

Principles for an effective wellbeing budget



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FOR POLICY
DEVELOPMENT

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PRINCIPLES FOR AN EFFECTIVE WELLBEING BUDGET¹

It is time for Australia to work towards a more just and sustainable society where the economy works to serve Australians and what matters to them. In such a society government priorities, and policy design and implementation are focused on improving the wellbeing of people and the health of the planet. A wellbeing approach offers the opportunity to be led by innovation and evidence, focusing as much on preventing problems from arising as on intervening when they do arise.

The Centre for Policy Development recently released an overview of global practice in implementing wellbeing approaches and frameworks, titled [Redefining Progress: Global Lessons for an Australian Approach to Wellbeing](#). Government budgets are key to enacting wellbeing approaches. As the Federal Treasurer prepares the first budget for the new Parliamentary term, with a commitment to measuring what matters, this briefing draws lessons from international examples to contribute to the conversation about how the budget is conceived, crafted and deployed. Fundamental to a wellbeing budget is that it is:

Holistic: A whole-system approach recognising the array of factors that shape the opportunity for Australians to thrive.

Outcomes-orientated: Focusing on end results and accountability for them, as opposed to spending being an end in itself.

Long-term: Policymakers take decisions ‘as if they mean to stay’ and invest in longer-term changes.

Preventative: Moving from early intervention to early investment to prevent harm and bring better value for government spending.

Participatory: Communities across Australia need to be involved via a creative, inclusive mix of methods that welcome experiences and ideas.

WHAT WE WOULD LIKE TO SEE FROM A WELLBEING BUDGET

Committing to a wellbeing budget is an important first step for Australia. We recognise that this will not be a fast process, but that there are a number of measures that can be achieved in October’s budget and the following year’s budget.

1. THE INTRODUCTION OF GOALS AND MEASURES FOR WELLBEING

The October budget is an opportunity to take the first steps towards developing a wellbeing framework and a process for community dialogue around it. An eventual framework should be an explicit statement of wellbeing goals, with a suite of indicators:

Wellbeing goals need to provide clarity about the principles that connect wellbeing measures to policy decisions.²

Measurement indicators should be supported by investment in timely data that can be disaggregated by demographics and geography. Recognising that there will be data gaps and uncertainty, space needs to be made for more indicators to be incorporated as available data improves.

Once goals are determined, budget processes need to align closely with them: **the aim should be to resource those policies and actions that seek to deliver on the outcomes set out in the wellbeing framework.**



LESSONS FROM ABROAD

We looked around the world to identify lessons that Australia can build on as it takes the first steps towards delivering a wellbeing budget.

Australia is not alone on this journey. More and more governments are looking to design budgets that deliver on high-level, cross-cutting priorities. Some promising approaches have emerged, but there is still a long way to go internationally in identifying and implementing the best ways to meet a nation's wellbeing goals, presenting Australians with an opportunity to go beyond current leading practice. As our recommendations emphasise, this would entail:

- » **Setting out a high-level mission or vision**, underpinned by relevant measures and metrics.
- » **Public involvement** in developing the framework – especially for marginalised groups and those whose wellbeing needs particular attention; as well as for the legitimacy of the resulting framework.
- » **Mapping and regularly reporting** the current state of affairs. This is vital to get a picture of the extent to which the government's policy efforts (and associated budgets) are aligned with the overall goals.
- » **Legislating the vision**, reporting schedule, delivery mechanisms, and plans for reviews.
- » **Creating support, guidelines, tools, and training** for officials across government.
- » **Redesigning administrative structures** is often required, as wellbeing issues do not align neatly with government silos nor pertain to a single sector.
- » **Reviews of government activity** that go beyond assessing marginal new policy proposals to take into account activity across government.
- » **Ministerial responsibility and accountability**
- » **Building on what is already going well** will make the changes easier.

WHAT WE WOULD LIKE TO SEE FROM A WELLBEING BUDGET

2. INVEST IN UPSTREAM ANALYSIS

A wellbeing budget needs to drive long-term change, rather than just correct problems. Significant improvements to Australia's wellbeing cannot be achieved through merely addressing wellbeing deficits with injections of short-term funding, nor should there be an expectation that outcomes can be achieved immediately. **An effective wellbeing approach needs to be ambitious and innovative, with emphasis on upstream-focused budgeting, moving from early intervention to early investment.**

This means that budgets need to be recast as multi-year processes, rather than singular annual events. Upcoming budgets could commit resources for research and analysis of the complex causal dynamics that generate the sort of outcomes Australians want to see, learning from existing preventative work underway overseas and in Australia (such as Victoria's early intervention work, and the Try, Test and Learn Fund that the Department of Social Services ran for several years); combined with support for experimentation and creative practices to break new ground. This will be critical foundational work, paving the way for subsequent changes to budget process rules that demand more analysis on wellbeing impacts.

3. BUILDING ON EXPERTISE IN THE PUBLIC SERVICE

The shifts required for the effective adoption of a wellbeing approach in government span all parts of the policy cycle: priority setting, new data collection, analysis and appraisal, new decision frameworks and new ways of working within and between government departments. Many of these shifts amount to a significant change from what most public servants have been trained in and become accustomed to. Substantial and ongoing training and capacity building will be needed; new guidance and a common language must be developed; and supportive tools rolled out and resourced. Further, there needs to be a ramping up of investment in processes to increase collaboration between departments.

The October budget, as well as next year's budget should include funding and organisational support to:

Develop new and updated processes and frameworks for priority setting, policy analysis, and final decision-making.

- » **Mobilise and coordinate government staff behind these recommended changes.**
- » **Drive implementation and coordination across government: offering advice and guidance, and championing specific changes and actions when necessary.**
- » **Facilitate regular, transparent and accessible mechanisms for stakeholders to feed into future development.**

BEYOND OCTOBER

Embracing a wellbeing approach starts with measuring what matters, but it cannot stop there – it requires a long-term commitment to systems change.

Key steps that need to be taken beyond October include:

1. REGULARLY ASSESS PROGRESS

A regular statement from the Treasurer of goals, progress, and forecasts can help inform the work of people across government – ensuring that policy proposals and budget bids from ministers align with what matters to people’s wellbeing. This will also provide a framework and information for the community to engage in discussions about progress and wellbeing.

There are three key components to regular reporting:

- » **Updating on progress against high-level goals and outcomes.** This could be integrated into something like the Treasury’s Intergenerational Report, or via the ABS, Productivity Commission, or a new Evaluator General. This data needs to inform budget decision-making.
- » **Signalling to leaders across the government and community where the biggest gaps and challenges exist.** This is best done by the Treasurer themselves; for example, a short statement around the Mid-Year Economic and Fiscal Outlook (MYEFO) could provide the structure and priorities to shape the next round of budget submissions.
- » **Describing the extent to which government policies are expected to contribute to wellbeing outcomes.** The expected wellbeing impacts of budget measures could be published by the Treasury in budget papers (alongside the fiscal impacts of each measure) or in a separate independent budget report by the Parliamentary Budget Office or some other organisation.

2. SYSTEMATICALLY EMBED WELLBEING CONSIDERATIONS IN DECISION-MAKING

Policy ideas should be assessed according to their contribution towards the government’s overall wellbeing goals, but doing so will require rewriting budget process rules.

The government currently has rigorous and sophisticated ways to assess the fiscal and economic impacts of a decision, and it will be important to develop approaches to integrate wellbeing impacts into decision-making as well. For example, portfolio budget statements could reflect how departmental activities contribute to the wellbeing goals and outcomes discussed above – over the longer-term, portfolio budgets should specifically address gaps in wellbeing goals.

This needs to go beyond decisions about what proposals to fund, to cover other spending such as procurement, the impacts of incentives and disincentives through taxes and subsidies, and the way services are delivered. Doing this properly will be a multi-year effort, but can start with the steps as described above (such as committing resources to causal and upstream analysis).

The challenge will be to ensure that “wellbeing impact assessments” do not become a tick-box exercise for officials. Embedding a wellbeing approach into decision processes will require mechanisms to understand second- and third-order impacts of policy changes and potential for multiple benefits, as well as decision processes that encourage bold, innovative and holistic approaches to policy.

3. ESTABLISH INDEPENDENT ACCOUNTABILITY

We recommend the establishment of a politically neutral and independent dedicated office or officer to review practices of departments and public bodies in relation to wellbeing outcomes.

This office would be supported by a team with appropriate research and analytical capacity and would be designed to ensure accountability and innovation. The public service is large, with hundreds of departmental units and agencies operating with different incentives and goals. The focus of an independent office would be to champion this agenda, support public servants to embed the approach, and highlight areas where the government can improve alignment towards what matters.

The role could be specifically created (such as a Future Generations Commissioner as in Wales, or something like an Evaluator General), or it could be created inside existing structures such as the Treasury, National Audit Office, or Productivity Commission.

4. DIALOGUES WITH THE COMMUNITY

Ongoing public consultation is necessary to ensure the government's vision of "what matters" remains relevant. Deliberative processes can help enhance public understanding of and support for attention to the root causes that harm wellbeing and the importance of investment, rather than simply treatment and intervention.



CONCLUSION: THE BOLD ROAD TO GREATER WELLBEING

The October Federal budget signals the start of a journey. While recognising that Australia has strong beginnings to build on, the challenges associated with the changes outlined in this briefing are not to be underestimated. If done well, it will result in long term decision making that will deliver better outcomes, more efficiently, while not neglecting urgent and immediate needs.

A growing number of other governments (many of whom have come together via the [Wellbeing Economy Governments](#) partnership) are working on similar challenges, innovating their own solutions, and building an evidence base. Australia has a lot to share with such like-minded governments working on common goals, and a lot to learn.

Even if systematic change in the way budgets and government decision making is practised feels like a daunting task, real progress cannot happen without it. The potential rewards, in economic and fiscal terms and, crucially, for the wellbeing of Australians now and into the future, are significant. COVID-19 has shown just how fragile and difficult life is for so many in Australia. It also shows politicians can make big changes.

The proposals in this document suggest the steps Australia can take over the next few months and years to build a bolder budget process: aligning our collective public efforts towards the things that matter, and making good on ambitions for an economy that serves people, rather than the other way around.

ENDNOTES

- 1 Acknowledgement: this document draws on research and analysis undertaken by Dr Katherine Trebeck for a 2021 report *Being Bold: Building Budgets for Children's Wellbeing*, funded by the Carnegie UK Trust, Children in Scotland, and Cattanach.
- 2 Examples of doing this can be seen in New Zealand's five wellbeing goals that budget bids must speak to, and also in high level goal setting such as [Wales' seven Wellbeing Goals](#) and the [NSW Premier's Priorities](#).





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