



Asset Management and Alternative Procurement: A Central Agency Perspective

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Agenda

1. National Infrastructure Unit (NIU)
of the Treasury
2. Capital Asset Management (Kerry)
3. Alternative Procurement (Maureen)

National Infrastructure Unit (NIU)

Established in 2009

- In response to “*investing in productive infrastructure*” and “*delivering better, smarter public services*” Government policy drivers
- Team of 18
- Goal: To lift the quality of Government’s capital investment decisions

Responsibilities include:

- National Infrastructure Policy, including National Infrastructure Plan
- Improving Capital Asset Management in the public sector
- Investment appraisal and improving procurement (including PPPs)
- Policy and budget advice on infrastructure issues (transport, communications)

Capital Asset Management

1. Overarching View: Investment Statement
2. Role of Capital Asset Management

The next big thing – getting more from Crown’s balance sheet

- Stronger focus on the balance sheet and capital management – the CAM project sits as part of Treasury’s wider work on the balance sheet, including the Investment Statement.
- *“Effective management of the Crown’s assets and liabilities and making the best investment decisions is important if we are to realise our economic goals and deliver better public services.”*
 - Hon. Bill English, 14 December 2010



2010 Investment Statement of the
Government of New Zealand

Hon Bill English, Minister of Finance

14 December 2010

Purpose of the Investment Statement

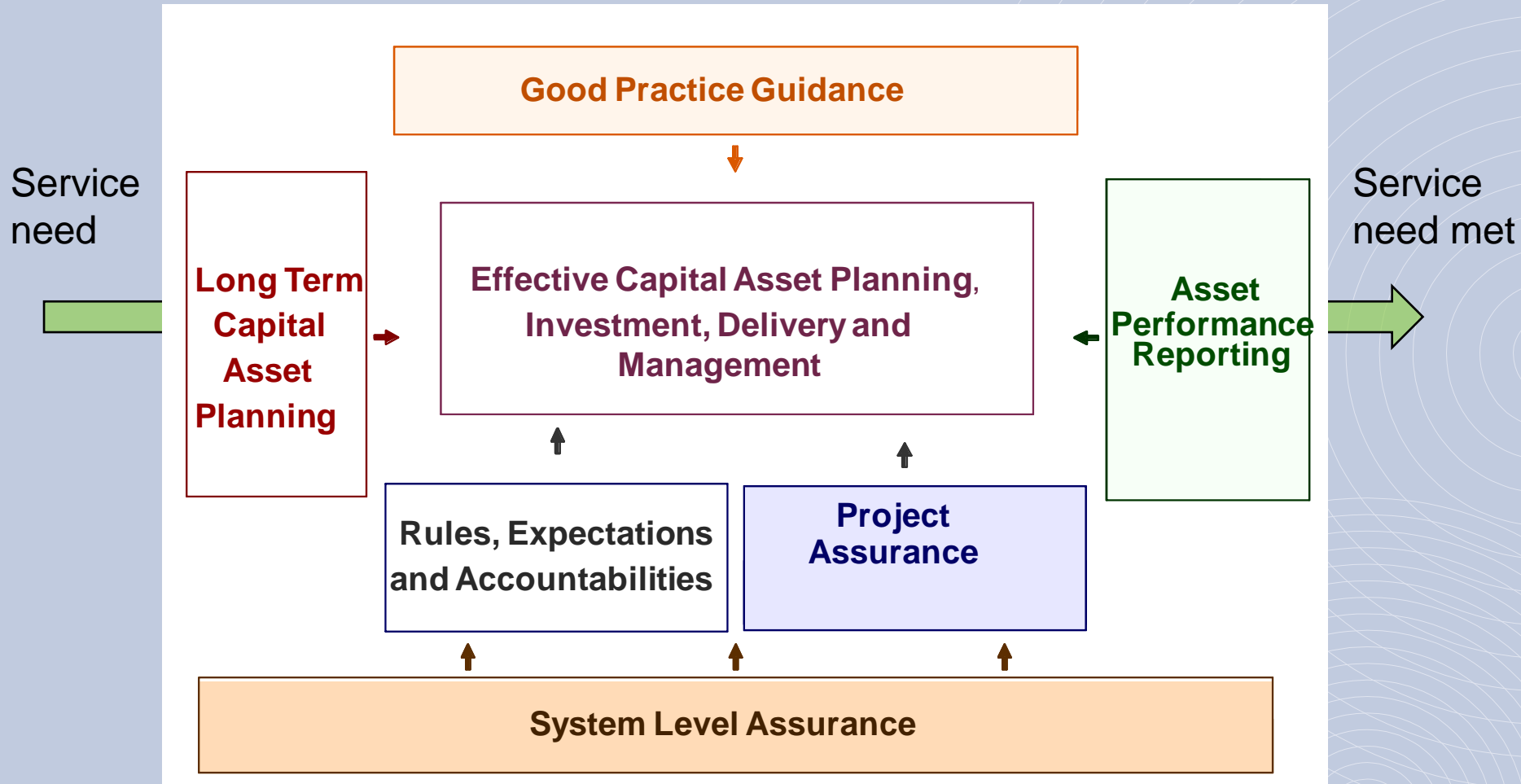
- To strengthen the Crown's financial reporting framework by:
 - Enabling greater scrutiny of the Government's management of its assets and liabilities
 - Setting out the Government's investment intentions for the short and medium term
- Better balance sheet transparency supports more informed choices about:
 - Government's financial management
 - Best use of resources to support Government's overall economic and social agenda

What does the Investment Statement mean for you?

- For the foreseeable future, most agencies will not receive any new capital injections
 - All agencies will need to make better use of existing funding streams and assets to fund new investment
 - Expect to see more active reallocation of capital across the balance sheet over time
- Imperative to refocus on whole life costs vs. benefits of facilities and services

Role of CAM project

Expectations - Visibility – Assurance - Performance



Alternative Procurement

1. Alternative Procurement

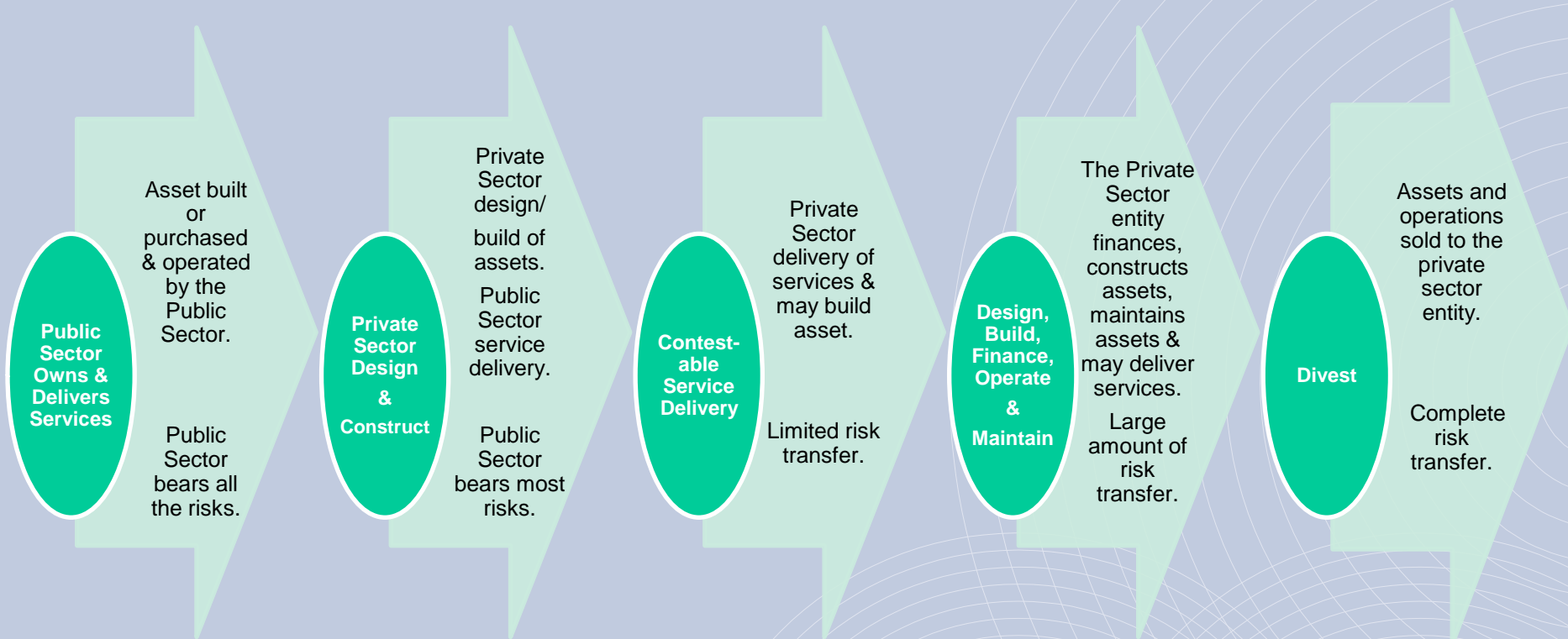
2. PPPs

2. NIU role in PPPs

Alternative Procurement

- Increasing contestability is an important means to achieve the government's objective of getting better public services for less.
- Contestability can come in a number of forms: it could be a short term contract (for a highly variable service such as IT) or a long term contract (such as a PPP for a prison).

Alternative Procurement



Public Sector
Owned and Operated

Private Sector
Owned and Operated

Public Private Partnership (PPP)

What defines a PPP?

PPP can refer to many different kinds of relationships between the Government and the private sector, but generally they are long term asset-based contracts focused on achieving **outcomes.**

Public Private Partnership (PPP)

In relation to PPPs, we will consider their use where the structure offers superior Value-for-Money (VFM) over traditional procurement approaches.

Public Private Partnership (PPP)

Best VFM where:

1. Significant opportunities to innovate in asset design and to improve whole-of-life asset management.
2. Opportunities to innovate in terms of the services delivered from assets.
3. Real opportunities for risk transfer (if a Department is paid to deliver a service outcome and fails, it still gets paid; under a PPP contract failure leads directly to financial penalty).
4. PPP can act as a catalyst for change, and provide contestability in the provision of services previously provided solely by the public sector.

NIU Role in PPPs

NIU Role:

Market Confidence

- Building confidence in the procurement tool, by assisting departments with PPP business cases and the procurement process (NIU team members embedded in project teams).

Lower Transaction Costs

- Minimise transaction costs for outcomes-based procurement, through creating a standardised contractual agreement and other guidance.

Pipeline

- Identifying a pipeline of transactions, so that there is a sufficiently attractive market for bidders and will create competitive tension for the Crown.

Summary

In a world demanding enhanced productivity...

Government's decision making, asset management processes and procurement must focus on delivering required outcomes at the lowest whole life cost.