

CROWN ENTITIES ACT (CEA) PLANNING AND REPORTING CHANGES JULY 2013

Information and questions for monitors

Objective of the slides

To assist monitors to discuss the changes, and start planning for what may need to be undertaken differently.

This is a way to start that process. There may be many other questions that these slides raise. If you need further information talk to your Treasury sector team or email performanceinfo@treasury.govt.nz

Question

Does your monitoring team have other objectives?



Which agencies are affected by the changes?

Any agency that is required to reporting in part or in full under Part 4 of the CEA.

Question

Which agencies does that mean for the monitor?

Background to reporting amendments

Simplify, streamline, and improve the planning and reporting provisions:

- more meaningful evidence based accountability to Parliament
- greater flexibility for agencies
- reduce compliance
- apply a more robust framework for companies listed on Schedule 4A of the Public Finance Act

To improve reporting requires better discussions between agencies and monitors (with support from Treasury) so that the new levers are used intelligently to improve information

Schedule 4A companies Planning and Reporting Requirements effective from 2013/14 year

Changes

Certain Crown Entities Act provisions now apply - refer Part 5AA, s450A of the PFA

Constitutions must be tabled in the House [450A(1)(b)]

Shareholder agreements can be entered into where there is a non-Crown minority shareholder. A shareholders agreement sets out the relationship between shareholders. Sometimes some of this information can be found in constitutions.

Questions

Are the right people in the companies you monitor aware of the changes?

Who is going to ensure the constitution is up to date and tabled?

Is a shareholder agreement needed, and if so who is going to work on this project?

Planning and Reporting Requirements overview - effective from 2014/15 year

Ministers' expectations (non legislative)

No change to:

- Enduring letter of expectation for statutory Crown entities
- Annual expectation setting process

Output Agreements

Can still be requested by Ministers but will no longer be an option in the Act.

Statements of Intent

Focus on 4yr strategic information, updated at least once every three years, can be more frequently

Annual performance expectations and forecast financials

This annual performance information, currently contained in SOI, will be provided separately in a statement of performance expectations to allow the SOI to be a strategic document

Annual Reports

Crown entities have the option of tabling their SOI, statement of forecast performance expectations and annual report together

Greater flexibility in presenting annual reports e.g., as part of a sector volume

Question – what does this mean for the annual expectation setting process which should be underway by September 2013?

Statement of (Corporate) Intent

What's new	
Contents	<ul style="list-style-type: none">• Strategy only• Language/behaviour - what the entity intends to achieve; explain how the entity proposes to assess its performance.• Input to outcome framework will still be in guidance, with a strong emphasis of reporting at the right level or levels.
Duration	<ul style="list-style-type: none">• Could last up to 3 years - Minister can ask for a new one at any time – clock restart.
Coverage	<ul style="list-style-type: none">• 4 financial years minimum information required.
Draft	<ul style="list-style-type: none">• To Minister two months before the end of the financial year.
Publishing	<ul style="list-style-type: none">• On entities website as soon as finalised by Board.• Minister time limited ability to prevent tabling if budget sensitive.
Tabling	<ul style="list-style-type: none">• On or before the date on which the annual report is tabled.• Can be in the annual report, standalone, a sector report.• Published and tabled document might look different.

See next slide for questions

Statement of (Corporate) Intent

Questions to inform the monitor's view of an agency's current strategy

- Is each monitored agency clear on why they exist, what external difference do they intend to take, what they do?
- Does how progress on the strategy will be measured make sense?
- Should the strategy cover a longer time period than the minimum given the functions and operations of the monitored agency/sector?
- What framework will the monitor use to advise the Minister on the duration of an SOI e.g. quality of management and reporting system, expected stability of the agencies future operating environment, others?
- Given the answers to the above - is this an area that the monitor should suggest as an area of focus for some or all of the agencies for the 2014 SOI?
For the 2015 SOI?

Statement of Performance Expectations

What's new	
Name	<ul style="list-style-type: none"> • Statement of Performance Expectations – this is made up of the annual information that use to be in the SOI.
Contents of document	<ul style="list-style-type: none"> • Reportable outputs - classes of outputs directly funded (in whole or part) by appropriations, grants, levies, fees, charges in Acts – with measures/standards. • List of any classes of outputs exempted from the above. • State whether the entity proposes to supply any other outputs. • Annual forecast financial statements.
Reportable outputs	<ul style="list-style-type: none"> • Language/behaviour - what the entity intends to achieve; explain how the entity proposes to assess its performance.
Draft	<ul style="list-style-type: none"> • To Minister two months before the end of the financial year.
Publishing	<ul style="list-style-type: none"> • On entities website as soon as finalised by Board • Minister time limited ability to prevent tabling if budget sensitive.
Tabling	<ul style="list-style-type: none"> • On or before the date on which the annual report is tabled. • Can be in the annual report, standalone, a sector report. • Published and tabled document might look different.

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Statement of Performance Expectations

Questions

- How is the monitored agency funded? This will identify whether the agency has reportable outputs?
- Is the structure of appropriations administered by the department and their scopes, period and measures fit for this purpose? Are the appropriations grouped in the most useful way taking into account the new multi-category appropriation type? Are there non-departmental appropriation types which will now require performance reporting for the first time?
- Do the current measures of performance e.g., outputs or services delivered, outcomes, impacts, capability provided (or some combination of these) clearly demonstrate what is intended to be and has been achieved?
- Given the answers to the above - is this an area that the monitor should suggest as an area of focus for some or all of the agencies for the 2014 SPE? 2015 SPE?

Output Agreement

What's new	
Optional Output agreement removed from legislation	<ul style="list-style-type: none">• Replaced with “A Minister may set standards, terms, and conditions in respect of any reportable class of outputs”.• Where establishing legislation has another document that is considered an output agreement, establishing legislation is amended – usually by linking the document to the statement of performance expectations.• Others documents can still exist: memorandum of understanding, relationship agreement, purchase agreement.

See next slide for questions

Output Agreement

Questions

Does the monitored agency have a current Output Agreement with a Minister?

What information is left in the Output Agreement once the components that fit in the statement of performance expectations are removed?

Is another type of agreement needed with the responsible Minister and/or monitor for this other information (which might include payment schedules, conflict resolution procedures, monitoring arrangements)?

Annual Reports

What's new	
Performance Reporter	<ul style="list-style-type: none">• In the estimates documents, will now have agencies named as the performance reporter, implicit now explicit.• Opens up the new possibility with a contract in place that an entity could be the performance reporter for appropriations other than its non-departmental appropriation as long as it fits its board duties etc.
Information in annual report	<ul style="list-style-type: none">• Report against the new statement of performance expectations.
Tabling	<ul style="list-style-type: none">• Option of tabling their SOI, statement of forecast performance expectations and annual report together, or in sector reports as long as each agencies information remains separately identifiable.

See next slide for questions

Annual reports

Question

- What is the monitors view on grouping of reports **across agencies** for tabling in different ways so as to provide a better, integrated view of performance?

Crown entity subsidiaries reporting

1. Where one entity has control

What's new	
Statements of (Corporate) Intent	<ul style="list-style-type: none">● Extends group reporting by removing the requirement for separate financial forecasts for the parent Crown entity● Minister of Finance can require any of the ex-ante elements (<i>SOI, forecast performance, forecast financials</i>) from any member of the group in addition to the group reporting.
Annual Reports	<ul style="list-style-type: none">● Only the consolidated Group financial information to be audited.● Minister of Finance can require any of the ex-post elements (<i>annual report, statement of performance, financials, and / or audit</i>) from any member of the group in addition to the group reporting.

Crown entity subsidiaries reporting

2. Multi-parent subsidiaries

Statements of (Corporate) Intent and annual reports	Statutory Crown Entities & Crown Entity Companies <ul style="list-style-type: none">• Group reporting only. Unless Minister of Finance requires individual reporting by parent or subsidiary within the Group
Statements of (Corporate) Intent and annual reports	If School Board of Trustees and/or TEIs involved same as now i.e. full reporting by multi-parent subsidiary unless exempted by the Minister of Finance

Subsidiaries

Question

- What issues, if any, do the subsidiaries changes mean for monitors?

Other considerations

What else might the monitor have to do e.g

- Understand the other CEA amendments
- Update monitoring plans
- Change internal guidance
- Help educate colleagues and agencies
- ???