

Reference: 20190448



18 June 2020

s9(2)(a)

I am writing regarding your Official Information Act (OIA) request made to the Treasury on 21 June 2019. You requested the following documents:

*This is a request under the Official Information Act for copies of the following reports:*

- 3 April 2019 Aide Memoire T2019/939: Housing and Urban Development Authority;*
- 4 April 2019 Treasury report T2019/680: NZ Green Investment Finance Ltd: Incorporation and Appropriations;*
- 8 April 2019 Aide Memoire T2019/1006: Project ABBA Cabinet paper and process issues;*
- 11 April 2019 Treasury Report T2019/540: Public Broadcasting Observations;*
- 12 April 2019 Aide Memoire T2019/997: Meeting with RNZ on 15 April 2019;*
- And, 26 April Treasury Report 2019/1229: Embedding wellbeing in the Public Finance Act.*

I have been in correspondence with the Office of the Ombudsman regarding your complaint over the Treasury's original decision to withhold the following two documents:

- 11 April 2019 Treasury Report T2019/540: Public Broadcasting Observations;
- 26 April Treasury Report 2019/1229: Embedding wellbeing in the Public Finance Act

Following further consideration and consultation, I have decided to release these documents to you, subject to information being withheld under one or more of the following sections of the OIA, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,

1 The Terrace  
PO Box 3724  
Wellington 6140  
New Zealand  
tel. +64-4-472-2733

<https://treasury.govt.nz>

- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- section 9(2)(i) – to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities,
- section 9(2)(j) - to enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations), and
- section 9(2)(k) – to prevent the disclosure or use of official information for improper gain or improper advantage.

We have redacted the direct dial phone numbers of officials under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites, including Treasury's own website.

You should note that there have been several material developments since these reports were produced, in particular regarding public broadcasting.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

I understand that the Office of the Ombudsman will contact you to clarify whether this response resolves your complaint.

Yours sincerely

David Hammond  
**Team Leader Ministerial Advisory**

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**Treasury Report: Public Broadcasting Observations**

<b>Date:</b>	10 April 2019	<b>Report No:</b>	T2019/540
		<b>File Number:</b>	CM-1-3-78-3-2

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
<b>Minister of Finance</b> (Hon Grant Robertson)	<b>Note</b> contents of the this report and <b>agree</b> recommendations	16 April 2019
<b>Minister of Broadcasting, Communications and Digital Media</b> (Hon Kris Faafoi)	<b>Note</b> contents of the this report and <b>agree</b> recommendations	16 April 2019

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Aaron Gill	Senior Analyst, Commercial Performance	s9(2)(k) (wk)	N/A ✓
Maureena van der Lem	Manager, Commercial Performance	+s9(2)(k) (wk)	s9(2)(a) (mob)

**Actions for the Minister's Office Staff (if required)**

Return the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

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**Treasury Report: Public Broadcasting Observations**

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**Executive Summary**

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Over the past year or so the Government has instigated a significant amount of work with respect to broadcasting policy including the establishment of the Public Media Advisory Group (PMAG). The Government has set an objective to strengthen public media in New Zealand.

This report provides high level observations about public media policy and raises our concerns.

The most significant of the proposals being considered, which has the support of PMAG, is the merger of Television New Zealand (TVNZ) and Radio New Zealand (RNZ) (the merger option). The merged entity would be similar to RTE (Radio-Television of Ireland). We understand that the Minister of Broadcasting, Communications and Digital Media has asked the Ministry for Culture and Heritage (MCH) officials to explore the merger option.

Broadly our concerns relate to the following issues regarding the proposed merger option:

- no clear problem definition has been articulated and/or quantified, for example, what are the gaps in respect to meeting the Government public media objective
- s9(2)(g)(i)
- s s9(2)(g)(i)
- s s9(2)(g)(i)
- a narrow focus on what is New Zealand content
- its impact on media plurality
- the focus on existing platforms rather than access to New Zealand content
- the conflict between media independence and achieving public media objectives
- the potential fiscal impact of the merger option (s9(2)(f)(iv))
- its potential to decrease creativity, innovation and diversity
- that Crown funding would be seen as cross-subsidising commercial television
- s9(2)(f)(iv)
- s9(2)(f)(iv)
- little consideration of other options to strengthen public media in New Zealand, and
- s9(2)(g)(i)

The PMAG suggested at its meeting with the Minister of Broadcasting, Communications and Digital Media on 21 February 2019 that if he supported further “big steps” or major change, that he direct TVNZ and RNZ to appoint representatives to begin work on the detail. We suggest that Ministers should be broadly comfortable that all relevant options have been assessed including their potential fiscal impact, before progressing the merging option.

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The Treasury considers that there are options, other than the merger option, that should be explored to support the Government's public media objectives, which may achieve the same or better outcomes:

- at a lower cost
- with less risk (in a less disruptive way)
- in a more timely manner
- with greater accountability for outcomes
- more focused on the benefit to the media industry as a whole, and
- in a way that promotes creativity and innovation.

Treasury has provided MCH with a copy of this report. This report may be useful to inform MCH's further broadcasting policy work.

### Recommended Action

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We recommend that you:

- a **note** that for the functions consistent with TVNZ (television, news and digital) RTE (Radio-Television of Ireland) received public funding of NZ \$213 million in FY2017 (provided through TV licensing fees), and that RTE also received NZ \$48.5 million in FY2017 of public funding for radio.
- b **agree** that before progressing the option of merging TVNZ and RNZ (the merger option) further it should be considered against other options to meet the Government's public media objective such as (but not limited to):
- enhanced NZ On Air funding:
    - greater investment based on the current NZ On Air priorities, and
    - public funding for the reporting of local democracy
  - greater collaboration of news services
  - the creation of a "one stop shop" for New Zealand content (linked to individual media platforms).

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Minister of Broadcasting,  
Communications and Digital Media

Maureena van der Lem  
Manager, Commercial Performance

Hon Grant Robertson  
Minister of Finance

Hon Kris Faafoi  
Minister of Broadcasting,  
Communications and Digital Media

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## **Treasury Report: Public Broadcasting Observations**

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### **Purpose of Report**

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1. Recently the Treasury received two reports (the reports):
  - the Ministry for Culture and Heritage (MCH) advice on Project Tango: Media Policy Issues, and
  - the report from Beatson Company Ltd (the Beatson Report) on Public Media Collaboration: Strengthening public media to meet the Government's public media objectives.
2. This report provides some high level observations based on our consideration of the two reports above. Ministers may wish to take account of these observations when looking at the direction of the Government's future public media policy.

### **Background**

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3. Over the past year or so the Government has instigated a significant amount of work with respect to broadcasting policy including the establishment of the Public Media Advisory Group (PMAG).
4. The functions of the PMAG are to:
  - support officials with the preparation of a case for Budget 2019 on the additional baseline funding necessary to support an effective public media system
  - advise on the capacity for more effective sharing of resources and collaboration between public media agencies, and in particular the long term relationship between public broadcasters (TVNZ, RNZ and Maori Television), and
  - advise on how Maori and Pacific Peoples' language, culture and perspectives can be better represented across publicly funded media.
5. Internationally, media are facing a loss of advertising revenue to aggregating platforms such as Google and Facebook. This trend is straining the business models of commercial media companies (e.g. TVNZ, Mediaworks, NZME and Stuff) and thereby threatening their ability to practice journalism in depth, and limiting media plurality in New Zealand. To this end the Government has set the objective to strengthen public media so that it:
  - supports more quality New Zealand content in all genres across a variety of platforms
  - supports an appropriate quantity of New Zealand content
  - better caters for Maori, Pacific and other under-served audiences
  - enhances national identity
  - promotes an informed democracy
  - safeguards the media's independence, and
  - supports the plurality in the provision of news and current affairs.

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**Defining the Problem**

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6. Comparisons between the per capita annual spend on public media by New Zealand and other countries have been used as evidence of the lack of provision of public media in New Zealand.
7. Whether an input measure i.e. Crown spending, is a good measure of output (content which is made available) is questionable. New Zealand has a different funding model from many countries: being the use of contestable funding for the production and broadcast of public media content. In addition, commercial revenues fund other content that is supportive of the public media objectives.
8. From a policy perspective it is important to develop a good understanding of what are the gaps in respect to meeting the Government public media objective i.e. is it the amount, quality, access, or plurality. Options can then be tested against such criteria.
9. We understand that the analysis to date is supportive of merging TVNZ and RNZ (the merger option), <sup>s9(2)(g)(i)</sup> [REDACTED]. These concerns are explored further in the “Observations from the reports” section below.
10. The PMAG suggested at its meeting with the Minister of Broadcasting, Communications and Digital Media on 21 February 2019 that if he supported further “big steps” or major change, that he direct TVNZ and RNZ to appoint representatives to begin work on the detail. We suggest that Ministers should be broadly comfortable that all relevant options have been assessed including their potential fiscal impact, before progressing the merging option.
11. We understand that the Minister of Broadcasting, Communications and Digital Media has asked the Ministry for Culture and Heritage (MCH) officials to explore the merger option.

**Observations from “the reports”**

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***Finding a solution***

12. The analysis in the reports along with achieving the Government’s public media objective is also concerned with the “future-proofing” of TVNZ (this is discussed further in paragraphs 16 to 19).
13. Declining revenues is not unique to TVNZ, as many commercial businesses both in the media industry and other industries face similar issues, particularly when their business models are being challenged by disruptive and rapidly evolving technologies.
14. Consolidation of the New Zealand media market, increased Crown investment in New Zealand content, and the growth in new revenue streams may benefit TVNZ and other market participants. <sup>s9(2)(f)(iv)</sup> [REDACTED]  
<sup>s9(2)(f)(iv)</sup> [REDACTED]
15. While MCH are correct that “future-proofing” of TVNZ could be secured by moving from commercial revenues to public funding, this would come at a substantial cost (paragraphs 38 to 44 refer). Depending on the outcomes that Ministers want to achieve such a cost may or may not be justified.



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**Mixing policy and ownership**

16. s9(2)(g)(i)
- (i) s9(2)(g)(i)
- (ii) s9(2)(b)(ii), s9(2)(i) and 9(2)(j)
17. Policy options should be focused on what is best for meeting the Crown's policy objectives e.g. policy options aimed at improving the viability of the New Zealand media industry as a whole, of which TVNZ is just one commercial entity.
18. Typically it is good practice to deal with policy and ownership issues separately. For example, there is a very clear separation between electricity regulation and the Crown's ownership of electricity assets.
19. In our view there are policy options available which could support the Government's media policy objectives, while being supportive of New Zealand's wider media industry. These options to date do not appear to have been explored. Such options may not have been explored due to the focus of the work having been on collaboration across entities which serve distinctly different mandates.

**Public Media New Zealand Content**

20. A narrow view has been taken of the government's support to public media and New Zealand content, i.e. funding provided to Radio NZ and NZ On Air. With the conclusion being "New Zealand's funding of public media falls well short of countries with comparable population".
21. New Zealand content (New Zealand faces and stories) is also produced by TVNZ from its own commercial revenues. In FY2018 TVNZ spent approximately \$93 million on New Zealand content, being approximately twice the value of content produced through funding from NZ On Air, which screened on TVNZ.
22. Investment in New Zealand content is also being made by other commercial media companies including MediaWorks news, newspapers and websites. This contributes to the Government public media objectives.
23. The public is likely to be agnostic about who funds New Zealand content which contributes towards the public media objective, but rather be concerned about whether the public media objectives are being achieved.
24. We acknowledge a fully commercial model is unlikely to meet the government's public media objective and that targeted funding towards the creation of specific content is necessary. This is currently achieved through the NZ On Air model.

**Plurality**

25. Consolidation in the media market is an international trend and in our view consolidation of the New Zealand media market should be taken as being inevitable.

26. s9(2)(b)(ii), s9(2)(i) and 9(2)(j)

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27. Concerns about reduced plurality are also relevant to the proposals for “news collaboration” and merging Radio NZ with TVNZ, options being considered. Moreover, if plurality is a concern then policy options should be developed that focus on supporting the New Zealand media industry as a whole.

**Focus on platforms**

28. There appears to be an over emphasis on platforms. The emphasis doesn't appear to reflect the way people access content now and are likely to access content in the future. In particular, people are increasingly accessing content from wider sources and when they want i.e. the growth in on-demand watching.
29. This emphasis on platforms contrasts with RNZ's strategy which focuses on audiences and content first, with platforms a distant third. We think RNZ's approach makes more sense.
30. The terms of reference “Purpose of Research” of the Beatson Report stated the “focus being on the provision of sufficient New Zealand content and New Zealander's access to content”. However, the research was directed to how the public entities could collaborate to do more to deliver on the Government's public media objective<sup>1</sup>. Not surprisingly the report came to the conclusion that “increased collaboration is essential to achieving the Government's objectives for stronger and more sustainable public media”.
31. However, collaboration is effectively just a subset of options to meet the Government's wider public media objective. As we note in this report the potential cost of such collaboration, in particular the merger option, has not to date been made clear, and increased collaboration can potentially have negative effects such as reduced plurality and reduced creativity within an industry.

32.

s9(2)(g)(i)

**Independence with a public media mandate**

33. MCH has noted that “a broadcaster with a public media mandate could be required to provide more New Zealand content and better cater to under-served sections of the national audience (Maori, Pacific, youth and regional audiences) without being constrained to focus on audience segments of most value to advertisers. Such a broadcaster could also be required to provide a greater depth of news and current affairs coverage.”

34.

s9(2)(g)(i)

s9(2)(g)(i)

s9(2)(g)(i)

Alternatively existing models, with potentially increased funding, such as NZ On Air contestable funding for the production and broadcast of public content, may be more effective to cater to under-served sections of the national audience (see paragraphs 45 to 47).

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<sup>1</sup> The Beatson Report, in its key assumptions for the future public media environment, noted that current platforms will be less important in the future “the current definition of public media by virtue of their radio or television origins will be obsolete. All, to varying degrees, will seek to transition to multi-media services available on every device.”

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***Audience is a function of content***

35. The Beatson Report notes that TVNZ “has the scale of resources and audience engagement necessary for those objectives [the Government’s public media objective] to be achieved”.
36. The report is correct that TVNZ has scale of resources and high levels of audience engagement. TVNZ’s average daily audience is in excess of two million people. However, TVNZ’s audience and engagement levels are not independent of the content that TVNZ provides its audience. Therefore, changing the mix of content risks a reduction in audience and engagement.
37. For RNZ the merger and the resulting new culture could also diminish its core audience.

***Merging TVNZ and Radio NZ***

***Potential fiscal impact***

38. In Treasury’s view the reports are very light on the potential fiscal impact of combining TVNZ and RNZ. We have estimated the costs of the merger proposal in two ways s9(2)(f)(iv) and by assessing the public funding which was provided to RTE (Radio-Television of Ireland).

39. s9(2)(f)(iv)

40. The Beatson report notes the following points:
- RTE<sup>2</sup> is similar to the proposed merged TVNZ and RNZ by function and market size and receives a mixture of public and commercial revenue, and  
*“While it might be argued that the three [BBC, ABC and CBC] of those broadcasters have scale and resources well in excess of TVNZ and RNZ combined, RTE operates in a market entirely comparable to here. It serves a similar population of 5 million, it is part Government funded, it has strong privately-owned competition both free-to-air and pay and provides services in the indigenous language” – page 18.*
  - Expectations that there may be limited Crown funding available  
*“There is a limit to how much additional funding might be available from the public purse” – page 7.*
41. Although noting the limited funding available to a merged entity, no analysis has been provided to date to Ministers about the actual level of public funding being provided to RTE.

<sup>2</sup> Although MCH has not taken a position in support of the merger, MCH cite RTE as an example of how New Zealand’s broadcasting policy could be implemented differently.

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42. The following table provides some insights into the public funding that RTE receives. The figures are shown in euros (€) and have been taken from RTE's 2017 Annual Report<sup>3</sup>. The funding for parts of the RTE business most similar to TVNZ have been included.

**Table 1: RTE Funding Sources**

	RTE Reportable Segments			
	Television	News & Current Affairs	Digital	Total
	E'millions	E'millions	E'millions	E'millions
<b>2017</b>				
<b>Revenue</b>				
Advertising income	84.8		7.6	92.4
Sponsorship income	6.0		0.2	6.1
Other commercial revenue	10.5		0.4	10.9
	101.3		8.2	109.5
Licence Fee revenue attribution	72.4	55.0	2.7	130.1
<b>Total</b>	173.6	55.0	2.7	231.3

Source 2017 RTE Annual report (revenue allocation based on the attribution provided in the 2015 Annual Report)

43. In total RTE had commercial revenue of NZ \$178.6 million (€109.1 million) and received public funding of NZ \$213 million (€130.1 million) on an annual basis. Most of the public funding is provided through TV licensing fees; an approach New Zealand abandoned because of its inefficiency and other drawbacks, and with technological change an approach that would be very difficult to reintroduce.
44. RTE's total revenue excluding Radio of NZ \$380 million (€231.3 million) is similar to TVNZ's total revenue. Although the table only shows the functions similar to TVNZ, RTE also received NZ \$48.5 million (€29.6 million) public funding for radio.

Potential to decrease creativity, innovation and diversity

45. One of the disadvantages of funding public media directly by appropriation is that the Government has limited ability to influence the entities with respect to the efficiency of their operations and ultimately the quality and quantity of their output.
46. NZ On Air's contracting model mitigates these issues. NZ On Air is able to target its funding towards stories and perspectives that are not well catered for under a purely commercial model. Given the repeat nature of the contracting model, future funding can be directed towards areas of priority and to those with a successful track record.

47. s9(2)(g)(i)

<sup>3</sup> RTE has a December financial year end. The FY2017 Annual Report is the most recent publicly released Annual Report.

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Potential that Crown funding would be seen as cross-subsiding commercial television

48. <sup>s9(2)(f)(iv)</sup> [Redacted]

49. <sup>s9(2)(g)(i)</sup> [Redacted]

**Next Steps**

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50. The Treasury considers that there are options, other than the merger option, that should be explored to support the Government's public media objectives, which may achieve the same or better outcomes:
- at a lower cost
  - with less risk (in a less disruptive way)
  - in a more timely manner
  - with greater accountability for outcomes
  - more focused on the benefit to the media industry as a whole, and
  - in a way that promotes creativity and innovation.
51. Among many other things, Ministers need to be comfortable with the fiscal impact of merging TVNZ and RNZ before progressing further. The Treasury recommends that the merger option should be considered against other options to meet the Government's public media objective such as (but not limited to):
- enhanced NZ On Air funding – which could include current and new priorities such as public funding for the reporting of local democracy
  - greater collaboration of news services, and
  - the creation of a "one stop shop" for access to New Zealand content (linked to individual media platforms) - which would enhance the public's access to New Zealand content.
52. Treasury has provided MCH with a copy of this report. This report may be useful to inform MCH's further broadcasting policy work.

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TE TAI ŌHANGA  
THE TREASURY

**Treasury Report: Embedding wellbeing in the Public Finance Act**

<b>Date:</b>	26 April 2019	<b>Report No:</b>	T2019/1229
		<b>File Number:</b>	ST-2-2-3-1

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	<p><b>Agree</b> to meet with officials to discuss your preferred approach to respond to Minister Shaw's feedback</p> <p><b>Agree</b> to forward the paper to Minister Shaw, and</p> <p><b>Agree</b> that officials meet with Minister Shaw to discuss the approach agreed with you to respond to his feedback.</p>	Wednesday 1 May 2019

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
David Eng	Senior Analyst, System Design and Strategy	s9(2)(k)	N/A (mob) ✓
Eamonn Whitham	Acting Manager, System Design and Strategy	s9(2)(k)	N/A (mob)

**Actions for the Minister's Office Staff (if required)**

<p><b>Provide feedback</b> on your preferred approach to specifying "wellbeing objectives"</p> <p><b>Return</b> the signed report to Treasury.</p>
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Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

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## **Treasury Report: Embedding Wellbeing in the Public Finance Act 1989**

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### **Executive Summary**

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On Friday 12 April, we met with Minister Shaw to discuss his feedback on the draft Cabinet paper “Embedding wellbeing in the Public Finance Act 1989: Final policy recommendations”.

At the meeting, we also discussed the broader programme of work on the public finance system, and he was happy with the approach.

On the proposed changes to embed wellbeing into the Public Finance Act (PFA), Minister Shaw raised two concerns:

- First, he would like “wellbeing objectives” to be more clearly specified to require governments to justify its choice of objectives and to improve the consistency of wellbeing reporting for successive Governments.
- Second, he would like the PFA to require an integrated social, environmental and economic story to be published with/alongside Budget Economic and Fiscal Update (BEFU) that would involve including and specifying a set of broader indicators (e.g., social, environmental) indicators in legislation.

We have considered a range of options to address both of his concerns.

Our assessment of the broad options to further specify how the Government needs to specify and justify its choice of ‘wellbeing objectives’ is that there are less prescriptive options which may address Minister Shaw’s concerns that do not pose any risks but they have little value beyond the current approach. More prescriptive options, which would involve including further levels of detail, would not lead to enduring legislation or bi-partisan support.

We have also considered high-level options to specify a set of broader (e.g., social, environmental) indicators in the PFA that would need to be reported on as part of a broader and more integrated story to be told within or alongside the BEFU.

Measures in this space are not well defined and specifying any now risks commitment to unsuitable measures and legislation that will not endure.

Through our wider public finance system work programme, we are piloting how to embed wellbeing reporting across the work of government. An annual basis would be inconsistent with other changes we are proposing in the public finance system in moving to a medium to longer term view.

At this stage, we do not think it would be practical to identify a fixed set of meaningful indicators to be reported on an annual basis.

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**Recommended Action**

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We recommend that you:

- a **agree** to meet with officials to discuss your preferred approach to respond to Minister Shaw's feedback

*Agree/disagree.*

- b **agree** to forward the paper to Minister Shaw, and

*Agree/disagree.*

- c **agree** that officials meet with Minister Shaw to discuss the approach agreed with you to respond to his feedback.

*Agree/disagree.*

Eamonn Whitham  
**Acting Manager, System Design and Strategy**

Hon Grant Robertson  
**Minister of Finance**

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## Treasury Report: Embedding wellbeing in the Public Finance Act 1989

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### Purpose of Report

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1. On Friday 12 April, we met with Minister Shaw to discuss his feedback on the draft Cabinet paper "Embedding wellbeing in the Public Finance Act 1989: Final policy recommendations". This report outlines his feedback and our advice to address it.

### Feedback from Minister Shaw

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2. Minister Shaw raised two main concerns on the proposals to embed wellbeing into the PFA (see Appendix 1 for a summary of the proposals in the draft Cabinet paper).
3. On the requirement that the Government must specify and report on its wellbeing objectives in the Budget Policy Statement and Fiscal Strategy Report, Minister Shaw noted that the proposal to require government to specify 'wellbeing objectives' is too broad and that it should be more specifically defined to require governments to justify its choice of wellbeing objectives, while acknowledging that some appropriate flexibility is needed for future governments.
4. Minister Shaw also noted there should be an annual update of, and reporting on, social/environmental indicators. This should either be included in the Budget Economic and Fiscal Update (BEFU) or a document sitting alongside it.

### Greater Specification of and Justification of Wellbeing Objectives

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5. Following the meeting with Minister Shaw, we considered different options to amend the proposal that would require the Government to justify its choice of wellbeing objectives.
6. The least prescriptive option would require the Government to not only define its wellbeing objectives but to also justify the choice of these objectives within the BPS and the FSR (e.g. "state *and justify* its choice of wellbeing objectives and how those objectives will guide its Budget").
7. A slightly more prescriptive option would require the government to define its wellbeing objectives within the context of referring to a broader framework and set of indicators, without prescribing any particular framework (e.g. "state *and justify* its choice of wellbeing objectives *within a wider framework and set of indicators to measure the sustainable development of wellbeing over time*").
8. Although we do not see significant risks for either of these two options and they would both enable debate and scrutiny over the reasonableness of the Government's choice of its wellbeing objectives, beyond this we see little value to adopting either of these options given the content of the PFA (e.g., the current principles require a focus on sustainability and consideration of current and future generations). As noted in our proposed work programme to review the public finance system [T2019/969 refers], the greatest opportunity to support intergenerational wellbeing is to focus on changes to the financial management and accountability settings and how these operate, rather than to focus on changes to the high-level legislative settings.

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9. We have also considered more prescriptive options that would require the Government to define and justify the choice of its 'wellbeing objectives' within the context of a particular framework using a defined set of areas/domains/indicators that matter to wellbeing (see Appendix 2 for the range of options that were considered).
10. We do not recommend adopting these more prescriptive options given that our understanding and the frameworks for measuring wellbeing will evolve over time. To ensure that the legislative changes are enduring, it is important that they support this flexibility.

### Including a broader set of indicators, as part of a more integrated story within/alongside the BEFU

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11. We have looked at options to annually report on a broader set of indicators (environmental/social) as part of a more integrated social, economic, and environmental update to be included within or alongside the BEFU. The underlying issues in pursuing these options are more complex.
12. In contrast to fiscal and economic reporting where there are well established measures and approaches for providing annual updates, there is no consensus on what indicators should be used to provide a meaningful annual update on what matters to wellbeing.
13. To avoid simply replicating the reporting done by Statistics New Zealand, the Treasury would need to select a particular set of indicators to report on annually. As noted in the draft Cabinet paper, this raises risks in confusing the respective roles of the Treasury, other departments, Ministers and Parliament and the perception that officials are commenting and deciding on how the Government will be held accountable for its own objectives.
14. Given the complexity of the issues, it would take further time for us to investigate such an approach to manage these risks. This work could be included in our broader, longer-term work programme on the public finance system and the PFA. At this stage, it would be impractical and inconsistent with our work to pilot wellbeing into agency reporting to identify a fixed set indicators to be reported on an annual basis.

### Next Steps

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15. We recommend discussing the advice in this paper with you and that you forward this paper to Minister Shaw.
16. Once we have agreed with you on how to respond to Minister Shaw's feedback, we recommend that officials have a follow-up conversation with Minister Shaw.
17. Depending on which option you wish to proceed with, we will then develop and test with you specific wording to update the draft Cabinet paper, for further Ministerial consultation.

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Appendix 1: Current proposals in the draft Cabinet paper to Embed Wellbeing into the PFA

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**Government reporting (wellbeing objectives)**

The Government would be required to:

- a In each Budget Policy Statement:
  - i state its wellbeing objectives and explain how those objectives will guide its Budget.
- b In each Fiscal Strategy Report:
  - i explain how its wellbeing objectives have guided its Budget, and
  - ii where those wellbeing objectives have changed, since the most recent Budget Policy Statement, indicate any differences.

Each Government would have the flexibility to articulate how it thinks about wellbeing, and what it considers matters to the long-term wellbeing of New Zealand (its wellbeing objectives).

**Treasury reporting (wellbeing indicators)**

The Treasury would be required to report periodically on wellbeing, at least every four years, covering the following matters:

- c the state of wellbeing in New Zealand, using an appropriate set of wellbeing indicators which are selected by the Treasury
- d discuss how those wellbeing indicators have changed over time, and
- e comment on the sustainability of, and risks to, the state of wellbeing in New Zealand based on the wellbeing indicators selected by the Treasury.

The amendments would not prescribe a specific view of what matters for wellbeing, or how it should be measured, as wellbeing measurement is expected to evolve over time as theory, evidence and data availability improves. The Treasury would be responsible for identifying and reporting on an appropriate set of wellbeing indicators using its best professional judgment, and the Minister of Finance would be responsible for presenting that reporting to the House of Representatives.

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Appendix 2: Illustration of different frameworks to specify “wellbeing objectives”

Source	Sub-headings		Comments
<b>Framework-based options</b>			
<b>LSF</b> <i>Wellbeing domains</i>  <b>Four Capitals</b>	Civic engagement and governance Cultural identity Environment Health Housing Income and consumption	Jobs and earning Knowledge and skills Time use Safety and security Social connections Subjective wellbeing	The Living Standards Framework is a Treasury tool that is useful for analytical purposes but is not sufficiently established or static to be embedded in legislation. For example, legislating the capitals, which are not mature and are also a particular framing of wellbeing, may lock in a view that does not meet future needs. The wellbeing domains may also evolve over time, including to keep pace with international developments. [T2018/2263 refers]
	Natural Capital Social Capital	Human Capital Financial and Physical Capital	
<b>Environmental Reporting Act 2015</b> <i>Impact categories</i>  <i>Domains</i>	Ecological integrity Public health The economy	Te ao Māori Culture and recreation	These are focused on the potential negative impacts of the environment on people, rather than a broader wellbeing focus.
	Air Atmosphere and Climate Freshwater	Land Marine	
<b>IANZ</b> <i>High level headings</i>  <i>Detailed headings</i>	Current wellbeing Future wellbeing	Transboundary impact Contextual indicators	These are very broad categories.  There are too many to be a set of priorities to guide decision-making, and may not all be priorities over time as circumstances change.
	Air quality Cities and settlements Climate Culture Economic standard of living Ecosystems Governance Health Identity Knowledge and skills Land	Leisure Safety Social connections Subjective wellbeing Waste Water and sanitation Work Natural Capital Social Capital Human Capital Financial and Physical capital	

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Source	Sub-headings	Comments
<p><b>Scotland's National Performance Framework</b></p>	<p>People:</p> <ul style="list-style-type: none"> <li>• grow up loved, safe and respected so that they realise their full potential;</li> <li>• live in communities that are inclusive, empowered, resilient and safe;</li> <li>• are creative and their vibrant and diverse cultures are expressed and enjoyed widely;</li> <li>• have a globally competitive, entrepreneurial, inclusive and sustainable economy;</li> <li>• are well educated, skilled and able to contribute to society;</li> <li>• value, enjoy, protect and enhance their environment;</li> <li>• have thriving and innovative businesses, with quality jobs and fair work for everyone;</li> <li>• are healthy and active;</li> <li>• respect, protect and fulfil human rights and live free from discrimination;</li> <li>• are open, connected and make a positive contribution internationally;</li> <li>• tackle poverty by sharing opportunities, wealth and power more equally</li> </ul>	<p>Scotland has a national outcomes framework, underpinned by a set of indicators.  <a href="https://nationalperformance.gov.scot/">https://nationalperformance.gov.scot/</a></p>
<p><b>Well-being of Future Generations (Wales) Act 2015</b></p>	<p>Wellbeing goals:</p> <ul style="list-style-type: none"> <li>• A prosperous Wales</li> <li>• A resilient Wales</li> <li>• A healthier Wales</li> <li>• A more equal Wales</li> <li>• A Wales of cohesive communities</li> <li>• A Wales of vibrant culture and thriving Welsh language</li> <li>• A globally responsible Wales</li> </ul>	<p>In this Act, “sustainable development” means the process of improving the economic, social, environmental and cultural wellbeing of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the wellbeing goals.            Each wellbeing goal has a detailed description in the legislation.  <a href="http://futuregenerations.wales/about-us/future-generations-act/">http://futuregenerations.wales/about-us/future-generations-act/</a></p>

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Source	Sub-headings	Comments
<b>Variable-based options</b>		
<b>OECD Better Life Initiative Pillars</b>	<ul style="list-style-type: none"> <li>• Material living conditions (or economic wellbeing), which determine people's consumption possibilities and their command over resources;</li> <li>• Quality of life, which is defined as the set of non-monetary attributes of individuals that shapes their opportunities and life chances, and has intrinsic value under different cultures and contexts;</li> <li>• The sustainability of the socio-economic and natural systems where people live and work, which is important for wellbeing to last over time. Sustainability depends on how current human activities impact on the stocks of different types of capital (natural, economic, human and social) that underpin wellbeing;</li> </ul>	The three pillars are intended to help understand and measure people's wellbeing but are very anthropocentric.
<b>Public Finance (Sustainable Development Indicators) Amendment Bill</b>	Ecosystems and biodiversity Resource consumption Waste assimilation Precaution Rate of change Environmental value Economic system Efficiency and innovation Rate of change International connection	These principles are based on planetary boundaries and could be considered as variables that need to be taken into account when choosing wellbeing objectives.

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Source	Sub-headings	Comments
<b>Section 26J of the PFA (Contents of fiscal strategy report: long-term objectives)</b>	<p>The fiscal strategy report must state the Government's long-term objectives for wellbeing, and in particular for the following variables:</p> <ul style="list-style-type: none"> <li>• fostering the long-term growth of natural, social, cultural and financial and physical capitals;</li> <li>• sustaining the ability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend;</li> <li>• promotion of, and investment in, research and development activities, thereby creating opportunities for current and future generations;</li> <li>• social cohesion;</li> <li>• long-term resilience of critical systems;</li> <li>• transboundary impacts.</li> </ul>	<p>Consistent with existing framing of PFA.</p> <p>Certain terms could be defined in the interpretation section if necessary.</p> <p>The variables could be changed to other formulations if desired.</p>
<b>International principles</b>	<p>Equity across population groups Intergenerational equity Precautionary principle/approach Rate of change Resilience of systems Transboundary responsibility Public participation and transparency</p>	<p>These principles describe trade-offs that are needed to make decisions on priorities and could help clarify the decision-making process.</p>
<b>Selected indicators</b>		
<b>Example indicators</b>	<p>Biological health of lakes, rivers and streams Ground water quality Net greenhouse gas emissions (total and by sector) Air pollution in cities (particulate matter) Land use capacity Energy use (total and by sector) Waste disposed to landfill Mental health issues per capita</p>	<p>The indicators chosen could focus more on human health (eg drinking water supplies, air quality in cities), or environmental health (biological health of rivers and streams). NB: nitrogen levels are not the key limiting factor in all water catchments</p>