



Summary

Commentary on He Tirohanga Mokopuna 2021

The Treasury is the government's lead economic and financial adviser and plays a critical role in assisting the government, Parliament, and the public to understand the challenges and opportunities that lie ahead, the long-term financial and economic implications of those challenges, and the options available for responding to them. Recent events, such as the Covid-19 pandemic, have reinforced the importance, and challenges, of anticipating and planning for the future.

In late 2021, the Treasury released *He Tirohanga Mokopuna 2021*, the fifth long-term fiscal statement that it has published since 2006. That document combines the Treasury's latest long-term fiscal statement and its first long-term insights briefing into one. Together, they should stimulate public discourse and inform government decision-making.

The **long-term fiscal statement** sets out trends and pressures that could impact on long-term financial sustainability. The long term-fiscal statement has been the main way for governments to receive information

about the financial implications of future challenges and opportunities.

The **long-term insights briefing** is intended to provide information about medium- and long-term trends, risks, and opportunities. It also sets out policy options for responding to these matters and provides an opportunity for Māori, business, academia, not-for-profit organisations, and the wider public to join in a debate on long-term issues and contribute to decision-making.

Our commentary

We reviewed *He Tirohanga Mokopuna 2021* to look at how well the Treasury had identified long-term insights about challenges and opportunities and integrated them into a view of the Government's long-term financial position. We wanted to understand whether *He Tirohanga Mokopuna 2021* would be useful to assist the Government to make good financial decisions and increase the quality and depth of public information.



Our commentary on previous long-term fiscal statements has focused on the Treasury's long-term financial model and the reasonableness of the associated projections.

The Treasury has done considerable work to prepare a second economic-based projection model that allows a wider analysis of the long-term financial implications of potential natural disasters, economic shocks, and certain challenges arising from climate change. However, in our view, some of the models' underlying assumptions and the limited number of scenarios that they incorporate still constrain the usefulness of the projections.

The Treasury's decision to combine the long-term fiscal statement and its first long-term insights briefing provided an opportunity to analyse long-term trends, understand the financial implications and present a range of policy options to address them.

Although the documents that make up the 2021 statement have potential, they still need improvements to be more meaningful. The Treasury's decision to combine the long-term fiscal statement and the long-term insights briefing reduced the time it had available to prepare the latter. The Treasury also developed *He Tirohanga Mokopuna 2021* while it, like other public organisations, was still grappling with the pressures of the Covid-19 pandemic.

These factors may have impacted the ability of the Treasury to fully realise the benefits of combining these two documents. Although it made efforts to consult widely, many of the issues raised in consultation could not be fully explored.

As a result, the future events that the Treasury considered, their financial implications, and the resulting policy choices that it discusses remain narrowly focused and similar to those in previous long-term fiscal statements.

Improving the quality and depth of public information

There is also more thinking to be done about how the Treasury's long-term insights briefing should inform and interact with those of other government departments, and how it makes the most of the public engagement processes that it is required to carry out.

In future documents, we would like to see the Treasury explore a wider range of issues in more depth. For example, the Treasury could:

- provide a more integrated set of scenarios and explore policy choices over different time horizons within the 40-year period to strengthen their relevance;
- explore the financial impacts of scenarios on the well-being of New Zealanders in more depth to strengthen the connection to the Living Standards Framework and the well-being report due to be published in 2022 and taking a broader approach to financial sustainability; and
- test the reasonableness of the underlying assumptions supporting the financial projections further.

The long-term fiscal statement and the long-term insights briefing need to have enough in them to stimulate debate, assist the government in prioritising important short-term decisions that have long-term implications, and support Parliament and the public to hold the government to account. Anything less risks being irrelevant. These documents are important for the long-term future of New Zealand, and they should matter.