

Applying a Wellbeing Approach to the Public Financing System

Speech to the Institute of Public Administration New Zealand (IPANZ)

**Minister of Finance, Hon Grant Robertson
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Introduction

Nau mai, haere mai.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

Thank you, IPANZ, for inviting me back a year on from my last presentation. It is a privilege to talk to you again about the work we are doing as a government. This year I am going to focus on where we have got to with our wellbeing approach, and what I see as some critical next steps that we need to take to embed it within the wider public service system.

But first as I did last year, I want to start by thanking the public service, and the many public servants in the room today. I am not sure that the momentum has actually slowed from the first 100 days that I reflected on last year. This Government has a

vision for change. We're determined to improve economic performance, and social and environmental wellbeing, not just for this generation, but for future generations to come.

As a Minister it is relatively easy for me to have these lofty ideals. But it is you as public servants, that my Ministerial colleagues and I look to, to make this bold vision a reality. While also expecting you to answer the thousands of written questions and take care of all the other BAU work that keeps the Government's wheels turning, the bills paid and the lights switched on.

It is a big ask and a big job. So this is a big, and very genuine, thank you.

Our Wellbeing Approach

Something that has marked out the programme of change we have is our commitment to developing and implementing our wellbeing approach.

Wellbeing has become something of a buzz word, so it may be useful for me to explain what I mean by it.

For me Wellbeing means giving people the capabilities to live lives of purpose, balance and meaning to them.

For too long we have defined our success as a country solely on our rate of GDP growth. While sustainable economic growth is important, it does not guarantee improvements to New Zealanders' living standards. The things that affect the quality of peoples' lives are much broader than GDP – and a wellbeing approach recognises that.

If our people are not healthy, well educated, housed and connected to each other, if our environment is polluted, our rivers too filthy to swim in and our communities are fragmented with trust in institutions low then we will not have well-being or truly improve living standards.

If we get our well-being approach right we will be a country that is prosperous but who cares about who shares in that prosperity, where we look after our land and our water, where we support our people to be healthier, more secure, more skilled and where our communities are connected.

Fundamental to a wellbeing approach are three things, and I will come back to these themes throughout my speech today:

First, a whole of government approach. This is about stepping out of the silos of agencies and working together to assess, develop and implement the plans to improve well-being.

Secondly, a wellbeing approach means looking at intergenerational outcomes. We have to focus on meeting the needs of present generations at the same time as thinking about the long-term impacts on future generations.

Thirdly, we need to move beyond narrow measures of success. This can be seen in the Government's priorities and through the development of the Living Standards Framework Dashboard and from the Indicators Aotearoa New Zealand work led by Statistics New Zealand.

I spoke last year at the International Journal of Wellbeing Conference in this room, I framed my speech around the importance of institutions in supporting the major shifts in society, and my view on that has been reinforced over the last year as we've worked our way through the wellbeing framework.

If we are to meet the challenges of the big issues of our time – climate change, the future of work and reducing inequality – we have to work together and across boundaries like we have not seen in the public service in the working life of anyone in this room.

We have to be prepared to take a long term view, be nimble and selfless. This isn't going to happen in one agency, or in the mind of one Minister. It requires system level change. It also requires non-government institutions, businesses and individuals to be on board as well.

Government is not the determinant of a person's individual wellbeing or for that matter even the wellbeing of a community. But by making it our purpose as a government we are in a stronger position to support people to find their own sense of satisfaction, belonging, identity and purpose

Progress on the Wellbeing Approach and Budget 2019

So, what has been achieved so far in implementing our wellbeing approach.

As noted above there has been significant work on developing the evidence base and measurement framework for wellbeing. Indicators Aotearoa New Zealand will be, as described by one of its architects, the pantry of indicators of wellbeing. Bringing together the array of data that is available on wellbeing across the board it is being used to inform key frameworks and strategies. It is, as all of this work is, a work in progress, but we are seeing some significant and useful outcomes.

In turn Indicators Aotearoa New Zealand has fed into the further development of Treasury's Living Standards Framework. Over the last year the Framework, and its Dashboard have been the subject of rigorous consultation and analysis, culminating with the release of Version 1.0 of the dashboard in December. I say Version 1.0 deliberately as the Treasury have been clear this is very much the first stage of the dashboard's development.

I want to emphasise two important points here. The LSF and the Dashboard are designed to endure beyond any particular government. For this government we have used them to help shape our Wellbeing budget, but they rightly remain the

property of the Treasury, and, as they develop, I hope the wider government and non-government sector.

Secondly, I have seen first hand the commitment of the Treasury to test the Framework and Dashboard. Treasury created a challenge group for the Framework, and I sat in on one of their sessions. You know if you have Bryce Wilkinson and Marilyn Waring at the same table you are going to get a spectrum of views. But I know the Treasury have listened, and they have been clear that more needs to be done to develop the Framework to better reflect the wellbeing of New Zealanders. In particular how a Te Ao Maori and Pasifika perspective is taken into account, and getting an improved understanding of child wellbeing and cultural wellbeing. Treasury is working on all of these issues.

We have also seen the first significant legislative change to back a wellbeing approach. The passing of the Child Poverty Reduction Act was significant for a number of reasons. For the first time in law we have measures of child poverty and clear targets for reducing them. And significantly, for me at least, it amended the Public Finance Act to oblige me as the Minister of Finance to report on progress towards these targets of child well-

being. I also think it was significant that the Bill passed almost unanimously, which is a positive sign for this approach.

But as all of you know a major focus has been on Budget 2019 as our Wellbeing Budget. It is a significant step towards taking a wellbeing approach, and it signals how we want to work in future.

So, what is different about this Budget?

To start with the Budget Policy Statement this year included a Well-Being Outlook rather than just the traditional Economic and Fiscal Outlook. Changes to the Budget documentation will continue to reflect the wellbeing approach.

The Budget priorities have been developed on the basis of a wellbeing analysis. We have looked at the evidence to assess where we have the greatest opportunities to make a difference to New Zealanders' wellbeing and we have focused our efforts on those opportunities.

To do both these things, we have drawn on demographic and other data from the Living Standards Framework and the Indicators Aotearoa, as well as other data evidence and expert

advice. This information does not necessarily tell us what interventions we should make, but it shines a powerful light on where intervention is most needed, and where we can make the biggest difference.

As well as basing our priorities on a wellbeing analysis, we have also focused them on outcomes, rather than on inputs and outputs.

What does that mean? Well, for example, think about housing. There is no doubt that we need to and will build more warm, dry affordable homes. But the houses are not the end goal in themselves. Our end goal – the desired outcome – is the improved health and wellbeing of the people living in those houses.

So, this year there is not a Budget priority that is specifically about Housing. Rather, housing is of vital importance in us meeting the priorities. Our priorities this year ask us to improve our people's mental health, child wellbeing, and outcomes for Māori and Pasifika. Housing is absolutely critical to those outcomes.

Another way this Budget is different from previous Budgets is that it is about a joined-up Government.

Previously Ministers and agencies have been able to focus almost exclusively on their particular areas of responsibility. But as many of you will be aware, all agencies and Ministers have been expected to contribute towards the Budget priorities, and to show how their proposals are contributing to overall wellbeing.

We have been strongly encouraging collaboration among agencies in the development of Budget bids.

I am sure for some of you this has not been a completely comfortable experience. It is difficult to do, and we won't have got it completely right this time. But I am seeing some very interesting collaborations coming through the Budget process and I am keen to hear your experiences, so we can learn how to improve the process for future Budgets.

What we do know for certain is that the old silo approach has not worked. Complex issues require a multi-agency collaborative approach.

I recognise that Ministers need to show leadership in this area. This year Cabinet Committees will play a much larger role in helping shape the Budget package within and across the priorities. We all have to be prepared to step outside of our silos to make this work.

I am excited for what we will produce in May this year. It is a work in progress. We won't get it perfect first time around. But I think our approach represents a considerable advance, and a step towards the Budget representing a comprehensive assessment of New Zealand's overall well-being and our plans to improve that.

Outside of the Budget process, there have been some good examples of people embedding the wellbeing approach.

Tax Working Group and He Ara Waiora

Take for example the work of the Tax Working Group that was released this morning.

This framework – named He Ara Waiora or A Journey towards Wellbeing – has resonated with many people. It draws upon the concepts of waiora (wellbeing), manaakitanga (care and respect), kaitiakitanga (stewardship/guardianship), whanaungatanga (relationships and connectedness), and ōhanga (prosperity).

I see potential for the use of this framework in a number of areas. I encourage you to look at it.

Porirua Example of Wellbeing Approach in Action

Another example I would like to touch on is the regeneration of Porirua.

In November the Prime Minister announced a \$1.5 billion community regeneration programme for the area.

This will be the biggest and most ambitious regeneration since eastern Porirua was built 60 years ago. It was made possible by no less than eight government entities as well as Porirua City Council and the local iwi, Ngati Toa, putting their individual interests aside to focus on how they could best improve the wellbeing of the people who live there.

None of these entities on their own could make the case for regeneration in Porirua at this scale – but collectively there was a strong case for investment.

This will be a remarkable and transformative project for an area that has been left out and left behind for far too long.

What Comes Next?

The Budget is not, and cannot, be the be-all and end all of the wellbeing approach. If we are to make genuine and enduring change we need the whole system to be geared towards wellbeing. In the remainder of my time today I want to focus on those further changes.

Institutional change, as mentioned earlier is vital. We have begun implementing changes to effectively force greater collaboration across government.

This includes the establishment of an Infrastructure Commission the Ministry of Housing and Urban Development and the preliminary work on the Urban Development Authority.

The Urban Development Authority is a very interesting example of linking three key areas of the Government's work essential to urban planning - housing, urban development and transport.

Similarly the new independent infrastructure body will be focused not on building the next road, or even the next hospital. It will be concentrating on the big picture – taking a strategic approach over a 30 year strategic horizon.

Both of these examples show you the way in which institutional structures can support a wellbeing approach.

Legislative Changes to Underpin a Wellbeing Approach

While our institutional changes are well underway, we also need to consider what legislative changes are needed to underpin and support a wellbeing approach.

We are making changes to two key pieces of legislation - the State Sector Act and the Public Finance Act.

Taking the State Sector Act first, at its core the reform of the State sector is about better joining the Public Service together as a whole, with citizen-focused outcomes and services.

We are also in the process of making some initial changes to the Public Finance Act, to require governments to report annually on their wellbeing objectives. We will require the Treasury to report every four years on current and future wellbeing.

Building on this initial legislative work, to explore whether to present measures and targets for other issues affecting wellbeing, and whether any further changes are needed to the Public Finance Act, which is now 30 years old and designed for a different time.

This work may lead to further changes to the rules and settings for how we set our fiscal strategy, operate the budget, and around agency planning and reporting, , greater use of baseline reviews and more tailored requirements to agency planning and reporting.

On baseline reviews, I don't want you to take this as code for cost-cutting. It's not. It might mean investing more, it could certainly mean investing differently.

About 98% of government expenditure – or \$89 billion - sits outside the annual Budget process, and yet we spend most of our time assessing how to allocate the next 2% or so located at the margin though each Budget. We need to know more about how well our baseline expenditure is working for us.

Baseline reviews are common throughout the OECD. Post the GFC, most OECD countries now focus their reviews on efficiency and effectiveness - rather than seeking savings. These reviews can be done on a departmental baseline basis, or on a cross-agency, thematic approach. To do these successfully requires the full involvement of the agency under review. The buy-in and involvement of the agencies is therefore critical.

The recent review of MSD's baseline is a good example of the approach I have in mind. A joint MSD/Treasury steering group oversaw a joint review team, and has just reported to joint Ministers. The two agencies worked together in designing the

review's process, interrogating the data and in drawing conclusions from the findings.

Baseline reviews should be seen as a way to streamline the Budget process rather than adding another layer. They need to avoid the risk that they are seen as a "one-off", like the response to a crisis, with the agency reverting to previous settings once the review has been seen off. Rather, I see them as another way of enhancing agency performance.

It goes back to the outcomes, what is being delivered that we want to see more of, and what could we do with less of? That means some hard conversations are needed about stopping doing something, but I make no apology for that if it means we can invest more in what really makes a difference for New Zealanders' wellbeing.

Cultural and Behavioural Changes

While all that I have talked about is important, arguably it is cultural and behavioural factors that will be the most influential in embedding an enduring focus on wellbeing.

We need to re-examine the norms and self-imposed rules we have to make sure they are fit-for-purpose.

Take for example the way our agencies plan and report performance, where I expect to see a greater focus on wellbeing.

The requirements set out in the Public Finance Act and the Crown Entities Act are broad and allow all sorts of innovation, yet we rarely see it.

I see too many strategic plans that sit on shelves; they aren't linked into decision-making and delivery. Many of you will have been asked for content to fill out such plans and reports, in processes focussed on the deadline and the deliverable, and not the conversation about what the information means for your work and your organisation. This undermines the value of strategic planning.

We need reporting that is more meaningful and useful in providing information that helps Parliament and the public understand what the public sector is doing and the impact it is having.

This requires a wider and longer term perspective on performance reporting to report on what people care about – the outcomes and progress for our people.

I am also looking for agencies to focus more on the long term both in terms of planning and in annual reports, even though that may seem to run up against our normal approach of reporting, planning and budgeting annually. In annual reports this could look like agencies reporting on expenditure from many years ago: what impact did it have and what does that mean for our actions going forward?

I acknowledge that strategic planning is hard and for too long there have been numerous planning requirements for some agencies which have created product clutter, confusion, and taken up the mental space that we'd rather spend on strategic thinking.

My intention is to sharpen the requirements; focusing on the hardest elements of strategic planning, rather than the volume of plans. This will free up time for better planning.

This means we need to be clearer about what information we are asking agencies to provide, in terms of the types of plans they need to produce.

We do need to put in place more rigorous evaluation – how will we systematically understand, measure and track our wellbeing interventions over time, and to assess whether they have been successful or not.

We need to improve our strategic capability to anticipate, collaborate, and deliver according to plan. And to be clear - I am talking here about Ministers' capability as well as agencies, including central agencies.

I want to emphasise that a wellbeing approach means more robust financial and economic analysis, not less. It means analysing the whole system to understand how policy affects people, not just measuring impacts within agency silos.

A wellbeing approach means using robust distributional analysis to understand who benefits, not just how much. It is not enough to look at the economic returns of our investments without an

understanding of whether those returns are accruing to a select few, or are contributing to inclusive growth and prosperity.

A wellbeing approach means thinking about how the actions Government takes now will affect the wellbeing of our children and grandchildren. It is not acceptable to look only at short-term impacts, while potentially undermining our future prosperity.

Summary

In closing, I want to reiterate that for the wellbeing approach to truly work then it has to become part of what we all do - Ministers, Chief Executives, the public and state sector as a whole. We all need to ask ourselves what changes do we need to make, and who do we need to collaborate with, so that a wellbeing approach becomes real, and not just the latest buzz word.

All of us – public servants and Ministers – need to be willing to step outside our agency or portfolio silos to think about the impacts of our policies and projects from an all-of-government perspective.

We are facing some hugely complex issues, as a Government and as a country. But I believe that collectively the people in this room and in our public service can really improve New Zealanders' quality of life.

Thank you for your great work to date. The wellbeing approach is a game-changer. It will make a very real difference to the lives of all New Zealanders – especially those that have been left out from our economic growth. I looking forward to continuing to work with you, and hope that you are as excited as I am to be moving from our first Wellbeing Budget to becoming a fully-fledged Wellbeing Government.

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