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Information for Release

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1 September 2017

Treasury Circular 2017/10

Restricted Distribution

Chief Executives
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Contact for Enquiries:

Budget process queries: Your Treasury Vote Analyst

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198
CFISnet@treasury.govt.nz

BUDGET 2018: BUDGET INITIATIVE PROCESS AND TIMETABLE

1. This circular covers the timetable and process for agencies submitting initiatives for consideration in Budget 2018.
2. Like Budget 2017, initiatives will be progressed through two tracks: the 'Social Investment Track' and the 'General Budget Track'. Both of these tracks will be managed within the allowances but will be subject to different requirements and assessment criteria.
3. The different expectations, requirements and processes for each of these tracks are set out in the two separate guidance documents, which are now available on CFISnet. These are:
 - a. The "Budget 2018 Initiative Process: Guidance for agencies preparing significant Budget initiatives"
 - b. The "Budget 2018 Initiative Process: Guidance for agencies preparing Social Investment Initiatives"
4. These documents include guidance on how to complete the provided templates and how this information will be used to inform decision-making in different stages of the Budget 2018 process.
5. The guidance documents also include templates which are available in Word format on CFISnet related files to this circular:

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6. There is also guidance on using the CBAX model to monetise impacts for cost benefit analysis. The CBAX tool and CBAX Tool User Guidance is available on CFISnet and on the Treasury website:
<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>
7. The Treasury will issue a circular before Christmas covering the indicative timetable for the remainder of the production of Budget 2018. The Budget 2018 Process and Technical Guide for Departments” will be released alongside the December circular.
8. Should any changes be required to the Budget 2018 process or timeline following the General Election, the Treasury will release further guidance as soon as possible.
9. The Treasury will be shortly (around mid-September) issuing a circular covering the October Baseline Update and reporting requirements for the Half Year Economic and Fiscal Update (HYEFU).
10. As the Pre-election Economic and Fiscal Update was published prior to 1 October, the Treasury is required by law to prepare a HYEFU for publication prior to the end of December. To enable us to do this, October baseline update submissions will need to be provided to the Minister of Finance by early November.
11. Given the uncertainty about the date a government will be formed following the General Election on 23 September, this need for baseline update submissions in early November gives rise to at least 2 possible scenarios:
 - If a government has not been formed at the time that you need to provide the baseline update submission to Minister(s) to consider, and therefore the caretaker convention is still operating, it would be appropriate for caretaker Ministers to sign out the baseline update submissions, as the only policy decisions in a baseline update are those that have already been made by (or under delegated authority from) Cabinet;
 - If a government has been formed by the time that you need to provide the baseline update submission to new Minister(s) to consider. To facilitate this you may want to include any baseline changes to be proposed in the baseline update in early briefing material for your Minister(s) to consider and sign out.

Timetable

12. Below are the key dates for Departments submitting Budget initiatives to the General Budget Track and the Social Investment Track.

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Date	General Budget Track	Social Investment Track
September	Workshops held for agencies at the Treasury	
13 October 1pm		Section 1 and 2 of the Social Investment initiative template due for early checkpoint
Late October		Early checkpoint - Social Investment Panel and the Moderation Panel meet with agencies and vote analysts to discuss initiatives. Advice is provided to the Minister Responsible for Social Investment on which initiatives should be developed further for December submission.
October/ November	Finance Ministers meet with selected portfolio ministers to understand the sector including baseline expenditure and effectiveness, to inform Budget investment decisions made later in the process.	
November	First Investment Panel convened to consider capital and near-capital initiatives that are ready for discussion.	
8 December 1pm	General Budget Initiative template due from agencies. Create separate initiatives in CFISnet Initiative module and upload documents into initiative. Letter to the Minister of Finance sent from the Portfolio Minister outlining list of both General Budget and Social Investment initiatives.	
15 December 1pm		Social Investment Initiative template due from agencies. Create separate initiatives in CFISnet Initiative module and upload documents into initiative.
15 December 1pm	Final Four-year Plans and cost pressure information due to the Treasury from selected departments.	
December	Budget technical guidance released including Estimates Style Guide and an interim Budget 2018 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations and Estimates but cannot be finalised until Budget day is confirmed.	
December/ January	Initial Treasury assessment and analysis of Budget initiatives, with support provided to agencies to further refine initiatives to meet requirements.	
Late January	The Treasury runs internal work stream moderation sessions to consider vote team assessments across similar initiatives from different sectors.	Moderation Meeting 1 – Moderation panel meets with vote analysts to discuss their assessment, key gaps and questions that require follow up from agencies. Opportunity for agencies to meet with the panel directly.
31 January 1pm	Any initiatives not submitted before this date will be considered late and require the approval of Budget	

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Date	General Budget Track	Social Investment Track
	Ministers to be included in the Budget process.	
February	Budget day confirmed and final Budget 2018 timetable released.	
February	Investment Panel meets with agencies to consider capital and near-capital initiatives. Peer Review process for selected BGA initiatives. Agencies may be asked to discuss initiatives with the peer-reviewers.	Social Investment Panel (SIP) meets with agencies to consider all Social Investment initiatives and selected General Budget initiatives.
Late February		Moderating Meeting 2 – Moderators discuss SIP recommendations and any outstanding issues to arrive at a final assessment of initiatives. Assessment framework scores and recommendations are submitted to Budget Ministers for consideration.
February-March	Minister of Finance holds bilateral meetings with portfolio ministers. Ministerial groups (Investment Ministers, Finance Ministers and BGA Ministers) meet to discuss Budget 2018 initiatives, strategic choices, and how they relate to the direction of travel agencies outlined in their strategic plans.	
Late March	Budget Ministers agree final Budget package.	
April	Cabinet confirm final Budget package.	

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Requirements for all Social Investment initiatives

October Checkpoint - 13 October	December Checkpoint – 15 December
<p>Agencies should only fill out sections 1 and 2 of <i>Template 1 – Social Investment Track Initiative Template</i> (sections 1 and 2).</p> <p>None of the supporting information is required for this checkpoint but can be submitted if available.</p> <p>The main purpose of the checkpoint is to determine whether the initiative is a good fit for the Social Investment Track and has merit. The information supplied should help to support this assessment and cover the main parts of the initiative rather than all the detail. We don't expect agencies to submit fully formed initiatives at this point.</p>	<p>For final submission, agencies must submit:</p> <ul style="list-style-type: none"> • Template 1: Social Investment Track Initiative Template • An intervention logic diagram, • An impact summary table, • An Evidence Rating Scale assessment • A CBAX model <p>Note a separate ministerial letter does not need to be submitted for these initiatives. The initiatives should be included in the ministerial letter submitted alongside the initiatives in the General Budget Track (see template 4 of <i>Guidance for agencies preparing significant Budget initiatives</i>).</p>
<p><i>If agencies want to provide additional supporting information than what is required please talk to your vote analyst in the first instance. The focus for Budget 2018 will be on the quality of information provided not the quantity.</i></p>	

Requirements for all General Budget Initiatives

December Checkpoint – 8 December
<p>Template 1: Budget Initiative Summary Template for General Budget Track Initiatives</p> <p>Template 2: Impact Summary Table (supported by CBAX model for monetised impacts where applicable)</p> <p>Template 3: Ministerial Letter (this should cover both General Budget and Social Investment initiatives)</p> <p>Template 4: Late Initiatives (required for all initiatives submitted after 31 January)</p> <p>CBAX model: CBAX is required for all social sector initiatives unless the Treasury has agreed an exemption. CBAX is encouraged where feasible and appropriate for the Other and BGA work streams.</p> <p>Additional Requirements for Cost Pressure Initiatives:</p> <ul style="list-style-type: none"> • Supporting calculations showing how the quantum of the pressure has been calculated.

Kamlesh Patel
Team Leader, Fiscal and State Sector Management
For Secretary to the Treasury



Budget 2018 Initiatives Process

Guidance for Agencies Preparing Significant Budget Initiatives

September 2017

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About this Guidance

This guidance document sets out expectations for agencies preparing significant initiatives for consideration as part of Budget 2018. Separate guidance has been released detailing requirements and templates for Social Investment initiatives. The guidance is structured as followed:

- **Section 1** provides an overview of the key changes to the General Budget Track since Budget 2017 and details the timetable.
- **Section 2** provides key information for each of the four General Budget workstreams.
- **Section 3** details what information is expected for cost pressure initiatives, and how this will be used to inform decision-making.
- **Section 4** provides guidance on the process for data and analytics initiatives.
- **Section 5** details the different stages of the Budget decision-making process, in particular it illustrates how initiatives are prioritised to fit within the allowances.
- **Section 6** sets out what the Treasury and expert panels will look for when assessing all initiatives and providing advice to Ministers. This section will help you complete the Budget initiative Template.
- **Section 7** explains the process for ministerial engagement, and sets out the expectations for ministerial letters and for late initiatives.

The General Budget initiative template and other supporting information can be found in the annexes.

Significant versus technical initiatives

This guidance relates to the submission of significant initiatives. That is, initiatives seeking new funding or that constitute a significant policy decision. Technical initiatives are those which do not require new funding, and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of [Cabinet Office Circular \(15\) 04](#), as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral.

Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter.

Questions and feedback

You should use this document as your first point of call for guidance on preparing initiatives for Budget 2018. We welcome feedback on this guidance. Please contact your Vote Analyst in the first instance with any feedback or questions.

1 Overview

Budget 2018 will continue the focus on delivering better public services for a growing country, supporting families to get ahead and investing in infrastructure to support a growing economy. This will be underpinned by the Government’s fiscal strategy and targets (in particular reducing net debt to around 20% of GDP by 2020 and the new longer-term target of reducing net debt to between 10 to 15% of GDP by 2025), which will provide a key anchor for decision-making.

The operating allowance for Budget 2018 is \$1.7 billion per annum and the capital allowance is \$2.0 billion. As with each Budget, remaining within these allowances will be challenging and require prioritisation and consideration of savings options.

Initiatives will be progressed through two tracks: the ‘Social Investment Track’ and the ‘General Budget Track’. Both of these tracks will be managed within the allowances but will be subject to different requirements and assessment criteria.

Figure 1 – Overview of Budget 2018 Tracks

	OPERATING ALLOWANCE (\$1.7 billion)		CAPITAL ALLOWANCE (\$2.0 billion)
TRACKS	Social Investment Track	General Budget Track	Capital and near-capital initiatives
SCOPE	Supports investment ready social investment proposals that can deliver results for vulnerable population groups.	Covers established investment streams including Business Growth Agenda, Social Sector and ‘Other’. This includes business-as-usual pressures and new initiatives.	Covers all investments and capital projects across key sectors, including: roading and rail, education, health, digital infrastructure, defence and housing.
TREATMENT	Initiatives will be treated within the operating allowance. Initiatives are subject to a multi-criteria investment threshold in order to be considered for funding.	Initiatives will be treated within the operating allowance. Initiatives are subject to the standard assessment criteria – including assessment of the strategic alignment and value-for-money of proposals.	Capital initiatives will be treated within the capital allowance. Capital initiatives are subject to the standard assessment criteria – including assessment of the strategic alignment and value-for-money of proposals.

Changes from Budget 2017

The main changes to the General Budget Track from Budget 2017 are outlined below. These reflect ministerial expectations as well as feedback received from agencies as part of the Budget review process.

- **Budget 2018 will have a stronger emphasis on lifting the quality and transparency of information to support decision-making.** Information from agency strategic plans (Four Year Plans, Long Term Investment Plans, and other strategic documents) will be drawn on, to provide strategic context and visibility on long-term investments/pressures. Budget Ministers expect the following critical information to support the decision-making and prioritisation process:
 - ✓ The main drivers supporting why the initiative needs to be funded now.
 - ✓ Historical expenditure in this area and the effectiveness or success of other similar initiatives funded in the past (the 'run rate').
 - ✓ Under fiscal constraints, how initiatives will be prioritised or scaled (this includes identifying savings options).
 - ✓ How the proposal relates to the agency's medium to long-term strategic direction.
 - ✓ For cost pressures, an understanding of the underlying cost drivers, assumptions, and impacts.
- **Guidance documents for Budget 2018 will provide more visibility of how information requirements feed into the Budget decision-making process.** This document unpacks how requirements such as CBAX models, panel assessments and template submissions are used in the different stages of the decision-making process.
- **Budget 2018 will ensure that requirements are fit for purpose, deliver value, and are used in the decision-making process.** In response to the feedback received through the Budget 2017 Review, the Treasury has simplified the initiative templates, removed the requirement for 15-year forecast information and introduced a more targeted approach in the application of CBAX.

Timeframes and Process

The timetable and process for Budget 2018 is broadly the same as Budget 2017, as detailed below. Please see section 5 for useful information on each stage of the assessment process.

Date	General Budget Track
September	Workshops held for agencies at the Treasury.
October/ November	Finance Ministers meet with selected portfolio ministers to understand the sector including baseline expenditure and effectiveness, to inform Budget investment decisions made later in the process.
November	First Investment Panel convened to consider capital and near-capital initiatives that are ready for discussion.
8 December	General Budget Initiative template due from agencies – documents uploaded via CFISnet. Letter to the Minister of Finance sent from the Portfolio Minister outlining list of both General Budget and Social Investment initiatives.
15 December	Final Four Year Plans and cost pressure information due to the Treasury from selected departments.
December	Budget technical guidance released, including Estimates Style Guide and an interim Budget 2018 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations and Estimates, but cannot be finalised until Budget day is confirmed.
December/ January	Initial Treasury assessment and analysis of Budget initiatives, with support provided to agencies to further refine initiatives to meet requirements.
Late January	The Treasury runs internal workstream moderation sessions to consider Vote Team assessments across similar initiatives from different sectors.
31 January	Any initiatives not submitted before this date will be considered late and require the approval of Budget Ministers to be included in the Budget process.
February	Budget day confirmed and final Budget 2018 timetable released. Social Investment Panel meets with agencies to consider all Social Investment initiatives and selected General Budget initiatives. Investment Panel meets with agencies to consider capital and near-capital initiatives. Peer review process for selected BGA initiatives. Agencies may be asked to discuss initiatives with the peer reviewers.
February- March	Minister of Finance holds bilateral meetings with portfolio ministers. Ministerial groups (Investment Ministers, Finance Ministers and BGA Ministers) meet to discuss Budget 2018 initiatives, strategic choices, and how they relate to the direction of travel agencies outlined in their strategic plans.
Early April	Budget Ministers agree final Budget package.
April	Cabinet confirm final Budget package.

Specific Initiative Types

Savings initiatives:

Savings initiatives, meaning those which involve returning of funding to the centre, will be subject to the same information requirements as all other General Budget initiatives.

Cost pressure initiatives:

To support the prioritisation of cost pressure initiatives in the Budget package, Budget 2018 will require stronger evidence on the drivers behind these pressures and the options and choices available to Ministers. Section 3 provides further detail on the information requirements for cost pressure initiatives.

Data related initiatives:

Agencies are strongly encouraged to engage with the Information Group when developing a data related initiative. Section 4 provides further detail on the Information Group's priorities, its role in the Budget 2018 process, and what counts as a data related initiative. This fiscal implications of these initiatives will be considered within the relevant workstream.

Assessment Criteria and Expectations for Budget 2018

Requirements for all General Budget initiatives:

- Template 1: General Budget Track Initiative Template
- Template 2: Impact Summary Table
- Template 4: Ministerial Letter
- Template 5: Late Initiatives (required for all initiatives submitted after 31 January), and
- CBAX: required for all Social Sector initiatives unless Treasury has agreed an exemption. CBAX is encouraged where feasible and appropriate for the other and BGA workstreams.

Additional requirements for cost pressure initiatives:

- supporting calculations showing how the quantum of the pressure has been calculated.

Ministerial Engagements and Late initiatives

Ministerial engagement meetings in February and March will cover options for reprioritisation and savings, and the trade-offs associated with each of these. The purpose of the meetings is to better understand baseline expenditure, cost drivers and potential savings and reprioritisation options. Agencies will be informed once the dates for these meetings are confirmed. Further details is included at section 7 of the guidance.

2 Budget 2018 Workstreams

2.1 Overview

Budget initiatives submitted to the Treasury are organised into the following workstreams:

- **Social Sector:** this covers initiatives submitted from Social Sector agencies including: Health, Education, Oranga Tamariki, Social Development, Justice, Corrections and Police.
- **Business Growth Agenda:** this workstream covers a wider range of areas including economic development, skills, exports and trade, and the environment.
- **Capital:** all initiatives which involve capital expenditure go through this workstream. Any related operating expenses associated with the investment will be managed through the relevant operating workstream.
- **Other:** this workstream includes areas that are not covered by the above. Typically this includes initiatives related to Parliamentary Services, Finance, Arts, Culture and Heritage, and Internal Affairs.

The main purpose of splitting initiatives into different workstreams is to ensure that initiatives get the right level of scrutiny and assessment from the right groups of people. This allows these initiatives to be traded off and prioritised against each other in a consistent manner. The categorisation also allows for greater visibility and provides a mechanism to manage the large volume of initiatives that are submitted by agencies (in Budget 2017, around 300 initiatives were submitted across all workstreams).

The workstream structure is particularly useful at the early stage of the assessment process, when Vote Teams assess individual initiatives and this is collated by the central budget team to provide advice to the Minister of Finance on what is supported within each workstream. As the decision-making process transitions into the 'package development' stage the Treasury provides advice on investments across all workstreams. The decision-making process is discussed in further detail in section 5 of this document.

In most instances it should be obvious which stream applies to your initiative, however if this is not clear please talk to your Vote Analyst as early in the process as possible. The sections below go into further detail on the requirements and process for each of these workstreams.

2.2 Operating and Capital Allowances

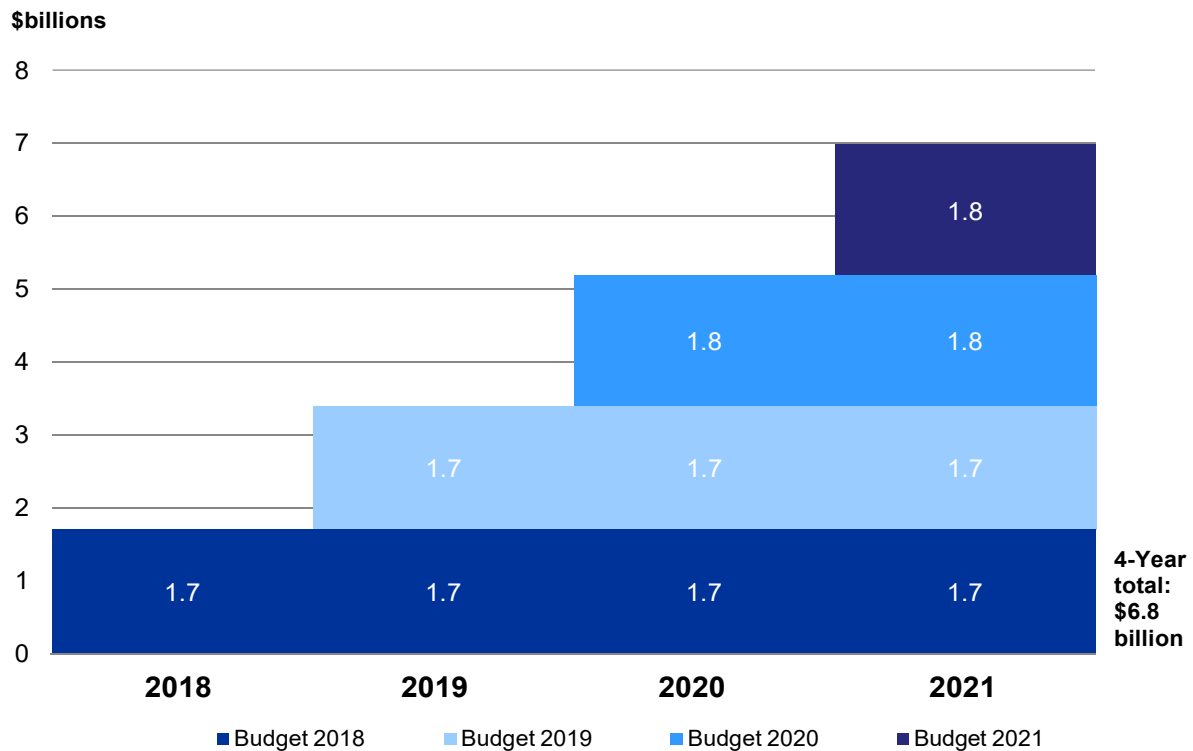
The operating and capital allowances are set in advance of each Budget in accordance with the Government's fiscal strategy. The allowances are the net amount allocated for new policy initiatives or cost increases in existing policies.

For Budget 2018, the operating allowance is \$1.7 billion and the capital allowance is \$2.0 billion. The allowances are calculated in net terms, meaning that increases in spending may be offset by increases in revenue, capital receipts, reductions in spending or reprioritisation.

Operating allowance

The operating allowance is additional funding which is added to the Government’s baseline expenditure, **each year, in perpetuity.**

As shown in the figure below, the Budget 2018 operating allowance is \$1.7 billion a year, which totals \$6.8 billion over four years (2018/19-2021/22). For subsequent Budgets, the new operating allowances will increase by 2 per cent each year.



What is counted and how?

- The net cost of the new policy is counted over the forecast period (2017/18 – 2021/22). That is the current financial year, plus four years. The average cost per year, total cost over the forecast period and the amount required in 2021/22 are all important.
- As there is \$1.7 billion available per annum continuing in perpetuity (which is \$6.8 billion over four years (2018/19-2021/22)), the operating expenditure for the package must reconcile the following factors:
 - Average across years: the average cost of the operating package must not exceed \$1.7 billion per annum. This means that for each financial year, the net total may not exactly equal the allowance and may be higher or lower.
 - Total expenditure over the forecast period: the total expenditure of the operating package must not exceed \$6.8 billion for the forecast period.
 - Managing the in-year (2017/18) and outyear (2021/22) impacts: In-year amounts are included in the average and total calculations above, but impact directly on OBEGAL in 2017/18. The outyear amount needs to total \$1.7 billion; as such an increasing expenditure profile need careful consideration.

Capital Allowance

The capital allowance provides one off funding injections for specific capital investments. The capital allowances for Budget 2018 and subsequent budgets are set out in the table below.

Table 1 – Capital Allowances over the forecast period

(\$ billion)	Budget 2018	Budget 2019	Budget 2020	Budget 2021
Capital Allowances	2.000	2.500	2.500	2.500

What is counted and how?

- The first 10 years of capital investment is counted against the Budget 2018 capital allowance, net of any savings or recognised benefits. Fiscal implication tables in the Budget initiative template should be extended to reflect the full capital costs of the initiative.
- Capital related operating impacts (capital charge, depreciation and other associated operating expenditure) are managed against the operating allowance, through the appropriate workstream. The Treasury will ensure these are reflected in the associated package, where necessary.
- The full commitment is charged against the Budget 2018 capital allowance at the point decisions are made by the Government, rather than when the funding is spent. The cash expenditure is included in your department's forecasts and is reflected in the Budget Economic and Fiscal Update

2.3 Social Sector Initiatives

The Social Sector workstream covers initiatives from Social Sector agencies and is largely dominated by significant cost pressures.

Requirements

- For Budget 2018, there will be a stronger emphasis on getting **better quality information** to support decisions on cost pressures. This includes information on cost drivers, impacts and assumptions as well as an understanding of the client that is being targeted through the delivery of the service. More detail on the requirements for cost pressures is outlined in Section 3.
- All initiatives in the Social Sector (including cost pressures) will be required to complete a **CBAX**, unless exempted. The exemptions will be on a case-by-case basis. More information on this can be found in Section 6, and in the CBAX guidance.
- The **Social Investment Panel** will assess initiatives in the Social Investment Track and selected initiatives from the General Budget Track. This could include both cost pressure initiatives and other discretionary investment proposals. Agencies will be notified of the timing and process closer to the time.

Process

Compared to the BGA and Capital workstreams, there is currently no group of ministers which reviews initiatives in the Social Sector. In Budget 2017 this was mainly done through a series of bilateral engagements between the Minister of Finance and Portfolio Ministers. The general process for these initiatives is set out below, and further details are set out in section 7:

- Initial bilateral meeting on agency’s baseline expenditure, strategic direction and pressures. This sets the scene for a discussion on specific Budget initiatives and priorities at a later stage.
- Initiatives reviewed by Treasury Vote Teams and engagement with agencies for further information to support assessment
- Internal moderation between Vote Teams to discuss how initiatives stack-up across sectors, key assumptions and judgements in assessment. This is used to develop a draft social sector package.
- The package is typically circulated to portfolio ministers ahead of further ministerial engagement meetings with the Minister of Finance.
- Further advice is provided by the Treasury Vote Teams on ministerial priorities, key risks and trade-offs. This is an iterative process.

The timing of ministerial engagements will be confirmed closer to the time. Section 7 has further details on the requirements for these meetings.

2.4 Business Growth Agenda Initiatives

The BGA Budget workstream will provide Ministers with advice on investment-ready initiatives that contribute to achieving the BGA vision.

The BGA vision is:

A diverse and internationally connected economy that will deliver better quality of life for all New Zealanders.

The BGA is structured as six workstreams and three cross-cutting themes:

Workstreams	Cross-cutting themes
1. Export Markets	1. Māori Economic Development
2. Natural Resources	2. Regional Economic Development
3. Infrastructure	3. Regulation
4. Innovation	
5. Investment	
6. Skilled and Safe Workplaces	

Budget initiatives will be allocated to one of the six workstreams for assessment based on the content of the initiative.

Annex 1 provides detailed guidance on the BGA Budget workstream.

Process

Decisions in the BGA Budget stream will be made using the following process (further detail on each stage is contained in annex 1):

1. Ministers set strategic direction early on with advice from the BGA Leadership Group.
2. Agencies develop initiatives based on Ministerial priorities.
3. Agencies refine initiatives with Vote Team assistance.
4. Vote Teams assess initiatives on value for money and strategic fit, and workstream leads prioritise initiatives in their workstreams and advise Ministers on a proposed workstream package.
5. BGA Leadership Group advises BGA Ministers on broad features and emerging themes of the initiatives submitted.
6. Workstream Ministers consider initiatives in their workstreams and advise BGA Ministers on priority initiatives.
7. BGA Leadership Group considers priorities and advises BGA Ministers on a final package.

2.5 Capital Initiatives

All initiatives with capital implications are considered through the Capital workstream. The capital package is subject to the capital allowance (*\$2.0 billion for Budget 2018*) and Investment Ministers receive advice and consider the overall capital package which is presented to Budget Ministers.

Capital initiatives are:

- Subject to the requirements of Cabinet Office Circular CO 15 (5)
- Supported by an appropriate *Better Business Case*
- To be considered by the Investment Panel.

Any additional requirements or flexibility related to your agency's Investor Confidence Rating are specified in those agreements.

Requirements

Better Business Cases

An appropriate *Better Business Case* is required to support all capital investment proposals. If a proposal does not have a business case, it will likely be assessed as "not investment ready" and prioritised as such in the capital package.

There are a range of types of business cases depending on the decision being sought, the nature of programme or project and the associated scale, risk and uncertainty. Your Vote Analyst can advise on the appropriate type of business case to support the initiative.

Further information and guidance is also available at <http://www.treasury.govt.nz/betterbusinesscases> or email betterbusinesscases@treasury.govt.nz.

Investment Panel

The Investment Panel is convened by the Treasury and includes senior experienced members of the public service and private sector advisors. The Panel provides independent advice to Government Investment Ministers and the Treasury. Its advice includes a recommendation on funding, commentary on the relative value of the initiative, and commentary on the initiative's alignment to government, sector or agency strategies.

The Investment Panel (and sub-Panel for smaller capital initiatives) is convened in **November** and **February** to consider all initiatives with capital implications. Agencies should plan for their initiative to be considered at one or both of these Panel sessions.

Support to Agencies

Business case support

Business case clinics are available to agencies who are developing proposals for major projects that require high support. Clinics help agencies to receive consolidated feedback from the Corporate Centre through the development of the business case.

Clinics can be tailored to meet the needs of the agency and could be used, amongst other things, to establish the business case approach, using the point of entry document, at an early stage, test the early thinking in the business case and provide feedback on the business case. Further information is available here: [Better Business Case Clinics](#).

Early engagement with your Vote Analyst can allow the Corporate Centre to provide assistance and advice on the timing of key decisions – this support is available to all agencies. Further advice is available here: [BBC Framework and Alignment with Annual Budget Process](#).

Further advice specific to procurement can be provided by Ministry of Business, Innovation and Employment's (MBIE) Procurement team and any new data and information-related initiatives can be supported by the Information Group and/or the Government Chief Information Officer (GCIO).

Investment Panel advice

Your Vote Analyst will provide an invite and further background on the Panel in the lead up to your agency's attendance of the Panel session. They will share the briefing for the Panel on your agency's initiative ahead of the session.

Agencies which are able to present to the Panel on both the strategic fit and then progress into the specific or more detailed areas are received well. Agencies are given this opportunity to present first before specific questions from the Panel. Agencies can bring printed presentations, however they should consider the amount of time available and level of detail being conveyed.

Attendees should include the Senior Responsible Owner, Chief Financial Officer and Project Lead. Additional attendees who can speak to specific areas of the investment proposal can also attend.

Following the Panel session your Vote Analyst will share the specific sections of the Panel's report relevant to your proposals, ahead of the this being provided to Investment Ministers.

Further Information for Investment Ministers

Investment Pipeline

An investment pipeline is prepared and presented to Investment Ministers twice a year. The Minister for Infrastructure is focussed on increasing the transparency and credibility of this pipeline. Agencies submitting capital initiatives through the Budget should be included in their GPP data and the pipeline.

Agencies should also be able to contextualise the investment within its own capital intentions plan and Long Term Investment Plan. In Budget 2017, Investment Ministers were particularly interested in the following questions:

- What has the historical expenditure been in this area (for at least the last four years) and;
- What is the expected/forecast investment for this project (and baseline) initiatives over its life?

As captured in the Budget initiative template, the choices for scaling, phasing or deferral and associated implications (*Affordability* section) will be important for both capital and operating initiatives.

Opportunities for Public Private Partnerships

Agencies should consider the ability for its initiative(s) to be considered for delivery by Public Private Partnership. Further advice is available on <http://www.treasury.govt.nz/statesector/ppp> and you should consider this as part of the Better Business Case process.

Benefits realisation

Effective benefit management is about giving investments the greatest possibility of realising and optimising the benefits promised, while maintaining controls to avoid the loss of value. Further information is available here: [Benefits Management and Realisation](#).

A clear benefits realisation plan and management will provide greater confidence in the investment proposal, and be factored into the overall assessment.

2.6 Other Initiatives

As in Budget 2017, where operating initiatives do not fit into the Social Sector, BGA or Capital workstreams, these initiatives will be considered Other initiatives and considered by Finance Ministers.

The Other package of initiatives often includes the operating costs associated with agreed capital initiatives. The Investment Panel and Investment Ministers consider the whole of life cost of an initiative, so in these instances Other initiatives will be assessed through the Capital process.

3 Operating and Capital Cost Pressures

3.1 Purpose

Ministers have set out increased expectations for cost pressure initiatives and Budget 2018 will require a greater understanding of cost pressures. To support the prioritisation of cost pressure initiatives in the Budget package, the following is required:

- Identify the cost drivers behind these pressures (eg, population changes influencing volumes, general price inflation, and wage contract negotiations).
- Clearly outline why there are no efficiency savings across the entire agency that could be generated to offset all or part of the pressures.
- Clearly outline what will need to be stopped or how the services delivered by the agency would need to change in order to manage the pressures.
- Provide supporting calculations showing how the quantum of the initiative has been calculated. The supporting calculations should show the cost drivers, assumptions and information sources used. Ideally, sensitivity analysis in respect of significant inputs and assumptions would also be provided.

As with every Budget, significant cost pressures come through from key sectors which will need to be prioritised in order to remain within the allowances. The level of supporting information and evidence will contribute to the prioritisation of these pressures.

3.2 What is this information used for?

Cost pressure information is used for the following key parts of the Budget and the requirements set out below help us provide the level of granularity required by Finance Ministers:

- **Advice on the Government's Fiscal Strategy.** The Treasury uses the cost pressure information submitted through Four Year Plans, Long Term Investment Plans and supporting Budget cost pressure initiatives to provide advice on the adequacy of the operating and capital allowances.
- **Preparing and developing the Budget package.** To create a package which fits within current allowances the Treasury has to make judgements on prioritisation of initiatives (including scaling, phasing and deferral). This information is used to set out the criticality and help justify further investment. Where initiatives are scaled or not included, we need the risk and implications information to ensure that Finance Ministers are fully informed about the trade-offs that they are making.
- **Advice to the Finance Ministers to support bilaterals.** Finance Ministers demand an in-depth level of information to support their bilateral engagements. The Treasury needs to set out the policy settings and choices associated with the cost pressures, what has been done to date and what actions could be considered, as well as forming a judgement on the adequate level of funding. We have included questions which were asked in Budget 2017 by Finance Ministers in *Template 2: Budget Summary Template for General Budget Track initiatives*.

3.3 What is a cost pressure?

Cost pressures cover existing services and outputs which are facing wage, price, volume and/or other pressures, and where an agency considers it cannot continue to deliver the same level or quality of service with existing funding or from other resources.

In general, it is expected that cost pressures will be funded from baselines. Where it is no longer possible for an agency to manage these pressures and it exhausted all other options to deliver efficiency savings, Ministers may decide to submit a Budget initiative.

There is no separate workstream for cost pressure initiatives. These initiatives will be considered through the appropriate workstream; ie, Social Sector, BGA, Other or Capital, within the General Budget track.

Cost pressure type captures the driver or the mechanism that generates the pressure. Specifically, cost pressures need to be broken down into the following four categories (as appropriate). To ensure consistency across and within all government agencies, calculate volume pressures (where these are relevant) before any other pressures. Other pressures should then be calculated based on the volume adjustments. The expectation is that personnel and price pressures will apply to different parts of the baseline and should not overlap.

- **Volume driven pressures.** These can arise from population growth, changes in population characteristics, or changes in the economic environment. They are client driven. For example, increased numbers of children requiring childcare.
- **Personnel cost pressures.** Include any personnel cost pressures that are in addition to any volume driven components. These should be broken down (where possible) into cost pressures due to (i) bargaining/remuneration outcomes and (ii) cost pressures due to progression (costs attributable to employees' progression through pay scales or application of the remuneration policy/framework).
 - Bargaining/remuneration outcomes should include known increases arising from current individually or collectively negotiated pay settlements and anticipated costs of future individually or collectively negotiated pay settlements/remuneration forum outcomes or similar, with the difference between what is committed and what is assumed clearly set out.
 - Superannuation, ACC levies and any other elements that make up personnel costs should be included in this calculation where changes contribute to personnel cost pressures.
- **Price pressures.** Non-personnel pressures that are additional to any volume-driven components. These not only include changes in costs of inputs, but also changes in capital-related operating expenditure (such as unfunded capital charge or depreciation) resulting from increases in the value of capital assets. As part of the planning process, the Ministry should have a clear understanding of when and how significant contracts will have an impact on costs.

3.4 Relationship with Strategic Plans

Strategic planning documents provide insight into an agencies strategic objectives and how the agency intends on achieving them – including the resources the agency will need, choices and options available to decision makers and any obstacles or risks that they anticipate. This information is used by Treasury to provide contextual information, including for funding requests and informing Budget discussions about priorities and trade-offs both for current and future budgets.

Any information regarding pressures or funding requests found in strategic plans (including cost pressures identified in the Financial Information Template accompanying the Four Year Plan) does *not constitute* a budget initiative. All budget initiatives must be submitted to CFISnet and fill out the initiative template.

3.5 Requirements for cost pressure initiatives

COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]	
<p>A. What are the policy settings and cost drivers creating the pressure or risk? This provides an understanding of the policy settings and choices associated with the cost pressures.</p> <p>Specifically, what is the driver (such as demand for services underpinned by set staffing ratios, inflation, etc) and where is the entitlement specified (ie. legislation, handbooks, or expectation).</p>	<p>The objective of this is to include the following elements in advice to Ministers:</p> <ul style="list-style-type: none"> • Identification of the cost driver(s) and the proportion of funding sought which each is driving. The fixed and variable cost per unit is expected in order to understand the price point of the service or intervention. This allows comparison to the costs in previous years and/or of similar service provision in other sectors. • Understand where there are choices or discretion and the level of difficulty to make changes. This will also pick up the severity of the change on wider sector outcomes. • Highlighting risks for this service and sector and potential risks across the public sector, which may not yet be evident. <p>For example, the <i>Early Childhood Education</i> cost pressures:</p> <ul style="list-style-type: none"> • <u>Policy setting/entitlement</u>: ECE services are provided by licensed private third parties, which the Crown funds predominantly through the universal ECE funding subsidy, 20 hours ECE and equity funding components. • <u>Legislation</u>: 311 of the Education Act 1989 provides entitlement for access eligible ECE services to be paid grants for this policy. It sets out the amount of the grant must be determined by the Minister and that they retain discretion on rates and conditions. • <u>Funding rates</u>: The funding rates are set out in the ECE Funding Handbook "Funding Rate Table – Appendix 1". • <u>Divers</u>: Funding is determined by a number of input-based factors including the type of service accessed, number of hours accessed, age of the child and number of qualified teachers. The primary driver is the number of funded child hours that are accessed. Specific discretionary increases to components of the ECE cost adjustment grant are considered at Budget; in recent years these have been targeted to non-salaried and equity components. <p>Agencies are encouraged to provide detailed breakdowns of the cost (for example, cost per household, individual or cohort) where this information is available. The information provided should give confidence in the fiscal costs of delivering the intervention or service. If the drivers are not well understood, it will help to set out what work is underway to better understand these.</p>
<p>B. What are the assumptions underpinning the pressures? This sets out how the cost pressures have been calculated and enables assessment of consistency across the State Sector.</p> <p>Please provide supporting documentation showing supporting calculations as well as comparator information for these costs over the past four years (forecast and actual) and any offsetting inventions/funding.</p> <p>What are the rates and forecasting assumptions that have been applied to generate the costs (by component)?</p> <p>What services do these pressures relate to?</p> <p>Have you undertaken sensitivity analysis with respect to any significant assumptions?</p>	<p>The objective of this is to enable the advice to provide a judgement on the confidence and consistency of the assumptions that underpin the cost pressures. In particular:</p> <ul style="list-style-type: none"> • The confidence in the data/rates and/or the reasons for departing from these (ie 50th percentile versus 75th percentile in the Statistics New Zealand data). • The comparability across cost pressures with similar drivers and/or external comparators. • How sensitive the cost pressures are to further changes in the assumptions (ie if the rate of uptake is even higher or lower than expected). <p>For example, if an agency is experiencing an increase in costs due to the composition of their overall population changing (eg proportion of high security prisoners increasing), it would be helpful to set out:</p> <ul style="list-style-type: none"> • The different target population groups within the overall population and how their needs and therefore cost to serve differs (eg high security prisoners require lower staff to prisoner ratios, more wrap around services, higher levels of capital investment per inmate compared to low security prisoners) • Forecasts of customer demand for each customer segment, where available. The source of these forecasts should be made clear. • The drivers or contributing factors behind any forecast change in demand if known (eg crime rate, changes in sentencing policy). An

	<p>explanation of the relationship of the driver to the change in demand would be helpful, along with an explanation of the strength of the relationship between identified drivers and the change in demand. Historical information could be used here as supporting evidence.</p> <ul style="list-style-type: none"> Does the agency have a choice about whether to respond to changes in demand (eg is there a legislative requirement and if so, where is that found?) <p>Agencies are encouraged to provide supporting calculations, which build on the cost driver information above by setting out the assumptions (costs/rates) and information sources used. Ideally, sensitivity analysis in respect of significant inputs and assumptions would also be provided. If agencies have comparative information on the cost of delivering existing similar services or achieving similar outcomes for the specified target population this could also help.</p>
<p>C. What options have been identified to address the cost pressures? This provides Minister with an understanding of what's been done to-date and what actions could be considered? What steps has your agency taken to manage these pressures? What has been the impact of these steps on the cost pressures and outcomes? What has been the effectiveness of funding provided through previous Budget(s) or Cabinet decisions? How will these pressures be managed going forward?</p>	<p>The objective is to provide context to Finance Ministers on what's already been done and impacts of the choices available. In particular:</p> <ul style="list-style-type: none"> What are the responses that have been previously identified? Setting out if these were based on efficiencies, broader reprioritisation, new Crown funding or were the entitlements changed/capped, ways in which it's delivered change, etc. What were the implications of these actions? Did it impact on the access/outcomes which are meant to be delivered or has it led to falling out of step with best practice (ie frozen salaries since a point in time). What makes the previous option(s) unsustainable now? Whether options to manage still exist and what is the credible of the options remaining?
<p>D. What is the efficiency, effectiveness and productivity of this cost pressure area? This provides an understanding of the value proposition for further investment in this area. <i>Effectiveness</i> – how well is the performance understood (ie has evaluation been undertaken? What information do you have on the impact of the existing spend? <i>Ministers have shown specific interest in understanding the effectiveness of funding provided in previous budgets and cabinet decisions.</i> <i>Efficiency</i> – what do you know about efficiency of the current service? Does this investment expand the reach of the programme, fund an unmet need or keep the existing service/programme going? What information do you have that the services relating to these pressures are delivering value? What information can you provide to show that productivity of this area has improved (or declined) and how is this measured?</p>	<p>Often limited focus or detail is provided on the efficiency, effectiveness or outcomes which have been achieved. Information provided on performance of the cost pressure initiative will strengthen the case for further investment. Details that support this include:</p> <ul style="list-style-type: none"> What is the performance trend for outcomes in this area (ie increase achievement of NCEA L1, impact of the number of films made in NZ)? If there is limited performance information available, what plans are there to improve information about effectiveness, efficiency or productivity? (And how do these relate to this additional investment). How does this service/provision transition users into other areas once ineligible for this intervention or service? (If applicable), who are the external providers and what measures of effectiveness, outcomes, performance etc are included in the contracting?

4 Data Related Initiatives

4.1 What is a data related initiative?

Any budget initiative which has a significant data component, information management element, looks to share data or provides data related insights and innovation. Examples of these initiatives may include:

- A predictive modelling solution which can be shared across agencies.
- Expansion of integrated data approaches and nodes (eg, environmental data).
- Agency initiatives to improve data management infrastructure and increase interoperability.

4.2 What should you do if you have a data related initiative?

Agencies are strongly encouraged to engage with the Information Group when developing a data related initiative, and should be prepared to discuss their initiatives with the Information Group after submission but before Budget Ministers' deliberations.

4.3 Who is the Information Group?

The Information Group, made up of senior representatives of government agencies, provides all of government leadership, as part of the Cross-Government Partnership Framework supporting the Government Chief Data Steward and Government Chief Digital Officer¹. It is a strategic working group that advises from a system view on how Government can better unlock the value of information.

4.4 Information Group Priorities:

The Information Group has provided advice to Government Investment Ministers, using the *Data Investment Framework*, for the last two Budgets. For Budget 2018 the Information Group proposes priorities which build on the foundational work already underway, in the areas most likely to generate significant system impact. These priorities are:

Data Investment Framework Focus Area	Priorities
FA 1 – Applying data analytics to shape service delivery and provide actionable information to the front line	Using innovation to provide actionable information to the front line.
FA 2 – Federated data	Applying sustainable and expanded integrated data approaches.
FA 3 – Unit-centric data management	Collecting common data the same way (eg standardised core data).
FA 4- Easy to find and safe access to data	Improving the quality of data required to support government priorities (across multiple sectors).
FA 5 – Environment to actively support information sharing	Collective understanding and working as a system to build trust and maintain social license.
FA 6 – Leadership, coordination and support	Building the system lead roles and embedding a culture where the role of data and the possibilities are understood.

To be considered for endorsement by the Information Group initiatives must align with the aforementioned priorities.

¹ The Government Chief Data Steward is a new role for the Government Statistician (CEO of Stats NZ). The Government Chief Digital Officer is a new title for the Government Chief Information Officer (GCIO).

4.5 Assistance

The Information Group's Development Team are available to provide advice on the application of the *Data Investment Framework* and the priorities, and can organise agency attendance at Information Group meetings. Contact: Carol Stevenson ^{s9(2)(k)}
carol.stevenson@stats.govt.nz

For more information about the *Data Investment Framework*; <https://www.ict.govt.nz/guidance-and-resources/data-investment-framework/>

5 Process for General Budget Initiatives

This section details the different stages of the Budget decision-making process. In particular, it covers how initiatives are prioritised to fit within the allowances and the decision points and judgements which support this process. The A3 in Annex 5 sets out the process in more detail.

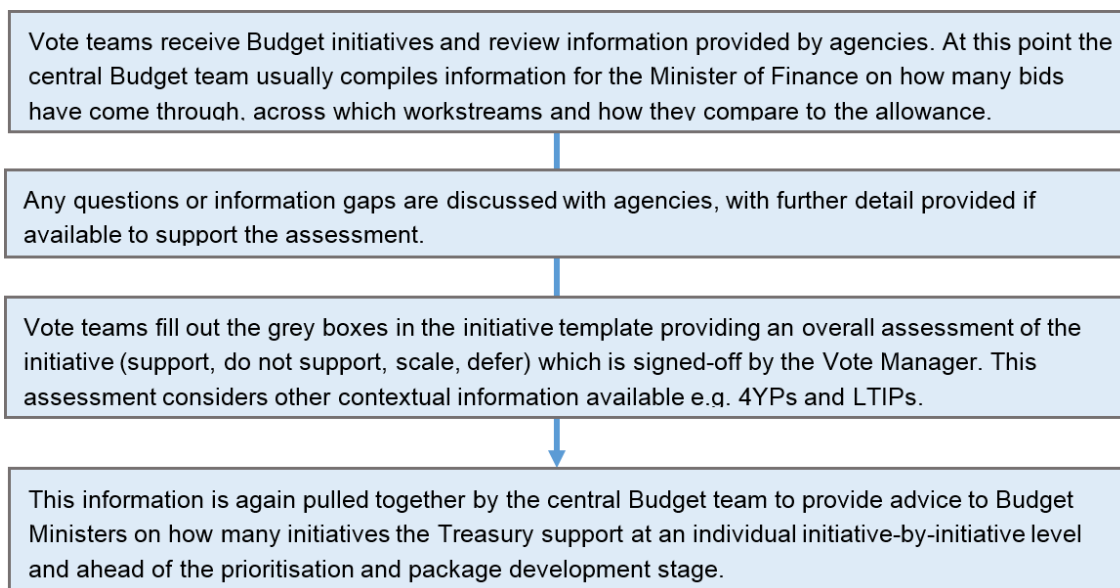
5.1 Overview

A combination of factors inform the development of the Budget package. As well as bottom up analysis of information submitted, the allowances provide a fiscal constraint which forces prioritisation and trade-offs across initiatives. As such the decision-making process broadly covers the following three stages:

- **Bottom-up Treasury assessment (December – January):** The Treasury completes an assessment of all initiatives using the agency template submissions and other information (eg strategic plans and cost pressure information). At this stage, agencies may be advised which initiatives the Vote Team supports to progress to the package development stage.
- **Package development (February – March):** The individual Vote Team assessments are moderated across other similar initiatives within each workstream (BGA, Social Sector and Other). A package is developed within the fiscal constraint, requiring cross sector prioritisation. For key areas, this is tested with portfolio ministers through bilateral meetings.
- **Final advice and decisions (April):** Advice on the Budget package is provided to Budget Ministers and Cabinet for approval.

5.2 Bottom-up Treasury Assessment

Initiatives are to be submitted in early December. Over December and January, the Treasury with reviews and analyses the information provided, engages with agencies on any questions or information gaps and forms a preliminary assessment of the initiative.

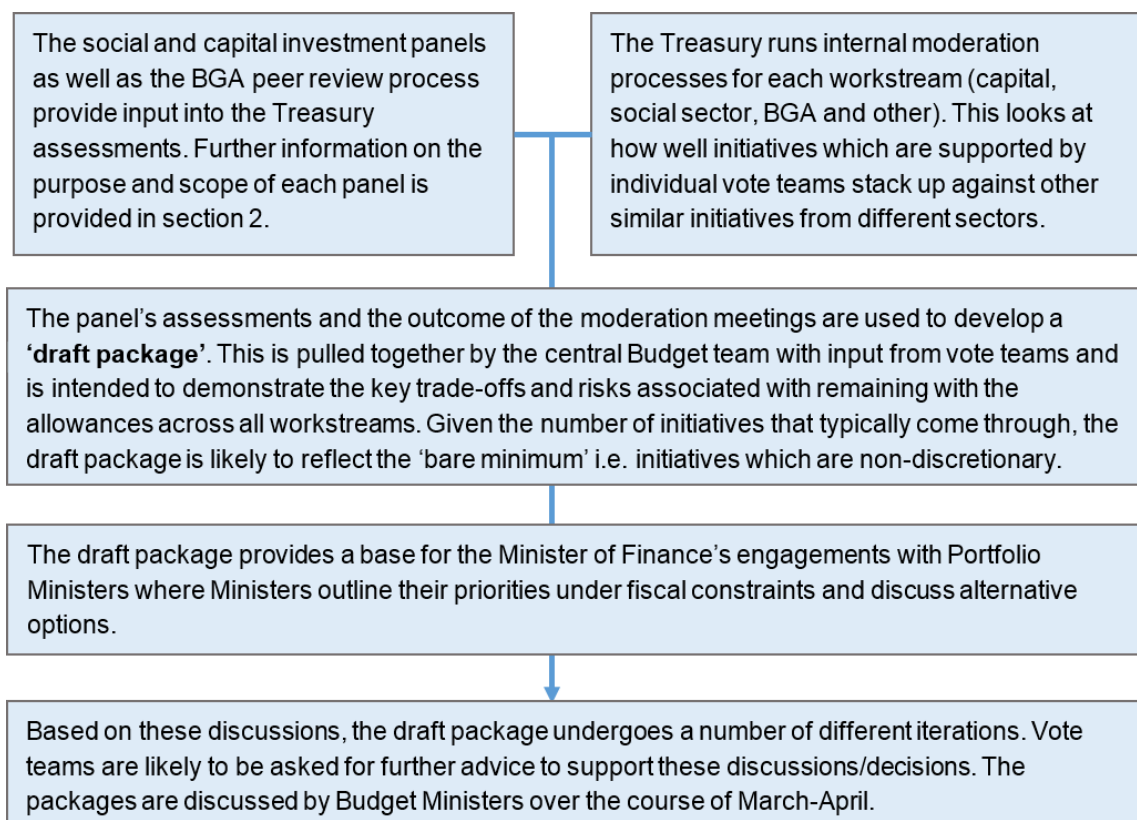


Useful information for agencies in this stage of the assessment process:

- The December to January period is the main chance for you to engage with Vote Teams to provide more information, answer any questions or revise initiatives. Initiatives which are submitted late miss this opportunity and are therefore disadvantaged.
- Vote Teams appreciate information that is presented in plain English and set out clearly. Quality is more important than quantity. The prompts in the initiative template are a useful indication of what vote teams are looking for in the assessment.
- Some simple things which are important in the assessment of the initiative but are generally done poorly:
 - **Initiative description** – is it clear what the funding is being spent on?
 - **Costings** – breaking down components, how much they cost and why?
 - **Funding sources** – why is *new* funding required? Have other sources been exhausted?
- This is only the individual Vote Team assessment which still requires comparison across other initiatives in the sector, expert panel assessment and cross sector prioritisation. Overall, this is a preliminary assessment and subject to change.

5.3 Package Development

The individual Vote Team assessments provide a starting point for discussion around prioritisation and trade-offs. The package development stage is an iterative process which involves the development of a draft package, further advice from the Treasury on trade-offs and risks associated with this draft package and engagement with selection portfolio ministers on priorities. This is done in the context of remaining within the allowances set through the *Budget Policy Statement* in December.

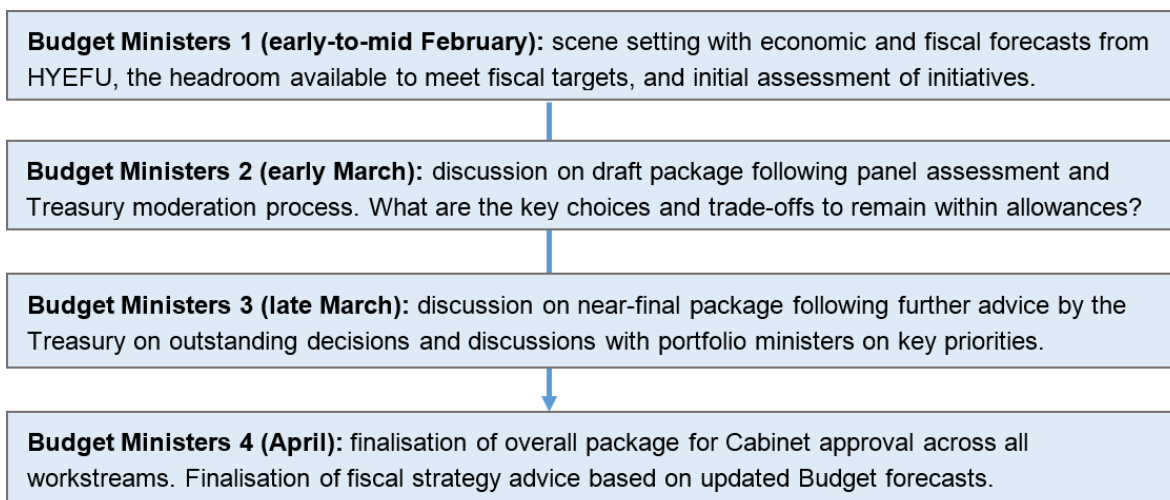


Useful information for agencies in this stage of the assessment process:

- The package development process is fluid and is supported by bilateral discussions with portfolio ministers and a series of Budget Ministers' meetings. It is likely to be different from the individual Vote Team assessments done in January as some initiatives are deprioritised in the context of the broader fiscal constraints and workstream priorities.
- For Budget 2018, the Treasury will be formalising the internal moderation process to ensure there is a common set of criteria to support decisions, consistent judgements are being made and these are justified. Key questions of interest during the moderation and ministerial engagements include:
 - the risks, implications and trade-offs of not funding this initiative now or not providing any new funding,
 - the value-for-money or return on investment, and
 - ability to scale or defer components.
- The purpose of the above information is to set out the choices available to Ministers as they make prioritisation decisions within the constraint of the allowances. It also allows the risks and implications associated with scaling, deferral and/or phasing options to be set out clearly to support decision-making.
- The Treasury's advice feeds into a number of different processes before it goes to Budget Ministers. For example, it is provided to the expert panels to support their assessment and provide context. It also feeds into ministerial groups set up for each workstream eg Investment Ministers for the capital process and BGA Ministers for the BGA workstream. This is set out in further detail in the A3 in Annex 5.

5.4 Final Advice and Decisions

The decision-making process includes a series of meetings with Budget Ministers from February to April (usually around four). Budget Ministers make decisions on the final package which is taken to Cabinet around a month before Budget Day. Budget Ministers include the Minister of Finance, Associate Ministers of Finance and the Prime Minister.



6 Key Assessment Criteria

This section sets out what the Treasury and expert panels will look for when assessing **all** initiatives and providing advice to Ministers. This section will help you complete the Budget Initiative Template. The level of detail needed to address each section will differ depending on the nature of the initiative.

6.1 Strategic Alignment

Departments are expected to explain how an initiative aligns with Government and sectoral priorities, the four Budget 2018 priorities and their own strategic plans. Explaining how an initiative aligns with priorities and strategies strengthens the case for investment.

The strategic alignment rating will be an input into the Treasury Vote Team assessment of the initiative.

The completed template should explain how the initiative:

- relates to your agency's strategic objectives as set out in your agency's Four Year Plan
- relates to the Long Term Investment Plan (if applicable)
- relates to regulatory priorities identified in your agency's Regulatory Stewardship Strategy², and
- any stated priorities or strategies specific to your portfolio or sector.

The completed template should explain how the initiative relates to the Government's four Budget 2018 priorities:

- 1 Delivering public services for a growing country, using a social investment approach
- 2 Investing in infrastructure to support a growing economy
- 3 Reducing net debt to around 20 percent of GDP by 202, and to between 10 percent and 15 percent of GDP by 2025, and
- 4 Sustaining a strong economy and supporting families to get ahead.

The completed template should explain how the initiative relates to the Government's four priorities outlined at the start of the term:

- 1 Responsibly managing the Government's finances
- 2 Building a more productive and competitive economy
- 3 Delivering better public services within tight fiscal constraints, and
- 4 Rebuilding Christchurch, our second-biggest city.

² MBIE, MfE, MPI, DIA, IRD, MOT, MoJ.

The Strategic Alignment Rating

The strategic alignment rating captures how an initiative aligns with Government priorities.

The rating is a judgement and goes through a moderation process to achieve consistency. The rating is only one part of the assessment and of an initiative. It helps provide the Treasury with a perspective on the relative prioritisation of initiatives.

The below table outlines what to look for when assessing an initiative's strategic alignment rating. For an initiative to receive a rating of 3, it needs to be **clearly explained how** the stated outcomes of the initiative strongly supports one of the four bullet points.

Table 1: Key considerations for strategic alignment rating

Rating	What to look for in an initiative
3 Strong alignment	Strong alignment with one or a combination of the following: <ul style="list-style-type: none"> • Agency strategic objectives in their Four Year Plan and any Long Term Investment Plan. • Stated priorities or strategies specific to your portfolio or sector.³ • The Government's four Budget 2018 priorities. • The Government's four priorities outlined at the start of its term.
2 Some alignment	Some alignment with one or a combination of the following: <ul style="list-style-type: none"> • Agency strategic objectives in their Four Year Plan and any Long Term Investment Plan. • Stated priorities or strategies specific to your portfolio or sector. • The Government's four Budget 2018 priorities. • The Government's four priorities outlined at the start of its term.
1 Low alignment	Low alignment with one or a combination of the following: <ul style="list-style-type: none"> • Agency strategic objectives in their Four Year Plan and any Long Term Investment Plan. • Stated priorities or strategies specific to your portfolio or sector. • The Government's four Budget 2018 priorities. • The Government's four priorities outlined at the start of its term.
0 No alignment	No alignment with one or a combination of the following: <ul style="list-style-type: none"> • Agency strategic objectives in their Four Year Plan and any Long Term Investment Plan. • Stated priorities or strategies specific to your portfolio or sector. • The Government's four Budget 2018 priorities. • The Government's four priorities outlined at the start of its term.

³ This will be different for the Social Sector, BGA, Other and Capital workstreams.

6.2 Value-for-Money and Impacts

This section explains the inputs in the value-for-money (VFM) rating and the questions asked in section 3 of the Budget Initiative Summary Template. The VFM rating and the answers to the questions in section 3 will be an input into the Treasury Vote Team assessment of the initiative.

A robust Cost Benefit Analysis (CBA), using CBAX where required and appropriate, should provide the answers to the questions in Section 3 of the Budget Initiative Summary Template. The following section goes into the questions in more detail. Section 6.3 outlines the CBA requirement and section 6.5 outlines the CBAX requirement.

Who is impacted?

Ministers are increasingly interested in understanding the individuals/groups or sectors that will benefit from a policy intervention and how any new interventions relate to existing ones (either delivered by the agency or other organisations). Initiatives should clearly set out who is the target population (this could be individuals, businesses, industry, and/or New Zealand as whole) and what the initiative is intended to achieve for them, and why it is not likely to be achieved without Government intervention.

The Public Finance Act 1989 requires agencies to provide a concise explanation of 'what is intended to be achieved' and 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#)

What are the impacts (costs and benefits), when will the impacts be realised and for how long?

The initiative should outline the costs and benefits of the initiatives, this includes both monetised and unmonetised impacts, when the impacts will be realised and for how long also needs to be explained.

Following the cost benefit analysis steps can assist in helping tease out this information, even for impacts that cannot be monetised.

The counterfactual

The impacts should be considered against the counterfactual. The counterfactual is the situation that would happen if the initiative was not in place. This is different to the status quo; the status quo is the current situation.

For example – River quality:

- The **status quo** reflects the current status of river water quality.
- On the other hand, **the counterfactual** will describe the state of the river *over time* if nothing happens eg continued deterioration of river water quality and river quality becoming worse than the status quo.

Incorrect identification of the counterfactual can understate or overstate the impact of an initiative.

What were the alternative options considered? Why was the preferred option chosen?

The initiative should outline what feasible alternative options were considered to address the policy problem/opportunity that has been identified. Supporting information should outline the evidence for the intended impact of your preferred option against alternate options.

The Value-for-Money (VFM) Judgement

VFM reflects the impacts on and benefits to New Zealand. Ie an economic welfare perspective, rather than just the Crown or an agency. It captures the marginal impact compared to what would happen if an initiative/intervention did not proceed, including factoring in current services and the associated impacts.

The VFM rating is not a straight reflection of the return on investment (RoI) numbers. The VFM judgement is a combination of RoI, absolute NPV, and the confidence in the evidence and impacts being realised. The VFM rating also factors in non-monetised impacts.

When making a judgement about VFM the following factors are considered:

1. **How strong the economic case is?** This includes:
 - how reasonable the **assumptions** are (Any conservative or optimism bias), and
 - confidence in the **evidence base** for the assumptions and impact estimates.
2. **How substantive are the New Zealand national wellbeing and living standards gains?**
Which takes into account **all impacts**:
 - unquantified or monetised (by using CBAX or another tool), and
 - Government or wider societal in relation to the initiative cost.

The VFM rating is not a straight reflection of the RoI numbers. The following table outlines some of the factors that make up the VFM rating:

Rating	Impact indicators One or several may apply	Assumptions and evidence indicators May alter impact judgements
5 High value - confident	<ul style="list-style-type: none"> • Significant positive impacts on national living standards • RoI estimate – 5 and above • Significant service improvements • Significant reduction in government costs/liabilities and risk exposure 	<ul style="list-style-type: none"> • Conservative reasonable assumptions • Evidence certainty high or medium • Use of ranges • Concrete evidence of effectiveness • Most impacts that can be monetised have been monetised • Most non-monetised impacts have been clearly and adequately estimated
4 High / medium value - likely	<ul style="list-style-type: none"> • Significant positive impacts on national living standards • RoI estimate – 2 and above • Significant service improvements • Significant reduction in government costs/liabilities and risk exposure 	<ul style="list-style-type: none"> • Reasonable assumptions • Evidence certainty medium • Use of ranges • Many impacts that can be monetised have been monetised • Many non-monetised impacts have been clearly and adequately estimated
3 Medium value – break even confident	<ul style="list-style-type: none"> • Positive impacts on national living standards • RoI estimate – 1 to 2 • Service improvements • Reduction in government costs/ liabilities and risk exposure 	<ul style="list-style-type: none"> • Reasonable assumptions • Evidence certainty medium • Use of ranges • Some evidence of effectiveness • Some impacts that can be monetised have been monetised • Some non-monetised impacts have been clearly and adequately estimated
2 Medium value – break even likely	<ul style="list-style-type: none"> • Positive impacts on national living standards • RoI estimate – 1 to 2 • Service improvements • Reduction in government costs/ liabilities and risk exposure • Some impacts are monetised 	<ul style="list-style-type: none"> • Reasonable assumptions, with optimism bias • Evidence certainty medium • Limited evidence of effectiveness • Few impacts that can be monetised have been monetised • Few non-monetised impacts have been clearly and adequately estimated
1 Low returns – break even unclear	<ul style="list-style-type: none"> • Limited impacts on national living standards • RoI estimate – around 1 • Limited service improvements • Limited reduction in government costs/ liabilities and risk exposure 	<ul style="list-style-type: none"> • Assumptions include optimism bias • Evidence certainty medium or low • Limited evidence of effectiveness • Few or no impacts that can be monetised have been monetised • Few or no non-monetised impacts have been clearly and adequately estimated

Rating	Impact indicators One or several may apply	Assumptions and evidence indicators May alter impact judgements
0 No returns / Value loss	<ul style="list-style-type: none"> • Unclear that it delivers value 	<ul style="list-style-type: none"> • Assumptions with optimism bias • Poor evidence base • Few or no impacts that can be monetised have been monetised • Few or no non-monetised impacts have been clearly and adequately estimated

Sensitivity Analysis

Sensitivity analysis helps to identify which assumptions have the greatest impact on the expected outcomes. Sensitivity analysis is an important exercise to provide confidence in the robustness of analysis. Some common assumptions/variables that are tested through sensitivity analysis are: target population, timing of impacts, and success rate of impacts.

For more guidance on sensitivity analysis see:

- Page 50 of the Treasury's CBA primer:
<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/guide/cba-guide-jul15.pdf>
- The Treasury's CBAX guidance provides advice on sensitivity analysis:
<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

Funding Implications

The purpose of this section is to set out the funding options for the proposed initiative and the consequences of each option to help Ministers make prioritisation decisions. This includes laying out any options for scaling or deferring parts of the initiative. An explanation should be provided on whether there is an option to fund part of the initiative through baselines.

It is important to describe the implications on service delivery and risks/trade-offs for each scaling or deferring option. This information is a key input into the draft Budget package development, discussed earlier.

The information required helps to inform the package development (as set out in section 5.3). Where agencies are able to set out the following information, this assists the Treasury to make clear:

- the risks, implications and trade-offs of not funding this initiative now or not providing any new funding,
- the value-for-money or return on investment, and
- ability to scale or defer components.

6.3 Cost Benefit Analysis Requirement

All initiatives will need to complete a CBA which outlines the problem or opportunity, explores all available options and sets out the costs, benefits, and risks of the proposal. The Budget initiative summary template should summarise this information.

The information requirements from last year's CBA template have been incorporated into the Budget initiative summary template. This means initiatives in the general Budget tract only need to complete one template.

A useful place to start is the Treasury's [CBA Guidance](#). The approach this guidance document takes is that firstly, all significant decisions should be supported by a CBA. A rough CBA is better than no CBA, but it encourages undertaking a comprehensive CBA where the importance of the decision warrants it. It outlines the main steps and organising principles that agencies should adopt, and provides some short-cuts, or standard values that will generally be acceptable for inclusion in analysis.

What do we mean by cost benefit analysis?

Cost benefit analysis (CBA) is a tool for evaluating policy. CBA is first and foremost an organising principle. It is about organising in a logical and methodical way whatever information is available and enabling comparison across different options.

Before completing a CBA the first two steps are (1) identify a problem/opportunity and, (2) identify feasible options to address the problem/capture the opportunity. CBA is one tool used to evaluate a feasible option.

The seven main steps of a CBA are:

Step 1: Define policy alternatives and counterfactual.

Step 2: Identify the people who gain and those who lose.

Step 3: Identify the benefits and costs; allocate to time periods.

Step 4: Quantify the benefits and costs within ranges.

Step 5: Discount to a common period, compare benefits with costs.

Step 6: Is the result clear enough? If not, consider whether it is worth investing in more research, and repeat above steps.

Step 7: Write report.

At a minimum, it is expected that agencies will complete at least the first three steps for all Budget 2018 initiatives. The first three steps require only thinking and familiarisation with the issue. Valuation of costs and benefits is usually more difficult, but this is not a reason to not make an attempt. The CBAX tool is designed to assist agencies with steps 4 and 5 (see section 4.3)

Effort should be proportionate to the scale of the proposal. Therefore, initiatives with significant impacts and/or cost should be supported by a detailed CBA that quantifies all costs and benefits. You should work together with your Vote Analyst to determine how much detail is required.

The more detailed analysis will be used by Vote Analysts to help form their assessments, and may be made available to Ministers as appropriate.

Please contact your Vote Analyst in the first instance if you have any questions.

6.4 The Impact Summary table

The Impact Summary Table (Annex to the Budget initiative summary template) is a place to list the costs and benefits of the initiative (both monetised and un-monetised). The table splits the impacts into:

- Cost of the initiative. This is simply the funding that is being sort for the initiative.
- Government benefits and costs. For example: decreased welfare payments; increased education costs.
- Wider societal benefits and costs. For example: increased personal income; improved self-esteem.

The table provides space to explain the evidence and assumptions behind the costs and benefits identified. The table also provides space to highlight the key costs and benefits. This can include un-monetised impacts, for example, mental health improvements.

If you require assistance in completing the table please contact your Vote Analyst or the CBAX team.

6.5 CBAX

Overview

To assist agencies with their CBA assessments (in particular steps 4-5), and to enable a more robust comparison across different initiatives, the Treasury has developed a CBA tool known as CBAX. CBAX is a spreadsheet tool that helps agencies monetise impacts and undertake ROI analysis. The CBAX tool has a database of standard values that supports agencies in valuing impacts and enables consistency of information and assumptions. The CBAX tool allows departments to add their own impact values if they're not currently in the impacts database.

The expectation is that the initiatives that are funded will be those that can demonstrate a high ROI. However, initiatives with lower ROIs, that are supported by high quality evidence and reasonable assumptions will also be considered, and may even be preferred over initiatives with poorer evidence and unreasonable assumptions. Similarly, some proposals may show a lower ROI, but have additional significant but un-monetised benefits.

It is important that the assessment consider all benefits, rely on a strong evidence base, use conservative assumptions and make all key assumptions transparent. Sensitivity analysis should be used to demonstrate how the benefits/impacts can change if different assumptions are applied.

CBAX is a requirement for all Social Sector initiatives (including cost pressures) unless exempted (see below). Note that a CBAX is not required for Other initiatives, thereby easing CBAX requirements for Budget 2018 compared to Budget 2017. Agencies are however encouraged to use the CBAX tool for Other, BGA, and capital initiatives to support developing a rigorous and comparable CBA.

The Budget 2018 CBAX tool is available on CFISnet and on the Treasury website⁴. The Budget 2018 model contains improvements in response to user feedback and suggestions. The main improvements included in the Budget 2018 version are: updated impact values database, clarifications and the output page.

The Treasury, with social sector agencies, has set up a CBAX Community of Practice. All agencies are welcome to participate and can be added to the CBAX mailing list. For support using CBAX please contact your Vote Analyst or the Treasury CBAX team at CBAX@treasury.govt.nz.

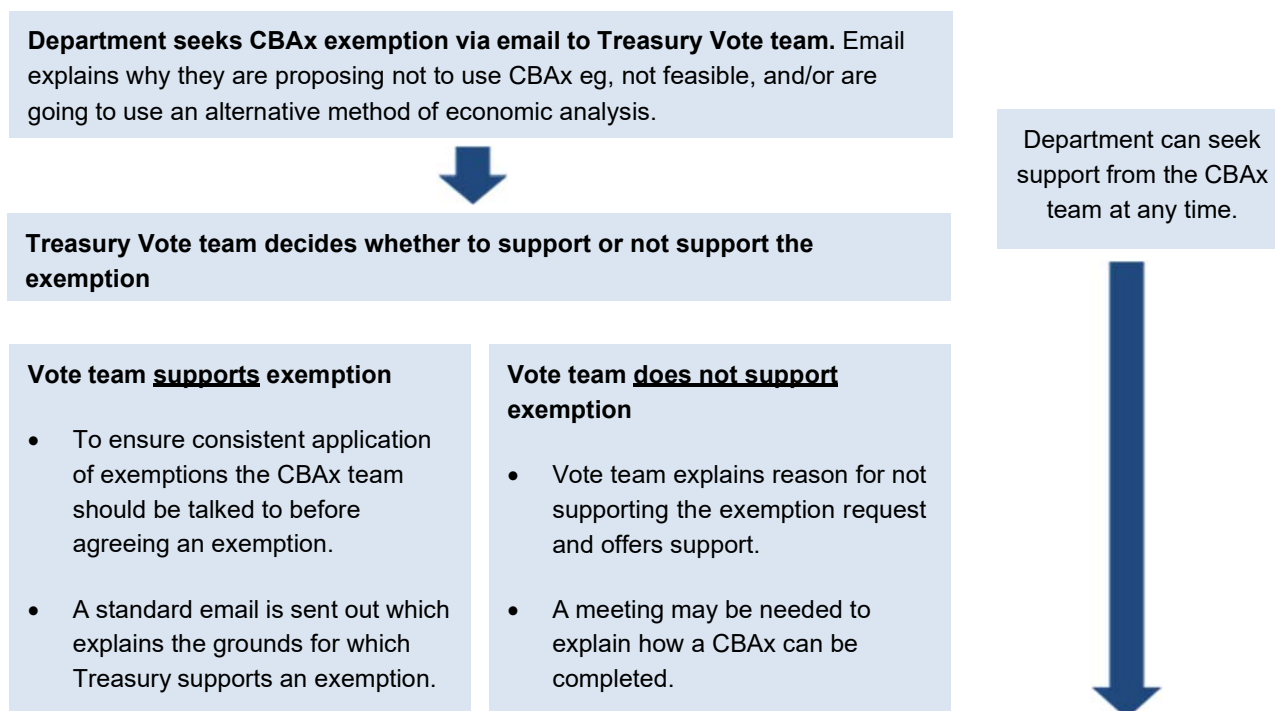
CBAX exemption process

Although a CBAX is required for all Social Sector and Social Investment initiatives, the Treasury may on a case by case basis approve an exemption. The guiding considerations for when a CBAX is not suitable or useful to inform VFM advice and decision making, include:

- There is no meaningful counterfactual (eg, the counterfactual affects many different areas and interventions)
- The initiative is legislatively mandated
- None of the key impacts can be monetised, or
- Interventions are to be agreed later (eg, when funding is sought for a contingency) and a CBAX will be provided at a later decision stage.

Decisions on whether to grant an exemption will be made on a case by case basis by Vote Teams.

⁴ <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/CBAX>



6.6 Implementation, Risk Management and Evaluation

Implementation

In many cases achieving intended outcomes is highly dependent on implementation factors such as capability and leadership, funding sustainability, existing baseline activity and local factors. An implementation plan or information describing your agency's approach to developing a plan should be provided in support of any Budget initiative.

The Treasury's advice to Ministers takes into account how well placed an agency is to deliver the initiatives and will be based on assessments of the Four Year Plan, Long Term Investment Plan and the Investor Confidence Rating. For a proposal with regulatory implications the Treasury will take into account information about agency regulatory capability based on their Regulatory Stewardship Strategies.

Risk Management

Risk identification

The purpose of risk identification is to identify what might happen or what situations might exist that might influence the achievement of the objectives of the initiative. The risk identification process includes identifying the causes and source of the risk events, situations or circumstances which could have a material impact upon objectives and the nature of that impact. Possible approaches for identifying risks include:

- Checklists
- Judgments based on experience and records
- Brainstorming/workshops
- Scenario analysis

The table below provides an overview of the sorts of risks that should be considered when developing the initiative.

Categories of Risk	Possible Sources of Risk	Notes
External and environmental risks	Political. Economic. Social/demographic. Technological changes. Legislative. Environmental. Commercial.	These are external to the organisation and can be more difficult to mitigate or manage.
Business risks	Cross agency initiatives. Governance and stakeholders inter-dependencies (to/from other programmes and projects) resources and funding.	Where these are within the control of the organisation they can be mitigated.
Service risks	Specification. Time-scale. Change management. Project management. Costs and benefits. Training and users. Suppliers, availability. Performance and Volumes.	These risks are associated with the design, build, funding, and operational phases of a new service.

Risk likelihood guide

Rating	Probability	Broad definition of likelihood
Red	Over 75%	Will undoubtedly happen/recur, possibly frequently. History of frequent occurrence. The event is expected to occur in most circumstances.
Amber	25% to 75%	Is likely to happen/recur, can be viewed as a persisting event or circumstance. Possible to occur at least within a one to two year period.
Green	Under 25%	Do not expect it to happen/recur, although it may do so. Unlikely to occur within a one to two year period and, if it was to occur, would so over a five to 10 year period. No or minimal history of occurrence.

Overall risk

The overall risk is calculated by looking at both the 'likelihood' of the risk eventuating and the 'severity' of the risk if it eventuated. For example, if a risk has a high likelihood and a high severity then the overall risk would be high.

Regulatory Impact Analysis

If your initiative involves creating, amending or repealing primary or secondary legislation, then you need to identify the relevant legislation or regulation and carry out a Regulatory Impact Analysis. However, if the rest of the information expectations for initiatives set out in this section have been well met, a formal Regulatory Impact Assessment document may not be required. There is an exemption from the requirement for a Regulatory Impact Assessment where it "would substantively duplicate other government policy development, reporting and publication requirements or commitments".

To confirm a Regulatory Impact Assessment is not required, please complete an Exemption Application Form⁵ and email it to ria@treasury.govt.nz. You must include confirmation from a named regulatory impact analysis specialist in your department that they have reviewed the material supporting your initiative and consider this material incorporates the Impact Analysis Framework and meets the Quality Assurance criteria.⁶

Evaluation

Proposals should be accompanied by supporting information on the plan to test the impact that the programme, service, policy or regulation is having on the target group. This should track outcomes or results or outputs, wherever appropriate. It should set out how you would know if this initiative has had, or has not had, the intended impact against a scenario where the initiative is not implemented; how you will track the performance of this initiative over time; what are the critical points in the implementation of this initiative where performance will be assessed, and what are the options for scaling it up or down.

The Social Policy Evaluation and Research Unit (SuPERU) have developed a set of [New Zealand specific evaluation standards](#) that set out the expectations of the evaluation process, practices and products. While this guidance is written for social sector agencies, the principles are relevant across government. We recommend that agencies use this guidance when preparing their evaluation plans.

As noted above, the Public Finance Act 1989 requires agencies to provide a concise explanation of 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#).

The Budget initiative summary template includes a section to record details of any planned evaluation of the initiative. This section explains why this is being included and offers guidance on how to fill it out. Contact your VA or the CBAX team for more advice on the template.

Evaluations seek to answer questions about how effectively a policy or programme is being implemented and how it can be improved (often called a process evaluation), and to what extent the intended outcomes of the programme have been met (often called an outcomes or impact evaluation). Good impact evaluations isolate the causal effect of the programme relative to no intervention or business as usual.

Why are we asking for evaluation plans?

We want to increase the evidence base for what works so we can focus our resources on effective programmes and improving or divesting from those that are less effective.

Policies and programmes are often rolled out in ways that are not amenable to evaluation – for example with no plausible way of attributing changes in outcomes to the policy or programme. In some cases there is not even data on who received what. Many high quality impact evaluation methods (for example Randomised Control Trials) can only be implemented with planning before the programme is rolled out. Planning evaluations can also help to standardise approaches.

⁵ <http://www.treasury.govt.nz/regulation/impact-analysis/exemption-application-form.doc>

⁶ For guidance on the Impact Analysis Requirements, see <http://www.treasury.govt.nz/regulation/impact-analysis>

What level of evaluation is required?

The quality of the planned evaluation will depend on the specific context of the programme. For some programmes high quality evaluation may be convenient: data is already being collected; random rollout is feasible, cheap, and ethical; and outcomes occur shortly after the programme so there is little lag needed before analysis. In other cases evaluation may be more expensive or otherwise infeasible: the programme may be too small to justify extensive evaluation, there could be ethical barriers to high quality evaluation, the ultimate outcomes may not occur for a decade or more (eg, early childhood programmes), data collection may be infeasible, the number of participants may be too small for statistical analysis, or it may not be possible to develop a comparison group. Sometimes there may already be such a strong evidence base that further evaluation is not necessary/cost-effective (analogous to when new drugs that have had extensive overseas testing are brought to New Zealand without further trials).

In general, the evaluation section of the template is expected to be most relevant to new initiatives, particularly social investment track initiatives. The social investment track guidance contains further information on evaluation plan requirements for these initiatives. For initiatives where impact evaluation

How do you do impact evaluation?

The goal of impact evaluation is to quantify the causal effect of a programme or policy on its participants. The causal effect of a programme is the difference between what happens to a person who receives treatment relative to what would have happened to them if they had not received treatment (the counterfactual). Since only one of these outcomes is observed the counterfactual must be estimated, often by comparing outcomes for participants with outcomes for a robust comparison group. High quality impact estimates will be unbiased (for example, they won't misattribute effects to causes other than the programme itself) and precise.

There are a variety of different methods for estimating the counterfactual. Your research team should be able to help you, and we strongly encourage you to discuss the impact evaluation plan with them.

Below is a list of links that may also be helpful:

- Superu have a variety of evaluation resources on their [website](#).
- While there is no universally agreed hierarchy of methods the UK [what works centre's modified Maryland scale](#) provides a helpful summary of different impact methodologies and the degree of evidence they provide.
- New Zealand's [what works](#) website has a series of tools and information on evaluation.
- The [Rainbow Guide](#) from Better Evaluation is a tool to help plan evaluations.

Consider using the Integrated Data Infrastructure (IDI)

One component of impact evaluation that can be expensive is data collection.

However, a large amount of government data is already collected and collated in the IDI, so agencies should try to leverage this. The IDI is a large research database containing longitudinal microdata about people, households, and businesses. This includes data from a wide range of

government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics.⁷ It is important to check that your outcome variables or good proxies for them are available in the IDI, and if not you should see if the outcome data you would like is currently collected and could be put into the IDI. If there is no current collection of outcome data, you may need to collect it yourself. In this case it is important the data collection can be resourced and is budgeted for.

When impact evaluation is not possible, linking data on participants to the IDI is still beneficial as it allows for service mapping (working out which services are provided to what types of clients at what times).

⁷ There is more information about the IDI at http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx. If using the IDI you are encouraged to discuss data arrangements with Statistics NZ, to ensure your outcome data exist and your participants can be linked in a mutually workable time.

7 Ministerial Engagement and Late Initiatives

7.1 Ministerial Engagement Meetings

Finance Ministers will meet with selected portfolio ministers both before and after Budget initiatives are submitted. These meetings provide an opportunity to engage with ministers to better understand the strategic context and pressures faced by agencies to inform investment decisions.

These meetings cover the following areas:

Meeting 1 (November-February): The purpose of this meeting is to provide context on the sector, including a robust understanding baseline expenditure and effectiveness. If there are significant cost pressure areas these will receive particular focus from Finance Ministers.

The key ingredients which agencies should include in the advice to Ministers includes:

- **Information on the baseline.** This should provide an overall picture of investment in the sector, with a focus on key areas and the drivers of expenditure. The purpose of this is to provide a good understanding of the context and characteristics of these areas. Providing a sense of the expenditure and performance over the previous four years and forecast for at least the next four years is critical.
- **Performance and strategic direction and performance.** This should leverage information in your agency's Annual Report, and strategic plans (eg, Four Year Plan, and Long Term Investment Plan etc). It should identify specific areas which are the focus for improvement, reform agenda and groups or areas which the agency has a particular attention on.
- **Cost pressures (if applicable).** This should address the key aspects set out in section and prompts in the Budget initiative template (*including affordability*). This will provide the Ministers with a sense of the state of play and context for drivers, forecasting performance and what options of policy choices Ministers could consider.
- **Budget initiatives.** This should set out the overall number and fiscal implications of the Budget initiatives sought. Providing the expenditure and performance over the past four years and the impacts, outcomes and run rate of the investment sought for at least the next four years is critical. A sense of the prioritisations and relative importance of the initiatives will help to provide choices to Ministers.
- **Outcomes and future state.** This should link the proposed investments back to the strategic direction and performance of the sector. This should capture where this investment gets us to in the medium to long term and what impact the agency is expecting on key result areas.

Meeting 2 (March): The purpose of this meeting is to discuss the initiatives to be progressed through Budget 2018 building on the earlier discussion. The draft Budget package will form a start point for initiatives which are being considered [discussed in section 5] and as such will likely feature significant scaling, phasing and/or deferral of Budget initiatives across sectors.

The key ingredients which agencies should include in the advice to Ministers includes:

- **Minister's priorities.** This should provide a sense of which initiatives are most important and why (ie, fit with strategic direction and performance, effectiveness, etc). In Budget 2017, bilaterals which set out the key initiatives led to more productive engagements. Options for reprioritisation and savings are also helpful to help accommodate initiatives within the fiscal constraints of the draft package.

- **Risks, impacts and trade-offs.** Given the prioritisation across sectors to create a draft package, it will be critical to understand the risks and impacts of the trade-offs made. It is also important to get a sense of what the minimal viable investment or do-minimum components are for each initiative.
- **Social Investment track initiatives (if applicable).** [Points here from the Guidance].
- **Cost pressures (if applicable).** This should build on the information provided in the first meeting, including any specific questions raised. Like the initiatives above, it will be critical to understand the choices available to Ministers and the impacts of each. This should also set out how far the investment goes to resolving the cost pressure.
- **Past and future investment.** For each initiative (as with the first meeting), the performance over the past four years and the impacts, outcomes and run rate of the investment sought for at least the next four years is critical. A summary of all the initiatives, including the descriptions and fiscal implications is also expected.

Where possible, and subject to confirmation with the Minister of Finance, the Treasury will share the draft Budget package with agencies.

Final dates and times of these meetings will be circulated in due course. Please contact your Vote Analyst if you have any queries.

7.2 Submission of Ministerial Letter

Portfolio and Vote Ministers are required to write a letter to the Minister of Finance listing the initiatives they wish to be considered through the Budget process. The purpose of this letter is to establish clear ministerial ownership of the initiatives early in the process.

This letter is provided in Template 4. You may alter the template to suit your agencies' needs. Please ensure the titles and descriptions provided in the letter align with those entered into CFISnet, and provided in the Budget initiative template. The titles and descriptions of approved initiatives will be made available to the public on Budget day. It is important that Ministers have early oversight and are happy with these details in order to avoid rework later in the process.

When completing the fiscal implications table, please ensure it is presented consistently with the Budget initiative template.

Please complete this template and ensure it has been **signed by your Minister before 8 December for General Budget initiatives and before 15 December for Social Investment initiatives**. Budget initiative templates, cost benefit analyses and other supporting information requirements are also due on these dates, respectively.

Titles and Descriptions

The Treasury will be using the titles and descriptions provided in the *Budget initiatives entry module* of CFISnet to produce this document.

It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative.

By meaningful, we mean:

- The descriptions of each initiative should start with “this funding will....”. This should then go onto explain what will be delivered and the expected outcomes to be achieved. We understand that for many initiatives, this stem sentence has already been used therefore their shouldn’t be much re-work required.
- The descriptions should be free of jargon, abbreviations or acronyms and be as specific as possible.
- The titles should be with a meaningful word. For example, rather than “Increasing Support for Child, Youth and Family” it would be better to have “Child, Youth and Family – Increasing Support”. This is important as the document is organised alphabetically by title.
- Where applicable, the description should include references to either other relevant initiatives, or other relevant funding for context. For example, “this funding forms part of a broader \$X million programme...”

Outlined below are some good examples from the Budget 2017 Summary of Initiatives document, which can be found here: <http://www.treasury.govt.nz/budget/2017/summary-initiatives/b17-sum-initiatives.pdf>

Title	Description
Youth Justice – Additional Residential Beds	This funding allows for an additional 10 Youth Justice residence beds for young people aged 14-16 who were remanded in the custody by the beginning of March 2017.
Auckland City Rail	This funding will begin the Crown’s 50% share of the cost of the Auckland City Rail. The Auckland City Rail Link is an underground rail line from Britomart station to the existing western line at Mt Eden. The project will double the capacity of the Auckland Metro Rail network and provide significant travel time savings for commuters.
Teach First NZ – Funding for Employment Based Initial Teacher Education	This funding will enable the continuation and expansion of the employment-based initial teacher education programme Teach First NZ. Graduates will be specifically trained to teach in schools with a high proportion of Māori and Pacifica students, and students from lower socio-economic backgrounds.

7.3 Late initiatives

Late initiatives will be defined as any that are not included in a portfolio Minister's submission letter and **not lodged with the Treasury before 31 January 2018**. Placeholder initiatives will not bypass this requirement and initiatives which are substantially underdeveloped will be reviewed by the Treasury.

Any late initiatives will require the approval of Budget Ministers to be included in the Budget process. This will increase the collective transparency over late initiatives, which may otherwise bypass good process.

A letter (Template 5) will need to be submitted to Budget Ministers from the relevant portfolio Minister which will need to:

- Set out the title and description of the initiative.
- Set out the reasons for the initiative being submitted late.
- Append a completed Budget initiative summary template and CBA template, with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).
- Outline which aspects of the Budget process it has missed and how the initiative will receive assurance and rigour.

The Treasury will provide advice directly to Finance Ministers on these initiatives.

Templates

This section provides the templates that are required to be completed. Word (or excel for template 7) versions of all of these templates can be found in CFISnet:

Template 1: General Budget Track Initiative Template

Template 2: Impact Summary Table (required for all General Budget initiatives)

Template 3: Evaluation Plan

Template 4: Ministerial Letter (required for all initiatives)

Template 5: Late Initiatives (required for all initiatives submitted after 31 January)

Template 1: General Budget Track Initiative Template

This template seeks a high-level summary of the Budget 2018 significant initiatives. Agencies are required to complete the:

- Blue sections for all initiatives (including cost pressures).
- Green sections for cost pressure initiatives.

Your Vote Analyst will complete their assessment in the grey fields. Supporting information must be provided to your Vote Analyst. Please use the descriptions provided as a guide for what information is expected in each of the boxes below.

Contact your Vote Analyst in the first instance with any queries.

Section 1: Overview and Context

Vote	[Must match CFISnet entry]
Responsible Minister	[Must match CFISnet entry]
Initiative title	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about] <i>The title field has a 120 character limit.</i>
Initiative description	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with "This funding will...."] [See Section 5.2.1 for further guidance] <i>The description field has a 550 character limit.</i>
Workstream	BGA/Social Sector/Capital/Other
Responsible Vote Analyst	[Please provide your name and extension number]

1.1 EXECUTIVE SUMMARY

A. Short summary of the proposed initiative and expected outcomes.	<p>This is very useful for Ministers and your Vote Analyst to engage on the key details.</p> <p>Please provide a summary of the initiative covering:</p> <ul style="list-style-type: none"> - What the initiative is or who is it targeting. - What the requested funding will be spent on (eg, more FTEs, increase in subsidies, IT costs, capital investment). - Why the initiative is required and needs to be funded now - The expected outcomes or impact of the initiative <p>The summary should be brief (no more than 200 words) and give a good overview of the initiative in an easily understandable way.</p> <p>We recommend that you complete this at the end of filling out this template.</p>
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Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears	TOTAL
Operating	-	-	-	-	-		-
Capital⁸	-	-	-	-	-		-

[If your proposal requires time limited funding until the year 2020/21 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2020/21, please add new columns to the table to reflect the profile of funding sought.]

⁸ The first 10 years of capital investment is counted against the capital allowance. Additional FY columns are to be added to funding table above to reflect the full capital costs of an initiative.

VA Recommendation	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Vote Analyst Recommendation	<p>Three components required: See <i>Vote Analyst Assessment Guidance</i>.</p> <p>1. [Support in full/Do not support/Partial support and Scale/Defer]</p> <p>2. [Please provide a two sentence summary to explain your recommended above].</p> <p>This will be entered into CFISnet and used in the supporting comment next to initiative assessments in advice to Ministers and Panels.</p> <p>3. [Provide a succinct overall assessment which outlines the key judgements which support your two sentence summary (above)].</p> <p>This will be used in the Treasury moderation process and package development stages.</p>
Degree of Government Commitment	[Pre-commitment/manifesto commitment/discretionary]

1.2 CONTEXT

A. Has the initiative been previously considered by Cabinet or been through previous Budgets?	Y / N
B. Has the initiative been jointly developed with other agencies?	Y / N
C. Have you attached the supporting Better Business Case, Regulatory Impact Assessment, etc (if applicable)?	Y / N
D. Would this initiative still go ahead if not funded in Budget 2018?	Y / N
E. Does this initiative contain an element of funding for cost pressures? ⁹	Y / N
F. Were these cost pressures signalled in your most recent Table 2A and 2B submission?	Y / N
G. If required, please provide additional information to support your answers above.	<p>The purpose of these set of questions is to get a quick understanding of the broader context to support the assessment of the initiative.</p> <p>These are also questions that we expect will be frequently asked by Ministers and Panels. There will be an opportunity to flesh out details in other parts of this template.</p>

⁹ Cost pressure initiatives cover existing services and outputs that are funded from within baselines but which are facing wage, price, volume and/or other pressures and where an agency considers it cannot continue to deliver the same level and/or quality of service within its baselines.

Section 2: Problem / Opportunity & Strategic Alignment

2.1 PROBLEM DEFINITION OR OPPORTUNITY

<p>A. Describe the problem or opportunity that this initiative seeks to address.</p>	<p>This provides an understanding of the nature, size and severity of the need or problem/opportunity that exists.</p> <p>This establishes the case for investment and describes outcomes from which Ministers can consider the relative importance of different initiatives.</p> <p>[If relevant, please include an intervention logic – see Annex A].</p>
<p>B. What inputs will the preferred option buy and why?</p>	<p>The purpose of this is to get an understanding of what is being purchased in order to deliver the outcomes.</p> <p>This will need to specify over the forecast period:</p> <ul style="list-style-type: none"> - What the funding requested is going to be spent on (eg, additional FTEs, IT, subsidies). - The different components of the initiative and how much each of these cost (eg, \$X for additional FTEs, \$Y for research, \$Z for IT costs). - What are the expected outputs and associated outcomes as a result of each of these components (eg, better employment outcomes, reduced crime). <p>[Using the intervention logic to set out the outputs and outcomes expected as a result of these inputs may assist].</p> <p>[If helpful, please provide this information in a spreadsheet form].</p>
<p>C. What alternative options were considered and why did you choose your preferred option?</p>	<p>The purpose here is to determine whether a reasonable range of options were considered to meet the problem/opportunity identified above.</p> <p>This should strengthen the investment case for the proposed initiative.</p> <p>[This will be built on in section 3.1.A of this template].</p>
<p>D. Counterfactual analysis.</p>	<p>The purpose of this is to understand the implications of doing nothing.</p> <ul style="list-style-type: none"> - Define the counterfactual - What are the implications if this initiative does not go ahead? <p>See section 6 of the Guidance for the difference between the counterfactual and the status quo. [This will be built on in section 3.1.A of this template].</p>

VOTE ANALYST COMMENT

Has the problem or opportunity been clearly described and does it support a compelling case for investment?

Has the agency clearly outlined what the initiative will be buying, for who (if applicable), and what it is intended to achieve?

What is the cost to deliver this proposal and is it comparable to other 'like' costs? Has the agency provided detail on the different components making up these costs?

Is clear information provided on the alternative options and counterfactual?

If you do not have sufficient information, please follow up with your agency as these are key ingredients for the package development and bilateral advice.

2.2 STRATEGIC ALIGNMENT AND COLLABORATION

<p>A. How does this initiative fit with your agency's strategic intentions as outlined in your most recent Statement of Intent, Four Year Plan and Long Term Investment Plans?</p> <p>How does this initiative align with the Government's priorities?</p>	<p>This provides Ministers a forward perspective of the opportunities, challenges and pressures facing the agency and the Vote(s) it administers.</p> <p>This should include a sense of the key strategic choices and trade-offs resulting from these.</p> <p>[See section 3.1 of the Guidance and include a self-assessment score of the strategic alignment]</p>
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2.2 STRATEGIC ALIGNMENT AND COLLABORATION

<p>B. Description of engagement with other agencies impacted by this initiative (if applicable).</p>	<p>What are the interdependencies and/or cross agency collaboration that is required to deliver this proposal? Which agencies will be delivering the initiative and how have they been involved in the development process to date?</p>
<p>C. How does this initiative relate to current activity undertaken by your agency and/or by others across the State Sector?</p>	<p>The purpose of this is to get an understanding of the range of services already available and how this addresses different needs. This should reveal the gap that exists and strengthen the case for the initiative. The key question of interest here is why these current services don't meet the need described above.</p>

VOTE ANALYST COMMENT

[Please rate this initiative's alignment with Government priorities on a scale from 0-5]
What strategic intentions [outlined in the Four Year Plan] does this initiative align with?
Is the strategic intent of this initiative clear?
If multiple agencies are involved, is there a clear sense of how the initiative will be delivered collaboratively?
Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?

2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

<p>A. What are the policy settings and cost drivers creating the pressure or risk?</p>	<p>This provides an understanding of the policy settings and choices associated with the cost pressures. Specifically, what is the driver (such as demand for services underpinned by set staffing ratios, inflation, etc) and where is the entitlement specified (ie. legislation, handbooks, or expectation).</p>
<p>B. What are the assumptions underpinning the pressures?</p>	<p>This sets out how the cost pressures have been calculated and enables assessment of consistency across the State Sector. Please provide supporting documentation showing supporting calculations as well as comparator information for these costs over the past four years (forecast and actual) and any offsetting choices or funding. What are the rates and forecasting assumptions that have been applied to generate the costs (by component)? What services do these pressures relate to? Have you undertaken sensitivity analysis with respect to any significant assumptions?</p>
<p>C. What options have been identified to address the cost pressures?</p>	<p>This provides Minister with an understanding of what's been done to-date and what actions could be considered? What steps has your agency taken to manage these pressures? What has been the impact of these steps on the cost pressures and outcomes? What has been the effectiveness of funding provided through previous Budget(s) or Cabinet decisions? How will these pressures be managed going forward?</p>

2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

D. What is the efficiency, effectiveness and productivity of this cost pressure area?

This provides an understanding of the value proposition for further investment in this area.

Effectiveness – how well is the performance understood (ie has evaluation been undertaken? What information do you have on the impact of the existing spend?)

Ministers have shown specific interest in understanding the effectiveness of funding provided in previous budgets and cabinet decisions.

Efficiency – what do you know about efficiency of the current service? Does this investment expand the reach of the programme, fund an unmet need or keep the existing service/programme going?

What information do you have that the services relating to these pressures are delivering value?

What information can you provide to show that productivity of this area has improved (or declined) and how is this measured?

Please note section 3.4 of this template is also a critical aspect for cost pressure initiatives.

VOTE ANALYST COMMENT

What are the choices around the policy settings and/or where is the requirement specified?

How credible are the assumptions which underpin the identified pressures? How do these compare to the market rates, Statistics NZ data and previous forecasts?

These are critical elements for prioritisation of cost pressures and bilateral advice. Finance Ministers expect to see expect to see better information on the underlying cost drivers, assumptions and impact of these cost and volume pressures.

What actions have been taken to manage or address these pressures (including in previous years) and how credible are the proposed strategic responses?

What is your view on the implications of not funding/partially funding these pressures?

How accurate has the agency been with its previous forecasts?

Advice to Finance Ministers will need to set out how these pressures align with the agency's medium to long-term strategic direction and the effectiveness of funding provided through previous Budgets.

Section 3: Value for Money and Impacts

3.1 EXPECTED IMPACTS

A. What are the costs and benefits of this initiative compared to the counterfactual?

Builds on section 2.1.C and 2.1.D of this template.

The purpose of this is to provide information on the size, scale and nature of impacts expected from this initiative.

This should include an explanation of:

- *Who* is impacted (positively and not)
- What the impacts are (costs and benefits) – both monetised and unmonetised as well as secondary/flow-on impacts.
- *When the impacts will be realised and for how long*

*Please fill in the Impact Summary Table in Template 2 and attach to this template. This provides a summary of the costs and benefits of the proposal (both societal and Government) and the assumptions and evidence base underpinning the return on investment number. It also sets out a comparison between two agency selected options.

[See section 6 of the Guidance and include a self-assessment score for the value for money of this initiative]

VOTE ANALYST COMMENT

[Please rate this initiative on a scale from **0-5** to reflect Value for money. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs. See section 3.2.2 of the guidance.]

Has a compelling counterfactual been provided? Or if not, have the risks and implications been made clear?

The prompts above should be completed at a minimum by the agency to ensure a consistent assessment across initiatives.

3.2 ASSUMPTIONS AND UNDERLYING EVIDENCE

A. Outline the assumptions underpinning the impacts described above.

The expected returns from an initiative are primarily driven by the underlying assumptions around impacts. The purpose of this is to understand these assumptions – in particular, the assumptions around:

- Size and scale of impact
- Uptake/success rate
- The Counterfactual (what would happen if the initiative is not in place)

If this initiative has not been implemented in New Zealand before, what assumptions have been made that the initiative is applicable in the New Zealand context?

B. What evidence supports the assumptions and impacts stated in section 3.2.A?

The purpose of this is to understand the robustness of the assumptions and impacts described above and used in the ROI analysis (for initiatives requiring a CBAX).

This will help determine how much confidence we can have in the stated impacts, quantified or not, or how much we can rely on the ROI number.

Is there evidence of this initiative (or aspects of it) being delivered elsewhere?

What do we know about the efficiency or effectiveness of current services?

For initiatives completing a CBAX, the assumptions used in the return on investment calculation should be based on strong evidence, be a reasonable best estimate.

VOTE ANALYST COMMENT

Provide an assessment of the assumptions and judgements related to the expected returns. Are these clearly stated and reasonable and appropriate given the proposal's intended outcomes?

Does the evidence (qualitative and/or quantitative) provide reasonable certainty and confidence? Why/why not?

3.3 SENSITIVITY ANALYSIS

A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings.

The purpose of sensitivity analysis is to understand which assumptions have the greatest impact on the expected outcomes and what happens if these are changed.

This exercise builds confidence that the analysis is robust under different scenarios but also reveals any limitations/risks associated with the analysis.

What are the key dependencies associated with the success of this initiative?

For initiatives that are required to complete a CBAx, sensitivity analysis is encouraged around the:

- Discount rate
- Success rate
- Strength and timing of impacts

VOTE ANALYST COMMENT

Has the agency completed sensitivity analysis which steps through the impact of different elements on the initiative?

This type of information will be critical when outlining choices and impacts/risks associated with trade-offs as the draft package is developed and advice is provided to Finance Ministers.

3.4 FUNDING IMPLICATIONS

A. Provide option(s) for scaling, phasing and/or deferring this initiative.

Builds on information provided in section 2.1.B of this template.

The purpose of this information is to set out the choices available to Ministers as they make prioritisation decisions within the constraint of the allowances.

Are there specific parts of the initiative which can be scaled or phased and why?

What is the minimum-level of investment or critical components of the initiative?

B. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 3.4.A.

This will allow the risks and implications associated with scaling, deferral and/or phasing options to be set out for Ministers in the draft package.

We are interested in your "Plan B" as well as any risks that have not yet been quantified. You may wish to cover:

- Potential service cuts
- Impact on service quality
- Short term vs long term implications (eg stress on staff in the short term)
- Impact on customers and other stakeholders
- Impact on the achievement of strategic objectives.

VOTE ANALYST COMMENT

Have credible choices and implications been set out? If this initiative is prioritised down or scaled to fit within the draft package, do you have sufficient information to make these judgements? At a minimum, can you provide to Ministers:

- What are the most valuable components
- What is the do-minimum/point at which no worth doing?
- What are the risks or impacts of scaling?

The development of the Budget package will require trade-offs and prioritisation across initiatives. Advice to Ministers will need to set these choices (and the risks/consequences) out.

Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION AND RISKS

<p>A. How will this initiative be delivered?</p>	<p>The purpose of this is to understand (at a practical level) the details of how the initiative will be implemented.</p> <p>This will provide confidence that the right resources/systems/processes are in place to support successful delivery.</p> <p>This should provide detail on:</p> <ul style="list-style-type: none"> - Who will be leading the implementation of the initiative? If it is a cross agency initiative, is there one lead agency or will multiple agencies be implementing components of the initiative? - If multiple agencies are involved, how is funding being allocated and through what mechanism? - The estimated timeline for delivery - The capacity and capability of the agency(ies) to deliver on outcomes (eg, adequate resourcing, technology and expertise). How will the necessary capability be developed? - The capacity of the market to deliver specialised resources required for implementation – is there enough supply? - What steps or milestones need to occur before the initiative can start implementation?
---	--

Risk Description	Impact or Consequences	Likelihood	Severity	Overall Risk	Mitigation / Controls
[Please complete based on section 6.6 of the guidance]	[Please complete based on section 6.6 of the guidance]				[Please complete based on section 6.6 of the guidance]

VOTE ANALYST COMMENT

Please provide a brief comment on the agency's capability to deliver the initiative and ensure that the expected outcomes are achieved.

Has your agency set out the potential barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these? (This could include, for example, limited supply in the market for resources required to deliver the initiative, access to the target population/self-selection issues, and/or ability of agency to contract with providers)

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

4.2 LEGISLATIVE AND REGULATORY IMPLICATIONS

<p>A. Please detail any legislative implications and whether the Regulatory Impact Assessment (RIA) requirements apply.</p>	<p>How does this initiative fit with your agency's Regulatory Stewardship Strategy?</p> <p>Which regulatory systems may need to be amended?</p>
--	---

VOTE ANALYST COMMENT

[Provide an assessment of the regulatory impacts of this proposal in consultation with the Regulatory Quality team.]

4.3 PERFORMANCE MONITORING AND EVALUATION

<p>A. Performance measures/indicators.</p>	<p>The purpose of this is to understand what will success look like/how will your agency know when the initiative has been successful.</p> <p>To aid the measurement of success it would be helpful to see:</p> <ul style="list-style-type: none"> - What key activities, outputs and outcomes will be measured to determine whether the initiative is being delivered as intended? How and when will these be measured? - If a comparison group is to be used in the impact evaluation, how will outcomes be measured for this group?
<p>B. Outline how the implementation and performance of the initiative will be regularly monitored.</p>	<p>The purpose of this is to ensure that the implementation of the initiative is reviewed on an ongoing basis with the results of this review used to improve or adjust the delivery of the initiative (as appropriate).</p> <p>This is particularly important for initiatives delivered through multiple agencies. A robust performance monitoring plan provides confidence that the initiative is on track to deliver intended outcomes.</p> <ul style="list-style-type: none"> - For cross agency initiatives, are there any governance processes in place to ensure implementation is on track and as intended? - How would agencies ensure that there are effective feedback loops in place to inform continuous improvement? - Is funding being sought for evaluation?
<p>C. Describe the method proposed to evaluate the impact of the initiative [if appropriate].</p>	<p>The purpose of this is to ensure the initiative is set up in a way to measure success and outcomes.</p> <p>Is any impact evaluation approach proposed for this initiative and why has the approach been selected as the most appropriate?</p> <p>Will the evaluation be able to estimate a counterfactual of what would have happened without the initiative? If so how will this be done?</p> <p>Are there are risks that need to be managed to ensure the initiative can be evaluated?</p> <p>Please attach the evaluation plan if one has been completed [details included at in template 3], or outline the process for developing one.</p>

VOTE ANALYST COMMENT

Please provide a brief comment on the proposed performance monitoring and evaluation.

Will it capture the expected outcomes are achieved?

Is there a clear and quality plan for how the success of the initiative will be measured and at which points or milestones?

Template 2: Impact Summary Tables

This template must be completed for all initiatives for the December submission as supporting information for the value-for-money section in the General Budget template. For initiatives without a CBAX, Table 1 should be completed if practical. Table 2 should be completed for all initiatives.

Table 1 – Return on Investment Summary

Where a CBAX has been completed, copy the return on investment summary from the CBAX model. Please see section 6 of the Guidance for further information.

Return on Investment Summary using the CBAX model (if applicable)	Discount Rate		Evidence Certainty ¹⁰
	6% real (default)	3% real (sensitivity)	
Initiative costs, ie, Government investment	A	A	Low
Government impacts	B	B	Low
Wider societal impacts	C	C	Low
Total societal impacts (NPV)	A + B + C	A + B + C	Low
Un-monetised impacts	Estimated magnitude: high/medium/low +/-	Estimated magnitude: high/medium/low +/-	Low
Benefit Cost Ratio (BCR)	(Positive B + C) / (A + negative B + C)	(Positive B + C) / (A + negative B + C)	Low
Return on Investment (ROI) – Societal Total	(B + C) / A	(B + C) / A	Low
Return on Investment (ROI) – Government	B / A	B / A	Low

Table 2 – Costs and Benefits Table

Identify and list impacts under the headings below	Scenario ¹¹		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty
	\$m present value			
	1	2		

Indicate which benefits and costs are “key” (both monetised and un-monetised)

Low

Cost of the Initiative

Low

Government Benefits/(Costs)

Low

¹⁰ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

¹¹ Each column is for the different scenarios considered for the initiative. You can add a column if you have considered more than two scenarios. The scenarios will be the output from carrying out sensitivity analysis, for example looking at how the monetised impacts are affected by a different target population, success rate, discount rate etc.

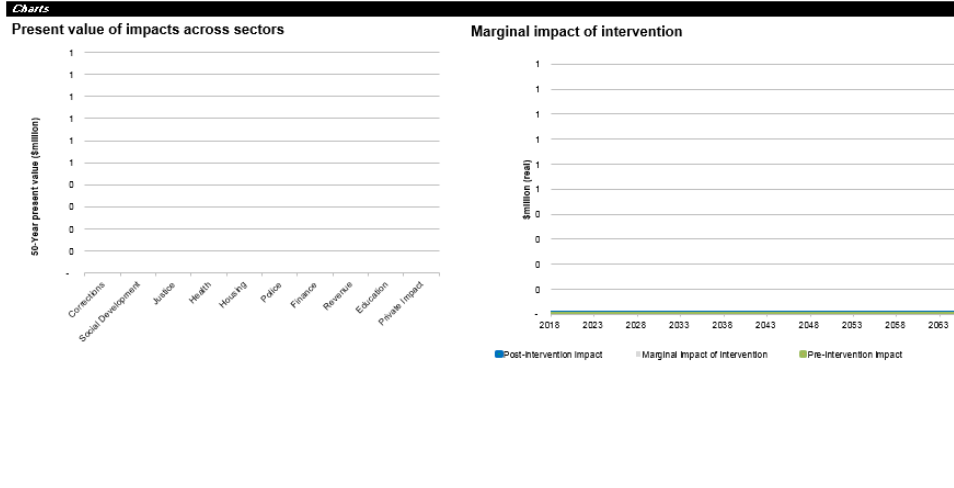
				Low
				Low
Total Quantified Government Impact				Low
Wider Societal Benefits/(Costs)				
				Low
				Low
				Low
				Low
Total Quantified Wider Societal Impact				Low
Net Present Value of Total Quantified Societal Impacts		-		Low

Supporting Information – CBAX Outputs Summary

Below is a fictional illustrative example of a CBAX Summary. To attach this Summary to your submission, highlight the cells in the CBAX Outputs Summary tab and copy and paste.

Outputs Summary								
Proposal details								
Analysis type	Standard CBA							
Initiative title								
Initiative details								
Start year	2018	Total population over 50 Years	-					
Period for analysis	50 Years	Discount rate	6%					
Un-monetized impacts	None							
Net benefit summary								
Category	Unit: 2018 (\$m)							
	5-Year NPY \$m	10-Year NPY \$m	50-Year NPY \$m	2018	2019	2020	2021	2022
Total marginal impact	-	-	-	-	-	-	-	-
Total cost of initiative	-	-	-	-	-	-	-	-
Net economic benefits	-	-	-	-	-	-	-	-
Cost summary								
Cost category	Unit: 2018 (\$m)							
	50-Year NPY \$m			2018	2019	2020	2021	2022
Fiscal cost of initiative								
	Operating expenses	-						
	Capital expenses	-						
	Total fiscal cost of initiative	-						
Impact summary								
Evidence Quality	Unit: 2018 (\$m)							
	5-Year NPY \$m	10-Year NPY \$m	50-Year NPY \$m	2018	2019	2020	2021	2022
Impact 1	-	-	-	-	-	-	-	-
Impact 2	-	-	-	-	-	-	-	-
Impact 3	-	-	-	-	-	-	-	-
Impact 4	-	-	-	-	-	-	-	-
Impact 5	-	-	-	-	-	-	-	-
Impact 6	-	-	-	-	-	-	-	-
Impact 7	-	-	-	-	-	-	-	-
Impact 8	-	-	-	-	-	-	-	-
Impact 9	-	-	-	-	-	-	-	-
Impact 10	-	-	-	-	-	-	-	-
Impact 11	-	-	-	-	-	-	-	-
Impact 12	-	-	-	-	-	-	-	-
Impact 13	-	-	-	-	-	-	-	-
Impact 14	-	-	-	-	-	-	-	-
Impact 15	-	-	-	-	-	-	-	-
Impact 16	-	-	-	-	-	-	-	-
Summary metrics								
Return on Investment, Societal Total (50y)	[]							
Return on Investment with high evidence quality only, Societal Total (50y)	[]							
Return on Investment, Government only (50y)	[]							
Return on Investment with high evidence quality only, Government only (50y)	[]							
Benefit cost ratio, Societal Total (50y)	[]							
Benefit cost ratio with high evidence quality only, Societal Total (50y)	[]							
Net economic benefit per cohort member (50y)	[]							
Net economic benefit per cohort member high evidence quality only (50y)	[]							
Initiative NPV costs per cohort member (50y)	[]							
Agency assessment								
Value for money	0 - Low Returns - Poor Evidence							
Strategic alignment	0 - No Alignment							
Word summary/comment field								
This is an area to explain key modelling assumptions or anything important individuals looking at the model should know.								
Text goes here:								
[]								
Return on Investment summary table (50y) for use in the Impact Summary Template								
Return on Investment Summary using the CBAX model (50y)	Discount rate		Evidence certainty					
	6% real discount rate	3% real discount rate						
Initiative costs present value i.e. Government investment \$m	-	-						
Government impacts \$m	-	-						
Wider societal impacts \$m	-	-						
Total societal impacts, net present value \$m	-	-						
Un-monetised impacts	None	None						
Benefit cost ratio, Societal Total (50y)								
Return on Investment, Societal Total (50y)								
Return on Investment, Government only (50y)								

Impact 17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact 50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Template 3: Evaluation Plan

This template must be completed as supporting information for the Performance Monitoring and Evaluation section in the General Budget Track template. This needs to be completed for the December submission.

Evaluation Plan
How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section 3?¹²
<p>Evaluation Approach:</p> <p>Data:</p> <ul style="list-style-type: none"> - <i>What outcomes will you measure, and how will you measure them? You should reference the key outcomes discussed in the impact summary table in Section B and your intervention logic, but you can discuss additional outcomes and intermediate outcomes/outputs here if you wish. If it is not possible or cost-effective to measure some of the outcomes in the impact summary, please state what outcomes these are and explain why you won't be measuring them.</i> - <i>How will you collect data on the participants (and, if appropriate, untreated comparison group) of your programme? Will it be possible to link these data to the Integrated Data Infrastructure (IDI)?¹³</i> <p>Impact evaluation method:</p> <ul style="list-style-type: none"> - <i>Will you form a plausible comparison group of 'untreated' people (households/businesses/rivers or whatever the target group is) so that you can attribute changes in outcomes as causal effects of your programme or policy (ie, above and beyond a counterfactual of no intervention)?</i> - <i>Are there any important caveats/weaknesses of your methodology, and how will you deal with these.</i> - <i>Are there any ethical issues with how you will evaluate this programme, and how will you address these?</i> - <i>Have you contacted your research, evaluation, or analytics team for comment on this evaluation plan?</i> <p>Other forms of evaluation and monitoring:</p> <ul style="list-style-type: none"> - <i>Will you be undertaking any qualitative or process evaluation (how and how well the initiative is delivered) and what will this involve?</i>
<p>Funding of evaluation</p> <ul style="list-style-type: none"> - <i>How will you fund the evaluation and how much do you expect it to cost (including design of evaluation, collection of data, analysing the results, writing up findings and publishing results?)</i>
<p>Completion dates, publication, and dissemination of findings to key stakeholders</p> <ul style="list-style-type: none"> - <i>When will you complete your evaluation by? When will you release your results publicly? Will you update this process, eg, initial evaluation, long term follow-up, replication etc.?</i>

¹² More information on this impact evaluation plan is available in the budget guidance Section 4.

¹³ The IDI is a large research database containing longitudinal microdata about people, households, and businesses from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics. For more information see http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx.

Template 4: Ministerial Letter

Hon Steven Joyce
Parliament Buildings
WELLINGTON

Dear Minister,

I am submitting the initiatives outlined in the Annex for Vote [Name] for consideration as part of the Budget 2018 process.

It is helpful to:

1. **Provide Information on the baseline.** This should provide an overall picture of investment in the sector, giving a sense of expenditure and performance over the past four years and forecast for at least the next four years
2. **Outline your agency's performance and strategic direction.** Leveraging information from relevant Annual Reports and Strategic Plans (including Four Year Plans and LTIPs as applicable) this should identify specific areas which are the focus for improvement or groups and areas which your agency has a particular attention on.

This letter should:

3. **Define the policy settings and cost drivers creating the pressure or risk (if applicable).** Alongside defining the key drivers of the cost pressure, this should highlight any key choices that need to be made to live within baselines; for example changes to policy settings, expectations, or the quality/quantity of services provided.
4. **Set out the proposed package of Budget initiatives.** This should outline how you reviewed and prioritised this set of initiatives, specifying why the proposed initiative cannot be funded from within existing baselines and setting out whether any of these initiatives would still be progressed if new funding is not provided and how. It will be assumed that no new initiative will be delivered should additional funding not be provided unless otherwise set out in this letter. It should also disclose the relative importance of initiatives within the package.

Helpful to link the sets of information above to:

5. **Establish the desired outcomes and future state.** This should link the proposed initiatives back to the strategic direction of the sector. This should capture what impact the agency is expecting on key areas and where these initiatives gets the Government to in the medium to long term.

Budget 2018 Initiatives for Vote [Name]

Social Investment Initiatives

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 for further guidance.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears	TOTAL
Operating	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-

Repeat as required

General Budget New Policy Initiatives

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 for further guidance.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

General Budget Cost Pressure Initiatives

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 for further guidance

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

Template 5: Late Initiatives

[Please use this template for all initiatives that are were included in a portfolio Minister's submission letter and not lodged with the Treasury before 31 January 2018.]

Rt Hon Bill English
Hon Steven Joyce
Hon Simon Bridges
Hon Amy Adams
Parliament Buildings
WELLINGTON

Dear Ministers,

Please approve the late initiative(s) outlined in the Annex for Vote [Name] for consideration as part of Budget 2018.

Please provide the same information as in Template 4 plus:

- *Set out the reasons for the initiative being submitted late.*
- *Append a completed initiative template with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).*
- *Outline which aspects of the Budget process it has missed (for example, expert panels and relevant Ministerial groups) and how the initiative will receive assurance and rigour.*

Late Budget 2018 Initiatives for Vote [Name]

Late Initiatives (General Budget Track only)

Title of Initiative [Must match CFISnet]

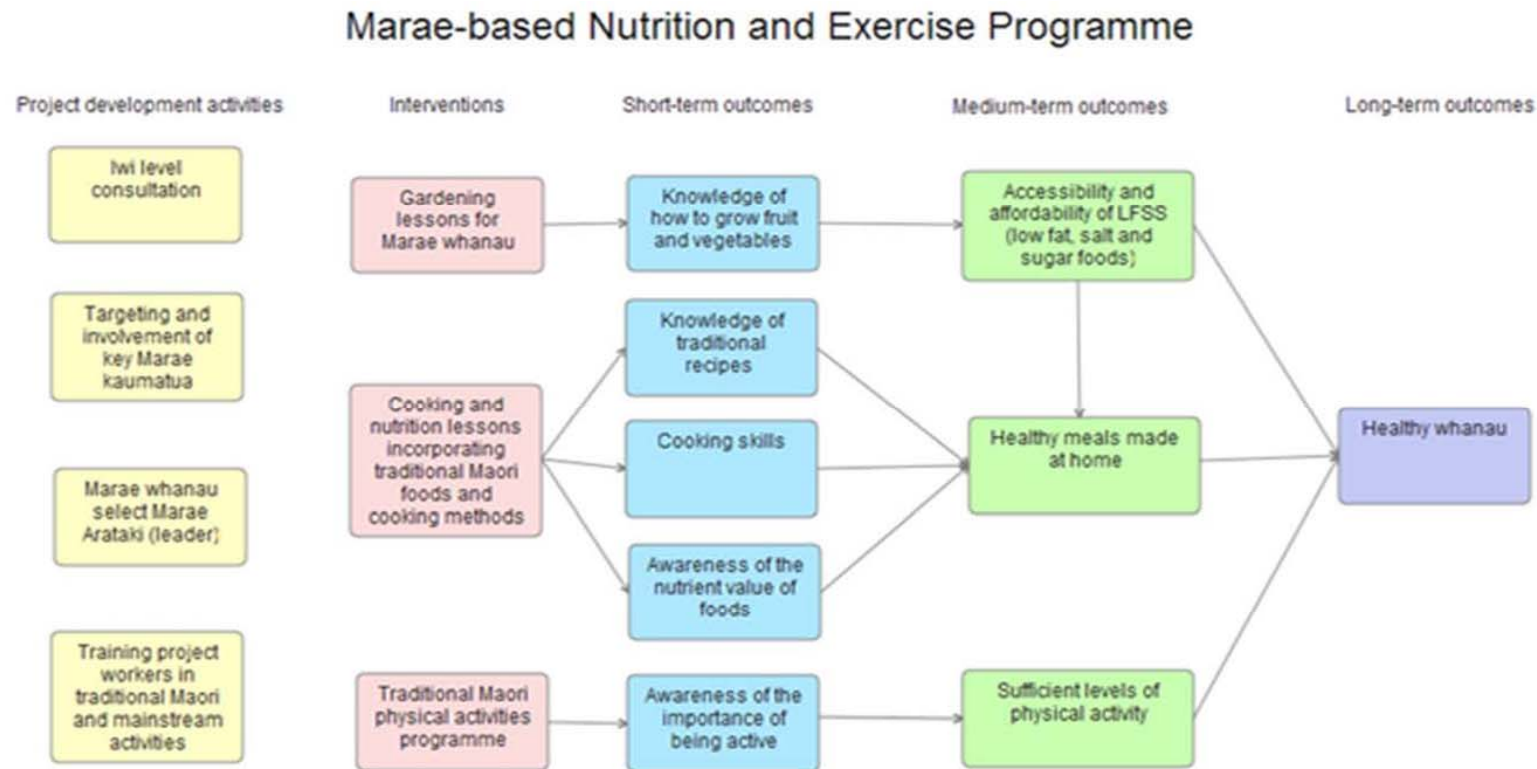
Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 for further guidance

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

Supporting Information 1 – Intervention Logic Map

This provides an example of how an intervention logic could be set out for your initiative. Please use this as guidance in preparing your one-page intervention logic diagram. Note that providing an intervention logic map is optional for General Budget initiatives.



Annex 1: BGA Budget Stream Detailed Guidance

This annex describes the features of the process that are specific to the Business Growth Agenda (BGA) stream, as part of the General Budget Track. The purpose of the BGA Budget stream is to advise Ministers on the best package of investment-ready initiatives to contribute to achieving the BGA vision.

While this guidance is as complete as possible at the time of publication (1 September 2017), some or all of this process may evolve in response to future Ministerial decisions and if there is a change in government. Updates will be provided as further information becomes available.

Business Growth Agenda

The BGA is the Government’s strategy for promoting economic growth through creating an environment that enables businesses to succeed.

The BGA vision is:

A diverse and internationally connected economy that will deliver better quality of life for all New Zealanders.

Three key strategic priorities underpin this vision:

- Diversifying and adding value.
- Investing for a growing and resilient economy.
- Inclusive and sustainable growth.

The BGA is structured as six workstreams and three cross-cutting themes:

Workstreams	Cross-cutting themes
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1. Export Markets

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2. Natural Resources

3. Infrastructure

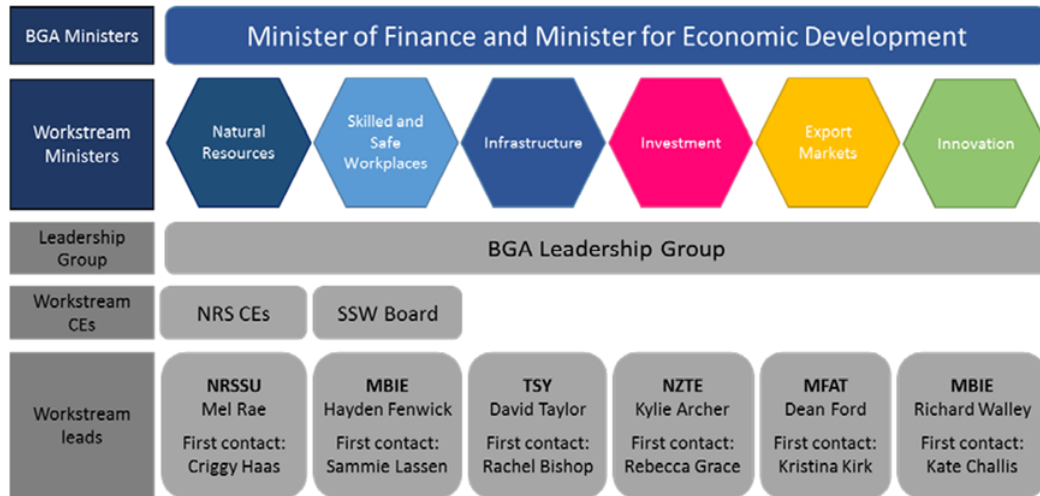
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4. Innovation
5. Investment
6. Skilled and Safe Workplaces

Budget initiatives will be allocated to one of the six workstreams based on the content of the initiative. Where it is not clear to which workstream an initiative should be allocated, the agency should discuss the initiative with their Vote Analyst. Cross-cutting theme initiatives will be allocated to the most relevant workstream.

Governance

Existing BGA governance will be retained.



BGA Ministers

BGA Ministers will lead development of a final BGA package to recommend to Budget Ministers.

Workstream Ministers

Workstream Ministerial groups will support BGA Ministers by considering initiatives in their workstreams and developing a workstream-specific package of high-priority initiatives to recommend to BGA Ministers. Information on the membership of Workstream Ministers groups is available in Annex 2 of this guidance.

Leadership Group

The BGA Leadership Group¹⁴ is the governance group for the BGA Budget stream and is responsible for recommending a final cross-BGA prioritised package to BGA Ministers. The Leadership Group has an economy-wide, cross-BGA perspective that enables effective prioritisation of initiatives. In developing a final package, the Leadership Group will consider advice from Workstream Leads (or Workstream Chief Executives groups where relevant) and the Treasury.

The BGA secretariat (Strategic Policy, MBIE and Business Growth & Innovation, the Treasury) will provide secretariat support to the Leadership Group throughout this process but will not provide a separate stream of advice of its own.

Workstream Leads

Workstream Leads (or Workstream Chief Executives groups where relevant) will advise on strategic fit and the overall rank of initiatives in their workstream.

¹⁴ BGA Leadership Group was established in 2015 and comprises Chief Executives of the Treasury, MBIE, MPI, MFAT, MFE and NZTE.

The Treasury

Vote Teams will advise on value for money and alignment with broad Government priorities.¹⁵

Key changes from Budget 2017

The key objective for the BGA Budget stream in 2018 is strengthening the strategy-led approach to developing the BGA package, through:

- earlier strategic direction following discussion between Ministers and the Leadership Group on economic strategy in October
- agencies using that direction as a basis for developing Budget initiatives, and
- assessing and then prioritising initiatives according to fit with that direction, and ensuring advice is framed accordingly.

Other changes from Budget 2017 are intended to improve the initiative assessment process. The process and requirements are similar to Budget 2017, with minor changes to ensure they are fit-for-purpose and deliver value. For example, the BGA Peer-review process remains a requirement for a select group of significant initiatives, but has been brought forward in the process to December, to enable agencies to refine initiatives in response to reviewer feedback.

Key changes since Budget 2017	Rationale
<i>Stronger strategy-led approach</i>	
Earlier engagement of Ministers by Leadership Group on priority areas for the BGA in order to provide greater clarity of those priority areas to workstreams and agencies.	Clear understanding of Ministerial priority areas so initiatives can be developed in support of those priorities
Earlier engagement of Ministers by Leadership Group on the emerging package and final recommendations.	Timelier advice will support better informed decision making by Ministers.
Attendance by Workstream Leads at key Leadership Group meetings in the lead up to Budget.	Strengthen the ability of the Leadership Group to provide direction to workstreams and agencies.
<i>Improving the assessment process</i>	
Provide agencies visibility of initiatives through assessment and consideration process, by encouraging Vote Teams to share thinking and assessments (including peer review assessments if applicable), and providing timely information to Vote Teams about Ministerial decisions to share with agencies.	Help agencies to prioritise effort in refining initiatives.
Clarify in this guidance the role of advice from Vote Teams, Workstream Leads and the Leadership Group.	Ensure stakeholders understand the purpose of each piece of advice so expectations are clear.
Bringing the BGA peer review process forward and splitting the Treasury's moderation process into two steps: early moderation over draft assessments to inform approach to assessment, and moderation of final judgements between vote analysts.	Improve the quality of the Treasury's assessments and allow agencies time to refine initiatives in response to peer review feedback.

¹⁵ For example, fit with Government ICT strategy or departmental strategy. See section 6 for more information.

Investment Approach in the BGA

The Investment Approach is about how to apply a better, evidence-based understanding of impacts to decision making. It is characterised by:

- *Client centricity* – putting people and businesses at the centre of our thinking.
- *Clear accountability* – clearly defining who will deliver what and holding them to account for delivery.
- *Financial flexibility* – ensuring resources can move to where they deliver the best outcomes, through reprioritising, sharing and sector approaches.
- *Using data* – investment is backed by evidence that demonstrates what works and is value for money.

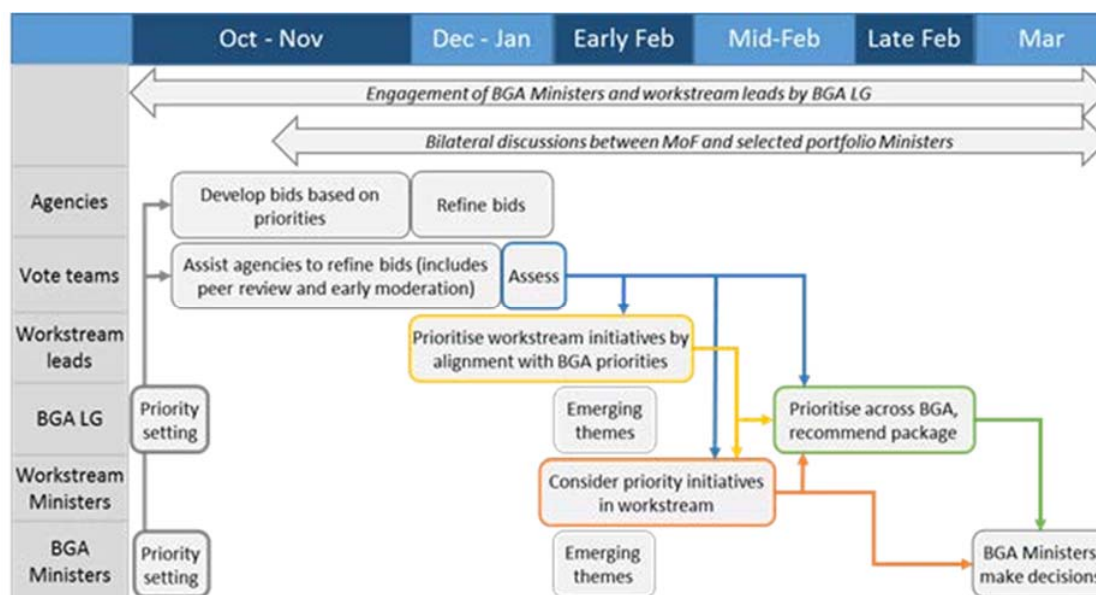
A system like this will ensure the Government's financial and regulatory investments will have the greatest impacts on lifting living standards.

In Budget 2018 the focus for the BGA is on:

- more effective use of investment tools and metrics, such as cost benefit analysis (and the accompanying CBAX tool)
- greater emphasis on evidence and lifting the quality of information supporting decision making
- encouraging collaborative approaches, such as using joint initiatives to achieve outcomes, especially where these span the activities of more than one agency or workstream.

The investment approach is not limited to the Budget process or the tools and attitudes presented above. We encourage agencies and workstreams to think about how the approach could be applied more broadly in their areas.

Process steps



Summary

The stages leading to BGA Ministers making decisions on the final BGA package are summarised as follows (and described further below):

1. Ministers set strategic direction early on with advice from the Leadership Group
2. Agencies develop initiatives based on Ministerial priorities
3. Agencies refine initiatives with Vote Team assistance
4. Vote Teams assess initiatives on value for money and strategic fit, and Workstream Leads prioritise initiatives in their workstreams and advise Ministers on a proposed workstream package
5. Leadership Group advises BGA Ministers on broad features and emerging themes of the initiatives submitted
6. Workstream Ministers consider initiatives in their workstreams and advise BGA Ministers on priority initiatives
7. Leadership Group considers priorities and advises BGA Ministers on a final package

Stage 1: Setting strategic direction (October 2017)

The Leadership Group will meet early with BGA Ministers to set the strategic direction for the BGA Budget stream. The key strategic priorities mentioned above provide broad direction, but more specific priority areas will be identified in discussion with BGA Ministers.

Opportunities and challenges identified in the economic strategy briefing will be used as a basis for a discussion on priority areas between the Leadership Group and BGA Ministers. The BGA secretariat will collate this material in consultation with Workstream Leads. This is likely to occur in October.

Priority areas identified by Ministers are likely to require coordinated effort between multiple agencies in multiple workstreams. Collaborative approaches to achieving these priorities are likely to present a more compelling case to Ministers for investment.

Role of Workstream Leads

- Ensure agencies in their workstream understand the strategic direction set by BGA Ministers in October.
- Ensure that agencies are collaborating to advance those priority areas where it is appropriate.

Role of Agencies

- Familiarise themselves with this guidance.
- Ensure that relevant Budget staff understand the priority areas.
- Consider whether cross-agency activity is likely to be useful and consult with their Workstream Lead if unsure.

Stage 2: Agencies develop initiatives (by December 2017)

Agencies will develop initiatives for submission by 8 December 2017.

Initiatives should be developed based on priority areas identified at Stage 1. Initiatives that can demonstrate clear alignment with priority areas and that are consistent with the BGA vision and refresh themes will present a more compelling case for investment.

There are no additional BGA-specific information requirements.

CBAX

The Treasury has updated the library of standard unit costs with more values relevant to the economic sector. As in Budget 2017, cost benefit analysis is mandatory, but the use of CBAX is not. However, we encourage agencies to use CBAX where it is feasible and appropriate. CBAX allows costs and benefits to be presented to Ministers in a consistent way. It is also useful for prompting constructive engagement between agencies and Vote Teams on initiatives.

CBAX might be appropriate and feasible for initiatives where an initiative has a clearly defined target group, or agencies have already developed standard unit costs and benefits for initiatives. Agencies can get in touch with their vote analyst for support on understanding and using CBAX.

Early Ministerial meetings

Similar to previous Budget rounds, Workstream Ministers may wish to have early discussions on potential Budget initiatives for their workstreams. Ministerial conversations are likely to be focused on getting early visibility on potential Budget initiatives. These conversations will provide agencies with an early indication of which initiatives to focus on developing further.

These Ministerial conversations are being organised by the relevant Workstream Leads, not by the Treasury. However, to ensure consistent approaches, the Treasury will provide further guidance to workstreams on presenting supporting material to Ministers.

Role of Workstream Leads

- Ensure agencies understand the strategic direction set in stage 1.
- Coordinate agencies where appropriate.
- Ensure supporting material for early Ministerial discussions is consistent with the Treasury's guidance. This will entail presenting emerging initiatives in a thematic, outcomes-focussed way with clear links to priority areas identified in stage 1, and seeking direction on where efforts should be prioritised.

Role of Agencies

- Develop initiatives based on the priority areas identified in stage 1 for submission on 8 December 2017. It should be clear how initiatives contribute to achieving the BGA vision. Initiatives should be consistent with the three key strategic priorities identified above, and broader Government strategy such as functional leadership and sector priorities.
- Collaborate with other agencies where appropriate.
- Engage with their vote analyst and Workstream Lead of initiatives as they are being developed.

Stage 3: Agencies refine initiatives with Vote Team assistance (December 2017 – late January 2018)

Treasury Vote Teams will again provide constructive challenge to agencies to help them refine Budget initiatives between submission in early December and assessments in late January. For Budget 2018, moderation and peer-review processes will be brought forward to allow time for agencies to refine initiatives in response, and to improve the quality of reviewed initiatives and the Treasury's advice to Ministers on those initiatives.

Moderation of Treasury Vote Team assessments

An internal Treasury moderation process will be held to improve quality and promote consistent judgements by Vote Teams.

For Budget 2018, moderation will be split into two steps. The first will be held in December and based on draft assessments. This is to allow more time for vote analysts to explore any new perspectives identified during moderation. The second will be held in January as a 'sense-check' on the judgements underpinning assessments of investment readiness and strategic alignment.

Peer Review Process

As in Budget 2017, the Treasury will take advice on a small number of 'significant' initiatives from the BGA Peer Review Process. This is intended to improve the quality of initiatives.

Initiatives seeking material investment, representing significant policy change, and with uncertain evidence on costs and benefits are likely to undergo peer review.

The Peer Review Process will comprise the following:

- The Treasury selects initiatives for review and informs responsible agencies shortly after 8 December 2017.
- Agencies briefly present the case for investment to reviewers in mid-December. Reviewers assess initiatives based on the supporting information submitted by agencies and discussion at the time.
- Peer review assessments are provided to Vote Teams to share with the relevant agencies.

Peer review will occur earlier than in Budget 2017 (previously held in late January) to allow agencies more time to refine initiatives in response to any feedback. This is in response to feedback from Budget 2017, and is intended to improve the quality of reviewed initiatives, and the Treasury's advice to Ministers on those initiatives.

We envisage the Peer Review Process will again be chaired by a senior Treasury official and comprise 3-5 business leaders and science advisors. Peer reviewers will report to the Treasury, not directly to Ministers.

Role of Workstream Leads

- Begin forming a view on alignment of initiatives with the priorities set by Ministers.

Role of Agencies

- Work with their vote analyst to identify areas where further information is required.
- If asked to participate in the peer review process, verbally present a brief summary of the case for investment and be prepared to answer questions. The Treasury will prepare briefing material for the peer reviewers based on the information provided in initiative submission templates.

Stage 4: Assessment of initiatives (late January 2018)

By Vote Teams

The Treasury's Vote Teams will assess value-for-money and whether initiatives demonstrate potential for investment based on the quality of supporting information. Vote Teams will also assess the extent to which the initiative is consistent with broader Government strategy, but as in previous Budgets, will not extend to ranking initiatives. More information on the assessment process is in section 6 of this guidance.

Vote Team assessments will form advice to the Minister of Finance to inform early discussions with Workstream Ministers, and provide a basis for seeking further information on particular initiatives where necessary. Subject to Ministerial approval, that advice will also be shared with Workstream Ministers. The advice will recommend whether the initiative should be considered further, rather than whether the initiative should be supported. It will state that further advice on the prioritisation of initiatives will be forthcoming.

Subject to Ministerial approval, Vote Teams will be encouraged to share their assessments directly with agencies, and relay any information they receive about Ministerial decisions to agencies, to help agencies prioritise effort.

By Workstream Leads

Workstream Leads (or Workstream Chief Executive groups where relevant) will again be responsible for advising Workstream Ministers and the Leadership Group on the relative priority of investment-ready initiatives in their workstreams. Advice should be presented based on the priority areas identified in stage 1, and focussed on outcomes. The Treasury will provide further guidance to workstreams on presenting consistent advice to Ministers.

Role of Workstream Leads

- Engage early and regularly with agencies to understand strategic fit of initiatives ahead of receiving advice from Vote Teams.

- Prioritise initiatives in their workstream according to fit with Ministerial priorities identified in October.
- Develop advice for Workstream Ministers and the Leadership Group based on the subset of initiatives identified as being high priority and investment ready. High priority initiatives that are not considered investment ready should be included by exception, with reasoning to support their inclusion.

Role of Agencies

- Prepare to respond to requests for information from Ministers and Workstream Leads. Turnaround during this period is likely to be tight.

Stage 5: Leadership Group and BGA Ministers discuss emerging themes (early February 2018)

In Budget 2018, the Leadership Group will meet with BGA Ministers in early February to discuss broad features of the initiatives submitted, including overall pressures, emerging themes, and opportunities or areas warranting focus by Ministers. This would be informed by advice from the Treasury on investment readiness and strategic alignment, but would be ahead of advice on initiative-level prioritisation by Workstream Leads and Workstream Ministers.

Further direction on priorities may be given at this point.

Role of Workstream Leads

- Input as necessary into material the BGA secretariat develops to support this discussion.

Role of Agencies

- Prepare to respond to requests for information from Ministers and Workstream Leads. Turnaround during this period is likely to be tight.

Stage 6: Workstream Ministers discuss priorities (early- to mid-February 2018)

Workstream Ministers will meet in early- to mid-February to agree which initiatives they would like to prioritise for their workstream. Prioritisation will be informed by advice from the Treasury and Workstream Leads generated at stage 4.

Prioritised lists will be collated by the Treasury to help the Leadership Group develop the overall BGA package.

Role of Workstream Leads

- Ensure advice on prioritising initiatives is provided to Workstream Ministers ahead of these meetings.
- Prepare to attend the relevant Workstream Ministers meeting to support Ministers to prioritise initiatives.

Role of Agencies

- Ensure relevant officials are briefed on initiatives and able to represent them at Workstream Ministers meetings.
- Remain responsive to requests for information from Ministers and Workstream Leads.
- Ensure the relevant Workstream Lead and Vote Team are aware of any further developments on initiatives.

Stage 7: Leadership Group considers priorities and advises BGA Ministers on package (late-February 2018)

The BGA LG will act as an integration point by considering advice from the Treasury (subject to Ministerial approval; this will be clarified after the election) and from across workstreams, and recommending a package that aligns most strongly with the priority areas agreed in October. Outcomes of workstream Ministerial meetings will also be used to inform that prioritisation. This is expected to occur in late-February.

As the final package will ultimately reflect a balance of multiple priority areas, this process is expected to be iterative. Workstream leads should be prepared to respond to requests for information from the BGA secretariat on priorities as the final package is shaped up.

Role of Workstream Leads

- Ensure the agency, Vote Team and BGA secretariat are aware of the outcome of Workstream Ministers meetings.
- Prepare to respond to requests from the BGA secretariat in developing material for consideration by the Leadership Group.

Role of Agencies

- Remain responsive to requests for information from Ministers and Workstream Leads.
- Ensure the relevant Workstream Lead and Vote Team are aware of any further developments on initiatives.

Bilateral meetings with Minister of Finance

We anticipate the Minister of Finance will meet with selected portfolio Ministers to gain a better understanding of the strategic context and pressures faced by agencies. Bilateral meetings are expected to be one input in the decision making process. More information on preparing for bilateral meetings is at section 7 of this guidance.

Role of Workstream Leads

- Incorporate any insights from bilateral meetings into workstream advice (for example, if the Minister provides direction that some priorities should be given heavier weighting than others).

Role of Agencies

- Ensure the relevant portfolio Minister and supporting agency representative if applicable are well-briefed on the case for investing in initiatives and the agency's strategic context.
- Ensure the relevant Workstream Lead and Vote Team are informed of the outcome.

Annex 2: Ministers Groups

Budget Ministers	Rt Hon Bill English, Hon Steven Joyce, Hon Simon Bridges, Hon Amy Adams
Finance Ministers	Hon Steven Joyce, Hon Simon Bridges, Hon Amy Adams
Social Sector Ministers	Hon Steven Joyce, Hon Paula Bennett, Hon Dr Jonathan Coleman, Hon Amy Adams, Hon Nikki Kaye, Hon Anne Tolley, Hon Judith Collins, Hon Michael Woodhouse, Hon Alfred Ngaro, Hon Te Ururoa Flavell, Hon Nicky Wagner, Hon Maggie Barry
Business Growth Agenda Ministers for each workstream	<p>Building Export Markets: Hon Paula Bennett, Hon Steven Joyce, Hon Gerry Brownlee, Hon Simon Bridges (Chair), Hon Nathan Guy, Hon Todd McClay, Hon Paul Goldsmith, Hon Nicky Wagner, Hon Jacqui Dean, Hon Tim Macindoe, Hon Te Ururoa Flavell</p> <p>Building Innovation: Hon Steven Joyce, Hon Simon Bridges (Chair), Hon Nathan Guy, Hon Paul Goldsmith, Hon Jacqui Dean</p> <p>Building Investment: Hon Steven Joyce, Hon Simon Bridges (Chair), Hon Michael Woodhouse, Hon Todd McClay, Hon Judith Collins, Hon Jacqui Dean</p> <p>Building Infrastructure: Hon Steven Joyce (Chair), Hon Simon Bridges, Hon Amy Adams, Hon Nathan Guy, Hon Dr Nick Smith, Hon Judith Collins, Hon Nicky Wagner</p> <p>Building Skilled and Safe Workplaces: Hon Paula Bennett, Hon Steven Joyce (Chair), Hon Simon Bridges, Hon Amy Adams, Hon Michael Woodhouse, Hon Anne Tolley, Hon Nathan Guy, Hon Nikki Kaye, Hon Paul Goldsmith, Hon Louise Upston, Hon Alfred Ngaro, Hon Jacqui Dean, Hon Te Ururoa Flavell</p> <p>Building Natural Resources: Hon Paula Bennett, Hon Steven Joyce (Chair), Hon Simon Bridges, Hon Anne Tolley, Hon Nathan Guy, Hon Dr Nick Smith, Hon Judith Collins, Hon Maggie Barry, Hon Mark Mitchell, Hon Te Ururoa Flavell</p>
Investment Ministers	Hon Steven Joyce, Hon Simon Bridges, Hon Amy Adams, Hon Peter Dunne

Annex 3: Support for Ministers Groups

Social Investment Board	Chief Executives from the Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Justice, Department of Corrections, New Zealand Police, Te Puni Kōkiri, and the Ministry of Pacific Island Affairs.
Social Investment Panel	The Panel consists of 6-8 experts, including Chief Science Advisor, Sir Peter Gluckman and a Treasury Deputy Secretary, who will provide advice on Social Investment initiatives in Budget 2018.
BGA Leadership Group	Chief Executives from Treasury, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, New Zealand Trade and Enterprise, Ministry for Primary Industries, Ministry for the Environment.
BGA Peer Review Process	The BGA stream in Budget 2018 will include a Treasury run peer review process. Following the submission of initiatives, peer reviewers will meet with agencies to discuss selected BGA initiatives. The process will provide specialist, supplementary assessments of BGA initiatives which will inform the Treasury's advice going to BGA workstream Ministerial. The peer review process is expected to provide an additional layer of rigour and ensure Budget initiatives across all sectors are assessed on a level playing field.
The Information Group	<p>The Information Group, part of the GCIO's Partnership Framework, is a strategic working group that advises from a system-view how Government can better unlock the value of information.</p> <p>Budget Ministers have asked the Information Group to provide advice on all new data and information related initiatives. In response, the Information Group has created the Data Investment Framework (see below), which provides a system view of the needs of future data system and identifies agreed priorities for activity and investment.</p> <p>The Group will assess all data and information-related initiatives on the extent to which they deliver the Data Investment Framework's priorities and are driven by the value proposition for the system as a whole.</p> <p>As the Information Group will provide advice to Budget Ministers, agencies are encouraged to engage with the Information Group prior to finalising their initiatives. Agencies should also be prepared to discuss their initiatives with the Information Group after submission but before Budget Ministers' deliberations.</p>
Investment Panel	The Panel is an advisory group to the Treasury and the rest of the Corporate Centre providing advice on investment and asset performance from a "whole of Government" perspective. It comprises of up to eight members selected from across the State Sector on the basis of relevant knowledge and skills. The Panel includes at least one senior Treasury official, representation from GCIO, a Chief Executive or Chief Financial Officer from a department, and a member with commercial acumen. There will be two sittings specific to the Budget 2017 process. One in November 2017 for initiatives that are ready for discussion, and one in February 2018 for any remaining initiatives. After both sittings, the Panel will provide advice to Investment Ministers.

Annex 4: CFISnet Guidance

This section provides a brief overview of how to add an initiative into CFISnet using the Departmental Initiatives Entry screen (Menu: Baselines\Budget Initiatives\Initiatives Entry).

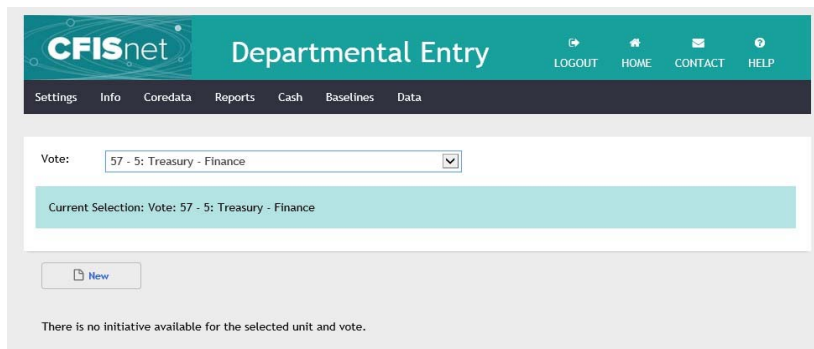
As part of creating this Initiative Entry, you will be required to attach, via the 'Upload Document' section on the same screen, the Budget Initiative Template and any other documents such as CBAX, business cases etc.

Additional guidance is also available from within the Initiatives Entry screen by clicking on 'Help' at the top right hand section of the screen.

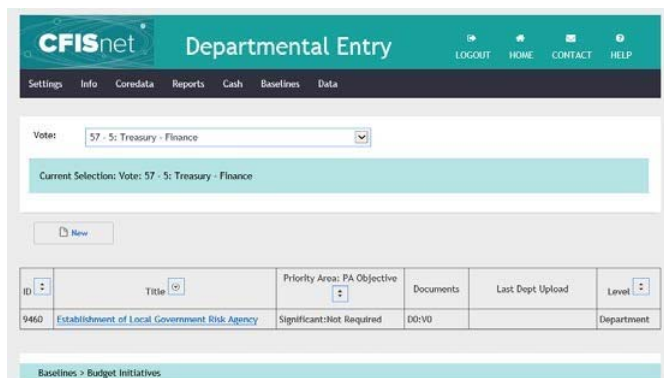
Creating the Initiative in CFISnet

Navigate to the Departmental Initiatives Entry screen (Menu: Baselines\Budget Initiatives\Initiatives Entry).

The page will be blank until at least one initiative has been saved.



Once an Initiative has been created and saved, the initiative can be further edited by returning to the menu item above and clicking on the title of the initiative.



Editing is no longer available once the level is changed to 'Bilateral' by the Treasury Budget team. Bilateral decisions are entered once Budget Ministers have agreed the Budget package. The term 'Bilateral' refers to the days when Budget decisions were made on a bilateral basis.

Cross agency initiatives

Where an initiative will be delivered by more than one agency and appropriation changes will be required in more than one Vote, a separate initiative will need to be entered under each affected Vote. This is because CFISnet generates financial recommendations by Vote based on the information provided in the Budget initiative module.

If you are unclear on how the funding will be split across agencies at the point at which you submit this information in December, the best approach is to have one agency submit the full cost and another agency submit a placeholder initiative with zeros. Please ensure the titles and descriptions match.

Budget initiative input page

The screenshot shows the 'Departmental Entry' form in CFISnet. The 'Funding Sought' section is a table with the following structure:

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$000	\$000	\$000	\$000	\$000
Operating:	Gross:	0	0	0	0
	Savings/Revenue:	0	0	0	0
	Net:				
Capital:	Gross:	0	0	0	0
	Savings/Revenue:	0	0	0	0
	Net:				

Titles and descriptions must match those provided in your Budget initiative template and Ministerial letter. The title field has a 120 character limit and the description field has a 550 character limit. This information flows through to the financial recommendations module and will appear in the Cabinet paper.

These titles and descriptions are also important in that they appear in the 'Summary of Initiatives in Budget 2018', which The Treasury publishes on Budget day.

The **Initiative Type** drop down selection asks you select from one of the following categories:

- Reprioritisation Within Vote
- Transfer Between Votes
- New Policy (Capital)
- New Policy (Operating)
- Cost Pressure – Volume
- Cost Pressure – Wages
- Cost Pressure – Prices
- Cost Pressure – Policy
- Savings (Return to the Centre)

Please select the option most appropriate for the initiative.

Priority Area allows you to specify if an initiative is 'Significant' or 'Technical'. Please refer to the section 'Significant versus Technical Initiatives' at the beginning of this document for an explanation of the difference between significant and technical initiatives. It is important to make the correct selection as this flows through to the financial recommendations module and

determines which Cabinet paper this initiative will appear in (the technical package is agreed a week before the significant).

PA Objective is no longer required.

Selection of **Minister** should be straightforward in most instances. If you are entering a cross-agency initiative being submitted by more than one vote, the Ministerial Portfolio entered here should be the Ministerial Portfolio leading the initiative. In order to complete the financial recommendations, a separate initiative will need to be entered for each affected vote. If the split across votes remains unclear at the time of submitting initiatives in December, enter one initiative reflecting the total cost. This can then be split out by entering additional initiatives later in the process.

Provide a **Ranking** for each initiative (1 being the highest priority) representing the relative priority of this initiative against other initiatives in the Vote. Cross-agency initiatives should be ranked by the lead agency. No two initiatives within a Vote should be given the same ranking. For further advice on ranking, please contact your Vote Analyst.

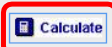
Commercial-in-confidence should be selected if your initiative is commercially sensitive. This will mean that only Vote Analysts with direct access to the Vote will be able to see the detail.

The **Upload Document** function should be used to upload the completed Budget initiative template, Cost Benefit Analysis template and all other supporting documentation. Maximum file size is 4Mb. Please see the FAQ section for techniques to reduce the size of files.

For the **Funding Sought** input if the initiative involves a mix of spending/savings/revenue the 'Calculate' button in the bottom left will calculate net amounts.

Funding Sought:

	2017/18	2018/19	2019/20	2020/21	2021/22
	\$000	\$000	\$000	\$000	\$000
Operating:					
Gross:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Savings/Revenue:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Net:					
Capital :					
Gross:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Savings/Revenue:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Net:					



If the initiative involves transfers between agencies, the receiving agency will need to enter their figures in the applicable 'Gross' line, whilst the transferring agency will need to enter a separate initiative with the offsetting amount in the applicable 'Savings/Revenue' line. Please ensure the titles and descriptions of both are aligned. Note that negative figures are not allowed in any of these fields, so you will need to enter positive values.

If the initiative is seeking funding for a multi-year appropriation agencies should enter the indicative spending profile. The financial recommendations will be adjusted manually to reflect the authority for the multi-year appropriation.

If the initiative requires funding beyond year 4, this should be reflected in the Budget initiative template and the financial recommendations will be adjusted manually to reflect the authority for the out year funding.

If your initiative is partially funded by revenue, such as levies or third party funding, the net amount is what will be funded by the Crown. This net amount is also what is agreed by ministers when they are assessing the initiative. The financial recommendations module will allow you to seek authority for appropriation for the gross amount.

Funding Sought:		2017/18	2018/19	2019/20	2020/21	2021/22
Operating:		\$000	\$000	\$000	\$000	\$000
Gross:		100	100	100	100	100
Savings/Revenue:		60	60	60	60	60
Net:		40	40	40	40	40

Input fields not required for 2018

This is the area immediately below the 'Calculate' button. Performance information was last sought via CFISnet for Budget 2011. You do not need to complete these fields in CFISnet as all relevant performance information should be provided in supporting documentation.

Performance Information:

Option1 - where performance/outputs can be expressed in a table

Type	Title	Unit	2016/17	2017/18	2018/19	2019/20	2020/21	
Quant								Delete
Quant								Delete
Quant								Delete

Add

And/Or Option2 - where performance/outputs are best expressed as text

Not Required

Recommended Decision in Budget 2011

Not Required

Risk if B2011 decision not made

Not Required

Gateway Review Number

Not Required

Whole of Life Cost

Not Required

Not required

Frequently asked questions

What if my file to attach is bigger than 4mb?

The following options may assist in reducing the file size:

- Zip the file
 - Right-click on the file, and in the pop up menu select 'Send to' and then choose 'Compressed (zipped) folder'.
- Upload the zipped file that is created if it is less than 4mb.
- Save the Word or Excel document as a PDF file.
 - In Word or Excel, select File, Save As and from the 'Save as Type' dropdown, select 'PDF (*.pdf)'.
 - This will display further PDF selections. In the 'Optimize for' section, select the 'Minimum size (publishing online)' radio button.
- Upload the file that is created if it is less than 4mb.
- Scan the document and select a resolution of less than 100.
- Upload the file that is created if it is less than 4mb.

Can I enter a negative value in the Initiative Entry screen?

Only positive numbers can be entered into the 'Funding Sought' fields.

Who should I contact if I have further questions about what to enter into any of the Initiative Entry screen fields?

In the first instance, please contact your Vote Analyst.

Can I update an Initiative once it has been entered?

Yes. As long as the 'Level' is not at the 'Bilateral' stage. However, so that your Vote Analyst is up-to-date with the initiative, please let them know if you do edit it.

Can I delete an Initiative once it has been entered?

Yes. As long as the 'Level' is not at the 'Bilateral' stage. To do this, simply go into the initiative and click the 'Delete' button. The initiative will not be removed, but the 'Level' will change to 'Withdrawn' and all the fields will become read-only.

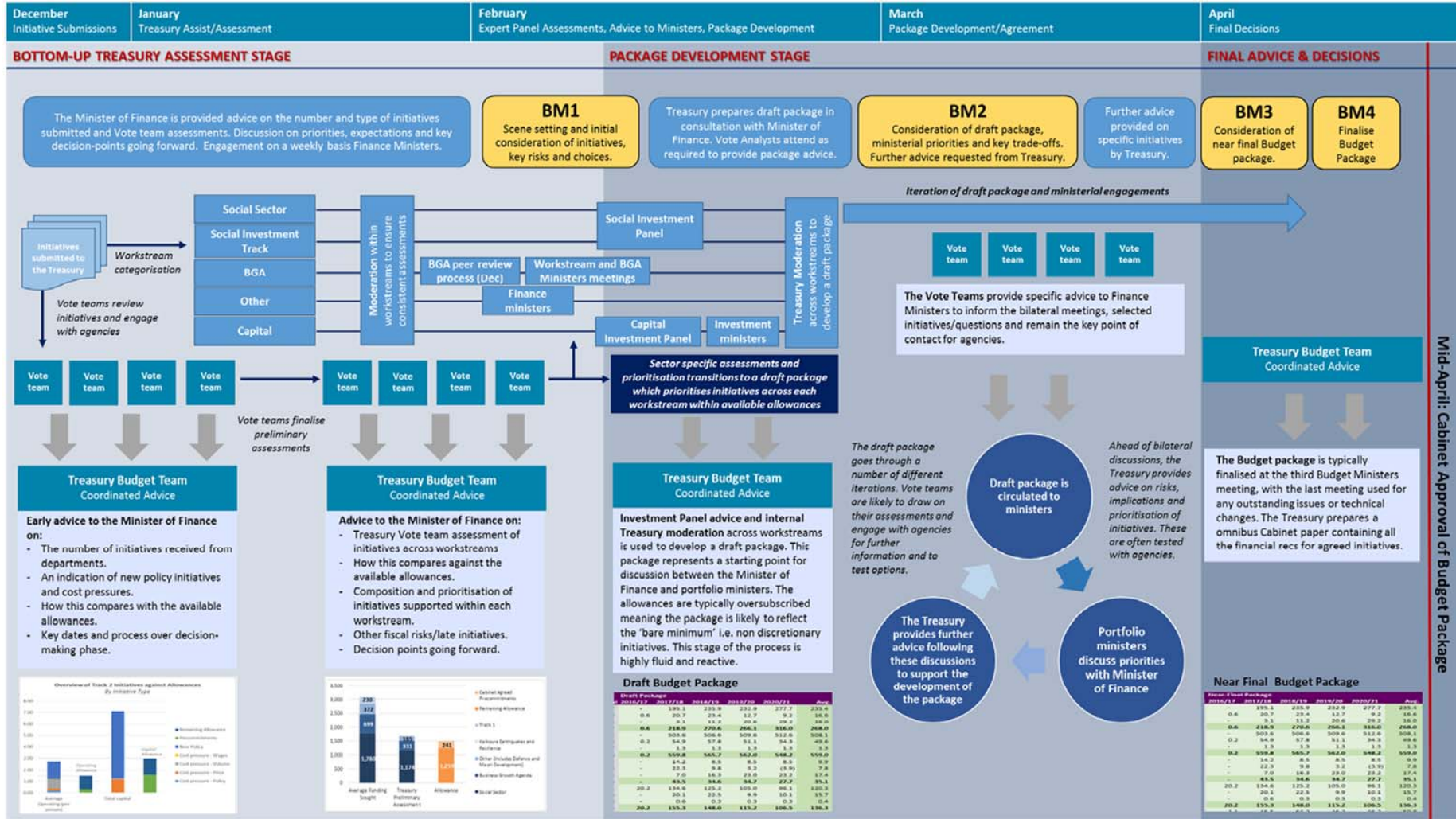
Can I re-instate a deleted Initiative?

Unfortunately this is not possible. You will need to re-enter the initiative as a new one.

Can I edit an Initiative once it is at 'Bilateral' level?

This is done on a case-by-case basis. Please contact your Treasury Vote Analyst in the first instance

Annex 5: Budget decision-making process overview





Budget 2018 Initiatives Process

Guidance for Agencies Preparing Social Investment Initiatives

September 2017

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About this guidance

This guidance focuses on the requirements for the Social Investment Track for Budget 2018. Please refer to the general guidance for information related to other parts of the Budget process. The guidance is structured as follows:

Section 1 provides an overview of the main changes to the Social Investment Track since Budget 2017, including changes to the timeframes and process. It also details why you might put an initiative through this track and sets out expectations around cross-agency collaboration.

Section 2 explains what we mean by social investment and what we want to see in initiatives coming through this track.

Section 3 details the four priority populations, explains the purpose of aligning the Social Investment Track with these groups identified by the Social Investment Board and provides guidance on how initiatives targeting other populations will be assessed.

Section 4 sets out the expectations for pilots and offers an example of a successful pilot initiative in Budget 2017.

Section 5 explains what a good case for intervention will cover and provides information on how to use the Evidence Rating Scale as a standard against which the evidence for the effectiveness of an intervention can be assessed.

Section 6 provides detail on what information is expected for initiatives to demonstrate a strong societal and economic value/return for the investment. It sets out expectations on CBAX, return on investment and sensitivity analysis.

Section 7 establishes key expectations for implementation plans, performance monitoring, process evaluation and impact evaluation. It also sets out what information is required at each of the different stages.

Section 8 provides information on the assessment framework, the different requirements for the October and December checkpoints and the role of key groups involved in the assessment process.

Annexes:

- *Requirements for all Social Investment Track Initiatives*

The submission template, intervention logic template, evidence rating scale and the impact summary table template are all available in the annexes.

- *Additional information*

In the annexes there is an example of how the Public Finance Act 1989 (the PFA) and State Sector Act 1988 can be used to support cross-agency funding. There is also a Social Investment Track Process Map and further information on sufficient and robust evaluation plans.

At the back of the document there are extracts from successful initiatives in Budget 2017. The purpose of including these examples is to provide an indication of the type of information expected for the Social Investment Track.

Feedback and assistance

Please contact your **Vote Analyst** in the first instance for any questions related to the process and timeframes. For Budget 2018, there is an expectation that you join up with other agencies (where required) in the development of the initiative rather than ex-post. Your vote team can help you link up with other agencies and share information.

It is recommended that agencies talk to their **research and evaluation teams** (if applicable) for assistance on specific requirements outlined in this document. It is also recommended that agencies consult their **science advisors** before submitting an initiative. The following teams are also available for assistance in specific areas:

- **Social Investment Agency (SIA):** the SIA can provide assistance on whether an initiative aligns with the criteria and purpose of the Social Investment Track as well as the priority population groups identified by the Social Investment Board. They will be running drop-in clinics for agencies to come and ask questions. Please contact Caroline.Heath@sia.govt.nz for more information.
- **Treasury CBAX team:** the Treasury's CBAX team are available for help with using the CBAX model, how the return on investment is calculated, and also any questions around the impacts database. Please contact CBAX@treasury.govt.nz for more information.
- **Treasury Analytics and Insights team:** the Treasury's Analytics and Insights team are available to assist on questions related to impact evaluation requirements. Please contact insights@treasury.govt.nz for more information.
- **Social Investment Board:** please contact Steven Youngblood Steven.Youngblood@ssc.govt.nz for any questions related to the Social Investment Board's four priority population areas outlined in Section 3.

1 Summary of guidance

Purpose and criteria of the Social Investment Track

Budget 2018 will build on the progress made in Budget 2017 with a dedicated Social Investment Track. Initiatives funded through this track will be managed within the overall \$1.7 billion operating allowance.

The key purpose and intention of this track remains unchanged: to encourage high quality, evidence based social investment proposals that can generate positive returns over the long-term for at-risk, complex populations. The Social Investment Track is for initiatives targeting a specific at-risk population group where there is a gap, or need, and an intervention is required to improve outcomes. This covers:

- Introducing a new programme with strong evidence of effectiveness.
- Scaling up or retargeting an existing pilot or programme based on results from an evaluation. Initiatives seeking funding to expand or scale-up an existing programme based on increased demand alone (with no evidence of effectiveness) should go through the General Budget Track as a cost pressure bid.
- Piloting an initiative for a specific group of people (in a specific area) to build an evidence base. Pilot initiatives are expected to have a compelling case for intervention, robust evaluation and be supported by international or local evidence. Section 4 covers the specific requirements for pilot initiatives.

Why would you put an initiative through this track?

The dedicated Social Investment Track will ensure that these proposals are not crowded out by significant cost pressures and creates space for agencies to explore quality, evidence based solutions and best practice thinking. The high bar applied through this process means that Budget Ministers will have confidence in the value-for-money and return on investment of the successful initiatives. We expect that this will provide a higher weighting/prioritisation with the Budget package.

The social investment initiatives will be assessed against a specific 'merits-based' assessment framework, which focuses on the quality and robustness of information provided. Initiatives will be scaled, phased or deferred based on the characteristics and evidence of the proposals. Cost pressures/General Budget Track initiatives are more susceptible to scaling and prioritisation so that they can be accommodated within the remaining Budget allowances.

Lastly, initiatives which meet the investment threshold will be weighted favourably by the Minister of Finance in discussions with Budget Ministers. Although all initiatives will be managed within the \$1.7 billion allowance this is not different to the "uncapped" model in Budget 2017 where all initiatives above the threshold were funded and accommodated within the allowance.

Changes from Budget 2017

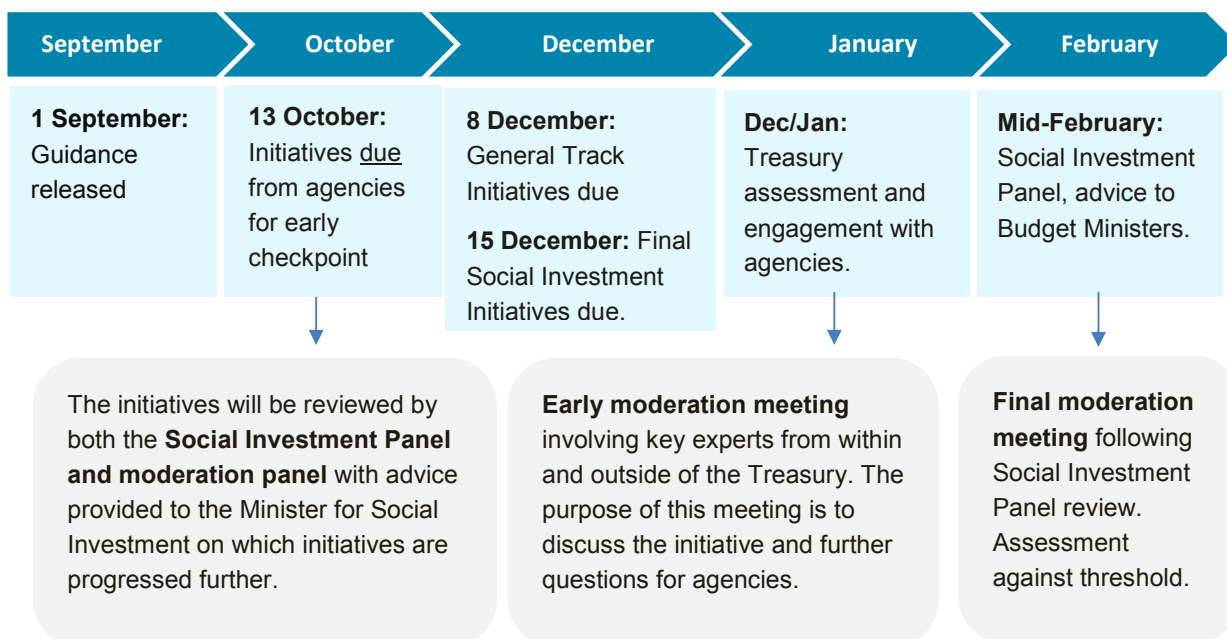
The main changes to the Social Investment Track from Budget 2017 are outlined below. These reflect ministerial expectations as well as feedback received from agencies as part of the Track 1 review process.

Priority population groups will be identified to help guide agencies and encourage greater collaboration. These will be aligned to the key focus areas identified by the Social Investment Board and are discussed further in Section 3. Aligning these population groups provides an opportunity to progress work in areas of complex need. However, this is not a requirement and will not have any additional weighting in the assessment process. We will also consider initiatives for different population groups as long as the initiatives meet the criteria outlined in this guidance.

There is going to be a much stronger emphasis on agencies taking a collective impact approach to target populations. This includes mapping out existing services delivered to these groups across agencies, and identifying the gap/need. Section 2 provides further guidance on how to take a collective impact approach and the tools/mechanisms available for implementation of cross-agency initiatives.

The early checkpoint will filter initiatives, with only selected initiatives being progressed for submission. The focus of the checkpoint will be on the case for intervention, alignment with social investment and the degree of cross-agency collaboration coming through in initiatives. The Social Investment Panel and the Moderation Panel will meet with agencies and Vote Analysts to discuss initiatives. Advice will be provided to the Minister Responsible for Social Investment, who will make the final decision on which initiatives are progressed through this track. Initiatives can then be submitted through the General Budget Track if they don't pass the checkpoint. Section 8 provides further detail on the assessment process and what is required at each stage.

Timeframes and process



The end of Sections 5, 6 and 7 of this guidance, and Annex 1 provide further detail on each stage of the process. Section 8 provides further detail on the role of different groups in the assessment and decision-making process and how agencies can feed into the process.

Requirements for all Social Investment Track Initiatives:

October checkpoint - 13 October	December checkpoint – 15 December
<p>Agencies should only fill out sections 1 and 2 of <i>Template 1 – Social Investment Track Initiative Template</i> (sections 1 and 2).</p> <p>None of the supporting information is required for this checkpoint but can be submitted if available.</p> <p>We recognise that agencies will have limited time to prepare material for this checkpoint. The main purpose of the checkpoint is to determine whether the initiative is a good fit for the Social Investment Track and has merit. The information supplied should help to support this assessment and cover the main parts of the initiative rather than all the detail. We don't expect agencies to submit fully formed initiatives at this point.</p>	<p>For final submission, agencies must submit:</p> <ul style="list-style-type: none"> • Template 1: Social Investment Track Initiative Template • An intervention logic diagram, • An impact summary table, • An Evidence Rating Scale assessment • A CBAX model <p>Note that a separate ministerial letter does not need to be submitted for these initiatives. The initiatives should be included in the ministerial letter submitted alongside the initiatives in the General Budget Track (see template 4 of <i>Guidance for agencies preparing significant Budget initiatives</i>).</p>
<p>If agencies want to provide additional supporting information than what is required please talk to your Vote Analyst in the first instance. The focus for Budget 2018 will be on the quality of information provided not the quantity.</p>	

Expectations for meeting the threshold in Budget 2018

The assessment framework and investment threshold applied in Budget 2017 will remain. This guidance provides more detail on where the bar is set for each of the criteria and includes examples from initiatives in Budget 2017 where appropriate.

The following provides a summary of what is expected in order to meet the threshold for Budget 2018 with further information provided in Sections 5, 6 and 7. This draws heavily on observations from initiatives submitted in Budget 2017.

Case for intervention	The initiative should present a clear problem or opportunity for a specified target population and in doing so clearly describe why the preferred intervention is the best option in comparison to any other. This options analysis should be supported by a system perspective and an understanding of the effectiveness of current services. The intervention logic should be robust and supported by appropriate evidence to provide confidence that expected outcomes will be achieved and have a favourable level of cost effectiveness when compared with the status quo.
Value-for-money (VFM)	The initiative should demonstrate that it provides a strong societal and economic value/return on investment (why the initiative is preferred and has a stronger VFM over other counterfactual options). The initiative should be accompanied by a rigorous cost-benefit analysis using Treasury's CBAX model. It is important that the assessment consider all benefits, rely on a strong evidence base, use conservative assumptions and make all key assumptions transparent. Sensitivity analysis should be used to demonstrate how the benefits/impacts can change if different assumptions are applied.

Implementation and Evaluation

Initiatives should carry out fit-for-purpose evaluation. This should cover implementation, process evaluation and monitoring as well as impact analysis. Initiatives should have in place feedback loops which allow performance monitoring and improvements to be made. Section 7 provides further detail on the minimum requirements for final submission in December relative to comprehensive evaluation plans which are provided following funding approval.

How does the threshold work?

Case for investment	1	2	3	4	5	Investment threshold = Minimum score of 3 in each criteria.
Value-for-money	1	2	3	4	5	
Implementation and Evaluation	1	2	3	4	5	

2 What is social investment?

Overview

Social investment is about getting the right help, to the right people, at the right time in their lives to address a legacy of unmet need in New Zealand.

A social investment approach uses data and evidence to improve our collective understanding of the needs of the population over their lifetime and it consistently measures the impact, or effectiveness, of services delivered across the sector. Social investment also requires the sector to work more effectively together to respond to complex needs.

As we are still adopting a social investment approach, the Government recognises the need to adopt a 'test, learn, adapt' culture to improve available data and evidence and to foster innovation.

What do we want to see in initiatives coming through this track?

What is different about social investment is the challenging perspective it brings of:

- Being client-centred – using people, not services as the organising perspective.
- Taking a life course view – based on a longer-term understanding of the drivers of outcomes.
- Focusing on well-being and whole of system perspective.
- Ensuring a strong focus on the value of the return on investment *relative to* other choices,

As mentioned above, this should be underpinned by evidence, data based analysis, testing and feedback loops. In taking a social investment approach, we expect agencies to:

- Identify the segments of a population where Government intervention is needed.
- Determine the desired outcomes for that population or particular segments.
- Use and build evidence to understand the impact of existing service delivery and environmental factors for that population.
- Understand how any new or modified interventions would change impacts for service recipients.
- Prioritise competing investments to understand their relative value to inform selection of the best possible investment choices.
- Evaluate, learn and update analysis.

The expectations and information requirements related to these aspects are set out in more detail in sections 5, 6 and 7 and in the initiative template.

Cross-agency collaboration

Taking a client-centred, system-wide approach requires agencies to share lessons and work together in areas where there are clear overlaps. The ‘compartmentalising’ of initiatives based on delivery agencies can lead to duplication of interventions, inefficient use of resources, and create further gaps in meeting needs for people with complex needs.

Because of the complex needs of the at-risk populations that this process is aimed at, agencies are expected to work together to deliver results, or at the very least understand the full social sector service landscape in which they are operating. This will be emphasised in the assessment process alongside the merits of the individual initiative. **The degree of cross-agency collaboration will depend on the type of initiative and who is being targeted.** The sections below provide more detail on where we expect cross-agency collaboration.

Single agency initiative

You need a clear rationale why an initiative should be put forward by a single agency. The most obvious reason for an initiative to be run by a single agency is that the agency is the only one working with the target population and, therefore, you can be clear about the service landscape and needs of those individuals without working with other agencies. A good example of this might be a Department of Corrections initiative that proposes a programme within prisons. In this example it is clear that the Department of Corrections is the primary agency working with that target population at the time, and is best placed to design and implement the intervention for this group.

Even if there is only one agency working with the target population, there will be an expectation that agencies make an effort to understand the secondary or flow-on impacts of delivering the service for other agencies at different points in time. Using the prison example, there may be longer-term implications for other sectors once the prison sentence is complete, and also wider impacts for the family of the prisoner that need to be taken into consideration.

Cross-agency initiative

In many other circumstances, the target population who are at risk of poor outcomes engage with multiple agencies. In order to develop interventions that are effective for those individuals, it will be necessary to work with both those individuals and with other agencies to understand the challenges they face and identify potential solutions to improve outcomes. A good example of this would be beneficiaries with mental health issues. For this group the target population are likely to have had engagement with both Ministry of Social Development and the Ministry of Health (or District Health Boards) and it would not be appropriate for either organisation to develop interventions for these individuals without working with the other agency.

In the assessment we will be looking at:

- Whether agencies fully understand how the needs of the identified population group touches on different parts of the sector i.e., whether the right agencies are involved in the development of the initiative.
- Whether agencies are able to show a collective understanding of the existing services provided to the target population and (to the extent possible) the effectiveness of those services.

- The nature and extent of cross agency collaboration. This should be specific about how different agencies are involved in the process and their role in both the development and implementation of the initiative.
- Whether agencies have put sufficient thought into how the intervention will be delivered and the funding arrangements that will exist across agencies. Annex 2 provides an example of how a cross agency initiative could be funded using existing tools and mechanisms available through the PFA. Further information on how funding can be split between Votes and CFISnet requirements can be found in the General Budget Track Guidance.
- Whether agencies are taking a single or cross agency approach there needs to be a clear rationale. If an agency intends to take a single agency approach it must be clear about how it will identify the service landscape that effects the target population and how it will assess their needs.

Successful initiatives will be those that:

- demonstrate a clear purpose
- have a clear and sustainable funding arrangement
- have clarity and transparency on the roles each agency is to undertake (if there is more than one agency involved)
- establish plans and processes, including monitoring and evaluation plans, and
- recognise shared risks and accountabilities.

3 Priority areas for Budget 2018

Overview and key messages

The Social Investment Board (SIB) has identified four priority populations that require whole-of-system support to achieve better social outcomes.

Aligning the priority groups with the Social Investment Track provides an opportunity to progress work for areas of complex need and encourages greater collaboration across agencies. These are areas where there has already been significant work undertaken by social sector agencies to understand the populations and their underlying problems. Budget 2018 offers one opportunity to leverage some of this work and progress well-developed intervention options.

Key points to note in relation to these priority areas:

- While we are encouraging agencies to submit initiatives for the SIB priority groups, this is not a requirement and we will also consider initiatives for different population groups where there is a clear need/gap (as long as they meet the criteria for the Social Investment Track).
- Alignment with the SIB priority groups does not have any additional weight in the assessment process as this would reflect an assumption that some population groups are more important than others. The focus will be on the quality of information presented and the strength of the case for intervention, return on investment, and implementation and evaluation (see Sections 5-7 for more detail).
- If agencies are looking to submit initiatives related to the priority areas identified below, they should consider how the proposed intervention for the priority group contributes to the long term work programme of the SIB. The expectation is that initiatives are progressed only if they are well developed and likely to meet the assessment criteria of the Social Investment Track.
- We expect that the majority of initiatives related to these groups will be developed by the SIB itself. However, where this is not the case, the SIB should be informed.

Please contact Steven Youngblood at the State Services Commission in the first instance for any questions related to the SIB process and for further detail on the priority population areas Steven.Youngblood@ssc.govt.nz.

SIB priority populations

At risk mothers and their babies

In any one year, this population consists of approximately 15,000 at risk mothers, and 12,500 at risk babies (7,500 birthed from at risk mothers, and 5,000 birthed from mothers who are not at risk).

At risk mothers are characterised as having:

- Substance abuse issues
- Teenage pregnancy
- In a social house prior to birth
- Single parent
- Lives in a highly deprived area.

At risk babies are characterised as having:

- Teenage mothers or mothers over 45
- Disabilities or chronic conditions
- Child, Youth and Family (CYF) contact
- Single parents
- Police records of family violence.

Children aged 8-14 who are chronic transients from school

Approximately 8,000 (2 per cent) of children aged 8-14 are chronically transient. Students who are chronically transient are children who have attended 8 or more schools between ages 5-15.

Chronic transients are characterised as having:

- Been in CYF care
- A care and protection notification or finding
- Mother with long-term benefit receipt
- Parent with custodial or other corrections sentence
- Mother with no qualifications
- Mother aged under 20 at child's birth.

Young males who have committed minor offenses

This population includes 1,929 males under 17 who have not yet committed a serious offence, but for whom a combination of risk factors suggests they are likely to continue to offend in the future.

Young males who have committed minor offences are characterised as having:

- A care and protection notification
- Supported by benefit at birth
- A truancy intervention
- Stood down or suspended from school
- Victimised
- Parental corrections history
- Used mental health or addictions services.

Dependents of beneficiaries with mental health needs

This population includes 7,065 dependents to 12,969 beneficiaries on a health or disability related benefit with a mental health condition. 2,466 of the dependents are aged 0-3 years and 4,599 dependents are aged 8-12 years.

There are a number of general risks associated with dependents in this population:

- Education
- Living in social housing and/or beneficiary household
- Whānau content e.g., separations, parental conflict
- Parent with a mental health condition
- Contact with the Ministry for Vulnerable Children, Oranga Tamariki and justice services
- Socio-economic and other adversity, and stigma and social isolation.

4 Pilot initiatives

Key expectations for assessment

- The Social Investment Track is designed to encourage evidence based social investment proposals, however, the evidence base is still being developed in many areas.
- Where there is a compelling case for investment, but limited direct evidence of effective interventions, a pilot programme may be most appropriate. There is an expectation that this will be supported by international evidence.
- Apart from a strong case for investment, pilots must be accompanied by strong implementation and evaluation plans, and must be subject to robust impact evaluation that will generate strong evidence of effectiveness to inform future investment decisions.

Requirements for pilots

The Social Investment Track is designed to encourage high quality, evidence based social investment proposals that can generate positive returns over the long-term for at-risk, complex populations. In general, this will prioritise programmes that are already established or have already been piloted in New Zealand, and for which strong evidence on effectiveness is readily available.

In some cases, there may be a strong case-for-change, but no initiative with established effectiveness information. In such cases it may be appropriate for pilot initiatives to be proposed and funded through the Social Investment Track. This allows for innovation and helps build the evidence base to inform future decisions.

Pilots are new initiatives that start relatively small with the intention of measuring the effectiveness of the initiative so that it can be scaled up if proven to be successful, modified to improve effectiveness if necessary, and discontinued if shown to be ineffective. This requires a greater emphasis on evaluation and building continuous feedback loops into how the initiative is delivered. Agencies should consider whether the initiative has clear decision points and 'off ramps' to inform changes as the initiative is implemented.

Pilots under the Social Investment Track will:

- Need to demonstrate especially robust evaluation plans that constitute a strong test of the programme's intervention logic, so that in the future we will have a high level of confidence about whether the programme is a success or failure, and whether it should be continued, scaled up, or reconfigured. The initiative should be explicit about the cost and/or resourcing implications of the proposed evaluation.
- Draw on a strong intervention logic supported by evidence. Pilots will usually be based on similar overseas programs that have been rigorously evaluated.

- Where pilots are based on successful overseas programmes, there will be strong evidence to support why they will work in a New Zealand context. For example, the bid will show that the initiative can be successfully delivered in New Zealand and that the New Zealand target population is similar or analogous in relevant respects.¹

Pilot initiatives will require a clear and compelling case for investment, and a robust evaluation plan, including impact evaluation to establish effectiveness. It is generally expected that pilot initiatives will require evaluations at the higher end of the evidence rating scale (refer to Annex 5 for how to use the Superu evidence rating scale), with funding being time bound based on evaluation results.

An example of a pilot initiative which met the investment threshold in Budget 2017 is the *Individual Placement Support (IPS)* initiative submitted by the Ministry of Social Development.

This pilot will provide 1,000 places over four years across two regions to support clients with mental health conditions to improve their mental health and find and maintain employment. Employment services will be integrated and delivered within mental health or primary care settings, avoiding the need for people to navigate multiple systems.

- People with a mental health condition have worse employment outcomes than non-disabled people: Findings from the 2013 Disability Study show that 45 per cent of all disabled adults were employed compared with 72 per cent of all non-disabled adults. Employment rates are worse again for people with mental health conditions.
- There are a significant number of people on a health or disability related benefit: Currently, 140,123 (49 per cent) of all clients are in receipt of a benefit due to the impact their health condition or disability has on their ability to work. This equates to \$23.8 billion of the total welfare liability (\$69.1 billion).
- Existing MSD employment support services are relatively small in scale: the number of employment places available to the target group are small in comparison to the unmet demand. Less than 23 per cent of clients receiving a health and disability related benefit will actually be able to receive additional services.
- There is a strong international evidence base for IPS but it is not widely implemented in NZ: rigorous evaluations of IPS in international jurisdictions suggest 50 to 60 per cent or more of IPS clients obtain employment compared to about 25 per cent who receive other types of vocational assistance. The evidence also shows the IPS approach is transferable across international jurisdictions.
- A randomised control trial is proposed for this initiative, where possible, to assess measures such as the number of clients in sustained employment compared to a control group. Each service will be monitored and benchmarked against international standards and outcomes for IPS. A process evaluation will be undertaken using the IPS Fidelity Scale, which each service will be required to undertake six months after implementation.

¹ One relevant aspect is that the target populations in New Zealand have similar baseline outcomes to the overseas population. If these baseline outcomes are not similar then there should be a strong argument for why we would expect the initiative to still be sufficiently effective at improving these outcomes.

5 Case for intervention

The minimum threshold

Presenting a strong and compelling case for intervention from the client's perspective is the first step to taking a social investment approach.

This is what we expect a good case for intervention to cover to meet the threshold:

- **Identification of the target population:** Identifying and grouping populations that share common characteristics and needs enables agencies to work towards highlighting groups of interest (cost and outcomes) and developing a life-course view – two elements at the heart of social investment.
- **Definition of the problem to be solved:** This should take a life-course and system wide view and be supported by strong evidence. What would happen if there was no intervention for this population group? What are the expected outcomes for this group?
- **The existing service landscape:** This was one area that was particularly weak in Budget 2017. A decision on whether to intervene to resolve a problem for a target group cannot be taken in isolation of all the other services provided to that population, how they overlap and the cumulative impact. This exercise should reveal a clear gap or need which may be desirably filled.
- **Options analysis:** Options analysis was broadly absent in the initiatives in Budget 2017 and will be factored into the assessment of the case for intervention. This should cover alternative options considered as part of the process and their relative costs/benefits.
- **The preferred intervention and impacts:** Given the existing service landscape and other available options, why is this the preferred intervention and a preferred targeting of the intervention? There should be a strong intervention logic outlining how the resources and activities for the preferred intervention will contribute to the desired outcomes. The intervention logic template in Annex 4 should be used here for consistency.
- **Evidence** To support each part of the case for intervention, the cost-benefit analysis and the scope of the evaluation plan. The Superu evidence rating scale (see Supporting Information 2) should be used to provide an assessment of the strength of evidence. The rating scale is discussed in more detail later on in this section.

The assessment will focus on how well the initiative meets each of these requirements. Further detail on each of these requirements is set out below.

Requirements for case for intervention

<p>Identify the target population</p>	<p>Clearly identify the population that will be affected by the intervention. Agencies should include the key characteristics and attributes of the target population, using data and analytics if available.</p> <p>If the target population is one of the “priority populations” identified by the SIB, agencies should describe the particular characteristics of the population that the initiative will address.</p> <p>In some cases, the target population may not be able to be described in detail (for example, where support is to be provided to households after a burglary or violent crime has taken place or services for a family or group of people bereaved by suicide). In this case, a “fit for purpose” description and analysis should be provided. This could be a description of the characteristics of the group of people or how they will be identified in order to be offered the intervention.</p>
<p>Define the problem</p>	<p>The Agency needs to provide evidence as to why the intervention is required. For example, what issue or opportunity is the intervention addressing for the target population? What the unmet need of the target population will this initiative address? What evidence is there that a problem exists?</p> <p>Superu’s <i>Making sense of Evaluation: A handbook for the Social Sector</i> (pp. 12-17) provides guidance on problem definition and developing an intervention logic (or logic model).</p>
<p>Outline the existing service landscape</p>	<p>Set out how the initiative aligns with existing services aimed at the same population including what services this population is currently receiving (where possible), in order to set the context in which the proposed initiative sits. For example, is this initiative filling a gap, complementing other services and/or is there an intention for it to replace an existing service?</p>
<p>Describe the counterfactual</p>	<p>The description of the problem or opportunity that this proposal seeks to address should include a description of the counterfactual that is: what will happen if the problem persists or the opportunity is missed? This is different from the status quo which looks at the problem/issue at a point in time. Taking river quality as an example: the status quo reflects the current status of river water quality. On the other hand, the counterfactual will describe the state of the river over time if nothing happens e.g., continued deterioration of river water quality and river quality becoming worse than the status quo.</p>
<p>Potential options considered</p>	<p>Summarise the options considered in selecting the proposed initiative. How is the selected initiative a better “fit” for problem/opportunity at hand and/or the target population than other options considered?</p>
<p>Identify the potential solution</p>	<p>Justify the initiative selected - What evidence is there to suggest that this particular initiative will be successful in this particular context with the target population? For initiatives that are imported from overseas, what evidence or information exists to suggest that it can be successfully delivered in New Zealand?</p>

Illustrate how it all fits together (Intervention Logic)

The intervention logic or logic model is a representation – usually a picture or diagram – of how the initiative is supposed to work to change outcomes for the target population. The key focus should be on explaining how (short, medium, and longer-term) outcomes or results will be delivered through the activities or implementation of the initiative, rather than trying to fit a particular framework for an intervention logic.

A possible framework is shown in *Supporting Information 1* and should be used to support the case for intervention. See the initiative template for more details.

Agencies should set out the assumptions and evidence underpinning the intervention logic. For example, what is being assumed about the implementation of the initiative or how the target population will take it up? What evidence is there that 'X' intervention is likely to result in 'Y' outcome? The international and New Zealand evidence for effectiveness of the initiative can be considered using the Superu Evidence Rating Scale, available under *Supporting Information 2*.

Consider whether or not there may be adverse impacts (social and fiscal) resulting from implementing the initiative, including impacts on other government services. Document these, along with the assumptions.

For pilot initiatives, where evidence supporting the success of the intervention may be limited, there will be a greater focus on how the intervention logic is presented and the assumptions used. The key question to consider here is why the agency expects the pilot to be successful in delivering the specified outcomes. There should also be a commitment to collect sufficient evidence of impact in the future (as should be the case for non-pilot initiatives).

Using evidence

Each part of the Budget initiative (identifying the target population, defining the problem or opportunity, selecting the initiative, preparing the cost-benefit analysis) requires evidence to support the statements or assumptions being put forward.

Evidence is a body of facts or information that can be presented to inform judgement. Evidence can be quantitative or qualitative, and may come from various sources including performance monitoring, research, evaluation, statistics, administrative data and expert opinion. Data on its own is not evidence, it must be combined with some analysis to become information that may be useful for a particular case.

Superu has developed a practical user guide explaining how to best use administrative data for continuous improvement and to show the impact of an initiative –

<http://www.superu.govt.nz/tools-resources/guide-using-administrative-data>

There is also useful information and case studies on the Statistics NZ website showing how researchers are using the Integrated Data Infrastructure (IDI). The use of evidence (or absence of evidence) will be assessed as part of the moderation process.

The evidence rating scale

An assessment of the evidence supporting the selection and use of a particular initiative is a crucial part of decision-making. The **Evidence Rating Scale** developed by Superu provides a standard against which the evidence for the effectiveness of social sector interventions can be assessed. It takes into account international and New Zealand experience with an initiative.

The Evidence Rating Scale assesses the strength of the evidence, taking into account the maturity or otherwise of the initiative. It also understands the effectiveness identified – be that beneficial or harmful – to both the target population and others that might be affected. It recognises that pilots may have limited effectiveness data, but should be founded on strong evidence-based intervention logics.

The use of the Evidence Rating Scale across all initiatives submitted as part of the Budget 2018 process will allow consistent assessment by Vote Analysts and moderators. Supporting Information 2 provides further detail on how to use the evidence scale in your submission and how it might apply to pilots.

What information is required at each stage?

- **October checkpoint:** The October checkpoint will focus on the case for intervention. Sections 1 and 2 of the initiative template in Annex 1 will need to be filled out to support the filtering process. The checkpoint will consider the strength of the case for intervention, alignment with social investment and the degree agencies have worked collaboratively (where this is appropriate for the type of intervention being considered).
- **December submission:** The final submission in December provides an opportunity to update the information presented on the case for intervention in October and fill key information gaps.

Where to go for more information and support

More information on the Evidence Rating Scale can be found here:

<http://superu.govt.nz/resources/evidence-rating-scale>

6 Value-for-money

The minimum threshold

Agencies must be able to provide a robust case that an initiative has a strong societal and economic value/return for the investment. This will allow agencies to show that their initiative is proposing the best way to support the individuals that we need to better serve. Our key expectations are:

- **Comprehensive cost-benefit analysis using CBAX:** All social investment bids need to be accompanied by a comprehensive cost benefit analysis using the Treasury's CBAX model. The CBAX results will be used to form a judgement on the value-for-money aspect of the initiative. The value-for-money judgement is a combination of return on investment (ROI), absolute net present value, non-monetised social benefits, and the confidence in the evidence and impacts being realised.
- **High quality evidence:** Evidence quality was highly variable in Budget 2017. Have there been any previous evaluations undertaken on the proposal elsewhere and can we be confident that they can be applied to the New Zealand context? A sensitivity analysis can be helpful in the case of pilots, where there may be limited evidence. Where assumptions have been made about the evidence, these should be clearly documented. This should draw on the evidence used as part of the intervention logic and case for intervention section above.
- **Use reasonable, conservative assumptions and make all key assumptions transparent:** This was a weak area in Budget 2017. It is important to be conservative and to consider how confident you are that there is a strong causal link between the intervention and a particular impact, and at what point other factors help with the ongoing achievement of the impact. All risks and limitations should be made transparent
- **Include a broad analysis of the impacts of an intervention:** All impacts should be considered and included in the analysis and monetised, where possible.
- **Include a sensitivity analysis:** Initiatives should be supplemented by some sensitivity analysis (for example, by modelling optimistic versus pessimistic assumptions, or by representing the ROIs calculated by the alternative discount rate).

Key CBAX requirements

<p>Expectations regarding CBAX advice</p>	<p>CBAX models submitted into the Social Investment Track should be:</p> <ul style="list-style-type: none"> • Supported by high quality evidence. • Based on reasonable, conservative assumptions. • Informed by a broad analysis of the impacts of an intervention. For those impacts that are difficult to monetise (for example, the self-esteem benefits of a job mentoring scheme for young people), these should also be represented in the analysis. • Ideally supplemented by some sensitivity analysis (for example, by modelling optimistic vs. pessimistic assumptions, or by representing the ROIs calculated by the alternative discount rate).
<p>Return on investment</p>	<p>Since the Social Investment Track is a bespoke process for high quality social investment initiatives, the expectation is that the initiatives that are funded will be those that can demonstrate a high ROI. However, initiatives with lower ROIs, that are supported by quality evidence and reasonable assumptions will also be considered, and may even be preferred over initiatives with poorer evidence and unreasonable assumptions. Similarly, some proposals may show a lower ROI, but have additional significant but non-monetised benefits.</p>
<p>Initiatives with long-term impacts</p>	<p>Sometimes cost benefit analyses with particularly long-term impacts can show a lower ROI. In this case, we encourage agencies to perform sensitivity analysis by considering the alternative discount rate (currently 3 per cent, in contrast to the standard rate which is currently 6 per cent). Agencies should always consider which ROI is the most appropriate to present (whether this be the standard or the alternative rate). Treasury analysis of the CBAX produced for Budget 2017 did not show a material difference in the ROIs calculated by either rate. However, it is possible, depending on the initiative, that those with longer-term impacts could be better represented using the 3 per cent discount rate. If the agency considers that the 3 per cent discount rate is more appropriate, this should be justified.</p>
<p>Examples of quality CBAX modelling</p>	<p>The Treasury proactively releases examples of high quality CBAX models as part of its regular Budget proactive release.</p> <p>Budget 2016 CBAX proposals are available here: http://www.treasury.govt.nz/publications/informationreleases/budget/2016/cbax</p> <p>Budget 2017 CBAX proposals are available here: http://www.treasury.govt.nz/publications/informationreleases/budget/2017/cbax</p>

What information is required at each stage?

- **October checkpoint:** At the October checkpoint no information is expected on return on investment and agencies are not required to submit a CBAX analysis. Only Sections 1 and 2 of the template in Annex 1 need to be completed for this checkpoint, but agencies are encouraged to provide information on costs and benefits (monetised and non-monetised) if this is available to support the filtering process.
- **December submission:** At the December submission, the initiative will need to complete a CBAX and fill out the value-for-money section of the template in Annex 1. The impact summary table in Annex 6 will also need to be completed as supporting information.

Where to go for more information and support

The CBAX model and the CBAX User Guidance are available from <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

Treasury's CBAX team is also available to help, by running training sessions, or providing feedback on draft CBAX. Email cbax@treasury.govt.nz for more information.

7 Implementation and evaluation

The minimum threshold

- Agencies should clearly describe how the initiative will be implemented, and how and when the initiative will be reviewed. This should align with the monitoring and evaluation plan, clearly outlining when and how findings will feed into decision making, both during and subsequent to implementation.
- More detailed information on evaluation will be required as the bid progresses. The budget bid will be accompanied by a high level plan, setting out proposed and alternative approaches and any risks identified. A more detailed 'sufficient and robust' plan (see Annex 3) must be submitted subsequent to funding being approved and before the funds are drawn down. The detailed plan will:
 - Finalise the evaluation approach, including a broad timeline, budget breakdown, and reporting schedule,
 - Identify risks that could impact on the evaluation, outlining how these will be mitigated, and
 - Have clearly defined and relevant evaluation questions, outcomes, and measures.
- The implementation and evaluation plan should provide confidence that the initiative will be implemented successfully, will be subject to ongoing review, with evidence feeding into decisions as the initiative is established, and that evidence of effectiveness will be generated to guide future investment decisions.

Overview

The way an initiative is implemented is critical to ensuring its objectives are met. This means any initiative should have a well-considered implementation plan. The implementation should also be subject to ongoing monitoring and process evaluation. These provide critical information to feed into periodic reviews of the initiative, informing decisions about whether the initiative should be stopped, expanded or adapted to improve its performance.

Evaluation is important both in assessing how an initiative is being implemented (i.e., process evaluation) and whether it has been effective, achieving desired outcomes (i.e., impact evaluation). Monitoring of key inputs, outputs and outcomes (as identified in the intervention logic) is also critical to understand whether an initiative is operating as intended. Evaluation plans will ideally incorporate aspects of monitoring, process evaluation, and impact evaluation, and will describe key decision points regarding how and when the initiative will be reviewed.

It is also important that implementation and evaluation of effectiveness are considered together because the way an initiative is implemented can be critical to a successful evaluation of effectiveness. For example, randomising participants selected for a programme, or areas in which the programme is offered can provide robust comparison groups to assess effectiveness. If this isn't possible, staggering the roll-out can also provide a useful robust comparison, with early participant outcomes being compared with later participants who are awaiting the service.

Agencies with research and evaluation teams are expected to consult heavily with these teams to develop the evaluation sections of the budget template and evaluation plan. Agencies should ensure internal resources are available to plan and undertake the implementation, monitoring and evaluation of the initiative, including any additional funding required in the bid if necessary.

Implementation

Implementation

The implementation plan should detail how the initiative will be implemented, including:

- How will the initiative be delivered? By whom?
- Does the capability already exist to deliver the initiative? If not, how will the necessary capability be developed?
- How will the initiative be commissioned/procured to ensure value?
- Will the initiative be rolled out in a staggered fashion? How will participants be selected to take part?
- Will the initiative be geographically targeted? To which areas?
- What resources are available to help with implementation?
- Have the costs for implementation been included in the Budget bid? (separate to the costs for impact evaluation)

If the initiative is imported from overseas, the implementation plan is also important in signalling what changes are required to ensure it is fit-for-purpose under New Zealand settings.

Performance monitoring and process evaluation

Performance monitoring

Ongoing monitoring of key performance measures is critical to understanding how an initiative is operating. Evaluation plans should include a monitoring framework that identifies key activities, outputs and outcomes (as identified in the intervention logic) and describes how and when these will be measured. This should include how the right data will be collected to support the measurement of outcomes.

If it is not possible or cost-effective to measure some of the key outcomes in the intervention logic, please state what these are and explain why they won't be measured.

Process evaluation

Process evaluations also help understand how and how well an initiative is being implemented, and feed into periodic review of the initiative. They are generally qualitative in nature and may include document review, and interviews or focus groups with key stakeholders such as participants and providers.

Will there be any process evaluation, when will this occur, and what will it involve? How will ethical issues (such as informed consent) be managed? How will findings feed into decision-making?

Impact evaluation

Impact evaluation

Impact evaluation is critical to understanding whether an initiative has been effective i.e., whether it had a positive impact on participant outcomes. A number of issues will need to be addressed:

- How will a plausible comparison group be formed so that changes can be attributed as causal effects of the programme or policy (i.e., above and beyond a counterfactual of no intervention or business-as-usual)?
- What will the sample size of the intervention and comparison groups be, and will this be large enough to measure effectiveness with sufficient precision?
- Are there any important caveats/weaknesses in the methodology, and how will they be dealt with?
- Are there any ethical issues with how this programme will be evaluated, and how will these be addressed?

What information is required at each stage of assessment?

Different amounts of information on evaluation are required at different stages. This is to limit the amount of resources used to develop evaluation plans for initiatives that are ultimately unsuccessful, and to recognise that it is difficult to develop detailed evaluation plans while key components of the initiative are still being decided.

- **October checkpoint:** At the October checkpoint no information on evaluation and implementation is required. The key focus for the checkpoint will be on a strong case for investment, demonstrating alignment with social investment, and cross agency collaboration. However, agencies should be confident a robust approach to evaluation will be able to be developed.
- **December submission:** At the December submission the bid will need to provide a **high-level plan** for the implementation, review and evaluation of the initiative as outlined in the table above. However, the plan will still be relatively high-level with more details to be provided for successful bids post-Budget.
- **Post-Budget:** Successful Social Investment Track bids in Budget 2018 will have their funding contingent on developing **sufficient and robust evaluation plans**. This plan will cover much more detail than the high-level plans submitted in December. Any significant changes between the high-level plan submitted in December 2017 and the detailed post Budget plan, will need to be justified.

Where to go for more information and support

Agencies are recommended to seek input from their research and evaluation teams before submitting a bid, and involve them throughout the process. Bids should seek appropriate funding for implementation, monitoring and evaluation activities.

More information on evaluation and evaluation planning is available at:
<http://www.superu.govt.nz/resources/handbook>.

8 The assessment process

The assessment framework

The assessment framework and investment threshold applied in Budget 2017 will remain. To meet the investment threshold, initiatives must score a minimum of 3 in the case for intervention, value-for-money, and implementation and evaluation sections. **Further information on the requirements to meet the minimum threshold for each of these criteria can be found in sections 5, 6 and 7 above.**

Case for intervention	1	2	3	4	5	Investment threshold = Minimum score of 3 in each criteria.
Value-for-money	1	2	3	4	5	
Implementation and Evaluation	1	2	3	4	5	

The purpose of the investment threshold is to assess overall confidence in the initiatives ability to deliver multiple criteria, so that well-rounded, high-quality initiatives are identified and supported.

Whether an initiative meets the investment threshold and a summary of the assessors' judgements will be reported to Budget Ministers. Initiatives which meet the investment threshold will be weighted favourably by the Minister of Finance in discussions between Budget Ministers and portfolio ministers.

How this assessment framework will be applied

There will be two submission stages: an early checkpoint on **13 October** and a final submission on **15 December**. The different requirements and processes at each stage are outlined in detail below. Refer to the Social Investment Track Process Map (Annex 1) for an illustration of how these assessment stages fit in the wider Budget cycle.

October checkpoint

Indicative bids are due from agencies on 13 October and should be emailed through to your Vote Analyst. The purpose of this early checkpoint is to filter initiatives and provide clear direction to portfolio ministers and agencies on which initiatives will be progressed through the Social Investment Track. This is different to Budget 2017 where agencies and ministers still had the option of progressing through this Track regardless of feedback from the Social Investment Panel.

Key information for the October checkpoint:

- The intention of this checkpoint is to determine whether initiatives fit the requirements of the Social Investment Track before agencies commit further resources to developing the initiatives. We do not expect you to submit fully formed initiatives at this stage and you should focus on providing clear, concise information on the questions in Sections 1 and 2 of the *Social Investment Template (Template 1)*.
- Following submission, both the Social Investment Panel and Moderation Panel (together with vote teams) will review initiatives and provide advice to the Minister for Social Investment on which initiatives are progressed further. Letters will be sent to portfolio Ministers notifying them of the outcome and the option of progressing the initiative through the General Budget Track.

- Similar to Budget 2017, agencies will be required to come and discuss the initiative with the Social Investment Panel. The Moderation Panel and relevant Vote Analyst will consider feedback from the Social Investment Panel and provide recommendations on which initiatives are suitable for the social investment process. We are working with the panel members to finalise dates and will let agencies know once this is confirmed.
- The recommendations to the Minister will be based on an assessment of whether:
 - The initiative meets the criteria of the Social Investment Track and truly reflects social investment
 - There is a clear/convincing need for the intervention based on all other services that exist for that target population across agencies
 - The right agencies have been involved in the development process and the plan going forward
 - There is likely to be sufficient evidence to support the proposed intervention, and
 - The initiative is ‘investment ready’ to go through the Budget 2018 process.
- We expect the Minister Responsible for Social Investment to make final decisions on initiatives by the end of October. We will keep agencies informed of any implications as a result of the General Election.

It is important to note that even if the initiative proceeds through to the December submission, this doesn’t necessarily mean that the case for investment meets the assessment framework criteria. Rather, this is an indication that the initiative is fit to be considered for the Social Investment Track. We expect the case for intervention to require further work for final submission in December.

December submission

For the final submission in December, agencies are expected to submit a completed initiative template. The template specifies where additional information should be attached where relevant (for example, intervention logic map, evidence briefs), but the focus will be on the quality of information submitted rather than quantity. Agencies should also show how any feedback received at the October checkpoint was taken into consideration when developing the final submission. Note a separate ministerial letter is not required for this.

Vote Analysts will then review this information and complete an assessment against each of the three criteria: case for change, value-for-money, and implementation and evaluation. This assessment template will mirror the template used by agencies and will be shared with agencies once it is available. Over December/January agencies will have an opportunity to engage with the Treasury vote teams to discuss any outstanding questions and provide further information. Vote teams initial assessments/reflections will be used as an input in the first Moderation Panel meeting in January.

The purpose of this first moderation meeting is to have an initial discussion about the initiatives. Made up of key experts from within and outside of the Treasury, this Panel will meet with Vote Analysts to discuss their assessment, key gaps and questions that require follow up with agencies. There will also be the opportunity for agencies to come and talk to the Panel directly. Your vote teams will be in touch about this closer to the time.

The Social Investment Panel (SIP) provides an independent assessment of the Budget initiatives. It is made up of the Chief Science Advisers, experts from outside of government and some senior government officials. They will assess all Budget initiatives in February and make a recommendation to the Moderation Panel on whether the initiatives take a social investment approach and should be funded. This recommendation is not binding but will be given considerable weight when the Moderation Panel, jointly with Vote Analysts, submit their final advice to Ministers. The Panel's recommendations will also be submitted to Budget Ministers for their consideration.

The purpose of the second moderation meeting is to discuss SIP recommendations and any outstanding issues to arrive at a final assessment of initiatives. Particular attention will be paid to initiatives where there are discrepancies between SIP, Vote Analyst and Moderators' recommendations. Moderators will then submit their assessment framework scores and recommendations to Budget Ministers for consideration.

It is important to note that the Social Investment Panel provide an important system (and outside of Government) perspective to the initiatives and are not privy to all the details of the initiative. The purpose of the Moderation Panel is to assess key details around the return on investment and evidence briefs to come to a conclusion on whether this meets the required criteria and framework. For this reason, the Panel's high level reflections may not necessarily coincide with the final assessment of an initiative. Final assessment templates and decisions will be shared with agencies.

Role of different groups in assessment process

	October checkpoint	January Moderation meeting	February Moderation meeting
Submitting agency	Submit initiative for October checkpoint	Respond to questions from Vote Analysts following meeting. Agencies may come and talk to the moderation panel directly to provide information and clarification.	-
The Moderation Panel and Treasury Vote Analysts	Provide advice to the Minister Responsible for Social Investment on which initiatives should be developed further for submission.	Vote Analysts meet with Moderation Panel to discuss their assessments, answer questions and take note of questions requiring follow up with agencies. Officials from Analytics & Insight, CBAX and the Budget Team sit on Moderation panel and assess bids	Moderators discuss Social Investment Panel recommendations and outstanding issues to arrive at final recommendations. A report of Moderators' recommendations is submitted to Budget Ministers.

	October checkpoint	January Moderation meeting	February Moderation meeting
Social Investment Panel (SIP)	Provide their initial assessment of budget initiatives for agencies, the Treasury and Minister Responsible for Social Investment.	-	Provide advice to Moderators and agencies on their assessment of bids. A report of the SIP's analysis is submitted to Budget Ministers. Agencies will be required to attend and present to the panel.
Minister Responsible for Social Investment	Decide, following advice from the Treasury and SIP, which initiatives are developed further for submission	-	Receive advice from Moderators and SIP on which bids to support in final Social Investment Package considered by Budget Ministers.
Budget Ministers	-	-	

Membership of Social Investment and Moderation Panels

Note that membership is still to be confirmed for Budget 2018.

Social Investment Panel

Social Investment Panel membership		
	Person	Organisation
1	Chair [TBC]	Treasury
2	Struan Little	Treasury
3	Jenny Gill	Foundation North
4	Andy Fulbrook	Ministry of Justice
6	Steffan Crusaz	Pharmac
7	Sir Peter Gluckman	Chief Science Advisor
8	Stuart McNaughton	Science Advisor (Education)
9	Laura Black	Methodist Mission Southern
10	Rangimarie Hunia	Ngāti Whatua
11	Richie Poulton	Science Advisor (MSD)
12	NGO provider	[TBC]
13	Science Advisor	Ministry of Health [TBC]
14	Science Advisor	Ministry of Justice [TBC]

Moderation Panel

Moderation Panel membership	
1	Representative from the Treasury Analytics and Insights team
2	Representative from the Treasury CBAx team
3	Representative from the Treasury Budget team
4	Representative from the Social Investment Agency
5	Representative from another agency (outside of social sector agencies)
6	Principal Advisors from the Treasury
7	Independent Chair

Template 1: Social Investment Track initiative template

Note:

- For the **October checkpoint** only section 1 and 2 need to be submitted for review, but other information can be presented if available. Please ensure the information presented at the checkpoint is clear and concise. We recommended around 2-3 pages per initiative.
- Where **additional supporting information** or other templates are required this is specified in the boxes below and marked with an asterisk (*). The supporting information is available at the end of this template. **None of this supporting information is required for the October checkpoint.**
- Please use this template as the primary mechanism to present all available information.
- There will be an emphasis on the quality of information presented. The template should be up to **15 pages at a maximum** (excluding supporting information).
- Please use the **prompts provided** for each of the questions as an indication of what the Treasury will be looking for in the assessment of initiatives.

Section 1: Overview and context

Vote(s)	[Must match CFISnet entry]
Responsible Agencies	[Must match CFISnet entry]
Responsible Minister(s)	[Must match CFISnet entry]
Initiative title	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about]. <i>Max 120 characters.</i>
Description for CFISnet	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with “This funding will...”. <i>Max 550 characters.</i>
Responsible Vote Analyst	[Please provide the name of your Vote Analyst]

EXECUTIVE SUMMARY

Short summary of the proposed intervention and expected outcomes	<p>Please provide a summary of the initiative covering:</p> <ul style="list-style-type: none"> - Who the initiative is targeting - What the requested funding is being spent on (eg, more FTEs, increase in subsidies, grants). - The type of intervention it is (eg, pilot, scaling up of existing service). - The expected outcomes as a result of this intervention. <p>The summary should be brief (no more than 200 words) and give a good overview of the intervention in an easily understandable way. We recommend that you complete this at the end of filling out this template.</p>
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Indicative Fiscal Cost (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears	TOTAL
Operating	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-

[If your proposal requires time limited funding until the year 2022/2 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2022/23, please add new columns to the table to reflect the profile of funding sought.]

CONTEXT	
Does the target population of the initiative relate to one of the four groups identified by the SIB?	Y / N
Has the initiative been jointly developed with other agencies?	Y / N
Has the initiative been previously considered by Cabinet or been through previous Budgets?	Y / N
Have there been significant changes to this initiative following the October checkpoint? ²	Y / N
Would this initiative still go ahead if not funded in Budget 2018?	Y / N

CONTEXT	
If required, please provide additional information to support your answers above	<p>The purpose of these set of questions is to get a quick understanding of the broader context to support the assessment of the initiative.</p> <p>Does this initiative align with your strategic direction and/or ministerial priorities?</p> <p>These are also questions that we expect will be frequently asked by Ministers and the Social Investment Panel. There will be an opportunity to flesh out details in other parts of this template eg, extent of cross agency collaboration and target population.</p>

Section 2: Case for intervention

IDENTIFYING A NEED	
Identify and describe the target population	<p>The objective here is to get a good understanding of the characteristics and needs of the target population.</p> <p>Without a good definition of the target population, it will be difficult to build a strong investment case and describe outcomes, impacts and how these will be evaluated.</p> <p>If the target population is one of the four identified by the Social Investment Board please state this. This has no additional weighting in the assessment process.</p>
What is the current need or gap for this target population?	<p>This provides an understanding of the nature, size and severity of the need or problem that exists for the target population described above (for example, number of people affected, economic/social impact).</p> <p>Other questions to consider:</p> <ul style="list-style-type: none"> - Is there data or convincing evidence of a local/New Zealand need? - Who have you talked to (eg, key stakeholders, service providers, NGOs, community organisations, regional staff) to test your understanding of this need? - What assumptions have been made in your analysis of this population?
What services are currently provided to this population across the sector and by whom?	<p>The purpose of this is to get an understanding of the range of services already received by the target population (across different agencies) and how this addresses different needs.</p> <p>This should reveal the gap that exists and strengthen the case for intervention. The key question of interest here is why these current services don't meet the need described above.</p>

² Only applicable for initiatives considered for final submission in December.

OPTIONS AND COUNTERFACTUAL ANALYSIS	
What options have been considered to meet the current need/gap that exists?	<p>The purpose of this is to ensure a wide range of options (and their costs and benefits) have been explored before coming to a solution.</p> <ul style="list-style-type: none"> - What options other than the counterfactual have been considered?
Counterfactual analysis	<p>The purpose of this is to understand the implications of doing nothing.</p> <ul style="list-style-type: none"> - Define the counterfactual - What are the implications if this initiative does not go ahead? <p>See section 5 for the difference between the counterfactual and the status quo.</p>

THE INVESTMENT CASE	
What will the preferred option buy and why?	<p>The purpose of this is to get an understanding of the intervention being delivered.</p> <p>This will need to specify:</p> <ul style="list-style-type: none"> - What the funding is going to be spent on (eg, additional FTEs, IT, subsidies) - The different components of the initiative and how much each of these cost (eg, \$X for additional FTEs, \$Y for research, \$Z for IT costs) over each year. - What are the expected outcomes for the target population as a result of this intervention (eg, better employment outcomes, reduced crime) <p>* Fill in an <u>intervention logic diagram</u> to show how the intervention will meet the need of this target population and lead to the proposed outcomes. This diagram will be presented to Ministers, the Social Investment Panel and the Moderation Panel to provide an overview of the investment case. See examples in <i>Supporting Information 1</i>.</p>
What is the cumulative impact of services for the target population	<p>The purpose of this is to determine whether, as a result of this intervention, the target population is receiving the right mix of services and there is no duplication within or between agencies. Building on your answer from section 2 above, at a high level what is the cumulative impact for the target population?</p>
What evidence exists that the proposed outcomes can be achieved?	<p>Evidence adds weight to the case for intervention and is intended to provide confidence that outcomes can be achieved. It can include reference to existing impact evaluations which show outcomes have been met, academic studies and/or overseas evidence of success. The evidence should directly relate to the intervention being proposed for the target population.</p> <p>If there is limited evidence of effectiveness (for example, for pilots), provide information on:</p> <ul style="list-style-type: none"> - Evidence of effectiveness for components of the proposed initiative or international evidence - What are stakeholders' and experts' views on the likely effectiveness of the initiative? - Is there a commitment to collect sufficient evidence of impact in the future? (this should be picked up in further detail in the evaluation section below). <p>*The <u>Superu Evidence Rating Scale</u> under <i>Supporting Information 2</i> should be used to rate the strength of evidence presented to allow for consistent assessment. Please specify the rating here alongside an explanation of how you arrived at this. This will be used by vote teams and the Moderation Panel in the assessment process to apply consistent judgements across initiatives around the strength of evidence supporting an intervention.</p>

COLLABORATION	
Description of engagement with other agencies that are impacted by this initiative	<p>The key objective here is to understand (i) whether collaboration with other agencies is a requirement for the success of the initiative, and (ii) if it is, what has been done so far to ensure agencies are joined up and committed.</p> <p>This will need to describe:</p> <ul style="list-style-type: none"> - Which agencies have been involved in the development of this initiative and the nature of engagement to date (eg, governance groups, ad hoc input or consultation only). - How they are impacted by this initiative and how will they be involved going forward. - Which agency(ies) will be delivering the initiative and whether they have been involved in the development process to date.

Section 3: Value-for-money

Return on Investment Summary using the CBAx model	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) ³	-	-
Benefit Cost Ratio (BCR) ⁴	-	-
Return on Investment (ROI) – Societal Total ⁵	-	-
Return on Investment (ROI) – Government ⁶	-	-

Expected Impacts	
What are the expected impacts of this initiative which support the return on investment above?	<p>The purpose of this is to provide information on the size, scale and nature of impacts expected from this intervention.</p> <p>This helps to unpack the ROI number but also provides visibility of the non-monetised (or intangible) impacts that are not captured by the ROI.</p> <p>This should include an explanation of:</p> <ul style="list-style-type: none"> - <i>Who is impacted (winners and losers)</i> - <i>What the impacts are (costs and benefits)</i> – both monetised and non-monetised as well as secondary/flow-on impacts. - <i>When the impacts will be realised and for how long</i> <p>*Fill in the Impact Summary Table in <i>Supporting Information 3</i>. This provides a detailed summary of the costs and benefits of the proposal (both societal and Government) and will be used by vote teams and the Moderation Panel in the assessment process.</p>

³ **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

⁴ **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment - Societal - Total, unless there are negative non-government impacts. All negative impacts are included in the denominator for the BCR measure.

⁵ **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, e.g., for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

⁶ **Return on Investment (ROI) – Government** - Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

Assumptions and Underlying Evidence	
Outline the assumptions underpinning the impacts described above	<p>The ROI is primarily driven by the underlying assumptions around impacts. The purpose of this is to understand these assumptions, in particular, the assumptions around:</p> <ul style="list-style-type: none"> - Size and scale of impact - Uptake/success rate - The Counterfactual (what would happen if the intervention is not in place) <p>If the assumptions relate to impacts on other sectors, have these been tested with relevant agencies?</p> <p>What assumptions have been made that the initiative is applicable in the New Zealand context?</p>
What evidence supports the assumptions and impacts that have been used in the Return on Investment analysis?	<p>The purpose of this is to understand the robustness of the assumptions used in the ROI analysis.</p> <p>This will help determine how much confidence we can have or how much we can rely on the ROI number. The assumptions should be based on strong evidence. The evidence cited in the case for intervention section should be used here to explain how assumptions were applied in the calculation of the ROI. Rather than replicate the evidence used in the case for intervention section above, the expectation is that this will pick out key details of the evidence directly relevant to the assumptions made.</p> <p>If there is limited evidence for the initiative (for example, pilots) the impacts and assumptions should reflect what we would expect to see if the initiative was delivered successfully i.e., what does good performance look like? This should then be tested through the evaluation.</p>

Sensitivity Analysis	
Provide examples or scenarios to show how impacts change with different assumptions or policy settings	<p>The purpose of sensitivity analysis is to understand which assumptions have the greatest impact on the ROI analysis and what happens if these are changed.</p> <p>This exercise builds confidence that the analysis is robust under different scenarios but also reveals any limitations/risks associated with the analysis.</p> <p>Sensitivity analysis is encouraged around the:</p> <ul style="list-style-type: none"> - Discount rate - Success rate - Strength and timing of impacts

Section 4: Implementation and evaluation

Implementation	
<p>How will this initiative be delivered</p>	<p>The purpose of this is to understand (at a practical level) the details of how the initiative will be implemented.</p> <p>This will provide confidence that the right resources/systems/processes are in place to support successful delivery.</p> <p>This should provide detail on:</p> <ul style="list-style-type: none"> - Who will be leading the implementation of the initiative? If it is a cross-agency initiative, is there one lead agency or will multiple agencies be implementing components of the initiative? - If multiple agencies are involved, how is funding being allocated and through what mechanism? - The estimated timeline for delivery. - The capacity and capability of the agency(ies) to deliver on outcomes (e.g., adequate resourcing, technology and expertise). How will the necessary capability be developed? - The commissioning/procurement model and how this will be implemented to generate value. - The capacity of the market to deliver specialised resources required for implementation. Is there enough supply?
<p>Outline any implementation risks or limitations and how these will be managed</p>	<p>This is to provide visibility of the barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these.</p> <p>This could include, for example, limited supply in the market for resources required to deliver the intervention, access to the target population/self-selection issues, and/or ability of agency to contract with providers.</p>

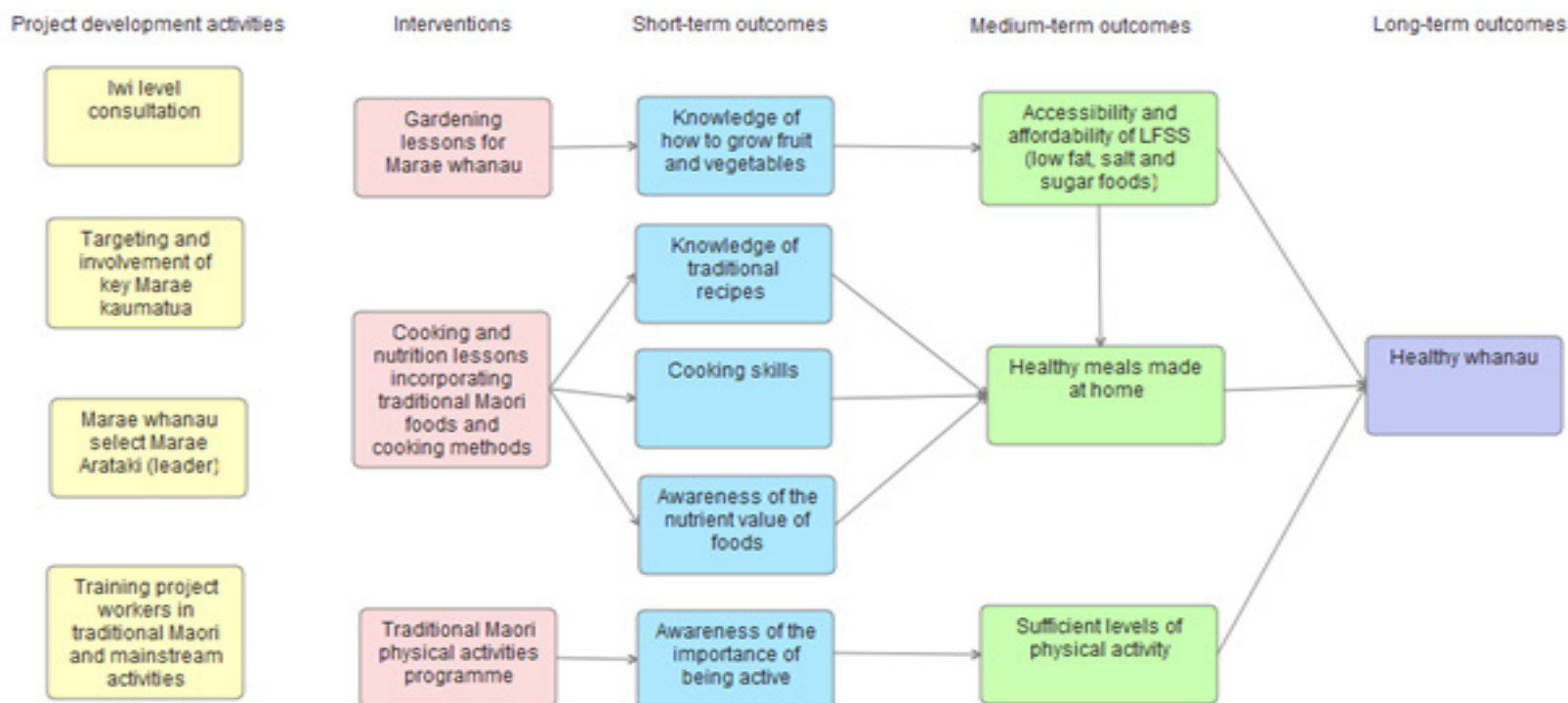
Performance monitoring and process evaluation	
<p>Performance measures/indicators</p>	<p>The purpose of this is to understand the measures of success for the intervention.</p> <ul style="list-style-type: none"> - What key activities, outputs and outcomes will be measured to determine whether the initiative is being delivered as intended? How and when will these be measured? - Key activities, outputs and outcomes that will not be measured should also be identified and justified. - If a comparison group is to be used in the impact evaluation, how will outcomes be measured for this group?
<p>Outline how the implementation and performance of the initiative will be regularly monitored</p>	<p>The purpose of this is to ensure that the implementation of the initiative is reviewed on an ongoing basis with the outcomes of this review used to improve or adjust the delivery of the initiative (as appropriate).</p> <ul style="list-style-type: none"> - What process evaluation activities will be undertaken and how will these inform decisions about the programme? <p>This is particularly important for initiatives delivered through multiple agencies. A robust performance monitoring plan provides confidence that the initiative is on track to deliver intended outcomes.</p> <ul style="list-style-type: none"> - For cross agency initiatives, are there any governance processes in place to ensure implementation is on track and as intended? - How would agencies ensure that there are effective feedback loops in place to inform continuous improvement?

Impact Evaluation	
Describe the method proposed to evaluate the impact of the intervention	<p>It is important that the evaluation of Social Investment Track Initiatives generates evidence on the effectiveness of the initiative to feed into future investment decisions.</p> <p>This requires the measurement of key outcomes, but also a robust counterfactual identifying what would have happened to outcomes if the initiative had not been implemented.</p> <ul style="list-style-type: none"> - What impact evaluation approach is proposed for this initiative? - How will the counterfactual be estimated? What confidence does the agency have that this counterfactual is robust? - Are there any technical, ethical, contractual, or operational risks that could impact on the delivery of the evaluation? How will these be mitigated? - Are there any back-up options if it is not possible to adopt the proposed evaluation approach? <p>A robust impact evaluation is particularly important for pilot initiatives, where the existing evidence of effectiveness is likely to be limited, and future decisions on expansion of the initiative are likely to be required.</p>
Impact evaluation costs	<p>What is the budget for the evaluation? Is this included in the overall project budget or will it be met out of baseline funding?</p>

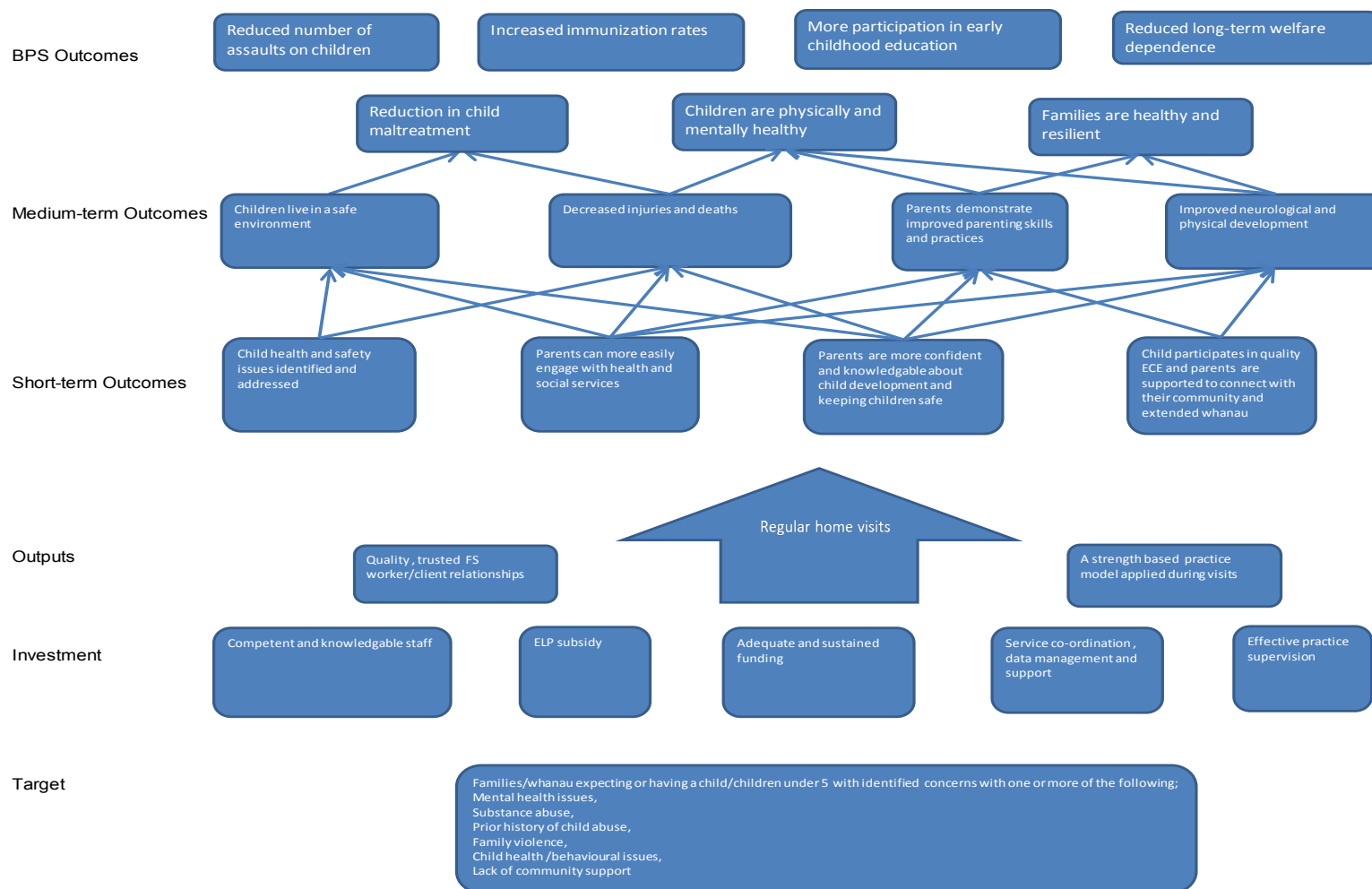
Supporting Information 1: Intervention logic map

This provides two examples of how the intervention logic could be set out for your initiative. Please use this guidance in preparing your one-page intervention logic diagram. This should be attached as supporting information for the case for intervention section of the template for final December submission.

1 Marae-based nutrition and exercise programme



2 Family start intervention logic



Supporting Information 2: Evidence Rating Scale

This template must be completed as supporting information for the case for intervention section in the template under Annex 1.

Overview

This rating scale provides a standard against which the evidence for effectiveness of social interventions can be assessed.

The rating scale is two dimensional:

- The **vertical scale** assesses the effectiveness of an intervention (e.g., harmful or beneficial) for both the target population and others who might be affected.
- The **horizontal scale** relates to the overall strength of a body of evidence (taking into account the maturity of a programme or service)

Panel A is used to assess New Zealand evidence in order to answer the question “Should we fund or continue this New Zealand intervention?” while Panel B assesses overseas evidence to determine “Should we consider implementing this intervention in New Zealand?”. Within the two panels, the horizontal and vertical scales are the same, although the possible decisions vary slightly.

Panel A: Should we fund or continue this New Zealand intervention?

	0	1	2	3	4
Beneficial	✓	✓	✓	✓	✓
Mixed	Strong theory of change with evidence-based logic	Too soon for effectiveness data, but processes and data suggest it is on track	✓	Consider weight of evidence, risk, alternatives	Consider weight of evidence, risk, alternatives
No effect			Consider stopping	✗	✗
Harmful			✗	✗	✗

Panel B: Should we consider implementing this intervention in New Zealand?

	0	1	2	3	4
Beneficial	✗	✗	Maybe depending on alternatives	Maybe depending on alternatives	✓
Mixed	No effectiveness data yet	No effectiveness data yet	✗	Consider weight of evidence, risk, alternatives	Consider weight of evidence, risk, alternatives
No effect			✗	✗	✗
Harmful			✗	✗	✗

Initiatives within the Social Investment Track are expected to have proven beneficial effects, or at the least, mixed effects on the **vertical scale**. Hence, the table below provides guidance on how to use the **horizontal scale** to rate the strength of a body of evidence for either Panel A or B. Further detailed guidance can be found at <http://www.superu.govt.nz/resources/evidence-rating-scale>

Expectations regarding evidence ratings for the Social Investment Track

As noted above, initiatives within the Social Investment Track are expected to have proven beneficial effects, or a minimum of mixed effects on the **vertical scale** for either Panel A or B. It is expected that initiatives will be rated 2, 3, or 4 on the horizontal scale in Panel B (overseas evidence), assuming that the initiative has been implemented and evaluated overseas.

If the initiative is a pilot in New Zealand, it may be rated as 0 or 1 in Panel A (with a strong case for intervention), but with an expectation that there is some form of international evidence to support the implementation of the pilot in New Zealand (ie, a rating of either 2, 3 or 4 in Panel B).

Level	Criteria
0	Intervention is a pilot of a new initiative, which is usually planned but not yet implemented. It has an evidence-based intervention logic and an evaluation plan is either developed or in progress. The evidence base will be built over time.
1	Intervention is in its early stages of implementation, or planned but not yet implemented. It has an evidence-based intervention logic and an evaluation plan to assess the intervention's efficiency, effectiveness, and impact. The evidence base will be built over time.
2	Meets all level 1 criteria <u>AND</u> has an established documented programme design, with quality assurance procedures in place to ensure it is consistently implemented. It has been evaluated at least once. The evaluation used appropriate / robust methods to measure change (effectiveness) and used appropriate analysis to draw sound conclusions, but it may not yet be possible to directly attribute outcomes to it. To be included in the Social Investment Track, the evidence should indicate positive or beneficial effects. This intervention's evidence base will continue to be built over time.
3	The intervention meets all level 2 criteria, <u>PLUS</u> it has at least one robust evaluation that reports on efficiency, assesses effectiveness, and provides some evidence about impact, preferably using a comparison group or other appropriate comparison data, ideally with long-term follow-up. Where such a comparison group or data is not feasible, some other method has been used to measure or predict impacts/long-term outcomes. There is evidence that supports the causal mechanism, indicating how the intervention leads to outcomes. Some information is available to assist with implementation in new contexts.
4	The intervention meets all level 3 criteria, <u>PLUS</u> it has been replicated at least once, usually at a large scale. It has been evaluated at least twice. The evaluations provide strong evidence about effectiveness and impact, along with insights into how the intervention causes change, what works well or less well for different participants and in different contexts. Ideally, it will have undergone an economic evaluation, such as cost-benefit analysis. There is sufficient guidance available for implementation of the intervention in new settings.

Supporting Information 3: Impact summary tables

This template must be completed as supporting information for the value-for-money section in the Social Investment template. This needs to be completed for the December submission.

Return on Investment Summary using the CBAX model (if applicable)	Discount Rate		Evidence Certainty ⁷
	6% real (default)	3% real (sensitivity)	
Initiative costs, i.e., Government investment	A	A	Low
Government impacts	B	B	Low
Wider societal impacts	C	C	Low
Total societal impacts (NPV)	A + B + C	A + B + C	Low
Non-monetised impacts	Estimated magnitude: high/medium/low +/-	Estimated magnitude: high/medium/low +/-	Low
Benefit Cost Ratio (BCR)	(Positive B + C) / (A + negative B + C)	(Positive B + C) / (A + negative B + C)	Low
Return on Investment (ROI) – Societal Total	(B + C) / A	(B + C) / A	Low
Return on Investment (ROI) – Government	B / A	B / A	Low

Please see Section 6 of the Guidance for further information.

Identify and list impacts under the headings below	Scenario ⁸ \$m present value		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty
	1	2		
Indicate which benefits and costs are “key” (both monetised and non-monetised)				Low

⁷ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

⁸ Each column is for the different scenarios considered for the initiative. You can add a column if you have considered more than two scenarios. The scenarios will be the output from carrying out sensitivity analysis, for example looking at how the monetised impacts are affected by a different target population, success rate, discount rate etc.

Cost of the Initiative			
			Low
Government Benefits/(Costs)			
			Low
			Low
			Low
Total Quantified Government Impact			Low
Wider Societal Benefits/(Costs)			
			Low
			Low
			Low
			Low
Total Quantified Wider Societal Impact			Low
Net Present Value of Total Quantified Societal Impacts		-	Low

Impacts - Identify and list \$m present value, for monetised impacts	Option/ scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty ⁹
	1	2		

Estimated impact on key outcomes			
			Low

Cost of the Initiative			
			Low
Government Benefits/(Costs)			
			Low
			Low
			Low
Total Quantified Government Impact			Low

⁹ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

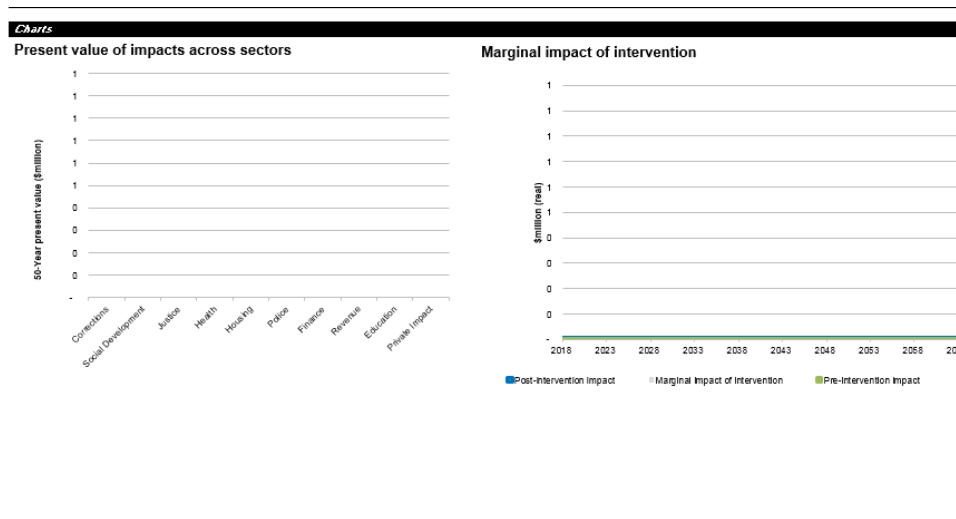
Wider Societal Benefits/(Costs)				
				Low
				Low
				Low
				Low
Total Quantified Wider Societal Impact				Low
Net Present Value of Total Quantified Societal Impacts		-		Low

Supporting Information 4: CBAX Outputs Summary

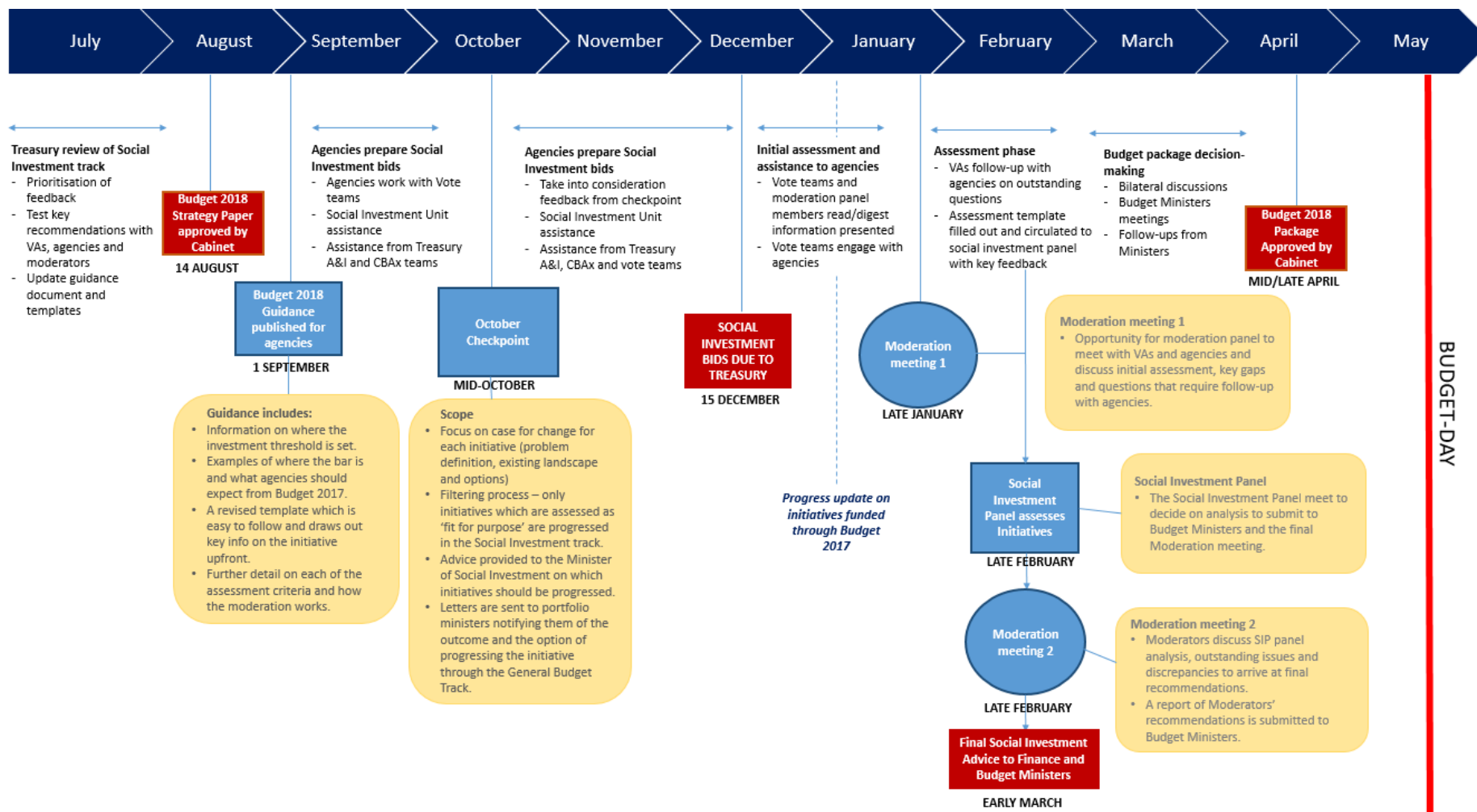
Below is a fictional illustrative example of a CBAX Summary. To attach this Summary to your submission, highlight the cells in the CBAX Outputs Summary tab and copy and paste.

Outputs Summary									
Proposal details									
Analysis type	Standard CBA								
Initiative title									
Initiative details									
Start year	2018	Total population over 50 Years							
Period for analysis	50 Years	Discount rate		6%					
Un-monetized impacts	None								
Net benefit summary									
Unit: 2018 (\$m)									
Category	5-Year NPY \$m	10-Year NPY \$m	50-Year NPY \$m	2018	2019	2020	2021	2022	
Total marginal impact	-	-	-	-	-	-	-	-	-
Total cost of initiative	-	-	-	-	-	-	-	-	-
Net economic benefits	-	-	-	-	-	-	-	-	-
Cost summary									
Unit: 2018 (\$m)									
Cost category	50-Year NPY \$m			2018	2019	2020	2021	2022	
Fiscal cost of initiative				-	-	-	-	-	-
	Operating expenses			-	-	-	-	-	-
	Capital expenses			-	-	-	-	-	-
	Total fiscal cost of initiative			-	-	-	-	-	-
Impact summary									
Unit: 2018 (\$m)									
Evidence Quality	5-Year NPY \$m	10-Year NPY \$m	50-Year NPY \$m	2018	2019	2020	2021	2022	
Impact 1	-	-	-	-	-	-	-	-	-
Impact 2	-	-	-	-	-	-	-	-	-
Impact 3	-	-	-	-	-	-	-	-	-
Impact 4	-	-	-	-	-	-	-	-	-
Impact 5	-	-	-	-	-	-	-	-	-
Impact 6	-	-	-	-	-	-	-	-	-
Impact 7	-	-	-	-	-	-	-	-	-
Impact 8	-	-	-	-	-	-	-	-	-
Impact 9	-	-	-	-	-	-	-	-	-
Impact 10	-	-	-	-	-	-	-	-	-
Impact 11	-	-	-	-	-	-	-	-	-
Impact 12	-	-	-	-	-	-	-	-	-
Impact 13	-	-	-	-	-	-	-	-	-
Impact 14	-	-	-	-	-	-	-	-	-
Impact 15	-	-	-	-	-	-	-	-	-
Impact 16	-	-	-	-	-	-	-	-	-
Summary metrics									
Return on Investment, Societal Total (50y)							Net economic benefit per cohort member (50y)		
Return on Investment with high evidence quality only, Societal Total (50y)							Net economic benefit per cohort member high evidence quality only (50y)		
Return on Investment, Government only (50y)							Initiative NPV costs per cohort member (50y)		
Return on Investment with high evidence quality only, Government only (50y)									
Benefit cost ratio, Societal Total (50y)							Agency assessment		
Benefit cost ratio with high evidence quality only, Societal Total (50y)							Value for money		
							Strategic alignment		
							0 - Low Returns - Poor Evidence		
							0 - No Alignment		
Word summary/comment field									
This is an area to explain key modelling assumptions or anything important individuals looking at the model should know.									
Text goes here:									
Return on Investment summary table (50y) for use in the Impact Summary Template									
				Discount rate					
Return on Investment Summary using the CBAX model (50y)				6% real discount rate		3% real discount rate		Evidence certainty	
Initiative costs present value i.e. Government investment \$m				-		-			
Government impacts \$m				-		-			
Wider societal impacts \$m				-		-			
Total societal impacts, net present value \$m				-		-			
Un-monetised impacts				None		None			
Benefit cost ratio, Societal Total (50y)									
Return on Investment, Societal Total (50y)									
Return on Investment, Government only (50y)									

Impact 17	-	-	-	-	-	-	-	-	-	-
Impact 18	-	-	-	-	-	-	-	-	-	-
Impact 19	-	-	-	-	-	-	-	-	-	-
Impact 20	-	-	-	-	-	-	-	-	-	-
Impact 21	-	-	-	-	-	-	-	-	-	-
Impact 22	-	-	-	-	-	-	-	-	-	-
Impact 23	-	-	-	-	-	-	-	-	-	-
Impact 24	-	-	-	-	-	-	-	-	-	-
Impact 25	-	-	-	-	-	-	-	-	-	-
Impact 26	-	-	-	-	-	-	-	-	-	-
Impact 27	-	-	-	-	-	-	-	-	-	-
Impact 28	-	-	-	-	-	-	-	-	-	-
Impact 29	-	-	-	-	-	-	-	-	-	-
Impact 30	-	-	-	-	-	-	-	-	-	-
Impact 31	-	-	-	-	-	-	-	-	-	-
Impact 32	-	-	-	-	-	-	-	-	-	-
Impact 33	-	-	-	-	-	-	-	-	-	-
Impact 34	-	-	-	-	-	-	-	-	-	-
Impact 35	-	-	-	-	-	-	-	-	-	-
Impact 36	-	-	-	-	-	-	-	-	-	-
Impact 37	-	-	-	-	-	-	-	-	-	-
Impact 38	-	-	-	-	-	-	-	-	-	-
Impact 39	-	-	-	-	-	-	-	-	-	-
Impact 40	-	-	-	-	-	-	-	-	-	-
Impact 41	-	-	-	-	-	-	-	-	-	-
Impact 42	-	-	-	-	-	-	-	-	-	-
Impact 43	-	-	-	-	-	-	-	-	-	-
Impact 44	-	-	-	-	-	-	-	-	-	-
Impact 45	-	-	-	-	-	-	-	-	-	-
Impact 46	-	-	-	-	-	-	-	-	-	-
Impact 47	-	-	-	-	-	-	-	-	-	-
Impact 48	-	-	-	-	-	-	-	-	-	-
Impact 49	-	-	-	-	-	-	-	-	-	-
Impact 50	-	-	-	-	-	-	-	-	-	-
Total:	-	-	-	-	-	-	-	-	-	-



Annex 1: Social Investment Track process map



Annex 2: Cross-agency funding example

How the PFA and State Sector Act can support a regional focus (example)

Scenario:
a regional focus for social disadvantage

• **Purpose:** to address social disadvantage in Region X

• **Initiatives:** focus on family violence prevention, early childhood education, youth justice

• **Providers:** expect to involve 3 departments and 2 NGOs

• **Funding** needed for departmental expenses, NGO contracts and grants

• **Flexibility** needed to reallocate funding across the initiatives and providers according to results

Flexibility can be achieved using a multi-category appropriation (MCA) ...

Appropriation to address social disadvantage in Region X **\$100**

Categories are:

- Implementation of Children’s Action Plan in Region X	\$35
- Prevention services for family violence in Region X	\$25
- Counselling and rehabilitation services in Region X	\$20
- Supporting parenting in Region X	\$15
- Youth fresh start grant in Region X	\$5

Or with many individual appropriations

Appropriation for: Implementation of Children’s Action Plan in Region X	\$35
Appropriation for: Prevention services for family violence in Region X	\$25
Appropriation for: Counselling and rehabilitation services in Region X	\$20
Appropriation for: Supporting parenting in Region X	\$15
Appropriation for: Youth fresh start grant in Region X	\$5

Who can spend the money

Dept output expenses: any department can provide these services (with consent*)

Non-dept output expenses: any NGO or Crown entity can be contracted to provide these services

Grants: can be provided to anyone within the scope/criteria

Dept output expenses: same as MCA*

Non-dept output expenses: same as MCA

Grants: Same as MCA

How to reallocate the money

Can reallocate \$\$ between categories without further appropriation

Can reallocate \$\$ between appropriations with joint Ministers’ approval (or Cabinet approval if major policy issues).

Will be charged against imprest and appropriated in Supps

** The State Sector Act permits chief executives to delegate functions/powers to anyone in their organisation (i.e., regional level) and those outside their department*

Annex 3: Sufficient and robust evaluation plan

This is for information only and details the requirements for a sufficient and robust evaluation plan once initiatives are approved for funding in the Budget process.

The purpose of requiring agencies to develop **Sufficient and Robust Evaluation Plans** is to:

- Provide decision-makers with good quality information to help decide whether the initiative should continue, be expanded, be amended or discontinued (for example the information should be able to feed into future CBAX and Budget initiative templates)
- Provide lessons to be used in the development of future initiatives as well as across the social system (both within agencies and externally).

An evaluation plan that is sufficient and robust will:

- Be consistent with what was outlined in the Budget initiative and respond to any concerns raised about the evaluation process. Any divergence from the plan outlined in the Budget initiative is clearly identified and justified.
- Identify any technical, ethical, contractual, or operational risks that could impact on the delivery of the evaluation, and outline how these risks will be mitigated.
- Take into account the existing evidence and the applicability of that evidence to the initiative in setting out the scope of the evaluation activities. It is generally expected that the evaluation will:
 - Have clearly defined key evaluation questions, outcomes, and measures, which relate to a well-articulated intervention logic / theory of change. It should also include how the baseline will be captured.
 - Set out how the key evaluation questions will be answered using recognised evaluation techniques that produce clear, reliable and unbiased results.
- Show how the evaluation will identify how much of the outcomes were caused by the initiative, as opposed to being caused by other factors. Any impact evaluation being undertaken includes a clearly identified mechanism for identifying a counterfactual (e.g., randomised comparison group, matched comparison, regression discontinuity, modelling, pre-post comparison) to demonstrate the additional value being created by the initiative. The use of the selected method(s) is clearly justified and the justification is reasonable given the context of the intervention being evaluated.
- Set out a reporting schedule for the evaluation that includes regular performance monitoring and reporting. It should include interim reports around what was delivered and how, and initial results/impacts/outcomes achieved, prior to the final evaluation report(s).

Include a clear process for publishing the evaluation findings and conclusions.

- Clearly outline the quality assurance process for the evaluation.

Where impact evaluation is not being undertaken, this must be clearly justified by the context of the bid and the other forms of evaluation that will be undertaken.

The planned evaluation should represent value-for-money with respect to the evidence it will generate (in the context of the existing evidence base) and the decisions it will inform (potential long-term cost of the initiative).

Annex 4: Budget 2017 examples for case for intervention

*Note these examples reflect extracts from initiatives which met the threshold in Budget 2017. They provide an indication of the type of information expected to demonstrate a strong case for intervention rather than necessarily the form in which is provided. Agencies should refer to the prompts in the initiative template in Annex 1 for more detail on requirements. **These examples have been used as they step through the key elements of a strong case for intervention including: describing the target population, considering existing services, being really clear on what is being delivered, expected outcomes and what evidence exists to support that the intervention will deliver these outcomes.***

1) Intensive Client Support Extension – Ministry of Social Development

Vote	Social Development
Initiative title	Intensive Client Support – Extension (ICS-X)
Initiative description	This funding will expand the current ICS service from 240 to 1,500 clients and from 5 to around 20 sites across the country. The ICS-X trial will also test whether the cost-effectiveness of the service can be improved by increasing caseload sizes from 1:40 to 1:60, without compromising service quality. It is aimed at complex clients who first entered benefit prior to age 20, and now aged 25 – 39.

The **current Intensive Client Support (ICS) trial** provides an intensive service to “Early Entrant” (EE) clients who first entered the benefit system prior to the age of 20, and are currently aged between 18 – 39 years old. With sustainable employment set as a medium/long term outcome, ICSMs have the flexibility and resources to work intensively and holistically with their clients, to overcome a range of barriers to welfare independence, via a stair-casing approach.

This initiative represents a scaling up and re-targeting of the original ICS service, which provides intensive case management for complex clients at risk of long term benefit dependency. It proposes to:

- Increase the case-load size from 1:40 to 1:60
- Extend the ICS service from five to approximately 20 sites across New Zealand
- Target EE clients currently aged between 25 – 39 years of age

The ICS-X trial will **target a similar population** to the original ICS trial, but with a narrower age band. The ICS-X cohort definition is:

- Jobseeker Support (JS) clients currently aged between 25 and 39 years of age
- First benefit spell prior to the age of 20 (excluding some benefits without work obligations, such as Supported Living Payment (SLP))

There are three reasons for the revised age band. First, to build on the 12-month evaluation results of the current ICS trial, which found promising results for older clients (aged 30 – 39), but no impact for younger clients (aged 18 – 29); second, to reduce overlap with other MSD initiatives targeting NEET clients; and third, to ensure there are no gaps in MSD’s intensive service coverage to EE clients aged 25 – 29.

Clients in the ICS-X cohort are **high liability**, having spent a substantial proportion of their early adult life on benefit. They are located across New Zealand, typically male, believed to have health conditions, and have low education/skill levels. The 2015 welfare valuation identified approximately 26,000 clients within the ICS-X cohort, with an average liability of \$163,000 per client, and a total liability of \$4.3 billion. The average liability of a client in the ICS-X cohort is approximately 40 per cent higher than the overall JS cohort average of \$116,000 per client, and on a par with some NEET client cohorts. Despite the high liability, the ICS-X cohort generally receives less attention than the younger client cohorts of a similar liability.

Table 1: Split in CM/EA expenditure by age group on JS – Work Ready (0 - 6 months)

		Expenditure	Client FTE	Monthly CM/EA expenditure
Age group	18-24	\$37,594	12,763	\$242.09
	25-39	\$24,342	11,739	\$170.43

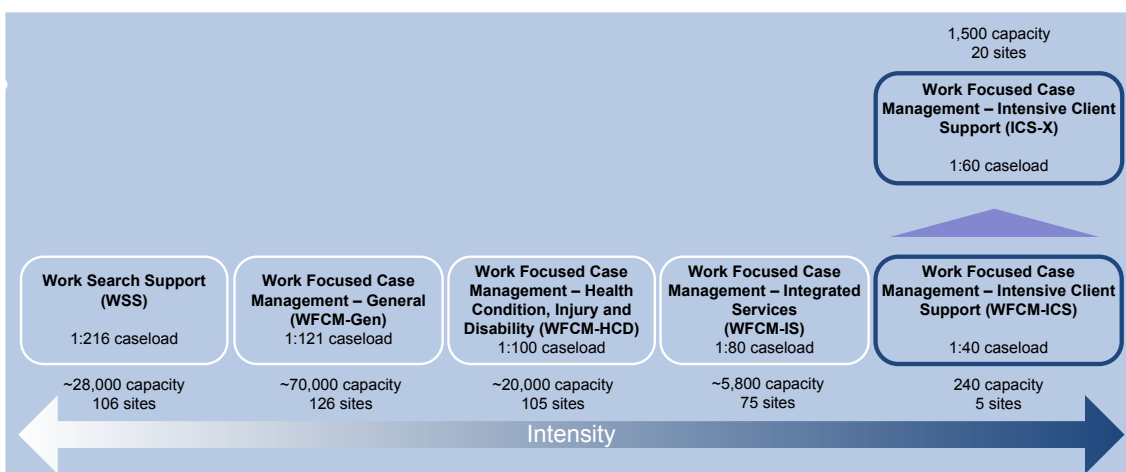
The **ICS intervention provides** ICSMs with increased flexibility, limited processing responsibilities/reduced administrative responsibilities (compared to standard MSD case managers), and additional resources to allow them to work intensively and holistically with their clients. While the ICSMs cannot provide all the solutions, they can act as “navigators”, supporting/guiding clients towards accessing other services (e.g., education, health) to help them on their journey to welfare independence. Once these barriers have been addressed, a sustainable off-benefit exit to employment or training becomes a realistic and achievable outcome for this client group.

The ICS-X initiative will build on the existing ICS trial. The **goal** of the ICS-X initiative is to improve off-benefit, employment and education outcomes for clients receiving the ICS service (treatment group), compared to a similar group of clients receiving any other service they are eligible for (control group). This goal can be measured by administrative data collected by MSD and contained within the IDI.

The case for the ICS-X trial, in particular the rationales for intervening with older clients and testing higher caseloads, are based on **evidence** of an evaluation of the ICS trial. Results from the 12-month evaluation of the ICS trial indicate an off-benefit impact of 6.0% for the older ICS cohort (aged 30 – 39 years). Further analysis at the 20-month mark indicates that these results continue to stick, with off-benefit impact rising to 8.1% for the older ICS cohort. The figure below shows how the **initiative sits within MSD’s case management service**.

2) Increasing Contraceptive Access – Ministry of Health

Vote	Health
Initiative title	Increasing contraceptive access for low income women
Initiative description	The funding will reduce the health, economic and social costs associated with unplanned pregnancy for low income women 15-44. The proposal will reduce costs associated directly with unplanned pregnancy incurred through pre-term births, fetal alcohol syndrome, terminations of pregnancy, miscarriages; and indirect costs such as benefit receipt, CYF notifications.



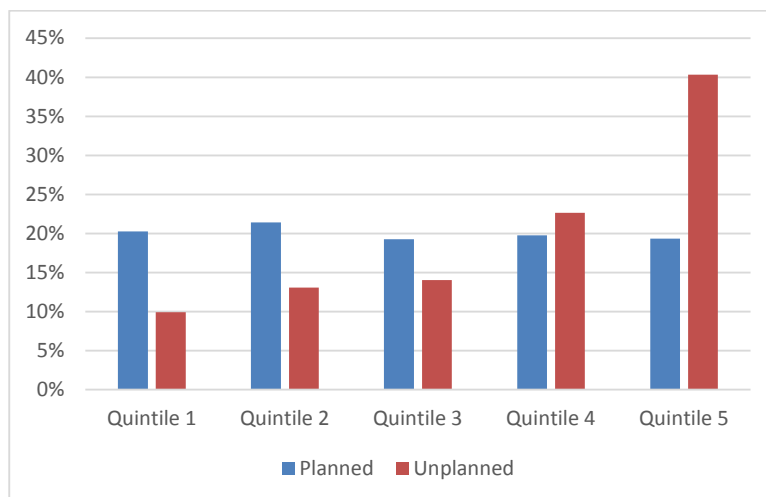
The intervention is to provide free or very low cost access for contraceptive consultations for women living in high deprivation supported by national guidelines and training for primary care professionals.

The initiative has two parts:

- 1) Providing low income¹⁰ women, aged between 15 and 44 years, free or very low cost access to contraception consultations; including free insertion and removal of long acting reversible contraception (LARCs).
- 2) Building the quality of contraceptive counselling in the primary care setting and increasing the rate of prescribing of LARCs through the development of:
 - National contraceptive guidelines
 - A national contraceptive counselling training package
 - Training for an average of 200 primary care nurses, doctors and midwives per year in the insertion and removal of LARCs and best-practice contraceptive counselling reproductive health (clinical leadership) amongst primary health organisations (PHOs) and other relevant stakeholders
 - Streamlined accessible, culturally competent youth-friendly care.

¹⁰ Women living in deprivation quintiles 4 and 5 have been used as a proxy for low income to estimate a population size.

The intervention would **target women aged 15-44**¹¹ with low incomes who are at risk of unintended pregnancy (eg, sexually active and not seeking to become pregnant). Women with low incomes were selected as the target cohort for this initiative because 52 per cent of unplanned births are to women living in quintiles 4 and 5, compared to 29 per cent for quintiles 1-3.



Provisional data from the most recent New Zealand Health Survey sexual health module shows that 15.9 per cent of women reported using no contraception. Given rates of unplanned pregnancy and forgone primary care, the percentage in high deprivation areas are likely to be well above this level. According to GUINZ data 70 per cent of babies born to the poorest women (women living on a social welfare benefit) are unplanned. Twenty per cent of births in New Zealand are to women who are in current receipt of a benefit (Templeton 2016).

LARCs are used by only 0.5 per cent of high deprivation women compared to 8 per cent of all NZ women (although young Maori women have a higher uptake of Jadelle than non-Maori women). Whilst devices and medications are free, the GP consultation and the procedure to insert LARCs are not. Consultation costs for choosing contraception are on average of \$40; and LARC cost an average of \$300 for insertion and removal - although these can vary from free in Youth One Stop Shop clinics, to \$500 in some GP practices.

A **longitudinal qualitative study** by the Otago University Women’s Health Research Centre on young Maori mothers who had not intended to become pregnant highlighted cost as a major barrier both pre and post-partum (Lawton, Cram et al, 2016). The study found that cost was a significant barrier to contraceptive access, and recommended that free access to contraception within a system that was easy to navigate to overcome barriers.

The initiative is expected to generate the following **outcomes**:

- Provide older women who already have large families, and are ready to complete their childbearing, to more easily access reliable high quality long acting reversible contraception

¹¹ Although small numbers of women 45 plus may seek contraception they were not a statistically significant cohort.

- Improve outcomes for children born into high deprivation families by increasing the likelihood that they will be planned, thus decreasing the likelihood of Fetal Alcohol Spectrum Disorder (FASD), low weight and preterm births, and their sequelae such as cerebral palsy, cognitive delays, language delay, and motor delay
- Increase the chances for young women to confidently seek educational qualifications, build an employment record and increase their lifetime income and employment opportunities without risk of pregnancy.

There have been many **cost benefit studies** done on the provision of contraception. Studies consistently show that the provision of contraction saves more in public expenditure than it costs to provide, with a return on investment of an average of \$5 per dollar spent (Amaral 2007, Burlone 2013, Foster 2009, Frost 2008, Monea 2011). LARCs are the most cost effective form of contraception, saving between \$5 and \$7 per \$1 spent (Foster 2013, Trussell 2015, Crespi 2013,). The UK National Institute of Clinical Excellence (NICE) Guideline found that LARCs are cost effective from the first year of use, even taking into account the method itself and the cost of training the provider. The NICE technology appraisal of 2015 found a return on investment of over 200 per cent (NICE 2014).

Over four years the cost of the initiative is \$17.5 million. **The costs cover:**

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Contraceptive consultations, LARC insertions and removals	0.880	3.380	5.380	5.380	15.020
Contraceptive guideline development and health professional training	0.500	0.500	0.500	0.500	2.000
Programme management	0.120	0.120	0.120	0.120	0.480
Total	1.500	4.000	6.000	6.000	17.500

3) Reducing Youth Reoffending – Ministry of Justice

Vote	Vote Justice (with funding implications for Vote Social Development)
Initiative title	Investment Approach to Justice – Reducing Youth Offending
Initiative description	As part of the Investment Approach to Justice, the Ministry of Justice with the support of the New Zealand Police, Department of Corrections and Ministry of Social Development is submitting an initiative aiming to reduce youth offending among high-risk 14-16 year olds.

Many young people in New Zealand enjoy the benefits of growing up in a stable home environment, with two parents, and aspirations for a successful future. Teenagers often work part-time after school, and some leave school to begin apprenticeships or full-time work. Attendance at school and employment helps equip young people with some of the skills required to transition to adulthood.

At age 16, teenagers are legally permitted to obtain a drivers' license, leave home, and earn the adult minimum wage, further promoting their independence and autonomy in society. Although many young people choose to continue to live with their parents, this important marker of economic and social independence at 16 provides a wealth of choices for well-adjusted young people.

For young people in the Justice system, the story can be quite different. **The following section will demonstrate why young offenders have been chosen as the focus of this initiative and highlight the compelling need** to alter the life course for young offenders before they age into the adult criminal justice system. **Insights from the Integrated Data Infrastructure (IDI) and the actuarial model** which supports the Investment Approach to Justice will be shared to highlight the need for investment, showcasing the stark difference between the majority of young people in New Zealand, and young offenders.

- **There are 1,833 14-16 year olds in New Zealand who have committed a serious offence in the past 2 years.** Most of the offenders are male (79%) and half are aged 16. Most offenders are Māori (65%). In comparison, only 24% of all 14-16 year olds in New Zealand are Māori.
- As part of the Investment Approach to Justice, we have built a model that predicts the future offending patterns of all New Zealanders, including this cohort.
- Over the next 30 years, we predict this cohort to offend 17,700 times – an average of 9.7 offences per person. This average is higher than 99% of the New Zealand population, indicating this is one of the highest-risk cohorts identified so far as part of the Investment Approach.
- 61% of their offences are predicted to occur in the next 5 years, before the cohort turns 21. This suggests a large number of the offenders will only offend while they are adolescents, with a smaller proportion of offenders persisting in their criminal activity through to middle adulthood. This means we can, and should act now to prevent further escalation.

This investment case is designed to complement the existing services with new services that evidence shows are most likely to reduce offending by this cohort. These evidence-based services are currently available to this cohort only rarely. **These new services are:**

- Functional Family Therapy (FFT)
- Cognitive-Behavioural Therapy (CBT)
- Professional Youth Mentoring (PYM).

Functional Family Therapy (FFT) is a structured, professional programme developed by clinical psychologists. Only accredited providers may deliver the programme. The clinical model for Functional Family Therapy concentrates on decreasing risk factors and on increasing protective factors that directly help young people to overcome adolescent behaviour problems, conduct disorder, substance abuse and delinquency. Therapists work with families to assess family behaviours that maintain delinquent behaviour, modify dysfunctional family communication, train family members to negotiate effectively, and set clear rules about privileges and responsibilities.

Cognitive-Behavioural Therapy (CBT) is a core form of psychological treatment. CBT has been well researched and shown to reliably reduce reoffending among many groups of offenders. There is substantial potential to increase its provision for young offenders.

Internationally, CBT is one of the most widely used evidence-based practices for treating a range of mental and behavioural disorders, including offending. Guided by empirical research, CBT focuses on the development of personal coping strategies that target solving current problems and changing unhelpful patterns in cognitions, (e.g., thoughts, beliefs, and attitudes) behaviours, self-control, and emotional regulation.

Professional Youth Mentoring (PYM) PYM in the context of this initiative would be a role for a professional adult to support and mentor young offenders to help them achieve their goals and reduce their likelihood of reoffending. The need for professional mentoring stems from the lack of stability in the lives of young offenders, and would only be deployed in an operational context when required. There is **consistent international evidence** that youth mentoring reduces crime, particularly when professionally delivered.

Members of the cohort will be offered one of these three services, depending on which best meets their needs. For example, 14-year olds in a family environment may benefit most from Functional Family Therapy, whereas a 16-year old in an independent living situation may benefit most from Cognitive-Behavioural Therapy.

Our starting assumption is that 15% of those receiving a service will receive CBT, 42% will receive FFT and 43% will receive Mentoring. We will adjust these proportions over time during implementation as we learn more about what services are most effective for different groups of people within the cohort. **By providing the three services we also protect against implementation risk**, as if there are implementation problems with one of the services, we can re-route offenders to one of the other services instead.

There are three primary referral points for these services:

- As a condition of a police alternative action plan
- As a condition of a Family Group Conference plan
- As part of a supervision sentence ordered by the Youth Court.

We plan to work closely with frontline delivery agencies, NGOs, schools, and young people themselves in order to have a client-centred design and implementation plan. Representatives from Oranga Tamariki are involved with, and supportive of this initiative.

Annex 5: Budget 2017 examples for value-for-money

*Note these examples reflect extracts from initiatives which met the threshold in Budget 2017. They provide an indication of the type of information expected to demonstrate a strong case for intervention rather than necessarily the form in which is provided. Agencies should refer to the prompts in the initiative template in Annex 1 for more detail on requirements. **These examples have been selected as they step through all the elements of a strong value-for-money case for the intervention, including: setting out monetised fiscal and social impacts, non-monetised impacts, assumptions behind CBAX ROI analysis and how these impacts may change if key parameters are altered (sensitivity analysis).***

1) Intensive Client Support Extension – Ministry of Social Development

Vote	Social Development
Initiative title	Intensive Client Support – Extension (ICS-X)
Initiative description	This funding will expand the current ICS service from 240 to 1,500 clients and from 5 to around 20 sites across the country. The ICS-X trial will also test whether the cost-effectiveness of the service can be improved by increasing caseload sizes from 1:40 to 1:60, without compromising service quality. It is aimed at complex clients who first entered benefit prior to age 20, and now aged 25 – 39.

The main **fiscal impacts** from this intervention are:

- Reduced welfare spend from increased time off-benefit, for clients in the treatment group, compared to clients in the control group
- Increased PAYE from increased employment for clients in the treatment group, compared to clients in the control group.

The following **social impacts** (quantified in the CBAX):

- Increase in private utility of income.

The following social impacts (not quantified in the CBAX):

- Increased educational attainment (literacy and numeracy, NCEA Level 2, NCEA Level 4+)
- Improved mental and physical health
- Improved connectedness resulting from improved motivation/attitude and from participation in employment or education
- Improved attitudes and motivation towards employment
- Improved connectedness from participation in employment and education
- Improved labour market resiliency (i.e., treatment group clients have a greater likelihood of sustained employment and/or have shorter spells of unemployment following the ICS service, compared to control group clients).

MSD assumes that this cohort requires intensive service to stair-case towards sustainable benefit exit. This assumption is supported by the higher liability associated with this cohort. MSD does not anticipate observing significant off-benefit impact during the first 12 months of the trial. MSD expects to observe significant off-benefit impact during the second year of the trial, and sustainable off-benefit exit (at least 12 months off-benefit duration) during the third year of the trial. This is to allow time for the effects of ICS service participation to flow through into off-benefit outcomes.

The reduction in welfare spend impact is **based on data from the current ICS trial** which found welfare spend on the ICS treatment group was around 83.5% of that for the ICS control group over 16 months. The increased **PAYE revenue impact is based on recent Superu research**¹² which estimates ~40% of JS-WR off-benefit exits were into employment.

Sensitivity testing identified the following key assumptions:

- Labour market displacement
- Opportunity cost of labour
- Success rate into employment between treatment and control group clients
- Discount rate.

The labour market displacement and opportunity cost of labour assumptions were set to be consistent with Treasury guidance. It is the MSD's view that these assumptions are conservative, and likely to result in understated ROI estimates.

Variations in the success rate (which directly affect the resulting benefit payment gap between the treatment and control groups) can also affect the ROI. Further, this analysis does not consider changes in labour market resiliency (which would conceivably affect success rate in the long term) between the treatment and control groups. Thus the analysis presented here may not adequately account for long-term welfare savings, which is where MSD would expect the majority of the gains from this initiative to arise in reality. MSD considers the resulting ROIs presented here to be conservative estimates. Figures 2 and 3, contained at the end of this section, provided a graphical representation of the projected development of the ROI, and the NPVs of quantified impacts and investment, respectively. Sensitivities to key assumptions were investigated by independently varying each key assumption in the CBAX spreadsheet, and investigating the resultant effect on NPV and ROIs.

¹² Superu (2016). *Off-benefit transitions: where do people go?* Wellington, New Zealand.



Key Assumptions and Sensitivity Analysis					
Sensitivities to key assumptions were investigated by independently varying each key assumption in the CBAx spreadsheet, and investigating the resultant effect on NPV and ROIs.					
Assumption	Default value	Alternate value	Societal ROI	Govt ROI	50-yr NPV (\$m)
Future unemployment	Medium ¹	Low ¹	1.9	1.4	\$16.1m
	Medium ¹	High ¹	2.0	1.5	\$17.8m
Labour market displacement	50%	25%	3.0	2.3	\$36.4m
	50%	75%	0.9	0.6	\$(2.2)m
Average annual earnings	\$40,200	\$25,400	1.5	1.3	\$9.7m
	\$40,200	\$45,900	2.1	1.5	\$19.9m
Success rate	25.1%	20.0%	1.7	1.2	\$11.8m
	25.1%	30.1%	2.2	1.7	\$21.7m
O/c of labour ²	50%	None	2.5	1.4	\$26.3m
DWC of tax ³	20%	None	1.7	1.2	\$12.8m
Assumption	Default value	Alternate value	Societal ROI	Govt ROI	50-yr NPV (\$m)
Future unemployment	Medium ¹	Low ¹	2.4	1.7	\$26.2m
	Medium ¹	High ¹	2.5	1.9	\$28.6m
Labour market displacement	50%	25%	3.8	2.8	\$52.4m
	50%	75%	1.1	0.8	\$2.6m
Average annual earnings	\$40,200	\$25,400	1.9	1.6	\$17.4m
	\$40,200	\$45,900	2.7	1.9	\$31.4m
Success rate	25.1%	20.0%	2.1	1.5	\$21.1m
	25.1%	30.1%	2.8	2.1	\$32.9m
O/c of labour ²	50%	None	3.2	1.8	\$40.0m
DWC of tax ³	20%	None	2.2	1.5	\$22.1m

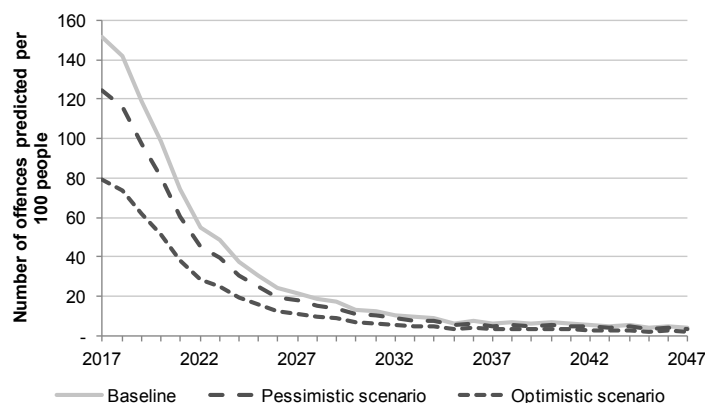
2) Reducing Youth Reoffending

Vote	Vote Justice (with funding implications for Vote Social Development)
Initiative title	Investment Approach to Justice – Reducing Youth Offending
Initiative description	As part of the Investment Approach to Justice, the Ministry of Justice with the support of the New Zealand Police, Department of Corrections and Ministry of Social Development is submitting an initiative aiming to reduce youth offending among high-risk 14-16 year olds.

The primary purpose of this investment is to reduce future offending, and therefore reduce the associated costs of crime to government and society. These are the only impacts that are quantified and monetised, but based on these impacts alone the initiative is projected to have a positive ROI.

The impact on crime is calculated using two main inputs. The first is the baseline risk prediction that is generated by the actuarial model. The second is the estimated reduction off this baseline that is suggested by the international evidence behind the three services in this initiative. Most of the benefits are predicted to be produced within five years, as demonstrated in the following graph that presents the profile of offending for the 2017 cohort before and after investment in Family Functional Therapy.

Figure 1: Predicted offending before and after investment in Family Functional Therapy



Because offending leads to a wide range of other problems for offenders, and because the anti-social cognitions targeted for change also cause broader behavioural problems, the initiative could potentially have a wide range of **secondary impacts**, for example:

- Reduced conduct problems and substance abuse
- Improved school attendance and school achievement
- Greater employment and reduced welfare receipt
- The same benefits for the siblings of the young offenders

We do not have sufficient evidence to quantify or monetise these secondary impacts, but we will include as many of these impacts as possible in the impact evaluation to better understand the full return generated by the initiative.

The impacts on crime are quantified and monetised in the following table. The ROI is an underestimate because many of the potential savings are un-quantified, including fiscal savings through reduced need for police, the judiciary, legal aid, and reduced costs to the health sector and ACC from crime.

There is no central ROI; **the ROI estimates are provided as a range between two scenarios, one with pessimistic assumptions and one with optimistic assumptions.** This range is not a confidence interval, but the true return can be expected to be within this range assuming that the services are implemented well, and assuming that their impact reflects the evidence.

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Certainty ¹³
	1	2		

Estimated impact on key outcomes				
Reduction in offending for those provided with Functional Family Therapy	18%	48%	<p>The effect size assumptions are based on the three attached evidence briefs. The evidence briefs summarise the entire extant evidence base. For example, the CBT brief summarises the findings of 26 meta-analyses, each of which in turn incorporates the findings of up to 50 separate robust evaluations.</p> <p>This allows us to clearly observe the distribution in impact that is achieved under more or less successful implementations of the intervention.</p> <p>The approach taken to select appropriate effect size assumptions was to:</p> <ul style="list-style-type: none"> - look at the spread of effect sizes across different meta-analyses - focus wherever possible on meta-analyses with a similar target population (in this case young offenders) - focus wherever possible on meta-analyses with the most relevant outcome measure (crime, reoffending, etc) - avoid outlier effect sizes - select optimistic scenario as at the third quartile or thereabouts - select pessimistic scenario at the first quartile or thereabouts <p>The optimistic and pessimistic scenarios capture uncertainty around the quality of implementation</p> <p>The effect sizes reported in the meta-analyses are converted to a percentage reduction in offending using a two-step process. First, the effect size (a cohen's d, correlation coefficient or odds ratio) is converted into a percentage point reduction using the relevant formula in the Cochrane collaboration handbook : http://handbook.cochrane.org/chapter_12/12_5_4_3_computing_absolute_risk_reduction_or_nnt_from_an_odds.htm</p> <p>The second step is to convert the percentage point reduction into a percentage reduction by dividing the percentage point reduction by control risk.</p> <p>The percentage reduction is then applied to the baseline risk produced by the actuarial model in order to provide an estimate of the number of offences prevented through investment. These offence counts are then monetised using estimates of the fiscal and social costs of each crime type.</p> <p>For FFT and CBT the evidence certainty is rated as 'high' to reflect the evidence rating of 'Strong' under the Justice evidence rating scale; see the evidence briefs for details.</p>	High
Reduction in offending for those provided with Cognitive-Behavioural Therapy	16%	26%		High
Reduction in offending for those provided with Mentoring	18%	18%		Medium
Overall reduction in offending assuming 15% of cohort members receiving a service receive CBT, 42% receive FFT and 43% receive mentoring	18%	32%		High

¹³ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

			<p>For mentoring the evidence certainty is rated as 'medium' to reflect the evidence rating of 'Very Promising' under the Justice evidence rating scale; see the evidence brief for details.</p> <p>Other assumptions are that:</p> <p><i>There is no decay in effectiveness over time</i></p> <ul style="list-style-type: none"> - this reflects the approach of the Washington State Institute for Public Policy (WSIPP). WSIPP has analysed decay rates for different outcome measures, and uses a general assumption of no decay for crime. This means that interventions that are successful in reducing crime over a 1-2 year period tend also to be effective at reducing crime over a longer time period.¹⁴ <p><i>There will be an equal effect on all offence types</i></p> <ul style="list-style-type: none"> - this reflects that the investments are general to all types of offence, and that most offenders are generalists (commit multiple types of crime) <p><i>The effect on the number of offences is equal to effect on the offending rate</i></p> <ul style="list-style-type: none"> - this reflects the structure of the actuarial model, with the offence count being a function of the offence rate <p>Assumption: 2017 and later cohort identical to 2015 cohort</p> <ul style="list-style-type: none"> - the baseline prediction applies to the 2015 cohort, as this is the most recent data available on the IDI. We assume that the 2017 and later cohorts who receives the intervention will be equivalent to the 2015 cohort. 	
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Cost of the Initiative				
Operating costs of the initiative over first 20 years	(\$44m)	(\$44m)	Costs are presented for the first 20 years to reflect the 50-year analysis, given that the benefits associated with each year's investment are modelled over a 30 year horizon.	High
Government Benefits/(Costs)				
Proactively detected, less serious offences - avoided fiscal cost to district courts and corrections	\$12m	\$22m	Fiscal savings for each crime type are the lifecycle costs associated with each police proceeding. Detail is provided in a separate excel workbook (Corrections and DC costs per proceeding.xlsx). Savings relate to unit costs in 2015/16 year and are assumed to be constant over time.	High
Acquisitive offences, less serious - avoided fiscal cost to district courts and corrections	\$3m	\$5m	The fiscal savings modelled are potential savings. Realising the savings would require explicit decisions to reduce capacity, including both facilities and staff.	High
Non-sexual violent offences, less serious – avoided fiscal cost to district courts and corrections	\$2m	\$4m	The fiscal savings are a substantial underestimate as data is not currently available to model any potential savings relating to:	High
Acquisitive offences, more serious - avoided fiscal cost to district courts and corrections	\$22m	\$40m	<ul style="list-style-type: none"> - Police costs - Judicial costs - Collections, legal aid and public defence - ACC and the health system - Welfare 	High

¹⁴ <http://wsipp.wa.gov/TechnicalDocumentation/WsippBenefitCostTechnicalDocumentation.pdf>

Non-sexual violent offences, more serious – avoided fiscal cost to district courts and corrections	\$15m	\$27m		High
Proactively detected, more serious offences – avoided fiscal cost to district courts and corrections	\$3m	\$7m		High
Sexual offences – avoided fiscal cost to district courts and corrections	\$3m	\$6m		High
Total Quantified Government Impact	\$60m	\$111m		High
Wider Societal Benefits/(Costs)				
Proactively detected, less serious offences – avoided social cost	\$46m	\$85m	Societal benefits are based on the 2006 report from Treasury on the costs of crime. These have been indexed to GDP growth but are assumed to be otherwise unchanged. The Treasury costings have been mapped to the Investment Approach methodology using a weighted average method – see the attached workbook for details (Social costs of crime for Investment Approach.xlsx)	High
Acquisitive offences, less serious – avoided social cost	\$2m	\$4m		High
Non-sexual violent offences, less serious – avoided social cost	\$10m	\$18m		High
Acquisitive offences, more serious – avoided social cost	\$22m	\$41m		High
Non-sexual violent offences, more serious – avoided social cost	\$65m	\$122m		High
Sexual offences – avoided social cost	\$5m	\$10m		High
Total Quantified Wider Societal Impact	\$150m	\$280m		High
Net Present Value of Total Quantified Societal Impacts	\$210m	\$391m		High

Annex 6: Budget 2017 examples for implementation and evaluation

*Note these examples reflect extracts from initiatives which met the threshold in Budget 2017. They provide an indication of the type of information expected to demonstrate a strong case for intervention rather than necessarily the form in which is provided. Agencies should refer to the prompts in the initiative template in Annex 1 for more detail on requirements. **These examples have been used as they provide a good indication of expectations for the implementation and evaluation section, including: setting out the impact evaluation method, how data will be collected and outcomes will be measured, cost/budget for evaluation, implementation and process evaluation detail to ensure continuous improvement/learning.***

1 Intensive client support extension – Ministry of Social Development

Vote	Social Development
Initiative title	Intensive Client Support – Extension (ICS-X)
Initiative description	This funding will expand the current ICS service from 240 to 1,500 clients and from 5 to around 20 sites across the country. The ICS-X trial will also test whether the cost-effectiveness of the service can be improved by increasing caseload sizes from 1:40 to 1:60, without compromising service quality. It is aimed at complex clients who first entered benefit prior to age 20, and now aged 25 – 39.

An **RCT design** is proposed for the ICS-X. Eligible clients will be randomised into treatment and control groups (1:1). This means MSD can have a high level of confidence that any observed impact can be attributed to the ICS service intervention. Impact will be assessed by comparing outcomes for clients in the treatment group, to those for clients in the control group, across three key areas. These **three long-term outcomes** are the metric upon which the success of the ICS-X trial will be evaluated (see Appendix C for the evaluation plan), and are:

- Sustained off-benefit exit (for at least 12 months continuously)
- Increased participation in employment
- Increased participation in education

Short-term outcomes include increased motivation (eg, to move off-benefit), attitude change (eg, a positive view towards work/study), and behavioural change (eg, increased engagement with case manager). Achievement of these short-term outcomes will build towards the three long-term outcomes above.

While sustained off-benefit outcomes can be assessed using existing administrative data, accurate evaluation of employment and education outcomes will require use of the **IDI**. The use of the IDI will allow MSD to track longer-term off-benefit, employment, and education outcomes for ICS participants (eg, 3-5 year post-trial outcomes) and examine whether the ICS service can result in lasting gains for our target population. The yearly evaluation of the ICS-X trial will consist of quantitative and qualitative components. The quantitative evaluation will focus on off-benefit outcomes (defined as “days off benefit since assignment to the ICS-X trial”, measured both continuously and cumulatively), employment outcomes (including earnings, since assignment to the ICS-X trial) and education outcomes (such as

improvements in NCEA levels, since assignment to the ICS-X trial). The qualitative evaluation will examine whether the ICS trial was successfully implemented and performing as expected, and seek to understand the experience of participants in the trial, including clients and ICSMs.

MSD expects to observe significant off-benefit impact during the second year of the trial, and sustainable off-benefit exit (at least 12 months off-benefit duration) during the third year of the trial. Due to the relatively low numbers of clients going through this service, it will take longer to build up a large sample from which to statistically test sustainable off-benefit exit for the impact evaluation. MSD will provide Treasury with a copy of the final versions of the 12, 24, and 36 month evaluation reports as part of a yearly report-back.

MSD has the **internal capability** to design, implement, analyse and write-up these evaluations. While it is expected that much of the quantitative evaluation work will be undertaken in-house, there may be a need to hire external contractors to undertake the qualitative evaluation, particularly if clients are reluctant to speak freely and frankly with internal MSD evaluators. Provision will be made within the **evaluation budget** for the cost of external contractors, along with any additional travel, accommodation and participant reimbursement costs incurred. It is expected that the first and final evaluations will be the most intensive, and this is reflected in the high-level evaluation costings outlined in the ICS-X budget initiative proposal.

2 Family Start – Ministry for Vulnerable Children, Oranga Tamariki (MVCOT)

Vote	MVCOT
Initiative title	National Coverage for Family Start
Initiative description	This funding will extend Family Start’s coverage to ensure all eligible children have access to the full Family Start programme

Much of the infrastructure required to expand Family Start nationally is in place, including:

- Programme design (including tools, templates etc required for consistent quality service delivery)
- National data collection and analysis systems
- Established service providers
- Contracting, monitoring, quality assurance and reporting systems.

The 2016 expansion of Family Start by 1,200 places was well absorbed by the existing 32 providers as well as three new providers contracted as a part of that expansion. Future expansion will be managed similarly to the 2016 expansion but with a particular focus on:

- Innovative ways to deliver to small numbers of clients living in very remote areas (e.g., linking with universal services to deliver Family Start, trialling virtual home-visits).
- Ensuring providers and boundaries are appropriate for Iwi rohe (e.g., engaging Tuhoe in a conversation about how to serve highly remote communities in the Urewera region).

MSD's assessment of the 2016 expansion was that there was significant capacity exhibited by the existing and new Family Start providers to deliver expanded services. **The successful implementation of an additional 1,200 Family Start places in 2016 provides confidence that future expansions are feasible.**

An expansion of Family Start to national coverage could be in place by 1 October 2017. **Timeline:**

- May 2017, consultation with communities and providers
- June 2017, procurement of expanded services
- July 2017, contract negotiations
- August / September 2017, set up of expanded services
- October 2017, expanded services operational.

The expanded services will receive support including:

- Full induction from MVCOT (for any new service providers)
- Hands-on support from a Family Start Quality Advisor
- Programme manuals and tools
- Support from established providers and the Family Start Collective.¹⁵

Process monitoring and process evaluation

The impact of the expansion on outcomes for children and their caregivers will primarily be assessed applying quasi-experimental impact evaluation methods to linked administrative data in the Statistics New Zealand Integrated Data Infrastructure (IDI). The feasibility and ethics of a randomised encouragement design (West et al, 2008) will also be considered. This would have the advantage of allowing impacts on outcomes not captured in the IDI to be estimated (e.g., parenting behaviours).

Data collection

Retrospective Family Start data is currently being included in the IDI and establishment of an on-going feed of Family Start participation data into the IDI is planned. Key outcomes that will be examined in quasi-experimental impact evaluation using IDI data include: mortality; child maltreatment; immunisations; PHO enrolment; B4SC participation and outcomes; ACC claims for injury; hospitalisations for injury and preventable illness; participation in early childhood education; contact with child welfare services, out-of-home care, and caregivers' use of addiction and mental health services and other relevant services.

Impact evaluation methods

An impact evaluation for the 2016 expansion of Family Start, and a re-analysis of the Vaithianathan et al. 2016 study cohort with a longer follow-up, will apply Propensity Score Matching at the individual level **to compare outcomes** for individual children who receive Family Start with matched children in areas that, at the time the children were born, were not served by the programme. These studies will continue to build the evidence of Family Start's impact.

¹⁵ The Family Start/Early Start Collective is a group representing Family Start providers that works to improve services and progress the aims of the programme.

With the expansion of Family Start to ensure national coverage, there will no longer be opportunity to apply an individual-level quasi-experimental design that involves matching individual participant children to similar children in areas with no access to Family Start. Instead, impact evaluation for the expansion will primarily be at the area level, and focus on estimating impacts on outcomes for all high-needs children in the areas newly served by Family Start, and in the existing Family Start areas newly able to access the ELP. **Potential methods include** Fixed Effects regression analysis and Differences in Differences analysis. **Potential geographic areas of interest include** the TLAs, PHOs and towns affected. A range of approaches to defining the population of high-needs children potentially eligible for Family Start will be tested.

These area-level studies will exploit the “natural experiment” created by the uneven access to Family Start over time. An important task will be assessing whether other changes that coincide with the expansion and are similar in geographic coverage provide an alternative explanation for the estimated programme impacts. Area-level studies have the benefit of capturing potential “spill-over” effects of the programme to those not directly served, but will have the limitation of not being able to be used to identify the impact of Family Start on those directly treated.

A method that could be applied in the IDI that could be explored as a means of identifying the impact of Family Start on those directly treated once the programme has national coverage include using distance from the nearest Family Start provider as an instrumental variable. The feasibility of this method will be assessed once participant data are in the IDI.

We also propose assessing the feasibility and ethics of a randomised encouragement design (West et al, 2008), which would use the randomisation of additional promotion of Family Start to selected families to estimate effects of the programme. This design has the advantage of providing the basis for estimation of impacts on both outcomes captured in the IDI and outcomes not captured by those data but sought through interviews and in-home observation (such as parenting behaviours, maternal depression and children’s self-control). It would allow members of the control group to continue to access Family Start as they would under normal conditions, and thereby reduce some of the ethical concerns raised by a standard RCT. Use of an encouragement design will require detailed feasibility study, development in partnership with providers and referring organisations, and ethical review.

Funding of evaluation

The bid seeks funding of \$500,000 over 4 years for impact study and evaluation of national coverage

The table below provides an indicative estimated breakdown of funding requirements. Much of the work will be resourced from within baseline. Additional funding being sought will fund procurement of qualitative components (including Māori-centred studies), partnership with an academic research team to design and conduct a randomised encouragement design impact study for Family Start, and partnership with external experts for the IDI-based impact studies.

The estimates assume participants in a randomised encouragement design impact study would be recruited over 2 years and interviewed at baseline and after an 18 month follow-up (follow-up in the IDI would continue for a longer period and would be resourced from baseline funding). **If this study is not feasible or not able to be ethically justified, and no alternative robust study is able to be designed in its place, unspent monies for this item will be returned to the Crown.**

Method	Year 1	Year 2	Year 3	Year 4
Process evaluation (including a Māori-centred study)	\$75K			
Qualitative interviews and surveys of individuals, families and whānau and providers (including a Māori-centred study)		\$50K		
Randomised encouragement design impact study (in partnership with academic provider)	\$50K (feasibility study, development of research design and ethics approval)	\$75k (pre-test, baseline interview data collection and IDI data base construction)	75K (baseline and 18 month interview data collection and IDI data base construction)	\$75K (18 month data collection, analysis of IDI and interview data, external statistical review, reporting)
Impact analysis based on IDI data (in partnership with academic or other external provider)			\$50K	\$50K
Longer-term follow-up of randomised encouragement design study participants and impact analysis based on IDI data	Resourced in-house			

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Template 1: Social Investment Track initiative template

Note:

- For the **October checkpoint** only section 1 and 2 need to be submitted for review, but other information can be presented if available. Please ensure the information presented at the checkpoint is clear and concise. We recommended around 2-3 pages per initiative.
- Where **additional supporting information** or other templates are required this is specified in the boxes below and marked with an asterisk (*). The supporting information is available at the end of this template. **None of this supporting information is required for the October checkpoint.**
- Please use this template as the primary mechanism to present all available information.
- There will be an emphasis on the quality of information presented. The template should be up to **15 pages at a maximum** (excluding supporting information).
- Please use the **prompts provided** for each of the questions as an indication of what the Treasury will be looking for in the assessment of initiatives.

Section 1: Overview and context

Vote(s)	[Must match CFISnet entry]
Responsible Agencies	[Must match CFISnet entry]
Responsible Minister(s)	[Must match CFISnet entry]
Initiative title	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about]. <i>Max 120 characters.</i>
Description for CFISnet	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with "This funding will..."]. <i>Max 550 characters.</i>
Responsible Vote Analyst	[Please provide the name of your Vote Analyst]

EXECUTIVE SUMMARY

Short summary of the proposed intervention and expected outcomes	<p>Please provide a summary of the initiative covering:</p> <ul style="list-style-type: none"> - Who the initiative is targeting - What the requested funding is being spent on (eg, more FTEs, increase in subsidies, grants). - The type of intervention it is (eg, pilot, scaling up of existing service). - The expected outcomes as a result of this intervention. <p>The summary should be brief (no more than 200 words) and give a good overview of the intervention in an easily understandable way. We recommend that you complete this at the end of filling out this template.</p>
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Indicative Fiscal Cost (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears	TOTAL
Operating	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-

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[If your proposal requires time limited funding until the year 2022/2 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2022/23, please add new columns to the table to reflect the profile of funding sought.]

CONTEXT	
Does the target population of the initiative relate to one of the four groups identified by the SIB?	Y / N
Has the initiative been jointly developed with other agencies?	Y / N
Has the initiative been previously considered by Cabinet or been through previous Budgets?	Y / N
Have there been significant changes to this initiative following the October checkpoint? ¹	Y / N
Would this initiative still go ahead if not funded in Budget 2018?	Y / N

CONTEXT	
If required, please provide additional information to support your answers above	<p>The purpose of these set of questions is to get a quick understanding of the broader context to support the assessment of the initiative.</p> <p>Does this initiative align with your strategic direction and/or ministerial priorities? These are also questions that we expect will be frequently asked by Ministers and the Social Investment Panel. There will be an opportunity to flesh out details in other parts of this template eg, extent of cross agency collaboration and target population.</p>

Section 2: Case for intervention

IDENTIFYING A NEED	
Identify and describe the target population	<p>The objective here is to get a good understanding of the characteristics and needs of the target population.</p> <p>Without a good definition of the target population, it will be difficult to build a strong investment case and describe outcomes, impacts and how these will be evaluated. If the target population is one of the four identified by the Social Investment Board please state this. This has no additional weighting in the assessment process.</p>
What is the current need or gap for this target population?	<p>This provides an understanding of the nature, size and severity of the need or problem that exists for the target population described above (for example, number of people affected, economic/social impact).</p> <p>Other questions to consider:</p> <ul style="list-style-type: none"> - Is there data or convincing evidence of a local/New Zealand need? - Who have you talked to (eg, key stakeholders, service providers, NGOs, community organisations, regional staff) to test your understanding of this need? - What assumptions have been made in your analysis of this population?
What services are currently provided to this population across the sector and by whom?	<p>The purpose of this is to get an understanding of the range of services already received by the target population (across different agencies) and how this addresses different needs.</p> <p>This should reveal the gap that exists and strengthen the case for intervention. The key question of interest here is why these current services don't meet the need described above.</p>

¹ Only applicable for initiatives considered for final submission in December.

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OPTIONS AND COUNTERFACTUAL ANALYSIS	
What options have been considered to meet the current need/gap that exists?	<p>The purpose of this is to ensure a wide range of options (and their costs and benefits) have been explored before coming to a solution.</p> <ul style="list-style-type: none"> - What options other than the counterfactual have been considered?
Counterfactual analysis	<p>The purpose of this is to understand the implications of doing nothing.</p> <ul style="list-style-type: none"> - Define the counterfactual - What are the implications if this initiative does not go ahead? <p>See section 5 for the difference between the counterfactual and the status quo.</p>

THE INVESTMENT CASE	
What will the preferred option buy and why?	<p>The purpose of this is to get an understanding of the intervention being delivered.</p> <p>This will need to specify:</p> <ul style="list-style-type: none"> - What the funding is going to be spent on (eg, additional FTEs, IT, subsidies) - The different components of the initiative and how much each of these cost (eg, \$X for additional FTEs, \$Y for research, \$Z for IT costs) over each year. - What are the expected outcomes for the target population as a result of this intervention (eg, better employment outcomes, reduced crime) <p>* Fill in an <u>intervention logic diagram</u> to show how the intervention will meet the need of this target population and lead to the proposed outcomes. This diagram will be presented to Ministers, the Social Investment Panel and the Moderation Panel to provide an overview of the investment case. See examples in <i>Supporting Information 1</i>.</p>
What is the cumulative impact of services for the target population	<p>The purpose of this is to determine whether, as a result of this intervention, the target population is receiving the right mix of services and there is no duplication within or between agencies. Building on your answer from section 2 above, at a high level what is the cumulative impact for the target population?</p>
What evidence exists that the proposed outcomes can be achieved?	<p>Evidence adds weight to the case for intervention and is intended to provide confidence that outcomes can be achieved. It can include reference to existing impact evaluations which show outcomes have been met, academic studies and/or overseas evidence of success. The evidence should directly relate to the intervention being proposed for the target population.</p> <p>If there is limited evidence of effectiveness (for example, for pilots), provide information on:</p> <ul style="list-style-type: none"> - Evidence of effectiveness for components of the proposed initiative or international evidence - What are stakeholders' and experts' views on the likely effectiveness of the initiative? - Is there a commitment to collect sufficient evidence of impact in the future? (this should be picked up in further detail in the evaluation section below). <p>*The <u>Superu Evidence Rating Scale</u> under <i>Supporting Information 2</i> should be used to rate the strength of evidence presented to allow for consistent assessment.</p> <p>Please specify the rating here alongside an explanation of how you arrived at this. This will be used by vote teams and the Moderation Panel in the assessment process to apply consistent judgements across initiatives around the strength of evidence supporting an intervention.</p>

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COLLABORATION	
Description of engagement with other agencies that are impacted by this initiative	<p>The key objective here is to understand (i) whether collaboration with other agencies is a requirement for the success of the initiative, and (ii) if it is, what has been done so far to ensure agencies are joined up and committed.</p> <p>This will need to describe:</p> <ul style="list-style-type: none"> - Which agencies have been involved in the development of this initiative and the nature of engagement to date (eg, governance groups, ad hoc input or consultation only). - How they are impacted by this initiative and how will they be involved going forward. - Which agency(ies) will be delivering the initiative and whether they have been involved in the development process to date.

Section 3: Value-for-money

Return on Investment Summary using the CBAx model	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) ²	-	-
Benefit Cost Ratio (BCR) ³	-	-
Return on Investment (ROI) – Societal Total ⁴	-	-
Return on Investment (ROI) – Government ⁵	-	-

Expected Impacts	
What are the expected impacts of this initiative which support the return on investment above?	<p>The purpose of this is to provide information on the size, scale and nature of impacts expected from this intervention.</p> <p>This helps to unpack the ROI number but also provides visibility of the non-monetised (or intangible) impacts that are not captured by the ROI.</p> <p>This should include an explanation of:</p> <ul style="list-style-type: none"> - <i>Who is impacted (winners and losers)</i> - <i>What the impacts are (costs and benefits)</i> – both monetised and non-monetised as well as secondary/flow-on impacts. - <i>When the impacts will be realised and for how long</i> <p>*Fill in the <u>Impact Summary Table</u> in <i>Supporting Information 3</i>. This provides a detailed summary of the costs and benefits of the proposal (both societal and Government) and will be used by vote teams and the Moderation Panel in the assessment process.</p>

Assumptions and Underlying Evidence

² **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

³ **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment - Societal - Total, unless there are negative non-government impacts. All negative impacts are included in the denominator for the BCR measure.

⁴ **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, e.g., for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

⁵ **Return on Investment (ROI) – Government** - Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

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<p>Outline the assumptions underpinning the impacts described above</p>	<p>The ROI is primarily driven by the underlying assumptions around impacts. The purpose of this is to understand these assumptions, in particular, the assumptions around:</p> <ul style="list-style-type: none"> - Size and scale of impact - Uptake/success rate - The Counterfactual (what would happen if the intervention is not in place) <p>If the assumptions relate to impacts on other sectors, have these been tested with relevant agencies? What assumptions have been made that the initiative is applicable in the New Zealand context?</p>
<p>What evidence supports the assumptions and impacts that have been used in the Return on Investment analysis?</p>	<p>The purpose of this is to understand the robustness of the assumptions used in the ROI analysis.</p> <p>This will help determine how much confidence we can have or how much we can rely on the ROI number. The assumptions should be based on strong evidence. The evidence cited in the case for intervention section should be used here to explain how assumptions were applied in the calculation of the ROI. Rather than replicate the evidence used in the case for intervention section above, the expectation is that this will pick out key details of the evidence directly relevant to the assumptions made.</p> <p>If there is limited evidence for the initiative (for example, pilots) the impacts and assumptions should reflect what we would expect to see if the initiative was delivered successfully i.e., what does good performance look like? This should then be tested through the evaluation.</p>

<p>Sensitivity Analysis</p>	
<p>Provide examples or scenarios to show how impacts change with different assumptions or policy settings</p>	<p>The purpose of sensitivity analysis is to understand which assumptions have the greatest impact on the ROI analysis and what happens if these are changed.</p> <p>This exercise builds confidence that the analysis is robust under different scenarios but also reveals any limitations/risks associated with the analysis.</p> <p>Sensitivity analysis is encouraged around the:</p> <ul style="list-style-type: none"> - Discount rate - Success rate - Strength and timing of impacts

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Section 4: Implementation and evaluation

Implementation	
<p>How will this initiative be delivered</p>	<p>The purpose of this is to understand (at a practical level) the details of how the initiative will be implemented.</p> <p>This will provide confidence that the right resources/systems/processes are in place to support successful delivery.</p> <p>This should provide detail on:</p> <ul style="list-style-type: none"> - Who will be leading the implementation of the initiative? If it is a cross-agency initiative, is there one lead agency or will multiple agencies be implementing components of the initiative? - If multiple agencies are involved, how is funding being allocated and through what mechanism? - The estimated timeline for delivery. - The capacity and capability of the agency(ies) to deliver on outcomes (e.g., adequate resourcing, technology and expertise). How will the necessary capability be developed? - The commissioning/procurement model and how this will be implemented to generate value. - The capacity of the market to deliver specialised resources required for implementation. Is there enough supply?
<p>Outline any implementation risks or limitations and how these will be managed</p>	<p>This is to provide visibility of the barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these.</p> <p>This could include, for example, limited supply in the market for resources required to deliver the intervention, access to the target population/self-selection issues, and/or ability of agency to contract with providers.</p>

Performance monitoring and process evaluation	
<p>Performance measures/indicators</p>	<p>The purpose of this is to understand the measures of success for the intervention.</p> <ul style="list-style-type: none"> - What key activities, outputs and outcomes will be measured to determine whether the initiative is being delivered as intended? How and when will these be measured? - Key activities, outputs and outcomes that will not be measured should also be identified and justified. - If a comparison group is to be used in the impact evaluation, how will outcomes be measured for this group?
<p>Outline how the implementation and performance of the initiative will be regularly monitored</p>	<p>The purpose of this is to ensure that the implementation of the initiative is reviewed on an ongoing basis with the outcomes of this review used to improve or adjust the delivery of the initiative (as appropriate).</p> <ul style="list-style-type: none"> - What process evaluation activities will be undertaken and how will these inform decisions about the programme? <p>This is particularly important for initiatives delivered through multiple agencies. A robust performance monitoring plan provides confidence that the initiative is on track to deliver intended outcomes.</p> <ul style="list-style-type: none"> - For cross agency initiatives, are there any governance processes in place to ensure implementation is on track and as intended? - How would agencies ensure that there are effective feedback loops in place to inform continuous improvement?

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Impact Evaluation	
Describe the method proposed to evaluate the impact of the intervention	<p>It is important that the evaluation of Social Investment Track Initiatives generates evidence on the effectiveness of the initiative to feed into future investment decisions.</p> <p>This requires the measurement of key outcomes, but also a robust counterfactual identifying what would have happened to outcomes if the initiative had not been implemented.</p> <ul style="list-style-type: none"> - What impact evaluation approach is proposed for this initiative? - How will the counterfactual be estimated? What confidence does the agency have that this counterfactual is robust? - Are there any technical, ethical, contractual, or operational risks that could impact on the delivery of the evaluation? How will these be mitigated? - Are there any back-up options if it is not possible to adopt the proposed evaluation approach? <p>A robust impact evaluation is particularly important for pilot initiatives, where the existing evidence of effectiveness is likely to be limited, and future decisions on expansion of the initiative are likely to be required.</p>
Impact evaluation costs	<p>What is the budget for the evaluation? Is this included in the overall project budget or will it be met out of baseline funding?</p>



Budget 2018 Initiatives Process

Guidance for Agencies Preparing
Manifesto and Cost Pressure Budget Initiatives

December 2017

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About this Guidance

This updated guidance document sets out expectations for agencies preparing manifesto and cost pressure initiatives for consideration as part of Budget 2018. It also provides guidance on the Government's reprioritisation expectations.

This guidance mainly focusses on the changes to the guidance released in September. Where requirements are unchanged this is specified in relevant sections.

The revised manifesto template, reprioritisation template and other supporting information can be found at the end of this document.

Significant versus technical initiatives

This guidance relates to the submission of significant initiatives. That is, initiatives seeking new funding or that constitute a significant policy decision. Technical initiatives are those which do not require new funding, and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of [Cabinet Office Circular \(15\) 04](#), as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral.

Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter.

Questions and feedback

You should use this document as your first point of call for guidance on preparing initiatives for Budget 2018. We welcome feedback on this guidance. Please contact your Vote Analyst in the first instance with any feedback or questions.

Changes from September 2017 guidance

The main changes from the September 2017 guidance are outlined below. These reflect the new Government's expectations for Budget 2018.

- Budget 2018 will only include initiatives seeking funding for price, personnel and volume-driven cost pressures, and for manifesto initiatives that are outlined in Labour's Fiscal Plan, the Coalition Agreement and the Confidence and Supply agreement. There will be no discretionary initiatives considered at Budget 2018 and there will no longer be a dedicated track for social investment initiatives.
- A revised template is included for manifesto initiatives, and an assessment table for whether initiatives received on 8 December would meet the definition of a cost pressure initiative.
- Budget 2018 will have a strong focus on reprioritisation initiatives. This guidance provides advice for how to submit these initiatives, and provides a template for agencies to submit.

- The Key Assessment Criteria section has not changed significantly since the previous guidance (and is therefore excluded from this guidance), except for:
 - CBAX is only required for social sector cost pressure initiatives, and is optional for all other cost pressure initiatives and manifesto initiatives
 - the tracks have changed from Social Investment and General to Cost Pressure and Manifesto
 - some of the weighting of the criteria may be different, however this is outlined in sections two and three below.
 - references to particular workstreams should be disregarded.

1 Overview

The purpose of this guidance is to set out the key expectations and requirements for Budget 2018 initiatives to ensure we deliver on the Government's commitments.

This Budget will confirm the Government's commitment of putting child well-being at the heart of what they do, which will lift the well-being of all New Zealanders. It will also confirm the Government's commitment to deliver strong public services across health, education, housing and police, and to grow New Zealand's regions.

Allowances for Budget 2018

The key short-term anchor for the Government's fiscal strategy is to reduce the level of net debt to 20% of GDP within five years of taking office. This will provide allowances of \$2.6 billion operating and \$3.4 billion capital in Budget 2018. Allowances for future Budgets are set out below:

\$billions	Budget 2018	Budget 2019	Budget 2020	Budget 2021
Operating allowances (per year) <i>Half Year Update</i>	2.600	1.875	1.875	1.875
Capital allowances (total) <i>Half Year Update</i>	3.400	3.400	3.100	2.700

These allowances are tight and will need to accommodate:

- significant operating and capital pressures in key sectors such as Health, Education and Justice
- other fiscal risks on the horizon such as pay equity settlements
- spending commitments set out in Labour's Fiscal Plan, Coalition Agreement and Confidence and Supply Agreement, and
- any variances to the cost of policies in Labour's Fiscal Plan as they are worked up in more detail.

Once the Government's spending commitments are excluded from the allowances above, on average only \$570 million operating and \$2.7 billion capital per annum remains to be allocated. There is very little room for any additional spending in order to achieve the Government's net debt target. This means that, for Budget 2018 and future Budgets, there will be a greater focus on identifying baseline reprioritisation options for low value activities and those not aligned with Government priorities.

Scope for Budget 2018

The scope for Budget 2018 is cost pressure and manifesto initiatives only. This means that no new initiatives outside of this will be accepted. Capital initiatives will be considered within these two tracks.

This is to ensure that there is a strong focus and priority on delivering the Government's commitments, and that appropriate resource is allocated to deliver these successfully.

The previous Social Investment Track and the General Budget Track have been replaced by cost pressure and manifesto commitment tracks, and are outlined below.

Budget 2018 will also have a focus on reprioritisation, and agencies will be required to undertake a full baseline review, with a focus on low value initiatives and initiatives that no longer align with the Government’s objectives.

The scope, treatment and submission date for these tracks are outlined below.

Figure 1 – Overview of Budget 2018 Tracks

	OPERATING ALLOWANCE (\$2.6 billion)		CAPITAL ALLOWANCE (\$3.4 billion)
TRACKS	Manifesto	Cost pressures	Capital and near-capital initiatives
SCOPE	Supports investment in commitments outlined in the Fiscal Plan, Coalition agreement and Confidence and Supply agreement.	Supports cost pressure initiatives associated with business-as-usual activity. In particular, where there are volume, price, wage or other pressures which have significant implications if not funded.	Covers all investments and capital projects identified in the Fiscal Plan, Coalition agreement and Confidence and Supply agreement. Includes investments required to manage increasing demand.
TREATMENT	Initiatives will be treated within the operating allowance. They will be subject to similar information requirements as Budget initiatives to maximise value and measure success.	Initiatives will be treated within the operating allowance. Cost pressure initiatives will be subject to specific information requirements around cost drivers, assumptions and expected impacts.	Capital initiatives will be treated within the capital allowance. Capital initiatives are subject to the standard assessment criteria – including assessment of the strategic alignment and value-for-money of proposals.
SUBMISSION DATE	Friday 26 January. In order to accommodate further policy development and finalisation of costs.	Friday 8 December. This date is unchanged and reflects that agencies should already have a robust understanding of these pressures.	Friday 26 January: Capital commitments set out in the Fiscal Plan and other agreements Friday 8 December: Capital pressures

Manifesto Initiatives

Are limited to spending commitments set out in Labour’s Fiscal Plan, the Coalition Agreement and the Confidence and Supply Agreement.

Initiatives that are not included in the above three documents will not be considered through this track, and will need to be deferred to future Budgets.

The Government has emphasised the importance of maximising the value of its publically announced commitments, and to ensure that these are implemented effectively and success is measured. As such, any commitments which progress through the Budget 2018 process are subject to the similar information requirements as normal Budget initiatives.

Cost Pressure Initiatives

Are limited to existing services and outputs which are facing personnel, price, and/or volume pressures and where an agency considers it cannot continue to deliver the same level or quality of service with existing funding.

We are aware of significant cost pressure initiatives across key sectors which will need to be prioritised in order to remain within the allowances. To support this prioritisation, detailed information on the underlying cost drivers, assumptions and impact of these cost and volume pressures will be required.

100-Day Plan Policies

The Half Year Economic and Fiscal Update (HYEFU) will reflect decisions associated with the Government's 100-Day Plan and these will be dealt with in December. The Budget allowances have been set taking into account the best available cost estimates of the 100-Day Plan.

Reprioritisation

The Minister of Finance has written to all Ministers outlining the need to review all baselines for alignment with the Government's priorities and to identify any low value spending.

This will be part of a two stage process for baseline reprioritisation: Stage One will focus on savings for Budget 2018, with a post-budget Stage Two in-depth review to address core policy settings in selected Votes which drive significant costs.

Capital Initiatives

All initiatives with capital implications are considered through either the manifesto or cost pressures track. There is no separate capital track, however these initiatives will be managed through the \$3.4 billion capital allowance for Budget 2018. Capital initiatives are:

- Subject to the requirements of Cabinet Office Circular CO 15 (5)
- Supported by an appropriate Better Business Case
- Considered by the Investment Panel

Any additional requirements or flexibility related to your agency's Investor Confidence Rating are specified in those agreements

Better Business Cases

An appropriate *Better Business Case* is required to support all capital investment proposals. These are critical to help inform the options analysis and implementation on manifesto initiatives. If a proposal does not have a business case, it will likely be prioritised down within the capital package. All better business cases require a Benefits Realisation Plan to be included in an annex or attached separately.

There are a range of types of business cases depending on the decision being sought, the nature of programme or project and the associated scale, risk and uncertainty. Your Vote Analyst can advise on the appropriate type of business case to support the initiative.

Further information and guidance is also available at <http://www.treasury.govt.nz/betterbusinesscases> or email betterbusinesscases@treasury.govt.nz.

Capital Investment Panel

A capital investment panel will be run in February 2018 to provide advice on a number of capital initiatives for Budget 2018, in the context of the capital pipeline. This panel will be used to support the Treasury's assessment of initiatives. Vote teams will update agencies with further information closer to the time.

The Government's Priorities

The Government has committed to building a sustainable, inclusive and strong economy. This requires that the Government's fiscal position is robust and able to withstand future economic shocks. One of the Government's key short-term objectives is to reduce net debt to 20% of GDP within five years of taking office. This will be a key anchor for decision-making in Budget 2018.

The Government has emphasised that the economy cannot be looked at separately from its impacts on the environment and society. Budget 2018 will make progress on a wide-range of priorities, including:

- providing quality public services for all New Zealanders and improving access to core services such as health and education
- taking action on child poverty and homelessness
- supporting families to get ahead and sharing the wealth generated by our economy with a wide range of New Zealanders
- sustaining economic development and supporting the regions, and
- managing our natural resources and taking action against environmental challenges such as climate change.

Over time the Government's economic strategy will focus on how we improve the wellbeing and living standards of all New Zealanders across multiple dimensions. This involves developing a comprehensive set of environmental, social and economic sustainability indicators to measure success.

Aspects to be confirmed with Finance Ministers

A further update on the decision making process following the submission of initiatives will be provided by an update from your Treasury Vote team. This will include further information on workstreams, ministerial groupings and meetings between the Minister of Finance and portfolio Ministers.

Timeframes and process

The timetable and process for Budget 2018 is:

Date	Process
8 December	<p>Cost pressure initiatives</p> <ul style="list-style-type: none"> • General Budget Initiative template due from agencies – documents uploaded via CFISnet. • Letter to the Minister of Finance sent from the Portfolio Minister outlining list of cost pressure initiatives. • Any cost pressure initiatives not submitted before 8 December will be considered late and will require the approval of the Minister of Finance to be included in the Budget process.
15 December	<p>Four Year Plan cost pressures</p> <ul style="list-style-type: none"> • Selected agencies to complete the cost pressure template (as outlined in the Four Year Plan Guidance)– documents to be uploaded via CFISnet
Late December	<p>Technical guidance</p> <ul style="list-style-type: none"> • Budget technical requirements and an interim Budget 2018 timetable will be released. This timetable will include due dates for the March Baseline Update, financial recommendations and Estimates, but cannot be finalised until Budget day is confirmed. • A separate circular will be released with guidance for the March Baseline Update
December/ January	<p>Assessment of cost pressure initiatives</p> <ul style="list-style-type: none"> • Treasury assessment and analysis of cost pressure initiatives, with support provided to agencies to further refine initiatives to meet requirements.
January/February	<p>The Treasury runs internal workstream sessions to consider Vote Team assessments across similar initiatives from different sectors. Advice provided to Ministers.</p>
26 January	<p>Manifesto initiatives</p> <ul style="list-style-type: none"> • Manifesto initiative template due from agencies – documents uploaded via CFISnet. • Letter to the Minister of Finance sent from the Portfolio Minister outlining list of manifesto initiatives. • Any manifesto initiatives not submitted before 26 January will be considered late and will require the approval of the Minister of Finance to be included in the Budget process. <p>Reprioritisation submissions</p> <ul style="list-style-type: none"> • Portfolio Ministers to submit a letter to Associate Minister of Finance Hon Dr David Clark with the outcome of their agencies' reprioritisation review. • Reprioritisation template due from agencies – documents uploaded via CFISnet

Date	Process
Late January/February	<p>Internal Treasury assessment of manifesto and reprioritisation initiatives</p> <ul style="list-style-type: none"> • Treasury assessment and analysis of manifesto initiatives, with support provided to agencies to further refine initiatives to meet requirements. • The Treasury runs internal work stream moderation sessions to consider Vote Team assessments across similar initiatives from different sectors. • Advice provided to ministers across cost pressures, manifesto initiatives and feasibility of reprioritisation options.
February	Budget day confirmed and final Budget 2018 timetable released.
February-March	<p>Decision making process</p> <ul style="list-style-type: none"> • Minister of Finance holds meetings with selected portfolio ministers to discuss the outcome of the reprioritisation reviews and submitted cost pressure and manifesto initiatives. • Ministerial groups meet to discuss Budget 2018 initiatives and strategic choices.
Early April	Budget Ministers agree final Budget package.
April	Cabinet confirm final Budget package.
Late May	Budget Day

2 Manifesto Initiatives

2.1 Definition

Manifesto initiatives are proposals for funding to fulfil commitments proposed through Labour's Fiscal Plan, the Coalition agreement and the Confidence and Supply Agreement through Budget 2018.

Initiatives that are not included in the above three documents will not be considered through this track, and will need to be deferred to future Budgets.

2.2 Due dates

Manifesto initiatives are due to the Treasury on **26 January 2018**.

Letter to the Minister of Finance sent from the Portfolio Minister outlining the list of manifesto initiatives is due on **26 January 2018**.

Any manifesto initiatives received after 26 January, or that are placeholders that are significantly underdeveloped will be considered late, and will be subject to the requirements outlined in section 5.

2.3 Details

Scope

Cabinet has agreed that all manifesto initiatives will be subject to similar information requirements as normal Budget initiatives, including cost benefit analysis. While the Government has already committed to these initiatives, it will be important to ensure that they are cost effective, effectively implemented and are well positioned to deliver intended outcomes.

As all initiatives submitted should be outlined in Labour's Fiscal Plan, Coalition Agreement, or the Confidence and Supply Agreement, there should be no 'additional' initiatives submitted. We recommend engaging with your Treasury Vote Analyst in early December to discuss what initiatives will be submitted and confirm that these will be accepted as a manifesto initiative.

For initiatives outlined in Labour's Fiscal Plan that are not specific, such as "Other welfare changes" we are engaging with the Minister of Finance and we will provide updates to Vote teams when we have clarity on the intended initiatives for these broad items.

Implementation

While the Government has identified its commitments through Labour's Fiscal Plan, Coalition Agreement and Supply and Confidence Agreement, we expect that all proposals for manifesto initiatives will outline in detail 'how' and 'when' an initiative will be implemented, and what options have been considered to best achieve the Government's objectives.

Evaluation plans will still be required for manifesto initiatives, in order to later determine if a programme is successful through milestones and measures.

Funding, phasing, scaling

Agencies should also provide detailed options around the phasing and scaling of each initiative over the forecast period, and why funding is required for 2018/19. This is particularly important given the pressures on allowances for Budget 2018.

Agencies will need to consider what other programmes or initiatives are currently operating where there may be a duplication of services, or where certain components can be shared across government, such as IT requirements to implement certain services.

Agencies will need to provide updated and detailed costings for each manifesto initiative, or will need to confirm and justify the costings provided in Labour's Fiscal Plan.

Template and process

This guidance provides an updated template for manifesto initiatives (Template 1), which focusses on the implementation and costing of the initiative. Given that overarching policy decisions have already been made, these will be the key areas in the assessment phase.

It is not mandatory for agencies to complete a CBAX for manifesto initiatives, however you may wish to discuss with your vote teams if a CBAX would be beneficial to your initiative's submission. **A cost benefit analysis and evaluation plan is still required for each manifesto initiative.** A business case is required for capital manifesto initiatives.

3 Cost Pressure Initiatives

Please refer to the September guidance for further details on requirements for cost pressures. The sections below provide a summary version and focus on the key aspects.

3.1 Changes from previous guidance

The expectations for and the definition of cost pressure initiatives have not changed, and the template and due date remains the same as the September 2017 guidance (it is therefore not included in this guidance). A CBAX is also still required for social sector cost pressure initiatives (unless exempt).

The previous guidance mentioned that there is no separate workstream for cost pressure initiatives, however this has now changed, and all initiatives submitted on 8 December (including capital-cost pressure initiatives) will be considered as part of a 'cost pressure track'.

In addition to the standard assessment around the cost drivers and assumptions of the cost pressure, Vote teams will be doing an initial assessment of whether the initiative meets the scope and definition of a cost pressure based on the following questions:

Criteria	Comment	
Is the initiative volume, personnel or price-driven (or a combination) as per the description of each in the guidance?	Volume	
	Personnel	
	Price	
Has the cost pressure been signalled in the agency's Four Year Plan, or other strategic documents?	Y/N	
Is the initiative related to a time-limited funding project, a pilot, or is it a discretionary initiative?	Y/N	
Does the initiative have a non-cost-pressure component to it?	Y/N	

Agencies will need to explain how their submitted cost pressure fits into either a volume, personnel or price pressure category. Cost pressure initiatives outside of these categories are unlikely to be supported. Further detail on these categories is outlined below.

Please note that there has been one formatting change to the general budget template in the previous guidance. In the funding sought table on page one, an additional column of funding for 2022/2023 was included incorrectly. Please delete the column in your submitted templates.

3.2 Definition

Cost pressures cover existing services and outputs which are facing wage, price, volume and/or other pressures, and where an agency considers it cannot continue to deliver the same level or quality of service with existing funding or from other resources. Cost pressure initiatives can consist of operating or capital pressures, or a combination of both.

Cost pressure type captures the driver or the mechanism that generates the pressure. Specifically, cost pressures need to be broken down into the following three categories (as appropriate). To ensure consistency across and within all government agencies, calculate volume pressures (where these are relevant) before any other pressures. Other pressures should then be calculated based on the volume adjustments. The expectation is that personnel and price pressures will apply to different parts of the baseline and should not overlap.

Cost pressure categories

- **Volume driven pressures.** These can arise from population growth, changes in population characteristics, or changes in the economic environment. They are client driven. For example, increased numbers of children requiring childcare.
- **Personnel cost pressures.** Include any personnel cost pressures that are in addition to any volume driven components. These should be broken down (where possible) into cost pressures due to (i) bargaining/remuneration outcomes and (ii) cost pressures due to progression (costs attributable to employees' progression through pay scales or application of the remuneration policy/framework).
 - Bargaining/remuneration outcomes should include known increases arising from current individually or collectively negotiated pay settlements and anticipated costs of future individually or collectively negotiated pay settlements/remuneration forum outcomes or similar, with the difference between what is committed and what is assumed clearly set out.
 - Superannuation, ACC levies and any other elements that make up personnel costs should be included in this calculation where changes contribute to personnel cost pressures.
- **Price pressures.** Non-personnel pressures that are additional to any volume-driven components. These not only include changes in costs of inputs, but also changes in capital-related operating expenditure (such as unfunded capital charge or depreciation) resulting from increases in the value of capital assets. As part of the planning process, the Ministry should have a clear understanding of when and how significant contracts will have an impact on costs.

If an initiative relates to discretionary funding, pilot programmes or extending initiatives that originally had time limited funding for policy reasons, these will not be considered as cost pressures for this track and will need to be deferred to future Budgets.

3.3 Due date

Cost pressure initiatives are due to the Treasury on **8 December 2017**.

Letter to the Minister of Finance sent from the Portfolio Minister outlining the list of cost pressure initiatives is due on **8 December 2017**.

Any cost pressure initiatives received after 8 December, or that are placeholders that are significantly underdeveloped will be considered late, and will be subject to the requirements outlined in section 5.

4 Reprioritisation

4.1 Overview

The Minister of Finance has written to all Ministers outlining the need to review all baselines for alignment with the Government's priorities and to identify any low value spending. Ministers have been asked to write to the Associate Minister of Finance, Hon Dr David Clark, by Friday 26 January 2018 with the results of their reviews.

This will be part of a two stage process for baseline reprioritisation: Stage One focussed on savings for Budget 2018, with a post-budget Stage Two in-depth review to address core policy settings in selected Votes which drive significant costs.

4.2 Objective

The purpose of this process is to:

- a. help manage the risks and pressures that exist for Budget 2018 and to provide some headroom beyond 2018
- b. meet manifesto commitments outlined in Labour's Fiscal Plan, Coalition Agreement and Confidence and Supply Agreement, and
- c. remain consistent with the Government's fiscal objectives, in particular to reduce net debt to 20% of GDP within five years of taking office.

For Budget 2018, Ministers have set two immediate high-level goals, but you have scope to design your own process, in consultation with your minister, providing the 26 January deadline is met. In brief, ministers will use the reviews to free up resources from:

- stopping or reprioritising expenditure that is not consistent with the current Government's priorities
- stopping or scaling programmes that are not generating value-for-money (inefficient or of limited cost-effectiveness).

While the focus is currently on Budget 2018, Ministers will also be looking at how the approach to future Budgets can be improved to ensure spending better reflects the Government's priorities of improving living standards for New Zealanders. To this end, it would be useful if you are also able to identify core policy settings driving costs which might be a focus of an in-depth review following Budget 2018.

4.3 Process

Ministers will be required to send a letter (see Template 2) to the Associate Minister of Finance (Hon Dr David Clark) outlining the reprioritisation options that have been identified.

Agencies should fill out Template 2 for each savings initiative, setting out:

- What is being reprioritised and from which vote and appropriation
- Total potential savings across both operating and capital expenditure
- Reason for reprioritisation (eg, not aligned to Government priorities or low-value expenditure)

- The potential risks, implications and trade-offs that Ministers should be aware of if this funding is reprioritised.

These templates should be submitted on CFISnet (similar to a Budget initiative) on Friday 26 January. Refer to the previous guidance for further information on how to submit initiatives in CFISnet.

The Treasury will review all of the reprioritisation options and will advise ministers which savings should be accepted, which options require further exploration or discussion and which appropriation ministers should be invited to have a budget discussion with Finance Ministers. Those discussions will likely occur in late February and March. The results of this process, including all savings identified, will be incorporated into the Budget 2018 package.

Throughout this process, Ministers will make the final decisions on which savings are reprioritised to the centre across which areas. This will take into consideration:

- advice from officials, including on the risks and implications of different options
- discussions with portfolio ministers, and
- the cost of manifesto commitments and supported cost pressures relative to the allowances.

Treasury Vote teams will engage with agencies for further information if required throughout this decision-making process. You will need to think about how you can engage your minister(s) in the process of identifying non-aligned policy and low value spending, and the core policy cost drivers which may be the subject of a subsequent post-budget review.

4.4 Coverage

Your minister has been asked to look at all the expenditure you oversee – both departmental and non-departmental expenses. This therefore also covers current spending by the crown entities you may fund and monitor. You will want to shape the review process based on sound knowledge of your sector, and to look at alignment with this government's priorities, and at the current spending's cost effectiveness (value for money). You should in particular identify new spending over the past nine years which was in response to the priorities of the previous government.

In helping your Ministers in identifying reprioritised items, you should identify specifically:

1. where material savings can be made within current baselines through Budget 2018 from:
 - a. where existing expenditure does not align with the current Government's priorities (see Labour's Fiscal Plan, the Coalition Agreement, the Confidence and Supply commitments, and the Speech from the Throne), or
 - b. current spending which is low value-for-money.
2. the magnitude of those potential savings (identified across each year of the forecast period)
3. transition costs from exiting existing policies or contracts
4. risks associated with progressing specific savings initiatives, and
5. options for savings beyond Budget 2018 where cost drivers are bound in fundamental policy settings which if changed could yield savings or reduced forecast expenditure.

We anticipate that you will have a good general idea of such cost driving policy settings and expect that some of this information might be held within your Four-Year Plans and related strategic documents. You will however need to engage your minister(s) in identifying the priorities in your area which may not be high for the new Government.

4.5 Priority Alignment and value-for-money

Priority Alignment

All departments should examine this government's priorities, based on, for example, policy statements, coalition agreements and your early discussions with ministers. You should clearly state your understanding of priorities, including the continued provision of core services, and identify any mismatches.

Some policies which are no longer relevant or aligned will be readily apparent. Others will become apparent as you work through the initiatives funded in recent years. Others may be evident in programmes or services that are still needed, but where a change in focus or targeting provides scope for savings. You should also factor in any transition costs associated with stopping or reducing a policy or service.

Value-for-money

Using your detailed knowledge of both the department and sector, and some of the tests below, you should identify the spending that delivers the lowest value for money. One way of doing this is to rank each major output (such as programme or major policy under development) from top value to bottom, and thereby identify the lowest items (say 5%) and discuss with your minister. This is not to say that the lowest ranked items might not have value – just that you should test them for value-for-money. For example, you could ask:

- Is the output in the national interest (is it really necessary/effective)?
- Is the programme clearly superior to alternatives in delivering value-for-money?
- Are the expected or desired results identified clearly in advance, and evaluated and reported once implemented?
- Are there more efficient ways of delivering the desired results?
- Are **all** parts of the programme still relevant, given changing needs, priorities and governments?
- Does it contribute to other agencies' priorities and outcomes?

After identifying the least effective policies, you should discuss those with your Minister as to which ones might be stopped or scaled back. However, in identifying those, you should take into account the effect the policy has not only in your own sector, but across government (a low rated policy for you may contribute significantly to another part of government activity and would leave a hole if ceased). You should also explicitly identify any transition costs, and document the savings available in each year of the forecast period.

4.6 Managing future capital expenditures

There will also be areas where near-term capital spending can be deferred or reduced, (eg, by different phasing, or approaches to procurement and delivery). This may be a good time to revisit capital plans, particularly in capital intensive sectors, looking at the scale and nature of procurements through the eyes of the new administration. Any operating savings associated with changes to the capital programme should also be identified. If you act as a monitoring agent, this work could include a look at Crown entity capital plans.

4.7 Reprioritisation within baselines

The expectation is that agencies will identify savings options in addition to managing cost pressures through reprioritisation (as has always been the case). If you have funded cost pressures from reprioritised spending, then the Minister's letter should identify those, the amount, and the source of funding.

No new discretionary spending however should be self-funded in this way. Instead, all new spending on policy or other discretionary items must receive the approval via the normal budgetary process. Ministers will make the call on whether freed up resources from reprioritisation should fund those new discretionary spending items.

4.8 Due date

You will be aware that, given the holiday period, the timetable is tight if your minister is to meet the **26 January deadline** for replying to the Associate Minister of Finance. The Finance Ministers have been discussing their expectations with all ministers, so your minister will be expecting your prompt assistance in undertaking this review. It is anticipated that most letters will demonstrate a thoroughness of review and provide a level of savings which can be accepted without further work. If however those letters do not show that a sufficiently thorough baseline review was undertaken, it is likely that the appropriation Minister will be asked to meet with Finance Ministers in late February and March.

You should also discuss how to progress your baseline review with your Treasury Vote Analyst.

5 Ministerial Engagement and Late Initiatives

5.1 Ministerial engagement meetings

Finance Ministers are likely to meet with selected portfolio ministers after Budget initiatives, and reprioritisation initiatives are submitted. These meetings provide an opportunity to engage with ministers to better understand the strategic context and pressures faced by agencies to inform investment decisions.

Your Vote teams will provide further information on what this process will look like as more detailed information becomes available.

5.2 Submission of Ministerial letters

Portfolio and Vote Ministers are required to write a letter to the Minister of Finance listing the initiatives they wish to be considered through the Budget process for cost pressures, manifesto and reprioritisation initiatives (three letters). The purpose of these letters is to establish clear ministerial ownership of the initiatives early in the process.

These letters are provided in Templates 3, 4 and 5. You may alter the template to suit your agencies' needs. Please ensure the titles and descriptions provided in the letter align with those entered into CFISnet, and provided in the Budget initiative and reprioritisation template. The titles and descriptions of approved initiatives will be made available to the public on Budget day. It is important that Ministers have early oversight and are happy with these details in order to avoid rework later in the process.

When completing the fiscal implications table, please ensure it is presented consistently with the Budget initiative template.

Please complete these templates and ensure they have been **signed by your Minister before 8 December for cost pressure initiatives and before 26 January for manifesto and reprioritisation initiatives**. Budget initiative and reprioritisation templates, cost benefit analyses and other supporting information requirements are also due on these dates, respectively.

Titles and Descriptions

Refer to the previous guidance for titles and description requirements.

5.3 Late initiatives

Late initiatives will be defined as any that are not included in either of the portfolio Minister's submission letters and **not lodged with the Treasury before 8 December 2017 (for cost pressures) or 26 January 2018 (for manifesto initiatives)**.

Placeholder initiatives will not bypass this requirement and initiatives which are substantially underdeveloped will be reviewed by the Treasury.

Any late initiatives will require the approval of the Minister of Finance to be included in the Budget process. This will increase the collective transparency over late initiatives, which may otherwise bypass good process.

A letter (Template 6) will need to be submitted to the Minister of Finance from the relevant portfolio Minister which will need to:

- Set out the title and description of the initiative.
- Set out the reasons for the initiative being submitted late, given that manifesto commitments and cost pressures should be well known in advance of the submission dates.
- Append a completed Budget initiative summary template and CBA template, with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).
- Outline which aspects of the Budget process it has missed and how the initiative will receive assurance and rigour.

The Treasury will provide advice directly to Finance Ministers on these initiatives.

6 FAQs

Q: Is a ministerial letter required for the 8 December cost pressure submission? If so, what level of detail is needed?

A: Yes, and two additional letters will be required for the manifesto and reprioritisation submissions on 26 January. Template 3, 4, and 5 in the guidance provides prompts for the level of detail required.

Q: What is the status of CBAX exemptions? Particularly for cost pressure initiatives.

A: The requirements for CBAX exemptions have not changed from the previous guidance. CBAX is still mandatory for social sector cost pressure initiatives, and is optional for manifesto initiatives.

Q: Do you have any further information on previous Budget contingencies?

A: Cabinet has agreed to the final reprioritisation of previous Budget contingencies. Agencies, responsible Ministers and Vote teams have been advised of the outcome of the reprioritisation process of their contingencies. If you haven't heard any information about your contingency, it will not have been reprioritised.

Q: For some broad items in Labour's Fiscal Plan (eg, other welfare changes) which initiatives fit within these and how these should be treated?

A: We are engaging with the Minister of Finance and we will provide updates to Vote teams when we have clarity on the intended initiatives for these broad items.

Q: If funding is set aside in Labour's Fiscal Plan, do we need to submit a separate initiative?

A: Yes, manifesto initiatives include those outlined in Labour's Fiscal Plan, the Coalition Agreement and the Confidence and Supply Agreement.

Q: Has funding been set aside in the allowances for manifesto initiatives?

A: There is no funding set aside in the allowances for specific manifesto initiatives. The Fiscal Plan includes some allocations but most of these are high level/aggregated. The process will be similar to previous Budgets where agencies will submit initiatives and these will be managed within overall allowances.

Q: If an initiative overlaps between a cost pressure and manifesto initiative, how should these be treated?

A: Would the cost pressure have existed prior to a change in government? If so, we recommend submitting this through the cost pressure track.

Q: Do the letters submitted to the Minister of Finance on 8 December need to include manifesto initiatives as well?

A: No, these are just for the cost pressure initiatives. A letter with the manifesto initiatives will be due on 26 January.

Q: What is the process for late initiatives?

A: This is outlined in section 5 of the guidance. If an initiative is submitted after the due date (8 December for cost pressures and 26 January for manifesto initiatives), the portfolio Minister will need to write to the Minister of Finance seeking approval to enter a late initiative into the Budget process.

Q: Is there a separate capital workstream?

A: capital initiatives should only be submitted if they fit the criteria for a cost pressure initiative, or are outlined in Labour's Fiscal Plan, Coalition Agreement, or Confidence and Supply Agreement as a manifesto initiative. They will be considered within the cost pressure and manifesto tracks.

Templates

This section provides the templates that are required to be completed. Word versions of all of these templates can be found in CFISnet:

Template 1: Manifesto Initiative Template

Template 2: Reprioritisation Template

Template 3: Cost pressure letter

Template 4: Manifesto letter

Template 5: Reprioritisation letter

Template 6: Late Initiatives letter

Template 1: Manifesto Initiative Template

This template seeks a high-level summary of the Budget 2018 manifesto initiatives.

Your Vote Analyst will complete their assessment in the grey fields. Supporting information must be provided to your Vote Analyst. Please use the descriptions provided as a guide for what information is expected in each of the boxes below.

Contact your Vote Analyst in the first instance with any queries.

Section 1: Overview and Context

Vote	[Must match CFISnet entry]
Responsible Minister	[Must match CFISnet entry]
Initiative title	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about] <i>The title field has a 120 character limit.</i>
Initiative description	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with "This funding will..."] [See Section 5.2.1 of the September guidance for further information] <i>The description field has a 550 character limit.</i>
Workstream	Manifesto/Cost pressure
Responsible Vote Analyst	[Please provide your name and extension number]

1.1 EXECUTIVE SUMMARY

A. Short summary of the proposed initiative and expected outcomes.	<p>This is very useful for Ministers and your Vote Analyst to engage on the key details.</p> <p>Please provide a summary of the initiative covering:</p> <ul style="list-style-type: none"> - What the initiative is or who is it targeting. - What the requested funding will be spent on (e.g., more FTEs, increase in subsidies, IT costs, and capital investment). - Why the initiative needs to be funded now (i.e., why funding is required in 2018/19) - The expected outcomes or impact of the initiative <p>The summary should be brief (no more than 200 words) and give a good overview of the initiative in an easily understandable way.</p> <p>We recommend that you complete this at the end of filling out this template.</p>
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Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-		-
Capital ¹	-	-	-	-		-

[If your proposal requires time limited funding until the year 2020/21 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2020/21, please add new columns to the table to reflect the profile of funding sought.]

¹ The first 10 years of capital investment is counted against the capital allowance. Additional FY columns are to be added to funding table above to reflect the full capital costs of an initiative.

VA Recommendation	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Vote Analyst Recommendation	<p>Three components required: See <i>Vote Analyst Assessment Guidance</i>.</p> <p>1. [Support in full/Partial support and Scale/Defer]</p> <p>2. [Please provide a two sentence summary to explain your recommendation above].</p> <p>This will be entered into CFISnet and used in the supporting comment next to initiative assessments in advice to Ministers</p> <p>3. [Provide a succinct overall assessment which outlines the key judgements which support your two sentence summary (above)].</p> <p>This will be used in the Treasury moderation process and package development stages.</p>
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1.2 CONTEXT

A. Has the initiative been stated in Labour's Fiscal Plan, Coalition agreement, or Confidence and Supply Agreement?	Y/N
B. Has the initiative been jointly developed with other agencies?	Y / N
C. Have you attached the supporting Better Business Case, Regulatory Impact Assessment, etc. (if applicable)?	Y / N
G. If required, please provide additional information to support your answers above.	<p>The purpose of these set of questions is to get a quick understanding of the broader context to support the assessment of the initiative.</p> <p>These are also questions that we expect will be frequently asked by Ministers. There will be an opportunity to flesh out details in other parts of this template.</p>

Section 2: Problem / Opportunity & Strategic Alignment

2.1 PROBLEM DEFINITION OR OPPORTUNITY

<p>A. Describe the problem or opportunity that this initiative seeks to address.</p>	<p>This clarifies the nature, size and severity of the need or problem/opportunity that exists.</p> <p>This should focus on the outcomes to help inform the prioritisation of the different manifesto initiatives.</p>
<p>B. What inputs will the preferred option buy and why?</p>	<p>The purpose of this is to get an understanding of what is being purchased in order to deliver intended outcomes.</p> <p>This will need to specify over the forecast period:</p> <ul style="list-style-type: none"> - What the funding requested is going to be spent on (e.g., additional FTEs, IT, subsidies). - The different components of the initiative and how much each of these cost (e.g., \$X for additional FTEs, \$Y for research, \$Z for IT costs). - What are the expected outputs and associated outcomes as a result of each of these components (e.g., better employment outcomes, reduced crime). - How do the above costings relate to the costings in Labour's Fiscal Plan (if applicable), and why are they the same or different? <p>[Using the intervention logic to set out the outputs and outcomes expected as a result of these inputs may assist].</p> <p>[If helpful, please provide this information in a spreadsheet form].</p>
<p>C. What options were considered to achieve the Government's manifesto commitment and why did you choose your preferred option?</p>	<p>The purpose here is to determine the range of options that were considered to deliver on the manifesto commitment.</p> <p>This should strengthen the investment case for the proposed initiative.</p> <p>[This will be built on in section 3.1.A of this template].</p>

VOTE ANALYST COMMENT

Has the problem or opportunity been clarified and does it support the prioritisation of this manifesto initiative?

Has the agency clearly outlined what the initiative will be buying, for who (if applicable), and what it is intended to achieve?

What is the cost to deliver this proposal and is it comparable to other 'like' costs? Has the agency provided detail on the different components making up these costs?

Is clear information provided on the alternative options and counterfactual?

If you do not have sufficient information, please follow up with your agency as these are key ingredients for the package development and bilateral advice.

2.2 FUNDING IMPLICATIONS	
<p>A. Provide option(s) for scaling, phasing and this initiative. Builds on information provided in section 2.1.B of this template.</p>	<p>The purpose of this information is to set out the choices available to Ministers as they make Budget decisions within the constraint of the allowances, other manifesto and cost pressure initiatives.</p> <p>Are there specific parts of the initiative which can be scaled or phased and why? What is the minimum-level of investment or critical components of the initiative to meet the manifesto commitment? Why is it important that funding is secured for Budget 2018/? What would be the implications of not funding this initiative in Budget 2018?</p>
<p>B. Outline how the costs compare to those outlined in Labour's Fiscal Plan (if applicable)?</p>	<p>This will allow us to understand any changes in the costings, and be able to present a clear picture to Ministers if costs are higher or lower than anticipated.</p> <p>The costings should be reviewed and updated to reflect your best estimate of the costs and specify any additional components (such as implementation costs or behavioural assumptions).</p>
<p>C. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 2.2.A.</p>	<p>This will allow the risks and implications associated with scaling, deferral and/or phasing options to be set out for Ministers in the draft package.</p> <p>We are interested in your "Plan B" as well as any risks that have not yet been quantified. You may wish to cover:</p> <ul style="list-style-type: none"> - Potential service cuts - Impact on service quality - Short term vs long term implications (e.g. stress on staff in the short term) - Impact on customers and other stakeholders - Impact on the achievement of strategic objectives.

VOTE ANALYST COMMENT
<p>Have credible choices and implications been set out? Is it clear how costings differ from Labour's Fiscal Plan? If this initiative is prioritised down or scaled to fit within the draft package, do you have sufficient information to make these judgements? At a minimum, can you provide to Ministers:</p> <ul style="list-style-type: none"> • What are the most valuable components? • What is the do-minimum/point at which no worth doing? • What are the risks or impacts of scaling? • An understanding of why this needs to be funded for 2018/19? <p><i>The development of the Budget package will require trade-offs and prioritisation across initiatives. Advice to Ministers will need to set these choices (and the risks/consequences) out.</i></p>

Section 3: Value for Money and Impacts

3.1 EXPECTED IMPACTS

<p>A. What are the costs and benefits of this initiative compared to the counterfactual?</p>	<p>The purpose of this is to provide information on the size, scale and nature of impacts expected from this initiative compared to the counterfactual.</p> <p>This should include an explanation of:</p> <ul style="list-style-type: none"> - <i>Who</i> is impacted (positively and not) - What the impacts are (costs and benefits) – both monetised and unmonetised as well as secondary/flow-on impacts. - <i>When the impacts will be realised and for how long</i> <p>It should also:</p> <ul style="list-style-type: none"> - Define the counterfactual if the initiative wasn't to go ahead in Budget 2018 - Describe what the implications of this would be. <p>See section 6 of the previous Guidance for the difference between the counterfactual and the status quo.</p>
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VOTE ANALYST COMMENT

[Please rate this initiative on a scale from **0-5** to reflect Value for money. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs. See section 3.2.2 of the September guidance.]

Has a compelling counterfactual been provided? Or if not, have the risks and implications been made clear?

The prompts above should be completed at a minimum by the agency to ensure a consistent assessment across initiatives.

3.2 ASSUMPTIONS AND UNDERLYING EVIDENCE

<p>A. Outline the assumptions underpinning the impacts described above.</p>	<p>The expected returns from an initiative are primarily driven by the underlying assumptions around impacts. The purpose of this is to understand these assumptions – in particular, the assumptions around:</p> <ul style="list-style-type: none"> - Size and scale of impact - Uptake/success rate - The counterfactual (what would happen if the initiative is not in place) <p>If this initiative has not been implemented in New Zealand before, what assumptions have been made that the initiative is applicable in the New Zealand context?</p>
<p>B. What evidence supports the assumptions and impacts?</p>	<p>The purpose of this is to understand the robustness of the assumptions and impacts described above and used in the ROI analysis (for initiatives requiring a CBAX).</p> <p>This will help determine how much confidence we can have in the stated impacts, quantified or not, or how much we can rely on the ROI number.</p> <p>Is there evidence of this initiative (or aspects of it) being delivered elsewhere?</p> <p>What do we know about the efficiency or effectiveness of current services?</p> <p>For initiatives completing a CBAX, the assumptions used in the return on investment calculation should be based on strong evidence, be a reasonable best estimate.</p>

VOTE ANALYST COMMENT

Provide an assessment of the assumptions and judgements related to the expected returns. Are these clearly stated and reasonable and appropriate given the proposal's intended outcomes?

Does the evidence (qualitative and/or quantitative) provide reasonable certainty and confidence? Why/why not?

3.3 SENSITIVITY ANALYSIS

A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings.

The purpose of sensitivity analysis is to understand which assumptions have the greatest impact on the expected outcomes and what happens if these are changed.

This exercise builds confidence that the analysis is robust under different scenarios but also reveals any limitations/risks associated with the analysis.

What are the key dependencies associated with the success of this initiative?

For initiatives that are required to complete a CBAX, sensitivity analysis is encouraged around the:

- Discount rate
- Success rate
- Strength and timing of impacts

VOTE ANALYST COMMENT

Has the agency completed sensitivity analysis which steps through the impact of different elements on the initiative?

This type of information will be critical when outlining choices and impacts/risks associated with trade-offs as the draft package is developed and advice is provided to Finance Ministers.

Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION

<p>A. How will this initiative be delivered?</p>	<p>The purpose of this is to understand (at a practical level) the details of how the initiative will be implemented.</p> <p>This will provide confidence that the right resources/systems/processes are in place to support successful delivery.</p> <p>This should provide detail on:</p> <ul style="list-style-type: none"> - Who will be leading the implementation of the initiative? If it is a cross agency initiative, is there one lead agency or will multiple agencies be implementing components of the initiative? - If multiple agencies are involved, how is funding being allocated and through what mechanism? - The estimated timeline for delivery - The capacity and capability of the agency(ies) to deliver on outcomes (e.g., adequate resourcing, technology and expertise). How will the necessary capability be developed? - The capacity of the market to deliver specialised resources required for implementation – is there enough supply? - What steps or milestones need to occur before the initiative can start implementation?
<p>B. Description of engagement with other agencies impacted by this initiative (if applicable).</p>	<p>What are the interdependencies and/or cross agency collaboration that is required to deliver this proposal?</p> <p>Which agencies will be delivering the initiative and how have they been involved in the development process to date?</p>
<p>C. How does this initiative relate to current activity undertaken by your agency and/or by others across the State Sector?</p>	<p>The purpose of this is to get an understanding of the range of services already available and how this addresses different needs.</p> <p>This should reveal the gap that exists and strengthen the case for the initiative. The key question of interest here is why these current services don't meet the need described above.</p>

Risk Description	Impact or Consequences	Likelihood	Severity	Overall Risk	Mitigation / Controls
[Please complete based on section 6.6 of the September Guidance]	[Please complete based on section 6.6 of the September Guidance]				[Please complete based on section 6.6 of the September Guidance]

VOTE ANALYST COMMENT

The implementation assessment will form a critical piece for the advice on the manifesto initiatives. In particular aspects such as the ability of the Government to ramp up for delivery, agency and market capacity and risks to the delivery need to be considered.

Please provide a brief comment on the agency's capability to deliver the initiative and ensure that the expected outcomes are achieved.

Has your agency set out the potential barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these? (This could include, for example, limited supply in the market for resources required to deliver the initiative, access to the target population/self-selection issues, and/or ability of agency to contract with providers)

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

4.2 LEGISLATIVE AND REGULATORY IMPLICATIONS

<p>A. Please detail any legislative implications and whether the Regulatory Impact Assessment (RIA) requirements apply.</p>	<p>How does this initiative fit with your agency's Regulatory Stewardship Strategy? Which regulatory systems may need to be amended?</p>
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VOTE ANALYST COMMENT

[Provide an assessment of the regulatory impacts of this proposal in consultation with the Regulatory Quality team.]

4.3 PERFORMANCE MONITORING AND EVALUATION

<p>A. Performance measures/indicators.</p>	<p>The purpose of this is to understand what success will look like/how will your agency know when the initiative has been successful.</p> <p>To aid the measurement of success it would be helpful to see:</p> <ul style="list-style-type: none"> - What key activities, outputs and outcomes will be measured to determine whether the initiative is being delivered as intended? How and when will these be measured? - If a comparison group is to be used in the impact evaluation, how will outcomes be measured for this group?
<p>B. Outline how the implementation and performance of the initiative will be regularly monitored.</p>	<p>The purpose of this is to ensure that the implementation of the initiative is reviewed on an ongoing basis with the results of this review used to improve or adjust the delivery of the initiative (as appropriate).</p> <p>This is particularly important for initiatives delivered through multiple agencies. A robust performance monitoring plan provides confidence that the initiative is on track to deliver intended outcomes.</p> <ul style="list-style-type: none"> - For cross agency initiatives, are there any governance processes in place to ensure implementation is on track and as intended? - How would agencies ensure that there are effective feedback loops in place to inform continuous improvement? - Is funding being sought for evaluation?
<p>C. Describe the method proposed to evaluate the impact of the initiative [if appropriate].</p>	<p>The purpose of this is to ensure the initiative is set up in a way to measure success and outcomes.</p> <p>Is any impact evaluation approach proposed for this initiative and why has the approach been selected as the most appropriate?</p> <p>Will the evaluation be able to estimate a counterfactual of what would have happened without the initiative? If so how will this be done?</p> <p>Are there any risks that need to be managed to ensure the initiative can be evaluated?</p>

VOTE ANALYST COMMENT

Please provide a brief comment on the proposed performance monitoring and evaluation. **A key aspect will be how success can be measured and the impact on the Government's objectives.**

Is there a clear and quality plan for how the success of the initiative will be measured and at which points or milestones?

Impact Summary Tables

This template is optional for the submission of manifesto initiatives as supporting information for the value-for-money section. For initiatives without a CBAX, Table 1 should be completed if practical. Table 2 should be completed for all initiatives.

Table 1 – Return on Investment Summary

Where a CBAX has been completed, copy the return on investment summary from the CBAX model. Please see section 6 of the September 2018 Budget Guidance for further information.

Return on Investment Summary using the CBAX model (if applicable)	Discount Rate		Evidence Certainty ²
	6% real (default)	3% real (sensitivity)	
Initiative costs, ie, Government investment	A	A	Low
Government impacts	B	B	Low
Wider societal impacts	C	C	Low
Total societal impacts (NPV)	A + B + C	A + B + C	Low
Un-monetised impacts	Estimated magnitude: high/medium/low +/-	Estimated magnitude: high/medium/low +/-	Low
Benefit Cost Ratio (BCR)	(Positive B + C) / (A + negative B + C)	(Positive B + C) / (A + negative B + C)	Low
Return on Investment (ROI) – Societal Total	(B + C) / A	(B + C) / A	Low
Return on Investment (ROI) – Government	B / A	B / A	Low

Table 2 – Costs and Benefits Table

Identify and list impacts under the headings below	Scenario ³ \$m present value		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty
	1	2		
Indicate which benefits and costs are “key” (both monetised and un-monetised)				
				Low

² Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

³ Each column is for the different scenarios considered for the initiative. You can add a column if you have considered more than two scenarios. The scenarios will be the output from carrying out sensitivity analysis, for example looking at how the monetised impacts are affected by a different target population, success rate, discount rate etc.

Cost of the Initiative				
				Low
Government Benefits/(Costs)				
				Low
				Low
				Low
Total Quantified Government Impact				Low
Wider Societal Benefits/(Costs)				
				Low
				Low
				Low
				Low
Total Quantified Wider Societal Impact				Low
Net Present Value of Total Quantified Societal Impacts		-		Low

Evaluation Plan

This template must be completed as supporting information for manifesto initiatives.

Evaluation Plan

How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section 3?⁴

Evaluation Approach:

Data:

- *What outcomes will you measure, and how will you measure them? You should reference the key outcomes discussed in the impact summary table in Section B and your intervention logic, but you can discuss additional outcomes and intermediate outcomes/outputs here if you wish. If it is not possible or cost-effective to measure some of the outcomes in the impact summary, please state what outcomes these are and explain why you won't be measuring them.*
- *How will you collect data on the participants (and, if appropriate, untreated comparison group) of your programme? Will it be possible to link these data to the Integrated Data Infrastructure (IDI)?⁵*

Impact evaluation method:

- *Will you form a plausible comparison group of 'untreated' people (households/businesses/rivers or whatever the target group is) so that you can attribute changes in outcomes as causal effects of your programme or policy (i.e., above and beyond a counterfactual of no intervention)?*
- *Are there any important caveats/weaknesses of your methodology, and how will you deal with these.*
- *Are there any ethical issues with how you will evaluate this programme, and how will you address these?*
- *Have you contacted your research, evaluation, or analytics team for comment on this evaluation plan?*

Other forms of evaluation and monitoring:

- *Will you be undertaking any qualitative or process evaluation (how and how well the initiative is delivered) and what will this involve?*

Funding of evaluation

- *How will you fund the evaluation and how much do you expect it to cost (including design of evaluation, collection of data, analysing the results, writing up findings and publishing results?)*

Completion dates, publication, and dissemination of findings to key stakeholders

- *When will you complete your evaluation by? When will you release your results publicly? Will you update this process, e.g., initial evaluation, long term follow-up, replication etc.?*

⁴ More information on this impact evaluation plan is available in the September 2017 Budget Guidance Section 4.

⁵ The IDI is a large research database containing longitudinal microdata about people, households, and businesses from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics. For more information see http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx.

Template 2: Reprioritisation Template

Vote(s)	
Responsible Minister(s)	
Title of proposed reprioritisation initiative	
Appropriation	
Description for CFISnet	
Responsible Vote Analyst	[Please provide the name of your Vote Analyst]

EXECUTIVE SUMMARY

Short description of initiative and potential saving (including identifying any transition costs)

Total Potential Savings (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

REASONS FOR REPRIORITISATION

Why has this funding been put forward for reprioritisation?

IMPLICATIONS OF REPRIORITISATION

Risks, implications and trade-offs associated with reprioritising the funding set out above

Implementation considerations (eg, whether regulation or legislation is needed).

FURTHER CONTEXT

Any other comments to support ministerial decision-making

Template 3: Cost Pressure Letter

Hon Grant Robertson
Parliament Buildings
WELLINGTON

Dear Minister,

I am submitting the cost pressure initiatives outlined in the Annex for Vote [Name] for consideration as part of the Budget 2018 process.

It is helpful to:

- 1. Provide Information on the baseline.** This should provide an overall picture of investment in the sector, giving a sense of expenditure and performance over the past four years and forecast for at least the next four years
- 2. Outline your agency's performance and strategic direction.** Leveraging information from relevant Annual Reports and Strategic Plans (including Four Year Plans and LTIPs as applicable) this should identify specific areas which are the focus for improvement or groups and areas which your agency has a particular attention on.

This letter should:

- 3. Define the policy settings and cost drivers creating the pressure or risk (if applicable).** Alongside defining the key drivers of the cost pressure, this should highlight any key choices that need to be made to live within baselines; for example changes to policy settings, expectations, or the quality/quantity of services provided.
- 4. Set out the proposed package of cost pressure initiatives.** This should outline how you reviewed and prioritised this set of initiatives, specifying why the proposed initiative cannot be funded from within existing baselines and setting out whether any of these initiatives would still be progressed if new funding is not provided and how. It will be assumed that no new initiative will be delivered should additional funding not be provided unless otherwise set out in this letter. It should also disclose the relative importance of initiatives within the package.

Helpful to link the sets of information above to:

- 5. Establish the desired outcomes and future state.** This should link the proposed initiatives back to the strategic direction of the sector. This should capture what impact the agency is expecting on key areas and where these initiatives gets the Government to in the medium to long term.

Budget 2018 Cost Pressure Initiatives for Vote [Name]

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 of the September guidance for further information.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

Template 4: Manifesto Initiative Letter

Hon Grant Robertson
Parliament Buildings
WELLINGTON

Dear Minister,

I am submitting the manifesto initiatives outlined in the Annex for Vote [Name] for consideration as part of the Budget 2018 process.

It is helpful to:

- 1. Provide information on where in Labour's Fiscal Plan, Coalition Agreement or Confidence and Supply Agreement this initiative is identified.**

This letter should:

- 2. Set out the proposed package of manifesto Budget initiatives.** This should outline how you reviewed and prioritised this set of initiatives, specifying why the proposed initiative cannot be funded from within existing baselines and setting out whether any of these initiatives would still be progressed if new funding is not provided and how.
- 3. Define the key implementation details of the initiatives and why funding is required for 2018/19.**
- 4. Outline any phasing or scaling options for initiatives.**
- 5. Establish the desired outcomes and future state.** This should link the proposed initiatives back to the strategic direction of the sector. This should capture what impact the agency is expecting on key areas and where these initiatives gets the Government to in the medium to long term.

Budget 2018 Manifesto Initiatives for Vote [Name]

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 of the September guidance for further information.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

Template 5: Reprioritisation Letter

Hon Dr David Clark
Parliament Buildings
WELLINGTON

Dear Minister,

I am submitting the initiatives outlined in the Annex for Vote [Name] for consideration as reprioritisation options.

This letter should provide:

1. Information on what is being put forward for reprioritisation, and from which appropriation.
2. The total potential savings across both operating and capital expenditure
3. The reason for reprioritisation (ie, low value-for-money or not aligned to Government priorities)
4. The potential risks, implications and trade-offs that Ministers should be aware of if this funding is reprioritised.
5. Set out the proposed reprioritisation package. This should outline how you reviewed and prioritised this set of reprioritisation options.

Budget 2018 Reprioritisation Initiatives for Vote [Name]

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 of the September guidance for further information.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required

Template 6: Late Initiatives

[Please use this template for all initiatives that are were included in a portfolio Minister's submission letter and not lodged with the Treasury before either the 8 December 2017 (for cost pressures) or 26 January (for manifesto initiatives).]

Hon Grant Robertson
Parliament Buildings
WELLINGTON

Dear Minister,

Please approve the late initiative(s) outlined in the Annex for Vote [Name] for consideration as part of Budget 2018.

Please provide the same information as in Template 3, 4 or 5 plus:

- *Set out the reasons for the initiative being submitted late.*
- *Append a completed initiative template with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).*
- *Outline which aspects of the Budget process it has missed (for example, expert panels and relevant Ministerial groups) and how the initiative will receive assurance and rigour.*

Late Budget 2018 Initiatives for Vote [Name]

Late Initiatives (General Budget Track only)

Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. Please note that if the initiative is approved this description will be published in the Summary of Initiatives document on Budget day and should be written to be understood by a member of the general public. It is therefore very important that these titles and descriptions are meaningful, written in plain English and describe both the purpose and expected outcomes of the initiative. See section 5.2.1 of the September guidance for further information.

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Repeat as required



Budget 2018

Process and Technical Guide for Agencies

21 December 2017

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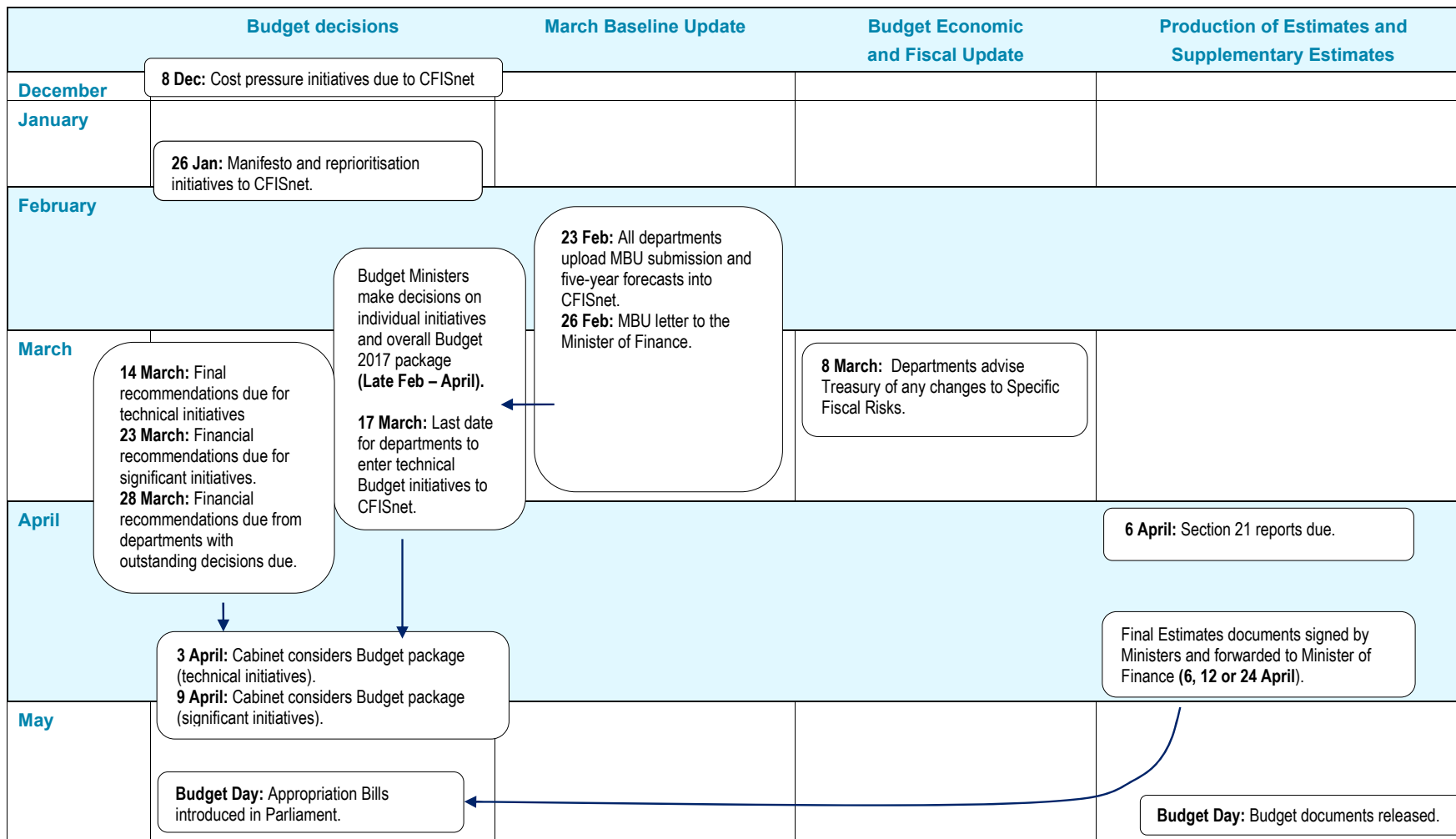
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The Budget Process



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About this Guidance

1. This guidance document focuses on the technical and process steps required for the decisions and production phase of Budget 2018.
2. You should use this document as your first port of call for guidance on the process for Budget 2018. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. You should also reference the guidance “Guidance for Manifesto and Cost Pressure Budget Initiatives” as you look to submit initiatives to CFISnet. See Treasury Circular 2017/14. The Treasury Circular 2017/16 outlines the requirements for the 2018 March Baseline Update.
4. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2018 has not yet been finalised or publically communicated. There is a risk that timeframes may need to be changed. The Treasury will release a final timetable for Budget 2018 **in February** once Budget Day has been announced.
5. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet.
6. The following table summarises the key (indicative) dates in Budget 2018 that are set out in the body of this guidance. All requirements are due at **1 pm** on the date indicated, unless specified otherwise.

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Overall Budget Process	
8 December 2017	Cost pressure initiatives and supporting material submitted in CFISnet. Ministers submit Budget initiative letters outlining cost pressure initiatives to the Minister of Finance. All cost pressure initiatives received after this point are considered late and require the Minister of Finance's approval to be included in the process
26 January 2018	Manifesto initiatives and supporting material submitted in CFISnet. Reprioritisation submissions submitted in CFISnet. All manifesto and cost pressure initiatives received after this point are considered late and require the Minister of Finance's approval to be included in the process (<i>see section 5 of the 2018 Guidance for Manifesto and Cost Pressure Budget Initiatives</i>).
12-16 February 2018	(Capital) Investment Panel convened.
9 April – Budget Day	Moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations.
Budget Cabinet Papers	
<i>Technical Budget 2018 Package</i>	
9 March	Technical initiatives should be entered into CFISnet as soon as possible, but no later than 9 March.
14 March	Financial technical recommendations are due for all Votes.
3 April	Cabinet considers the Technical Budget 2018 package.
<i>Significant Budget 2018 Package</i>	
23 March	Financial recommendations are due for most Votes at 1pm on 23 March.
28 March	For Votes with decisions outstanding at 23 March, final financial recommendations are due at 1pm on 28 March.
9 April	Cabinet considers the Significant Budget 2018 package.
Summary of Budget 2018 Initiatives Document	
26 February	The finalised titles and descriptions are required from agencies.
Budget Day	Summary of Budget 2018 Initiatives Document released.
Specific Fiscal Risks	
8 March	Agencies must advise their Treasury Vote Team of all changes to the status of the fiscal risks (since 2017 HYEPU) and any new matters which may materially effect on the economic and fiscal outlook.
Estimates Documents	
23 March	Estimates and Supplementary Estimates documents on CFISnet on this date will receive an initial review by the Treasury.
<i>Tranche 1 – Votes which have no initiatives in Budget 2018</i>	
5 April	Deadline for submission to Appropriation Minister.
6 April	Deadline for submission to the Minister of Finance.
<i>Tranche 2 – Votes which have Budget initiatives</i>	
11 April	Deadline for submission to Appropriation Minister.
12 April	Deadline for submission to the Minister of Finance.
<i>Tranche 3 – Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package</i>	
20 April	Deadline for submission to Appropriation Minister.
24 April	Deadline for submission to the Minister of Finance.
Appropriation Bills	
6 April	Agencies with revenue-dependent appropriations approved by the Minister of Finance upload the completed template.

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Roles and Responsibilities

Underlying Principles for Relationships between Key Players

7. A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:
 - working through different perspectives
 - a 'no surprises' approach to the provision of advice, and
 - the provision of 'free and frank' advice to Ministers by officials.

Minister of Finance

8. The Minister of Finance's role is to:
 - develop and reach agreement on the Government's fiscal targets and the resulting Budget Strategy
 - manage competing priorities to ensure that the Budget package meets the Government's fiscal and wider policy goals agreed by Cabinet, and
 - help ensure the value for money of government expenditure.

Ministers

9. Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (i.e., through Cabinet), they agree on the Budget Strategy, the priorities the Government seeks to achieve and the final Budget package.

Agencies

10. Departments provide advice to Ministers on:
 - the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
 - whether the existing outputs and other expenses will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
 - whether the entities in the Vote have the right capability to deliver the outputs, and
 - the main risks and how to manage these.

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The Treasury

11. The Treasury plays a number of different roles through the Budget process. Agencies will mainly interact with their Vote teams, the Fiscal Reporting team and CBAx team and their points of contact remain extant. The wider roles include co-ordinating the budget process, providing fiscal forecasts, publishing the Crown accounts, and producing the various Budget documents.
12. Vote teams will carry out two main roles:
 - an **“assist” role**, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between agencies, other Treasury teams and the Minister of Finance. Vote teams are an agency’s first point of contact at any stage in the process, and
 - an **“assess” role**, where they provide advice to the Minister of Finance on a range of topics, such as the value for money of initiatives and whether initiatives align with Government priorities as well as advice to Budget Ministers on Four Year Plans and individual Budget initiatives, among others.

The Budget Process

13. Once Budget initiatives have been submitted, the following steps remain in the Budget 2018 process:
 - Budget Decisions on individual initiatives.
 - The March Baseline Update.
 - The Budget Economic and Fiscal Update.
 - Production of the Budget documents (Estimates and Supplementary Estimates, and their Supporting Information).
 - Preparation and introduction of the Appropriation Bills.
 - Preparation of media statements for Ministers.
 - Proactive Release.

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Budget Decisions Phase

Budget Ministers

14. A group of Budget Ministers will meet over February, March and April to:
 - Take decisions on individual Budget initiative proposals
 - Agree to a final consolidated Budget package. **This package is likely to be taken to Cabinet on 9 April for consideration.**
15. Changes that fall within the criteria set out in Cabinet Office Circular (15) 4 should be progressed through the March Baseline Update and not through the initiatives module. Treasury will remove any initiative from the module that should be progressed through the March Baseline Update.

Budget Initiatives

16. Cost pressure initiatives should have been uploaded into CFISnet on **8 December**.
17. Manifesto and reprioritisation initiatives are to be uploaded into CFISnet by **26 January**.
18. The requirements outlined in this Treasury Circular apply to **cost pressure and manifesto initiatives**.
19. Cost pressure initiatives submitted after 8 December and Manifesto initiatives submitted after 26 January will be considered late. Ministers with late initiatives must submit a request for approval to be included for consideration from Budget Ministers. The template for late initiatives can be found on CFISnet under Treasury Circular (2017/14).
20. This requirement will allow for greater scrutiny of late initiatives and reduce the risk of low value proposals being supported with limited analysis and oversight.

Summary of Initiatives in Budget 2018 Document

21. The *Summary of Initiatives in Budget 2018* will be published on Budget Day, which provides the title and description of every approved initiative (with the exception of those provided for in contingency).
22. For each agreed Budget initiative the document will contain the title of the initiative, the agreed funding, and a description of what this funding is for. This information will be drawn from the Budget initiatives module in CFISnet. Therefore, it is very important that agencies provide high quality titles and descriptions.
23. The due date for finalised initiative title and descriptions will be on **Monday 26 February**. This will allow initiative titles and descriptions to be finalised in the

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CFISnet Budget initiatives module (CFISnet > Baselines > Budget Initiatives > Initiatives Entry) before agencies complete their financial recommendations.¹

24. We recommend agencies review the *Summary of Initiatives in Budget 2017* document (<http://www.treasury.govt.nz/budget/2017/summary-initiatives>), released in Budget 2017 for examples of good titles and descriptions.

25. High quality means:

- Meaningful titles in plain English. (Good examples from previous Budgets include: “*Managing our borders: Screening departing passengers*”, “*Implementation of the Social Housing Reform Programme*” and “*Completion of the Twin Coasts Cycle Trail*”.)
- Meaningful first word/beginning for titles. Initiatives are listed alphabetically in the *Summary of Initiatives in Budget 2017* document and it is important that the first word in the title distinguishes it from other initiatives. (For example, the use of words such as “*increasing*”, “*additional*” and “*establishing*” should be avoided).

In previous Budgets, this was overcome in some instances by reordering the title to lead with the service/programme e.g. “*Intensive Wraparound Service – Increasing Access*”.

- No jargon, abbreviations or acronyms. (Commonly used acronyms understood by the general public, e.g. GST, are acceptable; public sector specific abbreviations, e.g. MBIE, CYF, DHB, TEC, EPA, MFAT etc., are not.)
- Descriptions should provide explanation of the purpose of the funding and the outcome intended to be achieved. We have extended the character limit in CFISnet to ensure agencies have enough space to adequately describe initiatives.
- The stem statement for the descriptions are to begin with “*This funding will...*” or “*This initiative will...*”. Where the initiative is a business-as-usual pressure, the stem statement is to begin with “*This **additional** funding will...*”.
- Descriptions should, where relevant, provide contextual information, e.g., “*this funding contributes to an existing programme that currently receives \$x million per annum*”.
- For business-as-usual initiatives, the title and description is to provide context to the service, programme, agency that it is relevant to. This is necessary as the initiatives *with the description* are listed in alphabetic order rather than grouped by Vote or package. (For example, in Budget 2016, see the *Crown Prosecution Services – Sustainable Funding*).

¹ The titles and descriptions input into the Budget initiative module in CFISnet automatically flow through to the financial recommendations module.

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26. Note that agencies are not required to update the Budget initiative templates or supporting information submitted to Treasury to match any changes made to titles and descriptions in CFISnet.
27. We recommend agencies work with their communications teams to ensure the titles and descriptions are appropriate and can be understood by a member of the public.
28. Ministerial press secretaries will be provided the list of initiatives titles and descriptions at the same time they are provided information to write press releases. We recommend that you test the titles and descriptions with your Minister's Office **ahead of time** to ensure they are comfortable with the wording.
29. If there are any disputes about wording, the Treasury, in conjunction with the Minister of Finance's Office, has the final call.

Uploading initiatives for Budget 2018

30. Initiatives are entered into CFISnet via the Baselines / Budget Initiatives / Initiatives Entry module.
 - Initiatives are assessed by Vote Analysts, internal Treasury groups, supporting ministerial groups and then by Budget Ministers.
 - More substantive and supporting information should be provided to Vote Analysts and should be uploaded into CFISnet through the relevant initiative. All initiatives require a supporting Budget Initiative Summary Template.
 - Agencies should enter numbers into the initiatives module based on the Operating Balance and/or Debt Impact of the initiative for each year, which could be different to the changes to appropriations.
 - Ensure that any offsetting savings for each initiative is entered into the "savings/revenue" line in the initiatives module. Fiscally-neutral should have numbers entered into both the "gross" and "savings/revenue" line (which should net out to zero over the forecast period).
 - Agencies that are seeking new funding should enter the initiative – even if it is being sponsored by another Minister.
 - If the initiative is across Votes, all relevant Votes should enter an initiative for the funding required for their Vote (cross-Vote initiatives should have the same title).
 - More information on the initiatives module and definitions of the choices available under "Initiative Type" is available in CFISnet Help.

Significant or Technical Budget Initiatives

31. We will continue to run two processes for Budget initiatives – a process for "significant" initiatives and a process for "technical" initiative.
32. **Technical initiatives** are those initiatives that:

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- do not seek new funding from the centre over the five year forecast period, and,
 - do not carry significant policy implications.
33. **Significant initiatives** are those initiatives that do seek new funding from the centre over the five year forecast period, and/or do carry significant policy implications. This includes significant policy changes that are fiscally neutral (e.g., funded through reprioritisation).
34. When entering Budget initiatives into CFISnet, significant Budget initiatives should be selected as “significant” in the Priority Area dropdown depending on whether net new funding is being requested, and its policy implications. By default, all initiatives are classified as “significant”.
35. Technical initiatives should be entered into CFISnet as soon as possible, but no later than **9 March** (following outcomes of the March Baseline Update).
36. **The technical initiative package is likely to be taken to Cabinet on 3 April for consideration.**

Financial Recommendations

37. Departments should have already entered all cost pressure initiatives to CFISnet, on **8 December**. Manifesto and reprioritisation initiatives are due on **26 January**. Initiatives will be considered by Budget Ministers during February, March and April.
38. Financial recommendations sign off sheets for Chief Financial Officers can be found in Annexes 1 and 2.

Technical Budget Initiatives

39. The technical Budget initiative proposal Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed technical Budget Initiative proposal.
40. These recommendations are completed by departments in CFISnet. Financial recommendations are due for all Votes at **1pm on 14 March**.
41. As above, CFISnet will advise when the Recommendations module is ready for agencies to complete their financial recommendations. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that agencies complete in CFISnet. Therefore, financial recommendations must be correctly drafted.
42. Because of the limited time available in the production schedule, the Treasury will **not** be proofing the financial recommendations prior to Cabinet. Agencies will need to QA their own recommendations to ensure they are of Cabinet minute quality.
43. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote analyst. Further guidance on

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how to enter financial recommendations into CFISnet is available on the CFISnet Help page under 'Baselines' > 'Recommendations'.

Significant Budget Initiatives

44. The final Budget package Cabinet paper is prepared by Treasury, and includes financial recommendations for every agreed significant Budget Initiative proposal (for cost pressure, manifesto and reprioritisation initiatives). These recommendations are completed by agencies in CFISnet.
45. Financial recommendations are due for most Votes at **1pm on 23 March**. For Votes with decisions outstanding at 23 March, final financial recommendations are due at **1pm on 28 March**.
46. CFISnet will advise when the Recommendations module is ready for agencies to complete their financial recommendations.
47. If Budget Ministers agree to an agency's Budget initiative either in full or scaled, the Treasury will enter the recommended funding into CFISnet. This will then allow agencies to generate financial recommendations that reconcile against the agreed funding.

Budget Moratorium

48. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the final Budget package (expected to be **Monday 9 April**) until Budget Day.
49. Departments must not submit any papers to Cabinet or Joint Ministers with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

March Baseline Update

50. The March Baseline Update (MBU) is a technical update, and allows agencies to update baselines to reflect Cabinet and joint Ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carrying significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above.
51. The Treasury has released guidance on MBU 2018 alongside this guidance. Please refer to Treasury Circular 2017/16 for further details.

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Budget Economic and Fiscal Update (BEFU)

Forecasts

52. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes the Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance, as well as informing how much the Government needs to borrow.
53. It is imperative, therefore, that the forecast financial statements that agencies provide to the Treasury represent their best estimates. Appropriation amounts are not a suitable proxy for spending forecasts because appropriations represent upper spending limits, not best estimates of actual spending.
54. Further guidance and instructions on completing the fiscal forecasts will be provided by the Treasury early in 2018.

Specific Fiscal Risks

55. Under the Public Finance Act 1989 (PFA), the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – i.e., items that could positively or negatively affect the economy or Government balance sheet, if they occur.
56. The Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half Year Economic and Fiscal Update (HYEFU), published in December 2017.

Deadlines for Specific Fiscal Risks

57. Agencies must advise their Treasury Vote Team by **8 March** of all changes to the status of the fiscal risks for their department published in the 2017 HYEFU **and** any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
58. Agencies must also certify in their Statement of Representation that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook.

Disclosure of Specific Fiscal Risks

59. Items should be disclosed to the Treasury where:
 - the matter will have an impact of more than \$10 million in any one year, and

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- it is **reasonably possible** that the matter will be approved or occurs. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
60. The fiscal impacts of decisions that have already been taken should be included in agencies' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
61. If agencies are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
- Matters relating to Crown entities for which the department has monitoring responsibilities.
 - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
 - Matters that were previously not disclosed as they failed to meet the "under active consideration" criteria.
 - Matters that were previously disclosed as Time Limited Funding.
62. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
 - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU. For unchanged risks that have previously been published, the description should match what has been published in previous EFUs.
 - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
 - For matters requiring decision:
 - How far advanced the policy work is.
 - How aligned the matter is to Government priorities.
 - What indications of support for the matter the Government has made (including public announcements).
 - Any lack of discretion around the matter.

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- For matters not requiring decision:
 - Any signals from the Government that the matter will occur (including public announcements).
 - The department's past experience and precedents in this area or with similar matters.
 - Any lack of discretion around the matter (e.g., legislated entitlements).
 - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
 - Prejudice the substantial economic interests of New Zealand; or
 - Prejudice the security or defence of New Zealand or the international relations of the government; or
 - Compromise the Crown in a material way in negotiation, litigation, or commercial activity; or
 - Result in material loss of value to the Crown.
 - Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc.).
63. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (i.e., are less than \$100 million over five years).
 - Matters that are unlikely to be approved or occur over the next five years.
 - Matters whose disclosure could:
 - Prejudice the substantial economic interests of New Zealand
 - Prejudice the security or defence of New Zealand or the international relations of the Government
 - Compromise the Crown in a material way in negotiation, litigation or commercial activity, or
 - Result in a material loss of value to the Crown.

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Production of 2018/19 Estimates and 2017/18 Supplementary Estimates

Overview for Estimates and Supplementary Estimates

64. The *Estimates* and supporting information provide information to Parliament on the appropriations the Government is seeking for 2018/18 through the Budget and what those appropriations will be used for.
65. The *Supplementary Estimates* and supporting information reflect changes to 2017/18 appropriations since the 2017/18 Estimates were tabled in Parliament.
66. Departments should read and be familiar with the detailed information and instructions on the format and content changes to both the *Estimates* and *Supplementary Estimates* which are available in the following documents:

Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2018.	http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est/techguide-est-18.pdf
Annotated mock-up of the 2018/19 Estimates template	Shows how information should be presented in the 2018/19 Estimates	http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est/est-18-mock.pdf
Annotated mock-up of the 2017/18 Supplementary Estimates template	Shows how information should be presented in the 2017/18 Supplementary Estimates	http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est/suppest-18-mock.pdf
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	http://www.treasury.govt.nz/publications/guidance/planning/estimates/style/budgetstyleguide-dec17.pdf

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Review of Estimates Documents by the Treasury

67. Agencies are expected to be engaging with their Vote analysts and their Ministers' Office throughout the process to ensure all feedback is taken on board and issues resolved promptly.
68. The Treasury will do an initial review of the Estimates and Supplementary Estimates documents based on what is in CFISnet as at **23 March**. These documents should be as 'near final' as possible, as this review provides opportunity for agencies to receive early feedback for improvement (or omissions) before their Minister formally signs-off the documents. The focus of this initial feedback is primarily on the statements, explanations and structure of these drafts and common problems; at this stage it is not a comprehensive proof-read or review of the numbers.

Sign-off of Estimates Documents by Ministers

69. Agency Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (i.e., Estimates and Supplementary Estimates). This includes factual accuracy (e.g., output classes are correctly specified) and technical accuracy (e.g., the numbers include all the decisions made to date, and they reconcile).
70. Ministers responsible for appropriations in a Vote must provide a sign off to the Minister of Finance that the *Estimates* and *Supplementary Estimates* documents are accurate and ready for publishing. The Treasury can then compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 3 – 6**.
71. Each Estimates and Supplementary Estimates sign-off sheet should be for one Vote. Where a Vote has more than one portfolio Minister responsible for different appropriations, the sign-off should be from one of those appropriation Ministers on behalf of all the Ministers responsible for these appropriations.
72. It is the agency's responsibility to ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before the relevant deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
73. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as the final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
74. Ministers should also be seeking assurance from Chief Executives that the material being submitted is accurate and ready for forwarding to the Minister of Finance. Similarly, Chief Executives will be seeking similar assurances from the person within their agency responsible for preparing the agency's Estimates documents.

BUDGET-SENSITIVE

Deadlines for submission to Ministers of Estimates Documents

75. Departments should submit all Estimates documents as soon as they are finalised to enable prompt processing. The production process will be split into three streams depending on whether the relevant Vote has Budget initiatives or is a forecasting department. These deadlines should be read as the final dates for submission – if your Estimates documentation is finalised earlier you should look to submit it earlier.

	Deadline for submission to Appropriation Minister	Deadline for submission to the Minister of Finance
Tranche 1 – <i>Votes which have no initiatives in Budget 2017</i>	Thursday 5 April	Friday 6 April
Tranche 2 – <i>Votes which have Budget initiatives</i>	Wednesday 11 April	Thursday 12 April
Tranche 3 – <i>Forecasting departments or Votes requiring change following Cabinet’s consideration of the Budget package</i>	Friday 20 April	Tuesday 24 April

BUDGET-SENSITIVE

Appropriation Bills (2018/19 Estimates and 2017/18 Supplementary Estimates)

76. All changes to appropriations agreed by Cabinet through the Budget must, by law, be agreed by Parliament in an Appropriation Act.
77. The Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2018/19 Estimates) Bill and the Appropriation (2017/18 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all agencies have loaded their Estimates documents into CFISnet.
78. It is very important that all Estimates numbers loaded into CFISnet are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA from departments, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
79. Agencies should also submit information for appropriations affected by Section 21 of the PFA.

Revenue Dependent Appropriations (Section 21 of the PFA)

80. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows an agency to incur expenses up to the amount of revenue earned by the agency from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
81. Agencies with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu and as **Annex 7**) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **6 April**.
82. When submitting the template, please include the document reference (e.g., Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
83. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > "IFRS Info (FSG3, Elims, Stmt Reps, Contingent)" tabs. Please include 'section 21' in the comment field to allow the Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.

BUDGET-SENSITIVE

84. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

Ministers Reporting Against Appropriations

85. Section 15C of the PFA now requires performance reporting for all departmental and non-departmental appropriations (excluding those for borrowing expenses and security and intelligence agencies) at year-end unless specifically exempted by the Minister of Finance.
86. The Estimates documents identify who reports against each appropriation and in which document.
87. For further information, refer the March Baseline Update circular for requesting exemptions from performance reporting and Treasury guidance for determining [Who Reports Performance Against Appropriations](#).

BUDGET-SENSITIVE

Media Statements

88. The Minister of Finance's Office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the final Budget Package.

BUDGET-SENSITIVE

Proactive Release

89. The Treasury proactively releases Budget-related documents every year about five weeks after Budget day. The purpose of the release is to cut down on the number of Official Information Act requests related to the Budget received by the Minister of Finance, appropriation Ministers, the Treasury and departments. The release is also desirable for government transparency and public accountability.
90. The release includes all key documents that have been used in Budget decision-making, including:
 - Budget reports
 - Budget Cabinet papers
 - Relevant Treasury Reports and Aide Memoires
 - Cabinet Minutes, including the main Budget paper and financial recommendations package, and
 - CBAX material.
91. It is expected that final Four Year Plans will be requested by Parliament select committees from departments shortly after Budget Day as part of their Estimates consideration. Agencies are responsible for liaising with their Minister in responding to this request and public release of their plans (with information withheld where applicable in accordance with the Official Information Act 1982).

BUDGET-SENSITIVE

Guide to the Annexes

Annex No.	What	Due date	Who needs to use it
1	Budget 2018 Significant Financial Recommendations Chief Financial Officer Sign Off	23 March or 28 March	Departments with significant initiatives seeking Cabinet agreement to changes to appropriations in Budget 2018
2	Budget 2018 Technical Financial Recommendations Chief Financial Officer Sign Off	14 March	Departments with technical initiatives seeking Cabinet agreement to changes to appropriations in Budget 2018
3	2018/19 Estimates Chief Executive Sign Off	With Estimates documents	All departments
4	2017/18 Supplementary Estimates Chief Executive Sign Off	With Estimates documents	All departments
5	2018/19 Estimates Ministerial Sign Off	With Estimates documents	All departments
6	2017/18 Supplementary Estimates Ministerial Sign Off	With Estimates documents	All departments
7	Template for Section 21 Appropriations	6 April	Departments with output expense appropriations restricted by revenue (section 21)
8	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.

BUDGET-SENSITIVE

Annex 1

**BUDGET 2018 SIGNIFICANT INITIATIVES FINANCIAL RECOMMENDATIONS
CHIEF FINANCIAL OFFICER SIGN OFF**

Vote

The Significant Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2018 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

Aspect	Check (✓ / ✗)
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc.). Note that departments are able to change titles without changing the original budget initiative.	
The scope statement for any new appropriation/category begins with "This appropriation/category is limited to", and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (i.e., in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional "non-standard" tables required by departments have been inserted.	
Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the GST implications are correct (i.e., all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

BUDGET-SENSITIVE

Name
Chief Financial Officer

Signature

Date

Please forward this document to your Vote team no later than **1pm on 23 March**. If decisions are still outstanding on 23 March, please forward to your Vote team no later than **1pm on 28 March**. Your Vote team will advise you which deadline is relevant.

BUDGET-SENSITIVE

Annex 2

**BUDGET 2018 TECHNICAL INITIATIVES FINANCIAL RECOMMENDATIONS
CHIEF FINANCIAL OFFICER SIGN OFF**

Vote

The Technical Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2018 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

Aspect	Check (✓ / ✗)
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc.). Note that departments are able to change titles without changing the original budget initiative.	
The scope statement for any new appropriation/category begins with "This appropriation/category is limited to", and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (i.e., in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional "non-standard" tables required by departments have been inserted.	
Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the GST implications are correct (i.e., all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

Name
Chief Financial Officer

Signature

BUDGET-SENSITIVE

Date

Please forward this document to your Vote team no later than **1pm on 14 March**.

BUDGET-SENSITIVE

Annex 3

2017/18 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE SIGN OFF

Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]
Minister of/for [XXX]
BEEHIVE

Dear Minister

2017/18 Supplementary Estimates Documents for Vote: [Vote name]

Action Required

Attached, for your approval are:

- the documentation for the 2017/18 Supplementary Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

Background

The Budget 2018 process requires that:

- the Supplementary Estimates documentation for [vote] is completed by [date], and

Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

- *“as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:

- *“one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

BUDGET-SENSITIVE

The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2018/19 Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

“As detailed below there are several appropriation Ministers associated with [vote]:

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

[...]

The budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”

BUDGET-SENSITIVE

"I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance."

Recommendation

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

*"I recommend that you **sign** the attached letter to the Minister of Finance"*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

*"I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance."*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

BUDGET-SENSITIVE

Annex 4

2018/19 ESTIMATES CHIEF EXECUTIVE SIGN OFF

Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]
Minister of/for [XXX]
BEEHIVE

Dear Minister

**2018/19 Estimates Documents for Vote: [Vote name]
Action Required**

Attached, for your approval are:

- the documentation for the 2018/19 Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “*the appropriations that you are responsible for in*”] [Vote name], and
- a draft letter to the Minister of Finance.

Background

The Budget 2018 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

BUDGET-SENSITIVE

The Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2018/19 Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

“As detailed below there are several appropriation Ministers associated with [vote]:

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

[...]

The budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”

BUDGET-SENSITIVE

"I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance."

Recommendation

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

*"I recommend that you **sign** the attached letter to the Minister of Finance"*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

*"I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance."*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

BUDGET-SENSITIVE

Annex 5

2018/19 ESTIMATES MINISTERIAL SIGN OFF

Template - Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Grant Robertson
Minister of Finance
BEEHIVE 7.6

Dear Minister

2018/19 Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Estimates of Appropriation 2017/18 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2017/18 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: "*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*"]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name] administered by [department's name] included in the *Estimates of Appropriations 2018/19 and Supporting Information*.

BUDGET-SENSITIVE

Yours sincerely

[Signature]

Signature

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]
Minister of/for [portfolio]
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”.*

BUDGET-SENSITIVE

Annex 6

2017/18 SUPPLEMENTARY ESTIMATES MINISTERIAL SIGN OFF

Template - Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Grant Robertson
Minister of Finance
BEEHIVE 7.6

Dear Minister

2017/18 Supplementary Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Supplementary Estimates of Appropriation 2017/18 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2017/18 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name] administered by [department's name] included in the *Supplementary Estimates of Appropriations 2017/18 and Supporting Information*.

Yours sincerely

BUDGET-SENSITIVE

[Signature]

Signature

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]
Minister of/for [portfolio]
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

BUDGET-SENSITIVE

Annex 7

SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN APPROPRIATION BILL – SUBMISSION TEMPLATE

Instructions:

- (1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check page 19 for further details.
- (2) **Upload** to CFISnet by **1pm on 6 April**.

List all existing s21 appropriations i.e., those appearing in 2017/18 Supplementary Estimates	Has the Minister of Finance approved the use of s21? Yes/No	Should it be included in the 2018/19 Estimates? Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2017/18 Supplementary Estimates			
List any new s21 appropriations to appear in the 2018/19 Estimates			

BUDGET-SENSITIVE

Annex 8: Media Statements Template

VOTE [X]

Headline Numbers:

New Funding:

- (A) **Gross New funding (note this does not include new contingencies):** \$[x] million operating over the next four years, plus \$[x] million in 2017/18
- AND/OR
\$[x] million in new capital funding from the Capital Allowance [where applicable]
- (B) **New Contingencies Established:** \$[x] million operating over the next four years, plus \$[x] million in 2017/18
- AND/OR
\$[x] million in new capital funding from the Capital Allowance [where applicable]

Savings/Reprioritisation:

- (C) **Amount funded from existing contingencies:** \$[x] million operating over the next four years, plus \$[x] million in 2017/18
- AND/OR
\$[x] million capital expenditure [where applicable]
- (D) **Other savings/reprioritisation:** \$[x] million operating over the next four years, plus \$[x] million in 2017/18
- AND/OR
\$[x] million capital expenditure [where applicable]

Guidance notes:

- Gross new funding is the up-front Budget spending excluding any contingencies established (and may be funded from new money and/or savings/reprioritisation).
- Please provide amounts for both operating and capital separately, do not sum them.

New Initiatives:

[Initiative Title]

[Initiative Description]

New Funding:

Gross New funding: \$[x] million operating over the next four years, plus \$[x] million in 2017/18

BUDGET-SENSITIVE

AND/OR

[\$x] million in new capital funding from the Capital Allowance [where applicable]

New Contingency funding: \$[x] million operating over the next four years, plus \$[x] million in 2017/18

AND/OR

[\$x] million in new capital funding from the Capital Allowance [where applicable]

Savings/reprioritisation:

Amount funded from existing contingencies: \$[x] million operating over the next four years, plus \$[x] million in 2017/18

AND/OR

[\$x] million capital expenditure [where applicable]

Other savings/reprioritisation: \$[x] million operating over the next four years, plus \$[x] million in 2017/18

AND/OR

[\$x] million capital expenditure [where applicable]

Additional Comments:

- [any additional points that the Press Secretaries should be aware of]

Guidance notes:

- The above line items for the new initiatives should sum to the aggregate totals above
- If an initiative is time-limited, specify the period that the funding is for, e.g. 3 years.
- For initiatives with capital, specify both the capital amount (as a total over 10 years) and give the operating amount as a 4 year total.
- Please make any reprioritisation clear in the individual initiative information.
- The initiative description should be a brief 1-2 line description of the initiative.

Template 1: General Budget Track Initiative Template

This template seeks a high-level summary of the Budget 2018 significant initiatives. Agencies are required to complete the:

- Blue sections for all initiatives (including cost pressures).
- Green sections for cost pressure initiatives.

Your Vote Analyst will complete their assessment in the grey fields. Supporting information must be provided to your Vote Analyst. Please use the descriptions provided as a guide for what information is expected in each of the boxes below.

Contact your Vote Analyst in the first instance with any queries.

Section 1: Overview and Context

Vote	[Must match CFISnet entry]
Responsible Minister	[Must match CFISnet entry]
Initiative title	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about] <i>The title field has a 120 character limit.</i>
Initiative description	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with "This funding will..."] [See Section 5.2.1 for further guidance] <i>The description field has a 550 character limit.</i>
Workstream	BGA/Social Sector/Capital/Other
Responsible Vote Analyst	[Please provide your name and extension number]

1.1 EXECUTIVE SUMMARY

A. Short summary of the proposed initiative and expected outcomes.	<p>This is very useful for Ministers and your Vote Analyst to engage on the key details.</p> <p>Please provide a summary of the initiative covering:</p> <ul style="list-style-type: none"> - What the initiative is or who is it targeting. - What the requested funding will be spent on (eg, more FTEs, increase in subsidies, IT costs, capital investment). - Why the initiative is required and needs to be funded now - The expected outcomes or impact of the initiative <p>The summary should be brief (no more than 200 words) and give a good overview of the initiative in an easily understandable way.</p> <p>We recommend that you complete this at the end of filling out this template.</p>
---	---

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/2023 & outyears	TOTAL
Operating	-	-	-	-	-		-
Capital¹	-	-	-	-	-		-

[If your proposal requires time limited funding until the year 2020/21 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2020/21, please add new columns to the table to reflect the profile of funding sought.]

¹ The first 10 years of capital investment is counted against the capital allowance. Additional FY columns are to be added to funding table above to reflect the full capital costs of an initiative.

VA Recommendation	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

Vote Analyst Recommendation	<p>Three components required: See <i>Vote Analyst Assessment Guidance</i>.</p> <p>1. [Support in full/Do not support/Partial support and Scale/Defer]</p> <p>2. [Please provide a two sentence summary to explain your recommended above].</p> <p>This will be entered into CFISnet and used in the supporting comment next to initiative assessments in advice to Ministers and Panels.</p> <p>3. [Provide a succinct overall assessment which outlines the key judgements which support your two sentence summary (above)].</p> <p>This will be used in the Treasury moderation process and package development stages.</p>
Degree of Government Commitment	[Pre-commitment/manifesto commitment/discretionary]

1.2 CONTEXT

A. Has the initiative been previously considered by Cabinet or been through previous Budgets?	Y / N
B. Has the initiative been jointly developed with other agencies?	Y / N
C. Have you attached the supporting Better Business Case, Regulatory Impact Assessment, etc (if applicable)?	Y / N
D. Would this initiative still go ahead if not funded in Budget 2018?	Y / N
E. Does this initiative contain an element of funding for cost pressures? ²	Y / N
F. Were these cost pressures signalled in your most recent Table 2A and 2B submission?	Y / N
G. If required, please provide additional information to support your answers above.	<p>The purpose of these set of questions is to get a quick understanding of the broader context to support the assessment of the initiative.</p> <p>These are also questions that we expect will be frequently asked by Ministers and Panels. There will be an opportunity to flesh out details in other parts of this template.</p>

² Cost pressure initiatives cover existing services and outputs that are funded from within baselines but which are facing wage, price, volume and/or other pressures and where an agency considers it cannot continue to deliver the same level and/or quality of service within its baselines.

Section 2: Problem / Opportunity & Strategic Alignment

2.1 PROBLEM DEFINITION OR OPPORTUNITY

<p>A. Describe the problem or opportunity that this initiative seeks to address.</p>	<p>This provides an understanding of the nature, size and severity of the need or problem/opportunity that exists.</p> <p>This establishes the case for investment and describes outcomes from which Ministers can consider the relative importance of different initiatives.</p> <p>[If relevant, please include an intervention logic – see Annex A].</p>
<p>B. What inputs will the preferred option buy and why?</p>	<p>The purpose of this is to get an understanding of what is being purchased in order to deliver the outcomes.</p> <p>This will need to specify over the forecast period:</p> <ul style="list-style-type: none"> - What the funding requested is going to be spent on (eg, additional FTEs, IT, subsidies). - The different components of the initiative and how much each of these cost (eg, \$X for additional FTEs, \$Y for research, \$Z for IT costs). - What are the expected outputs and associated outcomes as a result of each of these components (eg, better employment outcomes, reduced crime). <p>[Using the intervention logic to set out the outputs and outcomes expected as a result of these inputs may assist].</p> <p>[If helpful, please provide this information in a spreadsheet form].</p>
<p>C. What alternative options were considered and why did you choose your preferred option?</p>	<p>The purpose here is to determine whether a reasonable range of options were considered to meet the problem/opportunity identified above.</p> <p>This should strengthen the investment case for the proposed initiative.</p> <p>[This will be built on in section 3.1.A of this template].</p>
<p>D. Counterfactual analysis.</p>	<p>The purpose of this is to understand the implications of doing nothing.</p> <ul style="list-style-type: none"> - Define the counterfactual - What are the implications if this initiative does not go ahead? <p>See section 6 of the Guidance for the difference between the counterfactual and the status quo. [This will be built on in section 3.1.A of this template].</p>

VOTE ANALYST COMMENT

Has the problem or opportunity been clearly described and does it support a compelling case for investment?

Has the agency clearly outlined what the initiative will be buying, for who (if applicable), and what it is intended to achieve?

What is the cost to deliver this proposal and is it comparable to other 'like' costs? Has the agency provided detail on the different components making up these costs?

Is clear information provided on the alternative options and counterfactual?

If you do not have sufficient information, please follow up with your agency as these are key ingredients for the package development and bilateral advice.

2.2 STRATEGIC ALIGNMENT AND COLLABORATION

<p>A. How does this initiative fit with your agency's strategic intentions as outlined in your most recent Statement of Intent, Four Year Plan and Long Term Investment Plans?</p> <p>How does this initiative align with the Government's priorities?</p>	<p>This provides Ministers a forward perspective of the opportunities, challenges and pressures facing the agency and the Vote(s) it administers.</p> <p>This should include a sense of the key strategic choices and trade-offs resulting from these.</p> <p>[See section 3.1 of the Guidance and include a self-assessment score of the strategic alignment]</p>
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2.2 STRATEGIC ALIGNMENT AND COLLABORATION

<p>B. Description of engagement with other agencies impacted by this initiative (if applicable).</p>	<p>What are the interdependencies and/or cross agency collaboration that is required to deliver this proposal? Which agencies will be delivering the initiative and how have they been involved in the development process to date?</p>
<p>C. How does this initiative relate to current activity undertaken by your agency and/or by others across the State Sector?</p>	<p>The purpose of this is to get an understanding of the range of services already available and how this addresses different needs. This should reveal the gap that exists and strengthen the case for the initiative. The key question of interest here is why these current services don't meet the need described above.</p>

VOTE ANALYST COMMENT

[Please rate this initiative's alignment with Government priorities on a scale from **0-5**]
What strategic intentions [outlined in the Four Year Plan] does this initiative align with?
Is the strategic intent of this initiative clear?
If multiple agencies are involved, is there a clear sense of how the initiative will be delivered collaboratively?
Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?

2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

<p>A. What are the policy settings and cost drivers creating the pressure or risk?</p>	<p>This provides an understanding of the policy settings and choices associated with the cost pressures. Specifically, what is the driver (such as demand for services underpinned by set staffing ratios, inflation, etc) and where is the entitlement specified (ie. legislation, handbooks, or expectation).</p>
<p>B. What are the assumptions underpinning the pressures?</p>	<p>This sets out how the cost pressures have been calculated and enables assessment of consistency across the State Sector. Please provide supporting documentation showing supporting calculations as well as comparator information for these costs over the past four years (forecast and actual) and any offsetting choices or funding. What are the rates and forecasting assumptions that have been applied to generate the costs (by component)? What services do these pressures relate to? Have you undertaken sensitivity analysis with respect to any significant assumptions?</p>
<p>C. What options have been identified to address the cost pressures?</p>	<p>This provides Minister with an understanding of what's been done to-date and what actions could be considered? What steps has your agency taken to manage these pressures? What has been the impact of these steps on the cost pressures and outcomes? What has been the effectiveness of funding provided through previous Budget(s) or Cabinet decisions? How will these pressures be managed going forward?</p>

2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

D. What is the efficiency, effectiveness and productivity of this cost pressure area?

This provides an understanding of the value proposition for further investment in this area.

Effectiveness – how well is the performance understood (ie has evaluation been undertaken? What information do you have on the impact of the existing spend?

Ministers have shown specific interest in understanding the effectiveness of funding provided in previous budgets and cabinet decisions.

Efficiency – what do you know about efficiency of the current service? Does this investment expand the reach of the programme, fund an unmet need or keep the existing service/programme going?

What information do you have that the services relating to these pressures are delivering value?

What information can you provide to show that productivity of this area has improved (or declined) and how is this measured?

Please note section 3.4 of this template is also a critical aspect for cost pressure initiatives.

VOTE ANALYST COMMENT

What are the choices around the policy settings and/or where is the requirement specified?

How credible are the assumptions which underpin the identified pressures? How do these compare to the market rates, Statistics NZ data and previous forecasts?

These are critical elements for prioritisation of cost pressures and bilateral advice. Finance Ministers expect to see expect to see better information on the underlying cost drivers, assumptions and impact of these cost and volume pressures.

What actions have been taken to manage or address these pressures (including in previous years) and how credible are the proposed strategic responses?

What is your view on the implications of not funding/partially funding these pressures?

How accurate has the agency been with its previous forecasts?

Advice to Finance Ministers will need to set out how these pressures align with the agency's medium to long-term strategic direction and the effectiveness of funding provided through previous Budgets.

Section 3: Value for Money and Impacts

3.1 EXPECTED IMPACTS

A. What are the costs and benefits of this initiative compared to the counterfactual?

Builds on section 2.1.C and 2.1.D of this template.

The purpose of this is to provide information on the size, scale and nature of impacts expected from this initiative.

This should include an explanation of:

- *Who* is impacted (positively and not)
- What the impacts are (costs and benefits) – both monetised and unmonetised as well as secondary/flow-on impacts.
- When *the impacts will be realised and for how long*

*Please fill in the Impact Summary Table in Template 2 and attach to this template. This provides a summary of the costs and benefits of the proposal (both societal and Government) and the assumptions and evidence base underpinning the return on investment number. It also sets out a comparison between two agency selected options.

[See section 6 of the Guidance and include a self-assessment score for the value for money of this initiative]

VOTE ANALYST COMMENT

[Please rate this initiative on a scale from **0-5** to reflect Value for money. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs. See section 3.2.2 of the guidance.]

Has a compelling counterfactual been provided? Or if not, have the risks and implications been made clear?

The prompts above should be completed at a minimum by the agency to ensure a consistent assessment across initiatives.

3.2 ASSUMPTIONS AND UNDERLYING EVIDENCE

A. Outline the assumptions underpinning the impacts described above.

The expected returns from an initiative are primarily driven by the underlying assumptions around impacts. The purpose of this is to understand these assumptions – in particular, the assumptions around:

- Size and scale of impact
- Uptake/success rate
- The Counterfactual (what would happen if the initiative is not in place)

If this initiative has not been implemented in New Zealand before, what assumptions have been made that the initiative is applicable in the New Zealand context?

B. What evidence supports the assumptions and impacts stated in section 3.2.A?

The purpose of this is to understand the robustness of the assumptions and impacts described above and used in the ROI analysis (for initiatives requiring a CBAX).

This will help determine how much confidence we can have in the stated impacts, quantified or not, or how much we can rely on the ROI number.

Is there evidence of this initiative (or aspects of it) being delivered elsewhere?

What do we know about the efficiency or effectiveness of current services?

For initiatives completing a CBAX, the assumptions used in the return on investment calculation should be based on strong evidence, be a reasonable best estimate.

VOTE ANALYST COMMENT

Provide an assessment of the assumptions and judgements related to the expected returns. Are these clearly stated and reasonable and appropriate given the proposal's intended outcomes?

Does the evidence (qualitative and/or quantitative) provide reasonable certainty and confidence? Why/why not?

3.3 SENSITIVITY ANALYSIS

A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings.

The purpose of sensitivity analysis is to understand which assumptions have the greatest impact on the expected outcomes and what happens if these are changed.

This exercise builds confidence that the analysis is robust under different scenarios but also reveals any limitations/risks associated with the analysis.

What are the key dependencies associated with the success of this initiative?

For initiatives that are required to complete a CBAX, sensitivity analysis is encouraged around the:

- Discount rate
- Success rate
- Strength and timing of impacts

VOTE ANALYST COMMENT

Has the agency completed sensitivity analysis which steps through the impact of different elements on the initiative?

This type of information will be critical when outlining choices and impacts/risks associated with trade-offs as the draft package is developed and advice is provided to Finance Ministers.

3.4 FUNDING IMPLICATIONS

A. Provide option(s) for scaling, phasing and/or deferring this initiative.

Builds on information provided in section 2.1.B of this template.

The purpose of this information is to set out the choices available to Ministers as they make prioritisation decisions within the constraint of the allowances.

Are there specific parts of the initiative which can be scaled or phased and why?

What is the minimum-level of investment or critical components of the initiative?

B. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 3.4.A.

This will allow the risks and implications associated with scaling, deferral and/or phasing options to be set out for Ministers in the draft package.

We are interested in your "Plan B" as well as any risks that have not yet been quantified. You may wish to cover:

- Potential service cuts
- Impact on service quality
- Short term vs long term implications (eg stress on staff in the short term)
- Impact on customers and other stakeholders
- Impact on the achievement of strategic objectives.

VOTE ANALYST COMMENT

Have credible choices and implications been set out? If this initiative is prioritised down or scaled to fit within the draft package, do you have sufficient information to make these judgements? At a minimum, can you provide to Ministers:

- What are the most valuable components
- What is the do-minimum/point at which no worth doing?
- What are the risks or impacts of scaling?

The development of the Budget package will require trade-offs and prioritisation across initiatives. Advice to Ministers will need to set these choices (and the risks/consequences) out.

Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION AND RISKS

A. How will this initiative be delivered?	<p>The purpose of this is to understand (at a practical level) the details of how the initiative will be implemented.</p> <p>This will provide confidence that the right resources/systems/processes are in place to support successful delivery.</p> <p>This should provide detail on:</p> <ul style="list-style-type: none"> - Who will be leading the implementation of the initiative? If it is a cross agency initiative, is there one lead agency or will multiple agencies be implementing components of the initiative? - If multiple agencies are involved, how is funding being allocated and through what mechanism? - The estimated timeline for delivery - The capacity and capability of the agency(ies) to deliver on outcomes (eg, adequate resourcing, technology and expertise). How will the necessary capability be developed? - The capacity of the market to deliver specialised resources required for implementation – is there enough supply? - What steps or milestones need to occur before the initiative can start implementation?
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Risk Description	Impact or Consequences	Likelihood	Severity	Overall Risk	Mitigation / Controls
[Please complete based on section 6.6 of the guidance]	[Please complete based on section 6.6 of the guidance]				[Please complete based on section 6.6 of the guidance]

VOTE ANALYST COMMENT

Please provide a brief comment on the agency's capability to deliver the initiative and ensure that the expected outcomes are achieved.

Has your agency set out the potential barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these? (This could include, for example, limited supply in the market for resources required to deliver the initiative, access to the target population/self-selection issues, and/or ability of agency to contract with providers)

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

4.2 LEGISLATIVE AND REGULATORY IMPLICATIONS

A. Please detail any legislative implications and whether the Regulatory Impact Assessment (RIA) requirements apply.	<p>How does this initiative fit with your agency's Regulatory Stewardship Strategy?</p> <p>Which regulatory systems may need to be amended?</p>
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VOTE ANALYST COMMENT

[Provide an assessment of the regulatory impacts of this proposal in consultation with the Regulatory Quality team.]

4.3 PERFORMANCE MONITORING AND EVALUATION

A. Performance measures/indicators.	<p>The purpose of this is to understand what will success look like/how will your agency know when the initiative has been successful.</p>
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4.3 PERFORMANCE MONITORING AND EVALUATION	
	<p>To aid the measurement of success it would be helpful to see:</p> <ul style="list-style-type: none"> - What key activities, outputs and outcomes will be measured to determine whether the initiative is being delivered as intended? How and when will these be measured? - If a comparison group is to be used in the impact evaluation, how will outcomes be measured for this group?
<p>B. Outline how the implementation and performance of the initiative will be regularly monitored.</p>	<p>The purpose of this is to ensure that the implementation of the initiative is reviewed on an ongoing basis with the results of this review used to improve or adjust the delivery of the initiative (as appropriate).</p> <p>This is particularly important for initiatives delivered through multiple agencies. A robust performance monitoring plan provides confidence that the initiative is on track to deliver intended outcomes.</p> <ul style="list-style-type: none"> - For cross agency initiatives, are there any governance processes in place to ensure implementation is on track and as intended? - How would agencies ensure that there are effective feedback loops in place to inform continuous improvement? - Is funding being sought for evaluation?
<p>C. Describe the method proposed to evaluate the impact of the initiative [if appropriate].</p>	<p>The purpose of this is to ensure the initiative is set up in a way to measure success and outcomes.</p> <p>Is any impact evaluation approach proposed for this initiative and why has the approach been selected as the most appropriate?</p> <p>Will the evaluation be able to estimate a counterfactual of what would have happened without the initiative? If so how will this be done?</p> <p>Are there any risks that need to be managed to ensure the initiative can be evaluated?</p> <p>Please attach the evaluation plan if one has been completed [details included at in template 3], or outline the process for developing one.</p>

VOTE ANALYST COMMENT

Please provide a brief comment on the proposed performance monitoring and evaluation.
 Will it capture the expected outcomes are achieved?
 Is there a clear and quality plan for how the success of the initiative will be measured and at which points or milestones?