

# Public Finance (Wellbeing) Amendment Bill

Government Bill

## Explanatory note

### General policy statement

The Public Finance (Wellbeing) Amendment Bill will introduce new requirements for—

- the Government to report annually on its wellbeing objectives in the Budget; and
- the Treasury to report periodically on the state of wellbeing in New Zealand.

Macroeconomic and fiscal indicators are at the core of New Zealand's public finance system and the Budget. However, these indicators provide limited information on New Zealand's progress in improving wellbeing and limited support for decision-making that considers the broader effects of spending decisions on wellbeing.

The Bill amends the Public Finance Act 1989 (the **PFA**) to broaden the framework that the Government uses to develop and assess its Budget and will augment the Treasury's existing reporting on macroeconomic and fiscal indicators. The amendments will contribute to the delivery of the Government's priority of embedding a wellbeing approach within the Public Service.

### *Wellbeing objectives*

*Part 1* of the Bill requires the Government to state the wellbeing objectives that will guide the Government's Budget decisions, to explain how those objectives relate to or are intended to support long-term wellbeing, and (when delivering the Budget) to explain how those objectives have guided Budget decisions.

Each government will have the flexibility to articulate how it thinks about wellbeing, and what it considers matters to the long-term wellbeing of New Zealand. This will allow each government to adapt its approach to wellbeing over time, for example, in response to new information or changing circumstances. Each government will retain

flexibility over how to present the various Budget documents that are required under the PFA.

### *Wellbeing report*

*Part 2* of the Bill requires the Treasury to periodically report on the state of wellbeing in New Zealand. The Treasury will be responsible for preparing the report, including selecting indicators using its best professional judgements. The intent is that the report will provide a comprehensive, balanced, and accessible view of the state of wellbeing in New Zealand, consistent with current theory and evidence.

The first report will be due by the end of 2022, and then at least once every 4 years. The intent is that the wellbeing report may be combined with 1 or more other documents that the Treasury is required to produce under *Part 2* of the PFA, such as the statement on the long-term fiscal position and the investment statement. This will help to reduce duplication and, where appropriate, to reinforce the connections between documents that are required under the PFA.

### **Departmental disclosure statement**

The Treasury is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2019&no=173>

### **Clause by clause analysis**

*Clause 1* is the Title clause.

*Clause 2* provides that the Bill commences on the day after the date on which it receives the Royal assent.

*Clause 3* provides that the Bill amends the PFA.

## **Part 1**

### **Wellbeing objectives**

*Part 1* provides for wellbeing objectives to be selected by the Government in advance of each Budget to help guide the Government's Budget decisions.

Every year, some months before Budget day, the Minister of Finance presents a budget policy statement to the House of Representatives. The budget policy statement states the broad strategic priorities by which the Government will be guided in preparing the Budget for the upcoming financial year.

Section 26M(2) of the PFA spells out some of the broad strategic priorities that the budget policy statement must cover. The broad strategic policies in the statement must include—

- the overarching policy goals that will guide the Government’s Budget decisions; and
- the policy areas that the Government will focus on in the upcoming financial year; and
- how the Budget for that year accords with the short-term intentions referred to in the most recent fiscal strategy report (or, if those intentions have changed since the most recent fiscal strategy report, how it accords with the amended short-term intentions).

*Clause 6* amends section 26M so that the budget policy statement must also—

- state the wellbeing objectives that will guide the Government’s Budget decisions; and
- explain how those wellbeing objectives are intended to support long-term wellbeing in New Zealand.

The amendments to section 26M require that the wellbeing objectives must relate to social, economic, environmental, or cultural wellbeing and to any other matters that the Government considers support long-term wellbeing in New Zealand. Apart from those requirements, the term wellbeing objective is not further defined or fixed. Within those requirements, it is expected that, over time, different wellbeing objectives may be selected.

On Budget day every year, the Minister of Finance presents a report on the Government’s fiscal strategy to the House of Representatives (the **fiscal strategy report**).

*Clause 5* inserts *new section 26KB* into the PFA. The new section requires the fiscal strategy report to explain how wellbeing objectives have guided the Government’s Budget decisions. If those wellbeing objectives differ from those indicated in the budget policy statement, the report must also indicate the differences.

## Part 2 Wellbeing report

*Part 2* provides for the Treasury to periodically report on wellbeing in New Zealand.

*Clause 8* inserts *new section 26NB* into the PFA. The new section requires the Minister of Finance to, at least once every 4 years, present to the House of Representatives a report on wellbeing.

The report must be prepared by the Treasury and use appropriate indicators, selected by the Treasury, to describe—

- the state of wellbeing in New Zealand; and
- how the state of wellbeing in New Zealand has changed over time; and
- the sustainability of, and any risk to, the state of wellbeing in New Zealand.

The report must be accompanied by a statement of responsibility, signed by the Secretary to the Treasury, that states that the indicators have been selected, and the report prepared, by the Treasury using its best professional judgements.

The other clauses of *Part 2*—

- relate to the publication of the wellbeing report (*see clauses 9 and 10*):
- require, for consistency, that investment statements prepared under section 26NA of the PFA also be accompanied by a statement of responsibility (*see clause 7*):
- enable, for consistency, statements on the long-term fiscal position under section 26N(1) to be published in advance of their presentation to the House of Representatives (*see clause 9*).

*Hon Grant Robertson*

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**The Parliament of New Zealand enacts as follows:****1 Title**

This Act is the Public Finance (Wellbeing) Amendment Act **2019**.

**2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent. 5

**3 Principal Act**

This Act amends the Public Finance Act 1989 (the **principal Act**).

**Part 1**  
**Wellbeing objectives**

10

**4 Part 2 heading amended**

In the Part 2 heading, after “**Fiscal responsibility**”, insert “**and wellbeing**”.

**5 New section 26KB inserted (Contents of fiscal strategy report: wellbeing objectives)**

After section 26KA, insert:

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**26KB Contents of fiscal strategy report: wellbeing objectives**

The fiscal strategy report must—

- (a) explain how wellbeing objectives have guided the Government’s Budget decisions; and
- (b) if the wellbeing objectives that guided the Government’s Budget decisions differ from those indicated in the budget policy statement most recently prepared under section 26M, indicate the differences. 20

**6 Section 26M amended (Budget policy statement)**

(1) After section 26M(2)(b), insert:

- (ba) the wellbeing objectives that will guide the Government’s Budget decisions; and 25

(2) After section 26M(3), insert:

- (4) The wellbeing objectives referred to in **subsection (2)(ba)** must relate to social, economic, environmental, and cultural wellbeing and to any other matters that the Government considers support long-term wellbeing in New Zealand. 30
- (5) The budget policy statement must explain how the wellbeing objectives are intended to support long-term wellbeing in New Zealand.

## Part 2 Wellbeing report

### 7 Section 26NA amended (Investment statement)

After section 26NA(2), insert:

- |     |  |   |
|-----|--|---|
| (3) | The investment statement must be accompanied by a statement of responsibility signed by the Secretary.   | 5 |
| (4) | The statement of responsibility must state that the investment statement has been prepared by the Treasury using its best professional judgements. |   |

### 8 New section 26NB and cross-heading inserted

After section 26NA, insert:

10

#### *Wellbeing report*

#### **26NB Wellbeing report**

- |     |  |    |
|-----|--|----|
| (1) | The Minister must, before the end of 2022 and then at intervals not exceeding 4 years, present to the House of Representatives a report on wellbeing prepared by the Treasury. | 15 |
| (2) | Using appropriate indicators, the report must describe—  |    |
|     | (a) the state of wellbeing in New Zealand; and   |    |
|     | (b) how the state of wellbeing in New Zealand has changed over time; and   |    |
|     | (c) the sustainability of, and any risk to, the state of wellbeing in New Zealand.   | 20 |
| (3) | The report must be accompanied by a statement of responsibility signed by the Secretary.   |    |
| (4) | The statement of responsibility must state that the indicators have been selected, and the report prepared, by the Treasury using its best professional judgements.            | 25 |

### 9 Section 26X amended (Certain statements and updates may be published in advance of presentation to House of Representatives)

Replace section 26X(aa) with:

- |      |  |    |
|------|--|----|
| (aa) | a statement on the long-term fiscal position under section 26N(1): |    |
| (ab) | an investment statement under section 26NA(1):                     | 30 |
| (ac) | a wellbeing report under <b>section 26NB(1)</b> :                  |    |

### 10 Section 26Y amended (Publication and availability of reports, statements, or updates)

After section 26Y(4)(g), insert:

- |     |   |    |
|-----|---|----|
| (h) | a wellbeing report ( <i>see</i> <b>section 26NB(1)</b> ). | 35 |
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