

The Treasury

Public Finance System Modernisation – Proposed Work Programme Information Release

October 2019

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Cabinet Document Details

Title: **Cabinet Minute CAB-19-MIN-0214: Public Finance System Modernisation – Proposed Work Programme**

Date: **13 May 2019**

Creator: Cabinet Office

Information Withheld

No Information has been withheld.

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Cabinet

Minute of Decision

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Public Finance System Modernisation: Proposed Work Programme

Portfolio **Finance**

On 13 May 2019, following reference from the Cabinet Economic Development Committee, Cabinet:

- 1 **noted** that on 15 May 2018, the Cabinet Government Administration and Expenditure Review Committee (GOV) invited the Minister of Finance to report back by April 2019 seeking approval to formally initiate a review of the Public Finance Act 1989 (PFA) [GOV-18-MIN-0012.01];
- 2 **noted** that the public finance system is made up of a mix of legislative and non-legislative requirements, frameworks, processes and rules;
- 3 **agreed** that the public finance system should be modernised;
- 4 **noted** that New Zealand's public finance system has a high level of transparency and accountability by international standards that needs to be maintained;
- 5 **agreed** that the public finance system should actively support a wider range of outcomes to improve intergenerational wellbeing, including a focus on:
 - 5.1 value creation: considering the creation and safeguarding of value, while maintaining a focus on fiscal responsibility;
 - 5.2 collaboration: supporting better system collaboration where appropriate;
 - 5.3 smart regulation: fit-for-purpose system settings, including those relating to strategic planning and reporting (appreciating the underlying tensions in the incentives between accountability, transparency, and performance improvement);
 - 5.4 long-term resilience: greater emphasis on the long-term to support innovation, management of assets, understanding of the risks at a system level, and capability-building;
 - 5.5 innovation: less risk aversion and more rapid responses by the public sector to issues and challenges;

Tranche 1: priority work able to be implemented in 2020

- 6 **noted** that work already underway to embed wellbeing in the PFA will help to broaden the basis for decision-making in the public finance system;

- 7 **noted** that the Minister of Finance, together with the relevant appropriation Ministers, will commission another baseline review, and that the outcomes of that review will be available for Budget 2020;
- 8 **invited** the Minister of Finance to report to GOV by August 2019, with initial proposals for:
- 8.1 piloting a fundamentally different approach to strategic planning and reporting;
 - 8.2 potential changes to increase financial flexibility and reduce compliance costs for agencies reporting to the Treasury;
 - 8.3 options to support innovation and collaboration;

Tranche 2: priority work able to be implemented in 2021 and 2022

- 9 **invited** the Minister of Finance to report to GOV by April 2020 with recommended changes to the fiscal management approach (including the Budget process) and financial management and accountability settings;
- 10 **noted** that if legislative change is recommended, the Minister of Finance will submit a public discussion document to GOV by April 2020;
- 11 **noted** that any final policy decisions for legislative change would be sought in the next term of government;
- 12 **noted** that the Minister of Finance will include comments about reviewing the public finance system as part of Budget Day announcements.

Michael Webster
Secretary of the Cabinet

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