

**Government Response to
Report of the Finance and Expenditure Committee
on the
Inquiry into performance reporting and
public accountability**

**Presented to the House of Representatives
In accordance with Standing Order 256**

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Introduction

- 1 The Government has carefully considered the Finance and Expenditure Committee's (the Committee/FEC) final report on the inquiry into performance reporting and public accountability (the Report), and the associated advice from the Office of the Auditor-General. The Government welcomes the Committee's Report, which represents a major contribution to improving performance reporting and public accountability in New Zealand.
- 2 The Government responds to the report in accordance with Standing Order 256.
- 3 The Government supports the direction of travel set out in the Report's three key shifts to improve whole-of-government, reporting on areas of public interest, and public entities' reporting. The Government agrees to all the recommendations, either in full or in-principle.
- 4 Taken together, the recommendations propose significant reform to the system for performance reporting and public accountability in New Zealand. The Report recognises that further work is required by the Government to develop and implement its proposals.
- 5 The Government agrees in-principle to the Committee's recommendations related to the three key shifts. Agreement in-principle reflects the Government's support for the three shifts and its agreement to undertake further work required to determine how best to achieve each shift. Further work includes designing, costing and testing FEC's proposals. Consideration will also be given to the overall scale and pace of change.
- 6 The Government agrees to the remaining three recommendations in the Report which are focused on implementation considerations and consideration of additional proposals. This includes setting out a high-level roadmap (refer Annex) as a possible way forward to implement the three key shifts.
- 7 The Government responds to related recommendations from the Māori Affairs Select Committee's *Briefing on accountability settings and outcomes for Māori* and *How well public organisations are supporting Whānau Ora and whānau-centred approaches* and *Four initiatives supporting improved outcomes for Māori* in this Government Response.

Recommendations and Government response

Recommendations to achieve the three key shifts

8 **Recommendation 1 (Overarching recommendation):** The Committee recommends that the Government develop and implement the proposals set out in Chapter 3.1, 3.2, and 3.3 of the Report to improve the systems for performance reporting and public accountability, focused on three key shifts:

- Whole-of-government reporting - improving clarity about what governments want to achieve, how they intend to go about it, and what progress is being made.
- Reporting on areas of interest to the public - strengthening the focus of reporting on how the Executive's work and spending contributes to outcomes in areas that are important to the public.
- Public entities' reporting - providing a more integrated view of the performance of entities, with a greater focus on value for money and the outcomes being achieved.

9 **Response:** Agree in-principle.

9.1 The Government agrees with the intent of the recommendation and supports the three key shifts to improve the performance reporting and public accountability system.

9.2 The Government agrees to undertake the further work required to determine how best to achieve the three key shifts. This will include consideration of the overall scale and pace of change.

9.3 The Government is focused on lifting public sector performance and improving value for money for the taxpayer, including through digitising and transforming the Public Service and restoring discipline to spending. Improving how the public sector reports on, and is held accountable for, its performance is a key part of these efforts.

9.4 The further work on how to best achieve the three shifts will include consideration of related recommendations from the Māori Affairs Select Committee's reports - *Briefing on accountability settings and outcomes for Māori* and *How well public organisations are supporting Whānau Ora and whānau-centred approaches* and *Four initiatives supporting improved outcomes for Māori*, and will align with the Government Response to the Infrastructure Commission's *National Infrastructure Plan 2026*.

9.5 More information on how the Government is responding to each shift, and associated proposals, is outlined in the Government's response to recommendations 2, 3 and 4 set out below.

- 10 **Recommendation 2 (Whole-of-government reporting):** To improve whole-of-government reporting, the Committee recommend that the Government develop and implement the following proposals, which would require each Government to:
- state its priority objectives near the start of the parliamentary term;
 - provide a high-level plan, with costings, to outline major initiatives it will carry out to achieve its priority objectives;
 - report on progress towards achieving the priority objectives.
- 11 **Response:** Agree in-principle.
- 11.1 The Government agrees with the intent of the recommendation to improve whole-of-government reporting. It agrees to undertake further work to determine how best to achieve the shift.
- 11.2 The Government acknowledges that the way each Government reports on their priorities could be clearer and more accessible to the public. This Government has taken steps to improve this by setting nine Government Targets across the public sector and reporting on them quarterly.
- 11.3 Government priority objectives are usually established early on in a parliamentary term through vehicles such as coalition agreements and the Budget Policy Statement. The Government is considering what mechanism could make Government priorities more accessible to the public, and how best to establish regular reporting against them from early next parliamentary term. This is set out in the first row of the roadmap in the Annex.
- 12 **Recommendation 3 (Reporting on areas of interest to the public):** To improve reporting on areas of interest to the public, we recommend that the Government develop and implement the following proposals:
- establish a set of enduring outcomes for key areas of public interest;
 - require the Government of the day to set out its priority objectives related to each key area of public interest;
 - require the Executive to set out information about how spending is related to the enduring outcomes and the Government's priority objectives;
 - require the Executive to report its progress on outcomes across each key area of interest.
- 13 **Response:** Agree in-principle.

- 13.1 The Government agrees with the intent of the recommendation to improve reporting on areas of public interest. It agrees to undertake further work to determine how best to achieve the shift.
 - 13.2 Work is required on how to determine the key areas of interest and enduring outcomes, before being able to progress the other proposals. As noted in FEC's report, there are options for how areas of interest are set and how enduring outcomes are established. The process by which areas of interest and enduring outcomes are established needs cross-party consensus to support these in being enduring. The Government will consider how engagement will best support this process.
 - 13.3 The third proposal is related to the Estimates of Appropriations (the Estimates) and the report includes proposals to improve the accessibility of these. The Government acknowledges the Estimates are complex documents and it can be difficult for the public to see how Government spending links to outcomes that are important to New Zealanders.
 - 13.4 The Government is considering how Budget Day information (including the Estimates) could be improved, including how Government priorities and cross-agency outcomes could be integrated into Budget documentation. As outlined in the roadmap (refer Annex), the Government is considering how these improvements could be implemented progressively. The Government notes that any changes to the structure of the Estimates requires consultation with Parliament.
- 14 **Recommendation 4 (Public entities' reporting):** To improve public entities' reporting, we recommend that the Government develop and implement the following proposals:
- replace current requirements related to entities preparing strategic documents with a new requirement for public entities to produce a four-year plan;
 - require public entities to provide targeted information on their performance, including value for money, how they are contributing to outcomes, and findings from evaluations and reviews;
 - remove existing requirements for entities to report on performance at an appropriations level; entities would continue to report on spending against appropriations.
- 15 **Response:** Agree in-principle.
- 15.1 The Government agrees with the intent of the recommendation to improve public entities' reporting. It agrees to undertake further work to determine how best to achieve the shift.

- 15.2 The Government acknowledges that current public entities' reporting can make it difficult for Parliament and the public to have an integrated view of entity performance and the value for money achieved through their spending. Providing this integrated view of performance will require building the underlying information base, system infrastructure, and capability within the public sector.
- 15.3 The Government supports moving towards medium-term plans and targeted reporting requirements for agencies. This Government has started moving towards medium-term planning within the Executive through the introduction of Performance Plans.
- 15.4 Consideration of removing performance reporting requirements from the appropriation level will happen in association with determining how best to move towards medium-term plans and targeted reporting requirements for agencies.
- 15.5 As per the roadmap (refer Annex), the Government is considering whether to trial medium term plans and targeted changes to the associated reporting with a subset of agencies. This could be rolled out in tranches to help ensure the required system capability is in place prior to any legislative change.

Recommendations relating to implementation considerations

- 16 **Recommendation 6:** We recommend that the Government consider how best to phase implementation of any reforms to the systems for performance reporting and public accountability.
- 17 **Response:** Agree.
 - 17.1 The report recognises that to create enduring change, implementation will need to be carefully planned and managed. It also notes that the proposals would require legislative change, introduce additional costs and could take several parliamentary terms.
 - 17.2 Given the need to create enduring change, the Government is carefully considering how to best phase implementation of any reforms. The roadmap (refer Annex) sets out possible sequencing of activities to implement the three shifts. This includes progressing the following actions early next parliamentary term:
 - Developing a mechanism for reporting on Government priority objectives.
 - Exploring digital solutions to improve accessibility of current reporting, for example, for reporting on Government priorities.
 - Trialling new reporting approaches in a small number of areas.

- 17.3 Further work may impact the nature and timing of actions that are taken to achieve the three shifts.
- 18 **Recommendation 7:** We recommend that the Government update and involve the Finance and Expenditure Committee regarding any potential policy process resulting from our recommendations, continuing the collaborative approach that we have taken during this inquiry.
- 19 **Response:** Agree.
- 19.1 The Government is committed to continuing the collaborative approach that was taken in the inquiry. As set out in the roadmap, likely engagement with FEC includes on how areas of interest are set, how enduring outcomes are selected, proposed revisions to the Estimates, and any legislative change processes.
- 20 **Recommendation 5 (Additional proposals):** We recommend that the Government further consider the merits of each of the additional proposals set out in Chapter 3.4 of the report and choose whether to develop and implement them, as appropriate.
- 21 **Response:** Agree.
- 21.1 The Government will further consider the merits of the additional proposals, noting these will be considered through the further work on how best to achieve each key shift.
- Conclusion**
- 22 The Government agrees, or agrees in-principle, to all of the Committee's recommendations to improve the systems for performance reporting and public accountability.

Annex: High-level roadmap – a possible way forward for implementing each shift

