



11 October 2018

Proposal to embed wellbeing in the PFA
The Treasury
PO Box 3724
Wellington 6140
NEW ZEALAND

Via email: pfareview@treasury.govt.nz

Dear Sir or Madam

Embedding Wellbeing in the Public Finance Act 1989

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission to the Treasury on the Embedding Wellbeing in the Public Finance Act 1989 Discussion Document. We have already provided feedback to Treasury on incorporating wellbeing into the Living Standards Dashboard and to Stats NZ on its paper about the development of Indicators Aotearoa New Zealand.

We have focused our feedback on key areas where we consider we can add the most value. Appendix A provides our detailed submission and Appendix B provides more information about Chartered Accountants Australia and New Zealand.

Key points

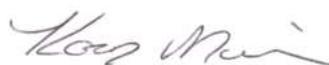
- We consider it important for the four sets of changes to the Public Finance Act 1989 to be considered as a whole and not in isolation from each other. This will ensure the fundamental drivers for change are the focus and that the public and financial management system continues to be tightly integrated.
- We note that the policy goals and areas within the Budget Policy Statement are not restricted to purely fiscal matters and, given the role of Government, we consider it appropriate that the Budget Policy Statement should encompass wellbeing.
- We support Treasury having discretion to select wellbeing indicators by applying certain requirements and criteria as well as seeking appropriate expert knowledge.
- While the role of Treasury will change under the new approach, it is critical that Treasury remains a strong and independent source of expertise on financial and economic matters.
- The Discussion Document is currently focused on part 2 of the Act, which relates to the Budget process. We consider it will also be important for wellbeing to be embedded in Parts 3 and 4 of the Act, which relate to reporting.
- We also encourage Treasury to consider the important role that assurance and verification will play in building the public's trust in the role of Government and the new measures.

Should you have any queries concerning the matters discussed above or wish to discuss our submission, please contact Karen McWilliams via email at karen.mcwilliams@charteredaccountantsanz.com or phone (612) 8078 5451.

Yours faithfully,



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Appendix A

General Comments

We support the embedding of wellbeing in the Public Finance Act 1989 (the Act). This should lead to better policy development and improved outcomes. We have already provided feedback to Treasury on incorporating wellbeing into the Living Standards Dashboard and Stats NZ's development of Indicators Aotearoa New Zealand.

We note that this consultation is part of four sets of changes to the Act and that changes to the Act are infrequent. We therefore consider it critical for changes to be considered as a whole and not in isolation to ensure the fundamental drivers for change are the focus and that the benefits of having an integrated public financial management systems are retained.

In our view the proposed reforms are much more likely to be enduring if they are developed and agreed with the Opposition. We encourage a bipartisan approach.

Māori and Pasifika communities historically have a cultural and intergenerational focus to wellbeing and there may be lessons from their experiences which could be helpful in this process.

Specific consultation questions

1. Proposal to create enduring wellbeing requirements: To report on wellbeing objectives

1.1 Do you agree with the proposal to require the Government to set out how its wellbeing objectives, along with its fiscal objectives, will guide its Budget decisions? Why or why not?

Yes, we agree with the proposal. We note that the Budget Policy Statement is included in Part 2 - Fiscal Responsibility of the Public Finance Act 1989 (the Act). However, the Act states that the statement should include:

*'2 a) the overarching policy goals that will guide the Government's Budget decisions; and
(b) the policy areas that the Government will focus on in that year; ...'*

The policy goals and policy areas are not restricted within the Budget Policy statement to purely fiscal matters. Given the role of Government, we consider it appropriate that the Budget Policy statement encompasses wellbeing. We do not consider amendments to this particular section would be needed, however we note that sections 2c) and 3 specifically include a reference to fiscal policy which would need to be broadened.

We note that page 13 of the Discussion Document states *'The Government would have to set out what it considers matters to the long-term wellbeing of New Zealand and how those objectives relate to its Budget priorities and decisions.'* We consider that overarching policy goals and policy areas for the Government may encompass both long and short-term wellbeing matters.

1.2 What do you think are the main impacts of implementing this proposal?

We encourage a principles based approach to enable flexibility for the Government of the day to identify its overarching policy goals.

We anticipate the main changes will be to the contents of the Fiscal strategy report. For clarity, we suggest that the title of Part 2 and the various subheadings are updated to reflect the broader content of the reports and statements beyond just fiscal and economic matters.

1.3 What else does the Government need to consider when making the proposed changes, e.g. to retain sufficient flexibility for future Governments to adapt their approach to wellbeing in response to changing circumstances or new information?

We recommend that, as these changes are embedded in the policy development process, they are subject to regular reviews. This process is an iterative one.

2. Proposal to create enduring wellbeing requirements: To report on wellbeing indicators

2.1 Do you agree with the proposal to require the Treasury to report on wellbeing indicators, alongside macroeconomic and fiscal indicators? Why or why not?

Yes, we agree with the proposal as it is important for the Government's Budget Policy Statement and Strategy Report to be supported by performance measures.

2.2 Which of the options do you think best meets the objective to create consistent, meaningful, and enduring reporting on wellbeing indicators? Why?

We note that the identification of relevant indicators aligned to specific policy objectives can be challenging and will require a degree of judgement. It is critical that indicators of wellbeing reflect desired outcomes rather than the services (outputs) delivered. We therefore consider it appropriate for the Secretary to the Treasury to have overall responsibility to approve the suite of indicators. However, we suggest that in making this decision, the Secretary should be advised by a multi-stakeholder advisory committee and, as suggested in the paper, specify criteria for the selection of indicators. The proposed requirements are reasonable but criteria such as relevance, comparability and verifiability are also important.

2.3 What do you think are the main impacts of implementing this proposal?

We note that Treasury's core expertise is in fiscal and economic data and we consider it important that this broadening of Treasury's role does not detract from its focus on these core areas. However, we consider it appropriate for a single agency to report on the broader indicators. We also note the importance of ensuring that both Treasury and Stats NZ have the necessary skills, capability and capacity to identify the appropriate indicators.

3. Requiring consideration of wellbeing in other documents required under Part 2 of the Public Finance Act

3.1 Do you agree that the Statement on the Long-term Fiscal Position and/or the Investment Statement should be required to have a focus on wellbeing in future? Why or why not?

Yes, we support embedding wellbeing into these statements in the future. We consider the content for these statements should be framed beyond just fiscal and economic matters. However, given the nature of these statements, we do not consider it necessary for wellbeing to be the only focus.

3.2 What do you think are the main impacts of implementing this proposal?

We have no specific comments on the main impacts.

4. Do you have any other feedback?

4.1 Are there any issues not discussed in this document that you would like to bring to the Government's attention at this stage?

4.2 What submissions would you like to make on those issues?

The Discussion Document is currently focused on part 2 of the Act, which relates to the Budget process. We consider it will also be important for wellbeing to be embedded in Parts 3 and 4 of the Act, which relate to the reporting. Page 14 of the Discussion Document notes '*Government's intention to create enduring and meaningful reporting on wellbeing, that is consistent over time*'. We suggest that this cannot be achieved by embedding wellbeing in Part 2 of the Act only. Reporting via Parts 3 and 4 will be important in ensuring Government is accountable for delivering on the policy objectives set out in the Budget Policy Statement.

We also encourage Treasury to consider the important role that assurance and verification will play in building the public's trust in the role of Government and new measures. The wellbeing measures will have the same degree of scrutiny applied as the economic and fiscal data and assurance can increase confidence in the new measures. For example, by addressing matters such as whether the measures are the right ones for the policy objectives and are they measured consistently.

Appendix B: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.