

The Treasury

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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: 24 March 2017

To: Minister of Finance (Hon Steven Joyce)

Deadline: None

Budget 2017: Investing in NEETs and Mental Health

The NEET and mental health populations are two groups that have challenged agencies' ability to produce a collective approach to shared outcomes and investment priorities.

This note updates you on Budget 2017 funding for mental health and NEETs ahead of a meeting on Monday 27 March.

We especially wish to discuss funding levels for the NEETs package, and associated governance structures and policy processes.

NEETs

Collective approach and policy process

Ministers have directed a way forward for funding the mental health package, but there is still a range of options for the NEETs package.

Ministers have commissioned a Cabinet report back on how agencies will develop a cross-agency, social investment approach for revising the Mental Health Strategy. This will be supported by a tagged contingency that will allow piloting initiatives to fill identified gaps and build the evidence base of what works for whom. It may be useful to commission a similar approach for NEETs. This could occur at a regional level where agencies on the ground are supported to understand their NEET populations in more detail, what services are currently provided to this population group, what works, what doesn't and where the gaps are, and whether any funding could be reallocated. Any regional arrangements will need to be supported and replicated by national arrangements similar to the place-based initiatives.

It is still unclear how agencies propose to work together and there is a risk that, in the absence of any strategy or clear process, we will continue to see the same initiatives being retrofitted to a framework.

The governance structure for the NEETs programme is key. There are a number of unanswered questions. How will the regional approaches be governed? What will their accountability arrangements be? How will they determine gaps and opportunities? How will they identify proposals for piloting (based on evidence and innovative ideas from the front-line)? How will they establish the evaluation processes to learn how well these pilots work? We have recently established place-based initiatives in Northland, South Auckland and Gisborne and the Treasury recommends that we learn from the establishment of these as well as ensuring that any NEETs initiatives align with these given the current proposal that the pilot regions be in the same places. Taking a similar approach to mental health would allow these questions to be worked through before making any specific funding decisions.

One option to consider is building the NEET initiative into the existing place-based approaches, which are located in the same priority regions.

We would also like to discuss the role you envisage for the Treasury in this area, including how we support agencies to organise themselves to address these questions.

Size and scope of the NEET package

[33]

Recent NEET Lead Ministers' discussions have agreed to programme principles (including greater obligations for NEETs), and confirmed that Northland, Eastern Bay of Plenty and Tairāwhiti (East Cape to Gisborne) would be the initial focus areas. Further discussion was planned on how South Auckland might be included, and also the number of NEETs to be targeted in the programme.

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A further [34] is included for the Regional Growth Fund. At the 21 March Fiscal Issues meeting, you indicated a preference for a larger investment in NEETs which could potentially be a contingency that can help drive investment decisions across multiple portfolios. It would be useful to discuss your thinking further on this, in particular your comfort level around the size of the contingency and the process for agencies accessing this funding (as discussed above).

Consistent with other new social spending initiatives, we suggest a level of funding sufficient to pilot the regional approach, and to produce the necessary evidence to inform future investment decisions. If you would like further investment in Budget 2017 for NEETs, [34]

[34]

Appropriation or contingency arrangements for the package

We understand you wish to make a post-Budget announcement on regional economic development, which includes the regional NEETs package.

We recommend that the funding for NEETs is held as a multi-year tagged contingency (like the Future Investment Fund), with disbursements to relevant appropriations as specific NEET proposals are approved. There are two reasons for this:

- There is still a lot of work to do on the landscape for NEETs and ensuring an effective governance structure is in place to support the regional approach
- Holding in a tagged contingency would allow Ministers to make a post Budget announcement as the funding will not appear explicitly in Budget Day documents such as the Summary of Initiatives document and the Estimates.

If Ministers wish to announce the NEET initiative before or on Budget Day, we would still recommend this is held in a contingency but this can be included as a separate line item in the Budget documents for visibility.

Mental Health – confirming the next steps

Ministers agreed at fiscal issues last week to a mental health contingency ^[33] per year, and that it was to focus on the wider social sector, rather than solely be centred on the health sector. Ministers also agreed that the mental health strategy should similarly be a cross-social sector mental health strategy, and Minister Adams would discuss with Minister Coleman taking a paper to Cabinet in early April to confirm these details.

Currently Minister Coleman is planning to take a paper to SOC on 3 May seeking approval to release a mental health strategy consultation document. At the discussion of the mental health budget, the Ministry said that the mental health strategy was already a joint social sector strategy under the oversight of the Social Sector Board DCEs group. In practice the Ministry has been working on the strategy for less than a month. While there has been some good engagement with other social sector agencies, the work has been undertaken by the Ministry of Health and presented to agencies for their feedback. Only now are they seeking the input from other agencies in the writing of the Strategy and are aiming for a draft document by 5 April. In our view this timeframe is rushed and needs proper oversight of joint ministers (Ministers Coleman and Adams) to deliver a good outcome. We think that two key pieces of work need to be undertaken before Ministers consider the draft mental health strategy:

- a **data analysis** of the mental health populations of each agency and how these overlap. A similar cross agency exercise was undertaken in 2016 on the disability population (overseen by Minister English), which had the benefit of building a concurrent shared understanding between Ministers and agencies of each other's populations and where the priorities for further work lay. The SIU have acknowledged that they haven't been able to deliver the data work they intended to do to support the strategy. We now understand that the Ministry is bringing in PWC Australia to do some work, which is likely to include work across agencies. We don't underestimate the challenge of understanding the mental health population across government – and think it likely that work will continue once the strategy is being consulted on – but we do think that core work of this nature needs to underpin the strategy and be undertaken by agencies using core staff to build a shared understanding
- a high-level evidence-based **mental health narrative** across the social sector that all agencies could relate to as proposed by the Chief Science Advisors on the Social Investment Panel. The Chief Science advisors said that this narrative should be high level and not too detailed, but was essential for anchoring the strategy and giving a clear sense of the shift that was required to re-orientate the mental health sector to achieve the Government's social investment objectives. We understand that the Ministry has looked to engage the Chief Science Advisors, but we also understand that such a narrative is not part of the document that will go to Ministers in early May.

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