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Dear Nick

Public Sector reporting – the position in New Zealand

During the Committee's consideration of evidence taken so far in its inquiry on the Welsh Government's 2018-19 annual report and accounts, I offered to provide members with some information about the approach taken by the New Zealand Government to its external reporting. Given our obvious parallels with Scotland, I also touch on recent developments there in respect of financial reporting.

The principle of open and transparent reporting on the plans and activities of the government is very well established in New Zealand, which 30 years ago became the first country in the world to move from cash to accruals-based accounting for its public sector operations, under its ground-breaking [Public Finance Act 1989](#).

The UK Government, together with the devolved administrations, commenced down the same route ten years later under the [Government Resources and Accounts Act 2000](#), but it is fair to say that current public sector reporting practice in New Zealand remains ahead of both the UK and other developed nations around the world.

As just one example of this: the New Zealand Government produced its first set of whole of government accounts back in 1991; the UK Government has done so every year since 2011; the Scottish Government committed in 2016 to do so (in anticipation of taking on its new fiscal and borrowing powers) and reconfirmed that intention to the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee in November 2018.

The New Zealand Government also publishes [monthly accounts](#), providing close to real-time information for its Parliament and the public on its in-year spending.

The New Zealand Government's closest equivalents to the Welsh Government's annual report and accounts are the [Annual Report](#) of the Treasury and the [Financial Statements of the Government of New Zealand](#). Their latest reports, for the year ended 30 June 2019, were published in early October. The Annual Report of the Treasury in particular sets out a wide range of information for the

reader, presented in a clear and engaging style, and contains extensive information on targets, performance and outcomes.

Other departments of the New Zealand Government produce their own annual reports, such as for the [Ministry of Social Development](#) and the [Ministry for Education](#). Taken with the annual accounts, these departmental reports together provide a comprehensive picture of progress, delivery and achievements

Most recently, the New Zealand Government has pioneered the development of well-being budgeting, and in May 2019 it placed this at the heart of its public finance planning in the world's first [Wellbeing Budget](#). Wales is, of course, at the forefront of thinking in this area given the ground-breaking *Well-being of Future Generations (Wales) Act 2015*. Whereas our approach in Wales has been legislative, in New Zealand greater reliance is being placed on budgetary decisions and accountability to drive change. The New Zealand wellbeing budget document provides a clear explanation of the annual spending devoted to each of the government's stated priorities and the indicators to be used to assess progress against them. Importantly, it also includes a Fiscal Strategy, setting out medium-term taxation, borrowing and spending projections within the context of the government's long-term fiscal objectives.

In May this year the Scottish Government published the second edition of its own five-year medium term financial strategy: [Scotland's Fiscal Outlook](#). That annual strategy stems from a 2017 recommendation by the Scottish Parliament's Budget Process Review Group. As yet, there is no equivalent publication covering the Welsh public finances. Though this is one example where Scotland are ahead of us, they too have a way to go in terms of comprehensive financial transparency. The most recent critique of the Scottish Government's Consolidated Accounts, from the Auditor General for Scotland, draws attention to this:

The Scottish Government needs to improve the quality of financial reporting to better support Parliament. In May 2019, the Scottish Government published its second medium-term financial strategy, but it does not reflect all the basic components of a medium-term financial plan. It does not include indicative spending plans or priorities, or links to outcomes... In addition, the government has still not fulfilled its commitment to publish a consolidated account covering the whole devolved public sector in Scotland. This would fill an important gap and improve strategic public financial management, support Parliamentary scrutiny and enable better decision-making¹.

This neatly summarises some of the key steps we need to take in Wales if we are to demonstrate best practice in terms of financial budgeting and reporting. And these, in turn, reflect many of the recommendations made by the National

¹ [The 2018/19 audit of the Scottish Government Consolidated Accounts](#)

Assembly's Finance Committee in the previous Assembly in its two reports on *Best Practice Budget Process*². The Committee's reports focused on steps to strengthen financial arrangements in the light of the transfer of fiscal responsibilities to the Assembly. It made recommendations, for instance, in respect of the need to align budgets with indicators and delivery measures, the desirability of a Whole of Government of Wales Account and the importance of publishing forward looking public finance plans and forecasts. These are just as relevant today as they were then.

I hope that this material is of assistance to the Committee in its ongoing inquiry.

Yours sincerely



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² [Finance Committee - Completed Reports - Fourth Assembly](#)