

The Treasury

Budget 2021 Information Release

August 2021

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Treasury Report: Budget 2021: Assessment and Decision-Making Phases

Date:	29 January 2021	Report No:	T2021/55
		File Number:	BM-2-1-2021

Action sought

	Action sought	Deadline
Minister of Finance Hon Grant Robertson	Agree to the proposed timeframes and process for the rest of Budget 2021, including Budget Day. Agree the wellbeing approach for Budget 2021.	Before meeting Treasury officials at 2.00 pm on Monday 1 February 2021.
Associate Minister of Finance Hon Dr Megan Woods	Note the contents of this report.	None.

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact	
Gerald Lee	Senior Analyst, Budget Management	[39]	[35]	✓
Laura King	Senior Analyst, Budget Management			
Tom Hall	Manager, Budget Management			

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2021: Assessment and Decision-Making Phases

Executive Summary

This report provides you with advice on the assessment and decision-making phases of Budget 2021, including the proposed timeframes and process as well as our approach to considering wellbeing in our Budget advice.

Appendix One summarises the proposed timetable and associated milestones for the remainder of the Budget 2021 process. In designing the assessment and decision-making process, we are building on the process used in previous years.

We understand that your preference is for Budget Day to be Thursday 20 May 2021. Most of the other dates in the timetable are driven by this proposed date, including Cabinet's consideration of the main Budget 2021 package on Monday 12 April 2021.

Budget Ministers meetings are the key decision-points over the next few months. For each meeting we propose objectives that we would like to discuss with you.

In addition to Budget Ministers, we expect that you will have further engagement with key portfolio Ministers during the decision-making process for Budget 2021. We recommend that this be limited to meetings in mid-March following Budget Ministers 2, to test the prioritisation of initiatives and refine the draft packages that you have agreed.

As in previous years, the timeframes for Budget 2021 are tight, with minimal room for slippage. While package development is necessarily an iterative process, timely decisions on the package are necessary to ensure that we have sufficient time to translate them into the financial recommendations that accompany the main Budget 2021 Cabinet paper.

We propose to assess initiatives in this budget by considering the initiative's contribution to your budget priorities, implementation readiness, and value-for-money. Value-for-money will incorporate wellbeing costs and benefits, defined through the Government's wellbeing objectives and the living standard framework. We are also introducing a te ao Māori view of wellbeing by trialling He Ara Waiora as part of assessing initiatives in the Māori package.

Looking forward to future Budgets, we are considering how to incorporate multiple wellbeing frameworks in our advice.

We are meeting with you on Monday 1 February 2021 at 2.00-2.30 p.m. Attached as Appendix Two is an agenda for this meeting in which we wish to discuss any feedback you have on the contents of this report, as well as providing you with a summary of the initiatives that have been submitted for Budget 2021.

Recommended Action

We recommend that you:

Timeframes and process for Budget 2021

- a **note** that the proposed timeframes and process for the rest of the Budget 2021 is based on the approach taken in recent years
- b **agree** the proposed timeframes and process for the Budget 2021 process as set out in Appendix One, including Budget Day being Thursday 20 May 2021.

Agree/disagree.

- c **note** that Budget Ministers meetings are the key decision points leading up to Cabinet's consideration of the Budget 2021 package, and therefore anchor the timetable.
- d **agree** to the following areas of focus for each Budget Ministers meeting:
- **Budget Ministers 1:** setting the scene through the preliminary economic and fiscal outlook, and understanding your high-level intentions for Budget 2021 in key areas such as welfare and climate change.

Agree/disagree.

- **Budget Ministers 2:** taking decisions on most of the Budget 2021 package, discussing the fiscal strategy (including allowances) in light of the latest economic and fiscal information, and clarifying areas where further engagement with relevant Ministers is needed.

Agree/disagree.

- **Budget Ministers 3:** finalising or near-finalising the Budget 2021 package that will be taken to Cabinet for approval as well as finalising the fiscal strategy.

Agree/disagree.

- **Budget Ministers 4:** a placeholder meeting in case there are any remaining minor decisions that need to be made in the Budget 2021 package.

Agree/disagree.

- e **agree** that following Budget Ministers 2 any further engagement with key portfolio Ministers be focussed on discussing and refining draft packages through meetings held between 17 March – 23 March 2021.

Agree/disagree.

- f **note** that timely decisions on the package are necessary to ensure that we have sufficient time to translate them into the financial recommendations that accompany the main Budget 2021 Cabinet paper, with risks to the overall timetable if decisions slip.

Wellbeing and Budget 2021

- g **direct** the Treasury to assess initiatives by considering the initiative's contribution to your budget priorities, and its value for money and implementation readiness.

Agree/disagree.

- h **note** that value for money incorporates wellbeing costs and benefits, defined through the Government's wellbeing objectives and the living standards framework.

- i **note** that the Treasury will introduce a te ao Māori view of wellbeing by trialling He Ara Waiora as part of assessing initiatives in the Māori package.

Tom Hall
Manager, Budget Management

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2021: Assessment and Decision-Making Phases

Purpose of Report

1. This report provides you with advice on the assessment and decision-making phases of Budget 2021, including the proposed timeframes and process as well as our approach to considering wellbeing in our Budget advice.
2. We are meeting with you on Monday 1 February 2.00-2.30 p.m. to discuss the contents of this report. Attached as Appendix Two is an agenda for this meeting.

Background

3. Following Cabinet's decisions on the Budget 2021 strategy in late November 2020, you undertook an invitation process to prioritise initiatives and ensure that they meet the strict criteria for this Budget.
4. During January 2021, agencies have been in the process of developing initiatives in consultation with portfolio Ministers. Initiatives are due to be submitted to you and the Treasury by Friday 29 January. Following initiative submission, we will move into the assessment and decision-making phases of Budget 2021.

Timeframes and process for Budget 2021

The design of the assessment and decision-making process for Budget 2021 is based on the process used in recent years...

5. Appendix One summarises the proposed timetable and associated milestones for the remainder of the Budget 2021 process, as well as key related processes, including: forecasting rounds, fiscal strategy advice, production of the Budget Economic and Fiscal Update, and the technical Budget 2021 package. The assessment phase of Budget 2021 is concentrated in February, the decision-making phase extends over March and April, and the production phase occurs between April and May.
6. In designing the assessment and decision-making process, we have built on the process used in previous years. This approach is based on Treasury Vote team assessment of individual initiatives in relation to alignment with priorities and value-for-money, followed by the development of draft packages, which we will present to you in early March, and culminating in you iteratively refining the package based upon various Ministerial discussions.
7. The proposed process reflects in large part the tight focus of Budget 2021 on initiatives which have already been invited by you and which meet the strict criteria that Cabinet agreed. You will have the opportunity to implement more significant changes to the design of the annual budgeting process as part of Budget 2022.

... and the key driver behind our timeframes is Budget Day being Thursday 20 May.

8. We understand that your preference is for Budget Day to be Thursday 20 May 2021. Most of the other dates in the timetable are driven by this proposed date, including Cabinet's consideration of the main Budget 2021 package on Monday 12 April 2021. In particular, the timeframes in their current form will provide sufficient time for document production, including thorough quality assurance of what is released on Budget Day.

Budget Ministers' meetings are the key decision points over the next few months...

9. Four Budget Ministers' meetings anchor our proposed process through March and April, given that Budget Ministers are the key decision-makers and will be responsible for finalising the package that is submitted to Cabinet.
10. Getting clarity on what you want to achieve with each Budget Ministers meeting will help us to more effectively target advice which supports you in these discussions.
11. As a starting point for discussion, we recommend that the objectives for each Budget Ministers meeting should be the following:
 - **Budget Ministers 1 (Tuesday 16 February 2021):** setting the scene through preliminary economic and fiscal outlook, and understanding your high-level intentions for Budget 2021 in key areas such as welfare and climate change.
 - **Budget Ministers 2 (Tuesday 16 March 2021):** taking decisions on most of the Budget 2021 package, discussing fiscal strategy (including allowances) in light of the latest economic and fiscal information, and clarifying areas where further engagement with relevant Ministers is needed.
 - **Budget Ministers 3 (Monday 29 March 2021):** finalising or near-finalising the Budget 2021 package that will be taken to Cabinet for approval as well as finalising the fiscal strategy.
 - **Budget Ministers 4 (Tuesday 6 April 2021):** a placeholder meeting in case there are any remaining minor decisions that need to be made in the Budget 2021 package.

...while further engagement with portfolio Ministers should focus on refining draft packages.

12. In addition to Budget Ministers meetings, we expect that you will have further engagement with key portfolio Ministers during the decision-making process for Budget 2021.
13. We recommend that this be focussed on discussing draft packages following Budget Ministers 2 in order to test the prioritisation of initiatives and refine the packages. This would involve meetings being held between 17 March and 23 March 2021 in order to ensure that the refined packages are reflected in the material for Budget Ministers 3.
14. In the first instance, we suggest that these meetings be limited to key priority portfolios such as Education, Health, Housing, Social Welfare, as well as the groupings of Climate Ministers and Māori Ministers.
15. On the other hand, if you wish to consult portfolio Ministers earlier or involve them in draft package development, we can provide you with further advice on how to integrate this into the Budget 2021 process.

If decisions are delayed, there is a risk we will not achieve the proposed Budget Day

16. As in previous years, the timeframes for Budget 2021 are tight with limited room for slippage. March 2021 is likely to be particularly pressured due to the need to develop, refine and finalise the Budget 2021 package over the space of a few weeks.
17. While package development is necessarily an iterative process, timely decisions on the package are necessary to ensure that we have sufficient time to translate them into the financial recommendations that accompany the main Budget 2021 Cabinet paper. In particular, it is important that the Budget 2021 package is finalised at Budget Ministers 3, or at least that any remaining decisions are minor. Late decisions increase the risk of errors that could flow into the public-facing Budget documents, or of delay to your proposed Budget Day.
18. Ensuring that Budget Ministers meetings achieve the objectives that we have proposed will mitigate this risk. We will also use our regular engagements with you over this period to flag key issues.

Key questions for discussion:

- Do you agree with the proposed timeframes and process for the assessment and decision-making phases of Budget 2021?
- Do you agree with our proposed objectives for each Budget Ministers' meeting?
- What can we do to help ensure decision-making stays on track?

Wellbeing approach to decision-making

Our wellbeing approach for Budget 2021 is informed by multiple priorities and is a platform for future Budget wellbeing analysis

19. In recent Budgets, the wellbeing priorities and Budget priorities were one and the same. However, this year there are two sets of strategic goals:
 - The Budget priorities^[1], which were agreed by Cabinet in November 2020
 - The Wellbeing objectives^[2], which will not be published until February 2021.
20. The wellbeing analysis approach for Budget 2021 takes into account both of these sets of strategic goals.

Our assessment of initiatives will consider how budget priorities are being met as well as identifying wellbeing themes

21. We intend to assess initiatives against three key criteria:
 - contribution to Budget priorities, e.g., criticality of cost pressure
 - value for money and cost-benefit analysis (CBA/CBAx), incorporating wellbeing objectives (BPS), wellbeing domains (LSF) and He Ara Waiora (for initiatives in the Māori package)
 - implementation readiness of the initiative.
22. In previous Budgets, the wellbeing analysis was focused on identification of the wellbeing domains in the Living Standards Framework. While we are still considering the wellbeing domains, we want to expand our wellbeing analysis of initiatives to also identify their contribution to wellbeing objectives as set out in the BPS and He Ara Waiora.
23. In addition to Vote team analysis, we also draw on the expertise of system-leads across government on data, digital and capital initiatives.

In Budget 2021 we are introducing a te ao Māori view of wellbeing into the Budget

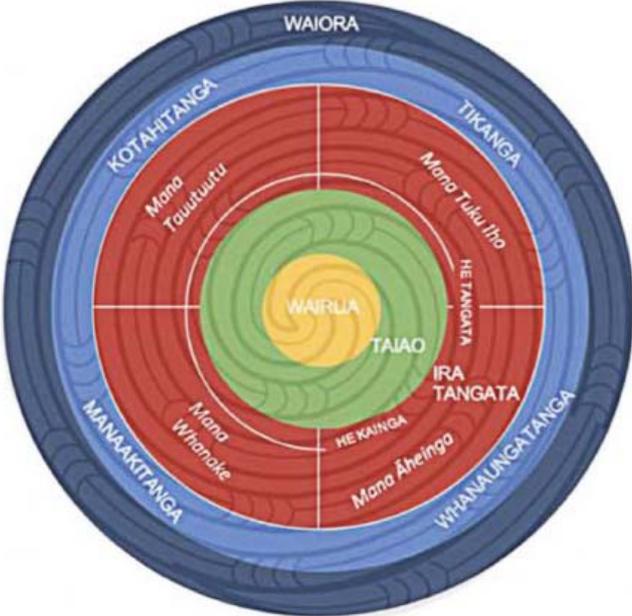
24. The He Ara Waiora framework is an important step to explore wellbeing from the perspectives, values and knowledge systems of the Crown's Treaty partner, and can be used alongside the Living Standards Framework (LSF). It is, however, new to the public sector. Building understanding of the framework and embedding it into policy analysis is still in the early stages.
25. He Ara Waiora (see Figure 1 below) demonstrates the relationships among the elements of waiora (wellbeing), as depicted by the takarangi (connecting spiral pattern overlaid on the framework).

[1] 2021 Budget priorities are: continuing the COVID-19 response, delivering priority and time-sensitive manifesto commitments, supporting core public services through managing critical cost pressures, and continuing to deliver on existing investments.

[2] BPS Wellbeing objectives are the same as previous years but the language has been updated. They are: Just Transition, Future of Work, Māori and Pacific, Child Wellbeing, and Physical and Mental Wellbeing.

26. The 'means' (kotahitanga, tikanga, whanaungatanga, manaakitanga, tiakitanga) are the tikanga values or principles that help us to achieve the 'ends' which include: Wairua (spirit-represented by the centre yellow spiral), Te Taiao (the natural world-the environment represented by the green inner spiral), and Te Ira Tangata (the human domain represented by the red spiral).

Figure 1: He Ara Waiora



Key concepts in He Ara Waiora		
ENDS	Wairua	Spirit
	Taiao	Natural world, environment
	Ira tangata	Human domain, including activities and relationships between generations
	Mana tuku iho	Mana deriving from a strong sense of identity and belonging
	Mana tauutuutu	Mana found in participation in and connectedness to one's community, including knowing and fulfilling one's rights and responsibilities
	Mana āheinga	Mana in the individual's and community's capability to decide on aspirations and realise them in the context of their own unique circumstances
	Mana whanake	Mana in the power to grow sustainable, intergenerational prosperity
MEANS	Kotahitanga	Working in an aligned, coordinated way
	Tikanga	Making decisions in accordance with the right values and processes, including in partnership with the Treaty partner
	Whanaungatanga	Fostering strong relationships through kinship and/or shared experience that provide a shared sense of belonging
	Manaakitanga	Enhancing the mana of others through a process of showing proper care and respect
	Tiakitanga*	Guardianship, stewardship (eg, of the environment, particular taonga or other important processes and systems)
* Under discussion for inclusion in framework.		

Source: McMeeking et al (2019)

27. For Budget 2021, this approach will be piloted for initiatives in the Māori package, and we intend to scale this up in future Budgets. Our advice will aim to include a high-level assessment of how these initiatives align with He Ara Waiora.

Opportunities for future Budgets

We continue to embed wellbeing into the Budget process

28. We will be considering how to incorporate multiple focus areas for wellbeing in future Budgets which provide a broader framework to help assess impact of initiatives over time. This will leverage things like the refreshed LSF (to be released by the end of 2021), the cluster process for Budget 2022 (including how cluster priorities link to broader Government wellbeing objectives), income-distribution analysis, and target-group analysis (such as women, Pacifica, disabled, and rural).
29. We will also need to consider how we build capability internally, and across the public sector more broadly, so agencies provide quality information and analysis- particularly to meet any new wellbeing-focussed requirements.
30. This could include new information requirements for agencies, clarifying the roles of external experts in helping draft packages for Budget Ministers, and developing methodologies for Treasury assessment of budget initiatives.

[33]

31. [33]

Key questions for discussion:

- Are you comfortable with piloting He Ara Waiora for Budget 2021?
- Do you agree with the wellbeing analysis approach we are proposing?

Next Steps

32. We are meeting with you on Monday 1 February 2021 2.00-2.30 p.m. to discuss the contents of this report, including any feedback you may have on the proposed process for Budget 2021 and our approach to wellbeing.
33. At this meeting, we will also provide you with a summary of the initiatives submitted by the deadline of 29 January, including the levels of funding sought compared with the allowances.