



## Public Finance (Fiscal Responsibility) Amendment Bill Finance and Expenditure Committee

### The Salvation Army New Zealand, Fiji and Tonga Territory Submission

#### 1. BACKGROUND

- 1.1 The Salvation Army is an international Christian and social services organisation that has worked in New Zealand for one hundred and thirty years. The Army provides a wide-range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or who have been forgotten and marginalised by mainstream society.
- 1.2 We have over 90 community ministry centres and churches (corps) across the nation, serving local families and communities. We are passionately committed to our communities as we aim to fulfil our mission of caring for people, transforming lives and reforming society, by God's power.<sup>1</sup>
- 1.3 This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. This Unit works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand.
- 1.4 This submission has been approved by Commissioner Donald Bell, the Territorial Commander of The Salvation Army New Zealand, Fiji and Tonga Territory.

#### 2. THE SALVATION ARMY PERSPECTIVE

- 2.1 We contend that fiscal prudence and responsible financial management are important principles and practices essential to guiding the Government's fiscal policy. We do not dispute that that responsible financial management is necessary for any government, particularly during challenging economic times.

Therefore we are generally in support of this Bill.

- 2.2 However, our contention is also that governments still need to exercise fiscal leadership which might sometimes involve brave fiscal decisions even in these tough fiscal times.

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<sup>1</sup> <http://www.salvationarmy.org.nz/our-community/mission/>

- 2.2.1 For example, Clause 4 codifies three new principles for responsible fiscal management. We point to Clause 4(g) that states the Government must formulate fiscal strategy 'with regard to its likely impact on present and future generations.'
- 2.2.2 We have previously stated our concerns around rising youth unemployment and the fact that more and more people are working beyond retirement age. We estimate that there are over 50,000 fewer 15-19 year olds working since 2007/08. Conversely, there are close to 50,000 people still in work who are now working past the retirement age.
- 2.2.3 We have submitted before that we are opposed to the Minimum Wage (Starting-Out Wage) Bill and other contentious reforms to the welfare system.
- 2.2.4 These issues around youth unemployment, unemployment in general, and the stagnation of New Zealand's job market will have major impacts on our nation both now and into the future. We call on the current Government and successive governments to exercise more hands-on leadership and truly push to address the drivers of these issues and develop more effective policy solutions.
- 2.2.5 This call to greater leadership is not just about spending more money in these areas. It involves innovative thinking, brave decision-making, and a possible re-organising of our fiscal priorities. It also involves our politicians getting 'stuck in' to these social and economic issues and not deferring to petty politics or passing blame to local councils. We believe our politicians are capable of this.

### 3. RESPONSES TO SPECIFIC AMENDMENTS TO LEGISLATION

- 3.1 We are **generally supportive** of the three new principles of responsible fiscal management set out in clause 4 of the Bill.
- 3.2 We support clauses 5 and 6 of the Bill that calls for a fiscal strategy report from the Government. We want clarity as to how this fiscal strategy report would differ from the Budget Policy Statements or other fiscal or monetary reports that government departments produce.
- 3.3 We support clause 7 of the Bill. We believe it is vital that any changes to the Crown's budget allocations in the annual budget policy statement are recorded and made clear to the New Zealand public. We hope that these kinds of measures will encourage the public to hold the Government accountable to their fiscal priorities as set out in their fiscal strategy report.
- 3.4 We acknowledge some of the key considerations The Treasury discussed in their Regulatory Impact Statement.

3.4.1 We particularly note The Treasury's call for an Independent Fiscal Council to help improve the public awareness and debate over fiscal issues. The European Commission and the OECD have in recent years attempted to research and gather these fiscal councils or institutions into an international network. Benefits of an independent fiscal council that is funded by, but independent of government, include improving national fiscal policy and providing assessments and analysis of fiscal policy. We submit that this proposal could be investigated further by the Government, particularly to define the important differences an independent council could provide as opposed to the Treasury. We applaud any effective initiatives that seek to heighten the public's knowledge and awareness of fiscal issues. But we are not in favour of creating another level of bureaucracy in central government or borrowing policy from overseas without thorough analysis.

3.4.2 We also note The Treasury's conclusion that the true effectiveness of this Bill will depend on the extent future New Zealand governments adhere to these principles. This is the crux of this Bill. The principles in these provisions are robust but will amount to empty words if governments do not follow them in developing our national fiscal policy. We call on the Government to consistently apply the principles of this Bill in their policy development and delivery. Only governments themselves can truly keep themselves accountable to these principles.

#### 4. CONCLUSION

We support the principles of this Bill, particularly the intergenerational focus of this Bill. The Salvation Army works towards long term and sustainable social reform and so we believe an intergenerational focus is crucial in ensuring positive change for all New Zealanders. We also support the greater transparency of fiscal policy development that this Bill offers. But we echo the concerns of The Treasury, that these principles will be empty words if governments do not consistently apply them in their financial management.

We continue to exhort our leaders to brave and effective leadership in their fiscal management strategies, but also in other crucial areas such as youth unemployment, housing and welfare and tax reform in New Zealand.

Thank you for the opportunity to respond to this Bill.

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