

The Treasury

Budget 2017 Information Release

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| [40] | Not in scope | |

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

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Date: 21 September 2016

To: Minister of Finance (Hon Bill English)
Associate Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Paula Bennett)

Deadline: None

Aide Memoire: Terms of Reference and Membership for the BGA Peer Review Process in Budget 2017

At the Fiscal Issues meeting with Treasury officials on Wednesday 31 August you agreed to the introduction of a peer review process for the Business Growth Agenda (BGA) as part of Budget 2017. This Aide Memoire sets out the Terms of Reference of the peer review process (see Annex One) and the proposed membership.

The external peer review process is expected to provide an additional layer of rigour and assurance that initiatives across all sectors are assessed on a level playing field in Budget 2017. It will provide specialist, supplementary assessments of BGA initiatives which will inform the Treasury's advice going to BGA workstream Ministerial groups in January and February 2017.

We envisage the peer reviewers will bring a range of expertise and analytical experience. The peer review process will be chaired by David Mackay, Director, Growth and Public Services in the Treasury. We intend to invite the following people to contribute:

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- Professor Lew Evans, Emeritus Professor, Victoria University of Wellington

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- Catherine Thompson, General Counsel, Contact Energy
- John Duncan, Executive Director, Auckland Investment Office, and Deputy Chair of Housing New Zealand.

Information on when the peer reviewers will convene to assess initiatives will be provided to Economic Agencies through the Treasury Budget Guidance in September/October 2016. The Treasury will ensure that the objectives and assessment criteria of the peer review process are shared with agencies and provide clear principles for selection of initiatives considered.

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Matthew Gilbert, Manager, Economic Performance & Strategy, Regulatory Quality,

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Annex One: Terms of Reference

Business Growth Agenda Peer Review Process in Budget 2017

Purpose / role of the process

The peer review process assesses selected BGA initiatives as part of Budget 2017. The objective of the process is to improve the analytical framework underpinning the BGA Budget process.

The peer review process is expected to provide an additional layer of rigour and ensure Budget initiatives across all sectors are assessed on a level playing field. It will provide specialist, supplementary assessments of BGA initiatives which will inform the Treasury's advice going to workstream Ministerial groups.

The scope of the peer review process will include new initiatives, cost pressures and business-as-usual initiatives.

Following the submission of initiatives between December 2016 and January 2017, the peer reviewers will meet with agencies in late January/early February 2017 to discuss and assess the selected BGA initiatives. The Treasury will provide the information submitted on initiatives to the peer reviewers. Agencies can provide any additional supporting information on their initiatives.

Agencies sponsoring a Budget initiative are responsible to ensure the appropriate representatives are able to present the case for investment in their initiatives to the peer reviewers.

Selection of BGA Budget 2017 initiatives

Treasury will select BGA Budget 2017 initiatives to be considered by the peer reviewers based on three criteria, namely:

- level of funding sought for initiatives
- significance of the policy; and
- level of certainty of the provided evidence.

In practice, this means that if initiatives require a material investment by the Crown, are a significant change in policy, and the provided evidence on costs and benefits is highly uncertain, then these initiatives will go through the peer review process to help shape the Treasury's advice to Ministers.

The Treasury will use its judgements in weighing up the importance of each criteria for individual initiatives and where the peer review process can add highest value to our advice to Ministers.

Assessment criteria for Initiatives

In order to help the peer reviewers take a consistent approach to consider the quality of initiatives, we have selected the following four criteria:

- Problem definition and understanding of target group
- Supporting evidence/intervention logic
- Quality of implementation and evaluation plan; and

- Scale of impact and return on investment.

The details of the assessment framework are list in the table below.

Accountability

The peer reviewers are appointed by and responsible to the Director, Budget and Public Investment at the Treasury.

All peer review members are expected to sign confidentiality agreements.

Working methods / ways of working

We envisage the BGA peer reviewers to convene for two assessment sessions, five hours each, subject to the number of Budget initiatives and the quality of information and evidence provided. Reading will be additional to this commitment.

Following the selection of initiatives for the peer review process by the Treasury, information on the initiatives will be provided by the agencies to the peer reviewers prior to the meetings with agencies.

Treasury Vote Analysts will support the discussion by the peer reviewers in providing their initial views on the initiatives and the agencies' capability to deliver the stated benefits.

The tentative time window for the peer reviewers to meet with agencies is in January/February 2017 to discuss the selected BGA Budget initiatives. The particular times will be confirmed once BGA workstream Ministerial meetings on Budget 2017 priorities are scheduled.

The BGA peer review process will be effective for Budget 2017. Following Budget 2017, the Treasury will review the peer review process and identify opportunities to improve it.

BGA Peer Review Process: Framework for assessing initiatives

| Criteria | Example questions to prompt rating | Low | Medium | High |
|--|---|---|--|--|
| Problem definition and understanding of impacts | <p>Why is this issue currently an issue? (Causation, understanding of issue)</p> <p>How strong is the case for intervention?</p> <p>Is this initiative targeted correctly?</p> <p>Is the initiative supported by quality data?</p> <p>How does the initiative link to wider Government priorities and the 2017 BGA Refresh?</p> | <ul style="list-style-type: none"> Problem definition or understanding of causation is limited or not present Impacts is unclear or not well defined Data is not well used to support the initiative | <ul style="list-style-type: none"> Some understanding of problem definition or causation Impacts are understood, but may be too broad or narrow Some use of data or limited data is available to support the initiative | <ul style="list-style-type: none"> Compelling case for intervention with a well-defined problem / cause Impacts are well-defined and aligns with priorities Strong use of data to support the initiative |
| Supporting evidence / intervention logic | <p>Is the intervention logic sound?</p> <p>Have a range of options been considered?</p> <p>Are the outcomes sought for each target group clear?</p> <p>Are wider impacts beyond the initiative understood and articulated?</p> <p>Are the assumptions used sound?</p> <p>Does the bid reflect up-to-date knowledge?</p> <p>Is it informed by recent thinking and literature in the field?</p> | <ul style="list-style-type: none"> Outcomes sought are unclear Intervention logic is unsound Has not considered key evidence / literature Assumptions may be unrealistic or overly optimistic | <ul style="list-style-type: none"> Outcomes sought are clear but may be too broad or narrow Intervention logic may need more specificity in some areas Informed by key evidence / literature Assumptions are reasonable given the evidence | <ul style="list-style-type: none"> Outcomes sought are clear and appropriate Intervention logic is sound Initiative is based on up-to-date evidence and literature Assumptions well-founded |
| Quality of implementation and evaluation plan | <p>How will it fit in with Government priorities and existing services? (Crown Entities/GOVT)</p> <p>Does the agency / sector have the capability to deliver this?</p> <p>Does the agency understand the key risks to successful implementation and do they have strategies to address them?</p> <p>How will we know a solution is working?</p> <p>Will the plan provide good evidence on outcomes?</p> | <ul style="list-style-type: none"> Implementation plan is under-developed and / or carries high risk May duplicate or not consider existing services Evaluation plan not developed or unlikely to deliver robust evidence about outcomes | <ul style="list-style-type: none"> Reasonable implementation plan Strategies are available to manage key risks Evaluation plan will deliver key evidence on outcomes | <ul style="list-style-type: none"> Clear implementation plan that builds on existing initiatives where relevant Risk well understood and manageable Robust evaluation plan that will deliver good evidence about outcomes |
| Scale of impact and return on investment | <p>What is the scale of benefits (broadly interpreted on a living standards basis) relative to costs?</p> <p>Does implementation reflect value for money?</p> <p>What are the risks of not intervening?</p> <p>Comments on quality of Cost Benefit Analysis (and CBAX where applicable)?</p> | <ul style="list-style-type: none"> Low expected benefits relative to costs | <ul style="list-style-type: none"> Medium expected benefits relative to costs | <ul style="list-style-type: none"> High expected benefits relative to costs |