



**Public Service Commission**  
Te Kawa Mataaho

# Performance Improvement Review of **the Treasury**

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June 2026



TE TAI ŌHANGA  
**THE TREASURY**

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Published June 2026

Web address: <https://www.publicservice.govt.nz/system/system-architecture-and-design/performance-improvement-review-programme>

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## Lead Reviewers' Acknowledgement

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We would like to thank the Secretary, Executive Leadership Team members and staff we met at the Treasury, all of whom were generous with their time, insights and contributed constructively and enthusiastically to our understanding of the Treasury and its current and future context.

We also appreciated the thoughtful and open discussions with Ministers and leaders from the private sector, non-governmental organisations and public service. These engagements helped to inform, test and refine our views and we are grateful to them for sharing their perspectives.

In addition, our work would not have been possible without the preparatory work and onsite logistics undertaken by the support team from the Treasury, and guidance and support from the Public Service Commission and we thank them for their patience and flexibility in supporting the review.



### David Smol

David Smol is currently the chair of Earth Sciences New Zealand, a director of Contact Energy, NZTA, the Cooperative Bank, and Tait International and a member of the Council of Victoria University of Wellington. He has over 40 years of experience in the public and private sectors in New Zealand and the United Kingdom, and led or advised on a range of projects and reviews including in relation to energy, housing, urban and economic development, health and safety, tourism, education, science system performance, defence, marine security, natural hazards and resilience, climate change and resource management reform.

David is a member of Risk and Audit Committees and External Advisory Committees of several public service departments. He was Chief Executive of the Ministry of Economic Development (2008-2012) and led the formation of the Ministry of Business, Innovation and Employment (MBIE) as the inaugural Chief Executive from 2012 to 2017.



### Jenn Bestwick

Jenn is a seasoned professional director with a wealth of experience in professional services governance and leadership roles.

She is currently Deputy Chair of Kāinga Ora, on the Board of MartinJenkins, and has been Chair of the Tertiary Education Commission. She has also held government appointed Board roles at Antarctica New Zealand, Ara Christchurch Polytechnic, Southern Response Earthquake Services, and Tourism New Zealand. Past roles also include Chair of Tonkin and Taylor, and independent Director of Invercargill City Holdings Ltd.

Jenn has experience in strategic planning and in senior strategy management roles across the health, tertiary education, natural resource management, science and research, and tourism sectors.

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# Overview and Recommendations

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The Treasury is the government's lead economic and financial adviser. Its advice is critical to the effective management of the Crown's finances through time, achieving value for money from government expenditure and establishing policy settings that support growth in productivity and economic resilience. The Treasury is also a central agency that works with partner agencies to support Ministers in setting priorities, monitoring system performance, and intervening where necessary.

New Zealand needs a high-performing Treasury more than ever. The country faces a challenging global environment (including geopolitical tensions, climate change and rapid technological change) alongside significant domestic pressures such as an ageing population, rising health costs, structural deficits, and continued low rates of productivity growth.

In some areas the Treasury has been performing effectively. Examples include a professional annual Budget process, high quality financial statements and public engagement to raise awareness of New Zealand's long-term fiscal challenges.

Nevertheless, the consensus of stakeholders interviewed is that the Treasury's performance has not consistently met expectations in recent years. Contributory factors include COVID-related pressures, high turnover, evolving Ministerial priorities and changing expectations of the Treasury. This set in motion a self-reinforcing dynamic in which Ministers became less confident in the Treasury's advice, the department's influence across the system reduced, and the Treasury lost talented people, and collective confidence, becoming more risk averse and less ambitious. As a result, the distance between the current state and what New Zealand needs from the Treasury increased materially.

This review outlines a Future Excellence Horizon describing what New Zealand needs from the Treasury over the next four to five years. At its core, it calls for the Treasury to work at pace to regain its reputation as ambitious and to act with urgency and clarity to provide the strategic leadership and trusted advice that supports New Zealand to navigate fiscal and economic uncertainty, realise opportunities, and lift living standards for all New Zealanders. It needs to do this while modernising its ways of working and achieving greater role clarity and value add in the system.

To achieve this the Treasury needs to bring greater acuity to its operations, faster adoption of digital tools and an agility to its resource allocation and prioritisation processes and develop a medium-term strategic pathway to support its transformation journey.

The Chief Executive and Executive Leadership Team have recognised the challenge ahead and have begun to respond, committing to:

- 'bending two curves': economic growth up, net public debt down
- a set of organisational shifts as articulated in Treasury 2040 | Pae Tata – Navigating New Horizons<sup>1</sup> (Pae Tata) aimed at ensuring the Treasury is well-placed to play its role in addressing New Zealand's fiscal and economic challenges while managing a reducing baseline.

We support the shifts started by the Chief Executive. Recent appointments have strengthened the senior leadership.

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<sup>1</sup> *Treasury 2040 | Pae Tata – Navigating New Horizons* was initiated in early 2025 as a multi-year programme intended to lift the Treasury's performance through four strategic shifts: stronger strategic leadership, lifting performance and productivity, lifting capability, and a more flexible and adaptable workforce.

The Treasury has made significant changes to its structure, governance and leadership over the past 12 months and is continuing to implement the shifts articulated through Pae Tata. A number of those changes are still bedding in, and the scale of change appears to have been significant for the organisation.

## Core functions

An ongoing priority for the Treasury is to maintain and grow the trust and confidence of the Minister of Finance and other senior Ministers by proactively delivering on Ministerial priorities, strengthening fiscal discipline across the system, responding effectively to events and escalating quickly in the event of Ministerial dissatisfaction.

Success in this respect will strengthen the Treasury's ability to influence the authorising environment and the wider system and to support Ministers in priority setting that balances long-term considerations with short-term expedience. The Treasury has made progress with Ministers in recent months. Feedback suggests this is still a work in progress.

### ***Recommendation 1: Continue to prioritise keeping the trust and confidence of senior Ministers***

The Treasury has work underway to modernise the way it defines and delivers core functions in fiscal and economic management to better respond to the expectations of responsible Ministers and recognise the increasing complexity of the global and national contexts in which it operates.

### ***Recommendation 2: Progress modernisation of the budget, investment management, Vote, and monitoring systems to improve decision making and enhance value for money***

- Define the future state, make the case for change and build support for modernising the budget, Investment Management System and Public Finance Act ecosystem to better:

- support multi-year planning, sharper prioritisation, and the centrality of economic value to decision making
- accommodate digital as well as physical investments
- address the bias towards near-term choices, and inertia in the current arrangements.
- Define and embed a consistent model for Vote monitoring that builds the Treasury's understanding of the business of the main departments and Crown entities and supports a sequenced set of agency transformations to modernise methods of service delivery while managing system-level financial and resource constraints
- Shift planning and reporting requirements for Vote and monitoring functions from process-led and 'one size fits all' to a focus on value
- Clarify the Treasury's role in the monitoring of large and complex Crown entities for which another department has the lead – ideally the Treasury would support the monitoring agency to do the job well rather than becoming a secondary monitor, while continuing to provide independent fiscal advice where necessary
- Actively steward the ecosystem of government infrastructure agencies and associated processes to support Ministers in reducing the complexity, inefficiency, and lack of role clarity in the current arrangements
- Engage with partner agencies and Ministers to clarify the Treasury's role in commercial transactions whether as lead agency or as system convenor and build a resource model that combines in-house expertise and access to specialist commercial capabilities from across the public system and externally.

### ***Recommendation 3: Enhance the impact of the Treasury's economic policy advice***

- Refresh the Treasury's diagnosis for unlocking higher rates of productivity growth (e.g. integrating the potential of AI) and maintain a set of actionable ideas grounded in commercial realities for engagement with Ministers as opportunity presents
- Work with key economic agencies to agree the Treasury's role in ensuring the government receives coordinated, timely and relevant economic policy advice on matters material to the New Zealand economy
- Grow in-house expertise and develop actionable ideas in policy domains of long-term priority including where another agency is the lead adviser
- Establish a network through which to access expertise to enable rapid mobilisation in areas of emerging risk
- Ensure policy advice is sufficiently informed and grounded in commercial and sector realities

### ***Recommendation 4: Clarify the Treasury's stewardship role as a central agency and build on recent momentum in raising public awareness of New Zealand's long-term fiscal and economic challenges***

- Work with partner central agencies to clarify the operating model and respective roles in monitoring system and agency performance and, where necessary, intervening. The Treasury's contribution is in economic policy and financial analysis capability, pan-system understanding and implications and a longer-term focus on value for money and system efficiency
- Adopt a Chief Financial Officer (CFO) mindset across all core functions – forward-looking, a partner in value and growth, curious, supportive of calculated risk-taking, while keeping discipline on system-wide cost control

- Actively ensure the Treasury is playing its unique role to support the successful transformation of the Public Sector, including on digital and consolidating institutional arrangements and strengthening system performance
- Build on recent initiatives led by the Chief Executive to raise media and public awareness of New Zealand's long-term fiscal challenges and of options to address them, and to do similar in relation to awareness of barriers to stronger economic growth and higher living standards.

### ***Recommendation 5: Focus on core activities and identify areas where the Treasury will seek to exit***

- Work with partner agencies to optimise respective roles, simplify arrangements and free-up resource for core functions. This will require a deliberate approach, developing the case for change and seeking Ministerial support where there is net system benefit.

## **Operating modes and enabling functions**

Given the Treasury's system role in the public sector, disciplined prioritisation and flexible allocation of resources is a central operating challenge. The Treasury is at constant risk of being drawn into every issue and, in doing so, losing focus on important but non-urgent stewardship responsibilities.

### ***Recommendation 6: Maintain a disciplined approach to prioritisation and resource allocation***

- Develop a clear internal view of priorities based on relative economic and fiscal materiality, capability and capacity of the lead agency, the Treasury's ability to add value and the extent of alignment of interests for the lead agency and the Treasury

- Test and refine the priorities with the Minister of Finance and central agencies, communicate the resultant priorities with other Ministers, central agencies and partner agencies, deviate only in exceptional circumstances and signal the consequential impacts of any change in priorities with Ministers
- Develop an enterprise capability and resource allocation model that supports the delivery of diverse and complex demands, selectively utilises matrix management, reduces structural frictions to support dynamic deployment, leverages greater use of digital tools and balances short-term and longer-term priorities

***Recommendation 7: Be more deliberate in coordinating public sector agencies to solve problems and in engaging across the wider economy***

- Utilise the Treasury’s convening power and draw on wider relationships to ensure clarity on rationale for intervention, triggers for activation, boundaries and exits
- Continue to mature the Treasury’s engagement model to be clearer on the purpose of each engagement, build strong relationships across the wider economy and obtain targeted and expert input into economic and fiscal policy development

***Recommendation 8: Fill talent gaps and harness digital and AI technologies***

- Identify capability gaps against future state and invest through targeted recruitment and professional development
- Flesh out and deliver at pace on the Treasury’s digital strategy, empower the Treasury’s people to innovate with digital and AI within guardrails, and embed AI in work processes to improve the quality of data, enhance efficiency in routine Vote and monitoring processes and add insights to economic and commercial advice

***Recommendation 9: Stand up resource to support the Treasury’s transformation journey***

- Develop a Strategic Pathway to the Treasury of the future, complete with target outcomes and benefits
- Ensure internal governance is monitoring delivery of prioritised change initiatives, with clarity as to the respective roles and decision rights of the ELT and the Organisational Performance Committee
- Take a more structured approach to resourcing and implementing organisational change and deploy disciplined project/programme management approaches

The Treasury is at an important juncture in its history. The new leadership team has made a good start. Nevertheless, the gap between current performance and the Future Excellence Horizon is material and the window of opportunity to rebuild its reputation as a critical agency at the centre of the public service is closing. The opportunity is to build at pace on recent progress to create a self-reinforcing cycle of increased influence, confidence, and ambition for the Treasury, for the public service and for New Zealand.

# 1

# Responding to the challenge

## In this section:

- **The Treasury's Commitment**
- **Support from the Public Service Commission and the Department of the Prime Minister and Cabinet**

# The Treasury's Commitment

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In the coming decade, New Zealand will face a series of complex and interconnected economic and fiscal challenges. That will place high expectations on the Treasury. Our call to action is to seize this moment – to be ready to advise on and help implement the choices that matter: the critical policy decisions for the next term of Parliament, and the reform pathways we can influence over the decade ahead.

This context also points to the need for change within the organisation. There has been a gap between how the Treasury has been performing and where we need to be to support current and future governments.

Against that backdrop, I welcome this Performance Improvement Review of the Treasury. I commissioned the review to provide an independent assessment of how well we are positioned to meet these rising expectations, and what we need to do to strengthen our contribution over the medium term in a more constrained and complex environment.

The review recognises the significant strengths that underpin our role. We have capable, professional, and committed people. Our core fiscal stewardship functions are globally recognised. The foundations of the public finance system are sound.

It also reflects the reality that our operating context has shifted materially. Incremental improvement will not be enough. We face structural fiscal pressures, rising expectations of system leadership, accelerating technological change, a more contested geopolitical environment, and a greater frequency of shocks. Addressing these challenges will require fresh perspectives. Returning to earlier models of the Treasury is not the answer.

The performance challenge set out in the review is clear. There will continue to be strong demand for the high value advice we

provide today. At the same time, we must create space to invest deliberately in the step change required to deliver the value that will be expected of us in the future.

I agree with the three areas the review identifies where the Treasury needs to lift its performance:

- Strengthening the government's budget and investment management systems
- Providing more effective economic system leadership
- Sharpening our advice on the value of public investment and the delivery performance of the public sector

We are already underway with the changes required. The review validates the direction of our internal change programme, Pae Tata. We are working to sharpen our prioritisation, deepen our external engagement, increase organisational agility, and make better use of digital tools. We will respond to the review recognising both the urgency of the performance challenge and the fiscal and workforce constraints we face. Success will require sustained leadership focus, clearer choices, and continued engagement with our people and our partners across the public sector.

I thank the Lead Reviewers for the rigour and insight they have brought to this work, and all those who contributed their perspectives. I also acknowledge Treasury staff for their professionalism, openness, and ongoing commitment to serving the government of the day. I am confident that the Treasury will lift its performance and rise to the challenge New Zealanders expect of us, continuing to play our critical role at the centre of the economic and fiscal system.

**Iain Rennie**

Secretary to the Treasury and Chief Executive

# Support from the Public Service Commission and Department of the Prime Minister and Cabinet

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The Treasury plays a critical role in New Zealand's system of government, and a strong, capable and influential Treasury is essential.

As set out in the most recent State of the Public Service briefing (Te Kahu Tuatini, December 2025), the Public Service faces significant challenges including fiscal pressures, fragmentation, and the need to modernise systems and processes. The Treasury is central to addressing these challenges given its role in providing advice on fiscal strategy, public sector performance, and economic policy, which directly shapes the choices available to Ministers and the quality of outcomes for New Zealanders.

At its heart, the review points to the importance of how the Treasury is experienced across the system, the consistency of behaviours, the strength of relationships, and the confidence with which it brings its advice to Ministers and partners.

In particular, we see a significant opportunity for the Treasury to become a stronger, more credible economic voice and to rebuild its commercial capability. The Treasury's economic leadership role is distinctive and cannot easily be provided by others, and strong commercial capability is essential to the credibility of its fiscal and investment advice.

Underpinning all of this is the Treasury's people and the tools that support them. The ability to attract, develop, and retain talented people who can engage confidently and effectively with a wide range of stakeholders, supported by modern digital and AI capabilities and tools, will be crucial to achieving the Future Excellence Horizon. Disciplined and continual prioritisation, and the ability for the Treasury to deploy capability quickly to where it is most needed, will also be essential.

This is particularly important as the Treasury operates in an increasingly complex environment, serving multiple Ministers across a wide range of portfolios and facing ongoing fiscal pressure.

We support the direction set through the Treasury's change programme Pae Tata, and a Treasury that delivers on this ambition would be a more influential, more connected, and more impactful organisation, better placed to shape New Zealand's fiscal and economic future. However, we agree with the review's finding that the scale, pace, and ambition of change needs to increase. This includes sharper prioritisation, bolder and more proactive advice on major economic issues, and stronger connections across both the public and private sector.

In the coming months, the Public Service Commission and the Department of the Prime Minister and Cabinet will work alongside the Treasury to support implementation of the review, including brokering support across the system to remove barriers and help build the momentum needed to lift the Treasury's influence and impact. This includes supporting sharper alignment on roles, priorities and expectations across the centre, and helping to enable more effective coordination, particularly on issues where the Treasury has a central role. The Treasury is already incorporating the review's findings into the next phase of Pae Tata, and we will monitor progress as we do with all agencies subject to a Performance Improvement Review.

The Treasury has the foundations to respond well to this review, and the opportunity ahead is significant. We acknowledge the professionalism and commitment of the team at the Treasury, whose contribution continues to be valued across the system.

We are confident that, with the right focus, urgency, and support, the Future Excellence Horizon is achievable, and we look forward to working with the Secretary to the Treasury and the leadership team as they take this work forward.



**Sir Brian Roche KNZM**

Public Service Commissioner | Head of Service

We thank the Secretary for commissioning this review and for the Treasury's openness throughout the process. We also acknowledge the Lead Reviewers for their contribution, and all those who gave their time and perspectives to inform the review.



**Ben King**

Secretary and Chief Executive of the Department of the Prime Minister and Cabinet

# 2

# Future Excellence Horizon

This section presents the Treasury's Future Excellence Horizon developed by the Lead Reviewers, in consultation with the Treasury. It outlines the contributions the Treasury needs to make to meet the expectations of New Zealanders, and the Performance Challenge that it needs to overcome over the next 4-5 years. Ratings and discussion in the rest of this report are framed against the Future Excellence Horizon outlined in this section.

- About the Treasury
- Strategic Context
- Expected contributions from the Treasury
- Performance Challenge

## About the Treasury

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The Treasury has a distinctive role in New Zealand's system of government, and brings together the combined functions of a finance, treasury and economic ministry. As one of New Zealand's oldest public institutions, it is the government's lead economic and fiscal advisor, steward of public service financial management, and a key actor in shaping how public resources are allocated and investments prioritised over time. It provides advice to the government on macroeconomic conditions, fiscal strategy, Budget decisions, longer-term economic and financial risks, and ways to achieve value for money from public spending and investments, with the overarching purpose of lifting living standards for all New Zealanders.

We have categorised the Treasury's core functions under three categories relating to budget and fiscal performance, system and sector performance, and economic policy advice. These functions are described in more detail within the *Results* section.

Alongside its core functions, value for money is a common thread through all the Treasury's activities. The Treasury has also historically played an important role in developing public service talent, reflecting its position at the centre of government and the breadth of issues on which it works.

The Treasury has responsibilities that span the entire public system and large parts of the economy, with ever-evolving priorities. This context requires careful design of the Treasury's modes of operating, notably as system Chief Financial Officer (CFO), expert convener, system steward, in setting and adjusting priorities, and in organisational agility.

Detailed information on the Treasury's mandate, responsibilities, strategy and organisational data is in Appendix Two.

# Strategic Context

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## Global Context

### **An increasingly complex and rapidly changing geopolitical environment**

The period of relative stability, security and predictability New Zealand enjoyed following the Cold War has been shifting over the last decade, towards increased contestation across the military, economic, technology and information domains.

The rules-based international system established following World War II is giving way to a more contested global environment, characterised by rising strategic competition between a growing number of countries. Multilateralism is under acute pressure as major powers increasingly ignore, or undermine, established international rules, norms and institutions.

This deteriorating outlook reflects ongoing changes in the distribution of economic and military power between states, as well as increased threats and use of force and significant disruptions to the global trading system. Consequently, New Zealand faces a more contested, fragmented, and volatile world in the decade ahead.

Geopolitical changes are unfolding alongside, and are influenced by, other structural trends, which include rising political polarisation, pressure on democratic institutions, and declining public confidence in established economic frameworks. Greater concentration of wealth and influence in some economies is challenging assumptions about markets and governance, with implications for social licence and economic stability.

### **Artificial Intelligence (AI) is reshaping work and economic opportunity**

Artificial intelligence is accelerating change in the economy and labour market. The rapid development and adoption of AI is changing the nature of work and global workforce requirements, creating both opportunity and risk for New Zealand's economy and society. The potential for increased productivity and the development of new industries is significant but realising that opportunity will require fundamental changes in the shape and makeup of labour markets, with implications for training, education and employment models. The speed with which AI is being adopted globally means policy and regulatory settings will need to adapt urgently to maximise opportunity and minimise downside risk.

### **Climate change is contributing to fiscal and economic pressures and requires long-term adaptation**

Climate change is placing increasing pressure on existing fiscal and economic settings. Beyond the immediate costs of responding to extreme weather events, governments face growing long-term fiscal and economic challenges from both emissions reduction and adaptation to a changing climate. For New Zealand this includes building resilience across infrastructure, primary industries, public services and communities, with significant implications for investment, insurance settings and long-term fiscal planning.

## Domestic Context

### **Structural deficits and increased national debt are adding pressure**

New Zealand's long-term structural fiscal challenge is well known and persistent. Increased spending in response to COVID-19 and subsequent weather events, increased superannuation expenditure due to an ageing population, and rising debt costs have all contributed to a structural deficit of approximately 2 percent of GDP in the current year. This has narrowed fiscal flexibility and increased the importance of making disciplined medium-term choices about spending, investment and affordability.

### **Weak productivity continues to impact growth**

New Zealand's productivity remains weak relative to many OECD countries. The small and relatively insular nature of the economy, low levels of investment in research and innovation, shallow capital markets, and the large number of small and medium-sized firms all contribute to this persistent challenge. This has material implications for both government revenues and living standards and helps explain why New Zealand's relative OECD position continues to weaken over time.

### **Demographic change will increase demand for government services**

Demographic change is likely to increase demand for government services. Without a significant shift in wider societal patterns, current and projected changes in the make-up of the population are likely to place greater pressure on health, aged care and social welfare in particular. This will add further strain to fiscal settings and increase the importance of long-term planning and response.

### **Short political cycles and complex domestic political context**

New Zealand's three-year political cycle and electoral system is contributing to an increasingly more contested policy environment than in the past. This is reducing continuity and policy certainty over time and is resulting in increased efforts to deliver short term, immediate impact. New Zealand's short term political cycle is additionally posing significant strategic challenges, as it is making it difficult to sustain action on long-term, system-wide challenges, such as climate change, affordable superannuation, and productivity. Public service departments, through their stewardship role, can help inform debate.

### **There is reduced trust in public institutions**

Trust and confidence in New Zealand's public institutions have come under pressure over the past decade. Greater reliance on unregulated media, economic and social impacts of the COVID-19 pandemic, and continuing cost-of-living pressures have all contributed to greater dissatisfaction and lower trust, resulting in reduced ability to have informed national debate and build sustained consensus on major fiscal and economic choices.

## Organisational context

### The Treasury is rebuilding capability

In recent years the Treasury has experienced significant turnover and with that, some loss of institutional knowledge. The new leadership of the organisation is focused on rebuilding core capability.

### A constrained fiscal environment is increasing pressure to lift productivity

An increasingly constrained fiscal environment is increasing the pressure on the Treasury to lift its own productivity. Public sector-wide expectations of reducing baselines and fewer full-time equivalent (FTE) staff require the Treasury to redesign work practices and processes to achieve greater efficiency while improving effectiveness in core areas of operation. This increases the importance of role clarity, stronger prioritisation and greater use of digital tools.

### Fiscal and economic stewardship expectations are rising

Expectations of the Treasury's stewardship role<sup>2</sup> are increasing. This reflects both New Zealand's more challenging fiscal and economic outlook and the Treasury's position at the centre of government. Stakeholders increasingly expect the Treasury to play a more visible role in the stewardship of the fiscal position and the wider economy.

This raises the bar for the quality, clarity and influence of the Treasury's contribution.

### The Treasury's public system role is inherently complex

The Treasury's role in the public system is inherently complex. It carries both line and central agency responsibilities and is therefore expected to work collaboratively with other central and line agencies while bringing fiscal and economic expertise, and system stewardship role, to bear. This creates a context in which role clarity and effective coordination are especially important.

### The Treasury operates within a complex external authorising environment

The Treasury's responsible Minister is the Minister of Finance. It also supports and is directed by several other Ministers across a range of portfolios, each with distinct priorities and expectations. The Treasury does not determine its own priorities independently. Its work programme, the depth of engagement on particular issues, and the sequencing of effort are shaped by Ministerial direction, Cabinet decisions, legislation, and the responsibilities of other lead agencies across the system. In practice, this means the Treasury must continually navigate competing demands from multiple Ministers and decision-makers, making deliberate choices about where it can add most value while working with Ministers to align expectations and manage trade-offs.

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<sup>2</sup> In this report, references to the Treasury's stewardship role describe its responsibility to take a long-term view across the public system, inform public debate on fiscal and economic challenges, and help mobilise a coherent system response where needed.

# Expected contributions from the Treasury

The changing domestic and global context is raising expectations of the Treasury’s contribution over the next four years. These contributions are detailed in the diagram below.

Figure 1: What New Zealand needs from the Treasury

## What New Zealand needs from the Treasury in the next four years (2026-2030)

The Treasury leads with ambition, urgency and clarity to provide strategic leadership and trusted advice, supporting New Zealand to navigate uncertainty, seize opportunities and lift living standards for all New Zealanders.

### Budget and investment management

Rebuild fiscal resilience and reduce the structural deficit

Strategic, cohesive leadership that enables governments to make future-focused choices that will restore New Zealand’s fiscal resilience, reduce the structural deficit, and position finances to withstand future shocks and sustain long-term wellbeing.

- Ministers receive forward-looking expenditure and investment advice so public spending goes towards what delivers the greatest value for New Zealanders
- The Treasury has financial systems and processes that enable long-term planning and decision making beyond annual budget cycles
- The Treasury leads a cohesive investment management system that allows Ministers to make well-informed and long-term focused planning and investment decisions

### System and sector performance

Lift performance (financial, economic, value for money) in the public sector

A high level of financial capability across the public service and sophisticated monitoring and system-wide assurance of performance.

- Performance and accountability frameworks that are proportionate, focused on materiality, and able to adapt as agency operating models and service delivery evolve
- The Treasury is consistent and authoritative in how it talks about and measures value and performance across all parts of government, and sets the framework within which agencies demonstrate their own performance and value for money
- Ministers receive timely, coordinated advice through mechanisms that anticipate and respond to emerging system issues, with clear exit pathways
- Strong financial capability in the public sector is improving transparency and the Crown’s overall fiscal position

### Economic leadership

Ensure the right settings for a high-performing economy

Consistent and actionable advice on the significant, system-wide economic challenges to support economic recovery and higher productivity.

- Ministers receive ambitious, evidenced and innovative analysis and advice on the State’s role in economic development
- Public and private sector leaders are convened effectively, enabling a whole-of-economy view and coordinated response
- Economic security and resilience are a key focus for the Treasury, and embedded across Treasury’s advice

### Enabling the system and being a trusted advisor

- Ministers receive “free, frank and fearless” advice grounded in evidence and deep system understanding
- The Treasury is an effective system steward maintaining the integrity and effectiveness of New Zealand’s fiscal and economic systems and institutions
- Public service agencies are supported to deliver on their priorities with clear expectations, frameworks and system guidance
- External stakeholders (e.g., the public, media, business sector) view the Treasury as a credible, influential voice that strengthens collective understanding of the economic and fiscal environment, emerging risks and long-term choices
- The Treasury is recognised for its principled neutrality, providing advice that is analytical, balanced and anchored in the public interest
- The Treasury uses its unique expertise to contribute to an effective centre (PSC, DPMC, Treasury)
- Key partners are engaged on long-term insights, emerging trends and future risks and opportunities that shape New Zealand’s future economy

## Performance Challenge

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The Performance Challenge facing the Treasury is significant. Merely “getting back” to the Treasury of old will not be enough to respond to the complex and sizeable challenges facing New Zealand over the next four years and beyond. In interviews, “the Treasury of old” was commonly associated with strong fiscal discipline, analytical capability and a high level of influence across the public sector. In essence, the Treasury must manage and meet the pressing demands on it now, while investing in and making progress on the shifts needed to deliver what will be required of it in the future.

The Treasury’s Performance Challenge is twofold: what it needs to deliver, and how it needs to organise itself to deliver it. It needs to continue rebuilding its core and distinctive areas of responsibility, while simultaneously making a step change in how it works internally, with other central agencies, and across the wider public service.

Central to both dimensions is the need for a clearer strategic pathway – one that enables the Treasury to act deliberately in its system roles, make sharper choices about where it can add most value, and guide the capability and operating shifts needed for the future. A clearly articulated three-year strategic pathway would support prioritisation, investment, and operating model development, and help the Treasury work with Ministers to make more deliberate choices about focus and sequencing. We believe this is a crucial missing element: the middleware that links the Pae Tata shifts to the Treasury 2040 Vision.

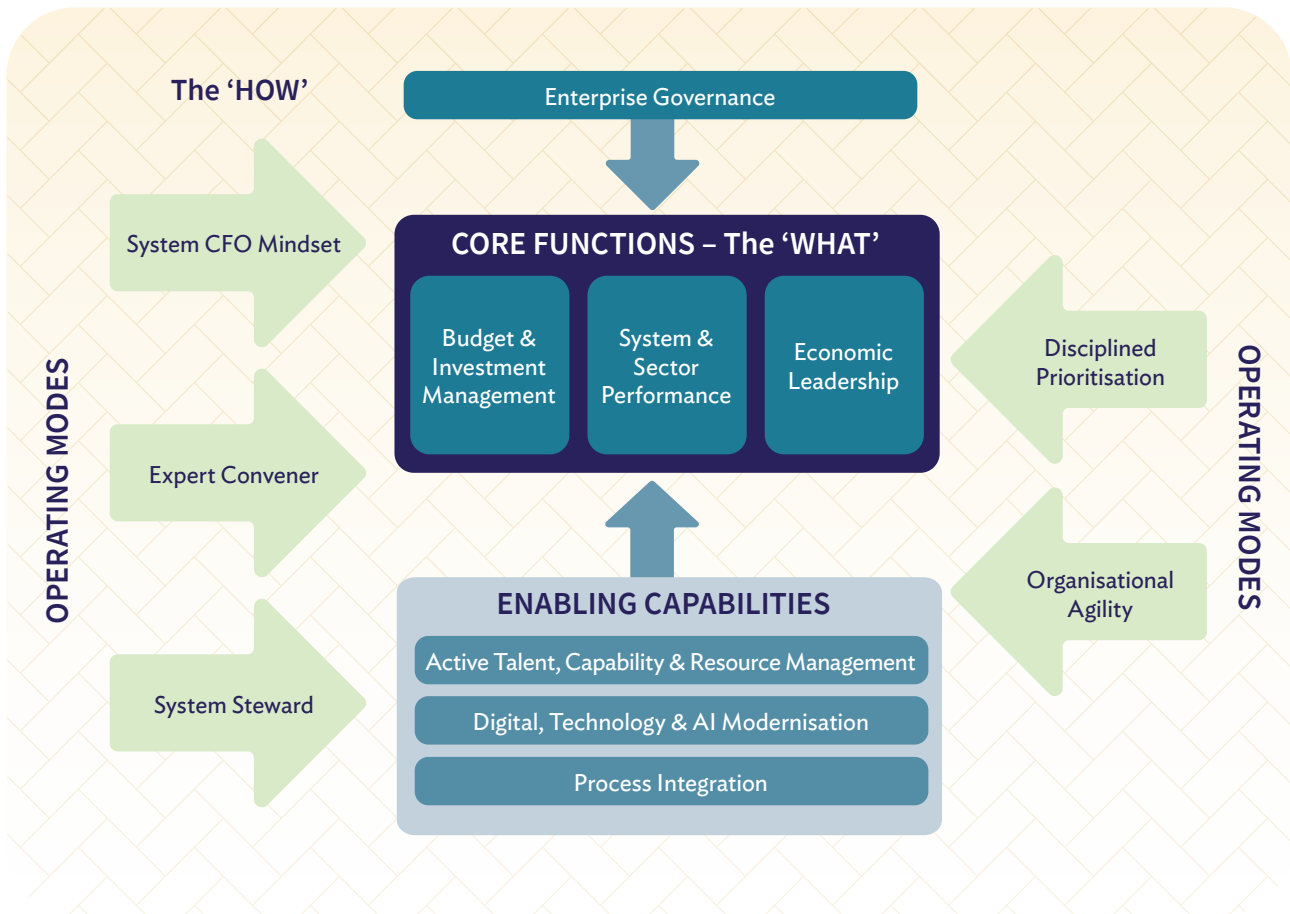
One of the most critical capabilities the Treasury will need is the ability to drive effective organisational change at pace, while continuing to manage the breadth and complexity of its day-to-day responsibilities. That will require discipline, sharp prioritisation, and a willingness to focus effort on where it can have the greatest impact.

### Where does the Treasury need to excel?

The Treasury plays a pivotal role in equipping Ministers, agencies, and New Zealand with the information, advice, policy and regulatory settings needed to navigate this challenging period. A strong Treasury, operating at the intersection of the central agencies and the wider Public Service, is a foundational building block for a strong Public Service.

The Performance Challenge is made more acute by the fiscal context in which the Treasury itself is operating. Like other agencies, the Treasury has already absorbed material baseline reductions and further savings are expected. The Performance Challenge set out in this report therefore needs to be delivered from a smaller resource base, which increases the importance of the prioritisation, deployment and modernisation shifts described over the page.

Figure 2: Performance Challenge



## The 'What'

### Challenge 1 - Build on strong fiscal foundations while modernising budget and investment management systems

The Treasury's fiscal stewardship remains a core organisational strength. Stakeholders continue to recognise the technical capability, independence and disciplined operations that underpin this work. The opportunity now is to build on that strength by shifting from an approach centred largely on annual budget cycles to one that better supports the Treasury's role as a fiscal steward and enables a stronger medium- and long-term fiscal strategy.

### Modernise the Budget process

The Budget process will need to do more to support better medium-term investment and spending choices. In light of New Zealand's fiscal challenges, and the implications for government spending decisions, the Treasury will need to adapt the Budget process so the public sector is less shaped by historically incentivised marginal and near-term choices and better supported to make longer-term decisions and wider system changes.

This would be helped by greater clarity about investment priorities and a longer-term fiscal framework for the Budget process, so that the Treasury can better support Ministers to take a more strategic view of spending, sequencing and trade-offs over time.

Digital and AI tools also have the potential to make the process more efficient and better informed. Opportunities exist to leverage these tools to greater enable real time analysis, strengthen data integration across processes, and reduce the burden on both the Treasury, and agencies. Realising this potential will require investment, training, and a clearer articulation of the intended benefits and deliverable outcomes over time, as discussed in the *Data, analytics and digital technologies* section.

The Treasury will also need to gain support from Ministers and central agencies if it is to change the rules, processes and sequencing that shape the Budget process and wider fiscal management system. This may include considering more fundamental changes to the settings underpinning the system, including whether aspects of the Public Finance Act continue to support the outcomes sought. Without that support, it will be harder to shift decision-making away from short-term annual choices and towards a more strategic approach to spending and investment over time.

### **Investment Management System (IMS)**

As the lead agency for the IMS, the Treasury's challenge is to strengthen aspects of its investment and monitoring frameworks so they provide more timely and insightful advice, stronger investment assurance, and more meaningful reporting of investment performance for Ministers. Better visibility of the state of the asset portfolio, and of performance against future demand expectations, will be important if the government is to better understand and plan its investment pipeline.

This points to the need for a more informed life-cycle approach to investment, supported by stronger sector and system strategies. In practice, this means looking beyond individual assets to consider how service delivery models are likely to change over time, for example through digital and AI-enabled delivery, and ensuring investment

decisions reflect those shifts rather than simply replacing existing assets on a like-for-like basis. A more forward-looking approach would help government manage transitions between delivery models, make rational maintenance decisions, and improve the overall return on public investment.

The system will also need to adapt to the changing nature of government investment. An increasing share of investment is now directed towards improving the system's digital delivery. That creates a stronger case for an IMS that better recognises different investment and asset classes, including the shift from technology infrastructure to software as a service, and the related shift from capital to operational spending. It also suggests a need for investment approaches that better accommodate agile development rather than relying too heavily on more traditional waterfall models. In parallel, the growing emphasis on outcomes-focused, evidence-led approaches such as social investment, where returns are often realised through avoided cost and improved long-term outcomes, further reinforces the need for investment settings that can support different types of value, risk, and return. Taken together, these changes would support greater transparency and more rational investment choices over time.

### **Challenge 2 – Strengthen system and sector performance**

Strengthening system and sector performance is becoming increasingly important in a constrained fiscal environment and offers the Treasury a significant opportunity to improve how value, performance and risk are understood across the public system. Given the fiscal pressures facing government, the Treasury's challenge is to provide stronger advice on the value of public investment and on the delivery performance of agencies and systems providing services on behalf of government.

This is a demanding task, but the Treasury's broad and mixed Vote and monitoring portfolio also creates an opportunity to bring greater consistency, sharper judgement and more proportionate oversight across the system. It spans public good entities delivering core public services as well as commercial and mixed-ownership entities. That requires a nuanced and sophisticated performance management approach that is grounded in a clear understanding of the investment outcomes and system contribution being sought, and able to assess both value and performance. It also requires the Treasury to calibrate its monitoring effort to more clearly evaluate system benefit and risk.

The opportunity now is to continue work already underway to redesign the Treasury's Vote and monitoring approach at pace. In practice, this includes:

- prioritising activity more clearly in light of the country's fiscal challenges, including consideration of where structural change could improve system performance
- focusing more sharply on the material drivers of value across the system, the sustainability of agency operating models and settings, and the delivery efficiency of public investment
- strengthening commercial and investment analysis capability so the Treasury can provide more effective insight, performance monitoring and relationship management
- making better use of technology, digitisation and AI to improve efficiency and free up capacity
- more proportionate, lighter-touch monitoring of smaller agencies
- engaging with Ministers on rationalising parts of the monitoring portfolio, particularly in relation to Crown entities, so the Treasury can focus more of its effort on the most material government investments.

### **Challenge 3 – Strengthen and clarify the Treasury's economic system leadership**

#### **Continue to invest in strengthening economic policy**

The Treasury's economic system role is complex and at times unclear. The Treasury has a range of responsibilities where it is the lead policy agency and has invested significantly in economic frameworks and modelling tools to analyse broad dimensions of economic performance, including productivity, resilience and sustainability.

The challenge now is how the Treasury uses that capability in a more turbulent global context, and in a period when the economic orthodoxy that has shaped New Zealand's policy settings for decades is under increasing pressure. The Treasury's future economic contribution will depend on being more connected, more curious, and more grounded in commercial reality. It will need to draw on expert opinion and practical insight from New Zealand and offshore, including through building and maintaining trusted, ongoing networks with business and sector leaders to generate practical insight, and translating those insights into timely and credible economic policy and regulatory settings that respond to changing global conditions and New Zealand's unique circumstances.

That advice will also need to remain connected to fiscal settings and to New Zealand's structural economic challenges. The issue is not only how the Treasury responds to global change, but how well it integrates strategic economic advice with the fiscal and domestic context in which Ministers are making choices.

## Clarify the Treasury's role in the economic system

The Treasury is recognised as the overarching economic system lead, but other agencies lead on a wide range of economic issues, including energy, transport, innovation and education. At times this creates uncertainty about system roles and how they should operate in practice. There is a risk that the Treasury is drawn into issues where its value-add is unclear, or conversely, not being sufficiently engaged on issues of material economic significance where others expect it to play a stronger role. This necessitates the Treasury being clear about the model it uses to discharge this function and to seek Ministerial endorsement of this, and the expertise it needs to remain relevant on economy-wide issues.

At the core of the Treasury's value as the economic system leader are its access to senior Ministers, economy-wide perspective, ability to inform public discussion and debate, and convening power across the public system and wider economy. No other organisation is as well placed to bring these together. At present, however, the Treasury is not always sufficiently disciplined in how it delivers that value. It is not always clear about which economic issues warrant a wider system response, what expertise it needs to bring to bear, or how and when to step back once its contribution is no longer needed. Nor is the wider system always clear about when the Treasury should be brought in, which can leave the Treasury either unaware of, or not close enough to, issues that key stakeholders see as materially important to the economy.

The challenge for the Treasury is therefore to do the following:

- Identify, based on its understanding of the structure and nature of the New Zealand economy, the priority areas in which it should retain critical expertise and knowledge in-house. This will require the Treasury to be disciplined and develop a clear rationale for where

it retains sector specialisation alongside the primary responsible agency. The strongest case for doing so is where there are material implications for the economy over the medium to longer term, such as the energy sector. Although, the Treasury will need to resist going too wide in its definition of what is material.

- Identify and respond to emerging, cross-cutting issues by building the capability to recognise issues that cut across sectors or do not sit clearly with a single lead agency, and to initiate or convene early work where needed. This will require the Treasury to take a more proactive role in scanning for emerging risks and opportunities, and to incubate or coordinate work in areas of system importance where responsibilities are unclear or still forming, such as the economic and fiscal implications of AI, and economic security and resilience.
- Establish a wider ecosystem of expertise that the Treasury can draw on to bring private sector, academic and other technical insight into its convening model. Bringing all the necessary capability in-house is unlikely to be feasible or affordable. A more credible and sustainable response would be for the Treasury to build a more connected network of expertise across organisations, sectors and geographies, including stronger links to international peers and centres of knowledge. This would also require the Treasury to be more connected and engaged beyond Wellington, both domestically and internationally, and to have the internal capability to build and sustain effective external relationships.

## The ‘How’

### Challenge 4 – Continue to modernise the Treasury’s ways of working at pace

#### Modernisation at pace

The Treasury has already made significant changes to its structure, governance and leadership over the past 12 months and is continuing to implement shifts articulated through Pae Tata. A number of those changes are still bedding in, and the scale of change appears to have been significant for the organisation. The challenge now is to build on that first step and continue modernising the Treasury’s ways of working at a pace that is aligned with the Future Excellence Horizon.

Part of the Treasury’s Performance Challenge in building on the work already underway through Pae Tata is to evolve its operating model and ways of working quickly enough to matter. That means not only continuing work already in train, but being more structured and deliberate about how the wider modernisation programme is delivered, including clearer milestones and deliverables, shorter review and decision cycles, and stronger accountability for progress against agreed timeframes.

This will require a more integrated approach to organisational change. In practice, this does not mean centralising all change activity into a single programme, but it does mean ensuring that initiatives across workforce, digital, process and operating model design are coordinated and sequenced as part of a coherent whole. This is particularly important for digital transformation and process redesign, which need to be anticipated and built into the design of other change initiatives rather than treated as separate workstreams. Without that integration, there is a risk that individual workstreams proceed on different assumptions, timelines or design principles and produce an operating model that does not hold together.

The Treasury’s current approach, where a number of change initiatives run in parallel with limited central oversight of how they connect, may not be sufficient to manage this risk or deliver optimal organisational outcomes. A stronger central coordination function, with clear authority to sequence initiatives, manage interdependencies and ensure design coherence, overseen by appropriate organisational governance, would help Treasury deliver the outcomes it is seeking within the required timeframe.

A more disciplined approach to prioritisation and resource deployment will also be central to the Treasury meeting its Future Excellence Horizon. In a context of multiple Ministers, routine and unanticipated work, and recurring stewardship demands, the Treasury will need a clearer model for deciding where to apply scarce capability and capacity, what operating mode it is using, and when it should step back. These issues are discussed further in the *Leadership and direction* and *Workforce* sections of this report.

#### Enterprise governance

The Treasury has recently adopted a connected two-tier internal governance model, with the Executive Leadership Team (ELT) as the ultimate governor, and the Organisational Performance Committee (OPC) supporting and connecting that work into the wider organisation. The challenge now is to continue refining this governance practice so it maintains pace and agility while providing appropriate oversight and assurance.

Because the new arrangements are still at an early stage, governance maturity will matter. The Treasury’s governance model will need to minimise duplication, support organisational agility, and provide greater clarity about the respective roles, mandates and accountabilities of ELT and OPC. If it can do this well, clearer governance should help the Treasury make better choices, maintain momentum and give effect to its desired future state more consistently.

It is likely that some issues will continue to require a more connected and dynamic approach across both bodies. One option the Treasury may wish to consider is more regular combined ELT and OPC discussion of organisational prioritisation and investment priorities, particularly where issues cut across strategy, performance and resource allocation. More important than the meeting format itself, however, is ensuring that ELT and OPC work together in a way that connects strategic direction, operational reality and timely decision-making across the organisation. That would bring together the context-aware and strategic perspective of ELT with the more operationally grounded perspective of OPC on some of the Treasury's most important choices.

Integrating governance responsibility for the Treasury's modernisation programme into this wider framework will be important if the programme is to succeed. Building on the wider ecosystem of external expertise suggested earlier in this report, the Treasury may also benefit from convening a "critical friends" advisory governance group to strengthen connections with private sector and wider external perspectives, and to bring broader insight to issues as they emerge.

Governance is discussed further in the *Leadership and direction (Governance)* section of the report.

### **Digital, technology and AI modernisation**

Digital and AI-enabled change is accelerating rapidly, and many organisations are already transforming their service delivery in ways that improve efficiency, quality assurance and cost to serve. For the Treasury, the challenge is to accelerate its understanding, uptake and effective use of digital tools, including AI. Although the Treasury has recently approved a new Digital Strategy, it is still at an early stage of this journey and has yet to set up the structures and enterprise-wide processes needed to systematically identify, evaluate and act on digital and AI opportunities as they emerge across its own operations, let alone across the wider public sector. Given

the pace at which AI in particular is creating new possibilities, the priority is less about mapping a fixed set of opportunities and more about building the organisational capability to continuously identify high-value applications and move quickly to adopt them.

This challenge is significant because the Treasury's role as a system steward requires it not only to understand the implications of digital and AI-enabled transformation for public sector performance, but also to demonstrate credibility through its own use of those tools. The pace at which the Treasury will need to grow its internal capability and expertise, while also understanding and supporting the wider context of digital change for the public sector, suggests that the approach observed at the time of the review is unlikely to be enough on its own. It is likely to require parallel development pathways and a willingness to embrace AI and digital as a key delivery mode, aggressively pursuing pilot and use-case trialling with a "fail fast, scale smart" mindset that sits uneasily alongside the Treasury's more risk-averse approach to technology use and roll-out.

AI is also likely to have broader implications for New Zealand's economy and the government's fiscal position. The Treasury's ability to advise on those implications will require it to build sufficient in-house understanding of how AI is reshaping economic activity, complemented by access to external expertise where deeper technical or sector-specific insight is needed. This is a distinct capability from the Treasury's own internal adoption of AI tools, though the two will be mutually reinforcing over time.

This is discussed in more detail in the *Financial management, data and risk (Data, analytics and digital technologies)* section.

## Process integration

Process redesign is one of the practical enablers of the Treasury's wider organisational modernisation. The Treasury will need to be clearer about which processes remain necessary and fit for purpose, which have become redundant, and which should be redesigned if it is to use resources more efficiently and make better use of digital tools, AI and technology. As set out above, the integration of people, process, digital and technology design is likely to be important to achieving the wider modernisation outcomes the Treasury is seeking. For example, there is opportunity for Vote teams in this regard – redesigning how agencies provide information, automating key analytics and then overlaying Vote analyst interpretation could make an impact on efficiency and consistency.

## Active talent, capability and resource management

The Treasury already has significant expertise within its workforce, but there is clear potential to strengthen its senior capability further so it can respond to the scale of the organisational challenge and rebuild its reputation as a hothouse for talent. A more deliberate model of both “grow” and “buy” could help the Treasury accelerate that rebuild within its constrained baseline by identifying and investing in the talent needed to respond to current fiscal and economic challenges, while also addressing areas of perceived weakness. Attracting a small number of talent magnets may also help the Treasury lift its ability to attract other skilled and high-performing people.

More deliberate investment in senior commercial capability, digital and AI capability, organisational change and transformation capability, strategic economic capability, and investment analytics would strengthen the Treasury's workforce and support a faster response to the Performance Challenge. The Treasury will also need enough organisational flexibility to form pan-organisational teams and move capability

across priorities as expectations change. Breaking down traditional internal silos, adopting a more enterprise-wide approach to capability and resource management, and being clearer about which capability the Treasury should “own” and which it should “buy” or “borrow” would all help support better deployment decisions.

Adequate planning and visibility of organisational commitments will be important to managing resources in real time. Some form of active planning cycle, such as 90-day planning, may help the Treasury develop a clearer picture of its resource challenges and changing priorities.

More broadly, the Treasury's challenge is to design its structure and roles in a way that allows it to remain flexible and agile in deploying resources, drawing on good practice from professional services comparators, while retaining sufficient technical depth in its core and priority areas. Over time this should help the Treasury manage while also providing stimulating and rewarding opportunities for its people.

A clearer set of organisational and system priorities would also support the Treasury's workforce and deployment decisions. In practice, the Treasury will need better visibility of how capability is being used across near-term issues and longer-term priorities if it is to shift people deliberately and maintain a stronger long-term focus on system performance.

As discussed further in the *Leadership and direction (Purpose, vision and strategy)* section, the Treasury will need a clearer strategic pathway to make more deliberate choices about where effort goes, what takes precedence, and how capability is allocated across competing demands. In a workforce context, this means better visibility of how capability is being used across near-term issues and longer-term priorities, so that deployment decisions are deliberate rather than reactive.

## Challenge 5 – Adopt Operating Modes to shape the future Treasury

The Treasury operates in an environment where its demands are complex and cross-cutting, reflecting the breadth of its role across the public sector and the wider economy. Priorities are fluid and evolve in response to changing fiscal, economic, and system conditions. In this context, how the Treasury operates is as important as what it delivers. Below we articulate a set of distinct but complementary ‘operating modes’ that describe how the Treasury brings its capability to bear within different contexts to meet current and emerging expectations. A successful future Treasury would be able to move deliberately between these operating modes, applying them with agility, purpose and contextual awareness, being clear about which mode it is operating in and why.

### Operating Mode 1 - System CFO Mindset

A number of the Treasury’s core functions are analogous to those of a Chief Financial Officer (CFO) in a corporate setting. Most obviously, this includes responsibility for the Budget and the wider fiscal management of the public system. This operating mode is not a separate area of work from those core functions, but rather describes the mindset and approach the Treasury should bring to them. The opportunity is to apply more of that CFO mindset across the Treasury’s wider organisational and system responsibilities.

By this we mean the Treasury should consistently bring a strategic and forward-looking approach to its work and view financial data not only as a compliance tool but as a driver of growth, value for money, sustainability and calculated risk-taking. It is also about using data to develop more actionable advice for Ministers, bringing continuous curiosity to the table, and seeking to understand all aspects of system and sector performance. In that sense, the shift is also from a “Department of No” to a partner in value creation.

If the Treasury can apply this mindset consistently, it has the potential to move from simply tracking financial and fiscal outcomes to actively shaping future value for the country. Doing so will require leadership support, clearer guidance for staff, and guardrails that help translate the mindset into the Treasury’s policies, procedures and ways of working. Done well, it could become one of the more transformational elements of the Treasury’s culture and strengthen its value proposition to the wider public system.

### Operating Mode 2 - The Expert Convener

The Treasury has a long history of convening expertise from across the public system in response to fiscal and economic issues. The challenge now is to expand and formalise this role by building a wider and more accessible network of expertise, including beyond the public sector, that can bring sector, industry and technical insight to the Treasury’s advice.

This will require greater clarity about how and when the Treasury uses its convening role. In particular, it will be important to be clearer about the triggers for activation, the boundaries of the role, the value the Treasury is expected to add in different circumstances, and the point at which it should step back. Without that clarity, there is a risk that the convening role becomes too diffuse or unevenly applied. This will also depend on the Treasury having the credibility and trust with participants to convene genuinely open and useful discussions.

We consider there are three main convening modes the Treasury is likely to continue to operate in:

- **Where it is the system lead** – where the Treasury identifies a significant fiscal or economy-wide issue, such as economic productivity, it may act to convene wider public and private sector capability to consider policy and regulatory settings.

- **Where an issue is material to the government’s fiscal position and key responsibility sits with another agency** – given the Treasury’s umbrella responsibility for the government’s fiscal outlook, it may need to exercise a convening role so it can assure itself that the implications of an issue are being reflected appropriately in fiscal forecasts and outlooks. Health is the clearest example. Given the scale of government spend in this area, the Treasury is likely to need to retain enough understanding and convening capability to bring a wider fiscal perspective alongside the Ministry of Health’s policy and monitoring roles. This should help provide the government with a more rounded view of the sector position over time.
- **Where an issue is material to the economy and key responsibilities sit with another agency or agencies** – from time to time, market disruption or a change in demand can alter the risk or opportunity profile of a particular part of the economy, with material implications for wider economic performance. In those circumstances, the Treasury may need to exercise its convening role to bring broader capability and macroeconomic considerations to bear, even where another agency has primary responsibility. The Treasury’s access to senior Ministers may also be an important part of the value it brings in these situations.

In each of these instances, the Performance Challenge is the same: the Treasury will need to be clear about why it is stepping in, draw widely on its network of capability, and bring both its own and others’ expertise to bear not only to identify the problem, but also to support scenario thinking and considered solution development. It will also need to be clearer about its stand-down and exit pathways.

### Operating Mode 3 – System Steward

The Treasury’s system stewardship role is closely linked to its convening role. System stewardship is a shared responsibility across the central agencies. Stewardship is a core public service principle under the Public Service Act, with chief executives responsible for upholding it across their agencies. In practice, the system stewardship role reflects both these statutory responsibilities and the Treasury’s broader role at the centre of the system. The PSC and DPMC each bring distinct stewardship perspectives and mandates, and the Ministry for Regulation and Social Investment Agency also contribute within their respective areas. The Treasury’s distinctive contribution is the visibility its fiscal and financial role gives it across the public sector and the understanding of fiscal pressures that comes with it, as well as the practical support it can contribute to the system, such as deploying capable staff to another agency when fiscal or economic issues are emerging. The challenge for the Treasury is to exercise that stewardship role judiciously and consistently, in a way that complements rather than duplicates the stewardship roles of its central agency partners.

This includes using the Treasury’s strategic financial view of the public system to help shape the levers and regulatory settings that support stronger public sector performance and efficiency, including where reform is required. Taking a longer-term view of the changes needed across the system should also help support better sequencing of regulatory and system change, and improve the outcomes of more complex reforms.

## Operating Mode 4 - Disciplined Prioritisation

Given the Treasury's system vantage point, disciplined prioritisation is a central operating challenge. The Treasury is at constant risk of being drawn into every issue and, in doing so, losing focus on its important but non-urgent stewardship responsibilities.

The Performance Challenge is therefore to develop and apply a prioritisation model that balances near-term and longer-term demands in a way that allows the Treasury to make progress on its longer-term priorities while continuing to respond to the constant flow of emerging issues. This will require a more transparent and granular approach to resource planning and management, supported by clearer principles for assessing the relative priority of competing demands on capability.

The Treasury will never have enough capacity to respond fully to every demand placed upon it. A prioritisation model that makes the opportunity cost of unmet demand more visible would support better trade-off decisions. It also implies a need for the Treasury to engage with Ministers where priorities need to be reset in order to manage expectations and delivery more credibly.

## Operating Mode 5 - Organisational Agility

The Treasury's operating context is constantly changing. The challenge is therefore to develop the organisational agility needed to adapt, pivot and renew in response to changing context, market conditions and stakeholder needs.

The Treasury is already progressing a number of these dimensions through Pae Tata, and the direction of travel is broadly consistent with what the Future Excellence Horizon requires. It is now important to strengthen and accelerate these efforts.

Key dimensions of organisational agility the Treasury should continue to develop are:

- **Customer centricity** – prioritising customer feedback and data more actively to drive value and respond to changing needs and trends.
- **Speed, efficiency and urgency** – empowering teams to accelerate decision-making and respond with greater urgency where required, reduce bureaucracy, flatten organisational structures, and giving staff greater confidence to act within agreed guardrails.
- **Flexible organisational structures** – moving away from rigid hierarchies towards flexible, cross-functional teams that can be configured around organisational priorities.
- **Culture of innovation** – fostering more of a “trial tolerance” mindset that encourages learning from failures and supports safe experimentation.
- **Technology adoption** – rapidly increasing use of technology and digital tools to enable collaboration, flexibility and new ways of working.
- **More confident, calibrated and consistent risk taking** – reinforcing a shared understanding of risk appetite that moves beyond risk aversion towards more deliberate, proportionate risk-taking, so the Treasury can respond with greater pace, reduce overly cautious behaviours, and support organisational agility without weakening integrity or public trust.

If the Treasury can build greater agility, it is likely to improve efficiency, employee engagement and satisfaction among Ministers and other stakeholders. It would additionally support the Treasury to become more proactive in the way it discharges its stewardship responsibilities, while continuing to manage the more reactive demands that will remain part of its operating environment.

# 3





# Strengths and opportunities

## In this section:





- Ratings overview
- Results
- Organisational Management

# Ratings overview
















The Future Excellence Horizon in this report sets out the Treasury’s Performance Challenge for the future. These ratings indicate the preparedness to meet that future challenge.

Key  Leading  Embedding  Developing  Weak

## Results

	Rating	Rating
Government Priorities		
	Deliver effectively	Deliver efficiently
Core function – Budget and fiscal management		
Core function – System and sector performance		
Core function – Economic policy advice		


## Organisational Management

	Rating
<b>Leadership and direction</b>	
Purpose, vision and strategy	
Leadership	
Values, behaviour and culture	
Governance	
<b>Delivery</b>	
Services to customers, clients, and citizens	
Performance and accountability	
<b>Engagement</b>	
Engagement with Ministers	
Māori-Crown relationship	
Engagement with stakeholders	
<b>Workforce</b>	
Talent management and workforce development	
Workforce performance	
Staff engagement	
<b>Financial management, data and risk</b>	
Investment and asset management	
Strategic financial management and accountability	
Data, analytics and digital technologies	
Risk and assurance	

# Results

The findings in this section should be read alongside the operating modes described in the Performance Challenge. Each core function draws on one or more of those modes, and the ratings reflect the Treasury’s preparedness to deliver each function in a way that is consistent with the Future Excellence Horizon.

## Government priorities

	Rating
How well positioned is the agency to deliver on the Government’s Priorities?	

### What we found

The Treasury contributes to Government priorities at several levels:

- High-level priorities for this electoral term:
  - Build a stronger, more productive economy
  - Deliver more efficient, effective, and responsive public services
  - Get the Government’s books back in order and restore discipline to public spending
- Priorities specified in manifestos or Coalition Agreements, for example the current Government’s focus to establish new infrastructure, regulatory and social investment institutions, selective reforms to tax, overseas investment, and the Reserve Bank of New Zealand
- Priorities that have emerged during the electoral term, including in response to emerging or unforeseen issue. For instance, the 2023 North Island weather events and COVID-19 under the previous government and, more recently, ferries, management of health expenditure and energy market reform.

The high-level priorities align closely with the Treasury’s core functions and are discussed in more detail below. Interview evidence suggests that perceptions of the Treasury’s responsiveness are more positive where it is the lead agency on a specific priority. In those areas, Ministers cited examples of proactive, timely and responsive advice, although there were also examples where the Treasury appeared slow to respond or reluctant to engage.



Perceptions were more mixed where the Treasury was not the lead agency. Ministers and stakeholders cited examples where they had expected the Treasury to be more prominent, even where the Treasury had made a deliberate decision to reduce its involvement. In some cases that decision had explicit Ministerial agreement, but stakeholders, including others within government, were not aware of it. This contributed to uncertainty about what the Treasury’s role should be in those instances.

Before assessing how well positioned the Treasury is to advise on emerging priorities, a prior question is whether its role is sufficiently clear in each instance. The appropriate role may change as an issue evolves, and the Treasury will need to actively manage those transitions.

Through multiple parties and channels, the Treasury is asked to contribute to many emerging priorities and must decide how to allocate scarce resources to achieve the greatest impact. Without greater clarity about which operating mode the Treasury is using in different contexts, there is a risk the Treasury comes in too late, at the wrong level, or in ways that add less value than it could.

The prioritisation challenge and the need for clarity on the Treasury's operating modes is discussed in more detail in the *Leadership and direction* section. Also related to the Government priorities is the Treasury's engagement with Ministers, which is discussed in the *Engagement* section.

## Core function – Budget and fiscal management

	Rating
How well positioned is the agency to effectively deliver the contributions expected of it?	
How well positioned is the agency to be able to efficiently deliver those contributions?	

### About this function

The Treasury’s budget and fiscal management function focuses on the state sector and public finances, including the government’s financial position, the Budget cycle and investment and asset performance.

Through this function, the Treasury prepares economic and fiscal updates, the government’s financial statements and long-term briefings; advises on fiscal, accounting and reporting frameworks; manages the government’s debt management strategy; advises on budget policy objectives and trade-offs across revenue, spending and the balance sheet; and advises on capital investment and infrastructure policy.

### What the agency needs from this core function

As described in the Future Excellence Horizon, the Treasury needs strategic, skilled, and cohesive leadership that enables governments to make future-focused choices that restore New Zealand’s fiscal resilience, reduce the structural deficit, and position public finances to withstand future shocks and sustain long-term wellbeing. This means Ministers receive forward-looking expenditure and investment advice, the Treasury has financial systems and processes that support planning and decision-making beyond annual Budget cycles, and an investment management system that supports well-informed and long-term decisions.

Delivering this will require the Treasury to apply a stronger System CFO mindset, using financial data to drive insights and decision-making rather than compliance, and to operate more deliberately in shaping the settings and incentives that underpin public sector financial management.

### What we found

#### The Budget process remains strong, but is still too anchored to annual cycles

We heard a consistent view from Ministers and stakeholders that the Treasury largely runs a professional Budget process. The annual Budget, Half-Year Economic and Fiscal Updates and Financial Statements are comprehensive and respected for their objectivity and accuracy, with assumptions and risks clearly stated. There have also been process improvements, for example, the introduction of budget bids by invitation only was seen as reducing work on bids with little prospect of success.

Public sector interviewees understood the fiscal environment and Ministers’ commitment to return the operating balance to surplus. Stakeholders identified several ways the Budget process could better support that objective while also contributing to stronger value for money. Earlier clarity about strategic priorities, the timing of the elements of the process and annual savings targets would help. Greater certainty about the medium-term funding path, to the extent the political cycle and context allows, would also give agencies more scope to identify savings,

for example through digitisation, automation, service redesign and, where necessary, reduced service levels.

Agency performance plans and the Budget process have the potential to support more consistent multi-year planning across the public sector, but interviewees questioned whether the Treasury is getting enough value from the process to justify the effort involved. They noted that completing the plans takes considerable time and that the prescriptive, one-size-fits-all template can limit their value for individual agencies, even while supporting consolidation across agencies.

The budget process itself still operates with discipline: all expenditure is subject to external audit, based on materiality, and instances of unappropriated expenditure are rare. The Treasury is working with the Minister of Finance to improve the budget system iteratively, and it remains broadly fit for purpose in the short to medium term. More substantive change to the Budget process is likely required to support New Zealand's medium to long term interests.

### **Financial statements remain strong, but strategic financial capability across the system appears uneven**

The Chief Government Accountant produces the government's annual and monthly financial statements and five-year fiscal forecasts, provides leadership to the government finance profession, sets accounting policies, and helps ensure accurate reporting of Crown assets and liabilities. Domestic and international stakeholders respect the quality and objectivity of the financial statements, including the Crown balance sheet.

The accounting policies themselves are consistent with good public sector practice, but their application appears to have created some distortion in decision-making. The Treasury seeks to manage this through early financial advice as agencies consider the structure of expenditure proposals.

Several interviewees, including the then Office of the Auditor-General, noted a relative lack of strategic financial management capability in departments and Crown entities. Finance groups were described as stronger on financial control, while leadership teams appeared more variable in their strategic finance capability. The Treasury has a small team working with the finance profession to strengthen capability and performance. The Public Service Commissioner is now Head of the Government Finance Profession, a role previously held by the Secretary to the Treasury (the Secretary), and has prioritised a step-up in financial management capability across the system, supported by the Treasury team.

### **The Investment Management System is well-founded in principle, but is not operating as intended**

The Treasury is the lead policy agency for the Investment Management System (IMS), which is an element of the public finance system. The IMS encompasses policies, processes and requirements intended to support agencies to plan and deliver investments and realise the resulting benefits, and to enable senior Ministers and Cabinet to prioritise and sequence investments against long-term priorities and understand how investments are tracking across the life cycle from inception to benefit realisation.

At the time of our interviews, the Treasury, Ministers and stakeholders all agreed that the IMS is based on sound principles and good international practice, but that it is not operating as intended. Ministers were not satisfied with the quality and timeliness of information available across the system to inform investment choices or monitor delivery. Responsibility for this sits with agencies, monitoring departments and the Treasury collectively, rather than with any single entity. Core elements of the process, including business cases and Gateway reviews, were not being followed in a material proportion of projects, and the business case process was seen as disproportionately burdensome in some cases.

Project assurance also appeared not to be working as well as intended. Ministers cited instances where projects were reported as progressing satisfactorily, with indicators of problems emerging too late to allow timely intervention. Responsibility for the quality of project reporting sits primarily with the agencies delivering those projects and their monitoring departments, with the Treasury's role being to ensure the system settings and assurance processes support timely and reliable information. Stakeholders noted that the Treasury supports the Gateway process professionally and in a way that is consistent with international good practice, but some also described confusion about who the client is, particularly from a Ministerial perspective.

Some stakeholders also pointed to the former Investor Confidence Rating (ICR) scheme as a promising way for departments and agencies to earn more autonomy, although others considered that the system had been gamed and was therefore unreliable. Even so, an ICR-like mechanism appears to have potential to help the centre target its limited assurance and monitoring resources more effectively.

A further concern was that the IMS appears better configured for physical investment than for digital investment. Interviewees noted that it has not kept pace with changes in the operating environment, including software as a service, the shift from capital expenditure to operating expenditure, and the potential to deliver services differently. The current budget and investment management systems are not yet configured to support transitions of this kind, such as the shift in health towards more distributed and digital modes of delivery.

Interviewees also noted that central government imposes more structured planning and asset management requirements on third-party investors, particularly local government and regulated utilities, than it applies within central government itself. Some also considered that the funding and financing of investments risk being distorted by accounting rules and by the financial metrics used in reporting on the public finances.

Examples cited included the treatment of public-private partnerships (PPPs), whether financing is 'on' or 'off' balance sheet, the incentives created by the capital charge, and the different treatment of capital and operating expenditure.

In April 2026, after interviews were concluded, the Government announced that responsibility for infrastructure project assurance is being transferred from the Treasury to the Infrastructure Commission. This includes consolidating the current external assurance products such as the Treasury's Gateway Reviews, the Infrastructure Commission providing assurance on capital-intensive agencies' asset management and long-term investment planning, and the introduction of a Treasury two-page 'Fitness Assessment' for all Business Cases proposing major investment decisions from Cabinet. In the Minister of Finance and Minister of Infrastructure's announcement, they cited concern with the "quality of information provided on infrastructure including what we own and its condition, the forward investment pipeline, assurance on projects, and agency performance" as a key driver.

The Treasury is aware of the issues discussed in this section of the report, and is planning to refresh the IMS, both in its design and in the rigour of its application, and to propose updates to relevant elements of the Public Finance Act. We support the Treasury prioritising this work, which appears to have the potential to add considerable value over time.

## **The infrastructure operating model appears fragmented, and the Treasury is not yet well placed to help bring coherence**

Interviewees described the ecosystem around the government’s infrastructure agencies as complex and confused. They identified a lack of role clarity across pan-infrastructure bodies (including the Infrastructure Commission, National Infrastructure Funding and Financing (NIFFCo), Crown Infrastructure Delivery, and the Treasury) and sector-specific infrastructure agencies such as Health NZ, Kāinga Ora, NZTA, and Corrections.

Examples raised by interviewees included two recent PPP projects proceeding without an up-to-date PPP policy framework setting out when and how this model should be used; ongoing conflation of funding and financing; and a lack of coherence in the government’s response to unsolicited infrastructure proposals. In this context, the respective roles of the Treasury, NIFFCo and Invest NZ were commonly seen as unclear.

A common theme from interviews was that the Treasury is best placed to steward the infrastructure ecosystem, act as the lead policy agency and “conduct the orchestra” by ensuring that roles, relationships and engagement with the private sector are sufficiently clear. At present, however, interviewees did not consider the Treasury to have the capability or capacity to perform that role effectively and noted that different parts of the organisation can take different positions on specific issues.

The Treasury is adjusting its resourcing of infrastructure activities after a Ministerial decision that the Infrastructure Commission would play a more prominent role. As a Crown entity intended to have an independent voice, however, the Infrastructure Commission is limited in the extent to which it can act as a policy adviser to Ministers. As discussed later in this report, recent changes announced in April 2026 to infrastructure project assurance and related institutional roles may help clarify some aspects of the system.

Taken together, this suggests there remains an unfilled stewardship role in the system, creating a risk of continued fragmentation and a lack of coherence and confidence in the infrastructure system.

## **New Zealand Debt Management sits alongside broader fiscal management activity**

New Zealand Debt Management (NZDM) operates in global sovereign debt markets that are facing growing pressure. Public debt levels are near all-time highs and expected to grow, funding costs are rising, risks factors are elevated, and many governments continue to have high spending needs.

NZDM was not a focus of this review. It leverages New Zealand’s reputation for rule of law, robust institutions, transparent public finances and a strong credit rating to maintain access to international capital markets at competitive rates over time, including through periods of financial market turbulence. A recent internal review by the Treasury identified areas where NZDM could improve performance and be better positioned for future pressures.

## The Treasury is raising the visibility of long-term fiscal issues

External interviewees, including Ministers, were supportive of the Treasury's work to raise public awareness of New Zealand's long-term fiscal challenge and of options to improve the fiscal outlook, as reflected in recent evidence-based stewardship documents<sup>3</sup> and in the accompanying speeches and media led by the chief executive. This aligns with the Future Excellence Horizon's expectation that the Treasury operates as a visible and authoritative system steward.



Several stakeholders also noted the potential risk for public sector leaders in seeking to inform debate on politically contentious issues, such as the long-term structure and funding of superannuation. The Treasury's strategy of 'influencing the influencers' appears to be one way of limiting that risk while also amplifying the key messages. We consider informing public discussion on New Zealand's long-term fiscal and economic challenges to be an important part of the Treasury's stewardship role. The Treasury has made a promising start in this area, but there is scope to do more.

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<sup>3</sup> The Treasury's most recent stewardship reports are:

- He Puna Hao Pātiki: Investment Statement 2025. <https://www.treasury.govt.nz/publications/investment-statement/he-puna-hao-patiki-investment-statement-2025>
- He Tirohanga Mokopuna: Long-term Fiscal Statement 2025. <https://www.treasury.govt.nz/publications/ltfp/he-tirohanga-mokopuna-2025>
- Te Ara Mokopuna: Treasury's 2025 Long-term Insights Briefing. <https://www.treasury.govt.nz/publications/ltib/te-ara-mokopuna-2025>

## Core function – System and sector performance

	Rating
How well positioned is the agency to effectively deliver the contributions expected of it?	
How well positioned is the agency to be able to efficiently deliver those contributions?	

### About this function

The Treasury’s system and sector performance function focuses on improving value for money, strengthening agency and system performance, and supporting more effective use of public resources. Through this function, the Treasury:

- advises the government on the resourcing, financial and reporting frameworks that support public sector performance and public accountability
- advises the government on the value for money of public spending, and the efficiency and sustainability of agency operating models and policy settings
- monitors and advises the government on the governance and performance of Crown entities, State-Owned Enterprises and Crown Financial Institutions
- works with other central agencies to provide coherent advice to the government on state sector performance and strategies to lift overall performance.

The teams reviewing or monitoring areas of substantial government expenditure have been brought together in the System and Sector Performance group, creating the potential to define and apply best practice more consistently. Teams in the Economic Advice division also undertake Vote functions, although their primary contribution is typically economic policy advice, and expenditure in these Votes is modest relative to the large-spending Votes.

The Treasury’s Vote teams work with more than 40 departments (including parliamentary agencies and Offices of Parliament) who manage appropriations totalling around \$187 billion (operating and capital, departmental and non-departmental). Of these, the largest three account for ~55 percent of total expenditure while the smallest 20 account for just over 1 percent in combination.

Vote teams work with departmental executives and finance teams, providing both challenge to and support for agency plans. This work includes the following:

- Input to Ministerial decisions on annual expenditure allocations to each Vote and appropriation, including setting savings targets for the relevant department (and associated Crown entities and non-departmental expenditures) or Vote
- Advising departments on participation in the Budget process – for example, bidding for a share of the annual operating allowance
- Support for departments in applying the Public Finance Act.

The Treasury also monitors performance and advises on board appointments for around 40 Crown entities (including Crown Financial Institutions) and State-Owned Enterprises. Around half have commercial objectives and revenue from sources other than government appropriations, while the remainder have public benefit objectives, such as ACC and the Reserve Bank.

While these entities share a common focus on value for money, monitoring teams operate through a more formal set of levers, including advice on Ministerial letters of expectation, board appointments, dividend levels and major capital expenditure proposals. This reflects the more commercial nature of many entities, compared with the primarily policy-focused work of Vote teams.

## What the agency needs from this core function

As described in the Future Excellence Horizon, the Treasury needs to support and drive a high level of financial capability across the public sector, and sophisticated monitoring and system-wide assurance of performance. This includes:

- performance and accountability frameworks that are proportionate, focused on materiality, and able to adapt as agency operating models and service delivery evolve
- the Treasury being more consistent and authoritative in how it discusses and measures value and performance across all parts of government, and sets the framework within which agencies demonstrate their own performance and value for money
- Ministers receiving timely, coordinated advice through mechanisms that anticipate and respond to emerging system issues, with clear exit pathways
- strong financial capability in the public sector that is improving transparency and the Crown's overall fiscal position.

Delivering this will require the Treasury to draw on its system steward role, system CFO mindset, and convening role.

## What we found

### The Treasury's Vote teams play a critical role, but practice is not yet consistently strong

Interviewees saw the Treasury's Vote teams as performing a critical role in testing the merits of departmental spending proposals and, where necessary, making the case for "no". This included advising Ministers on what should happen next, including alternative options or reprioritisation. Several considered this to be one of the Treasury's most important sources of value, particularly in making the case against pre-committed low-quality programmes, given the difficulty in stopping expenditure programmes once established.

At the same time, interviewees suggested that the effectiveness of this role is constrained by the way the system currently operates. Although the Treasury has sought to focus disproportionately on the largest areas of spending, many considered that the one-size-fits-all character of Vote-related processes makes this difficult in practice. Some also described variability in the quality and maturity of Vote teams' engagement with departments. This included differences in their willingness to engage constructively on agency plans for service delivery transformation, particularly those enabled by digital technologies, which may require higher near-term expenditure to achieve longer-term savings or service improvement.

Interviewees also pointed to inconsistencies in Vote team practice and to the apparent absence of a clear best-practice model. Some considered Vote teams to be more focused on cost control than on optimising value for money. This limits the Treasury's ability to achieve the Future Excellence Horizon, which requires a more strategic, system-level and forward-looking approach.

Concerns were also raised about the recent round of cost savings. Interviewees considered the approach to have been relatively simplistic, with the Treasury lacking the information needed to form an informed view of the relative efficiency and effectiveness of departments before baseline reduction targets were set. Questions were also raised about Vote analysts' depth of understanding of technical aspects of appropriations and the relevant provisions of the Public Finance Act.

Limitations in the quality of data available to the Treasury were another recurring theme. Interviewees pointed, for example, to weak or inconsistent costing of individual services, noting that this reflects both agency capability and the system settings and expectations under which cost information is produced.

Some interviewees highlighted the potential for AI and other digital technologies to improve data quality and free up Vote analysts for higher-value work. Interviewees also questioned whether the current appropriations system makes it harder to allocate resources to cross-portfolio government priorities.

Health was cited as an example where the Treasury has an important contribution to enabling service transformation. Technological developments are creating new opportunities to deliver health services closer to patients and away from expensive hospitals, but realising those opportunities will require active involvement from the Treasury in supporting the development of an agreed blueprint, disciplined sequencing, robust business cases, and ensuring the rigidities of the fiscal system (e.g., treatment of capital expenditure relative to operating expenditure) do not block beneficial change.

The above suggests several opportunities exist for the Treasury to improve their Vote teams' engagement with departments in line with its intended operating modes, these could include:

- sufficient continuity of personnel who build an understanding of the department's business, engage on medium-term possibilities to improve value for money and are prepared to use judgement as well as analysis to assess the reasonableness of departmental plans
- a system that incentivises departments to improve the quality of data (e.g. more accurate costing of specific services) through robust systems for data collection and processing, potentially through some form of earned autonomy
- a stronger focus on substantive issues. Stakeholders described instances where Vote team effort was directed at matters of limited materiality rather than the strategic issues that would add most value
- trust-based relationships with no surprises in either direction, while preserving the Treasury's role in providing independent advice to the Minister of Finance
- the Treasury forming a view, in consultation with agencies and the Government Digital Delivery Agency, of the logical sequencing of planned service transformations, given the infeasibility of funding and resourcing multiple transformations concurrently.

## **The Treasury's role in relation to fiscally significant Crown entities is not always clear where it is not the lead monitor**

The Future Excellence Horizon points to the importance of the Treasury operating as a system steward across the full public finance system, including large and fiscally significant Crown entities. However, an area of concern raised by interviewees was the apparent lack of clarity about the Treasury's role in relation to the fiscal and value for money performance of some of these large entities for which the Treasury is not the monitor, particularly Health New Zealand (Health NZ) and to a lesser extent Kāinga Ora and the New Zealand Transport Agency (NZTA).

Health NZ has the largest annual operating cost of any Crown entity, as well as a significant programme of investment in hospital and other health facilities. The Ministry of Health is its monitoring agency. Unanticipated and material cost overruns in 2023/24 affected Ministers' trust and confidence in the advice they were receiving from Health NZ, the Ministry of Health and the Treasury.

The three agencies have overlapping but different interests, with the Treasury's primary focus being value for money and fiscal sustainability. The Ministry of Health has a comparative advantage in monitoring the operational performance of Health NZ and managing the interdependence with policy settings while the Treasury has greater depth of financial capability.

Clarifying roles and expectations across the system would better enable the Treasury to apply its stewardship and system CFO roles in a complementary way alongside the health-specific agencies, ideally in supporting the Ministry of Health to be an effective financial monitor while protecting the Treasury's ability to provide independent advice to the Minister of Finance on fiscal risks.

## **Stakeholders had mixed views on the Treasury's commercial monitoring and role in commercial transactions, with some capability gaps evident**

The Treasury has recently completed advice to Ministers on the purpose of Crown ownership of commercial entities, noting that the rationale for Crown ownership in competitive or regulated markets is not always clear and is often a legacy of earlier reforms rather than a deliberate contemporary choice.

The Treasury supports multiple shareholding Ministers, including the Ministers of Finance, State-Owned Enterprises and Infrastructure, and advises on major commercial transactions such as the purchase of new ferries by KiwiRail and the potential capital raise by Kiwibank. Although the Treasury aims to take a risk-based approach, interviewees noted that the demands of the monitoring cycle, appointments process and wider Ministerial servicing, including briefings, parliamentary questions and OIA requests, can limit the extent to which this is possible.

Proximity to the Minister of Finance and as a central agency means the Treasury does need the capability to convene and organise relevant parts of the system and to have access to external expertise.

External views of the Treasury's monitoring function were mixed but mostly positive. Those being monitored generally considered that the Treasury has well-developed frameworks and applies them in practice.

At the same time, interviewees pointed to some notable weaknesses. Monitoring of ACC was seen as having failed to identify and escalate emerging performance issues, contributing to multiple independent reviews and active engagement by the PSC, although the Treasury has since increased the resource and capability applied to ACC monitoring. Ministers did not regard the Treasury's commercial advice on replacement Interislander ferries as robust, which reduced their confidence in the Treasury's capability in commercial transactions more generally.

Concerns were also raised about continuity and capability in monitoring relationships. Interviewees pointed to high turnover in the Treasury counterparts for some entities, as well as limited understanding in some monitoring teams of the ecosystems within which monitored entities operate. Issues of alignment were also noted where multiple teams in the Treasury, such as policy, Budget and monitoring teams, interact with public good entities.

Some interviewees questioned whether the Treasury has enough senior leaders with deep commercial expertise. The Treasury is regularly involved in supporting Ministers in relation to commercial issues and transactions beyond the regular monitoring of Crown entity performance and will not always have the requisite expertise in-house.

Commercial functions and capabilities are distributed across several agencies in the public and state sectors. The Treasury could draw more deliberately on commercial expertise from across the system and externally (for example through a panel of senior commercial practitioners).

The Treasury's challenge is to work with partner agencies and Ministers to enhance role clarity in relation to the Crown's commercial activities and put in place a resourcing model that enables the Treasury to discharge its own accountabilities. Sometimes this will involve taking the lead and at other times acting as system convener to ensure the right mix of resources from across the system is applied to the presenting issue.

Ministers were seen to place particular value on early advice and support to resolve emerging issues, including clearer policy pathways and solutions, more than routine monitoring reports where the value-add is less obvious. Interviewees also saw the merit in periodic independent reviews of entity performance, whether holistic or targeted to specific issues.

## **Board appointment support is professional, but the wider system is slow**

The Treasury's approach to Board appointments was generally regarded as professional, with several recent enhancements, such as improved candidate care. Entity chairs are usually actively involved in working with the Treasury to identify candidates for Ministerial consideration.

However, there is opportunity for Treasury to ensure its approach lifts from one more focused on process to using appointments as a strategic lever to drive performance and enable a more coherent approach for commercial entities. This includes also more actively engaging with Ministers on confirming capability requirements and talent identification to ensure they have earlier input into the process.

Interviewees noted that the wider appointments process can be protracted, often taking around six months and sometimes more than a year. This creates uncertainty for applicants and may deter some potential candidates from applying. Some interviewees also questioned how deep the appointments team's understanding is of the governance capabilities needed for commercial entities.

## **The Treasury's contribution to wider public sector performance appears narrower than it could be**

The Treasury's primary contribution to public sector performance currently appears to be through its focus on system-wide value for money. Interviewees, however, identified two further areas where they saw opportunity for the Treasury to contribute more.

### ***Public sector transformation***

Historically, the Treasury has been an active contributor to public sector reform. More recent work and public discussion about transformation opportunities, including the fragmented nature of the current system and its relatively slow uptake of digital technologies and AI, has largely been led by the Public Service Commission. Interviewees considered that the Treasury has considerable value to bring to the development of a reform blueprint and to implementation, drawing on its comprehensive view of the system and analytical and financial capabilities, but has been largely absent in recent times. The Treasury acknowledged this point and noted that it reflects a judgement about relative priorities over the past 18 months.



### ***Central agency priority-setting and monitoring of system performance***

Central agencies support senior Ministers to set system-wide priorities, monitor the performance of government entities and the delivery of priority programmes (such as service transformations and legislative reforms), and advise on interventions where issues emerge. At any given time, multiple interventions may be underway, and these can be a significant draw on central agency resources.

We heard that departments and Crown entities are not clear about how the central agencies operate in practice in this domain. In particular, it is not always clear when central agencies will become involved, which agency will play which role (drawing on their comparative advantages), or how long that involvement is likely to continue. Interviewees considered that this lack of clarity appears to have become more pronounced in recent times.

There is an opportunity for the Treasury to collaborate with central agency partners to better define, and communicate, this operating model. A clearly defined operating model will likely improve collective central agency intervention efficiency, support resource planning, and provide agencies with greater clarity about how and when intervention will occur.

## Core function – Economic policy advice

	Rating
How well positioned is the agency to effectively deliver the contributions expected of it?	
How well positioned is the agency to be able to efficiently deliver those contributions?	

### About this function

The Treasury’s economic policy advice function focuses on supporting the Government to understand and respond to New Zealand’s major economic opportunities, risks and long-term challenges. Through this function the Treasury:

- advises the government on economic strategy including macro and microeconomic policy settings to lift New Zealand’s economic performance and resilience
- advises on macroeconomic policy frameworks and the fiscal strategy to inform coordinated choices
- advises on the management of New Zealand’s international economic relationships.

### What the agency needs from this core function

As described in the Future Excellence Horizon, the Treasury needs to deliver consistent and actionable advice on the significant, system-wide economic challenges to support economic resilience and higher productivity. This could look like the following:

- Ministers receive ambitious, evidenced and innovative analysis and actionable advice on the State’s role in economic development, security and resilience
- Public and private sector leaders are convened effectively, enabling a grounded, whole-of-economy view and coherent response

Delivering this will require the Treasury to strengthen its convening role across the economic system and its system steward role in shaping long-term economic thinking, frameworks and public debate.

### What we found

The Treasury’s economic role can be grouped into three broad areas:

- Economy-wide advice – advice on economy-wide issues, trends and policy settings that shape New Zealand’s overall economic performance and prosperity
- Lead agency advice – advice relating to Ministerial portfolios for which the Treasury is the lead adviser e.g. monetary policy, overseas investment
- Non-lead but materially significant issues – advice relating to Ministerial portfolios for which other agencies are lead adviser, but where the Treasury’s wider fiscal, economic or system perspective means it may still need to engage, convene or add value on issues of material significance.

Interviewees identified several inherent strengths the Treasury can bring to its role as economic advisor. These included the Treasury’s ability to connect macroeconomic, microeconomic, tax and fiscal advice, and to bring a broad view of the wider context in which specific issues sit. Interviewees also highlighted the Treasury’s convening role as a central agency, its relationships with agencies contributing to economic policy and programmes, a close working relationship with the Minister of Finance, and depth of policy frameworks, economic and financial analysis

as potential strengths. Taken together, these features give the Treasury the potential to make a distinctive contribution to economic policy advice.

Economic policy advice to Ministers is spread across multiple portfolios, departments and Crown entities. The Treasury sits at the centre of that system as the central economic agency supporting the Minister of Finance, and Cabinet Office circular CO(18)2 reinforces that role by requiring the Treasury to be consulted on papers with financial, fiscal, economic or regulatory implications, or recommendations on expenditure or revenue. MBIE, by contrast, holds greater subject matter depth across a number of microeconomic portfolios and has more direct levers to influence productivity, but is not a central agency and does not always have direct access to a senior economic Minister. The joint chairing of Economic CEs by the chief executives of the Treasury and MBIE reflects the need to work across these complementary roles.

### **The Treasury's economy-wide role appears to have underperformed against expectations**

The Future Excellence Horizon places particular emphasis on the Treasury's role in providing system-wide economic leadership, bringing together diagnosis, prioritisation and actionable pathways to lift productivity and resilience. Stakeholders expressed a desire to see a Treasury that:

- draws on the extensive existing evidence and analysis of New Zealand's productivity performance to develop and prioritise a clear set of actionable ideas to address the underlying issues for consideration by Ministers

- partners with MBIE to organise the economic agencies to:
  - provide coherent and prioritised advice
  - coordinate structured engagement with private sector and other parties with an interest in the economy
  - oversee disciplined implementation of Ministerial decisions on a set of actions aimed at increasing productivity and support Ministers in communicating the economic plan.

Against this benchmark, interviewees, including some from the Treasury, considered that the Treasury has under-contributed at the economy-wide level in recent years. A recurring theme was that the Treasury did not appear to be bringing enough practical thinking to the Government's *Going For Growth* agenda. Some interviewees felt it had few concrete ideas to contribute, including on the "next big idea", while others questioned whether its thinking remained too shaped by the economic orthodoxy developed internationally in the 1980s and 1990s much of which is still relevant but may no longer be sufficient.

This was particularly evident in discussion about economic security and resilience. Some interviewees questioned whether the Treasury yet has a coherent framework for advising government in this area as geopolitical instability increases. Supply-chain vulnerability was used to illustrate the point, with oil supplies and health supplies cited as examples of where resilience can become a live economic issue. In that context, the question of what price New Zealand is prepared to pay for insurance, whether financial or physical, was seen as one way of thinking about the trade-offs involved.

Interviewees also suggested that the Treasury has not always been sufficiently outward-facing in its approach to economy-wide issues. Some described a reluctance to engage meaningfully with the private sector on major economic challenges, and a tendency to be less active than expected on system-level constraints affecting growth and competitiveness. Examples raised included the potential role of private sector participation in the health sector, transport infrastructure deficits, potential energy shortages, and the opportunities and risks AI may present for the economy.

Some interviewees also considered that the paramountcy of fiscal discipline may, at times, constrain the Treasury's creative thinking about growth. Taken together, the evidence suggests that the Treasury's economy-wide role remains important, but would benefit from a sharper diagnosis, stronger external connection, and more consistently actionable thinking.

### **The Treasury is seen more positively where it is the lead adviser**

Interviewees were mostly positive about policy areas for which the Treasury has lead responsibility in support of the relevant portfolio Minister. External interviewees cited the Treasury's joint leadership with Inland Revenue on advice to Ministers about the tax system, including recent reforms, as an area of strength.

Other examples included reforms to the legislative framework for the Reserve Bank and a rebalancing of the relationship between the Bank and the Treasury; reforms to the Overseas Investment Act to make regulatory processes more predictable and efficient while protecting national interests; reforms to the legislative framework for the Natural Hazards Commission; and the establishment of new institutions for infrastructure, social investment and regulation in line with Coalition commitments.

These examples demonstrate the Treasury's ability to combine analytical rigour with practical policy development when operating with clear mandate and focus. They also highlight the potential for the Treasury to apply similar strengths more consistently across its broader economic role.

### **Expectations are less clear, and performance more mixed, where another agency leads**

Ministers, the Treasury and other public sector interviewees had diverse views about what to expect of the Treasury when contributing to economic policy issues led by another department. That appears to have created some ambiguity about the Treasury's role and, at times, about the level of contribution others should expect.

Examples cited by interviewees where the Treasury did not meet, or only partially met, others' expectations included:

- Resource management reform – once-in-a-generation reforms aimed at making the planning for and consenting of development activities easier and more predictable while also protecting natural resources. The Treasury decided not to prioritise the reforms, which the Ministry for Environment led with input from multiple other entities, but may not have clearly tested or communicated that decision with Ministers and other participants in the process, contributing to a gap between the Treasury's level of involvement and wider expectations.
- Energy reforms in response to the unexpectedly rapid decline in gas supplies which contributed to insecurity of electricity supply in 2024, higher and more volatile gas and electricity prices and insecurity of long-term supply for gas users. Interviewees said the Treasury was slow to recognise the issue and to bring its potential value-add to bear.

- Climate change mitigation and adaptation, which the Treasury has deprioritised, while focusing on energy, reflecting a prioritisation decision in the context of competing demands, but one that was not always well understood by stakeholders
- Regional economic development, where one interviewee considered the Treasury was generally not supportive of potential investments in less affluent regions without offering credible alternative actions, again reflecting a deliberate prioritisation stance, but one that was not consistently aligned with, or clearly communicated to, the wider authorising environment.
- develop a ‘rapid-response’ capability and deployment model for unanticipated policy issues or crises
- agree with Ministers and partner agencies the role that the Treasury will play on a given issue (e.g., convenor, testing the lead department’s ideas, fiscal lens) and signal early how the Treasury intends to scale-down and exit
- communicate prioritisation decisions and intended modes of engagement early so that expectations are realistic.

### **A more consistent internal “house view” would help**

The Treasury interviewees noted that the organisation is taking a more deliberate approach to prioritising economic issues, including those led by another agency, and is engaging with the Minister of Finance to test her level of comfort with the Treasury’s judgements. They also noted that the Treasury is sometimes asked by Ministers, and sometimes by other central agencies, to contribute to policy issues where the lead agency may be struggling. This is a reason why greater clarity about the Treasury’s role on non-lead issues is important.

Several interviewees, including Ministers, noted that the Treasury is not always internally consistent across different parts of the organisation, which can be unsettling. We support the process the Treasury has underway to develop a set of “house” positions on core economic policy issues that can underpin a more consistent approach, while avoiding unnecessary rigidity.

### **The Treasury is beginning to contribute more visibly to public economic debate**





Potential approaches the Treasury could take to areas of economic policy where another agency has the lead are to:

- continue refining the Treasury’s prioritisation process based on economic significance (value-at-risk) and the potential for the Treasury to make a difference (based on context and where the Treasury can leverage inherent comparative advantages)
- ensure in-house expertise and develop actionable options in areas likely to remain priorities for a sustained period
- rely more on external expertise and utilising generic frameworks and analytical tools in areas that are not prioritised

Interviewees noted the contribution the Treasury could make by raising public awareness of New Zealand’s productivity challenges and the policy choices future governments may face. The Chief Strategist’s speech on the role of the tax system in addressing New Zealand’s intertwined fiscal and economic challenges was cited as a recent example. The Treasury’s interviewees also noted that the organisation has devoted more resource to this area and that stimulating public debate and discussion of economic challenges and choices is a priority. The evidence suggests this is an area where the Treasury has begun to move, and where continued focus would be valuable.

# Organisational Management

## Leadership and direction

	Rating
<p><b>Purpose, vision and strategy</b></p> <ul style="list-style-type: none"> <li>How well do the agency’s staff and stakeholders understand and support its purpose, vision and strategy?</li> <li>How well does the agency use long-term thinking and its strategy to plan and drive delivery?</li> </ul>	
<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>How well does the senior leadership team collectively lead and direct the agency and implement change?</li> <li>How well does the agency take accountability for and lead the improvement of relevant system or sector level results?</li> </ul>	
<p><b>Values, behaviour and culture</b></p> <ul style="list-style-type: none"> <li>How well does the agency develop and promote the organisational culture it needs to achieve its strategic direction?</li> </ul>	
<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>How well does the agency use governance arrangements to drive performance and deliver value-for-money?</li> </ul>	

### Purpose, vision and strategy

#### Purpose and vision are clear

The Treasury’s purpose is clear and appears to be widely understood. As the Government’s lead economic and fiscal adviser, and steward of public service financial management, it has a role that is well recognised internally and externally. Its vision set out in the Treasury’s *Strategic Intentions - Kawatau ā-Rautaki 2024-2028* is to “lift living standards for all New Zealanders”.<sup>4</sup> This appears to be a credible long-term aspiration that resonates with staff and stakeholders.

Clarity of purpose appears to be one of the Treasury’s strengths. Staff seem strongly motivated by the contribution the organisation is intended to make. In the 2025 Public Service Census, 92 percent of

respondents agreed or strongly agreed that the Treasury is working for the long-term good of New Zealanders, compared with 87 percent for the Public Service overall. Interviewees also broadly agreed that New Zealand needs a strong Treasury with a clear role to maximise impact and realise that vision. Most described the Treasury’s role as safeguarding fiscal credibility, providing authoritative economic and fiscal advice, and supporting system coherence and effectiveness in the public interest. This is broadly consistent with the Treasury’s published purpose and the outcomes set out in its latest *Strategic Intentions*.

<sup>4</sup> A diagram summarising the Treasury’s current strategic framework, taken from the Treasury’s *Strategic Intentions - Kawatau ā-Rautaki 2024-2028*, is in Appendix Two.

## **The Treasury's purpose is clearer than the strategy it is using to realise that purpose**

The Treasury's Strategic Intentions 2024–2028 provides a high-level statement of direction, but on its own does not appear specific enough to guide organisation-wide prioritisation, alignment and choice. We did not see a clearer articulation of strategy elsewhere in the material reviewed, or hear it expressed consistently in interviews.

The Treasury's own self-assessment acknowledges that the current strategic framework needs updating and that further work is required on performance measures.

This helps explain why the Treasury's purpose appears better understood than its strategy. The March 2025 Public Service Census highlighted strong staff belief in the Treasury's long-term contribution, but opportunity to improve how senior leaders articulated the organisation's direction and priorities. The Treasury has implemented several changes since then, including new senior leadership, and subsequent pulse survey and interview evidence suggests some improvement, but not yet enough to indicate a sufficiently clear and shared strategic pathway.

## **A clearer strategic pathway would strengthen the Treasury's ability to deliver**

The Treasury would benefit from a clearer and more current strategic pathway to anchor planning, prioritisation, governance, capability development, resource allocation and performance measures. This matters not only for the Treasury's own performance, but also because of its wider system role. The Treasury provides guidance to departments on Strategic Intentions as part of the Public Finance Act performance reporting framework, and would be better placed if it more clearly modelled the clarity it expects from others.

Pae Tata provides a long-term direction of travel, but the 2040 horizon is too distant to give enough practical guidance on what the Treasury needs to do over the next one to three years to move credibly toward its vision and the Future Excellence Horizon. Without a clearer strategic pathway that sits between long-term aspiration and day-to-day delivery, there is a risk that structure, roles and work programmes become the de facto strategy rather than being driven by one. Whether this is achieved through more specific Strategic Intentions or a clearer internal strategy beneath them is less important than ensuring the Treasury has a current and usable framework for guiding choices.

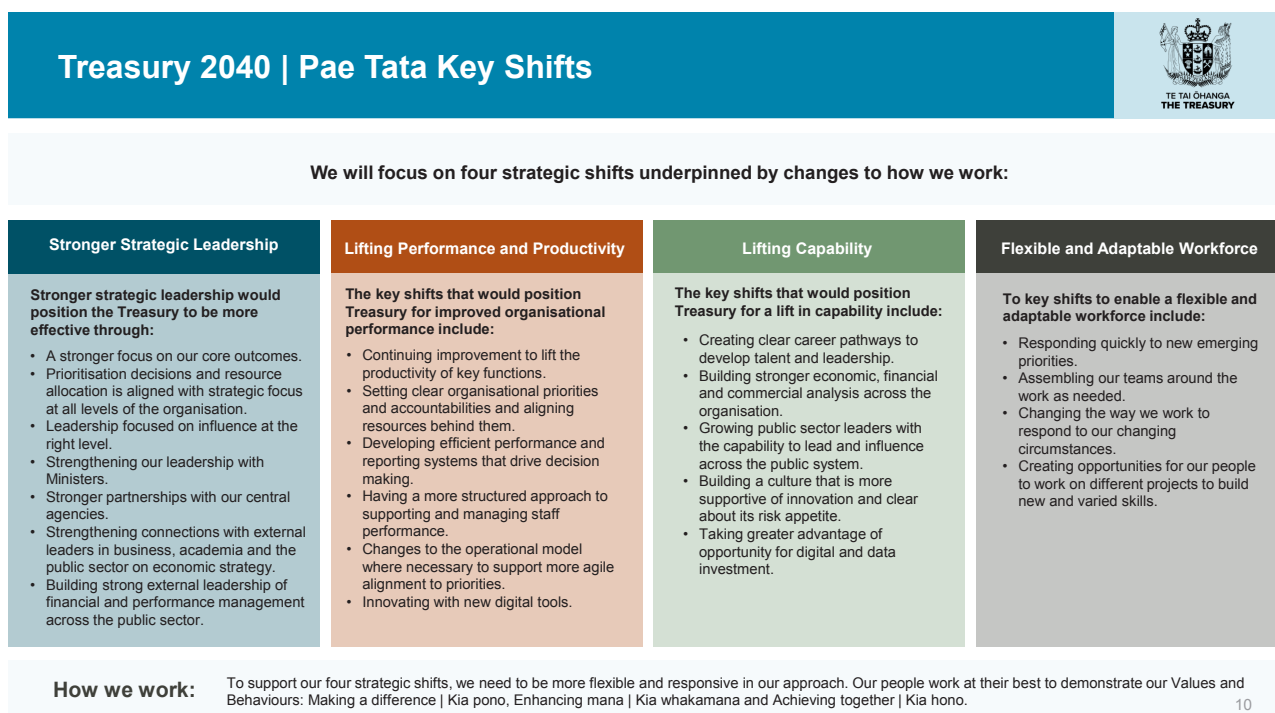
## **Leadership**

### **A new leadership team is in place, but still embedding**

The Treasury has experienced significant leadership renewal. The Secretary was appointed in November 2024 and, over the following 12 months, a largely new senior leadership cohort was established. The Executive Leadership Team now comprises the Secretary and four Deputy Secretaries responsible for Enabling Services, Budget and Fiscal Performance, Economic Policy, and System and Sector Performance. This has created an opportunity to reset leadership expectations and reposition the Treasury for the contribution New Zealand needs from it over the medium term.

There are positive early signs. The Treasury's self-assessment points to a new structure, refreshed governance arrangements, and a stronger strategic focus for ELT. Interviewees also pointed to visible leadership from the Secretary, a clearer articulation of the challenge and the case for change, and early signs of a more confident and outward-facing Treasury. Several stakeholders noted that the Treasury's public voice on long-term fiscal and economic issues is becoming more evident and constructive.

Figure 3: Treasury 2040 | Pae Tata Key shifts



### Collective leadership is still forming

The main leadership challenge is less one of intent than of collective traction. The Treasury’s self-assessment identifies the need to strengthen collective leadership, internal collaboration, and more consistent system-level advice. Interviewees inside the Treasury echoed this, describing a senior team that is working hard to be collective, but is still developing the shared frameworks, operating rhythm and decision disciplines needed to turn that intent into sustained momentum.

The staff evidence has pointed in the same direction. As noted in the *Purpose, vision and strategy* section, the March 2025 Public Service Census indicated opportunity for senior leaders to more clearly articulate the organisation’s direction and priorities. Pulse survey and interview evidence since the new leadership team has been in place suggests some improvement, but confidence in adapting to change and being kept informed remains noticeably lower than confidence in team connection and immediate manager support.

Interviewees were broadly positive about the current Secretary’s leadership and willingness

to engage more actively with Ministers, agencies and external stakeholders. Many saw this as a credible reset, and several pointed to early improvements in the Treasury’s external profile and internal direction. At the same time, some distinguished between confidence in the Secretary personally and confidence in the wider reputation of the Treasury. There were also mixed views about the composition and capability of the wider leadership cohort (tiers 1 to 3) and whether they yet bring enough diversity of background, practical experience, and specialist depth, particularly in commercial, infrastructure and strategic economic areas.

### Change has been significant and not yet fully stabilised

The new leadership team has been leading through a period of significant organisational change. Pae Tata was initiated in early 2025 as a multi-year programme intended to lift the Treasury’s performance through four strategic shifts: stronger strategic leadership, lifting performance and productivity, lifting capability, and a more flexible and adaptable workforce. Figure 3 summarises these four Pae Tata strategic shifts that have guided the Treasury’s organisational change programme.

Structural change was deliberately prioritised in the early phases, to move quickly, provide clarity, and reduce disruption while laying the foundations for wider change.

The case for change was clear and the Treasury needed to make savings and reposition itself to have greater impact. There is evidence that staff understand the direction of travel. At the same time, the change has been disruptive and the organisation has not yet fully stabilised around the new direction. Recent pulse surveys and interview evidence suggest some improvement in how change has been managed, but also continue to point to concerns about communication, certainty, workload, wellbeing, and the practical implications of operating with fewer people.

Interviewees also described structural shifts progressing ahead of a fully defined and embedded operating model. While the structure provides a clearer starting point, there are still unresolved questions about how the new model is intended to work in practice, including how decisions are made, how priorities are managed across groups, and how the organisation balances short-term demands with longer-term capability and system leadership.

### **A more structured approach to delivery and results would strengthen leadership impact**

The Treasury has put in place useful machinery for change. Pae Tata has workstreams, regular reporting, a 90-day planning cadence, people leader surveys, pulse surveys, and a programme management function. The Treasury has also established a new two-tier governance model, with ELT intended to focus more strategically and OPC on organisational performance and operational decision-making.

The stronger test is whether the leadership team has a sufficiently clear operating rhythm to drive change and take accountability for improved organisational and system results. The Treasury's own material indicates that governance and monitoring arrangements are

evolving, that some performance measures still require refinement, and that some of the more substantive culture, capability, workforce and digital shifts remain under development. Interviewees repeatedly came back to the need for a smaller number of enterprise priorities, clearer decision rights, better escalation and exit pathways, and more explicit trade-offs.

There is also a question of pace. Several interviewees questioned whether the Treasury has yet translated the intent of the reset into the speed, sequencing and delivery discipline needed to meet its Future Excellence Horizon. They described the Treasury as still too reactive in some areas and not always clear about when it is acting as a fiscal lead, an economic adviser, a partner, or a wider system shaper. Without greater clarity on those roles, the Treasury risks being spread too thin or drawn too far into detailed operational matters at the expense of the strategic and system-level contribution that only it can make.

Taken together, the evidence suggests that the Treasury's leadership is improving, but is not yet embedded strongly enough across the organisation. The Secretary has provided a credible reset and lifted expectations internally and externally. The wider leadership team has begun to reshape the organisation and establish the machinery for change. The opportunity now is to convert that early momentum into stronger collective leadership, clearer priorities, a more settled operating model, greater consistency in signals and follow-through, and more deliberate strengthening of specialist depth in the areas where the Treasury's credibility and influence depend on it.

### **Values, behaviour and culture**

The Treasury has a credible foundation for the culture it is seeking to build. Its formal values are Kia Pono (making a difference), Kia Whakamana (enhancing mana), and Kia Hono (achieving together). In early 2026, the Treasury also began making the behaviours

**Figure 4: The Treasury 2026 Direction Statements**



needed for the future more explicit through direction statements developed through Pae Tata. Together, the values and direction statements provide a strong base for the culture the Treasury is seeking to strengthen.

Survey evidence suggests the Treasury retains important cultural strengths. In the 2025 Public Service Census, 90 percent of staff agreed their manager leads by example in ethical behaviour, 90 percent agreed their work colleagues can be trusted to do what is right, and 98 percent said they had a good understanding of what it means to be a politically neutral public servant. Kōrero Mai 2024, an internal pulse survey, also recorded strong results for people leaders aligning expectations with the Treasury’s values and role modelling inclusive behaviour. Taken together, these results point to a solid base of integrity, trust and public service ethos.

The broader picture is more mixed. Over the last few years, Census and internal survey results point to pressure around workload and wellbeing, weaker confidence in how poor performance is addressed, and lower confidence in collaboration, communication and organisational direction. Recent internal survey results suggest some stability in aspects of staff wellbeing, with 71 percent of staff in both July 2025 and March 2026

reporting confidence in their ability to manage their physical and mental wellbeing.

Interview evidence pointed in the same direction. Staff described stronger future orientation and support for the direction signalled through Pae Tata, but siloed behaviour, uneven confidence to exercise judgement, over-processing, and caution about sharing information or moving at pace. External views were similarly mixed. Some stakeholders saw the Treasury officials modelling the constructive, well-judged and credible behaviour the Treasury will need more of in future, but those examples were not yet seen as typical across the organisation.

The Treasury’s future success will depend in part on making those behaviours more consistent. That includes more naturally work across boundaries, bringing different perspectives together, and operating confidently in different roles depending on the issue at hand. It also requires a stronger “one Treasury” culture, with greater openness across groups, more consistent sharing of context and information, and a clearer focus on the issues that matter most. The Treasury will also need a more confident and consistent risk culture: one that protects integrity and public trust, but gives people greater confidence to exercise judgement,

move with pace, and avoid defaulting to full process regardless of materiality. The next step is to make these expectations more visible and consistent in leadership practice, commissioning, and day-to-day work.

## **Governance**

The Treasury's governance arrangements will be important to how well it meets its future performance challenge. In particular, it will need to support adapting at pace, disciplined prioritisation, the Treasury's wider system role, purposeful convening, and a clearer link between strategic intent and delivery.

### **Governance has been refreshed and simplified, but it is still embedding**

The Treasury implemented a new organisational governance framework on 1 July 2025, moving from a five-committee structure to a simpler model centred on ELT and OPC. ELT is intended to provide stronger strategic focus, with OPC supporting operational performance and delivery. This redesign forms part of the Pae Tata change programme and reflected a deliberate effort to streamline governance, clarify responsibilities, and improve organisational performance. The Treasury's wider governance architecture also includes external advisory and assurance mechanisms, notably the Risk and Assurance Committee and the Capital Markets Advisory Committee.

The challenge for the Treasury is now less about structure and more about whether governance is enabling it to operate in the way the Future Excellence Horizon requires.

At the time of our interviews, the new governance arrangements were still at an early stage. Evidence from interviews and a sample of meeting agendas and minutes suggests the arrangements are still embedding and, at that stage, did not yet appear to be consistently driving pace or focus. For example, interviews pointed to ongoing uncertainty about what belongs in which forum, where decision rights sit, how issues should be escalated, and how

strategic direction is translated into action. At times, governance appears to support processing of issues rather than making and holding the most important organisational choices.

### **Prioritisation and resource deployment remain a challenge**

A closely related governance challenge is how the Treasury makes prioritisation decisions across the organisation and aligns capability behind them. Many demands are cross-cutting, dynamic, and not neatly contained within one business group. This challenge is compounded by the breadth of the Treasury's Ministerial servicing responsibilities, with multiple Ministers and portfolios shaping its work programme and requiring ongoing engagement.

In this environment, governance needs to support clearer choices about relative priorities, accountabilities, operating modes and resource deployment, and to adjust those choices as circumstances change. The Treasury has taken some initial steps in this direction, but a more disciplined and transparent approach is needed. In practice, clearer prioritisation criteria are likely to include the materiality of the issue, the Treasury's likely value-add, the capability and capacity of the lead agency or wider system, the resource implications for the Treasury, whether there is a clear exit pathway, and the reputational implications of participating or not participating. Without this kind of discipline, there is a risk that prioritisation decisions remain too implicit, too reactive, and too dependent on local judgement rather than collective organisational choice.



## **Stronger disciplines are needed to translate intent into delivery**

Clarity of roles across ELT, OPC, the Enabling Service group, and other tier 3 leaders will be important to making governance effective. There is a logical model in use, in which ELT sets high-level priorities, OPC coordinates cross-group delivery and resource implications, and groups manage more detailed deployment decisions. For this to work well, however, the Treasury will need better visibility of its organisational portfolio of work and more explicit decisions about when it is convening, supporting, testing, monitoring or leading on an issue.

This also points to the need for stronger practical disciplines and capacity to support governance, including clearer thresholds for when issues should be treated as formal projects, improved portfolio-level visibility of commitments, and more consistent approaches to managing policy and commercial work across the organisation. Without these disciplines, there is a risk that prioritisation remains largely conceptual while the underlying portfolio of work continues to grow in ways that are difficult to see, compare and actively manage.

Taken together, the evidence suggests the Treasury's governance arrangements are moving in the right direction but are not yet providing the consistent steer the organisation needs on its most important choices, including when and how the Treasury engages on system-level issues and when it steps back. As the governance model matures, the priority will be to ensure it supports clearer and more collective decision-making on the trade-offs that matter most.

# Delivery

	Rating
<p><b>Services to customers, clients and citizens</b></p> <ul style="list-style-type: none"> <li>• How well does the agency understand the needs of customers, clients and citizens, and use these to innovate and deliver better services and outcomes?</li> <li>• How well does the agency integrate services with its partners and providers to deliver value to customers, clients and citizens?</li> </ul>	
<p><b>Performance and accountability</b></p> <ul style="list-style-type: none"> <li>• How well does the agency use performance information to drive continuous improvement and accountability for results?</li> </ul>	

## Services to customers, clients and citizens

### The Treasury’s services are largely delivered through relationships, guidance and system processes

The Treasury is not a frontline service delivery agency. Its main “customers” are Ministers, departments, Crown entities, and other agencies and system participants, with services largely delivered through advice, guidance, monitoring, stewardship, and system processes rather than direct transactions with the public. This makes the quality of relationships central to its performance, and is discussed further in the *Engagement* section.

The Treasury also produces public-facing stewardship products intended to support transparency and inform longer-term public and policy discussion.

### The service experience appears uneven across different parts of the Treasury’s work

Stakeholders described the Treasury’s contribution as professional and reliable in core fiscal processes and established stewardship products, where roles are clear and processes are well embedded. There are also examples of very positive experiences where the Treasury brought continuity of

people, strong judgement, openness, and a good understanding of the stakeholder’s operating context.

However, the overall service experience is not consistent. In areas where work cuts across teams or is less established, stakeholders described an overly process-driven approach uneven coordination, and uncertainty about the Treasury’s role.

The drivers of this inconsistency, including variability in Vote team practice, monitoring relationships, role clarity and the use of operating modes, are discussed in more detail in the *Core function – System and sector performance, Engagement and Leadership and direction* sections. The evidence suggests that the Treasury has the capability to deliver a strong service experience, but greater consistency will depend on improving clarity of role, coordination across teams, and more deliberate use of operating modes.

## Performance and accountability

### **The Treasury has taken useful steps to strengthen performance reporting, but requires continued development**

The Treasury's performance and accountability system is still developing and is not yet strong enough to drive consistent organisational improvement or provide clear assurance about results. It has put in place a performance framework and improved internal reporting on organisational health, including financial, people, wellbeing, and work programme information. Its self-assessment rates this area as developing and identifies the need for further strengthening.

The main issue appears to be the lack of a sufficiently coherent and practical performance system underpinning reporting. Audit findings point to persistent weaknesses in the clarity of measures, the strength of supporting evidence, and the connection between what the Treasury reports externally and what it uses to manage performance internally.

This matters particularly for the Treasury given its system role in advising on the resourcing, financial and reporting frameworks that support public sector performance and public accountability, including guidance to departments on Strategic Intentions. In that context, the Treasury is expected to model a coherent and credible approach to performance and accountability itself.

The nature of the Treasury's work makes it challenging to develop quantifiable, output-focused measures, and the Treasury has begun to respond to recommendations from The Audit Office by reviewing measures, strengthening the evidence base supporting performance reporting, and updating internal reporting arrangements. These are sensible steps, and the Treasury would now benefit from a clearer and more integrated performance architecture linking strategic intent, medium-term impacts, annual measures, and the information used to run the business. The architecture will need to be clear enough to support decision-making, disciplined enough to strengthen accountability, and practical enough to show whether the Treasury is improving performance and creating value over time.

# Engagement

	Rating
<p><b>Engagement with Ministers</b></p> <ul style="list-style-type: none"> <li>How well does the agency provide advice and services to Ministers?</li> </ul>	
<p><b>Māori-Crown relationship</b></p> <ul style="list-style-type: none"> <li>How well does the agency develop and maintain the capability to engage with Māori and to understand Māori perspectives to drive better outcomes?</li> </ul>	
<p><b>Engagement with stakeholders</b></p> <ul style="list-style-type: none"> <li>How well does the agency engage with stakeholders, in ways that are effective, open, transparent, and accessible?</li> </ul>	

## Engagement with Ministers

The Treasury’s primary Ministerial relationship is with the Minister of Finance and it also supports three Associate Ministers of Finance (one from each of the three members of the governing Coalition), as well as the Minister for Infrastructure, the Minister for State-owned enterprises, and several Ministers with responsibility for Crown entities monitored by the Treasury. The Treasury also interacts with most Ministerial portfolios during the annual Budget process.

Strategic leads (typically the Secretary to the Treasury or a tier 2 leader) and day-to-day leads are in place to manage relationships with each Minister and the supporting government departments, and performance metrics on timeliness for routine Ministerial servicing is consistent with good practice.

**The Treasury appears to support Ministers competently, but the quality of that support is more uneven outside established processes**

Feedback from Ministers suggests that the Treasury is regarded as strong on process discipline in established set pieces such as the Budget, but less consistent where Ministers are looking for fast, decision-ready advice and practical options in response to emerging issues.

Ministers described the Budget team as very good at running core process, but also observed that the Treasury can be “down in the weeds”, for example, focusing on relatively small savings rather than the scale of change Ministers are seeking.

Across interviews, a recurring theme was that Ministers want the Treasury to pair its critical analysis with more practical, clearer options, particularly when issues are fast-moving or require stronger system integration. We also heard that Ministers value earlier, more joined-up advice from the Treasury on emerging issues, so that decisions can be worked through with a clearer and more coherent view across teams. In that context, the Treasury is not always seen as easy to mobilise on major strategic risks as other central agencies and Ministers would expect, with energy being one example raised.

The Treasury is also often perceived as better at critique and risk identification than at generating ideas, particularly in areas such as economic growth.

Ministers noted that officials from different teams within the Treasury do not always appear to hold a consistent view of a given issue, which can be unsettling. Some of the interviews suggested that the Treasury's influence depends on more than the Secretary's personal engagement, and that Ministers benefit when senior leaders consistently carry a clear "house view" in the Beehive. When the Treasury is perceived to have handled an issue poorly, this can also undermine trust and confidence more generally.

Overall, the Treasury is seen as capable in core processes, but not yet consistently delivering the clarity, pace and practical framing required to meet the Future Excellence Horizon.

## Māori-Crown relationship

### Capability is developing

The Treasury's capability to engage with Māori and understand Māori perspectives is still developing. Its main contribution is through the Treasury's core functions, particularly economic policy and wider economic leadership, including support of the continued growth of the Māori economy. The Treasury is maintaining a focus on giving staff opportunities to strengthen capability in this area, although its direct engagement remains limited and this has not been a major recent focus.

The most recent Public Service Census indicates capability gaps, with the Treasury scoring below the Public Service overall (65 percent vs. 71 percent) on being encouraged and supported to engage with Māori and to understand Māori perspectives. The Census also noted improvements in access to te reo Māori training.

The Treasury recognises an ongoing need to strengthen its internal capability and to spend more time engaging directly so it can better understand Māori perspectives and how its core functions may be experienced in practice.

It is currently focused on growing internal cultural capability and has a programme of work underway to increase understanding of te ao Māori and improve te reo Māori capability.

Over time, the Treasury will benefit from building broader capability in this area, including through appropriately skilled and experienced people who can strengthen its confidence, credibility and engagement practice.

## Engagement with stakeholders

### External engagement is becoming more structured, but purpose and impact can be unclear

The Treasury has a wide range of stakeholders across the public and private sectors, financial markets and international organisations. It is developing a more structured programme of engagement with the private sector, which appears to be organised to achieve a balance of coverage, although the purpose of some engagements is not yet clear. Stakeholders valued the Treasury's recent proactivity in stimulating public discussion of New Zealand's long-term fiscal challenges and choices through publication and public discussion of stewardship documents, and recognised the value of the Treasury's authoritative voice in reporting on the state of the economy.

For the Treasury, the purpose of private sector engagement beyond standard policy processes could serve several purposes.

- Deepen the Treasury's understanding of what is happening in the economy
- Test ideas in specific areas of the economy
- Inform public awareness and debate about New Zealand's fiscal and economic challenges through publications, media interviews or op-eds
- Influencing the influencers

## **Stakeholders appear to want a Treasury that is more visible, more connected and more open to external insight**

External stakeholders expressed a range of preferences about how they would like to engage with the Treasury, including whether the Treasury should convene groups of business leaders to address specific problems or undertake more general engagement on the economy and policy settings. Some stakeholders also considered that mixed Ministerial views of the Treasury affect its external credibility.

Some stakeholders felt the Treasury is not visible in Auckland and “does not understand Auckland”. Others considered that the Treasury did not attach sufficient value to public sector perspectives, which limits the scope for public-private collaboration. Stakeholders also expressed a desire to see more of the Treasury, including through presentations and engagement at business conferences, and for the Treasury to be more proactive in connecting with businesses as a source of economic intelligence. Some interviewees also saw value in the Treasury making greater use of its international relationships as a source of new ideas.

For private sector participants, the value of their engagement with the Treasury is clearer where it includes sharing intelligence about the economy, raising the Treasury’s awareness of impediments to business productivity and innovation, and discussing proposals for public-private partnerships.

The Future Excellence Horizon emphasises the Treasury’s role as an expert convenor by establishing an ecosystem of expertise that it can draw on. Realising this will require the Treasury to be more connected with its external stakeholders and able to sustain purposeful and enduring relationships with them.

## **Senior-level engagement and continuity matter to stakeholders**

Stakeholders consistently preferred engagement with senior Treasury people on non-routine matters and valued continuity in relationships. This is a perennial challenge for the Treasury, given the multiple demands on senior leaders’ time and a policy of rotating staff at regular intervals. The Treasury may be able to reduce some of this dissatisfaction through disciplined prioritisation and more active management of expectations.

# Workforce

	Rating
<p><b>Talent management and workforce development</b></p> <ul style="list-style-type: none"> <li>• How well does the agency identify, develop and manage its talent?</li> <li>• How well does the agency anticipate and respond to future workforce capacity and capability requirements?</li> </ul>	
<p><b>Workforce performance</b></p> <ul style="list-style-type: none"> <li>• How well does the agency encourage and drive high performance and continuous improvement in its workforce?</li> <li>• How well does the agency address performance that is not meeting expectations?</li> </ul>	
<p><b>Staff engagement</b></p> <ul style="list-style-type: none"> <li>• How well does the agency develop and maintain a highly committed and engaged workforce?</li> <li>• How well does the agency manage its employee relations?</li> </ul>	

## Talent management and workforce development

### The Treasury is operating in a more constrained talent market and is no longer the employer of choice it once was

The Treasury is operating in a constrained labour market, and this is placing sustained pressure on its ability to attract, retain and grow high-quality talent. Interviewees inside and outside the Treasury described a more difficult recruitment environment, particularly for senior and specialist roles, and pointed to growing competition for economic, commercial, data and digital capability. This makes the Treasury’s value proposition as an employer, and the way it recruits, develops and deploys its people, increasingly important.

Historically, the Treasury was widely regarded as a high-profile training ground for public sector leaders. Interviewees described it as “the gate you had to get through” and “a real place of debate and challenge that the brightest and best went to”. That is no longer the common perception. Many interviewees questioned how the Treasury could re-establish itself as an employer of choice in a more competitive labour market.

The Treasury has also experienced high turnover in recent years, particularly among younger staff. Interviewees linked this to the sustained pace of work following COVID, changing expectations around flexibility, perceptions of increasing risk aversion, reduced external confidence in the Treasury’s influence, and a sense that its distinctive contribution and purpose was less clearly and sharply articulated. The Treasury’s self-assessment and Pae Tata material similarly identify turnover and capability pressures as part of the context for the reset now underway.

### The Treasury is strengthening its development model

Despite these pressures, the Treasury retains some important strengths in how it develops its people. Its relatively flat structure gives junior staff early exposure to significant responsibility, including engagement with Ministers and central agency processes. This remains one of the Treasury’s distinctive strengths as a development environment. The 2025 Public Service Census showed that 68 percent of the Treasury respondents said they have access to the learning and development

they need to do their job well, higher than 63 percent for the Public Service overall.

In 2025, the Treasury introduced its Performance and Growth model, supported clearer expectations for regular performance and growth conversations and individual development plans.

Development conversations are expected every three to six months and agreed between the manager and staff member. This flexibility supports tailoring to individual needs, and the Treasury's regular pulse surveys provide useful insight into staff experience of this. There is room to strengthen the approach further through clearer guidance on when more frequent development conversations are important and how staff can seek support if expectations are not being met.

The new organisational structure is also intended to standardise many roles and structures to give clearer pathways for development and progression. One senior leader reported early signs of improved flow between areas, which is potentially positive. However, an emphasis on mobility, flexibility and generalism will need to be actively balanced with the technical depth of expertise the Treasury requires. This matters particularly for the Treasury because its influence depends heavily on the credibility and judgement of its people.

### **The Treasury will need a more deliberate strategy for the capability it must build and buy**

The Future Excellence Horizon implies a Treasury that is more influential, more outward-facing, and more capable of leading on complex fiscal, economic and system issues. That will require a more deliberate approach to future capability and capacity than the Treasury currently appears to have. The Treasury will need to be clearer about the mix of specialist depth, generalist capability and leadership it will require, and more intentional about how it will build and access that capability over time.

A strong theme from interviewees was concern that the Treasury has lost specialist expertise. While the Treasury is aiming for a flexible and agile workforce, external stakeholders in particular were concerned that flexibility and generalism are not yet balanced strongly enough with the depth needed in key areas, pointing to the loss of “wise owls” and thinning commercial and economic depth. Internal interviews reflected this more indirectly, highlighting capability pressure, key-person risk, and the need to rebuild depth in selected areas.

Commercial capability was one of the most frequently cited gaps, including in Ministerial and external stakeholder interviews. Interviewees from State-Owned Enterprises, for example, described individual high performers, but said the Treasury was not generally providing the commercial insight and judgement they would expect. Other areas where the Treasury appears to need more deliberate capability investment include digital and AI expertise, transformation and change capability, and selected sector and economic depth. Alongside technical expertise, interviewees also stressed the importance of interpersonal skills and behaviours, including being able to engage constructively, be “articulate and courageous enough to put a position on the table” with confidence, and able to work flexibly across different settings and roles. The Treasury's future capability will therefore need to value both depth and versatility: people with enough expertise to be credible, and enough judgement, influence and interpersonal skill to work effectively across the system.

This points to the importance of a more explicit “grow and buy” approach to strengthening senior capability, as set out in the Future Excellence Horizon section of this report. The Treasury is unlikely to rebuild its profile and capability through internal development alone. It will need to grow more of its own talent while also bringing in targeted external capability, especially at senior and commercial levels. Interviewees suggested

more active use of external recruitment, secondments, fixed-term appointments and exchanges with other organisations to lift capability in critical roles and help rebuild the Treasury’s profile as an employer of choice.

A stronger capability strategy will also need to be matched by a more deliberate approach to deployment. The Treasury’s future workforce model will need to support movement across routine work, major priorities and emerging issues without repeatedly undermining stewardship functions or overloading small pockets of expertise. This will require clearer visibility of the Treasury’s portfolio of work, better capability constraints, and fewer structural frictions to shifting people across teams and priorities when needed. This links to the operating challenges in the Future Excellence Horizon, particularly disciplined prioritisation and organisational agility.

Over time, this is likely to require stronger enabling disciplines behind flexible deployment. These include clearer thresholds for when formal project structures are needed, better portfolio-level information on current commitments, more consistent approaches to project and resource management, and a workforce model that balances “home” leadership with more flexible deployment into cross-organisational priorities. In practice, the challenge is not simply to have a more adaptable workforce in principle, but to organise the Treasury’s capability in a way that allows it to be shifted deliberately as priorities change.

Looking ahead, the Treasury’s workforce planning will need to account for the way AI and digital tools are likely to reshape its workforce, with implications for role design, capability development pathways, and expectations at different career stages. The Performance Challenge and *Data, analytics and digital technologies* sections discuss this in more detail. In particular, the Treasury will need to consider how it recruits, develops and trains graduate and early-career staff in an environment where AI increasingly performs

tasks that have traditionally provided on-the-job learning opportunities. This is not a challenge unique to the Treasury, but without deliberate planning there is a risk that the development pipeline for future senior capability is weakened. The Treasury’s workforce and capability planning will need to address this explicitly.

At the time of writing this report, the Treasury is in the early stages of developing a new Workforce Strategy. The challenge now is to ensure the Workforce Strategy is in place and there is an actionable plan with enough clarity, ambition and urgency to support the Future Excellence Horizon.

## Workforce performance

### **The Treasury is strengthening its performance approach, but impact is not yet clear**

The Treasury has identified workforce performance as an organisational priority. Lifting performance and productivity is one of the four Pae Tata shifts, and the Treasury has articulated an ambition for the “Treasury of the Future” to be characterised by a culture of high performance.

The available evidence suggests a mixed picture. Results from the 2025 Public Service Census indicate that staff perceptions of workforce performance management at the Treasury were broadly in line with the wider Public Service. The Treasury performs comparatively well on enabling innovation, with a higher proportion of staff reporting that their team is encouraged to find new and better ways of working. However, perceptions of managers’ confidence and organisational support to address underperformance were no stronger than the Public Service average and remain relatively modest given the Treasury’s stated ambition. Following feedback from the Treasury’s 2024 staff survey, which highlighted low confidence in addressing poor performance, the Treasury has taken sensible steps to strengthen how it encourages high performance and addresses

performance that is not meeting expectations. In 2025 it refreshed expectations across leadership tiers, provided refresher training for managers with a stronger focus on proactive performance management, and developed practical resources to support leaders, including guidance on managing poor performance and Performance Improvement Plans. The Treasury also uses remuneration, reward and recognition to reinforce valued behaviours and acknowledge strong contribution.

At the time of this review, there is still limited evidence of the impact of these actions. The manager resources were rolled out in September 2025, and workforce performance management did not feature strongly in our interviews. This may suggest changes are still bedding in, or that performance management is not a consistently confident practice.

A survey of the Treasury's people leaders in December 2025 found most leaders rated performance development and management as "average". For the Treasury, this matters because the Future Excellence Horizon depends not only on attracting and developing capable people, but on creating an environment where high performance is expected, supported and managed consistently. Taken together, the evidence suggests the Treasury is moving in that direction, but more time and sustained effort is needed before it can be confident the desired performance culture is embedded across the organisation.

## Staff engagement

### Staff engagement remains a strength, but is under pressure

The Treasury appears to have an engaged workforce, supported by regular mechanisms for staff feedback. These include people leader surveys, wellbeing pulse surveys and exit interviews, with response rates for surveys typically between 60 and 70 percent. Staff participation is also supported through employee-led networks, engagement with the Public Service Association, and the Wellbeing, Health and Safety Committee. Feedback from these channels is considered at OPC and ELT and informs workforce initiatives, with findings shared across the business and Pae Tata programme leads.

Recent survey results suggest staff engagement remains relatively strong, but is under pressure from sustained workload demands and ongoing organisational change:

- **Public Service Census (March 2025)**
  - The Treasury's response rate of 77.1 percent was well above the overall Public Service rate of 68.5 percent, indicating strong staff engagement. Similarly, 73 percent would recommend the Treasury as a good place to work, notably higher than the overall across the Public Service. Overall job satisfaction declined compared with the 2021 Census, indicating some erosion in how staff are experiencing their work.
- **People leader survey (February 2026)** – leaders reported increased confidence in leading Pae Tata, improved prioritisation, and perceived gains in productivity, morale and wellbeing. These positives were balanced by ongoing concerns about resourcing flexibility, role clarity, digital capability and the sustainability of workloads.

- **Wellbeing pulse survey (March 2026)**  
– staff agreement that they are kept well informed about what is going on at the Treasury increased to 66 percent (62 percent in July 2025). Confidence in engaging with the strategic shifts the organisation is making declined to 61 percent (67 percent in July 2025).

The Treasury appears to be responding to this feedback in sensible ways. It developed an action plan in response to the Public Service Census results and is using survey findings to inform changes. Actions include greater use of existing internal communication channels, a focus on increasing risk appetite through more open information-sharing, regular drop-in sessions and focus groups for targeted workstreams, and fortnightly all-staff hui. This suggests feedback loops are in place and being used.

### **Workforce stability remains a pressure point**

Strong engagement does not yet appear to translate consistently into workforce stability. The Treasury’s staff turnover has been persistently high over the past five years, and

although turnover eased from its peak in 2022, both gross and unplanned turnover figures suggest that it has not yet settled to a level that would indicate the issue is resolved.

The scale and volatility of turnover matters because the Treasury’s relatively strong engagement scores should not be read too comfortably. Staff may remain committed to the Treasury’s purpose while still experiencing enough pressure, uncertainty or dissatisfaction to contribute to turnover. The challenge is whether the Treasury can convert engagement into a more stable and sustainable workforce, particularly as it continues to embed Pae Tata and operate in a constrained environment.

The Treasury reports that its employee relations with the Public Service Association are constructive, and there is evidence of ongoing engagement on Pae Tata changes, internal policy reviews, workforce planning and remuneration matters. Employee relations was not a particular focus of this review and did not emerge as a prominent issue in our interviews.

**Table 1: Workforce data on staff turnover in the Treasury compared to Public Service overall**

Year	Gross Turnover		Unplanned Turnover	
	The Treasury	Public Service	The Treasury	Public Service
2021	22.8%	15.4%	18.0%	10.5%
2022	36.5%	21.7%	31.7%	17.3%
2023	22.0%	20.4%	18.0%	15.9%
2024	19.6%	17.6%	12.3%	11.9%
2025	24.5%	15.6%	15.9%	9.9%

## Financial management, data and risk

	Rating
<p><b>Investment and asset management</b></p> <ul style="list-style-type: none"> <li>How well does the agency manage its assets and balance sheet, to support service delivery, reduce operational risks and drive performance management?</li> </ul>	
<p><b>Strategic financial management and accountability</b></p> <ul style="list-style-type: none"> <li>How well does the agency plan, direct and control financial resources to drive efficient and effective delivery?</li> <li>How well does the agency integrate financial information into its decision-making and manage its cost drivers to achieve fiscal sustainability?</li> </ul>	
<p><b>Data, analytics and digital technologies</b></p> <ul style="list-style-type: none"> <li>How well does the agency manage and use data, analytics and digital technologies to drive decision-making and effective delivery?</li> </ul>	
<p><b>Risk and assurance</b></p> <ul style="list-style-type: none"> <li>How well does the agency identify and manage agency, Crown, and system risks to integrate risk awareness into its current operations and future opportunities?</li> <li>How well does the agency use assurance to effectively manage organisational risks and prioritise improvements to the internal control environment?</li> </ul>	

### Investment and asset management

#### Internal asset management is proportionate, with limited complexity

The Treasury manages a relatively small asset base, valued at \$9.9 million at the end of June 2025. As a result, asset management is appropriately light-touch and proportionate. Asset management plans are in place for technology, and office and equipment assets, and these clearly link assets to organisational objectives.

Asset performance and condition are monitored through existing governance and assurance mechanisms, including incident reporting and regular reviews. Given the scale and nature of the Treasury’s assets, this pragmatic approach appears appropriate. Risk management arrangements are also suitable,

and plans are transparent about limitations and uncertainties, supporting informed decision-making.

The Treasury is also increasing investment in IT security and capability to address risks such as cyber threats and privacy concerns.

Overall, the Treasury’s internal asset management appears fit for purpose. The more material challenge for the Treasury lies in its role across the system, particularly in shaping how investment and assets are managed across government. This is discussed in the Core Functions sections of this report.

## Strategic financial management and accountability

### The Treasury is improving how it aligns resources to priorities

The Treasury has taken steps to better align its financial and organisational resources with changing demands, particularly through Pae Tata. The programme's case for change recognised the more demanding and fast-shifting environment, including long-term fiscal pressures, economic uncertainty, and higher expectations of public sector productivity. Pae Tata's four strategic shifts are intended to reposition the organisation towards higher-value work, and the organisational redesign attempted to align the Treasury's resources with these shifts. Organisational changes and restructures, the Workforce Strategy (under development) and the recently approved Digital Strategy also indicate the Treasury's more deliberate approach to how capability and limited resources need to be deployed to improve productivity and respond to future demands in a constrained fiscal environment.

### Internal financial management has been strengthened in recent years

The Treasury has strengthened its internal financial management practices in recent years.

Following a 2023 internal audit, it implemented a range of improvements, and a follow-up review in 2025 reported significant progress on the audit recommendations and that overall financial management maturity had improved.

These improvements reflect both a shift in operating context and a shift in the Treasury's approach to financial management. Key changes include:

- greater emphasis on in-year reforecasting and forecasting accuracy
- more centralised financial decision-making through ELT and OPC
- improved budgeting processes, better use of workforce data, and more automated reporting.

These changes suggest a more disciplined and coordinated approach to managing the Treasury's financial resources.

Despite this progress, we heard in interviews that there is still opportunity for the Treasury to strengthen its own financial capability, particularly in relation to the effects of staff turnover and key person risk. We heard that at times, this has limited the Treasury's ability to produce accurate medium- to long-term internal financial forecasts. Continued investment in finance capability and resilience remains important to sustain progress.

### Use of financial data is improving, but longer-term planning remains limited

Financial information appears to be used more actively to support decision-making. Regular reporting to OPC and ELT provides greater visibility of current performance, emerging risks, and financial pressures. More forward-looking discussions on the Treasury's financial outlook from FY26/27 and beyond are also beginning to inform decisions, but planning remains predominantly annual. This limits the Treasury's ability to support medium-term choices about fiscal sustainability and organisational priorities. In practice, it is not yet clear how overall organisational capacity is being used, or what trade-offs are being made across competing demands.

As noted in the *Purpose, vision and strategy* section the Treasury would benefit from a clearer enterprise-level strategy sitting beneath its Strategic Intentions, and such a strategy could bring greater discipline and cohesion to business planning and provide a stronger bridge between strategic objectives, resource allocation and performance expectations.

### **Greater flexibility and visibility of resource allocation are needed**

Looking ahead, the Treasury has signalled it will need to take a more active approach to allocating scarce resources. This includes more explicitly articulating organisational capacity and trade-offs, improving visibility of how resources are deployed, and demonstrating how efficiency and effectiveness are improving over time. This would support internal decision-making and strengthen the Treasury's position in future resourcing discussions, including greater transparency about organisational change, trade-offs and how efficiency is improving over time.

A further issue is the degree of flexibility the Treasury has to resource unanticipated work. As emerging priorities and system shocks can quickly draw on significant capability, it may be increasingly important to have a more deliberate way of funding and managing that work, rather than repeatedly absorbing it through ad hoc redeployment. A more structured approach is needed. This could include clearer rules for reallocating resources or some centrally managed flexibility (whether through budget, contingency, or clearer organisational rules for surge work) that would help the Treasury respond more effectively while protecting core functions.

## **Data, analytics and digital technologies**

### **The Treasury has strengthened core technology security and governance, but digital development remains fragmented**

The Treasury has strengthened its technology security and governance in recent years, with improved Protective Security ratings and technology oversight in place. Interview evidence also indicates that key data analytics models developed to support, in particular, the Economic Policy and Fiscal teams are robust and performing well.

At the same time, the organisation's wider digital and data development appears more fragmented. Some initiatives to increase the use of digital tools have been ad hoc, and have tended to emerge in response to requests from individual parts of the organisation rather than through a broader data or digital strategy. As a result, they exist largely in isolation from one another, which creates duplication in maintenance effort and limits the ability to interrogate integrated models. The lack of integration of data sources appears to remain both a challenge and an opportunity, with functional units retaining ownership and use of data within their own business areas.

## **Stronger digital foundations would support prioritisation and organisational discipline**

The way the Treasury approaches digital and data will also be important for its ability to prioritise and deploy capability effectively. An integrated view of the Treasury's organisational portfolio, commitments and emerging resource pressures would improve transparency about trade-offs and opportunity costs. Better use of digital tools could also improve active management of work in flight, helping the Treasury to make timely decisions about where effort should be shifted, slowed or stopped. In this sense, digital enablement is not only a productivity opportunity for the Treasury's core functions; it also appears to be an enabler of a more disciplined and agile operating model, consistent with the Future Excellence Horizon.

## **The Treasury's new Digital Strategy provides direction, with implementation and integration the key test**

Interviewees indicated that good progress has been made in strengthening core technology platforms and capabilities, with progress in the digital space less meaningful. Some analytics capability has been established, but it remains relatively limited, and work on artificial intelligence and automation appears underdeveloped.

The Treasury's ELT has recently approved a new Digital Strategy for the Treasury that acknowledges the need to put in place a number of foundational building blocks to support greater digital integration. It also recognises that lifting the digital capability of its people is an underpinning requirement if the Treasury is to move towards a more digital enterprise model. Senior ownership and governance of implementation, together with integration with the wider programme of organisational change, will be important if the step change in digital enablement envisaged by the strategy is to be realised.

The themes in the Treasury's Digital Strategy align with the Future Excellence Horizon, particularly the expectation that digital, data and technology underpin improved performance across core functions. However, the strategy's impact, and realising benefits in a timely way, will depend on disciplined execution supported by a clear implementation roadmap. At this stage the strategy appears relatively high-level, and although there is a work plan that sits underneath it, it is not yet clear how implementation will be integrated with wider organisational change and process redesign. The absence of a current organisational strategic pathway also appears to have meant that the Digital Strategy was developed in relative isolation.

Whilst on the face of it, the Digital Strategy appears sensible in its focus, the opportunity exists for it to more closely align with delivering against the Treasury's future needs once a clearer view of the organisation's strategy is available. It will also be important to clarify the Treasury's level of ambition for implementation. Given the relatively early stage of the Treasury's digital adoption, it will be critical to implement its newly adopted strategy at pace, involving both investment and prioritisation, along with wider organisational ownership of its implementation. Without modern workflows, shared tools, reusable insight products and a clear digital operating model, there is a risk that the Treasury will continue to find it difficult to operate with the speed, consistency and analytical depth its future role is likely to require.

## **The Treasury's current risk posture appears to be constraining digital innovation**

Several interviewees indicated that the Treasury's approach to managing data and security risks, while appropriate in many respects, is constraining its ability to experiment, iterate or introduce new digital tools. This appears to have contributed to a cautious approach to innovation. For the Treasury to meet the Future Excellence Horizon and realise the opportunities presented by increased digitisation, while also responding to reduced baseline funding, it will become increasingly important to adopt a more sophisticated approach to managing data security risk in a way that also enables innovation and piloting. Without this, opportunities to improve productivity and efficiency through greater use of digital tools could remain constrained.

## **Artificial intelligence remains at a very early stage of authorised use**

AI adoption within the Treasury is still at a very early stage. There appears to be a very low level of authorised use of AI and lack of an organisational strategy for potential use cases. While technology teams appear to have views on early opportunities, there also appears to be a gap between that thinking and the organisation's readiness to incorporate AI into its core functions.

## **Data governance foundations are not yet fully established**

The Treasury has identified the need for a comprehensive data governance framework. We understand that work is planned to commence later in the year to design and establish a comprehensive data governance model, and we encourage the Treasury to progress this at pace as a foundational element for the wider Digital Strategy.

## **Risk and assurance**

### **Risk management frameworks and governance arrangements are well established**

The Treasury has a well-established approach to managing risk, supported by clear policies, frameworks and guidance. This provides a sound basis for identifying, assessing and managing agency, Crown and system risks. The Treasury's self-assessment also indicates that considerable investment has been made in recent years to strengthen risk and assurance processes, particularly following the 2019 inquiry into access to sensitive Budget information.

Risk governance is well defined. ELT sets the overall risk appetite and top risks, while OPC oversees these and key business-managed risks and reporting to ELT. Independent assurance is provided through external committees, and the Treasury also maintains an established internal audit programme to provide assurance and drive improvements to its control environment.

The Treasury previously had a single full-time enterprise risk role (Principal Advisor Risk) to coordinate and champion risk management across the organisation. The recent disestablishment of this role supports a shift away from a highly centralised model, but will require care to maintain a consistent organisation-wide view and coordination of risk, and ensure coherence across teams.

External assurance is seen as effective, with members of the Risk and Audit Committee (RAC) reporting that the Treasury is responsive, takes risk and assurance seriously, and engages openly. Discussions are free and frank, and the Committee is not seen as simply a compliance exercise. At the same time, members noted that management could be more proactive in shaping meeting agendas and bringing emerging or strategic risk issues to the Committee.

## **The Treasury is seeking to rebalance a risk-averse culture and embed a shared understanding of risk appetite**

Interviewees consistently described the Treasury as risk-averse. While strengthened governance and controls following a 2023 Budget incident were widely seen as appropriate, they appear to have contributed to a broader “tight-tight” control culture and intensified a low-risk posture.

While senior leaders appear to have a clearer and more balanced view of risk, staff and members of RAC were less certain that this flows consistently through the organisation. Different parts of the Treasury appear to operate with varying interpretations of acceptable risk. External stakeholders also expressed a desire for a bolder Treasury, acknowledging that this would involve greater tolerance of risk.

Initial steps have been taken to shift this culture, including introducing a Risk Appetite Framework and actions to increase internal transparency such as the reintroduction of “the Clip”<sup>5</sup>. These are positive developments but remain at an early stage. In practice, the Treasury’s risk categories are still applied conservatively in their current Risk Appetite Framework. As noted in the Performance Challenge, the Treasury will require more confident, calibrated and consistent risk taking in order to have the organisational ability needed to achieve the Future Excellence Horizon.

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<sup>5</sup> ‘The Clip’ is a weekly collation of advice the Treasury has sent to the Minister of Finance that is shared with all staff.

# 4

# Appendices

## In this section:

- **Appendix One: List of Recommendations**
- **Appendix Two: About the Treasury**
- **Appendix Three: Stakeholders interviewed**
- **Appendix Four: About Performance Improvement Reviews – Purpose, Model, Ratings**

# Appendix One: List of Recommendations

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## Core functions

1. Continue to prioritise keeping the trust and confidence of senior Ministers
2. Progress modernisation of the budget, investment management, Vote, and monitoring systems to improve decision making and enhance value for money:
  - Define the future state, make the case for change and build support for modernising the budget, Investment Management System and Public Finance Act ecosystem to better support multi-year planning, sharper prioritisation, the centrality of economic value to decision making, accommodate digital as well as physical investments, and counter the bias towards the immediate and inertia in the current arrangements
  - Define and embed a consistent model for Vote monitoring that builds the Treasury's understanding of the business of the main departments and Crown entities and supports a sequenced set of agency transformations to modernise methods of service delivery while managing system-level financial and resource constraints
  - Shift planning and reporting requirements for Vote and monitoring functions from process-led and 'one size fits all' to a focus on value
  - Clarify the Treasury's role in the monitoring of large and complex Crown entities for which another department has the lead – ideally the Treasury would support the monitoring agency to do the job well rather than becoming a secondary monitor, while continuing to provide independent fiscal advice where necessary
3. Enhance the impact of the Treasury's economic policy advice:
  - Actively steward the ecosystem of government infrastructure agencies and associated processes to support Ministers in reducing the complexity, inefficiency, and lack of role clarity in the current arrangements
  - Engage with partner agencies and Ministers to clarify the Treasury's role in commercial transactions whether as lead agency or as system convenor and build a resource model that combines in-house expertise and access to specialist commercial capabilities from across the public system and externally
  - Refresh the Treasury's diagnosis for unlocking higher rates of productivity growth (e.g. integrating the potential of AI) and maintain a set of actionable ideas grounded in commercial realities for engagement with Ministers as opportunity presents
  - Work with key economic agencies to agree the Treasury's role in ensuring the government receives coordinated, timely and relevant economic policy advice on matters material to the New Zealand economy
  - Grow in-house expertise and develops actionable ideas in policy domains of long-term priority including where another agency is the lead adviser
  - Establish a network through which to access expertise to enable rapid mobilisation in areas of emerging risk
  - Ensure policy advice is sufficiently informed and grounded in commercial and sector realities

4. Clarify the Treasury's stewardship role as a central agency and build on recent momentum in raising public awareness of New Zealand's long-term fiscal and economic challenges:
  - Work with partner central agencies to clarify the operating model and respective roles in monitoring system and agency performance and, where necessary, intervening. The Treasury's contribution is in economic policy and financial analysis capability, pan-system understanding and implications and a longer-term focus on value for money and system efficiency
  - Adopt a Chief Financial Officer (CFO) mindset across all core functions – forward-looking, a partner in value and growth, curious, supportive of calculated risk-taking, while keeping discipline on system-wide cost control
  - Actively ensure the Treasury is playing its unique role to support the successful transformation of the Public Sector, including on digital and consolidating institutional arrangements and strengthening system performance
  - Build on recent initiatives led by the Chief Executive to raise media and public awareness of New Zealand's long-term fiscal challenges and of options to address them, and to do similar in relation to awareness of barriers to stronger economic growth and higher living standards
5. Focus on core activities and identify areas where the Treasury will seek to exit:
  - Work with partner agencies to optimise respective roles, simplify arrangements and free-up resource for core functions. This will require a deliberate approach, developing the case for change and seeking Ministerial support where there is net system benefit.

## Operating modes and enabling functions

6. Maintain a disciplined approach to prioritisation and resource allocation:
  - Develop a clear internal view of priorities based on relative economic and fiscal materiality, capability and capacity of the lead agency, the Treasury's ability to add value and the extent of alignment of interests for the lead agency and the Treasury
  - Test and refine the priorities with the Minister of Finance and central agencies, communicate the resultant priorities with other Ministers, central agencies and partner agencies, deviate only in exceptional circumstances and signal the consequential impacts of any change in priorities with Ministers
  - Develop an enterprise capability and resource allocation model that supports the delivery of diverse and complex demands, selectively utilises matrix management, reduces structural frictions to support dynamic deployment, leverages greater use of digital tools and balances short-term and longer-term priorities

7. Be more deliberate in coordinating public sector agencies to solve problems and in engaging across the wider economy
  - Utilise the Treasury's convening power and draw on wider relationships to ensure clarity on rationale for intervention, triggers for activation, boundaries and exits
  - Continue to mature the Treasury's engagement model to be clearer on the purpose of each engagement, build strong relationships across the wider economy and obtain targeted and expert input into economic and fiscal policy development
8. Fill talent gaps and harness digital and AI technologies
  - Identify capability gaps against future state and invest through targeted recruitment and professional development
  - Flesh out and deliver at pace on the Treasury's digital strategy, empower the Treasury's people to innovate with digital and AI within guardrails, and embed AI in work processes to improve the quality of data, enhance efficiency in routine Vote and monitoring processes and add insights to economic and commercial advice
9. Stand up resource to support the Treasury's transformation journey
  - Develop a Strategic Pathway to the Treasury of the future, complete with target outcomes and benefits
  - Ensure internal governance is monitoring delivery of prioritised change initiatives, with clarity as to the respective roles and decision rights of the ELT and the Organisational Performance Committee
  - Take a more structured approach to resourcing and implementing organisational change and deploy disciplined project/programme management approaches

## Appendix Two: About the Treasury

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The Treasury is the government's lead economic and fiscal advisor, and steward of public service financial management.

The Responsible Minister for the Treasury is the Minister of Finance, but the Treasury services several Ministers in the Government, including the Minister for Economic Growth, Associate Ministers of Finance, Minister for Infrastructure, Minister for State Owned Enterprises, Minister for ACC, Minister of Revenue, and Minister for Rail.

The Treasury is a central agency, providing public sector leadership alongside the Department of the Prime Minister and Cabinet (DPMC), Public Service Commission (PSC), Ministry for Regulation, and the Social Investment Agency. The Treasury works with DPMC and PSC to drive the performance of the public service to deliver key priorities, achieve results and ensure value for money.

### Mandate and responsibilities

The Treasury has a broad statutory and operational mandate to support the government to improve New Zealand's economic and financial performance and lift public sector performance.

The Treasury's functions and responsibilities include advising the Government on economic strategy, producing the Government's Budget, and supporting value for money in public spending.

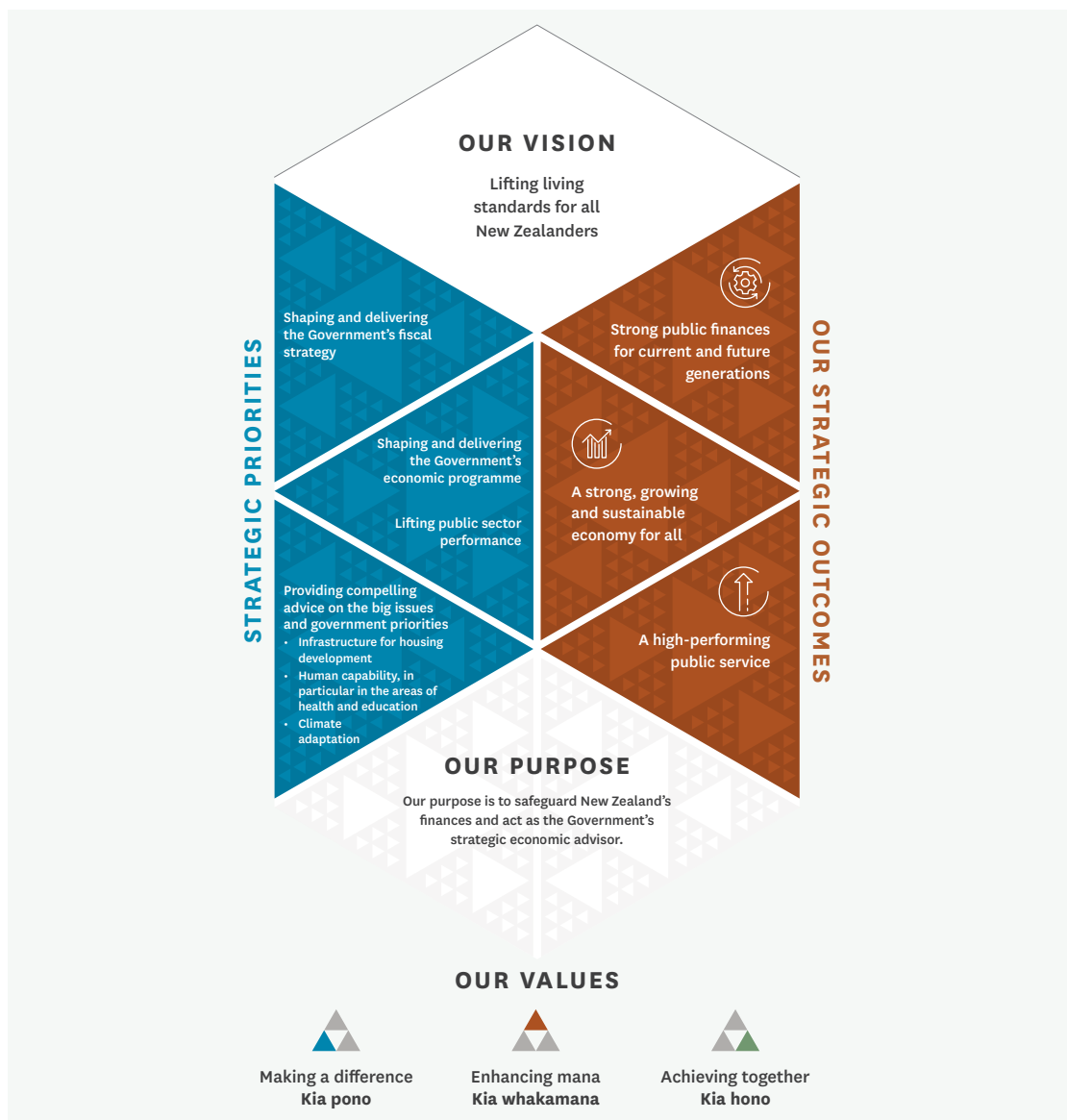
In practice, the Treasury engages with and advises on some of the core foundations of the New Zealand's economy and public service.

The Treasury:

- helps to manage a ~\$600 billion Crown balance sheet
- advised on ~\$142 billion of Core Crown spending and fiscal choices on ~\$134 billion revenue in 2024/25.
- issues and manages government debt ~\$230 billion of government securities on issue
- provides advice on more than 40 departments that together are appropriated more than \$187 billion per annum
- provides advice on the performance of around 50 Crown Entities and companies with combined total assets of over \$250 billion
- is responsible for more than 13 pieces of legislation, such as the Public Finance Act 1989, Part 4 of the Crown Entities Act 2004, the State-owned Enterprises Act 1986, and all legislation relating to the annual Budget (i.e., Appropriation and Imprest Supply Acts).
- published 16 significant statutory reports in 2025, including three long-term stewardship reports, and 13 Financial Statements of the Government.

## Current strategic priorities

Alongside its core purpose, the Treasury’s vision is to lift living standards for all New Zealanders. Its Strategic Intentions 2024 – 2028 describes its vision, strategic priorities and strategic outcomes, illustrated in the diagram below.



Note that the Treasury intends to refresh these Strategic Intentions in 2026.

In March 2025, the Secretary initiated *Treasury 2040 | Pae Tata – Navigating New Horizons* (Pae Tata), described as a “multi-year programme of mahi focussed on systems, processes, governance, strategy, performance, culture and capability” to achieve a vision of “the Treasury of the Future”. The Treasury documents state that the Treasury of the Future will:

- Provide strong strategic leadership across its core areas of responsibility
- Innovate to address New Zealand’s long-term economic and fiscal challenges and provide trusted and compelling advice to the government
- Focus on where it can have the greatest impact for New Zealand
- Be a high performing organisation across its core functions: the government’s lead economic advisor, driving public sector performance and being the steward of public finances

- Partner with central agencies, demonstrating leadership and influence across the Public Service
- Have a culture of high performance, accountability, and trust to enable our people to deliver bold, innovative, and constructive advice
- Have clear career pathways to develop top talent and foster greater leadership capability
- Have a flexible and expert workforce able to be deployed around the work required
- Maximise the use of digital technologies and data to enable our people to do higher value work.

Four key shifts have been identified to achieve the vision above, which underpin the Pae Tata programme: Stronger strategic leadership; Lifting performance and productivity; Lifting capability; and Flexible and adaptable workforce.

To achieve these shifts, the Treasury has undertaken work such as review and change to the organisational structure, refresh of internal governance, development of digital and workforce strategies, and more proactive external engagement.

## Basic organisational information

### Organisational structure

The Treasury is led by the Secretary and Chief Executive, who leads an Executive Leadership Team of four Deputy Secretaries who are responsible for their business groups. The areas of work under each group are below.

- The **Budget and Fiscal Performance Group** is responsible for oversight and advice on macroeconomic policy, fiscal strategy and the tools around expenditure, capital investment, assets, and liabilities.
- The **Economic Policy group** is responsible for providing advice to the government on economic strategy, coordinating economic policies, and

economic research. This group also oversees the Treasury's stewardship responsibilities for Overseas Investment, Natural Hazards and financial markets.

- The **System and Sector Performance Group** is responsible for the operation and stewardship of the systems that guide public sector financial management and commercial and mixed entity performance and governance.
- The **Enabling Services Group** is responsible for providing integrated corporate and strategic services that enable the Treasury to operate effectively, support Ministers, and deliver on its priorities. It holds key functions including People and Capability, Finance, Legal, Te Ao Māori, Information and Technology, and Strategy and Executive Services (encompassing Ministerial support, Communications and Engagement, and Strategy, Performance and Government Services).

### Workforce information

As at June 2026, the Treasury employs 551 FTE, with the biggest occupation groups being Policy Analysts (55%) and Managers (12%).

As of June 2025, 2.9% of employees are remote workers, and the Treasury's employees work an average of around one day a week from home. The Treasury has the seventh highest average salary of Public Service departments, which reflects its larger proportion of staff in leadership, specialist professional and policy roles.

### Funding

The Treasury administers Vote Finance, a total appropriation of approximately \$10.63 billion (2025/26). This consists of approximately \$132 million in total departmental appropriations, and \$10.5 billion in total non-departmental appropriations.

## Appendix Three: Stakeholders interviewed

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### The Treasury:

- Staff
- Risk and Audit Committee

### Representatives from:

- Air New Zealand
- ASB Bank
- Auckland Business Chamber
- Auckland Council
- Business Desk
- BusinessNZ
- Department of the Prime Minister and Cabinet
- Fonterra
- Forsyth Barr
- Guardians of the New Zealand Superannuation (NZ Super Fund)
- Health New Zealand
- Infratil
- Inland Revenue
- KiwiRail
- KPMG
- Meridian Energy
- Ministry of Business, Innovation and Employment
- Ministry of Foreign Affairs and Trade
- Ministry of Justice
- Ministry of Social Development
- NZ Initiative
- Office of the Auditor-General (which has since been renamed the Audit Office)

- International stakeholders including the Organisation for Economic Co-operation and Development (OECD)
- Parliament, including Ministers
- Reserve Bank of New Zealand
- Simplicity
- Te Waihangā | Infrastructure Commission

Note: The review sought to include interviews with senior Māori leaders and stakeholders. Despite approaches being made, it was not possible to secure those interviews within the timeframe of the review.

# Appendix Four: About Performance Improvement Reviews

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## Purpose

### **Performance Improvement Reviews are an investment in lifting agency performance**

The Performance Improvement Review Programme (the Programme) is an initiative to lift agency and system performance across the Public Sector, advance the Government's priorities, drive value for money, and achieve better results and outcomes for New Zealanders.

The key feature of the Programme is the independent future-focused reviews that inform the direction and performance of public sector agencies and drive a culture of continuous improvement. These reviews are sequenced to complement other performance initiatives, and to support chief executives when they are relatively new to an agency. As more reviews are completed, the Programme will also provide robust insights on where system-level improvements are required.

Performance Improvement Reviews are undertaken by experienced independent Lead Reviewers (mostly former chief executives and governance experts), who bring a deep understanding of the Public Service operating environment and expertise in building high-performing organisations. Reviews drive discussions on an agency's desired future state, identify capability gaps impacting on its performance, and highlight opportunities to address these gaps over the medium term. They also provide a lever for Ministers to shape the long-term direction, focus, and performance of their agencies.

# Performance Improvement Model

## Future Excellence Horizon

What is the contribution that New Zealand needs from the agency and what is its performance challenge?

## Results

**Government priorities**      How well positioned is the agency to deliver on the Government's priorities?

**Core functions**      For each of the agency's core functions, in the context of the aspirations of the Future Excellence Horizon:

- How well positioned is the agency to effectively deliver the contributions expected of it?
- How well positioned is the agency to be able to efficiently deliver those contributions?

## Organisational management

Element		Lead question	
Leadership and direction	Purpose, vision and strategy	1	How well do the agency's staff and stakeholders understand and support its purpose, vision and strategy?
		2	How well does the agency use long-term thinking and its strategy to plan and drive delivery?
	Leadership	3	How well does the senior leadership team collectively lead the agency and implement change?
		4	How well does the agency take accountability for and lead the improvement of relevant system or sector level results?
	Values, behaviour and culture	5	How well does the agency develop and promote the organisational culture it needs to achieve its strategic direction?
	Governance	6	How well does the agency use governance arrangements to drive performance and deliver value-for-money?
Delivery	Services to customers, clients and citizens	7	How well does the agency understand the needs of customers, clients, and citizens, and use these to innovate and deliver better services and outcomes?
		8	How well does the agency integrate services with its partners and providers to deliver value to customers, clients and citizens?
	Performance and accountability	9	How well does the agency use performance information to drive continuous improvement and accountability for results?

Engagement	Engagement with Ministers	10	How well does the agency provide advice and services to Ministers?
	Māori-Crown relationship	11	How well does the agency develop and maintain the capability to engage with Māori and to understand Māori perspectives to drive better outcomes?
	Engagement with stakeholders	12	How well does the agency engage with stakeholders, in ways that are effective, open, transparent and accessible?
Workforce	Talent management and workforce development	13	How well does the agency identify, develop and manage its talent?
		14	How well does the agency anticipate and respond to future workforce capacity and capability requirements?
	Workforce Performance	15	How well does the agency encourage and drive high performance and continuous improvement in its workforce?
		16	How well does the agency address performance that is not meeting expectations?
	Staff engagement	17	How well does the agency develop and maintain a highly committed and engaged workforce?
		18	How well does the agency manage its employee relations?
Financial management, data and risk	Investment and asset management	19	How well does the agency manage its assets and balance sheet, to support service delivery, reduce operational risks and drive performance management?
	Strategic financial management and accountability	20	How well does the agency plan, direct, and control financial resources to drive efficient and effective delivery?
		21	How well does the agency integrate financial information into its decision making and manage its cost drivers to achieve fiscal sustainability?
	Data, analytics and digital technologies	22	How well does the agency manage and use data, analytics and digital technologies to drive decision making and effective delivery?
	Risk and assurance	23	How well does the agency identify and manage agency, Crown, and system risks to integrate risk awareness into its current operations and future opportunities?
24		How well does the agency use assurance to effectively manage organisational risks and prioritise improvements to the internal control environment?	

## Performance ratings

Ratings help to clarify the agency's relative strengths and highlight the priority areas given the challenges, risks, and opportunities in the medium term. Ratings are applied in terms of the future the agency is preparing for and how well it is positioned to deliver this over the medium term.

Rating/Indicator	What it indicates
<b>Leading</b> 	<ul style="list-style-type: none"> <li>• Best practice/excellent</li> <li>• High level of capability and sustained and consistently high levels of performance</li> <li>• Systems in place to monitor, forecast and build capability to meet future demands</li> <li>• Organisational learning and external benchmarking used to continuously evaluate and improve performance</li> <li>• Strong capability to deliver on the Future Excellence Horizon.</li> </ul>
<b>Embedding</b> 	<ul style="list-style-type: none"> <li>• Capable</li> <li>• Delivering to expectations with examples of high levels of performance</li> <li>• Comprehensive and consistently good organisational practices and systems in place to support effective management</li> <li>• Evidence of attention given to identifying and addressing current and future demands and capability needs</li> <li>• Mostly aligned to delivering the Future Excellence Horizon.</li> </ul>
<b>Developing</b> 	<ul style="list-style-type: none"> <li>• Needing development</li> <li>• Adequate current performance but concerns about future performance</li> <li>• Areas where there is underperformance and/or capability gaps are recognised by the agency</li> <li>• Some current and future capability gaps are not clearly identified</li> <li>• Concerns for the agency having the ability to deliver on the future state.</li> </ul>
<b>Weak</b> 	<ul style="list-style-type: none"> <li>• Unaware or limited capability</li> <li>• Significant area(s) of critical weakness or concern in terms of delivery and/or current capability</li> <li>• Agency has limited or no awareness of critical weaknesses or concerns</li> <li>• Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact</li> <li>• Very limited or no view of future opportunities and challenges for the agency.</li> </ul>
<b>Unable to rate /not rated</b> 	<p>There is either:</p> <ul style="list-style-type: none"> <li>• No evidence on which a judgement can be made; or</li> <li>• The evidence available does not enable a credible judgement to be made.</li> </ul>



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