The Treasury

Budget 2026 Information Release

September 2026

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[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

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[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

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[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

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[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

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TE TAI ŌHANGA
THE TREASURY

Reference: T2025/2232 BM-2-15-12-M125450

Date: 26 August 2025

To: Minister of Finance (Hon Nicola Willis)

Deadline: Before the Treasury Weekly Agency Meeting on 27 August 2025
(if any)

For discussion: public sector reform

Purpose

You recently met with the Prime Minister and Ministers Collins and Bishop to discuss the Public Service Commissioner's vision for public sector reform. At tomorrow's Weekly Agency Meeting, we seek your direction so we can best support you now that Ministers have asked to discuss the proposal with officials.

Starting points for discussion

Depending on your direction, we can discuss with you:

1. The **draft paper** itself – we agree with the need for public sector reform and the vision it proposes. The paper is less clear about why structural change is the best tool compared to other reform levers, the implications for Ministerial accountability, the impact it will have on Crown entities, and how much it will cost.

2. The specific **structural proposals** –we agree with the need to address fragmentation, and there are benefits to structural reform where structure is inhibiting performance. We need to consider each proposal on its merits.

3. How we approach **public sector reform** – we consider reform should focus on critical sectors where it will have the most impact. In addition, enabling policy and service transformation, including through digitisation, as well as optimising current performance is likely to be more effective than structural change.

4. Implementing **a reform programme** – which involves setting a clear vision, taking opportunities to progress that vision and, importantly, not doing things that inhibit or distract from that vision.

The attached A3 is to help facilitate this discussion.

Our preliminary views

Ahead of clarifying your direction, our initial advice on public sector reform is:

- We agree with the need for reform. Improving public sector performance is essential to the Government's policy, fiscal and economic agenda.

- We agree with a stronger focus on digitalisation, and that some centralisation of decision-making, where it delivers net benefits, is justified. This is a significant shift from the status quo for digital investment, and would benefit from evidence on the trade-offs and risks of centralisation, impact on agency incentives and accountabilities, key implementation issues, and GCDO's capability to deliver. These key issues will be reported back in December to enable Cabinet with a balanced view of the proposal, and to establish a work programme with the greatest likelihood of success. For digitisation to best support reform, we want to see a work programme that drives transformational change in critical sectors.

- We have consistently advised:

    - There are a critical few sectors which are most important – health, education, welfare as well as economic growth and infrastructure.

    - Policy transformation is the most effective lever – there is significant reform underway in each of health, education and welfare; achieving your priorities for economic growth may require further policy reform and realignment could enable new and/or sharper framing (and delivery) of these opportunities.

- Careful sequencing of reform is important to ensure that leadership focus and effort is applied to achieve the best impact. How this is sequenced depends on what you are trying to achieve.

- Opportunities remain for optimising performance. We acknowledge that this requires a more purposeful Treasury working alongside public sector department and central agency partners.

Following the Weekly Agency Meeting, our next steps are to provide you with supporting material for the upcoming Ministers and officials meeting, and to engage with central agency colleagues with your direction in mind.

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Annex: Public Sector Reform

1 The draft paper

There is a clear need for public sector reform. We support the vision to: organise services around citizens, centralise decision-making for system benefit, take a digital-first approach, and a focus on efficiency and value.

We identified three areas where the paper can be strengthened:

Where to focus
We recommend focusing on sectors that would have the greatest impact for the Government's priorities, and particularly its fiscal strategy. We support the focus on digitalisation.

Getting the implementation right
Levers for public sector reform are structural and non-structural – use the right tool for the problem. Strong implementation (a plan and a good team) is needed to support the change. The paper needs to be clear that centralisation will affect accountabilities and that there are delivery risks.

Clear benefits and costs
We want to see what success will look like – and that the benefits will outweigh the costs. Structural change has transaction costs, including financial costs and lost productivity.

2 Structural proposals

We agree with the need to reduce fragmentation. We need to consider the costs and benefits of each on its merits. We also need to consider the capability of the system to implement them effectively.

We understand the indicative proposals are:

Proposal One:

- Form a Ministry of Cities, Regions, and the Environment

[33]

Proposal Two could also be taken forward:

[33]

3 Public sector reform

What to focus on?

Prioritise first

<u>Policy transformation</u>: the greatest opportunity for impact is policy change, including the fiscal impact of halting or reforming costly policies.

<u>Service transformation:</u> once policy focuses on your highest priority and highest value activities, the next best opportunity is to optimise service delivery.

Prioritise last

<u>Structural change:</u> machinery of government change is best used to enable new and or sharper framing (and delivery of performance).

*<u>Addressing performance</u>: once you have the right policies, services, and structures, it is critical to ensure high quality delivery.

Where to focus?

We recommend focusing on the critical sectors that can have the greatest impact on bending the fiscal and economic curves.

[34]

4 Reform programme

Ahead of clarifying your direction, our initial advice on public sector reform is to:

1. Continue to progress the policy transformation workstreams, as advised in our expenditure strategy.
2. We agree with a stronger focus on digitalisation, and that some centralisation of decision-making, where it delivers net benefits, is justified. The Minister for Digitising Government is set to return to Cabinet in December 2025 on the levers and capability needed to deliver the new GCDO mandate. We will support this to ensure the GCDO is well set up for its role, that its funding is prioritised appropriately, and there is proper consideration given to the change in accountabilities. Next, we want to see a digitisation work programme that drives transformational change in critical sectors, such as in social development and justice.
3. Prioritise structural reform proposals if they are a consequence of policy or service transformation. We consider a sectoral approach is best. [33]

   Following this, a careful sequencing of change is important.

This approach is consistent with what we see from our international counterparts, who are focusing first on significant policy reform, and on service transformation through digitisation, to also support fiscal consolidation. At the highest level, our Ministerial arrangements with senior public officials appear more complicated than in other jurisdictions.