Submission

By

THE NEW ZEALAND INITIATIVE

to the Finance and Expenditure Committee

on the

Inquiry into Performance Reporting and Public Accountability

29 October 2025

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1. SUMMARY

1.1 The Initiative welcomes and supports this inquiry. Parliament's ability to hold the Executive accountable for value-for-money for the public from government spending and regulation is fundamental to New Zealand's democratic governance and economic wellbeing.

1.2 This submission argues that greater accountability for value-for-money of the Executive to Parliament and the public is a prime need. The current system lacks adequate incentives, checks and balances to ensure that public resources are used effectively.

1.3 Parliament is the institution best placed to improve transparency and accountability. But it also needs greater analytical and institutional capacity to hold the Executive to account.

1.4 With respect to transparency, what is needed is a greater focus on information on value-for-money from spending. What are the deep causes of the problems for which that spending is the remedy, why is it the best remedy, is it likely to deliver the hoped-for benefits, are they or will they be measured and would those benefits justify the costs?

1.5 The same focus is needed for government laws and regulations, along with respect for the fundamental legal principles that are embodied in the government's Regulatory Standards Bill.

1.6 Having obtained the Executive's justifications for spending and regulatory proposals, select committees and parliamentarians need the resources and expertise to scrutinise and evaluate those justifications.

1.7 Options for increasing such Parliamentary scrutiny include creating a parliamentary office with this focus, making select committee chairpersons more independent of the executive, and greater recourse to Standing Orders to enforce compliance with reporting and evaluation requirements.

1.8 The Initiative has proposed for many years now that a fiscal council be created as a parliamentary office.

1.9 Because value-for-money from government regulation is also important, we suggest that the Committee consider the broader option of establishing a new parliamentary institution with the ability to assess both spending and regulatory proposals —a value-for-money audit office.

1.10 The new office could be called the Parliamentary Review Office or the Office for Fiscal and Regulatory Analysis. The name is less important than its purpose. Its purpose would be to provide Parliament with independent, expert analyses of whether public spending and regulation are delivering value for money for New Zealanders.

1.11 This office could also be charged with annually undertaking 'zero-based' reviews of existing laws and regulations and spending programmes, perhaps adapting the Netherland's example to New Zealand's circumstances.

1.12 Broader options should also be considered. Greater Parliamentary scrutiny is of limited benefit if the Executive enjoys a parliamentary majority. Consideration should also be given to mechanisms that give external parties a greater ability to hold the Executive to account. Departmental obstruction of OIA requests could be reduced and New Zealand should be prepared to learn from countries that make greater use of citizens' referenda.

1.13 In a nutshell, it is extraordinary that Total Crown spending is approaching $190 billion a year, but so little is known about how much of that represents value-for-money.

1.14 We wish the Committee well in considering these and other options and would be pleased to appear before it to answer any questions.

2. INTRODUCTION: GREATER ACCOUNTABILITY TO PARLIAMENT FOR VALUE-FOR-MONEY JUSTIFICATIONS IS SORELY NEEDED

2.1 The New Zealand Initiative (the Initiative) is a Wellington-based think tank supported by chief executives of major New Zealand companies. It undertakes independent research and advocacy on public policy issues with the aim of promoting a prosperous, free, and cohesive New Zealand.

2.2 The Initiative welcomes and supports the Finance and Expenditure Committee's inquiry into how the Executive should report on and be held accountable for its performance. This inquiry addresses a foundational issue in New Zealand's democratic governance: the ability of Parliament and the public to scrutinise the Executive's use of public resources and its achievement of policy outcomes.

2.3 In an article in June this year, Roger Partridge, chair of the Initiative, observed that government is spending approaching $190 billion a year, but little is known about how much of that represents value-for-money.[1] Sadly, this extraordinary situation creates little attention.

2.4 The Initiative agrees that greater accountability of the Executive to Parliament for value-for-money is desirable. Indeed, that proposition is central to the Regulatory Standards Bill. It requires the Executive to report directly to Parliament on the consistency of a regulatory measure with fundamental principles, along with an assessment of net benefits for New Zealanders overall.

2.5 The same logic applies to government spending: without robust Parliamentary scrutiny, the incentives within the administrative state tend to favour continuity, expansion, and opacity rather than efficiency, effectiveness, and transparency.

3. PROBLEM DEFINITION: CLARIFYING THE CHALLENGE

3.1 The Committee's discussion document identifies many weaknesses in the current system.

3.2 The document is correct to identify unclear policy objectives as being a fundamental source of accountability problems. It is correct to call for Parliament to require greater clarity from the Executive about accountability for results.

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1 Roger Partridge, "Parliament is asking tough questions about whether taxpayers are getting value for money", New Zealand Herald, 19 June 2025.

3.3 The Executive should be required to tell Parliament, in a non-dismissive way, what its spending and regulatory proposals are intended to achieve, how that is to be measured, and why those achievements justify the costs.

3.4 However, it is not realistic to expect much clarity from the Executive regarding the deeper public policy reasons that might justify its proposals.

3.5 The reason for not expecting adequate clarity is that members of decision-making bodies can agree on a proposal without agreeing about the most important reasons for doing so. Some might think a measure improves incentives, others might support it because it benefits a favoured constituency, or because in their view better alternatives are not politically achievable. Individual MPs and political parties will put different weights on the contending considerations. Under MMP, disagreements within the coalition parties are normal. And the ‘good’ reasons for a decision this year can be different from the reasons for not reversing it next year.

3.6 Moreover, most spending and regulation is already "in the base"—embedded in the operations of departments and agencies. These entities control the information flows and have strong incentives to preserve their staffing and funding levels. Multiple ‘worthy’ reasons can be given for continuing state dominance in the provision of schools, hospitals, social housing and much else. Who is to say which of the ‘good’ reasons are the most important? Perhaps none of them are. What may count most for a political party may be the power of entrenched interests.

3.7 Arguably, the biggest barrier to improving Executive accountability is the incentive structure within the administrative state. Agencies have an information advantage and naturally prefer fuzzy accountability and the ability to shift targets. This flexibility serves their institutional interests but undermines the public’s ability to assess whether value-for-money is being achieved.

3.8 The inference this submission draws is that analysing the deeper public policy case for a government programme needs to be done by public policy experts who are independent of political parties, the Executive and of the government agencies whose budgets and staffing levels are benefiting from the programme.

3.9 This conclusion points to the need to create an independent parliamentary body for providing such assessments. This body should focus on assessing the degree to which existing or proposed programmes represent the best response to the deep causes of the problems with private arrangements for which that spending or regulation is the remedy and if is it the best remedy.

3.10 Experts aside, what matters most for New Zealanders’ wellbeing overall is whether government interventions—both existing and new—are solving real problems in private arrangements and delivering value for money.

3.11 This submission recommends for these reasons that Parliament place value-for-money for the public at the centre of its efforts to improve Executive accountability.

4. RESPONSES TO KEY QUESTIONS FROM THE COMMITTEE

4.1 Have we missed or mischaracterised any strengths or weaknesses of the current system?

(a) The Committee has provided a comprehensive overview.

(b) However, the Initiative would emphasise the deep-seated nature of the problems that will commonly stop the Executive from being very transparent about the core reasons for policy proposals.

(c) The basic problems – of the public sector's information advantage and the compromises behind decisions – have already being mentioned. Government public policy announcements inevitably have an advocacy bias. Good reasons for decisions may differ from the real reasons.

(d) This is not being cynical. It is democracy in action. It is hard to get agreement on some decisions even if everyone involved is putting partisan issues aside. To achieve full agreement on the reasons for a decision is a bridge a government does not have to cross.

(e) For these reasons, this submission suggests that Parliament's prime focus for greater clarity from the Executive should be on the net benefits for New Zealanders that it holds itself to be accountable for delivering.

4.2 What are the biggest barriers, challenges, and opportunities to improving the current system? How could the barriers be overcome?

(a) Limited and often inadequate information, unstable political priorities, survival-focused bureaucracies and political incentives are inherent in the large administrative state.

(b) Consequential barriers include fragmented accountability structures, limited parliamentary capacity for technical analysis, and natural resistance within the public service to external scrutiny.

(c) These challenges are compounded by the complexity and volume of reporting, which can obscure rather than clarify performance. Adding ever more reporting and compliance burdens on the Executive can swamp parliament with largely irrelevant information of dubious quality.

(d) Parliament needs to prioritise the reporting burdens it puts on the Executive. Prioritising reporting based on accountability for financial integrity and value-for-money results would make sense.

(e) Opportunities for improvement include establishing a Parliamentary Review Office to provide independent analysis. It could also undertake in-depth zero base reviews of significant individual spending programmes or categories of regulations. These reforms would help shift the focus from bureaucratic process to public value. International examples such as the Dutch spending review system should be considered.

4.3 What are the key lessons we can learn from previous reforms and what is necessary for successful implementation this time around?

(a) Previous reforms have greatly improved financial transparency and accountability. They have been less successful in bringing transparency to value-for-money from individual spending programmes and laws and regulations.

(b) There is no shortage of good quality Cabinet instructions and guidance concerning policy development process requirements. Treasury and other lead government agencies already provide good guidance about these matters.

(c) The key lesson is the failure too often to comply adequately with this guidance. That arises from inadequate incentives, limited time, insufficient competence and other constraints.

(d) Adding to the barrage of existing reporting requirements is likely to be less helpful than prioritising those reporting requirements, with less emphasis on those that are peripheral to issues of financial integrity, compliance with fundamental legal principles and value-for-money.

(e) Another key lesson is that the Executive cannot be expected to pull itself up by its own bootstraps. Imposing yet more worthy compliance requirements on it is going to result in yet more cases where it is expedient for it to fail to comply adequately.

(f) It follows that enduring and better-focused incentives for better performance need to come from outside the Executive.

4.4 Are there any key improvements that are missing from our vision for reform and improvements?

(a) This submission does include some suggestions.

(b) The first is to broaden its focus to include value-for-money from regulations. Parliament can achieve objectives by using regulations to force people to save or spend on specific worthy things, or it can just tax them and spend or invest that money itself. Net benefit justifications are needed, either way.

(c) Secondly, Parliament could strengthen its Standing Orders to require more rigorous scrutiny of performance reporting. This could include mandatory sunset clauses for new spending and regulatory initiatives, ensuring that they are reviewed and justified periodically. Third, greater support should be provided to Parliamentary Committees to enhance their capacity for scrutiny. This includes analytical resources, access to independent expertise, and improved data systems. Perhaps those who chair select committees should be opposition MPs.

(d) A third suggestion is for the Committee to put a broader context around its recommendations, one that points out options for broader supplementary measures. Parliament should consider mechanisms for more direct accountability to taxpayers. One option is greater use of public strike down referenda, learning from the Swiss and initiatives such as the Colorado Taxpayer Bill of Rights.

(e) This broader scope could be within the Committee's terms of reference since they embrace consideration of accountability of the Executive to the public (paragraph two of Appendix B in the discussion document).

4.5 What do you consider to be the most—and least—important information for:

(a) Holding the Executive to account:

The most important information the Executive should provide is a clear explanation of the net benefits for the public from its decisions along with financial reporting integrity. Among the least important is reporting on peripheral virtue-signalling matters such as gender and race employment ratios, diversity goals, wage disparities unadjusted for merit, expertise, effort or responsibility and agency-specific climate emissions targets that make no difference to national emissions under the Emissions Trading Scheme.

(b) Enabling the Executive to learn and improve:

The Executive is not a child. No' teacher' can get it to learn or improve. It responds to its incentives and constraints. If Parliament wants the Executive's behaviour or level of expertise to change it must change the Executive's incentives by changing its constraints.

(c) Supporting trust and confidence in the Executive:

Transparency, accountability and probity can build trust. But hopes should not be too high. Democracy is messy, many voters are (rationally) not well-informed about politics, and cynics will always push conspiracy theories. Scepticism is rational, cynicism is destructive.

4.6 What options for change should we explore in the next phase of our inquiry?

(a) This submission proposes three suggestions for reform:

(i) Establishing a Parliamentary Spending and Regulatory Review Commission: This body would provide independent, expert analysis of whether public spending and regulation deliver value-for-money. It would support Parliament in its scrutiny role and help ensure that interventions are justified and effective.

(ii) Strengthening Standing Orders: Parliament should use its procedural rules to enforce compliance with performance reporting and evaluation requirements. Possibilities include mandating sunset clauses, requiring regular reviews of base spending and regulation, and ensuring that key documents are subject to scrutiny.

(iii) Greater Recourse to Strike-Down Referenda: Citizens would have the ability to challenge and repeal legislation or regulation that lacks public support or fails to deliver value. This mechanism would enhance democratic accountability and provide a check on Executive overreach.

5. CONCLUDING COMMENT

5.1 In considering these reforms, the Committee should also reflect on the rule of law and the balance of powers. An increasingly activist Supreme Court poses a potential threat to parliamentary sovereignty. Ensuring that Parliament retains its constitutional role as the primary forum for democratic accountability is essential to preserving the integrity of New Zealand's public institutions.

6. APPENDIX: OVERVIEW OF SOME APPROACHES OVERSEAS

Australia

6.1 The Australian Parliamentary Budget Office (est. 2012) provides independent fiscal costings and medium-term budget outlooks and costings of policy proposals for Parliament, complementing the Auditor-General and a robust Senate committee system. The Senate retains the constitutional capacity to block supply (used only in 1975) and conducts extensive Estimates hearings. These give opposition senators wide access to officials. Australia's Gateway Review process provides disciplined ex-ante scrutiny of major projects. Together these mechanisms illustrate a multi-layered system of accountability.

Canada

6.2 The Parliamentary Budget Officer (created 2006; strengthened 2017) is an independent officer of Parliament providing fiscal projections and costings. Canada's Auditor General produces value-for-money audits comparable to the UK National Audit Office.

Germany

6.3 Germany's constitutional debt brake limited the structural federal deficit to 0.35% of GDP. Developments in 2025 have relaxed this constraint somewhat, perhaps a troubling precedent. The Normenkontrollrat (NKR) reviews regulatory costings and issues statements that must accompany cabinet papers—an influential but not veto-bearing process. The Bundesrechnungshof (Federal Audit Office) audits efficiency and performance, and its President also serves as Federal Performance Commissioner, issuing best-practice advice. Germany uses legally entrenched fiscal rules and formalised regulatory impact assessment to stabilise expectations, though discretion remains in implementation.

Netherlands

6.4 The OECD has identified the Netherlands as a global leader in value-for-money practices. It is said to be one of the world's most rigorous evidence-based fiscal frameworks.

6.5 Its Strategic Analysis Unit within the Ministry of Finance coordinates transparent institutional spending reviews. These reviews are integrated into the budget cycle. They critically assess counterfactuals and policy rationales in the review process. Independent working groups and public reporting help ensure credibility and accountability.

6.6 The Dutch Bureau for Economic Policy Analysis (CPB) and the Ministry of Finance's program of interdepartmental policy reviews (IBO) is at the centre of this system Reviews routinely present savings and efficiency options—sometimes set at ambitious targets in their terms of reference, though no fixed 20% rule for reducing spending applies. The Advisory Board on Regulatory Burden must be consulted on new regulations and can recommend delay or revision if burdens exceed thresholds, but it has no absolute veto.

6.7 The system's strength lies in embedding analytical capacity in ministries and maintaining bipartisan respect for evidence.

Switzerland

6.8 Switzerland's federal optional referendum allows 50,000 citizens (within 100 days) to challenge any federal law. Many cantons add financial referenda enabling citizens to contest major spending decisions—thresholds vary by canton. This direct-democracy architecture anchors fiscal legitimacy in public consent, though it slows rapid policy shifts.

United Kingdom

6.9 The National Audit Office conducts about dozens of value-for-money studies per year; its reports feed the Public Accounts Committee. The Office for Budget Responsibility (OBR), established 2010, independently forecasts and assesses whether fiscal rules are met. Past "one-in/three-out" regulatory-burden rules applied under earlier governments but have since evolved. The UK model shows how audit and forecasting independence can coexist with ministerial accountability, strengthening parliamentary oversight.

United States

6.10 The Congressional Budget Office (CBO) (created 1974) provides non-partisan costings and macro-fiscal projections to Congress. The Government Accountability Office (GAO)—with over 3,000 staff—audits programmes, manages the High-Risk List, and issues legal opinions on appropriations law. These opinions are administratively binding in practice though not equivalent to court judgments. Together, CBO and GAO represent a mature separation of analysis and oversight, giving Congress enduring leverage over the executive's fiscal conduct.