



THE TREASURY

Kaitohutohu Kaupapa Rawa

22 December 2008

Mr Dean Yates
Deputy Secretary, Financial Reform
Department of Treasury and Finance
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Melbourne
Victoria 3001
AUSTRALIA



Dear Mr Yates

Thank you for your letter of 31 October 2008 enclosing the discussion paper *Public Finance in Victoria: Practices and Legislation* and inviting me to submit comments on the range of reform options presented in the discussion paper. Your letter and discussion paper reached me on the eve of New Zealand's 8 November general election, which as you know resulted in a change of government. That has kept all of us in the New Zealand Treasury very busy ever since and, as a consequence, I am not providing responses to the various questions the discussion paper poses.

There are, however, two aspects of the discussion paper on which I would like to comment. The first is the proposal to have a greater focus on outcomes. As the discussion paper notes, this is consistent with our thinking and approach in New Zealand but should not be at the expense of performance information about outputs if effective accountability is to be achieved. I therefore support the suggestion on page 9 of the discussion paper to embed "the use of outputs and outcomes performance information more deeply in the strategic allocation of government resources" and the proposal on page 16 that "departments would continue to report output performance in the budget papers, with an additional requirement to report on their performance against strategic goals, that is, their contribution to the government's desired outcomes".

The second aspect on which I would like to comment is the relationship between the suggestions the discussion paper makes about appropriation, and the accountability of individual Ministers to Parliament for their portfolios. It seems to me that the suggestion on page 16 that Parliament authorise specific dollar amounts against each desired outcome, with the Treasurer then being responsible, on behalf of the government, "to purchase the outputs necessary to achieve the outcomes" could have the possibly unintended consequence of the Treasurer, rather than the relevant portfolio Minister, being answerable to Parliament for the detail of every aspect of government expenditure.

I wish you well for the remaining stages of your comprehensive review of Victoria's public finance legislation and practices.

With season's greetings and all the best for 2009.

Yours sincerely

John Whitehead
Secretary to the Treasury

