



Chairperson
Finance and Expenditure Committee
Parliament Buildings
WELLINGTON

26 March 2024

Dear Stuart

Thank you for inviting me to provide a written submission as part of your consideration of the *Report of the Controller and Auditor-General, Commentary on Te Tai Waiora: Wellbeing in Aotearoa New Zealand*.

In December 2021 I released a report entitled *Wellbeing budgets and the environment: A promised land?*¹ It reviewed the way in which the environment has – or hasn't – been incorporated into the process of constructing *wellbeing* budgets. The answer was, not very well.

In the course of my review, I came to doubt whether constructing budgets around the goal of wellbeing will make much difference for the environment. But I also found that it is not just a failure of *wellbeing* budgets, as all previous budgets would likely fail the same standard.

At fault is both the general poor state of the information we hold about the environment and the meagre way in which the budget process considers environmental information.

It was, therefore, no surprise to me that one of the main conclusions of the Auditor-General's *Commentary on Te Tai Waiora: Wellbeing in Aotearoa New Zealand* was that the Treasury needs to improve its information base and the way that it presents its information on wellbeing.

The key recommendations of my *Wellbeing budgets and the environment* report were centred around improving both the information base, how it is presented and how it is used:

1. Improving the way the environment is handled in the budget's analysis templates and other tools.
2. Improving the quality of information available in the budget process to reflect what is known about future risks, uncertainty and tipping points.
3. Reviewing the way cost–benefit analysis (CBA) is applied to budget initiatives to ensure that budget proposals with enduring benefits to future generations are not effectively discounted away to nothing.

¹ Available at: <https://pce.parliament.nz/publications/wellbeing-budgets-and-the-environment/>

4. Improving the presentation of critical environmental information in the budget process.

Implementing those key recommendations would help improve the scrutiny and prioritisation of environmental expenditure. (For those interested in the details of those recommendations, I suggest reading Chapter 5 of the *Wellbeing budgets and the environment*.) It would also be helpful for the government to begin reporting its activities and expenditure by environmental outcome as I have attempted to do in my regular Estimates of Environmental Expenditure.²

I found the international comparisons outlined in the OAG's commentary useful. In particular, I note the major role statistics agencies in other jurisdictions play in preparing comparable reporting. Reports of the nature of *Te Tai Waiora* that look to assess progress across economic, social, cultural and environmental domains should not be solely the responsibility of the Treasury whose focus is, properly, economic. The inclusion of robust independent information, such as that provided by Statistics New Zealand, is crucial. So is input from subject matter experts like the Ministry for the Environment. Unfortunately, significant work needs to be done to even start to bring the quality and breadth of environmental indicators up to par with our economic indicators.

Whether or not the terms *wellbeing* and *wellbeing budgets* and the requirement for Treasury to produce *Te Tai Waiora* reports are retained, I think there is value some type of wide-ranging government report on the nation's economic, social, cultural and environmental progress. While the link between increased productivity and improved living standards across a wide range of measures remains undisputed, the call for economic growth as shorthand for progress has come to be seen as increasingly unsatisfactory given a range of social, distributional and environmental pressures that have emerged despite relatively continuous economic expansion.

As we continue to marshal public expenditure to address those social, distributional and environmental ills, we are going to need a wider array of robust measures and reporting against which the outcomes of public policy and public expenditures can be judged.

I would be happy to appear before the committee if you would like to discuss my submission with me.

Yours sincerely



Rt Hon Simon Upton
Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

² The most recent for 2023/24 can be found at <https://pce.parliament.nz/publications/estimate-of-environmental-expenditure-2023-24/>