

The Treasury

Budget 2022 Information Release

August 2022

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- [40] Out of Scope
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- [42] 18(d) - information is already publicly available or will be publicly available soon

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Treasury Report: Value for Money Analysis in Budget 2022

Date:	2 September 2021	Report No:	T2021/2015
		File Number:	BM-2-1-2022

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the proposed Value for Money approach for Budget 2022	6 September 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Laura King	Senior Analyst, [39] Budget Management	N/A (mob)	✓
Tom Hall	Manager, Budget Management	[35]	

Minister's Office actions (if required)

Return the signed report to the Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Executive Summary

1. Value for Money (VfM) is about understanding value from a uniquely Aotearoa New Zealand perspective, and how efficiently resources are used in producing that value. Effective, high-quality VfM analysis and information is critical for supporting Ministerial understanding of how Budget initiatives and sub-packages help the Government achieve its wellbeing objectives and goals, and can inform prioritisation decisions.
2. We recommend that you agree to using VfM analysis in Budget 2022, using three components: value, alignment to the Government's goals and strategies, and delivery:
 - i) Value – identification of wellbeing impacts using the Living Standards Framework and He Ara Waiora; distributional impacts for Māori, Pacific peoples and children; and demonstrating a clear intervention logic.
 - ii) Alignment – identification of how initiatives contribute to the Government's wellbeing objectives, and relevant cross-government strategies.
 - iii) Delivery – provision of core information such as well-defined outputs, costings, assurance of effective delivery, and monitoring and evaluation.
3. Your messages to your ministerial colleagues will be central to ensuring that Budget initiatives provide high-quality information. Agencies are more likely to provide higher-quality VfM analysis if they understand it is influential in your Budget decisions. We recommend that you signal to your Cabinet colleagues (including through initiative invitation letters) that if an initiative has weak VfM analysis it is less likely to receive funding.
4. Limited capability and capacity in agencies mean that the quality of VfM information in past Budgets' initiatives has usually been low. We recommend you seek VfM information from agencies at two levels for Budget 2022. The first is to provide core information on the three elements of VfM, with the aim of lifting the overall quality of VfM information provided across the board. As an innovation, the second is to seek—and the Treasury will provide additional support for—exemplar VfM analysis for a limited number of initiatives. This is intended partly to provide a high-quality basis for your decisions in these areas, and partly to demonstrate excellence for other agencies in future Budgets.
5. The Treasury will provide VfM advice across the Budget cycle—from assessing delivery issues in the initial invitation round, to providing feedback to agencies after Budget decisions on the quality of agencies' VfM information—along with any feedback you may wish to convey about how VfM influenced your decisions about those initiatives.
6. We propose to emphasise CBA fundamentals in the VfM expectations, rather than formally requiring a separate CBA or CBAX for Budget 2022. In recent budgets agencies produced low-quality CBAs. We therefore propose to request from agencies some of the CBA 'building blocks'—for example, clear intervention logic, and quantification where possible and desirable—which can be advanced in future years towards more formal CBA expectations.

7. We recommend that distributional information and analysis requested from agencies for Budget 2022 focus on the three priority population groups set out in the Government's Wellbeing Objectives (Māori, Pacific peoples and children). Due to capacity constraints in agencies and Treasury it is not feasible to ask for additional cross-the-board distributional analysis, for example gender impacts.
8. We also recommend using the 2018 version of the Living Standards Framework, due to delays in releasing the 2021 version as a result of the COVID-19 resurgence.
9. Value for money information requirements for cluster and non-cluster initiatives will generally be aligned. For significant cost-pressure initiatives, however, we propose that clusters (unlike non-cluster agencies) should not be asked to provide information additional to the basic delivery VfM information requested in the cluster guidance. The Treasury is available to meet to discuss this report, if you wish

Recommended Action

We recommend that you:

- a **agree** to use VfM analysis in Budget 2022, which will comprise three elements: value (wellbeing impacts), alignment (with the Government's goals and strategies), and delivery (core initiative information and assurance of effective delivery), as set out in Annex 1.
- b **note** that agencies are more likely to provide higher-quality VfM analysis if it is influential in Budget prioritisation decisions.
- c **agree** to convey to your Ministerial colleagues (including through initiative invitation letters) that if an initiative has weak VfM analysis it is less likely to receive funding.

Agree/disagree.

- d **agree** to seek VfM information from agencies at two levels for Budget 2022:
 - i. core VfM information being asked for manifesto and significant cost-pressure initiatives (for non-significant and cluster cost pressures initiatives the Treasury will only ask for the delivery element of VfM).
 - ii. exemplar VfM information and analysis across the three VfM elements for a limited number of initiatives.

- e **agree** to seek exemplar information, subject to further discussions with the relevant agencies:

- i. in the Housing portfolio, if there are substantive initiatives submitted in the Housing portfolio; or

Agree/disagree.

- ii. in climate change-related bids in Vote Transport, if there are no substantive initiatives submitted in the Housing portfolio.

Agree/disagree.

- f **agree** to not require a separate CBA as part of VfM for Budget 2022 but rather focus on CBA fundamentals in the VfM expectations.

Agree/disagree.

- g **agree** that distributional information and analysis requested from agencies for Budget 2022 will focus on the three priority population-groups set out in the Government's Wellbeing Objectives (Māori, Pacific peoples and children).

Agree/disagree.

- h **agree** to use the 2018 version of the Living Standards Framework in Budget 2022.

Agree/disagree.

- i **agree** that clusters will be asked to provide delivery VfM information for cost-pressure initiatives, including for significant cost-pressure initiatives, but not value or alignment VfM information.

Agree/disagree.

- j **note** that if you agree to recommendations (d) and (i), VfM information on the value and alignment elements will not be available across all initiatives.

Tom Hall
Manager, Budget Management

Hon Grant Robertson
Minister of Finance

Treasury Report: Value for Money Analysis in Budget 2022

Purpose of Report

1. This report seeks your agreement to the content of Value for Money (VfM) analysis and how it will be applied to inform your Budget 2022 prioritisation decisions.

Background

2. Effective, high-quality VfM analysis and information is critical for supporting Ministerial understanding of how Budget initiatives and sub-packages help the Government achieve its wellbeing objectives and goals, and can inform prioritisation decisions. With greater flux around allowances and debt targets, VfM analysis can also play an increasing role in supporting fiscal management.
3. In recent Budgets there has been limited agency capability and capacity to provide high-quality, in-depth VfM analysis, and there has also been limited Treasury capacity to assess VfM. Compounding this is the complex landscape for Budget 2022, with multiple priorities, the implementation of three system-reform programmes, an evolving approach to fiscal management, and a growing focus on VfM. We are also asking agencies and Treasury vote teams to apply He Ara Waiora for the first time throughout the Budget process.
4. We therefore recommend that your approach to VfM for B22 should not be to ask for more information across all initiatives. Rather, VfM analysis should be targeted so that the information provided is high quality and useful for your decision-making.

Value for Money approach

Defining Value for Money

5. Value for Money is concerned with understanding value from a uniquely Aotearoa New Zealand perspective across a range of outcomes, delivered through an efficient use of resources. It can be defined in multiple ways. We propose that you define VfM using three components: value, alignment to the Government's goals and strategies, and delivery:
 - a Value - identification of wellbeing impacts using the Living Standards Framework and He Ara Waiora; distributional impacts for Māori, Pacific peoples and children; and demonstration of a robust intervention logic.
 - b Alignment - identification of how initiatives contribute to the Government's wellbeing objectives, and relevant cross-government strategies.
 - c Delivery – provision of core information such as well-defined outputs, costings, assurance of effective delivery, and monitoring and evaluation.

What should the goals for VfM in Budget 2022 be?

6. Lessons learned from previous Budgets demonstrate key challenges with information and analysis provided with Budget initiatives:
 - a Limited agency capacity and capability, leading to VfM analysis that is generally of low quality. Feedback from agencies is that they are unclear whether the analysis they provide influences Budget decisions, which leads to poor agency buy-in.
 - b Poor quality CBAs and very low levels of uptake of CBAs by agencies in recent Budgets. Agencies provide limited quantification, and fewer than ten percent of initiatives included monetised impacts in Budget 2021.
 - c [34]
7. Our long-term goal is to embed robust, high-quality VfM analysis end-to-end in the Budget management system, and (most importantly) for it to be used in your decision-making. This will be incorporated from strategic planning through to monitoring and evaluation of the value of wellbeing outcomes. This focus on the entire Budget management system will take several Budgets to achieve. We therefore propose to tighten the scope of information required for Budget 2022, to ensure a strong foundation is laid for broader application of high quality VfM analysis in future Budgets.
8. We have identified a number of key objectives which describe what success looks like for Budget 2022:
 - a Improved quality of VfM information provided in Budget bids across the board.
 - b Exemplars of effective VfM analysis are provided by agencies and used by Ministers. These are used as models for broader application of VfM in future Budgets.
 - c The VfM analysis provided supports and influences your decisions.

How Value for Money can be used to inform Budget decision making

Use of VfM analysis in Budget decision-making

9. In your Cabinet submission *Wellbeing Budget 2022: Strategy and Design* (CAB-21-MIN-0349), you emphasised the importance of VfM. Your use of VfM in your decisions is critical to motivating agencies to provide VfM analysis.
10. There may be instances where you might wish to progress funding of initiatives which have weak VfM information and analysis because the initiatives are innovative and/or early-stage proposals and VfM information is not available now. In such instances, our recommendations will focus on how to build and monitor VfM information over time.
11. In other instances you may wish to progress initiatives for other reasons, despite poor VfM information. In such cases, the Treasury can recommend how value, alignment or delivery components can be improved to support better VfM.

12. We encourage you to complement an initiative-level perspective with a package-level focus to understanding VfM. Therefore, we propose to provide you with a visual summary of the strength of each VfM component—value, alignment and delivery—for each Budget 2022 sub-package. This will be visualised through stacked bar charts, with one bar for each VfM component, where the bars summarise the initiative level ratings for each component by colour. An example of the proposed visualisation is attached (Annex 4 refers).
13. This visualisation will enable Budget Ministers to evaluate the strengths and weaknesses of the sub-packages, adjust them to produce the highest possible VfM ratings, and compare sub-packages.
14. Ministers will also be interested in the VfM of individual initiatives. Given the number of initiatives in each sub-package, it will not be feasible to assess all the individual initiatives in each bar graph. Instead, we propose to identify key initiatives, whose VfM component ratings will be highlighted in a table on the relevant slide. Supplementary material on each sub-package or initiative, including advice on delivery risks, can be provided.
15. We do not propose to require a separate CBA as part of VfM for Budget 2022. In recent Budgets CBAs, which were required, were generally low-quality. We therefore propose to emphasise CBA fundamentals in the VfM expectations. We will request from agencies some of the CBA ‘building blocks’- for example, clear intervention logic, and quantification where possible and desirable - which can be advanced in future years towards more full CBA expectations, including greater monetisation and quantification.

Key Recommendations:

- You communicate this to your Ministerial colleagues the importance you attach to VfM by conveying that if an initiative has weak VfM analysis, it is less likely to receive funding.
- You direct Treasury to advise on delivery risks at the invitation stage.
- If you want to progress initiatives which have a weak VfM analysis, you direct Treasury to advise on what is needed to strengthen the VfM case.
- You agree to focus on CBA building-blocks in the VfM expectations, rather than

Building a strong foundation for high quality VfM analysis in Budget 2022

Value: Wellbeing impacts

16. Agencies will be asked to identify wellbeing impacts using:
 - a Wellbeing frameworks: this is the first Budget where VfM analysis will include the application of the LSF and He Ara Waiora alongside each other to identify wellbeing impacts from different cultural perspectives and knowledge systems.
 - b Distributional analysis: with a focus on three priority population groups as set in the Government’s Wellbeing Objectives, namely Māori, Pacific peoples and children, and geographical impacts on a regional basis.
 - c Intervention logic: demonstrating, using the tools of policy analysis, how the products or services being produced will achieve the outcomes being sought.

17. We discussed planned changes to the LSF (“LSF 2021”) with you in our weekly agency meeting on 2 August 2021. Since then our plans to publish the new framework in September have been delayed due to the COVID-19 resurgence. We recommend that agencies continue using the 2018 version for Budget 2022 because:
 - a The LSF 2021 version will not be published before the release of Budget guidance for agencies, and now may not be released until late in the Budget cycle.
 - b Training and guidance for the 2021 version will not be released until later this year.
 - c Agencies are already being asked to apply He Ara Waiora for the first time.
18. Communication risks around not using LSF 2021 in Budget 2022 will not be significant given the delays in its release. However, we will ensure the Budget guidance (and any other communications) are clear on the use of LSF 2018 in Budget 2022.

Alignment: contribution to the Government’s objectives and priorities

19. Agencies will be asked to demonstrate how initiatives contribute to the Government’s wellbeing objectives and strategies. In order to manage the growing number of cross-government strategies we will be focussing on alignment of initiatives to five cross-government strategic areas where relevant: data and digital investment strategies, climate change or emissions, regulation, and the child wellbeing strategy. We have prioritised these strategic areas as they relate to key Government priorities and/or Cabinet has agreed they should play a part in the Budget process.
20. We will also ask agencies to indicate alignment with other Government priorities as relevant, for example, an initiative relating to mental health would need to demonstrate alignment to the Mental Health and Wellbeing Comissions’ He Ara Oranga wellbeing outcomes framework .

Delivery: assurance of effective and efficient delivery

21. To enable the Treasury to assess whether wellbeing impacts from initiatives are likely to be realised, we will ask agencies for the following:
 - a Core initiative information: this includes robust costings, scaling options, and well-defined outputs. In response to your feedback from Budget 2021 about poor initiative descriptions, the Treasury will specify in the agency guidance and initiative templates that initiatives should be supported by a plain language description of what service or activity is being purchased. The Treasury will also note to agencies that your Office reserves the right to edit the initiative descriptions.
 - b Affordability: consideration of whether the costings are reasonable, options for scaling up or down, phasing and/or deferring an initiative.
 - c Implementation readiness: including the likelihood of achieving the intended outcomes considering labour market impacts, agency capability and past delivery performance, and market capacity to find workers. This will not preclude early-stage, innovative policy proposals where different considerations must be given for implementation readiness.

- d Monitoring and evaluation: agencies will need to identify how they will monitor and evaluate the impact that the programme, service, policy or regulation is having on the target group.
22. For bids which are innovative or in the early stage of the policy cycle, Treasury can provide guidance for Vote team assessment so these initiatives aren't unfairly disadvantaged.

Introducing earlier oversight of delivery risks and improving transparency with agencies about Budget decision-making

23. We will also improve transparency about Budget decision-making with agencies by providing feedback on the quality of their initiatives' VfM information, along with any feedback you may wish to convey about how VfM influenced your decisions about those initiatives.
24. For Budget 2022 we are introducing a new step in the Budget invitation process in response to Ministerial requests from Budget 2021 for earlier oversight of delivery risks. At the invitation stage we will include a high-level analysis of the delivery component of VfM analysis, and identify potential risks. This will enable earlier discussions between Treasury and agencies on any delivery issues which will give agencies more time to try and mitigate any risks. It will also provide you an opportunity to raise the specific delivery risk in the invitation letters to relevant Ministers, which we anticipate may incentivise agencies to improve the delivery planning component of their initiative.
25. The Treasury will work with agencies on their plans to mitigate the delivery risks, where possible, before initiatives are submitted for assessment. Where these delivery risks are unable to be resolved or mitigated Treasury will indicate this in our advice to Budget Ministers. For more information about what VfM analysis we propose we provide to you at various stages of the Budget cycle, please refer to Annex 3.

Key Recommendations:

- You agree VfM should assess value, alignment and delivery.
- You agree distributional analysis should focus on Māori, Pacific peoples and children.
- You agree alignment to the Government's strategies focusses on data and digital investment, climate change or emissions, regulation, and child wellbeing.
- You agree to using the 2018 version of the LSF.

Two complementary approaches to agency input

26. Limited capability and capacity in agencies mean that the quality of VfM information in Budget initiatives in past Budgets has usually been low. We propose seeking VfM information from agencies at two levels for Budget 2022, with the aim of lifting the overall quality of VfM information provided across the board. The first is to provide core information on the three elements of VfM for all manifesto and significant cost pressure initiatives, with the aim of lifting the overall quality of VfM information provided across the board. As an innovation, we propose to seek—and provide support for—exemplar VfM analysis for a limited number of initiatives. This is intended partly to provide a high-quality basis for your decisions in these areas, and partly to demonstrate excellence for other agencies in future Budgets.

- a *core VfM information being asked of all initiatives*, with light touch support from the Treasury. This will be required for manifesto and significant cost-pressure initiatives.¹ For non-significant and cluster cost pressures initiatives the Treasury will only ask for the delivery element of VfM. The benefit of this approach is that it will expose a wide range of agencies to VfM analysis. [34]
- b *exemplar VfM information and analysis asked of a limited number of initiatives*, with additional support from the Treasury to help agencies to produce robust investment proposals. This will serve as a model for how high quality VfM analysis can contribute to your decisions and pave the way to a broader application of VfM analysis in future Budgets.
27. Annex 2 sets out examples we can use for basic and exemplar applications of the LSF and He Ara Waiora.²
28. We propose that the Housing initiatives should be used for exemplar applications of VfM. Housing is key to all the wellbeing objectives, and is likely to provide a good exemplar for high quality VfM analysis on initiatives with a combination of initiatives that explicitly focus on Māori, and more-general policies that disproportionately benefit Māori. Agency capability and capacity to develop high-quality VfM analysis is somewhat stretched, but we nonetheless believe they have the ability to develop high-quality VfM information and analysis.
29. Climate change-related initiatives in Vote Transport could serve as an alternative to Housing initiatives. They contribute to some wellbeing objectives (notably ‘Just Transition’) and are likely to have large Budget initiatives submitted for Budget 2022. However, this option is less likely to provide a good exemplar for high quality VfM analysis as agency capability and capacity to develop high quality VfM analysis is limited.
30. We suggest that the choice between Housing and Transport initiatives should depend on the number and focus of housing initiatives you invite into the Budget process. We will recommend a preferred portfolio of initiatives once you have invited initiatives into the budget process.

Key recommendations:

- You agree to core VfM information being asked of all initiatives, and exemplar VfM information and analysis asked of a limited number of initiatives.
- You agree that Housing (preferred option, subject to significant initiatives being invited) and Transport (alternative option) should be the sectors to demonstrate exemplar VfM information and analysis.

¹ The Treasury is working on confirming the criteria and level of VfM information required for ‘significant’ cost-pressure initiatives. Information on the value and alignment elements will not be available across all initiatives.

² We are testing our draft He Ara Waiora tool at a meeting with Ngā Pūkenga, the group of Māori thought leaders who are *hoa haere* (travelling companions on a shared journey) with the Treasury. This is scheduled for 8 and 9 September. Ngā Pūkenga are key allies in ensuring the authentic application of He Ara Waiora and evaluating our success at the end of the process.

How Value for Money will be applied across the different reform programmes

31. **Clusters:** Value for money information requirements for cluster and non-cluster initiatives will generally be aligned. For significant cost-pressure initiatives, however, we propose that clusters (unlike non-cluster agencies) should not be asked to provide information additional to the basic delivery VfM information requested in the cluster guidance. Clusters have raised concerns, which we consider valid, about requirements additional to this when they are already struggling to meet Budget timelines.
32. The downside of not requiring value (LSF and He Ara Waiora information, distributional impacts) and alignment VfM information about clusters' significant cost-pressure initiatives is that this information will not be available for these initiatives and for the cluster sub packages (and therefore for the Budget package as a whole) for Budget Ministers' meetings. On balance, we recommend not requiring more than basic delivery VfM information for all cluster cost-pressure initiatives.
33. **Health:** Value for Money information will be provided for the manifesto commitments prioritised for new spending in Budget 2022 and will underpin the rationale for two years of cost pressure and rebase funding that will together comprise a transitional Budget package for Health.
34. **Climate:** Initiatives will be required to meet the information requirements in the standard Budget process, which will include VfM analysis. In addition, initiatives seeking funding through the Climate Action Fund will need to demonstrate alignment with the Fund's eligibility criteria [T2021/2067 / BRF-491 refers]. This demonstration could include:
 - a completed Climate Impacts of Policy Assessment, with shadow carbon pricing,
 - an explanation of how the policy mitigates distributional impacts associated with the climate transition.

Next Steps

35. The Treasury will develop agency templates and guidance for release in September, supported by training sessions for agencies. As noted above, we recommend that in your invitation letters to Ministers in October you convey that if an initiative has weak VfM analysis, it is less likely to receive funding.
36. We will include a high-level analysis at the invitation stage to signal any major delivery risks for initiatives. This is so you can raise these identified risks in your invitation letters back to Ministers and encourage agencies to work with Treasury on mitigating them where possible.
37. Once we have your decision/agreement to the portfolio of initiatives for exemplar analysis, this can be included in relevant agencies' invitation response letters. In the meantime, the Treasury will begin engaging at officials' level with the relevant agencies.

Strategy – Strengthening Value for Money and Wellbeing

Proposed scope (strengthened or deep dive areas in bold):

<i>Value</i>	<i>Alignment</i>	<i>Delivery</i>
<ul style="list-style-type: none"> • Intervention logic to strengthen the building blocks of cost-benefit analysis (quantified where possible and desirable). • He Ara Waiora and Living Standards Framework (2018 version). • Distributional impacts. We propose focusing on Māori, Pacific, and children. • Geographic impacts. 	<ul style="list-style-type: none"> • The Government’s priorities and objectives, including impacts on child poverty and alignment to strategies such as the Child and Youth Wellbeing Strategy. • Agencies’ Strategic Intentions. • Other cross-Government strategies (data, digital, climate) and regulation. 	<ul style="list-style-type: none"> • Core initiative information, including clearly defined outputs, supporting evidence that the bid will achieve the outputs and outcomes sought, and accurate, detailed costings. • Implementation readiness, including market and workforce capacity and capability, and delivery plans and timelines. • Monitoring and performance reporting.

In scope for relevant initiatives:

- Sector wellbeing strategies, e.g. Mental Health and Wellbeing Strategy, Child and Youth Wellbeing Strategy.
- Quantified cost-benefit analysis beyond elements already identified as in scope. Where quantification is possible and useful, we recommend it is undertaken. Agencies continue to have discretion over using CBAX.

Out of scope:

- 2021 update to Living Standards Framework. The update has not yet been finalised.
- Cross-government themes not already identified, e.g. Skills and Workforce; Education, Employment and Training.
- Distributional impacts for groups other than Māori, Pacific and children (e.g. gender). The identified groups are in the Government’s wellbeing objectives.

Annex 2a: Application of the LSF in Budget 2022

Core VfM information to be requested for manifesto and significant cost pressure initiatives.

38. We propose to build on what was included in the Budget 2021 template to agencies—such as a clear intervention logic, evidence to support the initiative’s stated impacts and any key dependencies or assumptions.
39. The wellbeing and risks analysis template requests the following information:
- a Description of each impact,
 - b The groups affected, including any negative distributional impacts,
 - c The timeframe realised,
 - d The wellbeing domains impacted,
 - e Supporting evidence and assumptions, including any uncertainties in the wellbeing impacts,
 - f The magnitude of each impact, quantified where possible,
 - g Dependencies when applying the evidence and any related risks, and
 - h Indication of any missing information that would be required to fully evaluate the costs and benefits of the proposal.

Exemplar VfM information and analysis

40. We will work with the relevant agencies to develop robust and in-depth responses to the same questions as those outlined above, using the 2018 version of the Living Standards Framework. This should result in high-quality information and richer analysis to support your prioritisation decisions.
41. The following table provides supplementary questions we will use to develop ‘exemplar’ initiatives which undertake richer and more robust wellbeing analysis using the LSF:

Core questions	Questions for exemplar analysis
Specify the expected impacts from the proposed initiative, including any negative impacts across the domains.	<ul style="list-style-type: none"> • Do you have a clear problem definition that this proposal is addressing? • Could this proposal have unintended positive or negative impacts? How probable are those impacts? • Have you identified all relevant expected impacts across the wellbeing domains? • How does the initiative lead to the expected impact?
Indicate which group(s) will be impacted, including any negative distributional impacts.	<ul style="list-style-type: none"> • What types of people will benefit from the proposal? How do the benefits vary across—or within—population groups? • How many people will be affected in the relative groups? • Are there any people whose wellbeing will be reduced by the proposal? • Might the policy unintentionally have disproportionate effects on any groups, particularly minorities? • How might the proposal affect the families or communities of those impacted by the policy?

<p>Indicate if the impact will be realised in the short, medium or long term (<5, 5-10 or >10 years).</p>	<ul style="list-style-type: none"> • Will there be any very long-run (i.e., inter-generational) effects? • Could any foreseeable events delay the impacts? • What are the risks to each of the links in the intervention logic and how does your proposal mitigate those?
<p>Indicate the wellbeing domains that will be most impacted.</p>	<ul style="list-style-type: none"> • Which domains are most relevant to this issue? • Have you thought about impacts beyond your agency and sector? Have you tested your thinking with relevant agencies? • How well do we understand the current state of the wellbeing domain being affected and the nature of the problem being addressed? • Will the proposal treat symptoms, or the underlying source, of the problem being addressed? • Have you considered whether the objectives of your proposal could be better met with interventions through other agencies or sectors? • Have you considered linkages and alignment with other agencies and sectors?
<p>Summarise the evidence demonstrating the effectiveness of the proposal with up to three links. Highlight key uncertainties in the evidence of wellbeing impacts.</p>	<ul style="list-style-type: none"> • What evidence do you have to support each of the links in your intervention logic? • Has the proposal been previously implemented in New Zealand or by other Governments? • If citing economic, scientific or other research, is it robust and reliable? For example, has it been conducted by a reputable organisation? Have the methods and data been published and replicated? Does it have a large sample size? • How will you put in place monitoring and evaluation mechanisms to know if the policy is having the intended impacts?
<p>Indicate the size of the impact (low, moderate, high). Where possible quantify the size and give information that puts the magnitude in context.</p>	<ul style="list-style-type: none"> • Is it possible to quantify the impact? • How large is the impact relative to the overall level of wellbeing outcomes in this area? • How large is the effect compared to the counterfactual, i.e., compared to the status quo or a different approach? • Are the wellbeing effects likely to be temporary or enduring?
<p>Provide an overview of any key dependencies made when considering or applying the above evidence, and the implications – including risks - that this may have on the initiative’s ability to achieve the stated impacts.</p>	<ul style="list-style-type: none"> • What will happen if the assumptions made about key variables prove to be incorrect? • Could this policy crowd out private initiatives seeking to address the same problem? • How does it align with what others are doing within and external to government? • Does the proposal rely on any societal or policy-related conditions that could change?
<p>Highlight any further missing information that would be required to fully evaluate the costs and benefits of the proposal.</p>	<ul style="list-style-type: none"> • Where high quality, empirical studies or proof of concept are not available please highlight this. • Explain what is the theoretical or underlying rationale for the proposal and how your policy design mitigates or manages the uncertainty (e.g., through in-built monitoring and evaluation).

42. We are currently developing guidance to help agencies to develop robust wellbeing and value for money analysis incorporating Living Standards Framework concepts.

Annex 2b: Application of He Ara Waiora in Budget 2022

Core VfM information to be requested for all manifesto and significant cost pressures initiatives

43. Agencies will be asked to provide responses to two questions about how effectively the initiative aligns with the principles of He Ara Waiora:
- i Tikanga: agencies will indicate whether the initiative has been designed, developed and/or delivered in partnership with iwi and Māori, and with other affected communities and groups.
 - ii Manaakitanga: agencies will indicate how well they understand the potential impact of the initiative on iwi and Māori, and on other affected communities and groups, and how well this aligns with what it is they value and aspire to.

Exemplar VfM information and analysis

44. We will work with agencies to develop robust investment proposals using a series of questions under the principles of He Ara Waiora. Below is our draft He Ara Waiora Budget 2022 “exemplar analysis” tool, which includes the questions (set out in a grey box under each principle), and example indicators that range from 'E rei puta ana' (highly effective) to 'Kāore he take' (ineffective/poor). These indicators are intended to support agencies in the development of their initiatives, and to guide Vote teams in their assessments. We will be testing this interpretation of He Ara Waiora with Ngā Pūkenga, to ensure that our proposed application has integrity and authenticity.

Kotahitanga

Ensuring that agencies work in an aligned, coordinated way across the system and alongside iwi and Māori as Treaty partners, and other affected communities and groups.

- Explain how this initiative has been developed in collaboration amongst government agencies to deliver meaningful wellbeing outcomes with and for iwi and Māori, and other affected communities or groups. If not, please indicate the reasons why.

Examples of what you might see....

<p>E rei puta ana Highly effective</p>	<ul style="list-style-type: none"> • Coordinated service development design and delivery by agencies with and for iwi either nationally or in a targeted region or community • Initiative demonstrates coordination and connection to related workstreams across Government priorities and/or wellbeing objectives. • Wellbeing outcomes defined with and for iwi and Māori, and with other affected communities or groups.
<p>E whainiho ana Developing effectiveness</p>	<ul style="list-style-type: none"> • Coordination amongst agencies, but variable understanding of wellbeing outcomes sought by iwi and Māori, and by affected communities or groups • Good understanding of wellbeing outcomes sought by iwi and Māori, and affected communities or groups, but better coordination amongst agencies required.
<p>Kāore he take Ineffective/poor</p>	<ul style="list-style-type: none"> • Agencies work in silos despite similar outcomes being sought • No or limited engagement with iwi and Māori, and with other affected communities or groups • Overlap of services or a gap in services due to lack of coordination or connection between agencies.

Tikanga

Decisions are made by the right decision-makers, following a tikanga process, according to tikanga values.

- Indicate whether this initiative has been designed, developed and/or delivered in partnership with iwi and Māori, and with other affected communities and groups. If not, please indicate the reasons why.
- Explain how this initiative has incorporated te ao Māori perspectives and values, and the values of affected communities and groups. If not, please indicate the reasons why.

Examples of what you might see....

<p>E rei puta ana Highly effective</p>	<ul style="list-style-type: none"> • The initiative has been co-designed, co-developed and/or implemented in partnership with the Treaty partner, and with affected communities and groups • The initiative adopts a high trust model of service delivery (e.g. enabling iwi and Māori, and affected communities and groups, to develop, design and deliver services according to needs as defined by them) • Te ao Māori perspectives and values, and the values of other affected communities and groups, are meaningfully incorporated into the initiative • The agency has taken steps to ensure that there will be clear two-way communication, to ensure iwi and Māori, and other affected communities and groups, are well-informed, and that they inform the agency.
<p>E whainiho ana Developing effectiveness</p>	<ul style="list-style-type: none"> • Evidence of an understanding of te ao Māori perspectives and values, and the values of other affected communities and groups. Future engagement with iwi and Māori, and other affected communities and groups, is planned or underway.
<p>Kāore he take Ineffective/poor</p>	<ul style="list-style-type: none"> • No or limited engagement with iwi and Māori or with other affected communities and groups; “tick box” approach taken to engagement • Low levels of trust in and by agency due to lack of investment from agency in developing meaningful relationships with iwi and Māori and with other affected communities and groups • Te ao Māori perspectives and values, and the values of other affected communities and groups, are not visible in the initiative.

Whanaungatanga

Working together to foster meaningful, reciprocal and enduring relationships with iwi and Māori, and affected communities and groups

- Explain how the agency has placed the development of the initiative in the wider context of an enduring and reciprocal relationship with iwi and Māori, and other affected communities and groups. If not, please indicate the reasons why.

Examples of what you might see....

E rei puta ana Highly effective	<ul style="list-style-type: none"> • Meaningful, reciprocal and enduring relationships exist between the agency and iwi and Māori, and other affected communities and groups • Clear pathways have been established between the agency and iwi and Māori, and other affected communities and groups, to navigate any conflicting views between groups • Agency has a reciprocal relationship with iwi and Māori that is akin to hoa haere (travelling companions on a shared journey), rather than transactional or advisory relationships. • Agency gives effect to its partnership with iwi and Māori, and iwi and Māori are supported in exercising their rangatiratanga.
E whainiho ana Developing effectiveness	<ul style="list-style-type: none"> • Active work is underway between the agency and iwi and Māori, and other affected communities and groups, to build meaningful, reciprocal and enduring relationships • Agency has held/plans to hold hui to facilitate discussion between groups with conflicting perspectives.
Kāore he take Ineffective/poor	<ul style="list-style-type: none"> • Transactional relationship with iwi and Māori, and affected communities and groups, who may be treated as advisors or recipients rather than partners • No awareness of views, including conflicting views amongst or between groups, due to poor level of engagement.

Manaakitanga

Focus on improved wellbeing and enhanced mana for iwi and Māori, and for other affected communities and groups, demonstrating an ethic of care and mutual respect

- Explain how well your agency understands the potential impact of the initiative on iwi and Māori, and other affected communities and groups, and what they value and aspire to. If not, please indicate the reasons why.
- Explain how your agency demonstrates an ethic of care that responds to the priorities, values and aspirations of iwi and Māori, and affected communities and groups, including in addressing any structural inequities. If not, please indicate why.

Examples of what you might see....

E rei puta ana Highly effective

- Demonstrated understanding and follow through to respond to priorities, values and aspirations of iwi and Māori, iwi by iwi, and of other affected communities and groups, region by region
- The initiative proposes opportunities to leverage off the strengths of iwi and Māori, and affected communities and groups, including existing local solutions and strategies already in place
- The initiative prioritises equitable outcomes
- Iwi and Māori, and other affected communities and groups, are involved in the monitoring and evaluation of the initiatives, including direct input into the measures and indicators of success
- Mātauranga Māori is meaningfully incorporated into the monitoring and evaluation of the initiatives.

E whainiho ana Developing effectiveness

- Distributional analysis undertaken of potential impact of the initiative on iwi and Māori, and on other affected communities and groups, but proposed solution does not show how the initiative aligns with their values and aspirations
- Agency demonstrates awareness of what success looks like, as defined by iwi and Māori, and affected communities and groups, and are developing indicators and measures.

Kāore he take Ineffective/poor

- No or limited distributional analysis or understanding of the potential impact of the initiative on iwi and Māori, and on affected communities and groups
- Broad brush approach applied despite disproportionate impacts of initiative on iwi and Māori and on other affected communities and groups
- No or limited understanding of the values and aspirations of iwi and Māori, and other affected communities and groups, on the issue/s involved
- No or limited understanding of the solutions, including local solutions, already established/being delivered by iwi and Māori or by other affected communities or groups
- The initiative does not consider how to achieve equitable outcomes
- No or limited understanding what success looks like for iwi and Māori or affected communities and groups
- Measures and indicators are informed only by a narrow view of success
- Mātauranga Māori is invisible in the monitoring and evaluation of the initiatives.

Tiakitanga

Focus on strong stewardship to lift the intergenerational wellbeing of people, communities and the natural world

- Explain how well your agency understands the long-term impacts of the initiative, including on the wellbeing of future generations, and on the wellbeing of Te Taiao (the natural world). If this cannot be anticipated, please indicate the reasons why.

Examples of what you might see....

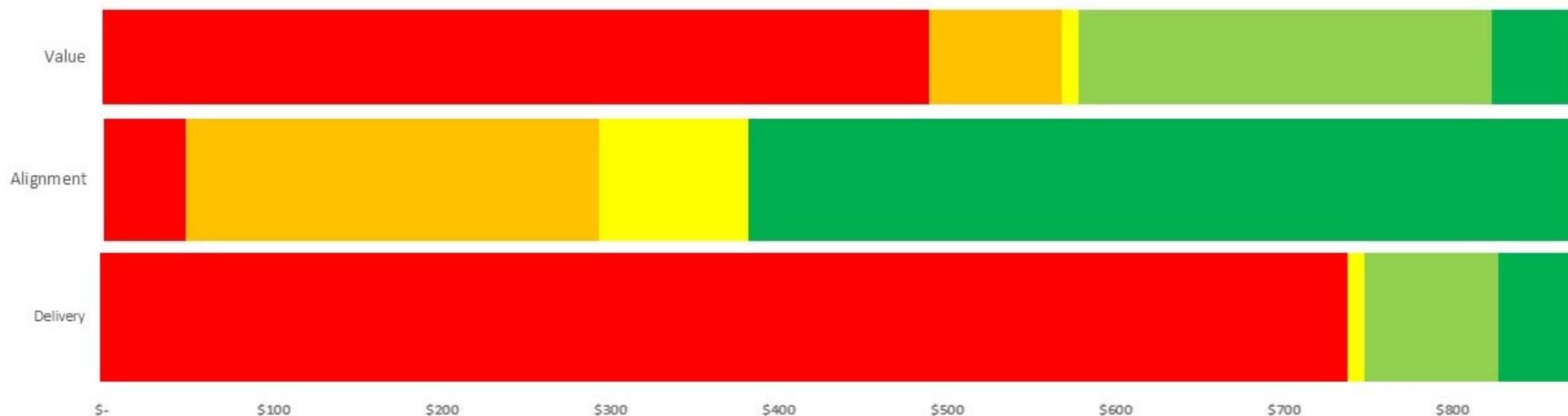
<p>E rei puta ana Highly effective</p>	<ul style="list-style-type: none"> • Agency has projected the long-term impacts of the initiatives, based on relevant evidence or research and through the strong relationships it has with iwi and Māori, and other affected communities and groups • Agency can articulate how the initiative is likely to lift the wellbeing of current and future generations • Initiative sustains, protects or restores the wellbeing of Te Taiao, and enables iwi and Māori to exercise kaitiakitanga.
<p>E whainiho ana Developing effectiveness</p>	<ul style="list-style-type: none"> • Agency has undertaken some thinking to understand the long-term impacts of the initiative, including through some engagement with iwi and Māori, and other affected communities and groups • Agency is exploring the extent to which the initiative will lift the wellbeing of current and future generations, and the wellbeing of Te Taiao.
<p>Kāore he take Ineffective/poor</p>	<ul style="list-style-type: none"> • No or limited understanding about likely long-term impacts of the initiative on either people or Te Taiao • Initiative has permanent negative impacts on Te Taiao • Agency does not enable iwi and Māori to exercise kaitiakitanga.

Annex 3: VfM analysis at different stages of Budget cycle

Stage of the Budget Cycle	VfM analysis
Invitation Process (September 2021)	<ul style="list-style-type: none"> We will include the delivery component of VfM in the information requested and analysed in the invitation process, recognising that understanding value and alignment would require more information and assessment would be too early in the process. To identify potential problems with delivery as early as possible, we will identify delivery risks which require further work (e.g. implementation plan) as part of Treasury's recommendations on initiatives which should be invited. To incentivise agencies to work with Treasury to improve the quality of their bids before they are submitted, you could specify in the invitation letters that an initiative is invited, subject to the agency working with Treasury vote teams to improve its VfM quality.
Bilateral Discussions (February 2022)	<ul style="list-style-type: none"> To support Budget discussions with Ministers, the Treasury could provide portfolio or vote level VfM analysis including Treasury advice on the highest-VfM initiatives, including the risks of funding or not funding those initiatives.
Budget Ministers 2 and 3 (February 2022)	<ul style="list-style-type: none"> We propose to advise on the strength of the VfM components at a sub-package level. This is to support Budget Ministers to have relevant information and consider the various VfM components in their decisions, e.g. the package may be strong on value (i.e. many initiatives are highly rated for value) but poor on delivery. Annex 3 provides a mock-up of such analysis. This will be complemented by commentary on each of the VfM components and wellbeing frameworks. For example, He Ara Waiora analysis could identify exemplars of good co-design or highlight where this is lacking. For bids which are innovative or in the early stage of the policy cycle, Treasury can provide guidance for Vote team assessment so they aren't unfairly disadvantaged.
Budget Ministers 4 (March 2022)	<ul style="list-style-type: none"> Based on requests about particular initiatives or sub-packages from Budget Ministers, Treasury could provide additional commentary on the various VfM component for those initiatives.
Post Budget decisions feedback loop	<ul style="list-style-type: none"> We can provide feedback to agencies on the VfM information of their initiatives, along with any feedback you may wish to convey about how VfM influenced your decisions about those initiatives.

Annex 4: Mock-up of potential VfM analysis

Sample Value for Money Visualisation Manifesto Package A



Initiative	\$	Value	Alignment	Delivery
Initiative A	\$500m	1 (Poor)	5 (Excellent)	1 (Poor)
Initiative B	\$50m	5 (Excellent)	1 (Poor)	5 (Excellent)
Initiative C	\$10m	3 (Average)	3 (Average)	3 (Average)