.
- 27 One of the first steps of the Unit is establishing the list of priority projects and programmes it should monitor. Officials will support me and my office to run an exercise to get this list established over the coming weeks for agreement with the Prime Minister.

### *Rationale for use of the Between-Budget Contingency*

- 28 If successful, the Budget 2021 initiative that has been submitted to fund the proposed Unit will only enable establishment of the Unit from the beginning of the 2021 financial year on 1 July.
- 29 There are three related reasons to seek funding from the Between-Budget Contingency to enable commencement of the Unit at the first available opportunity:
  - 29.1 A significant amount of new funding has already been agreed through both the CRRF <sup>[33]</sup>, elements of which will be amenable to monitoring by the Unit.
  - 29.2 There will be an inevitable lag in the Unit becoming fully operational after a funding decision is made, so the sooner it can start the sooner it can start making an impact on delivery.
  - 29.3 The earlier the Unit is operational, the greater the impact it can make within the current parliamentary term.
- 30 If funding is approved from the Between-Budget Contingency, I expect that establishment of the Unit will commence in March 2021, rather than waiting until July 2021.

### **Financial Implications**

- 31 This paper seeks funding from the Between-Budget Contingency for the current financial year (2020/21) only. Subsequent funding for a two year period from 1 July 2021 is being sought as part of the Budget 2021 process.
- 32 The funding sought assumes the recruitment of five staff in DPMC (salaries plus overhead costs) which reflects the full staffing complement of the proposed Unit.
- 33 The following table shows the funding sought in this paper and the funding that is subject to a subsequent Budget 2021 decision.

Vote Prime Minister and Cabinet Prime Minister	\$m – increase/(decrease)				
	2020/21 Between-Budget Contingency	2021/22 Budget 2021	2022/23 Budget 2021	2023/24	2024/25
Establishment of an Implementation Unit within DPMC	0.609	1.853	1.795		
Funding for the Treasury to support the Implementation Unit		0.379	0.359		

## Legislative Implications

34 There are no legislative implications arising from this paper.

## Impact Analysis

### Regulatory Impact Statement

35 The proposals in this paper do not require a Regulatory Impact Statement.

### Climate Implications of Policy Assessment

36 A Climate Implications of Policy Assessment (CIPA) is not required for the proposal in this paper.

### Population Implications

37 This proposal does not have specific population implications, rather it is focused on enabling the successful delivery of investment decisions that have been the subject of their own policy assessment and decision-making processes, some of which may themselves have population implications.

### Human Rights

38 The proposals in this paper do not have specific human rights implications.

### Consultation

39 The Treasury and the Public Service Commission have been consulted on this paper. The Departmental Chief Executives and Policy Advisory Group within DPMC have been informed.

### Communications

40 I will work with the Prime Minister's office to determine a suitable communications plan about the creation of the Unit.

## Proactive Release

- 41 The proposals in this paper are budget sensitive and I propose to release this paper as part of the Budget 2021 proactive release process.

## Recommendations

- 42 The Deputy Prime Minister recommends that the Committee:
- 1 **note** a proposal for an Implementation Unit has been submitted for Budget 2021;
  - 2 **note** that the proposed Implementation Unit would be comprised of five staff in DPMC monitoring <sup>[33]</sup> high priority programmes and projects selected on the basis of identified criteria such as government priorities, delivery risk, complex accountabilities, agency capacity, ability to influence, and impact for New Zealanders;
  - 3 **agree** to establish the Implementation Unit as soon as possible within the current financial year, to start the monitoring of <sup>[33]</sup> and COVID-19 Response and Recovery Fund projects which are already underway in order to make a significant impact within the current parliamentary term;
  - 4 **approve** the following change to appropriations to give effect to the decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Prime Minister and Cabinet Prime Minister	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
Multi-Category Expenses and Capital Expenditure:  Advice and Support Services MCA Departmental Output Expenses: Advice and Support to Government and the Governor-General  (funded by revenue Crown)	0.609	-	-	-	-

- 5 **agree** that the proposed change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 6 **agree** that the expenses incurred under recommendation 4 above be charged against the between-Budget contingency established as part of Budget 2020;
- 7 **agree** that in order to ensure the successful establishment and operation of the Implementation Unit, any underspend in this initiative in 2020/21 be transferred to 2021/22.



- 8      **note** that funding for a further two years for the Implementation Unit is being sought through Budget 2021.

Authorised for lodgement

Hon Grant Robertson

Deputy Prime Minister