New Zealand’s Public Finance Act at 30

30 Years On – How is it Progressing?

An Agency / Department perspective

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Perspective Outline:

• 30 Years ago – what was it all about?
• What changes / shifts have we seen over the last 30 Years?
• 30 years on – how well placed are departments to manage the financial and performance challenges and expectations?
• Next 30 years - Is there more work to do / a future agenda?
30 years ago …

- Reform of the State Sector
- PFA aimed at improving public sector management system by promoting public sector performance
- Framework – financial management system of Government
- Removed central administrative controls and devolved financial accountability and management to Departments
- Managing for performance - outcomes, outputs, purchase and performance agreements
- New appropriation process - funds allocated based on outputs
- Budgeting and reporting in accordance with accrual accounting
30 years: Evolving Public Sector Financial Management

- **1988**: State Sector Act
- **1989**: PFA
- **1994**: FRA
- **1998**: Fiscal Responsibility Act
- **2001**: PFA
- **2004**: Public Finance Amendment Acts
- **2013**: FRA / PBE
- **2019**: Well-being Budget

Top-line Shifts

Ministry for Primary Industries
Manatū Aku Matua
30 years: Evolving Public Sector Financial Management

“Transition / embedding”
- Transition and set-up / High cost of compliance and oversight
- Accrual accounting systems, asset and liability recognition
- Outcome, output purchase agreements
- Service performance reporting on outputs
- Efficiency, cost reduction and waste minimisation
- Qualified audit reports

1989  1999  2009  2019
30 years: Evolving Public Sector Financial Management

1989 - 1999: "Developing"
- ERP financial and resource performance management systems
- Strengthening of audit and assurance functions, audit committees
- Forecasting, budgeting and performance management frameworks
- Strengthening of the role of the CFO and Finance function
- Risk management

1999 - 2009: "Transition / Embedding"

2009 - 2019: "Bottom-line Shifts"
30 years: Evolving Public Sector Financial Management

- Long term financial and strategic planning
- 4 Year plans and Statements of Intent
- Evolution of performance reporting – business insights, output / outcome performance
- Efficiency and Effectiveness – PIF reviews, Procurement
- Changing role of the finance professional
- Enabling appropriation structures and mechanisms
- Shifts in Financial Reporting (Standards)

“Developing”

1989

“Transition / Embedding”

1999

“Maturing / Integrating”

2009

2019

Bottom-line Shifts

PFA

30 Years

PFA
30 years: Evolving Public Sector Financial Management

1989

“Transition / Embedding”

1999

“Developing”

2009

“Maturing / Integrating”

2019

“Transforming”

- Long term capital investment planning / Stronger investment focus – ICR
- Integrated (predictive) performance management systems and reporting
- Digital business transformations / disrupting business models
- Public Benefit Entity – financial reporting / KAM
- CFOs at the top table – leading financial strategy & planning
- Strengthened asset management and stewardship
- Managing and contracting for Outcomes / Well-being / Cross Agency Delivery
How are Departments Positioned Today?

- Well embedded Financial Management practices and systems
- Effective oversight and assurance / accountability
- Finance Professionals driving long term strategy at the top table
- Information, insights and analytics mean that we have better assessment of performance than at anytime over the last 30 years
- A flexible framework and instruments that provide incentives for funding, budgeting and resource planning and delivery
- A strategic shift towards outcomes and well-being
Can we better measure Investment Performance?
More work to do? / A future agenda?

- Future changes proposed / signalled by Government
- Greater collaboration and focus on outcomes
- While improved flexibility, appropriation reporting driven by compliance / can be misaligned to business performance
- A *financial management conundrum* remains – Budgeting vs long-term financial strategy and planning
30 Years of Evolution / Change:

- The PFA may have “revolutionised” public sector management
- Over the last 30 years continuous evolution and maturity
- PFA has navigated changing / challenging times – GFC, Disasters
- Maintaining relevance – core principles and objectives of the PFA
- How public sector performance is managed has shifted – PFA changes, greater autonomy, authority and performance oversight
- Some things change but some things remain the same – performance of public sector management system remains constant