

Sound Financial Footings - Why This is Important in the Public Sector

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Don't know what you got (till it's gone)



Why are Financial Footings Important?

- Financial footings support social wellbeing
- Sound fiscal position:
 - Reduces need for reactive policy change
 - Enables shocks to be absorbed
 - Reduces uncertainty

The Financial Footings...

- The Public Finance Act 1989 (PFA) is legislative foundation
- Government wishes to review PFA
- Treasury Discussion Papers

Report
as at 22 December 2010



Public Finance Act 1989
Public Act 1989 No 89
Date of assent 26 July 1989
Commencement see section 1

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Note:
Changes published by subject to Part 2 of the Legislation Act 2012 have been made to the official name.
Note for the text of this report provided to all of the amendments numbered.
This text is administered by the Treasury.

Public Finance Act at 30



New Zealand's Public Finance Act at 30: lessons, achievements and future directions



Friday, 26 July to Sunday, 28 July 2019

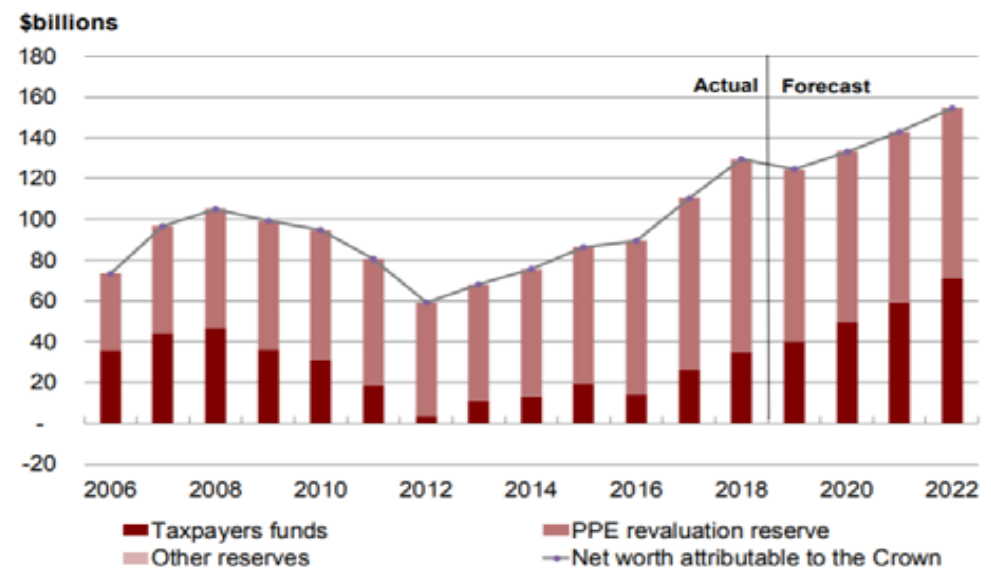
Victoria Business School, Rutherford House, 23 Lambton Quay, Wellington, New Zealand

<https://www.victoria.ac.nz/sacl/about/events/public-finance-act-at-30>

What We Have Got – Fiscal Position and...

- Increasing net worth
- After previous two decades of deficits...

Figure 19 – Composition of net worth attributable to the Crown



Source: The Treasury

... Comparative Fiscal Resilience

Public Net Worth (in local currency, billions)			
Country	2008		2017
Australia	67	-	391
Canada	-	457	- 631
UK <small>*2010 and 2017 nos.</small>	-	1 200	- 2 400
US	-	10 200	- 20 400
NZ	105		116

What Else Have We Got?

- Comparatively high levels of social performance

Tier 1		
1.	Norway	90.26
2.	Iceland	90.24
3.	Switzerland	89.97
4.	Denmark	89.96
5.	Finland	89.77
6.	Japan	89.74
7.	Netherlands	89.54
8.	Luxembourg	89.27
9.	Germany	89.21
10.	New Zealand	89.12
11.	Sweden	88.99
12.	Ireland	88.82
13.	United Kingdom	88.74
14.	Canada	88.62

Tier 2		
15.	Australia	88.37
16.	France	87.68



But Significant Issues Remain...

Critical issues

- Complex social problems
- Long-term fiscal outlook
- Risks

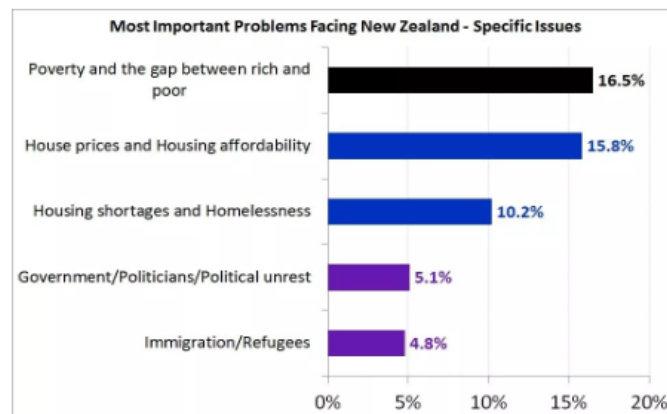


Table 1.4: The comprehensive balance sheet – linking the long term fiscal position to the government balance sheet

NZ\$ billion 30 June 2017	Assets	Liabilities	Net Worth
Social	163	20	143
Financial	94	143	-49
Commercial	57	34	23
<i>Subtotal</i>	<i>314</i>	<i>197</i>	<i>117</i>
Fiscal balance sheet ¹⁵	3,917	4,195	-278
Comprehensive balance sheet	4,231	4,392	-161

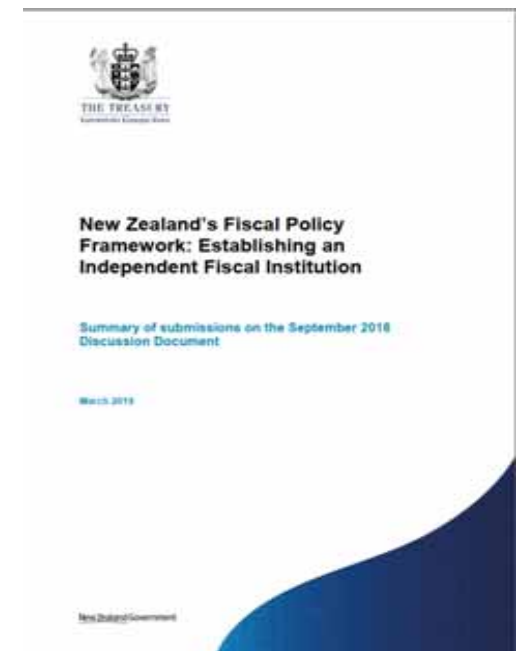
So What in the PFA Should Change?

- Treasury Discussion Papers:
 - Independent Fiscal Institutions
 - Wellbeing

Independent Fiscal Institution

- Common internationally – UK, Australia etc.
- Must reflect local setting – roles differ
- Treasury's numbers are trusted
- But Parliamentary scrutiny is weak
- Policy costings?

Submissions broadly agreed with the proposal included in the discussion document. Most submitters agreed that establishing an IFI would be an opportunity to improve New Zealand's fiscal policy framework. A minority of submissions questioned how much value an IFI would deliver given New Zealand's record of good fiscal performance.



Wellbeing and Outcomes

The proposal would create new requirements for:

- ▶ the Government to set out how its wellbeing objectives, along with its fiscal objectives, will guide its Budget decisions, and
- ▶ the Treasury to report on wellbeing indicators, alongside macroeconomic and fiscal indicators.



DISCUSSION DOCUMENT

Embedding wellbeing in the
Public Finance Act 1989

September 2018

www.treasury.govt.nz

The “outcome” dilemma

- Outcomes, SRAs, BPS, PIF, social investment, LSF, wellbeing.....

Outputs



OUR BUSINESS

TĀ TĀTOU UMANGA

}} POLICING THROUGH A CULTURE OF HIGH PERFORMANCE }}

WHY WE'RE HERE <small>HE AHA TĀTOU TU AHOI HŌPŪ</small>	WHAT WE DO <small>HE AHA Ā TĀTOU UMANGA</small>	HOW WE DO IT <small>HE PŪHEKA E MAHUA ĀI E TĀTOU</small>
<p>OUR PURPOSE</p> <p>BE SAFE FEEL SAFE</p> <p><small>HOW WE POLICE MAKES PEOPLE FEEL SAFE</small></p> <p><small>WHAT WE DO KEEPS PEOPLE SAFE</small></p>	<p>OUR STRATEGIES</p> <p>PREVENTION FIRST MODEL <small>TAKING EVERY OPPORTUNITY TO PREVENT HARM</small></p> <p>TURNING OF THE TIDE <small>BETTER OUTCOMES FOR NZ BY WORKING IN PARTNERSHIP WITH IRI</small></p> <p>SAFER JOURNIES <small>REDUCING AND PREVENTING ROAD RELATED TRAUMA</small></p> <p>WELLNESS AND SAFETY <small>LOOKING AFTER OUR PEOPLE</small></p>	<p>OUR PEOPLE</p> <p>ARE:</p> <ul style="list-style-type: none"> » VICTIM FOCUSED » VALUED » EQUIPPED AND ENABLED » SAFE AND FEEL SAFE » HIGH PERFORMING
<p>OUR MISSION</p> <p>OUR VISION</p> <p>TO HAVE THE TRUST AND CONFIDENCE OF ALL</p>	<p>OUR GOALS</p> <ul style="list-style-type: none"> » PREVENT CRIME AND VICTIMISATION » TARGET AND CATCH OFFENDERS » DELIVER A MORE RESPONSIVE POLICE SERVICE 	<p>OUR TRANSFORMATION PROGRAMME</p> <div style="border: 1px solid orange; padding: 5px; margin-bottom: 5px;"> <p style="background-color: orange; color: white; padding: 2px;">THE SAFEST COUNTRY POLICING 2020</p> </div> <ul style="list-style-type: none"> » SAFER WHĀNAU » IRI AND COMMUNITY PARTNERSHIPS » POLICE COMMITMENT TO SOCIAL INVESTMENT » SERVICE DELIVERY AND MODERNISING OUR BUSINESS » POLICE HIGH PERFORMANCE FRAMEWORK
<p>OUR MOTTO</p> <p>SAFER COMMUNITIES TOGETHER</p>	<p>OUR PARTNERSHIPS</p> <p>WORKING TOGETHER TO ACHIEVE COLLECTIVE IMPACT WITH:</p> <ul style="list-style-type: none"> » IRI AND COMMUNITIES » SOCIAL JUSTICE, TRANSPORT AND SECURITY SECTORS » OUR BUSINESS PARTNERS 	<p>GOVERNMENT TARGETS</p> <p>10,000 FEWER SERIOUS CRIME VICTIMISATIONS BY 2020</p> <p>25% REDUCTION IN REOFFENDING BY MARCH BY 2025</p> <p>90% HIGH OR VERY HIGH TRUST AND CONFIDENCE AND CITIZEN SATISFACTION BY 2021</p> <p>SAFER COMMUNITIES TARGETS: DELIVERING THE 9 OUTCOMES FROM THE GOVERNMENT INVESTMENT IN POLICE</p>

OUR VALUES }} PROFESSIONALISM }} RESPECT }} INTEGRITY }} COMMITMENT TO MĀORI & THE TREATY }} EMPATHY }} VALUING DIVERSITY

Capital thinking. Globally minded.

Outputs cont.



Output expense seven

Road safety programme

Output expense description

This output expense covers:

- ▶ the delivery of services outlined in the road policing programme directed towards the achievement of road safety outcomes, and the delivery of key strategic services such as: highway patrol, speed and traffic camera operations, restraint device control, drink or drugged driver control operations, commercial vehicle investigation activity, and visible road safety enforcement
- ▶ court prosecution and infringement management
- ▶ road safety education activities and community services
- ▶ services associated with traffic management such as peak flow, event traffic control and crash attendance.

Sector or departmental outcome links

Evaluation at the programme level establishes the clearest linkage between the interventions identified under this output and overall road safety outcomes. As a member of the transport sector, Police contributes towards the achievement of the Safer Journeys outcomes and Road Policing Strategy actions.

Outputs purchased within this expense

- ▶ reduce the impact of high risk drivers
- ▶ increase safety of young drivers
- ▶ increase safety of motorcycling
- ▶ reduce impact of alcohol/drug-impaired driving
- ▶ reduce the impact of speed
- ▶ increase the use of restraints
- ▶ improve safety of heavy motor vehicle fleet
- ▶ enforcement of road and roadside rules
- ▶ improve safety of light vehicle fleet
- ▶ improve safe walking and cycling
- ▶ reduce impact of fatigue and distraction
- ▶ improve safety of older road users

Non-GAAP Measures

That means corporate press releases can use adjusted numbers, but they must show clearly how and why they are departing from GAAP, and – this is critical – they may not give the non-standard numbers undue prominence.



Two non-GAAP measures

- OBEGAL
- Net Debt

Before Changing the PFA...

- Recognize and utilize the enablers
 - May involve strengthening some functions
- Invest (more) to reduce entropy and compliance mentality
- Look to leadership – modelling desired behaviours
 - Especially ministers (balance sheets, innovation, failure and risk avoidance)

Finally, What Shouldn't Change?

Things to protect:

- Coherence of system
- Enabling aspects of the PFA
- Accrual information base
- Monthly financial statements
- Capital charge
- Independence of Standard Setting
- Independence of Treasury

The capital charge:

- ▶ helps ensure that prices for goods and services produced by government agencies reflect full production costs
- ▶ allows comparison of the costs of output production with those of other producers (whether in the public or private sector)
- ▶ makes explicit the cost to the Crown of maintaining its capital investment and creates an incentive for agencies to make proper use of working capital and to dispose of surplus fixed assets
- ▶ helps (as part of a full cost model) maintain a 'level playing field' between public and private sector bids for competitive tenders.

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