

Investment Management and Asset Performance in the State Services

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Performance, The Treasury

Guide to "Treasury speak"

- Investment
- Investment management
- Investment management system
- Value

What is it we are trying to do?

- Raise performance across the state services
- Approach investment management from a system perspective
- Incentivise good behaviour, and ensure there are repercussions for poor behaviour
- Encourage transparency
- Reduce noise, cost and drag

Public

Benefits

Governance and decision making

Deliberate and coordinated levels of governance and decision making across Cabinet, sectors, results, agencies, individual proposals, projects and programmes

Trust and confidence

otrategic

Delegated accountability to the appropriate owner, in return for validated assurance of value, capability, practice and performance

4 year (SOI & budget plans)

Visibility

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Transparency of current and projected future states of investments as a basis for shared understanding and dialogue. Use of performance ☐ information, metrics and evidence to inform management and decision making.

Optimisation of value, balance and good practice

Allocation of resources to where they can realise the best effect, managed to perform well from a whole-of-life perspective, and balanced across the whole-of-government.

underway) projects

Incentives, sanctions and performance management

Optimising the performance of the system through effective and meaningful mechanisms to encourage performance, and discourage poor practices and undermining of value.

Constraints

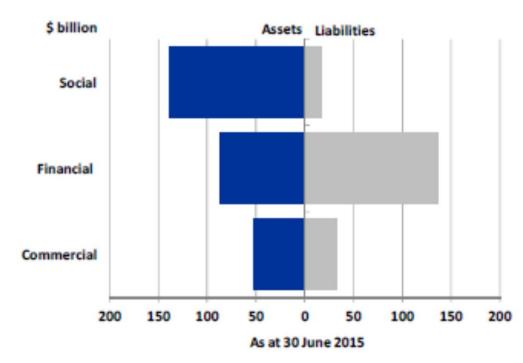
Active management

Taking an interest in, and intervening to realise performance and value from the investment system and the investment across government. This includes divestment if appropriate, and recycling of capital.

Why?

- Optimise the value generated from new investments and existing resources
- Increase the efficiency and effectiveness of the investment management system
- Enable investments to achieve their specific objectives
- Raising visibility of the importance of the roles of portfolio, programme, project, asset, financial and investment management

Because



Assets \$279b

Liquid financial assets	\$66b	
PPE - Land	\$40b	
PPE – Buildings	\$29b	
PPE – State highways	\$21b	
PPE – Other	\$35b	
Advances	\$27b	
Share investments	\$25b	
Receivables	\$18b	
Other assets	\$18b	

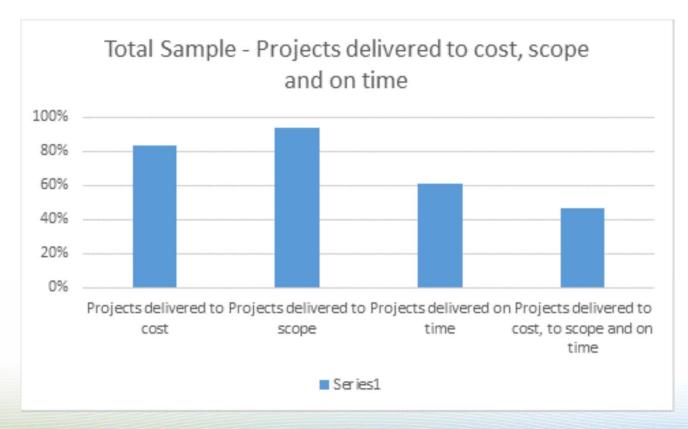
Because

- "We see US\$122 million wasted for every US \$1 billion invested due to poor project performance, a 12 percent increase over last year."
 - PMI pulse of the profession 2016

Because

Project Delivery (ICR tranche 1)

83% cost, 95% scope, 61% time, 47% all three



How are we doing this?

- Greater emphasis on 'think' and 'review'
 - Emphasis on benefits and evaluation
 - Importance of strategy
- Greater congruence in how the parts of the system work
- Governance
- Investment Strategy
- Greater visibility
- Incentives (rewards and sanctions)
- CO(15)5
 - Long term investment plans
 - Investor confidence rating
 - Asset performance reporting

Focus on 25 Investment-intensive agencies

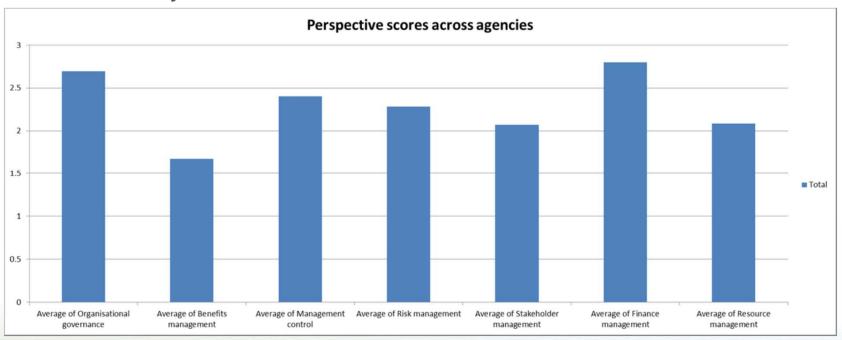
Tranche 1 (2015)	Tranche 2 (Feb-June 2016)	Tranche 3 (July– December 2016)	Tranche 4 (Feb- June 2016)
ACC Corrections Education IRD NZDF NZTA	Auckland DHB Northland DHB Counties- Manukau DHB Waitemata DHB Canterbury DHB	Conservation Customs Housing NZ Internal Affairs Justice MBIE MFAT MSD Police MoH	Waikato DHB Capital and Coast DHB Southern DHB Ōtākaro

ICR Tranche 1 portfolio management findings

P3M3

Maturity levels (range 0-5): 2 agencies at between level 3-4, 4 agencies at between 0-2

Agencies with separate property portfolios assessed, these had the lowest maturity levels



When?

- Investment Ministers Nov '14
- Circular development Oct '14 to Mar '15
- Circular CO(15)5 takes effect 1 Jul '15
- Investment Strategy and pipeline Aug '15
- Major projects report and annual report Nov '15, Mar '16
- ICR + LTIP tranche 1 July to Dec '15, Cab Apr '16
- Benefits guidance update Mar '16
- ICR + LTIP tranche 2-4 Jan '16 to Jun '17
- Asset performance reporting Sept '16, in Annual reports following year
- Monitoring guidance update around Sept '16
- Project portfolio annual report Nov 16
- Consolidated LTIP early 2017

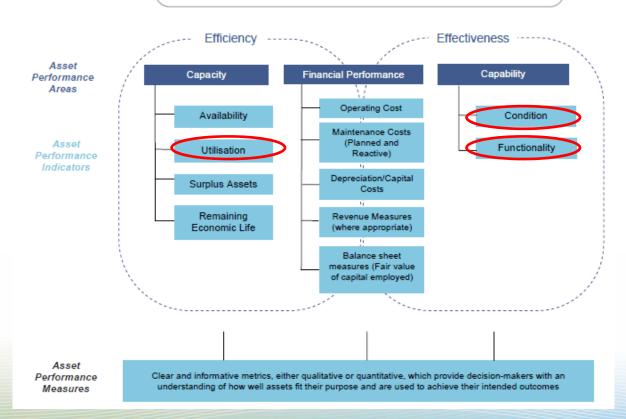
Asset performance

Possible governance perspectives that affect the array and type of measures implemented Organisational Level Measures:

Relates to the objectives, strategy, and service level expectations of an organisation

Asset Level Measures:

Relates to the ability of an asset to provide service



Understand your organisation's business, how the component parts contribute to it, *and* the performance of the parts in contributing to what your organisation is trying to achieve