

# Public Sector Performance

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## The New Zealand Experience

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# Canterbury Earthquakes

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- Two big quakes: Sept 2010 and Feb 2011
- Thanks to Australia for immediate help
- Canterbury region is 15% of NZ economy
- NZ\$15b estimated damage and NZ\$15b estimated impact on GDP growth over 5 years
- Highlights importance of resilient public sector

# NZ Public Sector History

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- Devolved management structure
- Need clear strategy & leadership
- Treasury has lead role on fiscal matters
- Treasury Chief Accountant role is to develop and implement strategies for improved management of Govt financial resources

# History of Public Sector Finances

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- Political decisions dominated financial management until early 1980s
- Radical changes from 1986 to 1994
  - More transparent accounting
  - Fiscal policy based on 5 principals
  - Central Bank independence

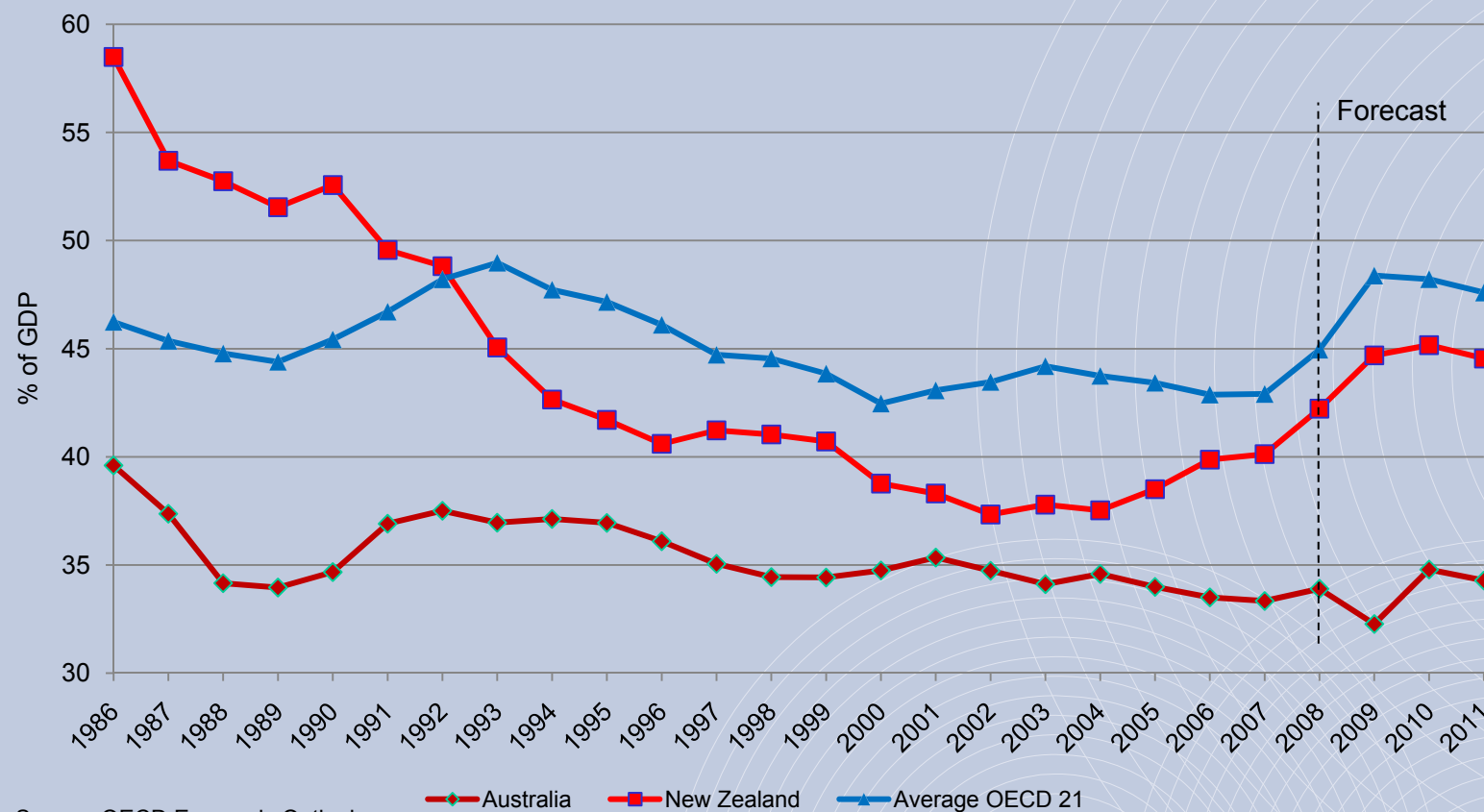
# Current Situation

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- New Zealand hit by recession before late 2008
- Sluggish, un-balanced growth
  - Tradeable sector shrinking
  - Non-tradeable sector expanding
  - Govt spending growth twice GDP growth

# Government Spending Growth

General govt expenditure (all government levels), 1996 – 2008 and forecasts



Source: OECD Economic Outlook

# Why Performance Matters

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- Quality public sector is vital for society
- Economic performance affected by public sector performance
- Current government very keen to increase public sector performance

# The Treasury's Response

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- Drive for public sector efficiency seen as less necessary over the last decade
- Some of the old approaches won't work in the new environment
- Need to demonstrate we have learnt from past
- Big changes must be worth the disruption they cause



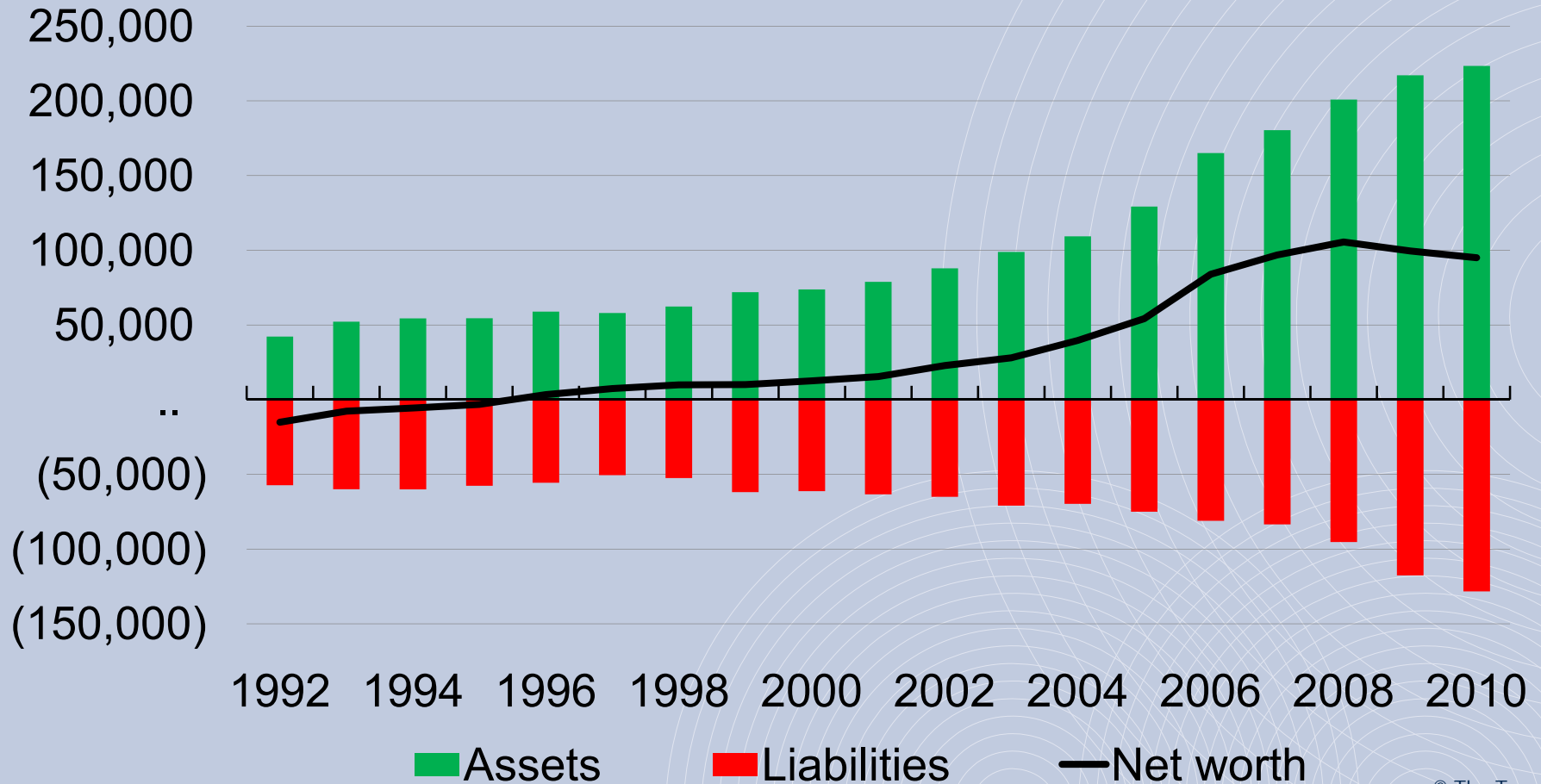
# Investment Statement

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- Focus traditionally has been on new revenue and cash flows
- Crown balance sheet totals NZ\$223 billion
- Capital needs to be used efficiently and placed in priority areas

# Balance Sheet Has Changed

\$ million



# Government's Investment Intentions

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- Rebuild buffer against future shocks
- Reduce risk exposures
- Sharpen incentives to use capital well
- Introduce private sector capital and disciplines, where appropriate, to lift performance
- Prioritise capital to its highest value use

# Incremental Change

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- Sum-of-the-parts may be bigger than expected if many small changes done
- Back-office costs & efficiency being measured
  - Savings identified
  - Best-practice techniques uncovered
  - Targets can now be established

# Performance Improvement Framework

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- Focus on core functions – the factory floor
  - Organisational management
  - Delivery of outcomes being sought
- Information from PIF can help CFOs direct resources where needed

# Measurement Ties It All Together

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- Can't manage what you don't measure
- NZ public sector now better measured
- Can improve reporting on what we measure

# The Challenges We Face

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- Be clear on how we achieve outcomes but don't hide behind them
- Be clear about how much each output costs
- Use measurement for performance improvement, not just accountability
- Price, quality, standard