

BUDGET-SENSITIVE

10 January 2024

Catherine Drayton
Chair
The Guardians of New Zealand Superannuation

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TE TAI ŌHANGA
THE TREASURY

Kia ora Catherine

FISCAL OBJECTIVES ACROSS THE TERM AND BUDGET 2024

The Crown has been in operating deficit since 2019/20 and there is an ongoing challenging fiscal environment. High inflation and interest rates are creating significant cost of living pressures for New Zealanders and putting pressure on government finances. Our economy relies on a fiscal strategy that sees a steady path to return to surplus, supporting monetary policy to bring inflation down. Strict fiscal management will be necessary to get the government books back in order and ensure limited funds are directed towards the highest value investments. The Government expects all public sector organisations to play their part in this, including statutory Crown entities, Crown entity companies, State-owned enterprises (SOEs) and Public Finance Act 1989 Schedule 4A companies.

As part of the Government's immediate actions, we will be making decisions to reduce public expenditure, including consultant and contractor expenditure. Meeting the Government's fiscal objectives while also delivering better public services requires looking at all public expenditure, not just that of government agencies. A target level of savings for Budget 2024 has been established for all government agencies. The responsible agency will be required to quickly identify these savings.

Government agencies and other public organisations should expect enhanced scrutiny of Crown funding. Crown entities are also expected to operate efficiently, effectively and in a financially responsible manner, ensuring that they act as a successful going concern. You should be able to demonstrate that activities funded from Crown revenue are:

- As efficient as possible;
- Making a difference for New Zealanders.

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If your Crown entity receives funding from the Crown, including funding for the purchase of goods or services, I would be grateful if you could:

- work proactively with my department to identify material savings and efficiency improvements for your entity, including trade-offs and impacts on the ability to carry out the entity's functions
- work proactively with my department to identify how cost pressures can be managed within existing funding envelopes, and
- provide information to my department so that the Government can be assured that expectations are being met while continuing to deliver for New Zealand.

For the duration of this term, it is expected that there will be a greater focus on reprioritisation and managing cost drivers, while delivering improved performance. This applies to both departmental and non-departmental appropriations. We look forward to discussing this with you over the coming months.

Ngā mihi,



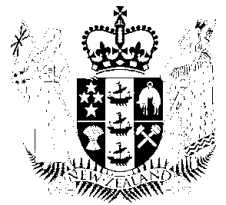
Struan Little
Acting Secretary and Chief Executive – The Treasury

cc Paula Steed, Acting Chief Executive The Guardians of New Zealand Superannuation, Psteed@nzsuperfund.co.nz

BUDGET-SENSITIVE

Office of Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change



Ms Catherine Drayton
Chair
Guardians of New Zealand Superannuation

Dear Catherine,

DELIVERING FISCAL SUSTAINABILITY

The Coalition Government is committed to getting the government's books back in order and ensuring taxpayer funds deliver positive outcomes for New Zealanders. To help us achieve this we have established a Fiscal Sustainability Programme to embed a culture of responsible spending across Government, including in Crown entities.

Crown entities account for a significant proportion of government expenditure and service delivery. You and your boards have an important role in achieving results and outcomes from this expenditure. Boards must ensure their entities make the best use of Crown funding to deliver high quality services and you should expect enhanced scrutiny of Crown funding.

I expect all Crown entity boards to have a firm grasp of their entity's operations and cost drivers. Boards should review programmes regularly to assess whether they represent value-for-money. Programmes and activities that are not delivering results should be stopped and funding should be reprioritised or returned to the Crown.

Reducing reliance on contractors and consultants is a key priority as we work to get the books back in order. The Coalition Government is seeking savings of at least \$400 million a year in contractor and consultant expenditure across the public service and Crown entities. This represents a 17% decrease on the \$2.37 billion spent in 2022/23.

I expect that your board is providing active leadership to achieve a significant reduction in this type of expenditure, including taking action to realise immediate savings. I expect boards to engage closely with monitoring agencies to ensure effective and timely information is provided to allow Ministers to track progress. Your monitoring agencies will provide further guidance and detailed expectations in coming weeks.

Crown entity boards should be providing regular and robust reporting to monitoring agencies and responsible Ministers, demonstrating entities are driving value-for-money and prioritising spending towards improving outcomes for New Zealanders.

Thank you for your support as we deliver the changes needed to restore fiscal discipline and ensure expenditure is delivering real results for New Zealanders.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicola Willis'.

Hon Nicola Willis
Minister of Finance
Minister for the Public Service