

The Treasury and Office of the Minister of Finance

Budget 2019 Information Release August 2019

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Treasury Report: Budget 2019 Multilateral with Māori Ministers

Date:	14 March 2019	Report No:	T2019/636
		File Number:	BM-2-4-2019

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report Note the suggested speaking points for your discussion with Māori ministers on 19 March 2019	Before 9:00pm, Tuesday 19 March 2019

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
[34]	Senior Analyst, Education and Population Agencies	[39] (wk)	[23] (mob)	✓
Diana Cook	Manager, Education and Population Agencies	[39] (wk)	[23] (mob)	

Actions for the Minister's Office Staff (if required)

Return the signed report to the Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Budget 2019 Multilateral with Māori Ministers

Purpose of Report

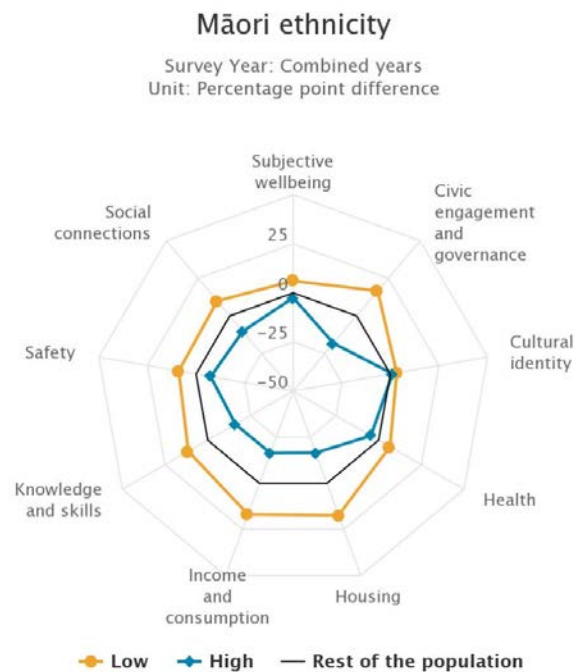
1. This report provides you with advice to support your discussion with Ministers Davis, Mahuta, Jackson and Henare at 9:00pm on Tuesday 19 March 2019 in your office.
2. This report includes:
 - information on Māori wellbeing from the Living Standards Dashboard
 - a summary of initiatives in Priority C that benefit Māori, including those in the draft Package
 - an overview of initiatives outside Priority C that disproportionately benefit Māori, including those which are being considered for funding from the Provincial Growth Fund, and
 - advice on potential changes to the Priority C package for your consideration.
3. Annex A provides suggested talking points for your discussion. Annex B lists Priority C initiatives that benefit Māori.

Background:

4. At the Māori Crown Relations (MCR) committee meeting on 4 March 2019, you presented a draft Priority C package. Members of the committee provided the below suggestions:
 - additional funding targeted directly to Māori
 - a stronger focus on supporting economic opportunities, with some members specifically noting the importance of developing Māori land
 - taking into account initiatives outside of Priority C that benefit Māori, along with other available funding sources such as the Provisional Growth Fund, and
 - re-wording the objectives of Priority C (noted below).
5. At Budget Matters on Wednesday 6 March, you indicated that the Priority C package should focus on initiatives with strong wellbeing impacts – in particular, Whānau Ora and initiatives that improve the health and housing outcomes of Māori and Pacific people. You also requested information on initiatives outside of Priority C that disproportionately benefit Māori.
6. At Budget Ministers 1, you also requested information on which initiatives would best contribute to growing the Māori economy. This report responds to your information requests and includes potential changes to the Priority C Package, based on your suggested areas of focus.

Māori Wellbeing

7. The Living Standards Framework (LSF) informed Treasury’s advice on the draft package for Priority C. The chart below summarises the differences in wellbeing outcomes between Māori and the rest of the population.

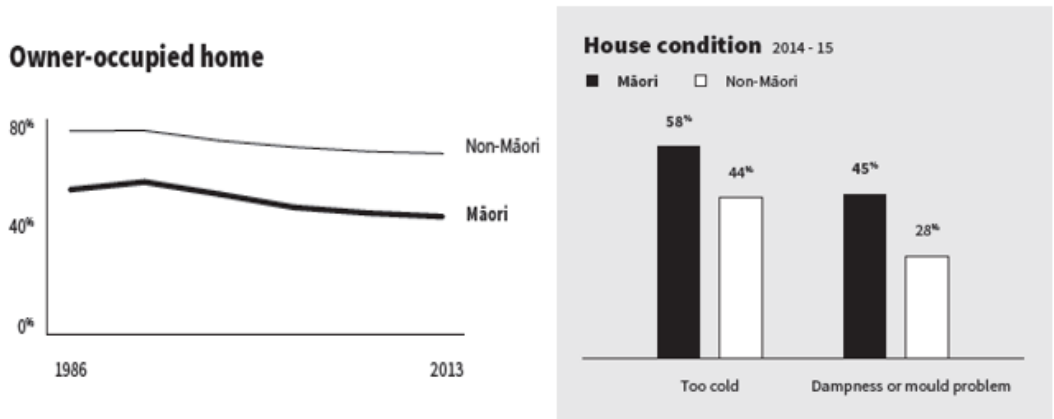


8. Compared with the rest of the population, Māori are more likely to experience poor outcomes in the wellbeing domains of Housing, Income and Consumption, and Knowledge and Skills.

Housing

9. Housing provides the foundation for individuals, families, whānau, and communities to thrive. Māori are more likely to experience poorer housing outcomes than the general population.¹

Figure 1: Snapshot of Māori housing outcomes

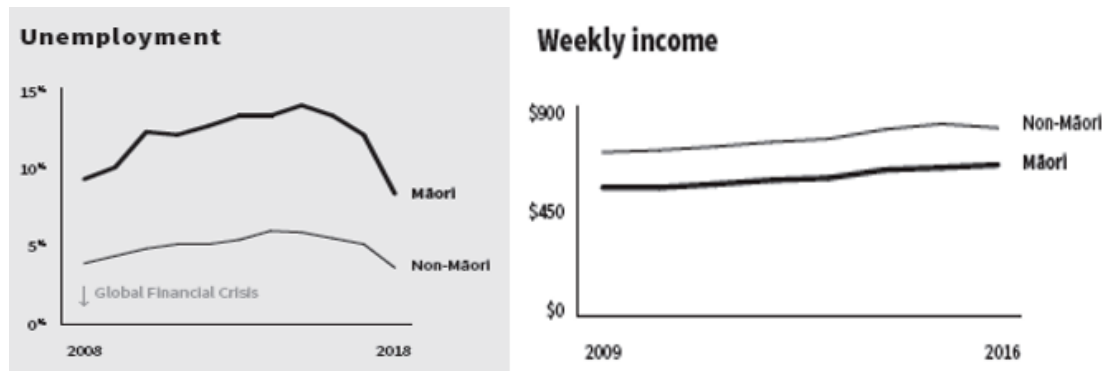


¹ Information about the Māori population in the housing, income and consumption, and knowledge and skills sections is all taken from the MCR Māori outcomes snapshot that was recently provided to MCR ministers.

Income and consumption

10. The average weekly income for Māori is \$646. On average, Māori receive \$162, or 20% less than Pākehā each week. One in four Māori report not having sufficient income to meet everyday needs.

Figure 2: Snapshot of Māori income and employment

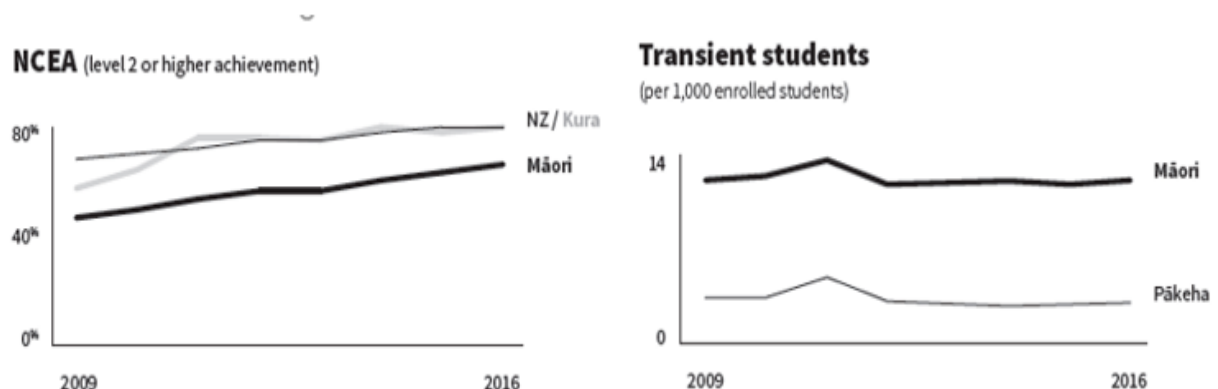


11. Treasury research suggests that the biggest drivers of the difference between Māori and Pākehā incomes are education and occupation, which account for around 20% and 25% of the gap respectively.

Knowledge and skills

12. Māori, on average, experience poor education outcomes. 57% of Pākehā achieve University entrance, compared with 32% of Māori students.
13. Māori are also more likely to experience poor employment outcomes. The Māori unemployment rate is 9%, and the Māori NEET rate is double that of non-Māori.

Figure 3: Snapshot of Māori education outcomes



Budget Priority C

14. [33]
[33] The Treasury has assessed individual initiatives and moderated these assessments across teams to ensure a consistent approach. [33]
[33]

Initiatives submitted in Priority C

15. Following triaging, **55 initiatives** were considered in Priority C, [33]
[33]. There are a large number of relatively small initiatives spread across 15 portfolios.
16. Of the 55 initiatives considered, 30 were targeted specifically to Māori seeking [33]
[33] over the forecast period (All figures presented are over the forecast period unless stated otherwise).

Vote team assessment

17. The Treasury's initial vote team assessment supported **36 initiatives**, [33]
[33] – 20 of which were targeted directly to Māori. The funding sought and supported by the initial Treasury assessment is shown in Figure 4 below, by portfolio.

[33]

Draft Priority C package

18. The draft package considered by the MCR committee included [33]
[33]
Figure 5 shows what was included in the draft Priority C package.

Wider Government Initiatives that Benefit Māori

Initiatives in other Priorities

19. Some initiatives outside Priority C will benefit Māori. Most of these are in Priority D (*Reducing Child Poverty*) and relate to large-scale changes to the justice, state care and correction portfolios. These include:

- Priority D: Expanding Oho Ake, an initiative that provides a range of culturally-specific social services to tamariki Māori to stop further offending ^[33]
- Priority D: Welfare overhaul package (^[33]).
- ^[33]
- Priority D: Improving outcomes for Maori children and young people within the Oranga Tamariki system (^[33]).
- Priority A: Agriculture Enabling Productive and Sustainable Land Use: ^[33] OPEX average, includes a Māori agribusiness component (^[33]).

The Provincial Growth Fund (PGF)

20. The Treasury has reviewed the initiatives submitted in Budget 2019 and identified those within scope of the PGF. We have provided you with a list of seven budget initiatives that meet PGF objectives in a separate briefing (T2019/359).
21. The Treasury and the Provincial Development Unit are undertaking a final assessment of the suitability of these initiatives for PGF funding. The Treasury expects this process to be complete by late March.

22. Of the seven proposed initiatives, three will have direct benefits to Māori. These are:
- Whenua Māori Programme, which supports Māori freehold landowners to develop their land ([33]).
 - He Poutama Rangatahi ([33]).
 - Tulia te Hihiri: Social Procurement trial for Māori Enterprises ([33]).
23. These initiatives are currently not included in the draft packages. If these initiatives are not considered eligible for PGF funding, Ministers will need to consider whether they want them included in the Budget package.

Potential Changes to the Package

24. At the MCR committee discussion on the draft package, Ministers requested that the objectives of Priority C be changed to:
- Empowering Māori and Pacific peoples to take up economic opportunities.
 - Supporting Māori and Pacific peoples to deliver improved services in their communities and the wider public sector.
 - Recognising the importance of language, culture and identity for successful Māori and Pacific social and economic development.
25. Based on these priorities, and your suggestions for the focus of the Priority C package, we have identified potential changes to the package below.

Supporting Economic Opportunities

26. At Budget Ministers 1, you requested further information on which initiatives would best contribute to growing the Māori economy.
- Supporting Economic Opportunities is the smallest component of Priority C. Four initiatives in the draft Package relate to this objective, which are focused primarily on improving employment outcomes. Only one initiative is targeted to Māori.
 - We consider that the *Whenua Māori* ([33]) initiative would best contribute to this objective and could be presented as a flagship initiative for Priority C. This initiative will assist owners of Māori freehold land to achieve their whenua aspirations. Cabinet agreed to progress this work programme in December 2018.

Supporting improved services

27. This is the largest component of the draft package. Eleven initiatives in the draft Package relate to this objective, seven of which directly target Māori (approximately [33]).
28. To address your suggested focus on health and housing, you may wish to consider including the following initiatives into the Priority C Package, both of which were supported by the Treasury's Vote Analyst assessment:
- Whānau and community development through housing ([33]), and
 - Maori Health workforce development package ([33]).

29. You have also suggested the Whānau Ora be the flagship initiative for this Priority. There are four Whānau Ora initiatives considered in Priority C, as shown in Table 1:

Table 1: Whānau Ora initiatives considered in Priority C

Title	Total sought (\$m)	VA Supported (\$m)	In draft Package (\$m)	Comment
Expanding the coverage and impact of Whānau Ora commissioning	[33]			Strongly support. High evidence.
Expanding the collective impact programme to improve social outcomes for whānau (MSD led)	[33]			Strongly support. High evidence & existing trial.
Uniting the threads of the whanau				Merit in trailing a scaled approach.
[33]				

30. If you would like to increase investment in Whānau Ora initiatives, we would suggest two options:
- scaling up the commissioning agency initiative (**preferred option**), or
 - including a scaled version of *Uniting the Threads of the Whānau* into the package.
31. *Uniting the threads of the whanau* would provide a new service to incarcerated Māori Rangatahi (aged between 18-25) and their whanau, with the aim of reducing reoffending. Given that this is a new, high-cost approach, we recommend this initiative be scaled, if included.
32. [33] [34]

Supporting language, culture and identity

33. Of the 55 initiatives considered in Priority C, four contribute to this priority. All four were scaled and included in the draft Package. Three of these initiatives are directly targeted to Māori, [33] over the forecast period. We do not recommend any significant funding increases in this area.

Recommended Action

We recommend that you:

- a **note** the contents of this report, and
- b **note** the suggested speaking points for your discussion with Māori Ministers on 19 March 2019.

Diana Cook
Manager, Education and Population Agencies

Hon Grant Robertson
Minister of Finance

Annex A: Talking Points

Draft Package

- To start the conversation on Priority C, I proposed a draft package to the MCR committee last week. This included 20 initiatives, ^[33] operating over the forecast period.
- Eleven of these initiatives are targeted directly to Māori (^[33]). They are spread across the three priority areas proposed by MCR:
 - i Supporting economic opportunities – one initiative totalling ^[33],
 - ii Improving services to Māori – seven initiatives totalling ^[33], and
 - iii Supporting language, culture and identity – three initiatives totalling ^[33]
- There are some initiatives in other priorities that will benefit Māori, including the systemic changes to the welfare and state care systems.
- There are also opportunities in other funding mechanisms, such as the PGF, to support initiatives that benefit Māori.

Prioritising investment in Priority C

- Are there any initiatives which were not included in the draft Package, that Ministers thought would have a significant impact on Māori wellbeing?
- Is the balance of investment across the different priority areas right?
- Ministers at MCR highlighted the importance of supporting Māori economic development, particularly the development of Māori land. Which initiatives would best support these objectives?
- There are four Whānau Ora initiatives being considered in Priority C. How can we prioritise investment across these?
- Are there any initiatives in the draft package that you believe would not have a significant impact on Māori wellbeing and could be removed?

Annex B: Initiatives that benefit Māori in Priority C

Māori-related initiatives in draft Priority C package								
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m)			Focus area it relates to ²	Treasury comment
				Sought by agency	Supported by Treasury	Included in draft package		
In draft package	Education	Strengthening Te Reo Māori Provision and Māori Educational Achievement	Yes	[33]			B	[33]
	[33]							
	Māori Crown Relations: Te Arawhiti	Funding to support the Māori Crown Relations: Te Arawhiti portfolio and the operating model for Te Arawhiti	Yes	[33]			B	Support scaled at this stage, given the lack of certainty over size, scope, relocation and accommodation. Funding supported allows Te Arawhiti to continue in its current state until longer term options are clear.
	Māori Development	Improving Māori Labour Market Resilience	Yes				A	We support the Māori Cadetships component of this initiative (an existing programme run by TPK with strong results from an independent evaluation). [33]
	Māori Development	Te Whakarauoratanga o te reo Māori: Part B - Implementation of the Maihi Māori strategy and Te Whare o te reo Mauriora	Yes	[33]	6.000	6.000	C	The Māori Language Act 2016 requires Te Matawai (an independent entity representing community and iwi) to provide advice on the Maihi Karauna to Ministers. It is not resourced to fulfil this function. This component is supported in full - clear work planning has been undertaken to estimate FTE requirements. [33]
	Māori Development	Ma te whānau e ora ai te marae - Supporting whānau-led development for marae	Yes	[33]			C	Strong evidence of implementation readiness and collaboration. We support a scaled option as parts can be funded within baselines.
	Māori Development	Modernising the Māori Wardens	Yes				B	[33]

2

Focus areas:

A: Empowering Māori and Pacific peoples to take up economic opportunities

B: Supporting Māori and Pacific peoples to deliver improved services in their communities, and the wider public sector.

C: Recognising the importance of language, culture and identity for successful Māori and Pacific social and economic development.

Māori-related initiatives in draft Priority C package								
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m)			Focus area it relates to ²	Treasury comment
				Sought by agency	Supported by Treasury	Included in draft package		
In draft package	Māori Development	Te Whakarauoratanga o te reo Māori: Part A - Implementation of the Maihi Karauna and Te Whare o te Reo Mauri Ora	Yes	[33]			C	Budget 2017 provided \$1.5 million per annum of funding for Te Taura Whiri (Māori Language Commission) to lead the Maihi Karauna (Māori Language) strategy. Treasury supports baselining this funding to ensure legislative obligations are meet. Discretionary aspects of this initiative have been scaled.
	Treaty of Waitangi Negotiations	Treaty of Waitangi Settlement Negotiations: Relativity Mechanism Dispute Resolution	Yes	[33]	2.500	2.500	B	Submitted as a non-discretionary cost pressure for legal services and specialist advisors to enable the Crown to participate in the resolution of disputes arising from the Relativity Mechanisms included in the historical Treaty settlements with Waikato-Tainui and Ngai Tahu. If the initiative is not approved, costs will have to be met by prioritising departmental funding from Treaty settlement work, which is already stretched.
	Treaty of Waitangi Negotiations	Completing historical Treaty of Waitangi settlement negotiations with willing and able iwi groups	Yes		4.000	4.000	B	Submitted as a non-discretionary cost pressure. We recommend deferring decisions on future years and setting the expectation of a report-back on the status of negotiations and strategies towards completion.
	Whānau Ora	Expanding the coverage and impact of Whānau Ora commissioning	Yes	[33]			B	Strong priority alignment and is implementation ready. There are options to scale up the funding included in the package.
	[33]							
	Social Development (Whānau Ora)	Expansion of community-based collective impact programme to improve social outcomes of families and whānau	No	4.607	4.607	4.607	B	Expansion of a multi-agency programme based on the current Kainga Whānau Ora pilot in Palmerston North.
	Social Development (Employment)	Support sustainable employment through expanding Mana in Mahi (Strength in Work)	No	[33]			A	We support funding in Budget 2019 for 2000 places and recommend a phased approach across future budgets to reach 4000 places.

Māori-related initiatives not in draft Priority C package									
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m) sought by agency	Total opex (\$m) supported by the Treasury	Focus area it relates to ³	Treasury comment		
Vote team supported but not in draft packages	Education	WAI 2336 Kohanga Reo Claim - contingency	Yes	[33]		B	Discussions between the Kohanga Reo Trust and Crown are ongoing and it is unclear when they will be finalised. Thus the quantum, timing, and need for funding is uncertain. We recommend one year of contingency funding with future funding subject to more information.		
	[33]								
	Employment/ Pacific Peoples	He Poutama Rangatahi (HPR) /Pacific Employment Support Service (PESS)	Yes			A	PESS component included as a Pacific-focused initiative in Priority C draft package. HPR component not included in draft package as this has been recommended for Provincial Growth Fund support instead. If it <u>does not receive PGF funding, we recommend shifting it back into the Priority C package</u> for Budget 2019. Due to insufficient evaluation of the HPR pilot to date, we recommend scaled support of the HPR component for two years to continue the pilot and enable a full evaluation.		
	Health	Māori health workforce development package - pathways to ongoing employment to enable equitable health outcomes	Yes			B	This initiative expands current Māori health workforce development programmes with a focus on skills development. As there are capacity constraints in the system, we recommend partial support of this initiative to cover the expansion of the Kia Ora Hauora programme, which has evidence of effectiveness.		
	Māori Development	Whānau and Community Development through Housing	Yes			B	There is a clear unmet demand for Māori housing repairs and Papakainga development. With the drawdown of a tagged contingency in 2018, funding for the Māori Housing Network increased to \$27.4 million per year for two years. We recommend baselining this increase with additional investment considered following an evaluation.		
	Māori Development	Whenua Māori Programme	Yes			A	In December 2018, Cabinet agreed to progress this work programme and indicated that funding would be sought in Budget 2019. We recommend funding be sought through the PGF.		

3

Focus areas:

A: Empowering Māori and Pacific peoples to take up economic opportunities

B: Supporting Māori and Pacific peoples to deliver improved services in their communities, and the wider public sector.

C: Recognising the importance of language, culture and identity for successful Māori and Pacific social and economic development.

Māori-related initiatives not in draft Priority C package							
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m) sought by agency	Total opex (\$m) supported by the Treasury	Focus area it relates to ³	Treasury comment
Vote team supported but not in draft packages	[33]						
	Treaty of Waitangi Negotiations	Treaty of Waitangi Settlement Negotiations – tagged contingency	Yes	[33]		B	[33]
	Whānau Ora	Paiheretia te Muka Tangata – Uniting the threads of the whānau	Yes			B	This initiative proposes a new service to incarcerated Māori Rangatahi (18-25) and their whānau. We support a smaller scale trial until some evidence of impact can be gathered.
	Corrections	Hapaitia te Oranga Tangata – Māori and Pacific Pathways	No			B	Seeks to pilot a kaupapa-Māori prison pathway and expand existing kaupapa Māori and Pacific-focused services. The scaled option provides for funding for one pathway in Hawke’s Bay.
	[33]		No			B	[33]
	[33]						
Not supported by Vote team	Health	Increasing Te Ao Auahatanga Hauora Māori: Māori Health Innovation Fund	Yes	[33]			

Māori-related initiatives not in draft Priority C package							
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m) sought by agency	Total opex (\$m) supported by the Treasury	Focus area it relates to ³	Treasury comment
Not supported by Vote team	Local Government	Enhancing relationships between local government and iwi/Maori to improve regional outcomes.	Yes	[33]		B	We recommend deferring this initiative so further work can be undertaken to build the case for investment. There are significant uncertainties as to its costs, and how it would be implemented and monitored.
	[33]						
	[33]		No	[33]	-	A	[33]
			No		-	A	

Māori-related initiatives not in draft Priority C package							
Status	Portfolio	Title	Directly targeted to Māori	Total opex (\$m) sought by agency	Total opex (\$m) supported by the Treasury	Focus area it relates to ³	Treasury comment
	[33]						