

Submission to the Finance and Expenditure Committee on the:

## Public Finance Amendment Bill

Submitted by the New Zealand Council of Trade Unions Te Kauae Kaimahi

7 July 2025

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This submission is made on behalf of the 32 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (NZCTU). With over 340,000 union members, the NZCTU is one of the largest democratic organisations in New Zealand.

The NZCTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (NZCTU), which represents approximately 60,000 Māori workers.

1. This submission comments on select aspects of the Public Finance Amendment Bill. The NZCTU thanks the Finance and Expenditure Committee for their consideration of the submission.

### **Wellbeing provisions**

2. The NZCTU opposes the removal of the wellbeing provisions from the Act. These were inserted in 2020 to make clear that the ultimate goal of fiscal policy is to support the wellbeing of New Zealanders. Fiscal policy can support wellbeing in numerous ways, including through counter-cyclical spending, social welfare transfers, progressive taxation, and targeted investments.
3. Fiscally responsibility – the prudent management of government’s revenue and expenditure – is, of course, an important component of supporting wellbeing over the long-term. However, fiscal responsibility is not the overarching goal of fiscal policy. It is simply one factor – albeit an important factor – among others that government needs to consider when making revenue and expenditure decisions.
4. The Public Finance Act 1989 arguably incentivises governments to focus excessively on achieving accounting targets associated with fiscal responsibility (for example, a desirable net-debt-to-GDP ratio), rather than to focus on achieving broader socio-economic outcomes that increase, or at least do not diminish, wellbeing. The NZCTU’s view is that the wellbeing provisions help to remind governments of this fact, and in doing so, to avoid focusing narrowly on metrics of fiscal responsibility. Repealing these provisions would be a step backwards.

### **Wellbeing report**

5. The NZCTU also opposes removing the requirement for the Treasury to publish a wellbeing report at least every 4 years. We view this report as an important complement to the very comprehensive fiscal reporting conducted by the Treasury. Specifically, it is a useful means of

periodically checking progress on what matters the most – the wellbeing of the people of New Zealand. This is important for informing government policy, alerting government to problem areas, and helping assess the trade-offs involved in fiscal policy (for example, the trade-off between delivering an operating surplus to reduce net debt or maintaining a debt-neutral operating deficit that enables greater investment in health or education or housing).

6. Although some of the data provided in the 2022 report (the only wellbeing report produced so far) is available through other government departments, there is real value in bringing this data together into a single comprehensive picture of wellbeing in New Zealand, and the Treasury is probably the government agency best positioned to do this.
7. If workload considerations are the main concern – as suggested in the regulatory impact statement – then we recommend that options are explored for how the report can be delivered within these constraints. Another option, of course, would be to increase the resource that is available to the Treasury to fulfil its legislative functions.

### **Alternative fiscal measures**

8. The NZCTU is not in principle opposed to enabling government to use “alternative fiscal variables”, provided the choice of variables is accompanied by sufficient explanation and do not undermine the transparency of the government’s accounts. Best practice in the selection of variables may change over time, and so it is appropriate that government has some flexibility here.
9. However, there is a risk that this clause will reduce the transparency of government’s accounts and introduce some confusion for the public. For example, the government’s adoption of OBEGALx in late-2024 has arguably made it more difficult for the public to assess whether the government is being consistent with its fiscal strategy over time.
10. There is also the risk that this clause will incentive governments to inappropriately and deliberately choose variables that serve to paint the Crown accounts in a better light than they should. This exact concern has been raised by some commentators in relation to the change from OBEGAL to OBEGALx. The switch to OBEGALx has allowed the government to claim, at HYEPU 24 and Budget 25, that it will return the Crown accounts to surplus at the end of the forecast period; by contrast OBEGAL remains in deficit for the entire forecast period. Regardless of how sincere the current government is in its decision to make this switch, it represents a “shifting of the goal posts”, and this can compromise the perceived integrity of

public reporting. We do not want to establish a situation in which this becomes common practice.

### **Tax expenditure statement**

11. The NZCTU supports making a tax expenditure statement a legislative requirement. The tax expenditure statement is currently produced on a voluntary basis by government. Information about foregone tax revenue is of high importance for fiscal transparency, and it is sensible to make this a mandatory reporting requirement. As outlined in the Treasury's regulatory impact statement, this eliminates the risk that tax expenditure statements could decline in quality over time or that production could stop.
12. We would also recommend that the tax expenditure statement assess how much potential revenue is being lost to avoidance or evasion by broad tax type. The settings on tax collection (including the resources open to IRD) are a policy setting, and different policy settings could lead to higher (or lower) tax collection levels. Therefore, they should be considered as much as individual tax decisions.

### **Specific fiscal risks**

13. The NZCTU supports the improvements this Bill makes to the transparency of the specific fiscal risks the Crown is exposed to. This is consistent with the overarching purpose of the PFA and will help to support better public understanding and parliamentary debate on fiscal policy.
14. However, quantifying these risks will potentially incentivise excessive fiscal conservatism. It is important that media and the public are supported to understand the true nature of these risks. The NZCTU therefore recommends the quantification of specific fiscal risks should always be accompanied by qualitative descriptions of the level of risk (i.e., the likelihood of this risk being realised).
15. We would go further than the current proposal suggests and seek that the Budget documentation assesses and makes publicly available the government's long-term liabilities for important areas of government expenditure (i.e., health, education, or housing). Assessment should also be provided of whether across a ten-year period sufficient funding is available to close those gaps, or whether these gaps are likely to grow.



### **PREFU timeline**

16. The NZCTU supports pushing the timeline for PREFU out by 5 working days. With advance voting now widely used, it is essential that voters have as much information as possible as early as possible in the lead up to elections.
17. As noted by the Treasury in the regulatory impact statement, this option strikes a good balance between providing the information to the public and political parties earlier, while ensuring that the latest available information is used in the forecasts.

### **HYEFU**

18. The NZCTU is opposed to the extension of the exemption period for a half-year economic and fiscal update in an election year. We recognise the difficulty that the Treasury may face in integrating a new government's policies into the forecasts. However, not publishing a HYEFU would leave quite a long gap – potentially from September to May – in which the public does not receive a comprehensive update from Treasury about the fiscal position and the trajectory of the New Zealand economy.
19. We recommend the Committee considers other options, such as the potential for a shorter update to be provided by Treasury. This we believe, would strike a better balance between addressing the concerns of the Treasury and ensuring the public is provided with important information.
20. One of the key purposes of the EFU schedule is to enable informed public and parliamentary debate on the government's accounts and the fiscal and economic trajectory. Decisions around EFU release schedules and socialisation should be made with this purpose front of mind.

### **For further information, please contact**

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