



THE TREASURY

Kaitohutohu Kaupapa Rawa

# He Puna Hao Pātiki

## 2018 Investment Statement

### Investing for Wellbeing

#### Whakarāpopototanga matua

##### He aha e hira ai te whakahaere ripanga kaute?

Ka whakahaere te kāwanatanga o Aotearoa Niu Tīreni i ētahi rawa hirahira, i ētahi taumahatanga hirahira hoki mō ngā tāngata o Aotearoa Niu Tīreni. Ka whakarato ēnei i ētahi rauemi ka āhei te kāwanatanga te tiki atu hei mea whakapiki oranga, i tēnei wā, ā, haere ake nei. Hui katoa ka mōhiotia ko te ripanga kaute a te kāwanatanga ēnei rawa me ēnei taumahatanga. He mea hiranga te whakahaere tika i te ripanga kaute mō te whakarato ratonga tūmatanui e matea ana i tēnei wā kia whakanui ake i te wāriu nui, ā, kia toitū, kia pakari hoki, kia urutau hoki te ahumoni tūmatanui ka hāpai i ngā paerewa oranga mō ngā reanga kei te heke mai.

Ka whakaaturia e te ripanga kaute a te kāwanatanga te wāriutanga ahumoni o tētahi wāhanga o tā Aotearoa Niu Tīreni haupū rawa ahumoni, haupū rawa ōkiko hoki, arā, ko tētahi o ngā haupū rawa e whā, tae atu ki te haupū rawa ā-tangata, ā-pāpori, ā-ao tūroa ka noho hei tūāpapa mō te oranga i te wā roa.

Ka arotahi tēnei Tauākī Whakangao (Tauākī) ki te whakahaeretanga o te ripanga kaute o te kāwanatanga me ngā rawa me ngā taumahatanga kei roto. Ka tūhura hoki te Tauākī ka pēhea te whakawhānui i te whakahaere ripanga kaute kia whānui atu te tautoko i te oranga mā te whakamahi i ngā mātāpono whakarite i roto i te Anga Paerewa Oranga, arā, ko te Living Standards Framework (LSF), a te Kaitohutohu Kaupapa Rawa.

#### Executive Summary

##### Why does balance sheet management matter?

The New Zealand government manages significant assets and liabilities on behalf of the people of New Zealand. These provide resources which the government and New Zealanders can draw on to raise wellbeing, now and into the future. Together, these assets and the liabilities are known as the government's balance sheet. Managing the balance sheet well is important for delivering public services needed today in a way that maximises value for money, and for sustainable, resilient and adaptable public finances that will support living standards for generations to come.

The government's balance sheet represents a financial valuation of a proportion of New Zealand's financial and physical capital, one of the four capitals along with human, social and natural capital that underpin wellbeing over the long term.

This Investment Statement (Statement) is focused on the management of the government's balance sheet and the assets and liabilities that make it up. The Statement also explores how balance sheet management can be extended to further support wellbeing using the Treasury's Living Standards Framework (LSF).

He maha ngā hinonga i Aotearoa Niu Tīreni kei te hiki te mānuka o te whakahaere mō ngā putanga oranga. Hei taura, arā ētahi kaipupuri rawa ā-iwi, me ētahi atu (kaipupuri rawa) i te dhanga Māori he aronga tuku iho, he aronga matatini hoki. Arā noa atu ētahi kaunihera ā-rohe me ētahi pakihi tūmataiti i Aotearoa Niu Tīreni ka whakaatu i ngā putanga kore ahumoni me ngā putanga ahumoni pērā i ō te anga Tuku Pūrongo Pāhekoheko ā-ao.

Ka tautoko te tātaritanga i roto i tēnei Tauākī i tā te Kaitohutohu Kaupapa Rawa mahi ki te toko ake i te whai tikanga e pā ana ki te ripanga kaute me te whakahaere whakangao a te kāwanatanga ā-motu. Kāore pea e tika ngā aronga ka whāia i konei hei mea whai mā ētahi atu hinonga, mā ētahi atu mana whakahaere hoki i ā rātou ake mahi. Heoi anō, mehemea ka puta i te tātari te whakamanawa i ētahi atu hinonga ki ā rātou ake mahi, ka pai hoki tērā.

Ko te tūmanako ka tāpae ngā take ka puta i tēnei Tauākī ki ngā matapaki e pā ana ki te whakahaere ripanga kaute ka whai hua i roto i ngā horopaki maha, tae atu ki tā tātou nei.

Ka whakarāpopotonga ki raro nei ngā whakataunga matua o tēnei Tauākī me ngā āhuatanga ka tautuhia hei mea mahi tonu, hei mea tātari hoki, hei mea whakapai ake rānei i te whakahaere.

## He aha tēnei mea te ripanga kaute?

Kua tipu ā-ahumoni te ripanga kaute i ngā tau tata kua taha ake. I te 30 o Pipiri 2017, i pupuri te kāwanatanga i ngā rawa ka \$314 piriona te wāriu, ā, ka noho nama i ngā taumahatanga kia \$197 piriona. Ka \$117 piriona te wāriu more o te hua tango, arā, ka tata ki te \$24,000 mō ia tangata i Aotearoa Niu Tīreni. Ko te whakapae hei mua mai i te tau 2022 ka eke ngā rawa ki te \$365 piriona, ā, ka whakaarohia ka eke ngā taumahatanga ki te \$205 piriona, ā, ko te whakapae ka eke te wāriu more ki te \$160 piriona.

Ka tata ki te 52% o ngā rawa kei te Wāhanga Pāpori, ka kaha tautuhia te whenua, ngā whare, me ngā utauta ka whakamahia hei āwhina i te whakarato ratonga pāpori – hei taura, he kura, he hōhipera hoki. Ka 30% anō kei roto i te Wāhanga Ahumoni, i ngā whakawhitinga kāwanatanga i mua i te pūtea pērā i te tāke āwhina hunga whara me te penihana kaumātua. Kei te kāwanatanga tētahi Wāhanga Arumoni hoki he pakihi o roto me ngā whāinga arumoni (ka 18 ōrau).

Ko te nuinga o ngā taumahatanga o te kāwanatanga he tono pūtea whānui nā te kāwanatanga ka āwhina i te utu i ngā whakamahi o te kāwanatanga. Tae atu ētahi anō taumahatanga nūnui ki ngā taumahatanga mahere rīanga, ki ngā taumahatanga mahere rītaiatanga hoki.

Kei roto i te Wāhanga 4 o te Tauākī ētahi aromatawai mahi whai āmiki o ngā rawa me ngā taumahatanga nui kei te ripanga kaute. Ka tāpae ēnei aromatawai mahi ki te pūataata i te whakamahinga o te whakangao kaiutu tāke.

Many entities in New Zealand face similar issues of managing for wellbeing outcomes. For example, iwi asset owners and others in the Māori economy generally take an explicitly intergenerational and multidimensional approach. Some regional councils and private businesses in New Zealand present their corporate reporting in terms of non-financial as well as financial outcomes, such as in the International Integrated Reporting framework.

The analysis in this Statement supports the Treasury's function of promoting good practice in relation to central government balance sheet and investment management. The approaches used here will not necessarily be suitable or appropriate for other entities or authorities to adopt for their own purposes. But if others are able to draw inspiration for their own efforts from the analysis, we would be delighted.

We hope that the issues raised in this Statement will contribute to broad-based discussions on effective balance sheet management in many contexts, including our own.

The major conclusions of this Statement and areas identified for further work, analysis or improved management are summarised below.

## What is the balance sheet?

The balance sheet has been growing in recent years. As at 30 June 2017, the government owned \$314 billion worth of assets, and owed \$197 billion worth of liabilities. The difference is a net worth of \$117 billion, or around \$24,000 per person in New Zealand. By 2022 assets are expected to reach \$365 billion while liabilities are expected to reach \$205 billion and net worth is expected to reach \$160 billion.

Around 52 percent of assets are in the Social Portfolio, primarily land, buildings and equipment used to support the delivery of social services – for example, schools and hospitals. A further 30 percent are in the Financial Portfolio, pre-funding government spending such as accident compensation and superannuation. The government also holds a Commercial Portfolio of companies with commercial objectives (18 percent).

Most of the government's liabilities represent general borrowing to help fund the operations of government. Other significant liabilities include insurance and retirement plan liabilities.

Section four of the Statement contains detailed performance assessments of the significant assets and liabilities on the balance sheet. These performance assessments contribute to transparency over the use of the taxpayers' investment managed by the government.

## Te whakapai ake i te whakahaere ripanga kaute

Te karo tūraru ki te ōhanga

I tēnei wā he kaha te ripanga kaute a te kāwanatanga, mā reira e manawaroa ai ahakoa ngā āhuatanga poautinitini. Mā tēnei e āhei ai te whakamahere pai ake, e whakatakoto ai hoki ngā tūmomo kōwhiringa maha ki te kāwanatanga mō te kaupapa here e āhei ana te puta, haere ake nei. E ai ki te whakamātau kōhukihuki ka whakatakotoria ki roto i tēnei Tauākī ka āhua toitū tonu te tūranga ā-ahumoni ina tūpono mai tētahi whawhati ohotata poautinitini nui pērā i te rū whenua kino, i te mate urutā hoki ka puta whānui, i te pāheketanga ōhanga ā-ao rānei.

Ka whakaatu ngā whakamātau kōhukihuki i ngā pānga ki ngā nama kāwanatanga i te roanga o ngā tau e rima, mō ia raruraru takitahi, ā, ka noho tonu i te huinga oti ka taea tonu te whakaea me te kore tohu i ētahi panoni tere tonu, nui hoki ki ngā whakataunga kaupapa here, tēnā pea ka whakaheke tonu i te oranga. Ka uru tēnei tātaritanga ki roto i te tohutohu rautaki ā-ahumoni auau e pā ana ki te pai o te pākai ā-ripanga kaute hei ārai tūraru. Haere ake nei, ko tā mātou:

- *He whakauru i te whakamātau kōhukihuki ā-ahumoni hei taputapu anō i te whakawhanake tohutohu rautaki ā-ahumoni.*

Āpiti atu i te whakarite mō ngā āhuatanga poautinitini ohorere, me ahu atu ki ētahi tāmitanga ahumoni wā e mōhiotia nei, ā, me whakamahere ināianei ka tika kia ū tonu ai te manawaroa ā-ahumoni. Tae atu ēnei ki te tipu haere me te pakeke haere ā-aurite o te taupori o Aotearoa Niu Tīreni, ā, kei te nui haere te hunga e noho tāone ana. Mā te whakawhānui i te ripanga kaute kia whakaurua ai te pūtea whiwhi haere ake nei ka kawatautia, ka āta kitea ngā pānga tuku iho o ēnei tikanga ki te pūtea a te kāwanatanga (hei tauira, mā te whakapau pūtea ki te hauora tūmatanui). E ai ki ngā whakamārama i te Tauākī mō te Tūranga Ahumoni Wā roa 2016 a te Kaitohutohu Kaupapa Rawa, arā, He Tirohanga Mokopuna, ko te tirohanga whakamua ka nui haere ngā tāmitanga ahumoni ā ngā tau 40 kei te tū mai. Iti nei ngā panoni o nāianei, heoi anō ā muri atu rā ka puta te pānga nui.

### Manawaroa

#### *Te whakatatū aumangea me te matatū*

He tohu te Mangopare o te aumangea, o te matatū hoki o te rangatira.

## Improving balance sheet management

Managing risks to the economy

The government's balance sheet is currently strong, providing resilience in the face of adverse events. This enables better planning and provides the government with a wider range of choices about possible future policy. The stress testing presented in this Statement suggests that the strength of the fiscal position would be broadly tolerant to large but plausible adverse shocks, in the form of a major earthquake, a widespread agricultural disease outbreak, or an international economic downturn.

The stress tests show net core Crown debt impacts over a five-year horizon, for each shock individually, remaining within a range that can be absorbed without implying the need for immediate and substantial changes in policy settings, which might further damage wellbeing. This analysis will feed into regular fiscal strategy advice on the adequacy of the balance sheet buffer against risk. In the future, we will:

- *Include fiscal stress testing as an additional tool in the development of fiscal strategy advice.*

In addition to preparing for unexpected adverse events, maintaining fiscal resilience requires confronting some known long-term fiscal pressures, for which it is sensible to plan for now. These include that New Zealand's population is growing, getting older on average and is increasingly urbanising. Considering the balance sheet in light of expected future government income and expenditure gives a much fuller picture of the intergenerational implications of these trends on government finances (through, for example, public health expenditure). As discussed in the Treasury's 2016 *Statement on the Long-term Fiscal Position, He Tirohanga Mokopuna*, fiscal pressures are projected to build over the next 40 years. Small changes made now can have a significant impact later.

### Resilience

#### *Tenacious resolve and endurance*

Mangopare, the Hammerhead shark, symbolises a leader's resolve and endurance.



Ka mutu, arā anō ētahi wero pae waenga ki te pae tawhiti ka āhua pāhekeheke, e tinga ana ka tino pā atu ki te ōhanga me te ripanga kaute a te kāwanatanga, engari ka kore e tōtika te tātari ā-tatau. Ehara i te mea ka memeha haere te matea kia whakaea i ēnei momo wero. E huri ana te āhuarangi, nā reira ka puta pea te piki o te pae moana, te huri hoki o ngā tauira huarere taurite, me ngā āhuatanga huarere kino rawa atu. Ka huri tonu te hangarau, ka tino tawhito haere pea ētahi rawa, ā, ka āhei pea te whakamahi i ngā rawa tino rerekē hei tuku i ngā ratonga tūmatanui. Mā te ripanga kaute kaha e pakari hoki ai te urutau ki ēnei wero nūnui, ā, ka āta kitea te matea me matawhāiti te whakahaere i te ripanga kaute, haere ake nei.

## Te rapu i te wāriu mai i te pūtea

Me aromatawai ngā ara katoa ki te whakatutuki whāinga kaupapa here kia aromatawaitia ka whakatinana rānei te kāwanatanga i te wāriu pai rawa mō te pūtea i āna rawa, taumahatanga hoki.

Ko te pupuritanga tōtika a te kāwanatanga tētahi momo ara hou anahe. Me āta aromatawai te kōwhiringa kia whiwhi ki ara kē atu, pērā i te whakariterite, i te hoko ratonga mai i ētahi atu rānei. Engari, inā whiwhia tētahi rawa, inā whakatūria tētahi taumahatanga rānei, me tika te whakahaere, ā, arā anō ngā ritenga whiwhi, ngā ritenga whai pūtea hoki hei mea whakaaro. Ka aromatawai tēnei Tauākī i te mahi a ngā rawa me ngā taumahatanga ka pupurihia e ngā pokapū kāwanatanga e pupuri ana i te nui haupū rawa. Tae atu ngā kitenga matua ki:

- Te tawhito haere o ngā rawa pāpori. Hei tauira, nui atu i te 25,000 whare Kāwanatanga, tata ki te 38 ōrau o ngā whare o ngā kura kua neke atu i te 50 tau te tawhito. Whakahoungia ai te kohinga rawa pāpori, me aromatawai tōna hanga kia ū ai ka pai rawa te taunaki i ngā ritenga tuku ratonga ka panoni, kia nui te tāpae whānui ki te taunaki oranga hoki ki tōna e taea ana. E tinga ana ka āwhina te whakapai ake i ngā tūtohi o te mahi o ngā rawa, ā, ka honoa ērā ki ngā putanga oranga.

Finally, there are a number of possible medium-to-longer-term challenges of a more uncertain character, that are likely to substantially affect the economy and the government's balance sheet, but in a way that is not straightforward to analyse quantitatively. This does not make such challenges any less urgent to confront. The climate is changing, with the potential for sea-level rise, changes in average weather patterns, and more extreme weather events. Technology constantly changes, potentially rendering some assets obsolete and creating opportunities to deploy quite different assets in the delivery of public services. A strong and resilient balance sheet allows adaptation to these substantial challenges, underscoring the need for ongoing prudent balance sheet management.

## Seeking value for money

To assess whether government is realising the best value for money from its assets and liabilities, all the options for achieving policy objectives need to be assessed.

Direct government ownership is only one form of intervention. The choice to own needs to be rigorously assessed against alternatives, such as regulation or the purchase of services from others. But once an asset is owned or a liability created, it should be managed well, and there are a range of ownership and funding mechanisms that should be considered. This Statement assesses the performance of assets and liabilities held by capital intensive government agencies. Key findings include:

- Social assets are ageing. For example, over 25,000 State houses and approximately 38 percent of school buildings are older than 50 years. As social assets are rejuvenated, their composition should be assessed to ensure it best supports changing service delivery models, and that the overall contribution to supporting wellbeing is maximised. Improving the indicators of asset performance and how they are linked to wellbeing outcomes is likely to help.

## Āheinga urutau

### Te mataara

He tohu te Roimata Toroa o te hekenga o ngā roimata o te Toroa, arā, ko te manu ka mokorea ka kauanuanutia e Ngāi Māori. He whakamaumahara tēnei ka puta te aituā i te kore mataara.



## Adaptability

### Paying attention

Roimata Toroa symbolises the falling tears of the Albatross – a rare bird revered by Māori. It is a reminder of the misfortune resulting from inattention.

- Te tipu haere o te hautanga o ngā rawa ahumoni kei te ripanga kaute, ā, e ai ki te matapae ka nui haere tonu. Ka whakarerekē tēnei nui haere o ngā rawa ahumoni i tō te Kāwanatanga anga tūraru whānui. E ai ki te tātari i te tūranga tūraru o tēnei wā kua whakaputaina kētia ā-matawhenua, ā-momo rawa hoki. Ahakoa tonu tērā, tēnā pea ka kitea ka nui atu i te \$11 piriona te moni ngaro i te moka o ngā hurihanga noa o te tauhokohoko. Nā te mea ka rerekē te anga tūraru, me haere tonu te tiroiro ka tika.
- Te whakatinana a te Kāwanatanga i ngā moni hua i te Taha Arumoni, tuatahi mā te moni hua, ā, ka iti te moni hua. Me arotahi ki te whakanui i te moni hua ka hua mai, ki te whakawhānui rānei i ngā ara hei whakatinana i ngā hua.
- Haere ai te wā kua tino whīwhiwhi haere ngā āhuatanga ka kōpana i te whanonga whakangao a te kāwanatanga, arā, ko te whakataunga kaupapa here, ngā tika whakataunga whakaaro me ngā ritenga whakahaere pūtea. Me tiroiro i aua ritenga ka tika kia ū ai ka tika mō te mahi, ka whakawhiwhia te pānga pai rawa atu ka taea.

E ai ki ngā whakataunga nei me tae atu te whanake i ngā ritenga ripanga kaute mō ngā rā e tū mai ana ki te whai i te:

- *Rapu i ngā ritenga pai ake mō te mahere pūtea wā roa, tae atu ki te whakauru i ngā whakataunga haupū rawa me ngā whakataunga whakapaunga whakahaere ki te anga kotahi me āna tikanga noa.*
- *Whakatewhatewha i te whakahau rānei a ngā tautanga pūnaha i te whanonga whakahaere whakangao e tika ana, inarā te whakahaere rawa ka taunaki i te ratonga o ngā tino ratonga ā-motu.*
- *Whakatewhatewha me pēhea te whakaiti i ō ngā pokapū ngā nama tūtohu kia pai ake ai te whakaae i ā rātou herenga.*

Āpiti atu i tērā, ka hirahira te haere tonu o te ahu whakamua i ngā wāhanga arotahi (arā, ko te pupuri i ngā rawa tika me te whakahaere pai i aua rawa, te whakahaere tūraru kia whai hua, te whai pūtea me ngā pūnaha toitū) mai i te Tauākī Whakangao, i 2014, inarā ka hāngai ki te whakapai ake i te kounga o te pārongo.

- The proportion of financial assets on the balance sheet has grown and is projected to continue growing. This increase in financial assets will change the government's overall risk profile. Analysis of the current risk position suggests it is diversified geographically and by asset class. Even so there remains exposure to normal market cycles. The different risk profile will require ongoing management.
- The government realises returns from the Commercial Portfolio primarily through dividends and the dividend yield has been low. Focus should be given to improving dividend yield or expanding options for realising returns.
- The policy settings, decision rights and fiscal management arrangements that drive government investment behaviour have over time become substantially more complex. Those arrangements need to be examined to ensure they are fit-for-purpose and achieve maximum positive impact.

These conclusions suggest that future development of balance sheet management arrangements should include efforts to:

- *Examine whether system settings are encouraging appropriate investment management behaviours, particularly the management of assets used to support delivery of key state services.*
- *Examine how to reduce compliance costs on agencies so that they can more effectively meet their obligations.*
- *Investigate better arrangements for long-term budgeting, including the integration of capital and operating spending decisions into a single framework with common practices.*

In addition, it is important to continue progress on the areas of focus (owning the right assets and managing them well, managing risk efficiently, sustainable financing and strong systems), from the 2014 Investment Statement, especially regarding improving the quality of information.

## Ngā tautuhinga pūnaha

### ***Te mahi rangatira me te tiaki tangata, te tiaki rawa hoki***

He tohu te Kaokao o te tauawhi a te rangatira, ehara tōna toa i te toa takitahi, engari he toa takitini kē e kōkiri ngātahi ana.

## System settings

### ***Noble behaviour and protection of people and assets***

Kaokao symbolises a leader's protective embrace, whose strength does not come from one alone but from many, moving and acting in unison.





## Te whakapai ake i te hono o te whakahaere ripanga kaute ki te oranga

Hei ngā tau huhua kei te tū mai, ka haere tonu atu te whakapai ake tonu i te ripanga kaute o te kāwanatanga me te whakahaere rawa kia tutuki ai te tino whāinga, arā, ko te toko ake i te oranga i te wā roa. He āhuetanga motuhake o te hiki i te mānuka ngā wāhanga arotahi ka whakamāramatia ai i runga ake, i roto i ngā akoranga whakahaere ahumoni o ia rā. Ko te whāinga ia ka whakawhānui tonu i te aranga ki te whakaahu i te whakahaere ripanga kaute ki te oranga, mā te whakamahi i ngā mātāpono whakarite i tā te Kaitohutohu Kaupapa Rawa Anga Taumata Ora (LSF).

Arā noa atu ngā āhuetanga papatupu me ngā āhuetanga memeha o te wheako ka kīia ko te oranga, tae atu ki te whai whare, te whiwhi pūtea hoki, te whiwhi mahi hoki, te whai wāhi ā-hapori hoki, te rongo hoki i te pārekareka o ngā ratonga ā-taiao, te mātauranga hoki, te hauora me te taituarā. He uaua te ine i te nuinga o ēnei hua o te oranga, ā, kāore hoki i te ngāwari noa iho kia mōhio i te pānga o ngā whakataunga kāwanatanga ki ia wāhanga.

Ko te whakapai ake i te anga ine oranga tētahi tino āhuetanga o te wero. Me kua tēnei mahi e puta i te ine mō te ine noa iho te take, engari me puta i te hiahia ki te whakapai ake i ngā taputapu o tēnei wā hei whanake i te kaupapa here ā-taunaki, pērā ki te tātari i te tū āhua o te utu ki te hua mā te pāpori; ka whai whakaarotia te whakauru i te whai tikanga, i te whai taunakitanga hoki ki ngā āhuetanga katoa o te oranga. Ka whakaatu tētahi anga ine pai i te ariā e hāngai ana, ka whakaaetia whānuitia (arā, ko ngā tauira taketake) kei roto i ia wāhanga, ā, ka whakakīia aua tauira ki ētahi raraunga, tūtohi hoki. Ka whakarato tētahi anga pēnei i tētahi taputapu tātari hei whakamōhio i ō ngā kaupapa here mea tuatahi, hei whakamāmā i te tātari mahi, i te tātari tāpae hoki a ngā mahi a te kāwanatanga ki te tautoko i ētahi putanga oranga me te aromātai i ētahi whakangaotanga motuhake o te kāwanatanga, i ngā whakahaere ripanga kaute, i ētahi anō marohi wawao rānei hei hāpai oranga.

### Oranga

#### **Ngā rawa o Aotearoa – hei whakarato mō te katoa**

He tohu te pātiki i ngā hua pai ka puta i ngā rawa ranea me te hunga kokoi e ngaki ana i tēnei ranea hei oranga mō te katoa.

## Better linking balance sheet management to wellbeing

The contribution of the government balance sheet and asset management to improving wellbeing is an ongoing, multi-year process for the Treasury. The areas of focus discussed above are a key part of meeting the challenge, within the realm of relatively conventional financial management disciplines. Over time we aim to broaden further the approach to linking balance sheet management to wellbeing, using the organising principles from the Treasury's LSF.

Wellbeing comprises tangible and intangible aspects of life experience, including housing, income, employment, community engagement, enjoyment of environmental amenity, education and health and security. In the LSF, these aspects are supported now and in the future by four capitals – natural, social, human and financial/physical. Many of these aspects and capitals are hard to measure, and knowing the impact of government decisions on each aspect or domain is also not straightforward.

A fundamental part of the challenge is thus to improve the wellbeing measurement framework. This effort needs to be motivated not by measurement for its own sake, but by the objective of improving existing tools for evidence-based policy development, such as social cost-benefit analysis, to incorporate more systematic and empirically-founded consideration of all the dimensions of wellbeing. A good measurement framework would set out the relevant generally accepted theory (ie, causal models) within each domain, and populate those models with data and indicators. Such a framework would provide a diagnostic tool to inform policy priorities, facilitate better analysis of the role and contribution of government activities to support particular wellbeing outcomes, and support evaluation of particular government investment, balance sheet operations or other intervention proposals intended to improve wellbeing.

### Wellbeing

#### **New Zealand's resources – provisions for all**

Pātiki, or Flounder, symbolise the good fortune that comes from an abundance of resources and the ingenuity of people as they take advantage of this abundance for the benefit of all.



Kua āhua tau kē te āhei ki te hanga tātaritanga o ngā ritenga pakihi a te rāngai tūmatanui, ā, kua whakaurua kētia ētahi whai whakaaro whānui ake e pā ana ki te oranga, ā, arā hoki te āhua whakaahu putā noa i ngā wāhanga kei te āhua tonu o te taumata mōhiotanga o ia wāhanga, o ia wāhanga. Ka ahu atu tā te Kaitohutohu Kaupapa Rawa whakawhanake i te LSF ki te toko i te whakamahinga nahanaha putā noa i ngā wāhanga me ngā momo ngohe rerekē o te kāwanatanga. Ko tētahi āhuatanga o tēnei mahi ko te mahi ki te taha o te hapori kaupapa here whānui ki te toko ake i te whakakaupapa putā noa i te pūnaha, mā te ārahitanga pokapū pai ake me ētahi hātepe whanake kaupapa here.

Ka whakaatu te whai whakaaro i ngā āhuatanga o te oranga, arā, o te āhuatanga taiao me te haupū rawa māori i te whanake tonu o te anga ine i roto i tēnei wāhanga tērā pea ka āwhina i te mahi whai take o te kaupapa here. Ko te haupū rawa māori – tae atu ki te whenua, te one, te wai, te kōhauhau, ngā tupu me ngā kararehe, me ngā kohuke hoki te puna tūturu o te oranga mā te hanga o te haratau taiao, ā, ka taunaki hoki i ngā momo ngohe ōhanga, pāpori, ahurea hoki. Nō reira tērā pea ka pāngia whānuitia te oranga o tēnei wā me te oranga haere ake nei e te whakangao a te kāwanatanga i roto i te haupū rawa māori, e ētahi atu o āna mahi ka pā atu ki te haupū rawa māori rānei.

Kei te pāraweranui haere ngā āhua ā-mahi hei āwhina i te whai wāriu ā-pūtea o te haupū rawa māori (o ōna wāhanga rānei), hei āwhina i ngā ratonga pūnaha hauropi hoki, kei roto i te aranga 'Wāriu Ōhanga Tapeke', tae atu tēnei aranga ki te wāriu whakamahi me te wāriu whakamahi kore. Ka whakaahēi whakataurite, tōpūtanga hoki tētahi pūnaha māmā ka ine i ngā hua wāriu putā noa i ngā wāhanga, ā, nā konā te tātaritanga ka āta tātaihia kia āwhina i te whanake kaupapa here, ahakoa te horopaki rangahau, te horopaki aromātai kaupapa rānei. Heoi anō, ka whirinaki ngā āhua ā-mahi maha hei ine i ngā wāriu whakamahi kore ki ētahi whakaaro whai whakamātau me ētahi whiringa pātai, ā, ka noho tonu tēnei wāhanga hei mahi kei te mahia tonutia.

Ka āhei te pūnaha ka whanakehia hei raraunga taiao ka noho wātea, me ngā ritenga tātari me ngā ritenga tuku pūrongo te whakamōhio i ngā whiringa kaupapa here whai take, e pā ana ki te whakamahi, ki te whakauka rānei i ngā rauemi māori, tae atu ki ērā ka hāngai ki ngā rawa o te kāwanatanga (pērā i te whenua whakauka).

The ability to construct public sector business case analyses incorporating considerations of wellbeing already exists to an extent, with some variability depending on the respective state of knowledge. The Treasury's development of the LSF is focused on promoting more systematic application across the domains and different spheres of government activity. Part of this effort is to work with the policy community to promote coherence across the system, through improved agency guidance and policy development processes.

Consideration of the wellbeing aspects of environmental amenity and natural capital illustrates how further development of the measurement framework in this domain might assist with the practical work of policy. Natural capital – including land, soil, water, the atmosphere, plants and animals, and minerals – is both a direct source of wellbeing in the form of environmental amenity, and supports a wide range of economic, social and cultural activities. Government investments in natural capital, or its other activities that have an impact on natural capital, therefore may have far-reaching impacts on current and future wellbeing.

Techniques to support monetary valuation of natural capital (or its components) and ecosystem services, generally within a 'Total Economic Value' approach that includes use and non-use values, are becoming more available. A common valuation metric would, in principle, enable comparison and aggregation across domains and hence more sharply quantified analysis to support policy development, whether the context is diagnostic or project evaluation. Many of the techniques for measuring non-use values, however, depend on contestable assumptions and a range of uncertainties, and this area remains very much a work in progress.

The developing system of available environmental data, analysis and reporting arrangements can inform practical policy choices regarding the use or conservation of natural resources, including those associated with government assets (such as conservation land).

Ka āhei hoki te pūnaha te āwhina, te tautoko hoki i ngā aromatawai kaupapa here me ngā whakataunga e pā ana ki te manawaroa o te ripanga kaute. Tae atu ēnei ki te tuku i ngā herenga o te kāwanatanga tērā pea ka puta haere ake nei e hāngai ana ki ngā hua kōaro o te panoni āhuarangi me te āta ine i te ripanga kaute ā-motu ki taumata anō hei aro atu ki ngā ahunga rerekē o te oranga. Hei mea mutunga, ka āwhinatia e te ariari nui atu e pā ana ki ngā uara taiao te mahi whakatau, te whakaaro tau i te kaupapa here me te aromātai koi atu i ngā momo whakamahi i ngā rauemi tūmatanui puta atu i ngā whāinga haupū rawa māori me ētahi atu whāinga oranga.

Heoi anō, kua whakaritea ngā wāhanga waihanga tīmatanga mō te ahunga oranga kaha atu ki te ripanga kaute kāwanatanga me te whakahaere whakangao, rawa hoki. Tae atu ētahi anō mahi i tēnei wāhanga i te Kaitohutohu Kaupapa Rawa ki te whanake i ētahi hātepe hei:

- *Aromatawai auau i te āhua me te pitomata haere ake nei o te oranga i Aotearoa Niu Tirenī.*
- *Toko ake tonu i te ahunga oranga kaha atu ki ngā kaupapa here katoa tae atu ki te whakahaere o te ripanga kaute kāwanatanga, ki ētahi anō whakapaunga, ki te tāke me te kaupapa here mō te whakariterite.*

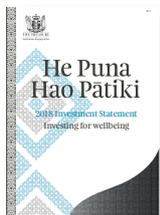
Ka whakatau tēnei Tauākī ka pai te toitū ā-ahumoni me te manawaroa o te ripanga kaute kāwanatanga i tēnei wā, engari kei mua i te aroaro ētahi wero i te whakatinana tonu i te ahunga oranga kaha ake ki te whakahaere whakangao. Ka tautoko te tātaritanga i roto i tēnei Tauākī i tā te Kaitohutohu Kaupapa Rawa mahi ki te toko ake i te whai tikanga e pā ana ki te ripanga kaute me te whakahaere whakangao a te kāwanatanga ā-motu. Kāore pea e tika ngā aronga ka whāia i konei hei mea whai mā ētahi atu hinonga, mā ētahi atu mana whakahaere hoki i ā rātou ake mahi. Heoi anō, mehemea ka puta i te tātari te whakamanawa i ētahi atu hinonga ki ā rātou ake mahi, ka pai hoki tērā. Ko te tūmanako ka tāpae ngā take ka puta i tēnei Tauākī ki ngā matapaki e pā ana ki te whakahaere ripanga kaute ka whai hua i roto i ngā horopaki maha, tae atu ki tā tātou nei.

The system could also help support policy assessments and decisions about balance sheet resilience. These include allowing for possible future government obligations associated with the adverse consequences of climate change and measuring the national balance sheet more fully to take account of the diverse sources of wellbeing. Finally, greater clarity on environmental values will assist in diagnostic work, policy prioritisation and sharper evaluation of the range of uses for public resources across natural capital and other wellbeing objectives.

Despite evident gaps in data and understanding across the wellbeing domains and the four capitals, the early building blocks for a stronger wellbeing orientation to government balance sheet and investment and asset management are in place. Further work in this area at the Treasury will include development of processes to:

- *Regularly assess the state of, and future prospects for, wellbeing in New Zealand.*
- *Progressively promote a stronger wellbeing orientation to all policy including the management of the government balance sheet, other spending, taxation and regulatory policy.*

This Statement concludes that while fiscal sustainability and the resilience of the government's balance sheet are currently satisfactory, we face a range of challenges in progressively bringing about a greater wellbeing orientation to investment management, that will require concerted effort to address.



Read the full 2018 Investment Statement  
He Puna Hao Pātiki at [www.treasury.govt.nz](http://www.treasury.govt.nz)

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